
METROPOLITAN HOLDINGS LIMITED
CIRCULAR TO SHAREHOLDERS

**THE PROPOSED SECOND PHASE OF THE BLACK ECONOMIC EMPOWERMENT
TRANSACTION WITH
KAGISO TRUST INVESTMENTS (PROPRIETARY) LIMITED**

AND

THE METROPOLITAN EMPOWERMENT TRUST

5 SEPTEMBER 2005

METROPOLITAN
HOLDINGS LIMITED 

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Action Required

1. If you are in any doubt as to the action you should take in relation to this circular, please consult your Central Securities Depository Participant ("CSDP"), stockbroker, banker, accountant, legal adviser or other professional adviser immediately.
2. If you have disposed of all your shares in Metropolitan Holdings Limited ("Metropolitan"), please forward this circular to the stockbroker, banker or agent through whom you disposed of such shares.
3. If you are the registered holder of certificated Metropolitan shares or you hold dematerialised Metropolitan shares and have recorded your shareholding in your own name in the sub-register maintained by your CSDP, and if you are unable to attend the general meeting of shareholders of Metropolitan to be held at 11:00 on Wednesday, 5 October 2005 in the Auditorium, 7 Parc du Cap, Mispel Road, Bellville, Cape Town and wish to be represented at the general meeting, you must complete and return the attached form of proxy (blue) in accordance with the instructions contained therein so as to be received by the transfer secretaries, Ultra Registrars (Proprietary) Limited (in South Africa) or Transfer Secretaries (Proprietary) Limited (in Namibia), by no later than 11:00 on Monday, 3 October 2005.
4. Shareholders who have dematerialised their Metropolitan shares (other than those shareholders whose shareholding is recorded in their own name in the sub-register maintained by their CSDP) must provide their CSDP or broker with their voting instructions for the general meeting in terms of the custody agreement entered into between the dematerialised shareholder and the CSDP or broker. If, however, such shareholders wish to attend the general meeting in person, they will need to request their CSDP or broker to provide them with the necessary authority to attend and vote at the general meeting.



METROPOLITAN HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2000/031756/06)

JSE Share Code: MET

NSX Share Code: MTD

ISIN: ZAE00050456

("Metropolitan" or "the Company")

Circular to shareholders

regarding:

- the increase in the authorised share capital of Metropolitan by the creation of 12 700 000 variable rate cumulative convertible redeemable "A2" preference shares of 0,0001 cent each
- the allotment and issue of 12 700 000 "A2" preference shares in terms of a specific issue of shares for cash;
- the increase in the authorised share capital of Metropolitan by the creation of 35 000 000 variable rate cumulative convertible redeemable "A3" preference shares of 0,0001 cent each;
- the allotment and issue of 35 000 000 "A3" preference shares in terms of a specific issue of shares for cash;
- the amendment of Metropolitan's memorandum and articles of association;

and incorporating:

- a notice of general meeting of shareholders; and
- a form of proxy.

Attorney to Metropolitan and transaction attorney



Independent expert to Metropolitan



Financial adviser to Metropolitan and arranger



Reporting accountant to Metropolitan



Sponsor to Metropolitan in South Africa

Merrill Lynch South Africa (Pty) Ltd

Sponsor to Metropolitan in Namibia

Simonis Storm Securities (Pty) Ltd

Attorneys to KTI

Webber Wentzel Bowers

Lead banker

Rand Merchant Bank

Financial adviser to Metropolitan management

Ernst & Young

Attorneys to Metropolitan management

Quanta Incorporated

Date of issue: 5 September 2005

Additional English copies of this circular may be obtained from the registered offices of Metropolitan and the offices of the transfer secretaries, the addresses of which are set out in the "Corporate Information" section of this circular

CORPORATE INFORMATION

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Attorneys

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Sponsor in South Africa

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(Registration number 1995/001805/07)
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Transfer secretaries in South Africa

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Sponsor in Namibia

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Transfer secretaries in Namibia

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Independent expert

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(Member of the Merrill Lynch group)
(Registered Sponsor and Member of the JSE
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(Registration number 1995/001805/07)
138 West Street
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Sandton, 2196
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KAGISO TRUST INVESTMENTS (PROPRIETARY) LIMITED

Registered Office

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Attorneys

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Lead banker

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2196

METROPOLITAN EMPOWERMENT TRUST

Financial adviser

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IMPORTANT DATES AND TIMES

2005

Announcement of the volume weighted average trading price for the issue of the "A2" Met prefs	Wednesday, 28 September
Forms of proxy for the general meeting of shareholders to be received by the transfer secretaries by 11:00 on	Monday, 3 October
General meeting of shareholders to be held at 11:00 on	Wednesday, 5 October
Results of the general meeting announcement published on SENS on	Wednesday, 5 October
Results of the general meeting announcement published in the South African and Namibian press on	Thursday, 6 October
Expected date of issue of the unlisted "A2" Met prefs and "A3" Met prefs	Friday, 14 October

Notes:

1. The above dates and times are subject to change. Any changes will be published in the South African and Namibian press and released on the Securities Exchange News Service (SENS).

DEFINITIONS

In this circular and the documents attached to it, unless otherwise stated or the context otherwise requires, reference to the singular includes the plural and vice versa, words denoting one gender include the other, words denoting natural persons include legal persons and associations of persons and vice versa and the words in the first column shall have the meaning stated opposite them in the second column:

"A1" Met prefs	the 75 842 650 variable rate cumulative convertible redeemable "A1" preference shares in the share capital of Metropolitan with a par value of 0,0001 cent and a premium of R6,119999 each issued by Metropolitan to the SPV on 1 October 2004;
"A2" Met prefs	the 12 700 000 variable rate cumulative convertible redeemable "A2" preference shares in the share capital of Metropolitan with a par value of 0,0001 cent to be issued by Metropolitan to the SPV at the "A2" Met pref issue price;
"A2" Met pref issue price	an amount per "A2" Met pref equal to the volume weighted average trading price per Met ord on the JSE over the five (5) trading days commencing on 21 September 2005 and ending 27 September 2005, limited to a total maximum subscription price of R159 000 000;
"A2" SPV prefs	the variable rate cumulative redeemable "A2" preference shares in the share capital of the SPV with a par value of R1,00 each;
"A3" Met prefs	the 35 000 000 variable rate cumulative convertible redeemable "A3" preference shares in the share capital of Metropolitan with a par value of 0,0001 cent to be issued by Metropolitan to the SPV at the "A3" Met pref issue price;
"A3" Met pref issue price	R10.00 per "A3" Met pref;
"A3" SPV prefs	the variable rate cumulative redeemable "A3" preference shares in the share capital of the SPV with a par value of R1.00 each;
"Absa"	Absa Bank Limited (Registration number 1986/004794/06), acting through its Absa Corporate and Merchant Bank Division;
"articles of association"	the articles of association of Metropolitan, as amended or supplemented from time to time;
"bank consortium"	a consortium of banks, comprising Absa, RMB and Nedbank;
"BEE"	black economic empowerment;
"board"	the board of directors of Metropolitan, as constituted from time to time;
"certificated shareholders"	shareholders who have not dematerialised their Metropolitan shares;
"certificated shares"	shares which are evidenced by a certificate and which have not yet been surrendered for dematerialisation;
"Charter"	the Financial Sector Charter adopted by various stakeholders in the financial services industry in 2003;

"Companies Act"	the Companies Act, 1973 (Act 61 of 1973), as amended;
"CSDP"	a Central Securities Depository Participant registered in terms of the Custody and Administration of Securities Act, 1992 (Act 85 of 1992), as amended;
"custody agreement"	the custody mandate agreement between a dematerialised shareholder and a CSDP covering their relationship in respect of dematerialised shares held by the CSDP;
"dematerialised shareholders"	shareholders who have dematerialised their Metropolitan shares;
"dematerialised" or "dematerialisation"	the process by which certificated shares are converted into electronic form under the STRATE system with a CSDP;
"dematerialised shares"	shares which are by virtue of section 91A of the Companies Act transferable without a written instrument and are not evidenced by a certificate;
"directors"	the directors of Metropolitan detailed in paragraph 6 of Part II of this circular;
"excluded parties"	the Metropolitan Staff Share Purchase Trust, the Metropolitan Share Incentive Trust, the SPV and its associates;
"further equity stake"	collectively the "A2" Met prefs and the "A3" Met prefs which in aggregate shall constitute 6.1% of the total issued share capital of Metropolitan immediately after such preference shares are issued;
"finance consortium"	a consortium consisting of RMB and SCM;
"financial ratios"	collectively the following financial ratios: <ol style="list-style-type: none"> 1. dividend per Met ord; 2. value of new business; and 3. fully diluted core headline earnings per Met ord; as defined in Metropolitan's annual financial statements from time to time;
"general meeting"	the general meeting of shareholders to be held at 11:00 on Wednesday, 5 October 2005 in the Auditorium, 7 Parc du Cap, Mispel Road, Bellville, Cape Town, to consider the resolutions required to implement the transaction;
"issue date"	the date of issue of the "A2" Met prefs and "A3" Met prefs, which is expected to be 14 October 2005;
"JSE"	JSE Limited, a company duly registered and incorporated with limited liability under the company laws of the Republic of South Africa under Registration number 2005/022930/06, licensed as an exchange under the Securities Services Act, 2004;
"KTI"	Kagiso Trust Investments (Proprietary) Limited (Registration number 1993/007845/07);
"last practicable date"	the last practicable date prior to finalising the circular, being 26 August 2005;

"Listings Requirements"	the Listings Requirements of the JSE, as amended from time to time;
"Met prefs"	collectively the "A1" Met prefs, the "A2" Met prefs and the "A3" Met prefs;
"Metropolitan" or "the Company"	Metropolitan Holdings Limited (Registration number 2000/031756/06), a public company whose ordinary shares are listed on the JSE and NSX;
"Metropolitan Empowerment Trust"	the Metropolitan Empowerment Trust to be established as the vehicle for the participants to hold an indirect interest in Metropolitan, on fulfilment of the conditions precedent to the transaction;
"Metropolitan group"	Metropolitan, its subsidiaries and associate companies;
"Metropolitan shares" or "Met ords"	ordinary shares having a par value of 0.0001 cent each in the authorised and issued share capital of Metropolitan, specifically including, without limitation, dematerialised shares;
"MLSA"	Merrill Lynch South Africa (Proprietary) Limited;
"Nedbank"	Nedbank Limited (Registration number 1951/000009/06), acting through its Capital Division;
"Newco"	Off the Shelf Investments 109 (Proprietary) Limited (Registration number 2004/013168/07), a subsidiary of KTI;
"NSX"	the Namibian Stock Exchange;
"participant"	the participants who will be offered a beneficial interest in the Metropolitan Empowerment Trust who will be limited to South African permanent employees of the Metropolitan group occupying the job grades 1 to 7;
"Registrar of Companies"	the Registrar of Companies as defined in the Companies Act;
"relationship agreement"	the agreement concluded on 10 June 2004 between Metropolitan, KTI, Newco and the SPV providing for the transaction and detailing their future relationship, as amended;
"resolutions"	the special and ordinary resolutions contained in the notice of general meeting;
"RMB"	FirstRand Bank Limited (Registration number 1929/001225/06), acting through its Rand Merchant Bank Division;
"SCM"	Sanlam Capital Markets Limited (Registration number 1996/004744/06), a wholly owned subsidiary of Genbel Securities Limited;
"SENS"	the Securities Exchange News Service of the JSE;
"shareholders"	certificated and dematerialised holders of Metropolitan shares and Met prefs;
"South Africa"	the Republic of South Africa;
"SPV"	Off the Shelf Investments 108 (Proprietary) Limited (Registration number 2004/013271/07), a wholly owned subsidiary of Newco;

"STRATE"	The electronic custody and settlement system used by the JSE and operated by STRATE Limited (Registration number 1998/022242/06), a public company incorporated in South Africa which is a registered central securities depository;
"10% threshold"	10% (on a fully diluted basis and excluding the treasury shares) of the aggregate number of the Met prefs and Met ords in issue on the issue date;
"transaction"	the proposed BEE transaction described in Part I of this circular pursuant to which the SPV will acquire the further equity stake;
"transfer secretaries"	Ultra Registrars (Proprietary) Limited (Registration number 2000/007239/07) (in South Africa) and Transfer Secretaries (Proprietary) Limited (Registration number 93/713) (in Namibia); and,
"treasury shares"	Met ords held from time to time by subsidiaries of Metropolitan on behalf of shareholders.

METROPOLITAN HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2000/031756/06)
JSE Share Code: MET
NSX Share Code: MTD
ISIN: ZAE000050456

Board of directors

Non-executive directors:

Eric Molobi (Chairman)
Zuzi Buthelezi
Willie Esterhuyse
Fatima Jakoet
Peter Lamprecht
Sindi Mabaso
Syd Muller
Bulelwa Ndamase
John Newbury
JJ Njike
Marius Smith
Franklin Sonn
Johan van Reenen
Andile Sangqu (alternate)

Executive directors:

Peter Doyle (Group Chief Executive)
Abel Sithole
Preston Speckmann (Group Finance Director)

Group secretary

Bongiwe Gobodo-Mbomvu

CIRCULAR TO SHAREHOLDERS

PART I - The proposed BEE transaction with KTI and the Metropolitan Empowerment Trust

1. INTRODUCTION

On 1 October 2004 Metropolitan implemented the first phase of its broad-based ownership strategy in terms of which KTI acquired 10.25% of the issued share capital of Metropolitan. At that stage both parties announced that it was their intention to increase this shareholding within a reasonable period and to include members of Metropolitan's senior management in the structure. In fulfilment of these objectives Metropolitan has concluded further agreements with KTI and KTI with the Metropolitan Empowerment Trust respectively in terms of which:

- (1) the SPV will increase its current equity holding in Metropolitan; and
- (2) the Metropolitan Empowerment Trust will acquire an equity holding of 25% in Newco on behalf of members of Metropolitan management. Approximately 70% of the beneficial interest of the Metropolitan Empowerment Trust will accrue to black employees.

The purpose of Part I of the circular is to provide shareholders with details of the terms and conditions of the transaction and the amendments to the articles of association required to implement the transaction.

2. KAGISO TRUST AND KTI

The Kagiso Trust is a broad-based charitable organisation set up by the SA Council of Churches in the mid 1980s. It was established to provide assistance to underprivileged communities, with a focus on education, healthcare and general poverty alleviation. KTI was formed in December 1993 by the Kagiso Trust as a vehicle to generate sustainable, long-term financial support to the Kagiso Trust for the purpose of community development and to achieve true economic empowerment through active, operational involvement in underlying strategic investments, good financial management and corporate governance.

The ultimate beneficiaries of the Kagiso Trust are the projects and communities that it supports. The Kagiso Trust is generally recognised as one of South Africa's leading broad-based BEE groups.

KTI provides strategic and operational support to its partners. It adopts a proactive approach to investments, with a strong emphasis on business development and strategic positioning.

3. THE METROPOLITAN EMPOWERMENT TRUST

The Metropolitan Empowerment Trust will be established on fulfilment of the suspensive conditions to the transaction to provide the participants with the opportunity of acquiring a meaningful equity stake in Metropolitan. Each participant will be required to place a proportion of their own capital at risk in order to acquire a benefit under the terms of the Metropolitan Empowerment Trust.

4. RATIONALE FOR THE TRANSACTION

As mentioned in the circular to shareholders of 6 August 2004, the initial phase of Metropolitan's broad-based ownership strategy was a first step in addressing the issue of direct and strategic ownership of the group. Metropolitan now wishes to conclude its commitment to the implementation of broad-based black economic empowerment by, *inter alia*, affording KTI the opportunity increasing its equity stake in Metropolitan. Similarly KTI, as Metropolitan's strategic partner, wishes to align its interests with those of Metropolitan's management and has therefore offered the latter the collective opportunity to invest directly into their existing structure and thereby to acquire an indirect interest in Metropolitan.

Metropolitan's broad-based ownership strategy is being implemented in two phases in order to comply with good corporate governance and to reduce the overall economic cost to shareholders. In addition, to avoid any perceived conflict of interest, an independent sub-committee of the board has been established to review the transaction, and the full board, excluding conflicted directors, has recommended the transaction.

KTI has proven to be a very good and effective partner to Metropolitan over the past year and Metropolitan has received a number of benefits from this association.

Metropolitan recognises that management participation in BEE ownership initiatives is an effective way of achieving broad-based BEE while at the same time securing the retention and recruitment of key black employees. Approximately 70% of the beneficial interest of the Metropolitan Empowerment Trust will accrue to black employees. Following the successful implementation of the transaction, the Metropolitan Empowerment Trust will have an indirect interest of 4.3% in Metropolitan while KTI's interest will increase to 13.0%.

5. SALIENT TERMS OF THE TRANSACTION

5.1 Transaction structure

KTI acquired a 10.25% equity stake in Metropolitan on 1 October 2004 through the SPV. The SPV is a wholly owned subsidiary of Newco, which in turn is a wholly owned subsidiary of KTI.

On 1 July 2005, KTI, through the SPV, acquired 12 700 000 Met ords independently through the market, increasing their shareholding to 11.97%. This acquisition was financed by third parties.

It is proposed that the SPV will issue two further classes of preference shares, namely the "A2" SPV prefs and the "A3" SPV prefs. The "A2" SPV prefs will each be issued to the bank consortium at an issue price of R10 000, limited to a maximum subscription price of R159 000 000. The "A3" SPV prefs will be issued to the finance consortium for an aggregate consideration of R350 000 000.

The SPV will utilise the proceeds of the subscription received for the "A2" SPV prefs and the "A3" SPV prefs to subscribe in turn for two further classes of preference shares to be issued by Metropolitan, namely the "A2" Met prefs and the "A3" Met prefs. This will increase the SPV's shareholding in Metropolitan to 17.3%.

5.2 The salient terms of the "A2" Met prefs

5.2.1 Type

The "A2" Met prefs are variable rate cumulative convertible redeemable preference shares. Although these shares will not be listed on the JSE, application will be made to the JSE for listing of the Met ords resulting from the conversion of the "A2" Met prefs in accordance with their terms.

5.2.2 Issue price

The issue price per "A2" Met pref will be equal to the volume weighted average trading price per Met ord on the JSE over the five (5) trading days commencing on 21 September 2005 and ending on 27 September 2005, limited to a total maximum subscription price of R159 000 000.

5.2.3 Duration

The "A2" Met prefs are, subject to the consent of the bank consortium, convertible into Met ords on a one for one basis from three years and one day after the issue date and then, if not converted, compulsorily redeemable at the issue price on 30 September 2009. The "A2" Met prefs will become redeemable on the occurrence of certain redemption events. The "A2" Met prefs once issued will constitute 1.6% of Metropolitan's issued share capital.

5.2.4 Redemption Events

The "A2" Met prefs shall become redeemable on the failure of the Company to declare preference dividends or on certain events of insolvency of the Company.

5.2.5 Voting

Although the "A2" Met prefs will not be listed, they will carry voting rights pari passu with the Met ords. A dispensation in permitting such voting rights has been granted by the JSE subject to the conditions detailed in paragraph 9 of Part I of the circular.

5.2.6 Dividends

The dividend rate per annum payable by Metropolitan on the "A2" Met prefs will be the greater of the following:

- 5.2.6.1 the dividend per Met ord declared and paid in the corresponding period; or
- 5.2.6.2 an annual rate of 2.5% calculated on the "A2" Met pref issue price.

The dividends will be paid semi-annually in arrears on 30 September and 31 March each year.

5.2.7 **Additional distributions**

A reduction of capital, including a share repurchase applicable to all shareholders, will result in a corresponding reduction of "A2" Met pref capital.

The full terms and conditions attaching to the "A2" Met Prefs are set out in Special Resolution No. 2 in the notice of general meeting attached to this circular.

5.3 **The salient terms of the "A3" Met prefs**

5.3.1 **Type**

The "A3" Met prefs are variable rate cumulative convertible redeemable preference shares. Although these shares will not be listed on the JSE, application will be made to the JSE for listing of the Met ords resulting from the conversion of the "A3" Met prefs in accordance with their terms.

5.3.2 **Issue price**

The "A3" Met prefs will be issued at R10.00 per "A3" Met pref, which price is based on a volume weighted average trading price of Met ords on the date of agreement, being 22 June 2005.

5.3.3 **Duration**

The "A3" Met prefs are, subject to the consent of the finance consortium, convertible into Met ords on a one for one basis from three years and one day after the issue date and then, if not converted, compulsorily redeemable at the issue price on the fifth anniversary of the issue date. The "A3" Met prefs will become redeemable on the occurrence of certain redemption events. The "A3" Met prefs once issued will constitute 4.5% of Metropolitan's issued share capital.

5.3.4 **Redemption Events**

The "A3" Met prefs shall become redeemable on the failure of the Company to declare preference dividends or on certain events of insolvency of the Company.

5.3.5 **Voting**

Although the "A3" Met prefs will not be listed, they will carry voting rights pari passu with the Met ords. A dispensation in permitting such voting rights has been granted by the JSE subject to the conditions detailed in paragraph 9 of Part I of the circular.

5.3.6 **Dividends**

The dividend rate per annum payable by Metropolitan on the "A3" Met prefs will be the sum of the following:

- 72% of the prime rate as charged by First National Bank, a division of FirstRand Bank Limited;
- an initial margin of 0.5%;
- an out-performance quantitative margin calculated semi-annually, based on the average of the growth in the financial ratios achieved by Metropolitan in excess of 9%. The out-

performance margins range between 0.5% and 1.655% and will be paid on the dividend date following the period in which the growth in the financial ratios is achieved, and thereafter semi-annually until redemption of the "A3" Met prefs.

The dividends will be paid semi-annually in arrears on 30 September and 31 March each year.

5.3.7 **Additional distributions**

A reduction of capital, including a share repurchase applicable to all shareholders, will result in a corresponding reduction of "A3" Met pref capital.

The full terms and conditions of the "A3" Met Prefs are set out in Special Resolution No. 2 in the notice of general meeting attached to this circular.

6. **AMENDMENT OF RELATIONSHIP AGREEMENT**

Metropolitan, KTI, Newco and the SPV concluded a relationship agreement on 10 June 2004 to regulate the first phase of their broad-based empowerment transaction. To ensure that the principles of this agreement also apply to the issue of the "A2" Met prefs and the "A3" Met prefs they have amended and restated the relationship agreement to make provision for the introduction of the Metropolitan Empowerment Trust as a shareholder of Newco. The salient terms of this agreement are as follows:

6.1 **Exclusivity undertakings by KTI**

KTI has undertaken that it will, for as long as it is a shareholder, directly or indirectly, in more than 2,5% of Metropolitan's issued share capital (measured by reference to the number of Met ords and Met prefs in issue on the issue date):

- not conclude or participate in any transaction with a business competing with Metropolitan, if it would acquire, directly or indirectly, an interest in such business that exceeds 2,5% of the value of such business;
- not carry on or be interested or engaged, directly or indirectly, in any business that competes with Metropolitan;
- procure that no executives of KTI or its subsidiaries will be represented on the board or be involved in the management of a business competing with Metropolitan;

without Metropolitan's prior written consent.

This provision will not prohibit KTI or any of its subsidiaries from carrying on any business that was already conducted by them on 1 October 2004 or prevent any company in which KTI has an indirect interest but which is not controlled by KTI or its subsidiaries from expanding its existing business.

6.2 **Restriction on disposal of shares**

The SPV will not at any stage be entitled to dispose of any Met prefs. Prior to 1 October 2009, the SPV will be entitled to dispose of any Met ords into which any Met prefs may have been converted and KTI and Newco will be entitled to dispose of their respective shareholdings in Newco or the SPV only if:

- after such disposal KTI's effective beneficial shareholding in Metropolitan does not fall below the 10% threshold;
- the proceeds are either deposited with the banking consortium or utilised to redeem the SPV prefs; and
- Metropolitan's written consent to such disposal is obtained.

From 1 October 2009 until 1 October 2014, KTI, Newco and the SPV will be entitled, without the consent of Metropolitan, to sell the aforesaid shares to the extent that after such sale KTI's effective beneficial shareholding in Metropolitan does not fall below the 10% threshold. Any sale of Met ords in excess of the number which they are entitled to sell may only take place with the prior written consent of Metropolitan.

After 1 October 2014, KTI, Newco and the SPV will be freely entitled to sell any or all of such shares held by them.

In all cases, KTI, Newco and the SPV will only be entitled to sell such shares if they have first offered the shares to Metropolitan or its nominee in accordance with the pre-emptive provisions in the agreement.

6.3 BEE and the Charter

The amended and restated relationship agreement also retains the warranties by KTI that, as at 1 October 2004 and until 1 October 2014:

- it was and will remain a black company as defined in the Charter;
- the Kagiso Trust is a shareholder of KTI and will hold not less than 25% of the issued shares of KTI; and
- the Kagiso Trust is a broad based BEE group.

6.4 Appointment of Metropolitan directors

As part of the first phase of the empowerment transaction, KTI was entitled to nominate two persons for appointment as directors of Metropolitan, subject to the articles of association of Metropolitan. Eric Molobi and JJ Njeke were appointed as directors with effect from 1 July 2004, with Andile Sangqu as an alternate director to Eric Molobi. Eric Molobi has subsequently been elected as the Chairman of Metropolitan.

If KTI's effective shareholding exceeds 15% of Metropolitan's total issued share capital, it has the right to nominate an additional person as a director of Metropolitan.

7. THE ACQUISITION BY THE METROPOLITAN EMPOWERMENT TRUST OF 25% OF NEWCO

7.1 Introduction

As mentioned in 4 above, the parties to the transaction wish to demonstrate their commitment to the implementation of broad-based black economic empowerment by affording Metropolitan's black management the opportunity of indirectly acquiring ownership in Metropolitan through a trust. To this end, the Metropolitan Empowerment Trust will be established, approximately 70% of the beneficial interest in which will accrue to black management.

The Metropolitan Empowerment Trust will subscribe for Newco shares over a two year period at a cost of R10 000 000, and thereby acquire 25% of the issued share capital of Newco. The funding for the Metropolitan Empowerment Trust will be raised independently by the participants. Once this has been implemented, the Metropolitan Empowerment Trust will hold an indirect shareholding in Metropolitan of 4.4%.

It is expected that the proportion of Met prefs that are indirectly held by the Metropolitan Empowerment Trust will qualify for ownership points in terms of the Charter.

Newco's board of directors shall comprise four directors, three of whom shall be nominated by KTI and one by the Metropolitan Empowerment Trust. The presence of two directors will be required for a quorum of the board of directors of Newco.

7.2 Eligibility to participate

Participants will be limited to South African permanent employees of the Metropolitan group occupying job grades 1 to 7.

7.3 Allocation of participatory interests

Eligible participants will be entitled to acquire a participatory interest in the Metropolitan Empowerment Trust in the form of participatory units. The participation units will be offered to the participants based on their job grade and subject to the condition that 70% of the benefits of such units must accrue to black participants. A portion of the participation units will be reserved for new appointments or existing employees who are promoted within the next two years.

7.4 Vesting and release of participation units

The participation units will vest in the participants in the following manner:

- 7.4.1 40% of the participation units will vest after two (2) years from the inception of the Metropolitan Empowerment Trust and 20% for each completed year thereafter;
- 7.4.2 participation units will be forfeited in the event that a participant terminates his or her employment with Metropolitan prior to vesting.
- 7.4.3 Participants shall not be entitled to the release of the participation units prior to 1 October 2010.

7.5 Administration of trust and appointment of trustees

The Metropolitan Empowerment Trust will be administered by two (2) independent trustees, one elected by the participants and one elected by KT1.

8. SUSPENSIVE CONDITIONS

The transaction is subject to the passing of all necessary resolutions by the requisite majority of shareholders at the general meeting and the registration thereof by the Registrar of Companies where applicable, by 14 October 2005.

9. JSE CONDITIONS

The JSE does not ordinarily allow the creation of unlisted securities with voting and other rights attached thereto, but in the interest of BEE, it has agreed to the creation, allotment and issue of the "A2" Met prefs and the "A3" Met prefs, subject to the following conditions:

- 9.1 The articles of association of Metropolitan be amended to reflect:
 - 9.1.1 the terms governing such Met prefs;
 - 9.1.2 that any issue of Met prefs is subject to the provisions of the Listings Requirements;
 - 9.1.3 that no further Met prefs may be issued without the approval of the JSE and shareholders;
 - 9.1.4 that the holder of the Met prefs may not veto any resolution that would otherwise have been passed by the holders of Met ords together with the holder of the Met prefs; and
 - 9.1.5 that notwithstanding any article pertaining to general meetings of ordinary and/or preference shareholders, the votes cast by each holder will rank equally;
- 9.2 The full terms governing the "A2" and "A3" Met prefs are set out in the notice of the general meeting;
- 9.3 The Met prefs may not be taken into account by Metropolitan in categorising transactions contemplated in Section 9 of the Listings Requirements but the votes attaching to the Met prefs may be cast at a shareholder meeting of Metropolitan convened to consider such transaction;

- 9.4 Metropolitan will provide periodic updates to its shareholders on an interim and annual basis regarding the status of the transaction; and
- 9.5 The Met prefs must be held in escrow with Metropolitan's attorneys, and shall only be entitled to vote for so long as they are held by the SPV and the SPV is BEE controlled.

10. AMENDMENT OF THE ARTICLES OF ASSOCIATION

The articles of association will be amended to accommodate the terms governing the "A2" Met prefs and the "A3" Met prefs and to rename the Metropolitan preference shares issued to the SPV on 1 October 2004 as "A1" Met prefs. The proposed amendments to the articles of association are set out in the notice of the general meeting contained in this circular.

PART II - General information relating to the transaction

1. NATURE OF BUSINESS OF METROPOLITAN

Metropolitan is a long-term financial services group based in South Africa, with operations in southern and east Africa. The group was founded in 1898 and has been listed on the JSE since 1986.

Metropolitan offers a comprehensive product range consisting of life assurance, employee benefits, medical aid scheme administration, unit trusts and asset management.

Metropolitan is divided into four different businesses, namely, Corporate, Retail, International and Health; the relative contribution of each business to Metropolitan is as follows:

2004 Financial Year Overview

Business	Net Inflow	Investment Assets	Embedded Value	Core Headline Earnings
	Rbn	Rbn	Rbn	Rm
Corporate	0.3	12.6	0.7	107
Retail	1.4	22.5	2.1	263
International	0.4	3.1	0.3	52
Health	-	0.3	0.4	46
Shareholder assets	-	5.6	5.6	86
Total	2.1	44.1	9.1	554

2. PROSPECTS FOR THE BUSINESS OF METROPOLITAN

Metropolitan continues to be committed to focussing on boosting new business volumes, containing costs and improving the quality of new business written in order to profitably increase its market share. Given the Company's focus on and dominance in the low and middle income markets, the board of directors believes that the business model of Metropolitan is geared for growth and should ensure ongoing business success.

3. FINANCIAL EFFECTS OF THE TRANSACTION

3.1 UNAUDITED *PRO FORMA* FINANCIAL EFFECTS

The table below sets out the unaudited *pro forma* financial effects of the transaction on Metropolitan. The unaudited *pro forma* financial effects are presented for illustrative purposes only and because of their nature may not be a fair reflection of Metropolitan's financial position after the transaction, nor of Metropolitan's future earnings. They have been based on South African Standards of Generally Accepted Accounting Practice, effective 31 December 2004, and do not take into account any potential effects as a result of the implementation of International Financial Reporting Standards effective 1 January 2005. There will, however, be no IFRS2 impact as the shares have been issued at fair value. The directors of Metropolitan are responsible for the preparation of the unaudited *pro forma* financial effects.

	Published ⁽¹⁾ (cents)	Pro forma after the transaction ^(4, 5) (cents)	Change compared to published %
Earnings per ordinary share ⁽²⁾	269.9	267.3	(0.8)
Headline earnings per ordinary share ⁽²⁾	283.3	281.0	(0.8)
Core headline earnings per ordinary share ⁽²⁾	89.1	86.8	(2.6)
Embedded value per ordinary share ⁽³⁾	1 378.5	1 378.5	0.0
Adjusted net asset value per ordinary share ⁽³⁾	900.7	900.7	0.0
Net asset value per ordinary share ⁽³⁾	902.3	902.3	0.0
Tangible net asset value per ordinary share ^(3 & 7)	868.7	868.7	0.0
Fully diluted earnings per share ⁽²⁾	241.5	229.1	(5.2)
Fully diluted headline earnings per ordinary share ⁽²⁾	253.7	240.5	(5.2)
Fully diluted core headline earnings per ordinary share ⁽²⁾	80.2	78.1	(2.5)
Fully diluted embedded value per ordinary share ^(3 & 6)	1 225.0	1 212.3	(1.0)
Fully diluted adjusted net asset value per ordinary share ^(3 & 6)	830.6	841.9	1.4
Fully diluted net asset value per ordinary share ^(3, 6 & 7)	831.9	843.2	1.4
Fully diluted tangible net asset value per ordinary share ^(3, 6 & 7)	804.2	817.1	1.6
Number of ordinary shares in issue (million)	610	610	0.0
Weighted average number of ordinary shares in issue (million)	622	622	0.0
Fully diluted number of ordinary shares in issue (million) ⁽⁶⁾	739	787	6.5
Fully diluted weighted average number of ordinary shares in issue (million) ⁽⁶⁾	696	744	6.9

Notes:

- 1) Extracted from the published audited financial results of Metropolitan for the year ended 31 December 2004.
- 2) The adjustments to earnings, headline earnings and core headline earnings per share as set out in 3.2 below have been made on the assumption that the transaction was effected on 1 January 2004.
- 3) The adjustments to embedded value, adjusted net asset value, net asset value and tangible net asset value per share have been made on the assumption that the transaction was effected on 31 December 2004.
- 4) Metropolitan issued 12 700 000 new A2 redeemable convertible preference shares for cash to the SPV.
- 5) Metropolitan issued 35 000 000 new A3 redeemable convertible preference shares for cash to the SPV.

- 6) For the purpose of calculating fully diluted embedded value, adjusted net asset value, net asset value and tangible net asset value per share, the net cash consideration of R487 780 000 has been included in the value attributable to shareholders.
- 7) For purposes of calculating tangible net asset value and fully diluted tangible net asset value per share, goodwill, intangible assets and deferred tax were excluded.
- 8) It was assumed that all the preference shares would convert into ordinary shares on a one-for-one basis. This represents the fully diluted effect of these preference shares.

3.2 UNAUDITED *PRO FORMA* INCOME STATEMENT AND BALANCE SHEET OF METROPOLITAN

The unaudited *pro forma* income statement and balance sheet of Metropolitan pursuant to the transaction are set out below. The unaudited *pro forma* income statement and balance sheet have been prepared for illustrative purposes only and, because of their nature, may not give a fair reflection of Metropolitan's financial position after the transaction, nor of its future earnings. The directors of Metropolitan are solely responsible for the preparation of the unaudited *pro forma* income statement and balance sheet.

The unaudited *pro forma* income statement for the year ended 31 December 2004 has been prepared on the assumption that the transaction was effected on 1 January 2004.

	Published ⁽¹⁾	Adjustments for the transaction ⁽²⁾	Pro forma after the transaction
	Rm	Rm	Rm
Income from insurance and investment business	1 793	-	1 793
Income from administration business	106	-	106
Revenue	458	-	458
Administration expenses	(352)	-	(352)
Income from holding company	237	38	275
Revenue	279	38	317
Administration expenses	(42)	-	(42)
Income from operations	2 136	38	2 174
Finance charge	(4)	(38)	(42)
Goodwill amortised and impaired	(85)	-	(85)
Income before tax	2 047		2 047
Shareholders' tax paid	(350)	(14)	(364)
Income after tax	1 697	(14)	1 683
Outside shareholders' share of profit	(20)	-	(20)
Earnings	1 677	(14)	1 663
Earnings	1 677	(14)	1 663
Goodwill	85	-	85
Headline earnings	1 762	(14)	1 748
Capital (appreciation)/depreciation ⁽³⁾	(639)	-	(639)
Basis changes and investment variances ^(4 & 5)	(274)	-	(274)
Shareholders' share of 90:10 fund ⁽⁶⁾	(295)	-	(295)
Core headline earnings attributable to ordinary shareholders	554	(14)	540

Headline earnings consist of operating profit, investment income, capital appreciation/(depreciation), investment variances and basis and other changes. Capital appreciation/(depreciation), investment variances and basis and other changes can be volatile; therefore core headline earnings have been disclosed that comprise operating profit and investment income on shareholders' assets only.

In order to get to fully diluted earnings, headline earnings and core headline earnings the finance charge on the preference shares must be added back to earnings (published: R4 million; pro-forma after the transaction: R42 million).

- 1) Extracted from the audited published annual financial results of Metropolitan for the year ended 31 December 2004.
- 2) The transaction:
 - (a) Metropolitan issued 12 700 000 new A2 preference shares to the SPV on 1 January 2004 for R144 780 000.
 - (b) Metropolitan issued 35 000 000 new A3 preference shares to the SPV on 1 January 2004 for R350 000 000.
 - (c) The A2 preference shares received the same dividend as paid on the ordinary shares.
 - (d) A preference dividend of R7 052 500 was paid on the A3 Preference shares on 31 March 2004 and R14 105 000 on 30 September 2004.
 - (e) Transaction costs of R7 000 000 were paid on 1 January 2004.
 - (f) Investment income was earned at an after tax rate of 5.7% on the net cash after taking into account the above amounts.
 - (g) STC at a rate of 12.5% was taken into account on the dividends paid.
- 3) Capital (appreciation)/depreciation comprises the market value adjustments on shareholder owned investment assets.
- 4) Basis changes include the relative change in the valuation discount rate, the consequent change in the assumed level of renewal expense inflation and methodology changes applied in the valuation process.
- 5) Investment variances reflect the impact of actual investment returns on the value of future expense recoveries.
- 6) The shareholders' share of the 90:10 fund reflects the release to shareholders following the removal of the 90:10 collar from the ring-fenced sub-fund.

The unaudited *pro forma* balance sheet of Metropolitan at 31 December 2004 has been prepared on the assumption that the transaction was effected on 31 December 2004.

	Published ⁽¹⁾	Adjustments for the transaction	Pro forma after the transaction
	Rm	Rm	Rm
ASSETS			
Non-current assets			
Investment assets	41 689	-	41 689
Investment property	2 511	-	2 511
Equities	25 029	-	25 029
Government stock	4 319	-	4 319
Stock of and loans to other public bodies	5 538	-	5 538
Debentures and loans	231	-	231
Policy loans	487	-	487
Funds on deposit and other money market instruments	3 574	-	3 574
Goodwill	284	-	284
Intangible assets	69	-	69
Deferred tax	6	-	6
Tangible assets	130	-	130
Current assets	1 956	488	2 444
Receivables	1 502	-	1 502
Cash and cash equivalents	454	488	942
Total assets	44 134	488	44 622
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	1 144		1 144
Non-distributable reserve	331	-	331
Foreign currency translation reserve	(5)	-	(5)
Distributable reserve	4 034	-	4 034
Outside shareholders' interest	75	-	75
Non-current liabilities	35 917	488	36 405
Policyholders' fund	35 612		35 612
Borrowings	151	488 ^(3, 4 & 5)	639
Deferred tax	154	-	154
Current liabilities	2 638	-	2 638
Other current liabilities	2 346	-	2 346
Tax	102	-	102
Borrowings	43	-	43
Provision for liabilities and charges	147	-	147
Total equity and liabilities	44 134	488	44 622

- 1) Extracted from the audited published annual financial results of Metropolitan for the year ended 31 December 2004.
- 2) Metropolitan issued 12 700 000 new A2 redeemable preference shares to the SPV on 31 December 2004 for a cash consideration of R144 780 000.
- 3) Metropolitan issued 35 000 000 new A3 redeemable preference shares to the SPV on 31 December 2004 for a cash consideration of R350 000 000.
- 4) Transaction costs of R7 000 000 have been written off against borrowings.

The report of the independent reporting accountants on the above unaudited pro forma financial effects, balance sheet and income statement is contained in Annexure 2.

4. OPINIONS AND RECOMMENDATIONS

MLSA has been appointed by the board as the independent professional expert to advise the board on whether the terms and conditions of the transaction are fair and reasonable to shareholders. MLSA has reviewed and considered the terms and conditions of the transaction and subject to the provisions contained in its opinion letter, MLSA is of the opinion that the terms and conditions of the transaction are fair and reasonable to shareholders. The text of MLSA's opinion letter is set out in Annexure 1.

The board has considered the terms and conditions of the transaction as well as the opinion of MLSA and is of the opinion that the terms and conditions of the transaction are fair and reasonable to shareholders. Accordingly, the board recommends that shareholders vote in favour of the resolutions in respect of the transaction.

Those directors of Metropolitan who hold Metropolitan shares and whose interests are disclosed in paragraph 6.4 of Part II intend voting in favour of the resolutions in respect of the transaction.

5. SHARE CAPITAL OF METROPOLITAN

The authorised and issued share capital of Metropolitan at the last practicable date prior to the issue of this circular was as follows:

	R
Authorised	
1 000 000 000 ordinary shares of 0.0001 cents each	1 000
75 842 650 variable rate convertible redeemable preference shares of 0.0001 cents each	76
Issued	
663 843 815* ordinary shares of 0.0001 cents each	664
75 842 650 variable rate convertible redeemable preference shares of 0.0001 cents each	76
Share premium	1 575 041 418

* (609 173 215 shares are listed and 54 670 600 shares are unlisted, having been issued through the Metropolitan Share Purchase Trust)

The authorised and issued share capital of Metropolitan after implementation of the transaction will be as follows:

	R
Authorised	
1 000 000 000 ordinary shares of 0.0001 cents each	1 000
75 842 650 A1 variable rate convertible redeemable preference shares of 0.0001 cents each	76
12 700 000 A2 variable rate convertible redeemable preference shares of 0.0001 cents each	13
35 000 000 A3 variable rate convertible redeemable preference shares of 0.0001 cents each	35
Issued	
663 843 815 ordinary shares of 0.0001 cents each	664
75 842 650 A1 variable rate convertible redeemable preference shares of 0.0001 cents each	76
12 700 000 A2 variable rate convertible redeemable preference shares of 0.0001 cents each	13

*(609 173 215 shares are listed and 54 670 600 shares are unlisted, having been issued through the Metropolitan Share Purchase Trust)

6. DIRECTORS

6.1 Information on directors

Name	Function	Business address
Zuzi Buthelezi	Independent Non-executive	Compass Group, PO Box 3627, Rivonia, 2128
Peter Doyle	Group Chief Executive	Metropolitan Holdings, PO Box 2212, Bellville, 7535
Willie Esterhuysen	Independent Non-executive	26 Seruria Street, Paradyskloof, Stellenbosch, 7600
Fatima Jakoet	Independent Non-executive	36 Winter Crescent, Greenhaven, Athlone, 7764
Peter Lamprecht	Independent Non-executive	PO Box 3015, Knysna, 6570
Sindi Mbaso	Independent Non-executive	PO Box 3555, Rivonia, 2128
Eric Molobi	Chairman and Non-executive	Kagiso, PO Box 55276, Northlands, 2116
Syd Muller	Independent Non-executive	2 Swift Lane, Steenberg Estate, Tokai Road, Tokai, 7945
Bulelwa Ndamase	Independent Non-executive	PO Box 181061, Dalbridge, 4014
John Newbury	Independent Non-executive	PO Box 911, Northlands, 2116
JJ Njeke	Non-executive	Kagiso PO Box 55276, Northlands, 2116
Andile Sangqu	Non-executive (alternate)	Kagiso PO Box 55276, Northlands, 2116
Abel Sithole	Executive	Metropolitan Life, PO Box 2212, Bellville, 7535
Marius Smith	Independent Non-executive	11 Magnolia Crescent, Valmary Park, Durbanville, 7550
Franklin Sonn	Independent Non-executive	African Star, PO Box 2087, Bellville, 7535
Preston Speckmann	Executive	Metropolitan Holdings, PO Box 2212, Bellville, 7535
Johan van Reenen	Independent Non-executive	PO Box 6711, Welgemoed, 7538

6.2 Directors' remuneration

	Fees	Annual Package	Bonus	Pension Fund Contribution	Total
Director	R'000	R'000	R'000	R'000	R'000
Eric Molobi	80				80
Peter Doyle		2 053	1 000	324	3 377
Abel Sithole		1 554	650	235	2 439
Preston Speckmann		1 111	600	181	1 892
Zuzi Buthelezi	227				227
Irene Charnley	189				189
Willie Esterhuysen	210				210
Peter Lamprecht	260				260
Syd Muller	245				245
John Newbury	270				270
JJ Njeke	85				85
Andile Sangqu	4				4
Gloria Serobe	370				370
Marius Smith	350				350
Franklin Sonn	200				200
Johan van Reenen	270				270
Sandile Zungu	110				110
	2 870	4 718	2 250	740	10 578

The table above sets out the directors' emoluments during the last financial year.

The directors' service contracts and remuneration will not be varied as a consequence of the transaction.

6.3 Directors' interest in transaction

- 6.3.1 The directors (excluding the directors appointed by KTI and the executive directors referred to in 6.1 of Part II above) have no material, indirect or direct beneficial interest in the transaction.
- 6.3.2 The directors appointed by KTI have an indirect and/or direct beneficial interest in KTI which in aggregate amounts to less than 5% of the issued share capital of KTI.
- 6.3.3 All three executive directors will participate in the Metropolitan Empowerment Trust up to a combined maximum of 8%.

6.4 Directors' interest in securities

As at the last practicable date, the directors of Metropolitan had the following direct and indirect beneficial and non-beneficial interests in Metropolitan's issued ordinary share capital:

Directors	Direct		Indirect		Total number ('000)	% of total issued share capital
	Beneficial ('000)	Non-beneficial ('000)	Beneficial ('000)	Non-beneficial ('000)		
Non-executive						
Independent:						
Willie Esterhuysen	50				50	0.0068
Syd Muller		7			7	0.0009
John Newbury	1		27		28	0.0038
Marius Smith			105		105	0.0142
Franklin Sonn	3	52			55	0.0074
Executive						
Peter Doyle	1 698			778	2 476	0.3347
Abel Sithole	1 139				1 139	0.1540
Preston Speckmann	270				270	0.0365
	3 161	59	132	778	4 130	0.5583

The following director disposed of Met ords since the previous financial year end:

	Transaction Date	Price	Number of shares	Nature of transaction	Extent of interest
Preston Speckmann	24/03/2005	10.46	253,800	Sell	Direct-beneficial

7. MAJOR SHAREHOLDERS

As at 30 June 2005, the interests of shareholders holding 5% or more of the issued ordinary share capital of Metropolitan beneficially (excluding treasury shares) were as follows:

Name	Number of Metropolitan shares	Percentage
Public Investment Commissioner (PIC)	94 065 295	12.7%
KTI	75 842 650	10.3%
Sanlam Life Assurance Limited	70 672 129	9.5%

8. SHARE PRICE HISTORY

Metropolitan's share price history on the JSE is summarised in Annexure 3 to this circular. On the last practicable date, the closing price per share on the JSE was 1,150 cents.

9. ISSUES OF SECURITIES IN PREVIOUS THREE YEARS

	Number of securities issued (million)	Aggregate issue price R'million
Met ords issued during 2002	27	174
Met ords issued during 2003	13	79
"A1" Met prefs issued during 2004	76	540

The shares that were issued in 2002 and 2003 were issued only in terms of the Metropolitan staff share schemes. Those issued in 2004 were for the first phase of the empowerment transaction.

10. KING II REPORT

Shareholders are referred to Annexure 4 for a statement in respect of Metropolitan's compliance with the King II report.

11. MATERIAL CHANGES

As at the last practicable date, there were no material changes in the financial or trading position of Metropolitan Group and its subsidiaries since the publication of the latest audited financial statements, save as disclosed in this circular.

12. LITIGATION STATEMENT

There are no legal or arbitration proceedings which may have, or have had in the past 12 months, a material effect on the financial position of Metropolitan or the Metropolitan group. The board is not aware of any such proceedings that are pending or threatened.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The directors whose names are given in paragraph 6.1 of Part II of this circular, collectively and individually, accept full responsibility for the accuracy of the information given in this circular, and certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this circular contains all information required by law and the Listings Requirements.

14. EXPERTS' CONSENTS

PriceWaterhouseCoopers Inc. reporting accountants to Metropolitan, have given and have not withdrawn their written consent to the inclusion of their report, set out in Annexure 2, in the form and context in which it appears.

Merrill Lynch South Africa (Proprietary) Limited, the independent expert, has given and has not withdrawn its written consent to the inclusion of its opinion, set out in Annexure 1, in the form and context in which it appears.

15. RELATED PARTY INFORMATION

The transaction constitutes a "related party transaction" in terms of the Listings Requirements by virtue of the fact that the SPV is a material shareholder of Metropolitan. The SPV currently holds 75 842 650 "A1" Met prefs which is equivalent to 10.3% of the total issued share capital of Metropolitan.

The SPV will be taken into account in determining a quorum at the general meeting that will be held to consider the transaction. However for the purposes of the Listings Requirements the votes of the SPV and its associates will not be taken into account in determining the results of the voting at the general meeting in respect of the transaction (which requires the passing of special resolutions and an ordinary resolution by a majority of 75% of Metropolitan shareholders present or represented by proxy at the general meeting);

16. GENERAL MEETING

Following hereafter, and forming part of this circular, is a notice of general meeting of shareholders convened to be held in the Auditorium, 7 Parc du Cap, Mispel Road, Bellville, Cape Town on Wednesday, 5 October 2005, at 11:00 for the purpose of considering and, if deemed fit, passing with or without modification, the resolutions required to implement the transaction.

In terms of the Companies Act the special resolutions necessary to give effect to the creation of the Met prefs, the amendment of the articles of association must be passed by at least 75% of the shareholders present in person or by proxy and voting at the general meeting. Shares held by a share trust or scheme will not have their votes at general meetings taken account of for Listings Requirements resolution approval purposes.

Shareholders who have not dematerialised their Metropolitan shares and shareholders who have dematerialised shares in their own name and who are unable to attend the general meeting, but wish to be represented thereat, are requested to complete and return the attached form of proxy (blue) to be received by the transfer secretaries by no later than 11:00 on Monday, 3 October 2005, in accordance with the instructions contained therein.

If shareholders have dematerialised their Metropolitan shares with a CSDP (other than those shareholders whose shareholding is recorded in their own name in the sub-register maintained by their CSDP), they must arrange with the CSDP to provide them with the necessary authorisation to attend the general meeting or they must instruct their CSDP as to how they wish to vote at the meeting. This must be done in terms of the custody agreement entered into between the shareholder and the CSDP.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by shareholders from the date of this circular, 5 September 2005, up to and including 5 October 2005, during normal business hours on weekdays (excluding official South African or Namibian public holidays) at the registered office of Metropolitan, being 7 Parc du Cap, Mispel Road, Bellville, Cape Town, in Johannesburg at the offices of the transfer secretaries, and at the offices of the transfer secretaries in Namibia, being Shop 8, Kaiserkrone Centre, Post Street Mall, Windhoek:

- 17.1 Metropolitan's memorandum and articles of association;
- 17.2 the audited financial statements of Metropolitan for the three financial years ended 31 December 2002, 2003 and 2004;
- 17.3 the agreements relating to the transaction comprising the Metropolitan subscription agreements and cession of voting rights;
- 17.4 the amended and restated relationship agreement;
- 17.5 a specimen of the executive directors' service agreements;
- 17.6 the reporting accountants' report;
- 17.7 the independent expert's fair and reasonable opinion;
- 17.8 the consent letters from the advisers; and
- 17.9 a signed copy of this circular.

By order of the board

Mrs B Gobodo-Mbomvu

Company secretary

Bellville, Cape Town
5 September 2005

INDEPENDENT EXPERT'S OPINION

Metropolitan Holdings Limited
 Parc du Cap 6
 Mispel Road
 Bellville 7530
 South Africa

1 September 2005

For the Attention of the Board of Directors

Introduction

In October 2004, Metropolitan Holdings Limited ("Met" or the "Company") implemented the first phase of its broad-based black economic empowerment ("BEE") ownership strategy in terms of which Kagiso Trust Investments (Pty) Ltd ("KTI"), acting through Off The Shelf Investments 109 (Pty) Ltd ("NewCo") and Off The Shelf Investments 108 (Pty) Ltd (the "SPV"), both wholly owned subsidiaries of KTI, entered into a Relationship Agreement (the "Relationship Agreement") with the Company and pursuant thereto subscribed for 75.8 million variable rate cumulative redeemable convertible preference shares, (the "A1 Met Preference Shares") for an aggregate consideration of ZAR540 million in cash (the "Phase 1 Transaction"). The Company wishes to implement the second phase of its broad-based BEE ownership strategy whereby, pursuant to a single resolution of the Company's Board of Directors, it proposes to enter into the following combined transactions:

- A specific issue to the SPV of 12.7 million variable rate cumulative convertible redeemable "A2" preference shares in the share capital of Met (the "A2 Met Preference Shares") at an issue price equivalent to the 5 day volume weighted average price of Met ordinary shares ("Met Ords") on the JSE Limited ("JSE") calculated on 27 September 2005 in cash ("the A2 Issue"). The aggregate subscription price of the A2 Met Preference Shares is limited to R159 million. It is understood that each A2 Met Preference Share will carry an option to convert into one ordinary share in the Company. Such option, to be exercised at the election of the holder of the A2 Met Preference Shares, can take place at any time between the third anniversary of the A2 Issue and 30 September 2009. If not converted, they are then compulsorily redeemable on 30 September 2009. The A2 Met Preference Shares will pay a dividend, the rate of which is to be determined for each six month period, equivalent to the greater of the dividend per Met Ord declared and paid in the corresponding period or an annual rate of 2.5% calculated on the A2 Met Preference Share issue price. The A2 Met Preference Shares will not be listed but will carry voting rights *pari passu* with Met Ords, the A1 Met Preference Shares and the A3 Met Preference Shares; and
- A specific issue to the SPV of 35 million variable rate cumulative convertible redeemable "A3" preference shares in the share capital of Met (the "A3 Met Preference Shares") for an aggregate consideration of R350 million in cash ("the A3 Issue"). It is understood that each A3 Met Preference Share will carry an option to convert into one ordinary share in the Company. Such option, to be exercised at the election of the holder of the A3 Met Preference Shares, can take place at any time between the third and the fifth anniversary of the A3 Issue. If not converted they are compulsorily redeemable on the fifth anniversary of the A3 Issue. The A3 Met Preference Shares will pay a dividend, the rate of which is to be determined for each six month period, and will consist of a base rate of 72% of the prime rate of interest as charged by FirstRand Bank Limited plus an initial margin of 0.5%. In addition, certain incremental margins are payable upon reaching certain quantitative targets which have been agreed upfront. The A3 Met Preference Shares will not be listed but will carry voting rights *pari passu* with Met ords, the A2 Met Preference Shares and the A1 Met Preference Shares.

The A2 Issue and the A3 Issue, which are to be issued as a combined transaction, are hereinafter collectively referred to as the Specific Issues for Cash.

In addition to the Specific Issues for Cash and integral to the Company's broad based BEE ownership strategy, it is our understanding that the Metropolitan Empowerment Trust ("ManTrust") will acquire an equity interest of 25 per cent in NewCo by way of a subscription for NewCo shares. The ManTrust will be established for the benefit of Met senior management, 70% of such benefits accruing to Met senior black management.

The Specific Issues for Cash each fall within the scope of Section 10.1 (a) of the Listings Requirements of the JSE (the "JSELR") and as such are regarded as related party transactions.

You have asked us, as an independent professional expert, whether, in our opinion, the terms of the Specific Issues for Cash are fair and reasonable to holders of the Company's ordinary shares (other than the SPV) pursuant to section 5.51 (f), and 5.53(b) of the JSELR.

Information

In arriving at the opinion set out below, we have:

- Reviewed certain publicly available business and financial information relating to the Company that we deemed to be relevant;
- reviewed all internal and publicly available documentation in relation to the Phase 1 Transaction that we deemed to be relevant;
- considered proposed amendments to the Relationship Agreement;
- considered allocations made out of Met's existing share purchase scheme for senior staff;
- participated in discussions with senior management of the Company;
- participated in discussions, independent of those held with senior management, with the members of an independent sub-committee of the Board (the "IC") appointed to consider the Specific Issues for Cash;
- reviewed financial forecasts of the Company for the financial year ending December 2005;
- reviewed a legal opinion obtained by the Company in respect of the impact of the Specific Issues for Cash in the context of section 38 of the Companies Act 1973 , No. 61 of 1973
- reviewed internal documentation and draft agreements encapsulating the terms of the Specific Issues for Cash, including the proposed terms and conditions on which senior management will participate as beneficiaries in the ManTrust, that we deemed to be relevant; and
- reviewed such other financial studies and analyses and other matters as we deemed necessary, including our assessment of general economic, market and monetary conditions.

Furthermore, we have taken the following factors into account:

- The proposed pricing and terms of the Specific Issues for Cash in comparison with the pricing and terms of certain other transactions that we deemed to be relevant;
- the terms of the Phase 1 Transaction and the benefits that have been realised as a result thereof;
- the assessment of the Board as to the benefits it expects from entering into the Specific Issues for Cash, as well as the potential impact on the Company of not entering into the Specific Issues for Cash;
- the internal governance procedures implemented by the Board to consider the Specific Issues for Cash; and
- the environment in which the Company operates and the Company's views as to the need for and extent of BEE (from the perspective of ownership and control) within that environment for the Company to operate effectively, all of which necessarily involve a subjective assessment.

In preparing our opinion, we have not reviewed the accuracy and completeness of the information supplied or otherwise made available to us, discussed with or reviewed by or for us, or publicly available, and we have not independently audited such information or undertaken an independent evaluation or appraisal of any of the assets or liabilities of the Company or been furnished with any such evaluation or appraisal nor have we evaluated the solvency or fair value of the Company or the SPV under any laws relating to bankruptcy, insolvency, regulatory capital or similar matters. In addition, we have not assumed any obligation to conduct any physical inspection of the properties or facilities of the Company. We have relied upon certain statements contained in the letter sent by the IC to us dated 24 August 2005, in particular those in respect of the Company's past and future intentions in respect of the Share Purchase Scheme for senior staff, the increase in embedded value that resulted from securing specific contracts assisted by the conclusion of Phase 1, the terms of the ManTrust,

the qualitative and quantitative benefits of Phase 1 and current contracts out for tender. In respect of the balance of the facts and assumptions contained therein these have been discussed with the management of the Company. On the basis of these and other such enquiries as we have considered appropriate we believe that these facts and assumptions have been completed with due care and consideration. For actuarial information, we have relied on the published analysis that has been prepared by independent actuaries. In respect of financial forecast information furnished to us by the Company, we have compared these to current market consensus. We have not considered any alternative transactions that the Company might have entered into to achieve its objective of complying with the requirements of the Financial Sector Charter ("FSC"). We have assumed, with your consent, that the Specific Issues for Cash, in conjunction with the subscription by ManTrust for shares in NewCo, will be deemed to comply with the requirements of the FSC and that the A2 Met Preference Shares and A3 Met Preference Shares will be counted towards the direct ownership requirement of the FSC in full. We are not opining as to whether the requirements of the FSC will be met and we have not received from the Company any legal opinion as to the application of the FSC in the context of the Specific Issues for Cash. We are not opining as to whether the terms of the ManTrust are reasonable. We have placed reliance on a legal opinion obtained by the Company's directors in respect of the impact of S38 of the Companies Act on the Specific Issues for Cash. We have also assumed that the Amended and Restated Relationship Agreement dated 24 August 2005 and the agreements encapsulating the subscription terms of the A2 Met Preference Shares and A3 Met Preference Shares dated 17 August 2005 have not been materially amended subsequent to our review and that the Specific Issues for Cash will be consummated substantially on the terms set out therein. We have assumed that the Company has not and will not be providing financing to the SPV to enable it to participate in the Specific Issues for Cash.

Our opinion is necessarily based upon market, economic and other conditions as they exist and can be evaluated on, and on the information made available to us as of the date of this letter, including, but not limited to, our current understanding of the FSC, based on discussions with the Company and its advisors. We have assumed that in the course of obtaining any necessary regulatory or other consent or approvals (contractual or otherwise) for the Specific Issues for Cash, no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that will have a material adverse effect on the contemplated benefits of the Specific Issues for Cash.

Methodology

In arriving at our conclusions, we have undertaken a valuation of the options embedded in the A2 Met Preference Shares and A3 Met Preference Shares and in doing so we have made certain assumptions, including in relation to the Company's dividend yield, long term share price volatility and interest rates. The valuation of the options has been undertaken using the Black Scholes valuation methodology. We have compared the cost of the A2 Met Preference Shares and A3 Met Preference Shares, including the cost of the embedded options, to the cost of funding of the Company. In assessing the fairness of this differential we have considered the potential loss of value and loss of benefits that may arise if the Company were not to enter into the Specific Issues for Cash.

Furthermore, to provide perspective only to our fairness calculation we have aggregated this differential with that calculated in respect of the Phase 1 Transaction and compared the amount so calculated with the potential loss of value that may arise if the Company did not enter into the Phase 1 Transaction and the Specific Issues for Cash in combination. We have taken this approach into consideration as it has always been the Company's intention to increase its direct black shareholding and introduce senior management into its broad-based BEE ownership.

Assessments of the potential loss of value and benefits as a result of not introducing a level of or increasing direct empowerment shareholding are inherently subjective.

Explanation of Fair and Reasonable

Fairness is based on quantitative issues. We have had regard to value of the consideration received and of the securities to be issued, as well as to the potential loss in value and loss of benefits if the Company were not to enter into the Specific Issues for Cash.

Furthermore, to provide perspective only to our fairness calculation, we have had regard to value of the consideration received and of the securities to be issued, as well as to the potential loss in value and loss of benefits if the Company were not to enter into the Specific Issues for Cash and Phase 1 in combination.

Reasonableness is based on qualitative issues, including those described above under factors taken into account in paragraph 2.

Opinion

Our opinion is based on the economic, financial, market and other conditions prevailing at the date of this letter. In particular, we have not considered the effect of the Company not increasing its empowerment credentials or the ManTrust not acquiring an interest in NewCo as a result of termination of the Specific Issues for Cash, failure of the holders of the A1 Met Preference Shares, A2 Met Preference Shares and A3 Met Preference Shares to exercise their options or sale of Met Ords following exercise of the options. We have, with your consent, relied upon certain statements contained in the letter sent by the IC to us dated 24 August 2005, in particular those in respect of the Company's past and future intentions in respect of its Share Purchase Scheme, the increase in embedded value that resulted from securing specific contracts assisted by the conclusion of Phase 1, the terms of the ManTrust, the qualitative and quantitative benefits of Phase 1 and current contracts out for tender. We have also relied on agreements setting out the terms of the Specific Issues for Cash provided to us and assumed that the final executed agreements will not be materially different from these agreements. Subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm. Based upon and subject to the contents of this letter, in our opinion, as at the date of this letter, the terms and conditions of the, A2 Met Preference Shares and A3 Met Preference Shares, taken as a whole, are fair and reasonable to the holders of Met Ords (other than the SPV).

Relationship with the Company

We have been retained as an independent professional expert in connection with the Specific Issues for Cash and will receive a fee from the Company for our services. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement to the extent that such liability has not resulted from our bad faith, negligence or breach of contract. We are currently sponsor to the Company on the JSE and have, in the past, provided financial advisory services to the Company and may continue to do so and have received and may receive fees for the rendering of such services. In addition, in the ordinary course of our business, we may actively trade the Met Ords and other securities of the Company for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

Use of this Opinion

This opinion is provided solely for the benefit of the Board and the holders of the Met Ords (other than the SPV) in connection with and for the purpose of their consideration of the Specific Issues for Cash. This opinion shall not, in whole or in part, be disclosed, reproduced, disseminated, quoted, summarised or referred to at any time, in any manner or for any purpose, nor shall any public references to Merrill Lynch South Africa (Pty) Ltd or any of its affiliates be made by the Company or any of its affiliates, without the prior consent of Merrill Lynch South Africa (Pty) Ltd.

Our opinion does not address the merits of the underlying decision by the Company to engage in the Specific Issues for Cash, does not constitute recommendations to any shareholder as to how such shareholder should vote on the proposed Specific Issues for Cash or any matter related to it and does not express an opinion on future movements in the price of Met Ords. An individual shareholder's decision may be influenced by such shareholder's particular circumstances. Accordingly, a shareholder should consult an independent financial adviser if such shareholder is in any doubt as to the merits or otherwise of the Specific Issues for Cash.

Yours faithfully,

MERRILL LYNCH SOUTH AFRICA (PTY) LTD

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO METROPOLITAN

1 September 2005

The Directors
Metropolitan Holdings Limited
P O Box 2212
BELLVILLE
7535

Gentlemen

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED *PRO FORMA* FINANCIAL EFFECTS, INCOME STATEMENT AND BALANCE SHEET (COLLECTIVELY REFERRED TO AS "*THE PRO FORMA FINANCIAL INFORMATION*") OF METROPOLITAN HOLDINGS LIMITED ("METROPOLITAN")

1. INTRODUCTION

Metropolitan has reached an agreement with Kagiso Trust and Kagiso Trust Investments (Proprietary) Limited ("KTI"), subject to certain conditions precedent, in terms of which they will be enlarging their equity holding in Metropolitan and including members of Metropolitan's senior management into their consortium ("the transaction").

We report on the unaudited *pro forma* financial information set out in paragraph 3 of Part II of the circular to Metropolitan shareholders to be dated on or about 5 September 2005 ("the circular"). The unaudited *pro forma* financial information has been prepared for illustrative purposes only to provide information on how the transaction would have impacted on the consolidated financial results and position of Metropolitan. Because of its nature, the unaudited *pro forma* financial information may not give a fair reflection of Metropolitan's financial position after the completion of the transaction, nor the effect on future earnings.

At your request, and for purposes of the circular, we present our report on the unaudited *pro forma* financial information in compliance with the JSE Listings Requirements. We are not responsible for expressing any other opinion on the *pro forma* financial information or on any of its constituent elements.

2. RESPONSIBILITIES

The directors of Metropolitan are solely responsible for the preparation of the unaudited *pro forma* financial information to which this independent reporting accountants' report relates, and for the financial statements and financial information from which it has been prepared.

It is our responsibility to express an opinion on the basis of preparation of the unaudited *pro forma* financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *pro forma* financial information beyond that owed to those to whom those reports were addressed at their dates of issue.

3. BASIS OF OPINION

We conducted our examination in accordance with International Standards on Assurance Engagements having regard to the JSE Listings Requirements. Our work, which did not involve any independent examination of any of the underlying financial information, consisted primarily of agreeing the unadjusted financial information to the audited annual financial statements of Metropolitan for the year ended 31 December 2004, considering the evidence supporting the adjustments to the financial information, recalculating the amounts based on the information obtained and discussing the unaudited *pro forma* financial information with the directors of Metropolitan.

4. OPINION

Based on our examination, in our opinion:

- the unaudited *pro forma* financial information has been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of Metropolitan; and
- the adjustments are appropriate for the purposes of the unaudited *pro forma* financial information, in terms of the transaction and in terms of paragraph 8.17 of the JSE Listings Requirements.

Yours faithfully

PRICEWATERHOUSECOOPERS INC
CHARTERED ACCOUNTANTS (SA)
REGISTERED ACCOUNTANTS AND AUDITORS
Cape Town

SHARE PRICE HISTORY

The high/low and closing prices of the ordinary shares on the JSE and the volumes traded on the last practicable date were as follows:

Quarterly Price Data

Quarterly	Low	High	Close	Value traded (ZARm)	Volume traded
31 March 2002	520	902	595	728.26	97,059,893
30 June 2002	540	820	630	723.434	103,308,534
30 September 2002	485	669	555	256.182	44,264,779
31 December 2002	505	660	610	204.541	34,560,564
31 March 2003	495	640	520	237.003	40,877,870
30 June 2003	470	640	595	161.887	29,671,430
30 September 2003	550	635	560	347.492	57,428,000
31 December 2003	560	750	685	247.922	37,283,661
31 March 2004	680	810	720	302.857	41,168,570
30 June 2004	710	800	730	588.914	78,803,008
30 September 2004	720	885	880	469.527	60,030,118
31 December 2004	860	1100	1090	742.354	77,353,605

Monthly Price Data

Monthly	Low	High	Close	Value traded (ZARm)	Volume traded
31 January 2004	680	750	730	133.77	18,716,828
29 February 2004	720	810	770	72.94	9,646,569
31 March 2004	715	800	720	96.15	12,805,173
30 April 2004	720	790	745	250.29	33,312,753
31 May 2004	714	800	755	199.13	26,703,571
30 June 2004	710	771	730	139.50	18,786,684
31 July 2004	720	760	745	138.44	18,774,594
31 August 2004	725	785	765	117.97	15,524,975
30 September 2004	760	885	880	213.12	25,730,549
31 October 2004	860	921	885	184.89	20,846,843
30 November 2004	870	975	959	271.12	29,073,405
31 December 2004	950	1100	1090	286.34	27,433,357
31 January 2005	980	1040	1010	233.43	23,276,640
28 February 2005	1000	1135	1130	260.45	24,872,575
31 March 2005	1020	1160	1035	362.35	33,219,925
30 April 2005	968	1074	1074	305.13	29,733,813
31 May 2005	950	1100	950	253.75	24,290,909
30 June 2005	950	1035	1012	254.51	25,510,559
31 July 2005	995	1149	1140	318.66	30,992,925

Daily Price Data

Daily	Low	High	Close	Value traded (ZARm)	Volume traded
01 July 2005	1005	1040	1040	152.322	15,252,542
04 July 2005	1026	1040	1026	1.876	181,945
05 July 2005	1015	1035	1030	5.840	568,402
06 July 2005	1010	1020	1012	1.842	181,454
07 July 2005	995	1012	1000	10.465	1,039,475
08 July 2005	1000	1006	1005	2.789	277,791
11 July 2005	1005	1020	1020	19.049	1,874,563
12 July 2005	1020	1070	1060	14.057	1,342,705
13 July 2005	1050	1079	1060	5.859	556,254
14 July 2005	1040	1070	1070	19.487	1,838,523
15 July 2005	1060	1071	1070	18.844	1,765,287
18 July 2005	1040	1065	1050	2.092	199,058
19 July 2005	1043	1065	1065	9.476	904,378
20 July 2005	1060	1080	1070	12.416	1,166,736
21 July 2005	1065	1110	1100	9.770	896,907
22 July 2005	1080	1100	1090	5.268	483,919
25 July 2005	1080	1091	1090	4.310	398,101
26 July 2005	1080	1100	1081	1.710	156,666
27 July 2005	1080	1110	1081	5.462	505,112
28 July 2005	1080	1125	1106	6.699	605,616
29 July 2005	1110	1149	1140	9.025	797,491
01 August 2005	1130	1140	1140	4.425	390,151
02 August 2005	1126	1155	1154	6.706	587,196
03 August 2005	1140	1165	1165	9.165	789,838
04 August 2005	1160	1180	1175	9.364	796,997
05 August 2005	1155	1175	1170	3.417	292,570
08 August 2005	1145	1180	1170	8.942	764,784
09 August 2005	-	-	-	-	-
10 August 2005	1150	1185	1175	10.782	920,926
11 August 2005	1125	1172	1140	101.862	8,980,604
12 August 2005	1130	1150	1130	13.685	1,200,892
15 August 2005	1130	1140	1140	50.281	4,419,804
16 August 2005	1130	1142	1140	10.253	901,159
17 August 2005	1098	1131	1110	6.150	550,359
18 August 2005	1100	1125	1110	3.287	296,868
19 August 2005	1105	1130	1120	6.219	559,850
22 August 2005	1110	1140	1127	11.304	1,003,088
23 August 2005	1127	1150	1148	1.750	153,773
24 August 2005	1148	1175	1175	9.460	807,928
25 August 2005	1150	1180	1165	7.157	614,411
26 August 2005	1132	1165	1150	1.875	161,544

STATEMENT IN SUPPORT OF KING 11 REPORT

Corporate governance

Metropolitan continued to emphasise corporate governance as one of its key business drivers during the past year. The primary motivation was, and is, to ensure that the Group's business is conducted with the utmost integrity, which it demands from its management, employees, suppliers and any other stakeholders. As a significant player in the financial services arena in South Africa, it is important that the group's contribution to trust and confidence in the capital markets through a strong corporate governance culture and framework is ongoing.

Application of the code and approach to the corporate governance

Metropolitan is fully committed to the principles of the Code of Corporate Practices and Conduct set out in the King Committee Report on corporate governance (King II). The purpose of King II is to promote the highest level of corporate governance in South Africa.

A number of initiatives were embarked upon or completed during the previous financial year as part of the process of continuous improvement and strengthening of the overall governance framework of the group. The more significant of these were:

- Revising and strengthening the core management principles of the group
- Finalising the board sub-committee charters
- entrenching a fully operational risk committee
- successfully concluding a black economic empowerment transaction with Kagiso as well as bedding down the relationship with and involvement of key executives from this group
- completing a board self assessment
- improving the company share dealing code
- rationalising the external audit function.

Compliance with King II

The board continues to monitor developments in the corporate governance arena, locally and internationally, with a view to reviewing and adapting corporate governance structures and practices where appropriate. All entities in the group are required to subscribe to the group's governance framework and principles. Each year the group facilitates a comprehensive process to ensure compliance by all significant entities. The board is satisfied that the group complied with the requirements set out in the Code of Corporate Practice and Conduct (King II).

METROPOLITAN HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2000/031756/06)

JSE Share Code: MET

NSX Share Code: MTD

ISIN: ZAE000050456

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of the Company will be held in the Auditorium, 7 Parc du Cap, Mispel Road, Bellville, Cape Town at 11:00 on Wednesday, 5 October 2005, for the purposes of considering and, if deemed fit, passing with or without modification, the following special and ordinary resolutions:

Words and expressions used in the circular to shareholders dated 5 September 2005 shall bear the same meanings in this notice and in particular in the resolutions referred to below:

RESOLUTIONS

Special resolution number 1

"Resolved as a special resolution that:

subject to the passing and registration of special resolution number 2, in terms of section 75(1)(a) of the Companies Act and article 28 of the articles of association of the Company, the authorised share capital of the Company of R1076 consisting of 1 075 842 650 ordinary and preference shares of 0,0001 cents each, be and is hereby increased to the nominal value of R1124 by the creation of:

- 12 700 000 variable rate cumulative convertible redeemable "A2" preference shares of 0,0001 cents each,
- 35 000 000 variable rate cumulative convertible redeemable "A3" preference shares of 0,0001 cents each,

the rights and conditions attaching to which are set out in articles 136 and 137 respectively of the articles of association of the Company to be adopted in terms of special resolution number 2 and that the memorandum of association be amended accordingly."

In terms of the Listings Requirements, a 75% majority of the votes of all shareholders present or represented by proxy at the general meeting, but excluding the votes of the excluded parties, is required for the special resolution to be effective.

Reason for and effect of special resolution number 1

The reason for and effect of special resolution number 1 is to increase the Company's authorised share capital by the creation of 12 700 000 variable rate cumulative convertible redeemable "A2" preference shares and 35 000 000 variable rate cumulative convertible redeemable "A3" preference shares of 0,0001 cents each, in order to implement the empowerment transaction described in the circular in which this notice is contained.

Special resolution number 2

"Resolved as a special resolution that:

subject to the passing and registration of special resolution number 1, the articles of association of the Company be and are hereby amended by:

1. the renaming of the "Met Prefs" as the "A1' Met Prefs" in article 135; and
2. the insertion of the following new articles 136 and 137 after the existing article 135:

TERMS AND CONDITIONS OF THE RIGHTS AND PRIVILEGES ATTACHING TO THE "A2" MET PREFS

Notwithstanding anything to the contrary in this article, the following terms and conditions shall attach to the variable rate convertible cumulative "A2" redeemable preference shares of 0,0001 cent (Zero comma Zero Zero Zero One Cent) each in the issued share capital of the Company.

136.1 Interpretation

For the purposes of this article, unless the context clearly indicates a contrary intention, the following words and expressions shall bear the meanings assigned to them below and cognate words and expressions shall bear corresponding meanings:

"A1' Met Prefs"	the 75 842 650 (Seventy Five Million Eight Hundred and Forty Two Thousand Six Hundred and Fifty) variable rate cumulative convertible redeemable preference shares in the share capital of the Company with a par value of 0,0001 cent (Zero comma Zero Zero Zero One Cent) and a premium of R6,119999 (Six comma One One Nine Nine Nine Nine Rand) issued by the Company to the SPV on 1 October 2004;
"A1' SPV Prefs	the variable rate cumulative redeemable "A1" preference shares in the share capital of the SPV with a par value of R1.00 (One Rand) issued to the Bank Consortium on 1 October 2004;
"A2' Met Prefs"	the variable rate convertible cumulative redeemable "A2" preference shares in the share capital of the Company with a par value of 0,0001 cent (Zero comma Zero Zero Zero One Cent);
"A2' Met Preference Dividend"	the preferential cash dividend payable to the Holders of "A2" Met Prefs in accordance with 136.2;
"A2' SPV Subscription Agreement"	the "A2" SPV preference share subscription agreement between the Company, the SPV, Newco and the Bank Consortium;
"Absa"	Absa Bank Limited, a public company incorporated under the laws of South Africa with Registration Number 1986/004794/06, acting through its Absa Corporate and Merchant Bank Division;
"the Act"	the Companies Act 61 of 1973, as amended from time to time;
"the Bank Consortium"	collectively Absa, RMB and Nedbank;
"Dividend Date"	31 March and 30 September each year;
"Holder"	the holder of the "A2" Met Prefs from time to time;

"Intercreditor and Agency Agreement"	the intercreditor and agency agreement concluded between Absa, RMB and Nedbank on 21 September 2004 and to which Makalani acceded as a party on 9 May 2005;
"Issue Date"	the date of issue of the "A2" Met Prefs;
"Issue Price"	<p>an amount per "A2" Met Pref equal to the volume weighted average trading price per Met Ord on the JSE over the five (5) trading days commencing on 21 September 2005 and ending on 27 September 2005, which amount shall be allocated as follows:</p> <ol style="list-style-type: none"> 1. 0,0001 cent (Zero comma Zero Zero Zero One Cent) to the par value of each "A2" Met Pref, and 2. the balance to the premium of each "A2" Met Pref; <p>less any repayments of share capital or premium to Holders;</p>
"JSE"	JSE Limited ;
"KTI"	Kagiso Trust Investments (Proprietary) Limited, a private company duly incorporated under the laws of South Africa with Registration Number 1993/007845/07;
"Makalani"	Makalani Holdings Limited, a public company duly incorporated under the laws of South Africa with Registration Number 2005/000726/06;
"Managing Agent"	the managing agent as appointed in accordance with the Intercreditor and Agency Agreement;
"Met Ords"	the ordinary shares of 0,0001 cent (Zero comma Zero Zero Zero One Cent) in the share capital of the Company
"Met Prefs"	collectively the "A1" Met Prefs, the "A2" Met Prefs and any additional preference shares that rank pari passu with them issued by the Company to the SPV on or after the Issue Date which additional issue shall not exceed R350 000 000 (Three Hundred and Fifty Million Rand);
"the Method Group"	collectively the Company and its Subsidiaries;
"Nedbank"	Nedbank Limited, a public company incorporated under the laws of South Africa with Registration Number 1951/000009/06, acting through its Capital Division;
"Newco"	Off the Shelf Investments 109 (Proprietary) Limited, a private company incorporated under the laws of South Africa with Registration Number 2004/013168/07;
"Prime Rate"	the prevailing interest rate (per cent, per annum, compounded monthly) from time to time published by First National Bank, a division of FirstRand Bank Limited, as being its prime overdraft rate (as certified by any manager of FirstRand Bank Limited whose

	appointment and designation need not be proved) expressed as a percentage;
"Redemption Amount"	the amount detailed in 136.3.1
"Redemption Date"	a date 4 (four) years after the Issue Date, unless the "A2" Met Prefs are converted or redeemed at an earlier date in terms of this article 136, or such later date as agreed between the SPV, the Banking Consortium and the Company;
"RMB"	FirstRand Bank Limited, a public company incorporated under the laws of South Africa with Registration Number 1929/001225/06, acting through its Rand Merchant Bank Division;
"SPV"	Off the Shelf Investments 108 (Proprietary) Limited, a private company incorporated under the laws of South Africa with Registration Number 2004/013271/07;
"Subsidiary"	any subsidiary as defined in the Act.

136.2 Preference Dividends

136.2.1 The "A2" Met Prefs shall confer on the Holder thereof the right to receive out of the profits of the Company, which right shall rank *pari passu* with the rights of all other holders of Met Prefs but prior to the provision for, or declaration or payment of, any dividends or capital of any nature whatsoever on any ordinary share in the capital of the Company, a 6 (six) monthly cumulative preferential cash dividend which shall accrue on a daily basis and which shall be determined in the manner set out in 136.2.2 and 136.2.4 below.

136.2.2 The "A2" Met Preference Dividends shall be due and payable 6 (six) monthly in arrear on the Dividend Dates to the Holder of "A2" Met Prefs registered on the Business Day immediately preceding each Dividend Date.

136.2.3 The Company's obligation to pay the "A2" Met Preference Dividend shall at all times be discharged by direct payment of such preference dividends to the Managing Agent.

136.2.4 The "A2" Met Pref shall confer on the Holder the right to receive out of the profits of the Company a dividend equal to whichever is the greater of the following:

136.2.4.1 A dividend calculated in accordance with the following formula:

$$\text{MPD} = \frac{\text{IP} \times \text{IR} \times \text{D}}{365}$$

Where:

MPD = the "A2" Met Preference Dividend per "A2" Met Pref;

IP = the Issue Price;

IR = a dividend rate of 2.5%, nominal annual compounded semi-annually;

D = the number of days of the relevant period in respect of which the "A2" Met Preference Dividend is payable.

or

136.2.4.2 the dividend per Met Ord received by holders of Met Ords in the corresponding period for which the "A2" Met Preference Dividend is calculated.

136.3 **Redemption**

136.3.1 The amount at which the Company shall redeem each "A2" Met Pref in terms of 136.3.3 shall be an amount equal to:

136.3.1.1 the Issue Price; plus

136.3.1.2 any arrear "A2" Met Preference Dividends which at the date of redemption are still unpaid in respect of each Met Pref, on the basis that a dividend will be deemed to be in arrear and unpaid if at any earlier dividend payment date the "A2" Met Preference Dividend was neither declared nor paid or if declared, was not paid; plus

136.3.1.3 an amount equal to any arrear "A2" Met Preference Dividends which the Company was obliged to declare and pay, but which were not declared and paid as a result of the Company having insufficient profits or reserves to declare and pay such dividends; plus

136.3.1.4 an amount in respect of each "A2" Met Pref calculated in accordance with 136.2.4 above for the period from the last Dividend Date to the date of redemption; plus

136.3.1.5 interest on arrear "A2" Met Preference Dividends calculated daily at the Prime Rate plus 2%, from the due date for payment of the "A2" Met Preference Dividend up to (but excluding) the Redemption Date, compounded monthly.

136.3.2 The Company shall make provision for the premium payable on the redemption of the "A2" Met Prefs from its share premium account as contemplated in s76(3)(c) of the Act.

136.3.3 Subject to the further provisions of the Act and the provisions of 136.4 below, the Company shall redeem the "A2" Met Prefs in full for the Redemption Amount, on the Redemption Date against either:

136.3.3.1 surrender to the Company of the certificates in respect of the "A2" Met Prefs; or

136.3.3.2 if such certificates are lost, receipt of a suitable written indemnity from the holder that the certificates have not been alienated or pledged.

136.3.4 Should the Redemption Amount not be paid on due date, then such amount shall bear interest at the Prime Rate plus 2% from the due date until date of payment

136.4 **Redemption Events**

136.4.1 *Redemption events requiring written notification from SPV*

Notwithstanding anything to the contrary herein contained, all the issued "A2" Met Prefs shall be redeemed in full, if:

136.4.1.1 the Company should have failed to declare any dividend on the "A2" Met Prefs on the Dividend Dates, or, having declared any dividend, should have failed to pay such dividend on the due date of payment therefor; or

136.4.1.2 the Company should have failed to declare any dividend on the Met Prefs on the

date that a dividend is due on such Met Prefs or, having declared any dividend on such Met Prefs, should have failed to pay such dividend on the due date of payment therefor; and

136.4.1.3 the SPV has given the Company written notice that it requires redemption of such "A2" Met Prefs.

136.4.2 *Redemption events requiring immediate redemption*

Notwithstanding anything to the contrary herein contained, all the "A2" Met Prefs shall become immediately redeemable and shall be redeemed in full conditional upon the occurrence of any one or more of the following events after the Issue Date, namely:

136.4.2.1 if the Company should fail to redeem any of the "A2" Met Prefs on the Redemption Date or fail to pay to the Holder thereof the full proceeds of redemption on the due date of payment therefor; or

136.4.2.2 if the Company should fail to redeem any of the Met Prefs on their dates of redemption or fail to pay the holder thereof the full proceeds of redemption on the due date of payment therefor;

136.4.2.3 if the Company commits an act which, if it were a natural person, would be an act of insolvency in terms of Section 8 of the Insolvency Act; or

136.4.2.4 if the Company should be placed into liquidation or under judicial management or wound-up, in any case whether provisionally or finally and whether voluntarily or compulsorily; or

136.4.2.5 if the Company should give any notice or take any steps to convene a meeting of its shareholders to adopt a resolution placing it in liquidation or under judicial management, in either case whether provisionally or finally; or

136.4.2.6 if the Company should make or attempt to make or recommend any general offer of compromise with any or all of its creditors; or

136.4.2.7 if any asset of the Company is attached for a judgement in excess of R5 000 000 (Five Million Rand) and the Company fails to set such attachment aside within 60 (sixty) days; or

136.4.2.8 any default under the terms of "A2" SPV Prefs resulting in the SPV being called upon to redeem the "A2" SPV Prefs; or

136.4.2.9 any acts committed by the Company which are *ultra vires* the Company's objects as contained in its memorandum and articles of association; or

136.4.2.10 any repudiation by the Company of its obligations under the terms of this article 136, or if the Company causes to be done any act or thing which, in the reasonable opinion of the Managing Agent, evidences an intention to repudiate the Agreement.

136.5 **Meetings**

The Holder shall be entitled to receive notice of, and to be present at, any general meeting of the Company and shall (in its capacity as holder) be entitled to vote, either in person, by representation or by proxy, at any such meeting as if the Holder is an ordinary shareholder of the Company holding as many ordinary shares of the Company as it holds "A2" Met Prefs, but subject to the following conditions imposed by the Listing Division of the JSE:

- 136.5.1 the exercise of the voting rights of the "A2" Met Prefs are entirely subject to the conditions of approval issued by the Listings Division of the JSE, in particular that the Holder be a black person or company;
- 136.5.2 no further "A2" Met Prefs may be issued without the written consent of the JSE; and
- 136.5.3 the Holder may not veto any resolutions of the Company that would otherwise have been passed by the holders of Met Ords together with the Holder of the "A2" Met Prefs.

136.6 Rights of Conversion

- 136.6.1 The Holder may, upon written notice to the secretary of the Company in the period 3 (three) years and one day after the Issue Date but prior to the Redemption Date and subject to the written consent of the Bank Consortium, request the Company to convert the "A2" Met Prefs into ordinary shares of the Company, ranking pari passu in all respects with the then existing ordinary shares of the Company, with effect from the date of receipt by the secretary of the Company of the said notice together with the written consent of the Bank Consortium.
- 136.6.2 Upon such conversion the Holder of the "A2" Met Prefs shall deliver to the Company certificates in respect of the number of "A2" Met Prefs converted and details of their Central Securities Depository Participant to hold the uncertificated Met Ords against payment of all costs incurred by the Company to issue such Met Ords, whereafter the Company shall apply for the listing of such converted "A2" Met Prefs on the JSE.

136.7 General

- 136.7.1 The Company shall not be liable to the Holders for interest on any unclaimed "A2" Met Preference Dividend or distribution of redemption monies. the Company shall retain all unclaimed monies until they are claimed; provided that any amount remaining unclaimed for a period of 12 (twelve) years shall be forfeited by the Holder to the Company.
- 136.7.2 The Managing Agent shall be entitled, but not obliged, to give notice on behalf of the SPV to any party in terms of this article."

137 "TERMS AND CONDITIONS OF THE RIGHTS AND PRIVILEGES ATTACHING TO THE "A3" MET PREFS

Notwithstanding anything to the contrary in this article, the following terms and conditions shall attach to the variable rate convertible cumulative "A3" redeemable preference shares of 0,0001 cent (Zero comma Zero Zero Zero One Cent) each in the issued share capital of the Company.

137.1 Interpretation

For the purposes of this article, unless the context clearly indicates a contrary intention, the following words and expressions shall bear the meanings assigned to them below and cognate words and expressions shall bear corresponding meanings:

"A1' Met Prefs"	the 75 842 650 (Seventy Five Million Eight Hundred and Forty Two Thousand Six Hundred and Fifty) variable rate cumulative convertible redeemable preference shares in the share capital of the Company with a par value of 0,0001 cent (Zero comma Zero Zero Zero One Cent) and a premium of R6,119999 (Six comma One One Nine Nine Nine Nine Rand) issued by the Company to the SPV on 1 October 2004;
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"A1' SPV Prefs	the variable rate cumulative redeemable "A1" preference shares in the share capital of the SPV with a par value of R1.00 (One Rand) issued to the Bank Consortium on 1 October 2004;
"A2' Met Prefs"	the variable rate convertible cumulative redeemable "A2" preference shares in the share capital of the Company with a par value of 0,0001 cent (Zero comma Zero Zero Zero One Cent);
"A3' Met Preference Dividend"	the preferential cash dividend payable to the Holders of "A3" Met Prefs in accordance with 137.2 below;
"A3' Met Prefs"	the variable rate convertible cumulative redeemable "A3" preference shares in the share capital of the Company with a par value of 0,0001 cent (Zero comma Zero Zero Zero One Cent);
"A3' SPV Subscription Agreement"	the "A3" SPV preference share subscription agreement between the Company, the SPV, Newco and the Finance Consortium;
"Absa"	Absa Bank Limited, a public company incorporated under the laws of South Africa with Registration Number 1986/004794/06, acting through its Absa Corporate and Merchant Bank Division;
"the Act"	the Companies Act 61 of 1973, as amended from time to time;
"Average"	the simple arithmetic average;
"the Bank Consortium"	collectively Absa, RMB and Nedbank;
"Coupon Rate"	the coupon rate of the dividend payable on the "A3" Met Prefs in accordance with 137.3 below;
"Dividend Date"	31 March and 30 September each year;
"the Finance Consortium"	collectively RMB and SCM;
"Holder"	the holder of the "A3" Met Prefs from time to time;
"Intercreditor and Agency Agreement"	the intercreditor and agency agreement concluded between Absa, RMB and Nedbank on 21 September 2004 and to which Makalani acceded as a party on 9 May 2005;
"Issue Date"	the date of issue of the "A3" Met Prefs;
"Issue Price"	an amount of R10.00 (Ten Rand) per "A3" Met Pref which amount shall be allocated as follows: <ol style="list-style-type: none"> 1. 0,0001 cent (Zero comma Zero Zero Zero One) cent to the par value of each "A3" Met Pref, and 2. the balance to the premium of each "A3" Met Pref; less any repayments of share capital or premium to Holders;

"JSE"	JSE Limited;
"KTI"	Kagiso Trust Investments (Proprietary) Limited, a private company duly incorporated under the laws of South Africa with Registration Number 1993/007845/07;
"Makalani"	Makalani Holdings Limited, a public company duly incorporated under the laws of South Africa with Registration Number 2005/000726/06;
"Managing Agent"	the managing agent as appointed in accordance with the Intercreditor and Agency Agreement;
"Met Ords"	the ordinary shares of 0,0001 cent (Zero comma Zero Zero Zero One Cent) in the share capital of the Company;
"Met Prefs"	collectively the "A1" Met Prefs, "A2" Met Prefs and the "A3" Met Prefs, and any additional preference shares that rank pari passu with them issued by the Company to the SPV on or after the Issue Date;
"the Method Group"	collectively the Company and its Subsidiaries;
"Nedbank"	Nedbank Limited, a public company incorporated under the laws of South Africa with Registration Number 1951/000009/06, acting through its Capital Division;
"Newco"	Off the Shelf Investments 109 (Proprietary) Limited, a private company incorporated under the laws of South Africa with Registration Number 2004/013168/07;
"Prime Rate"	the prevailing interest rate (per cent, per annum, compounded monthly) from time to time published by First National Bank, a division of FirstRand Bank Limited, as being its prime overdraft rate (as certified by any manager of FirstRand Bank Limited whose appointment and designation need not be proved) expressed as a percentage;
"Redemption Amount"	the amount detailed in 137.6.1
"Redemption Date"	a date 5 (five) years and one day after the Issue Date, unless the "A3" Met Prefs are converted or redeemed at an earlier date in terms of this article 137, or such later date as agreed between the SPV, the Finance Consortium and the Company;
"RMB"	FirstRand Bank Limited, a public company incorporated under the laws of South Africa with Registration Number 1929/001225/06, acting through its Rand Merchant Bank Division;
"SCM"	Sanlam Capital Markets Limited, a public company duly incorporated under the laws of South Africa with Registration Number 1996/004744/06

"SPV" Off the Shelf Investments 108 (Proprietary) Limited, a private company incorporated under the laws of South Africa with Registration Number 2004/013271/07;

"Subsidiary" any subsidiary as defined in the Act.

137.2 Preference Dividends

137.2.1 The "A3" Met Prefs shall confer on the Holder thereof the right to receive out of the profits of the Company, which right shall rank *pari passu* with the rights of all other holders of Met Prefs but prior to the provision for, or declaration or payment of, any dividends or capital of any nature whatsoever on any ordinary share in the capital of the Company, a 6 (six) monthly cumulative preferential cash dividend which shall accrue on a daily basis and which shall be determined in the manner set out in 137.2.2 and 137.2.4 below.

137.2.2 The "A3" Met Preference Dividends shall be due and payable 6 (six) monthly in arrear on the Dividend Dates to Holders of "A3" Met Prefs registered on the Business Day immediately preceding each Dividend Date.

137.2.3 The Company's obligation to pay the "A3" Met Preference Dividend shall at all times be discharged by direct payment of such preference dividends to the Managing Agent.

137.2.4 The "A3" Met Pref shall confer on the Holder the right to receive out of the profits of the Company a dividend calculated in accordance with the following formula:

$$\text{MPD} = \frac{(A + B + C) \times D \times E}{365}$$

Where:

MPD = the "A3" Met Preference Dividend per "A3" Met Pref;

A = the Coupon Rate as determined in 137.3 below;

B = the Initial Rate of 0,5%;

C = the Out Performance Rate as determined in 137.4 below;

D = the Issue Price;

E = the number of days of the relevant period in respect of which the "A3" Met Preference Dividend is payable.

137.3 Coupon Rate

The Coupon Rate shall be calculated in arrear in accordance with the following formula:

$$A = G \times PR$$

Where:

A = the Coupon Rate;

G = 72% or such other percentage applicable as contemplated in article 137.5 below;

PR = the Prime Rate.

137.4 **The Out Performance Rate**

137.4.1 The Company shall determine the Average of the growth of the following key financial ratios ("the Basket") of the Method Group at the end of each interim and annual financial period of the Method Group, in comparison to the corresponding previous interim or annual financial period, namely, the growth in:

- 137.4.1.1 dividend per ordinary share;
- 137.4.1.2 value of new business for the period concerned;
- 137.4.1.3 fully diluted core headline earnings per share.

137.4.2 An additional rate of dividend ("the Out Performance Rate") shall accrue to the Holders in accordance with 137.4.3 below if the Average growth is in excess of 9%. If there is negative growth in one of the rates constituting the Basket, it shall be deemed to be zero for the purpose of calculating the Average growth in the Basket.

137.4.3 The first Out Performance Rate shall be calculated for the period 1 July 2005 to 31 December 2005 and will be included in the March 2006 "A3" Met Preference Dividend calculation. The Out Performance Rate shall commence at zero and then increase by an additional percentage as determined in 137.4.4.

137.4.4 The Out Performance Rate shall increase by the addition of the percentage indicated in the following table opposite the Average growth in the Basket.

Average Growth in the Basket	Increase in dividend rate of "A3" Met Prefs
9% and below	0%
greater than 9% and less than or equal to 10%	0,5
greater than 10% and less than or equal to 11%	0,505%
greater than 11% and less than or equal to 12%	0,515%
greater than 12% and less than or equal to 13%	0,535%
greater than 13% and less than or equal to 14%	0,570%
greater than 14% and less than or equal to 15%	0,625%
greater than 15% and less than or equal to 16%	0,705%
greater than 16% and less than or equal to 17%	0,815%
greater than 17% and less than or equal to 18%	0,960%
greater than 18% and less than or equal to 19%	1,145%
greater than 19% and less than or equal to 20%	1,325%
greater than 20%	1,655%

137.4.5 Once the Out Performance Rate has increased it shall remain at that level for the purposes of the formula in 137.2.4 until conversion or redemption of the Met Prefs unless it is increased by further growth in the Basket.

137.5 **Additional Dividends**

In addition to the Met Preference Dividend, the Holders of the Met Prefs shall be entitled to payment of additional dividends in such amounts as may be required by the SPV from time to time to pay an additional rate of dividend to the holders of the "A3" SPV Prefs in accordance with clause 7 of Schedule 1 of the "A3" SPV Subscription Agreement, which amounts shall be payable within 7 (seven) days after receipt of the SPV's written demand.

137.6 **Redemption**

- 137.6.1 The amount at which the Company shall redeem each "A3" Met Pref in terms of 137.6.3 shall be an amount equal to:
- 137.6.1.1 the Issue Price; plus
 - 137.6.1.2 any arrear "A3" Met Preference Dividends which at the date of redemption are still unpaid in respect of each Met Pref, on the basis that a dividend will be deemed to be in arrear and unpaid if at any earlier dividend payment date the "A3" Met Preference Dividend was neither declared nor paid or if declared, was not paid; plus
 - 137.6.1.3 an amount in respect of each "A3" Met Pref calculated in accordance with the formula in 137.2.4 above for the period from the last Dividend Date to the date of redemption; plus
 - 137.6.1.4 interest on arrear "A3" Met Preference Dividends calculated daily at the Prime Rate plus 2%, from the due date for payment of the "A3" Met Preference Dividend up to (but excluding) the Redemption Date, compounded monthly.
- 137.6.2 The Company shall make provision for the premium payable on redemption of the "A3" Met Prefs from its share premium account as contemplated in s76(3)(c) of the Act.
- 137.6.3 Subject to the further provisions of the Act and the provisions of 137.7 below, the Company shall redeem the "A3" Met Prefs in full for the Redemption Amount, on the Redemption Date against either:
- 137.6.3.1 surrender to the Company of the certificates in respect of the "A3" Met Prefs; or
 - 137.6.3.2 if such certificates are lost, receipt of a suitable written indemnity from the holder that the certificates have not been alienated or pledged.
- 137.6.4 Should the Redemption Amount not be paid on due date, then such amount shall bear interest at the Prime Rate plus 2% from the due date until date of payment.

137.7 **Redemption Events**

137.7.1 *Redemption events requiring written notification from SPV*

Notwithstanding anything to the contrary herein contained, all the issued "A3" Met Prefs shall be redeemed in full, subject to the condition that if:

- 137.7.1.1 the Company should have failed to declare any dividend on the "A3" Met Prefs on the Dividend Dates, or, having declared any dividend, should have failed to pay such dividend on the due date of payment therefor; or
- 137.7.1.2 the Company should have failed to declare any dividend on the Met Prefs on the date that a dividend is due on such Met Prefs or, having declared any dividend on such Met Prefs, should have failed to pay such dividend on the due date of payment therefor; and
- 137.7.1.3 the SPV has given the Company written notice that it requires redemption of such "A3" Met Prefs.

137.7.2 *Redemption events requiring immediate redemption*

Notwithstanding anything to the contrary herein contained, all the "A3" Met Prefs shall become immediately redeemable and shall be redeemed in full conditional upon the occurrence of any one or more of the following events after the Issue Date, namely:

- 137.7.2.1 if the Company should fail to redeem any of the "A3" Met Prefs on the Redemption Date or fail to pay to the Holder thereof the full proceeds of redemption on the due date of payment therefor; or
- 137.7.2.2 if the Company should fail to redeem any of the Met Prefs on their dates of redemption or fail to pay the holder thereof the full proceeds of redemption on the due date of payment therefor;
- 137.7.2.3 if the Company commits an act which, if it were a natural person, would be an act of insolvency in terms of Section 8 of the Insolvency Act; or
- 137.7.2.4 if the Company should be placed into liquidation or under judicial management or wound-up, in any case whether provisionally or finally and whether voluntarily or compulsorily; or
- 137.7.2.5 if the Company should give any notice or take any steps to convene a meeting of its shareholders to adopt a resolution placing it in liquidation or under judicial management, in either case whether provisionally or finally; or
- 137.7.2.6 if the Company should make or attempt to make or recommend any general offer of compromise with any or all of its creditors; or
- 137.7.2.7 if any asset of the Company is attached for a judgement in excess of R5 000 000 (Five Million Rand) and the Company fails to set such attachment aside within 60 (sixty) days; or
- 137.7.2.8 any default under the terms of "A3" SPV Prefs resulting in the SPV being called upon to redeem the "A3" SPV Prefs; or
- 137.7.2.9 any acts committed by the Company which are ultra vires the Company's objects as contained in its memorandum and articles of association; or
- 137.7.2.10 any repudiation by the Company of its obligations under the terms of this article 137, or if the Company causes to be done any act or thing which, in the reasonable opinion of the Managing Agent, evidences an intention to repudiate the Agreement.

137.8 **Meetings**

The Holder shall be entitled to receive notice of, and to be present at, any general meeting of the Company and shall (in its capacity as holder) be entitled to vote, either in person, by representation or by proxy, at any such meeting as if the Holder is an ordinary shareholder of the Company holding as many ordinary shares of the Company as it holds "A3" Met Prefs, but subject to the following conditions imposed by the Listing Division of the JSE:

- 137.8.1 the exercise of the voting rights of the "A3" Met Prefs are entirely subject to the conditions of approval issued by the Listings Division of the JSE, in particular that the Holder be a black person or company;

- 137.8.2 no further issue of "A3" Met Prefs may be made without the written consent of the JSE; and
- 137.8.3 the Holder may not veto any resolutions of the Company that would otherwise have been passed by the holders of Met Ords together with the Holder of the "A3" Met Prefs.

137.9 **Rights of Conversion**

- 137.9.1 The Holder may, upon written notice to the secretary of the Company in the period 3 (three) years and one day after the Issue Date but prior to the Redemption Date and subject to the written consent of the Finance Consortium, request the Company to convert the "A3" Met Prefs into ordinary shares of the Company, ranking *pari passu* in all respects with the then existing ordinary shares of the Company, with effect from the date of receipt by the secretary of the Company of the said notice together with the written consent of the Finance Consortium.
- 137.9.2 Upon such conversion the Holder of the "A3" Met Prefs shall deliver to the Company certificates in respect of the number of Met Prefs converted and details of their Central Securities Depository Participant to hold the uncertificated Met Ords against payment of all costs incurred by the Company to issue such Met Ords, whereafter the Company shall apply for the listing of such converted Met Prefs on the JSE.

137.10 **General**

- 137.10.1 The Company shall not be liable to the Holders for interest on any unclaimed "A3" Met Preference Dividend or distribution of redemption monies. The Company shall retain all unclaimed monies until they are claimed; provided that any amount remaining unclaimed for a period of 12 (twelve) years shall be forfeited by the Holder to the Company.
- 137.10.2 The Managing Agent shall be entitled, but not obliged, to give notice on behalf of the SPV to any party in terms of this article."

In terms of the Listings Requirements, a 75% majority of the votes of all shareholders present or represented by proxy at the general meeting, but excluding the votes of the excluded parties, is required for the special resolution to be effective.

Ordinary resolution number 1

"Resolved as an ordinary resolution that:

subject to the passing and registration of special resolution numbers 1 and 2, the 12 700 000 variable rate convertible cumulative redeemable "A2" preference shares with a par value of 0,0001 cents and the 35 000 000 variable rate convertible cumulative redeemable "A3" preference shares with a par value of 0,0001 cent be and are hereby placed under the control of the directors with the specific authority in terms of section 221 of the Companies Act to allot and issue such shares to the SPV in accordance with the circular to which this notice is attached."

In terms of the Listings Requirements of the JSE a 75% majority of the votes of all shareholders present or represented by proxy at the general meeting but excluding the votes of the excluded parties, is required for this ordinary resolution to be passed.

Ordinary resolution number 2

"Resolved as an ordinary resolution that:

any independent non-executive director or officer of the Company be and is hereby authorised to take all such steps and sign all such documents as are necessary to give effect to the resolutions passed at this general meeting."

By order of the board

Mrs B Gobodo-Mbomvu

Company secretary

Bellville, Cape Town

5 September 2005

