
METROPOLITAN HOLDINGS LIMITED
CIRCULAR TO SHAREHOLDERS

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

AND

ODD-LOT OFFER

AUGUST 2004

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, 1 September 2004 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 (white) in accordance with the instructions contained therein so as to be received by the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited (in South Africa) or Transfer Secretaries (Proprietary) Limited (in Namibia), by no later than 11:00 on Monday, 30 August 2004.
4. Shareholders who have dematerialised their Metropolitan shares (other than those shareholders whose shareholding is recorded in their own name on the sub-register maintained by their CSDP) must provide their CSDP with their voting instructions for the general meeting in terms of the custody agreement entered into between the dematerialised shareholder and the CSDP. If, however, such shareholders wish to attend the general meeting in person, they will need to request their CSDP to provide them with the necessary authority to attend and vote at the general meeting.
5. If you are a registered certificated holder of less than 100 certificated Metropolitan shares at the close of business on Friday, 17 September 2004 and have not completed and returned the attached form of election and surrender (blue) in accordance with the instructions detailed on such form so as to be received by the transfer secretaries by 12:00 on Friday, 17 September 2004, your Metropolitan shares will be automatically acquired by Metropolitan at the offer price plus a premium of 5% and the proceeds remitted to you upon surrender of your documents of title.
6. If you are a dematerialised shareholder and hold less than 100 Metropolitan shares at the close of business on Friday, 17 September 2004, and you fail to provide your CSDP or broker with your election, then your Metropolitan shares will be automatically acquired by Metropolitan at the offer price plus a premium of 5% and the proceeds credited to your account with your CSDP.

METROPOLITAN HOLDINGS LIMITED



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

("Metropolitan" or "the Company")

Circular to shareholders

regarding:

- the creation, allotment and issue of 75 842 650 variable rate cumulative convertible redeemable preference shares of 0.0001 cents each;
- the amendment of the Company's memorandum and articles of association;
- an odd-lot offer, including:
 - the proposing of an odd-lot offer;
 - a specific authority for Metropolitan to repurchase its shares for the purpose of the odd-lot offer;
 - a specific authority for Metropolitan to issue shares for cash for the purpose of the odd-lot offer;
- a general authority to make payments to shareholders;

and incorporating:

- a notice of general meeting of shareholders;
- a form of proxy (white); and
- a form of election and surrender (blue) for the odd-lot offer.

Legal adviser

DENEYS | **REITZ**
ATTORNEYS

Sponsor and independent expert

Merrill Lynch

Global Markets & Investment Banking Group
Merrill Lynch South Africa (Pty) Ltd
Registration number 1995/001895/07
Registered Sponsor and Member of the
JSE Securities Exchange South Africa

Reporting accountant

PRICEWATERHOUSECOOPERS
PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors
(Registration no 1998/012055/21)

Corporate adviser

KBC
KHUMO BATHONG CAPITAL

CORPORATE INFORMATION

METROPOLITAN HOLDINGS LIMITED

Secretary and registered office

Mrs B Gobodo-Mbomvu
Metropolitan Holdings Limited
(Registration number 2000/031756/06)
7 Parc du Cap
Mispel Road
Bellville, 7530
(PO Box 2212, Bellville, 7535)
Telephone number: 021 940 5911

Legal advisers

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(Registration number 1984/003385/21)
8th Floor, Southern Life Centre
8 Riebeek Street
Cape Town, 8001
(Private Bag X10, Roggebaai, 8012)

Sponsor in South Africa

Merrill Lynch South Africa (Proprietary) Limited
(Member of the Merrill Lynch group)
(Registered Sponsor and Member of the JSE
Securities Exchange South Africa)
(Registration number 1995/001805/07)
138 West Street
Sandown
Sandton, 2196
(PO Box 651987, Benmore, 2146)

Corporate Adviser and Debt Arranger

Khumo Bathong Capital (Proprietary) Limited
(Registration number 2004/005800/07)
Riverwoods Office Park
1st Floor, cnr Civin and Johnson Drive
Bedfordview, 2007
(P O Box 2031, Bedfordview, 2008)

Transfer secretaries in South Africa

Computershare Investor Services 2004
(Proprietary) Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Telephone number: 011 870 8208

Sponsor in Namibia

Simonis Storm Securities (Proprietary) Limited
(Member of the Namibian Stock Exchange)
(Registration number 96/421)
Suite C, 152 Robert Mugabe Avenue
Windhoek
Namibia
(PO Box 3970, Windhoek)

Transfer secretaries in Namibia

Transfer Secretaries (Proprietary) Limited
(Registration number 93/713)
Shop 8, Kaiserkrone Centre
Post Street Mall
Windhoek
Namibia
(PO Box 2401, Windhoek)

Reporting Accountants

PriceWaterhouseCoopers Inc.
Chartered Accountants (SA)
Registered Accountants and Auditors
Waterhouse Place No 1
Century City, 7441
(PO Box 2799, Cape Town, 8000)

Independent Expert

Merrill Lynch South Africa (Proprietary) Limited
(Member of the Merrill Lynch group)
(Registered Sponsor and Member of the JSE
Securities Exchange South Africa)
(Registration number 1995/001805/07)
138 West Street
Sandown
Sandton, 2196
(PO Box 651987, Benmore, 2146)

KAGISO TRUST INVESTMENTS (PROPRIETARY) LIMITED

Registered Office

Kagiso House
16 Fricker Road
Illovo, 2196
(PO Box 55276, Northlands, 2116)

Corporate advisers

NM Rothschild & Sons (South Africa) (Pty) Limited
First Floor, Kagiso House
16 Fricker Road
Illovo, 2196
(PO Box 411332, Craighall, 2024)

Legal advisers

Webber Wentzel Bowens
10 Fricker Road
Illovo Boulevard
Johannesburg, 2196
(PO Box 61771, Marshalltown, 2107)

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Form of proxy (white)	Insert
Form of election and surrender (blue)	
for use by certificated shareholders in respect of the odd-lot offer	Insert

IMPORTANT DATES AND TIMES

2004

Election period for the odd-lot offer opens on	Friday, 6 August
Forms of proxy for the general meeting of shareholders to be received by the transfer secretaries by 11:00 on	Monday, 30 August
Offer price finalised and announced on SENS on	Tuesday, 31 August
Offer price published in the South African and Namibian press on	Wednesday, 1 September
General meeting of shareholders to be held at 11:00 on	Wednesday, 1 September
Results of the general meeting and finalisation announcement published on SENS on	Wednesday, 1 September
Results of the general meeting and finalisation announcement published in the South African and Namibian press on	Thursday, 2 September
Last day to trade in order to participate in/be eligible for the odd-lot offer on	Friday, 10 September
Shares trade "ex" odd-lot offer	Monday, 13 September
Election period for the odd-lot offer closes at 12:00 on (See note 2)	Friday, 17 September
Forms of election and surrender (together with relevant documents of title/cheque/banker's draft, as applicable in respect of certificated shareholders) for the odd-lot offer to be received by the transfer secretaries by 12:00 on (See note 2)	Friday, 17 September
Record date to determine those shareholders entitled to participate in the odd-lot offer at the close of business on	Friday, 17 September
Results of the odd-lot offer announcement on SENS on	Monday, 20 September
Implementation of the odd-lot offer takes effect at the commencement of business on	Monday, 20 September
Accounts of dematerialised odd-lot holders updated and debited/credited at CSDP/broker in respect of the odd-lot offer, cheques posted to certificated odd-lot holders who have elected to sell their odd-lots and share certificates posted to shareholders who have elected to acquire additional shares, from	Monday, 20 September
Results of the odd-lot offer published in the South African and Namibian press on	Tuesday, 21 September
Expected date of issue of the unlisted Met prefs	Friday, 1 October

Notes:

1. Any Metropolitan shares purchased on the JSE or NSX after Friday, 10 September 2004 will not be eligible to participate in the odd-lot offer.
2. Dematerialised odd-lot holders are required to notify their duly appointed CSDP of their election of the odd-lot offer in the manner and time stipulated in the custody agreement governing the relationship between the odd-lot holder and his CSDP.
3. Certificated odd-lot holders who have elected by 12:00 on Friday, 17 September 2004 to acquire additional Metropolitan shares will be sent a share certificate in respect of their new Metropolitan shares by registered post from Monday, 20 September 2004 at the risk of the odd-lot holders concerned. Cheques will be posted to certificated odd-lot holders who have elected to sell their odd-lots from Monday, 20 September 2004 at the risk of the odd-lot holders concerned.
4. Certificated shareholders should be aware that they will not be able to trade their Metropolitan shares unless their share certificates have been dematerialised. This period could be 24 hours up to 10 days, depending on volumes processed. Shareholders may not dematerialise or rematerialise their Metropolitan shares between Monday, 13 September 2004 and Friday, 17 September 2004, both days inclusive.
5. 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:

"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;
"cash alternative"	the right of the odd-lot holders to sell odd-lot holdings to Metropolitan at the offer price plus a premium of 5% (referred to in paragraph 21.1.2.2 of the circular);
"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;
"circular"	this bound document, dated 6 August 2004, including all annexures hereto, the notice of general meeting, the form of proxy and the form of election and surrender (blue);
"common monetary area"	South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho;
"Companies Act"	the Companies Act, 1973 (Act 61 of 1973), as amended;
"Computershare Custodial Services"	Computershare Custodial Services Limited (Registration number 2000/006082/06), a registered depository institution within the provisions of the Custody and Administration of Securities Act, 1992 (Act 85 of 1992), as amended, and accredited as a CSDP under the provisions of section 91A of the Companies Act and the Regulations promulgated thereunder, being the custodian of the shares in Metropolitan recorded in the register in the name of Computershare Nominees;
"Computershare Nominees"	Computershare Nominees (Proprietary) Limited (Registration number 1999/008543/07), a wholly-owned subsidiary of Computershare Custodial Services;
"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 on page 28 of this circular;
"document(s) of title"	share certificates or certified deeds or any other document(s) of title acceptable to Metropolitan in respect of certificated shares;
"the equity stake"	10.25% of the total issued share capital of Metropolitan immediately after the Met prefs are issued;
"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;
"financing agreements"	the agreements to be entered into among some or all of the bank consortium, Newco, SPV, KTI and Metropolitan to regulate and implement the subscription by the bank consortium for the SPV prefs;
"general meeting"	the general meeting of shareholders to be held at 11:00 on Wednesday, 1 September 2004 in the Auditorium, 7 Parc du Cap, Mispel Road, Bellville, Cape Town, to consider the resolutions required to implement the transaction, odd-lot offer and the general authority to make payments to shareholders;
"issue date"	the date of issue of the Met prefs, which is expected to be 1 October 2004;
"issue for cash"	an issue by Metropolitan of Metropolitan shares for cash as contemplated in paragraph 5.50 of the Listings Requirements;
"issue price"	R7.12 per Met pref;
"Issuer-Sponsored Nominee Programme"	the programme initiated by Metropolitan and Computershare Custodial Services to establish and/or appoint Computershare Nominees to hold Metropolitan shares on behalf of shareholders who have elected to participate in the programme in accordance with the circular to shareholders dated 21 September 2001;
"JSE"	the JSE Securities Exchange South Africa;
"KTI"	Kagiso Trust Investments (Proprietary) Limited (Registration number 1993/007845/07);
"last day to trade"	Friday, 10 September 2004;
"last practicable date"	the last practicable date prior to finalising the circular, being Thursday, 29 July 2004;
"Listings Requirements"	the Listings Requirements of the JSE, as amended from time to time;
"Met prefs"	the 75 842 650 variable rate cumulative convertible redeemable preference shares in the share capital of Metropolitan with a par value of 0.0001 cents and a premium of R7.119999 each to be issued by Metropolitan to the SPV;
"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 Group"	Metropolitan, its subsidiaries and associate companies;
"Metropolitan shares" or "Met ords"	ordinary shares having a par value of 0.0001 cents each in the authorised and issued share capital of Metropolitan, specifically including, without limitation, dematerialised shares;
"NAIL"	New Africa Investments Limited (Registration number 1993/002467/06);
"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 wholly-owned subsidiary of KTI;
"NSX"	the Namibian Stock Exchange;
"odd-lot offer"	collectively, the cash alternative, the top-up alternative and the retention alternative (referred to in Part II of this circular);
"odd-lot holders"	shareholders holding odd-lot holdings on the record date;
"odd-lots" or "odd-lot holdings"	total shareholdings of less than 100 Metropolitan shares;
"offer price"	the price per Metropolitan share equivalent to the volume weighted average trading price of Metropolitan shares on the JSE over the five trading days commencing on Tuesday, 24 August 2004 and ending on Monday, 30 August 2004;
"record date"	the record date for the odd-lot offer, being the close of business on Friday, 17 September 2004;
"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;
"retention alternative"	the right of the odd-lot holders to retain their odd-lot holdings (referred to in paragraph 21.1.2.3 of the circular);
"RMB"	FirstRand Bank Limited (Registration number 1929/001225/06), acting through its Rand Merchant Bank Division;
"SENS"	the Securities Exchange News Service of the JSE;
"shareholders"	certificated and dematerialised holders of Metropolitan shares;
"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;
"the SPV prefs"	the variable rate cumulative redeemable "A" preference shares in the share capital of the SPV with a par value of R1,00 each;
"STRATE"	STRATE Limited (Registration number 1998/022242/06);
"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 immediately after the issue date;
"top-up alternative"	the right of the odd-lot holders to purchase a sufficient number of additional Metropolitan shares at the offer price in order to increase their odd-lot holdings to 100 Metropolitan shares (referred to in paragraph 21.1.2.1 of the circular);
"transaction"	the proposed BEE transaction described in this circular pursuant to which KTI will acquire the equity stake;
"transfer secretaries"	Computershare Investor Services 2004 (Proprietary) Limited (Registration number 2004/003647/07) (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.



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

("Metropolitan" or "the Company")

Board of directors

Non-executive directors:

G T Serobe (Group Chairman)

N Z Buthelezi

I Charnley

W P Esterhuysen

P C Lamprecht

S A Muller

J E Newbury

F A Sonn

M L Smith

J C van Reenen

S D M Zungu

E Molobi

M J N Njeke

A H Sangqu (alternate)

Executive directors:

P R Doyle (Group Chief Executive)

A M Sithole

P E Speckmann (Group Financial Officer)

Group secretary

B Gobodo-Mbomvu

CIRCULAR TO SHAREHOLDERS

PART I - The proposed BEE transaction with KTI

1. **INTRODUCTION**

Metropolitan is a leading BEE company and is constantly seeking opportunities to enhance its empowerment status. Metropolitan has been involved for some time in developing an appropriate broad-based BEE ownership strategy to meet its overall empowerment objectives and to comply with the ownership requirements applicable to it, as contained in the Charter and related black empowerment legislation governing the financial services sector in South Africa.

To this end, on 18 June 2004 it was announced in the press and SENS that, as part of this empowerment strategy, Metropolitan and KTI concluded the relationship agreement that will result in KTI acquiring the equity stake. 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. **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 business.

3. **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.

4. **RATIONALE FOR THE TRANSACTION**

Metropolitan was ranked first in the financial services sector and fourth overall in terms of empowerment in the April 2004 Financial Mail Top Empowerment Companies survey. This survey ranks the top 200 listed companies in South Africa and was carried out by the Financial Mail in conjunction with empowerment rating agency Empowerdex.

The survey rates companies in terms of a number of factors. Metropolitan scored very well in the management (93.6%), employment equity (74.8%) and skills development (91.6%) categories but did not perform as well in terms of direct ownership.

The transaction will be a first step in addressing the issue of direct and strategic ownership, thereby confirming Metropolitan's commitment to BEE and both preserving and enhancing Metropolitan's business opportunities.

5. **SALIENT TERMS OF THE TRANSACTION**

5.1 **Transaction structure**

KTI, through a wholly-owned private company, Newco, has procured the incorporation of the SPV to be the vehicle for the financing of the transaction. Newco will subscribe for 100% of the issued ordinary share capital of the SPV for a total subscription price of R30 million. The SPV will issue the SPV prefs for an aggregate consideration of R510 million to the bank consortium. The SPV will therefore receive funds totalling R540 million.

It is proposed that Metropolitan creates the Met prefs and issues such Met prefs to the SPV at a price of R7.12 per share, which amounts to a total subscription consideration of R540 million.

The proceeds of the issue of the Met prefs will be utilised by Metropolitan to fund its normal working capital requirements to grow the business and to fund potential acquisitions.

The issue price was determined on the weighted average of:

- 5.1.1 the purchase price per Met ord repurchased by Metropolitan from NAIL earlier in the year of R6.75, referred to in the announcement published on SENS on 13 April 2004, and
- 5.1.2 the 30 day volume weighted average price per Met ord traded on the JSE as at 18 May 2004, being the date on which Metropolitan and KTI reached an in-principle agreement on the transaction.

5.2 **The salient terms of the Met prefs**

5.2.1 **Type**

The 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 Met prefs in accordance with their terms.

5.2.2 Duration

The 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 on the fifth anniversary of the issue date. The Met prefs will become redeemable if there is an early redemption of the SPV prefs as a result of the occurrence of certain default events. The Met prefs once issued shall constitute 10.25% of Metropolitan's issued share capital.

5.2.3 Voting

Although the Met prefs will not be listed, they will carry voting rights *pari passu* with the Met ords. A dispensation in this regard has been granted by the JSE subject to the conditions detailed in paragraph 7 of the circular.

5.2.4 Dividends

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

- 74% of the prime rate as charged by First National Bank, a division of FirstRand Bank Limited;
- an initial margin of 0.5%;
- an additional performance margin of 0.5% every six months on the achievement by KTI of certain qualitative milestones agreed upon by KTI and Metropolitan for each six month period in advance, which will be paid on the next dividend payment date, and then semi-annually until the redemption of the Met prefs;
- an additional 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 0.065% and 0.545%, 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 Met prefs.

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

5.2.5 Additional dividends

An additional dividend of R1 350 000 will be paid on the Met prefs within seven days of the issue date and a further R2 266 668 with the first dividend payment.

Any special dividend declared and/or reduction of capital authorised by Metropolitan on the Met ords will result in a similar special dividend becoming payable on the Met prefs and/or a corresponding reduction of Met pref capital.

6. RELEVANT TERMS OF RELATIONSHIP AGREEMENT

Metropolitan, KTI, Newco and the SPV concluded the relationship agreement to regulate their future relationship, the relevant terms of which are as follows:

6.1 Undertakings by KTI

KTI has undertaken that it will, for as long as it is a shareholder, directly or indirectly through its holding in the SPV, in more than 2.5% of Metropolitan's issued share capital:

- 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 currently conducted by them 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 Met ords**

During the first five years after the issue date, the SPV will be entitled to dispose of any Met ords into which any Met prefs may have been converted, provided that:

- after such disposal the number of Met prefs and Met ords held by the SPV 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.

In the period from the fifth anniversary to the tenth anniversary of the issue date, the SPV will be entitled, without the consent of Metropolitan, to sell Met ords to the extent that after such sale the number of Met prefs and Met ords held by the SPV does not fall below the 10% threshold. Any sale of Met ords in excess of the number which the SPV is entitled to sell pursuant to this provision may only take place with the prior written consent of Metropolitan.

After the tenth anniversary, the SPV will be entitled to sell any or all of the Met ords held by it.

In all cases, the SPV will only be entitled to sell Met ords if it has first offered such shares to Metropolitan or its nominee.

6.3 **Restriction on disposal of SPV and Newco ordinary shares**

During the first five years after the issue date, neither KTI nor Newco will be entitled to dispose of any Newco or SPV ordinary shares held by either of them.

In the period from the fifth anniversary to the tenth anniversary of the issue date, KTI and/or Newco will be entitled, without the consent of Metropolitan, to sell Newco or SPV ordinary shares, provided that after such disposal the number of Met prefs and Met ords indirectly held by KTI does not fall below the 10% threshold. Any sale of Newco or SPV ordinary shares in excess of the number which KTI and/or Newco is entitled to sell pursuant to this provision may only take place with the prior written consent of Metropolitan.

After the tenth anniversary, KTI and/or Newco will be entitled to sell Newco and/or SPV ordinary shares without the consent of Metropolitan.

In all cases, KTI and/or Newco will only be entitled to sell Newco and/or SPV ordinary shares if it has first offered such shares to Metropolitan or its nominee.

6.4 **BEE and the Charter**

KTI warrants that, as at the issue date and until the tenth anniversary of the issue date:

- it is 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.

6.5 **Appointment of Metropolitan directors**

KTI will initially be entitled to nominate two persons for appointment as directors of Metropolitan, subject to the articles of association of Metropolitan. Messrs E Molobi and MJN Njeke were appointed as directors with effect from 1 July 2004, with Mr AH Sangqu as an alternate director to Mr Molobi. In terms of the articles of association, they will hold office until the next annual general meeting of Metropolitan, when they will be eligible for re-election by the shareholders.

7. **JSE CONDITIONS**

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

7.1 The articles of association be amended to reflect:

7.1.1 the terms governing Met prefs;

7.1.2 that any issue of Met prefs is subject to the provisions of the Listings Requirements;

- 7.1.3 that no further Met prefs may be issued without the approval of the JSE and shareholders;
- 7.1.4 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
- 7.1.5 that notwithstanding any article pertaining to general meetings of ordinary and/or preference shareholders, the votes cast by each holder will rank equally;
- 7.2 The terms governing the Met prefs are set out in the notice of the general meeting;
- 7.3 The Met prefs may not be taken into account by Metropolitan in categorising future 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;
- 7.4 The relevant paragraphs of Section 5 of the Listings Requirements, relating to specific issues of shares for cash, are to be applied to the issue of the Met prefs, in terms of both the disclosure required and the level of shareholder approval to be obtained;
- 7.5 The inclusion of an independent fair and reasonable opinion in compliance with Schedule 5 and Section 5 of the Listings Requirements, insofar as may be necessary;
- 7.6 Metropolitan will provide periodic updates to its shareholders on an interim and annual basis regarding the status of the transaction; and
- 7.7 The Met prefs must be held in escrow with Metropolitan's attorneys.

8. **AMENDMENT OF THE ARTICLES OF ASSOCIATION**

The articles of association will be amended to accommodate the terms governing the Met prefs and the proposed amendments to the articles of association are set out in the notice of the general meeting contained in this circular.

9. **SUSPENSIVE CONDITIONS**

The transaction is subject to the fulfilment of the following conditions precedent by 1 October 2004:

- 9.1 all regulatory approvals for the transaction, insofar as may be necessary;
- 9.2 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.

FINANCIAL EFFECTS OF THE TRANSACTION**10.1 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. As previously announced on 18 June 2004, Metropolitan repurchased Metropolitan shares during the first half of 2004 to facilitate the transaction. The effect of these repurchases are set out below. The directors of Metropolitan are responsible for the preparation of the unaudited *pro forma* financial effects.

	Published (1)	Pro forma after the repurchase of shares (4)	Change compared to published	Pro forma after the transaction (5)	Change compared to pro forma after the repurchase
	(cents)	(cents)	%	(cents)	%
Earnings per ordinary share (2)	152.2	159.7	4.9	161.6	1.2
Headline earnings per ordinary share (2)	159.8	167.8	5.0	169.7	1.1
Core headline earnings per ordinary share (2)	62.1	63.7	2.6	65.6	3.0
Embedded value per ordinary share (3 & 9)	1 067.9	1 092.5	2.3	1 092.5	0.0
Adjusted net asset value per ordinary share (3 & 9)	715.3	717.2	0.3	717.2	0.0
Net asset value per ordinary share (3 & 9)	735.4	738.5	0.4	738.5	0.0
Tangible net asset value per ordinary share (3, 9 & 10)	678.1	677.6	(0.1)	677.6	0.0
Fully diluted earnings per share (2)	152.2	159.7	4.9	146.9	(8.0)
Fully diluted headline earnings per ordinary share (2)	159.8	167.8	5.0	154.1	(8.2)
Fully diluted core headline earnings per ordinary share (2)	62.1	63.7	2.6	60.8	(4.5)
Fully diluted embedded value per ordinary share (3 & 8)	1 067.9	1 092.5	2.3	1 052.9	(3.6)
Fully diluted adjusted net asset value per ordinary share (3 & 7)	715.3	717.2	0.3	691.1	(3.6)
Fully diluted net asset value per ordinary share (3 & 7)	735.4	738.5	0.4	710.3	(3.8)
Fully diluted tangible net asset value per ordinary share (3, 7 & 10)	678.1	677.6	(0.1)	655.6	(3.2)
Number of ordinary shares in issue (million)	707	664		664	
Weighted average number of ordinary shares in issue (million)	699	656		656	
Fully diluted number of ordinary shares in issue (million) (6)	707	664		740	
Fully diluted weighted average number of ordinary shares in issue (million) (6)	699	656		732	

Notes:

- 1) Extracted from the published audited financial results of Metropolitan for the year ended 31 December 2003.
- 2) Adjustments to earnings, headline earnings and core headline earnings per share have been made on the assumption that the repurchase and the transaction were effected on 1 January 2003.
- 3) 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 repurchase and the transaction were effected on 31 December 2003.
- 4) Pro forma after the repurchase:
 - (a) Metropolitan repurchased 35 376 184 shares for R238 741 929 from Capricorn on 1 January 2003.
 - (b) Metropolitan repurchased 7 371 002 shares through the market for R54 545 415 on 1 January 2003.
- 5) Metropolitan issued the Met prefs for cash to the SPV.
- 6) It was assumed that the Met prefs would convert into ordinary shares on a one-for-one basis on the last day prior to the 5th anniversary of the Met prefs. This represents the fully diluted effect of the Met prefs.
- 7) For purposes of calculating fully diluted adjusted net asset value, net asset value and tangible net asset value per share, the net present value of the future dividend payments, amounting to R184 051 682, has been treated as debt in terms of AC 133.
- 8) For purposes of calculating fully diluted embedded value per share, the net cash consideration of R535 499 668 has been included in the value attributable to shareholders.
- 9) For purposes of calculating normal embedded, adjusted net asset value, net asset value and tangible net asset value per share, the illustration excludes the net proceeds received from the Met prefs.
- 10) 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.

10.2 **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 2003 has been prepared on the assumption that the transaction was effected on 1 January 2003.

	Published (1) Rm	The repurchase of shares (2) Rm	Pro forma before the transaction Rm	Adjustments for the transaction (3) Rm	Pro forma after the transaction Rm
Income from insurance and investment business	1 205	-	1 205	-	1 205
Income from administration business	65	-	65	-	65
Revenue	397	-	397	-	397
Administration expenses	(332)	-	(332)	-	(332)
Income from holding company	140	(26)	114	46	160
Revenue	174	(26)	148	46	194
Administration expenses	(34)	-	(34)	-	(34)
Income before goodwill, financing cost and tax	1 410	(26)	1 384	46	1 430
Goodwill amortised	(53)	-	(53)	-	(53)
Financing costs	-	-	-	(15)	(15)
Income before tax	1 357	(26)	1 331	31	1 362
Shareholders' tax paid	(272)	10	(262)	(19)	(281)
Income after tax	1 085	(16)	1 069	12	1 081
Outside shareholders' share of profit	(21)	-	(21)	-	(21)
Earnings	1 064	(16)	1 048	12	1 060
Earnings	1 064	(16)	1 048	12	1 060
Goodwill	53	-	53	-	53
Headline earnings	1 117	(16)	1 101	12	1 113
Capital (appreciation)/depreciation					
Insurance and investment business	(340)	-	(340)	-	(340)
FSV surplus	(401)	-	(401)	-	(401)
90:10 fund adjustment	61	-	61	-	61
Administration business and holding company	(154)	-	(154)	-	(154)
Basis changes and investment variances	(189)	-	(189)	-	(189)
FSV surplus	(52)	-	(52)	-	(52)
90:10 fund adjustment	(137)	-	(137)	-	(137)
Core headline earnings attributable to ordinary shareholders	434	(16)	418	12	430

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.

- 1) Extracted from the audited published annual financial results of Metropolitan for the year ended 31 December 2003.
- 2) The following assumptions were applied with regard to the repurchase of shares:
 - (a) Metropolitan repurchased 35 376 184 shares for R238 741 929 from Capricorn on 1 January 2003.
 - (b) Metropolitan repurchased 7 371 002 shares through the market for R54 545 415 on 1 January 2003.
 - (c) Dividends of R16 457 666 with regard to the repurchased shares were not paid during the year.
 - (d) STC at a rate of 12.5% was taken into account on these dividends.
 - (e) Investment income at an after-tax rate of 6.3% per annum was foregone after taking into account the cash paid for the repurchase of shares and the saving of dividends not paid on these shares.
 - (f) A tax rate of 30% was applied.
- 3) The following assumptions were applied with regard to the transaction:
 - (a) Metropolitan issued the Met prefs to the SPV on 1 January 2003 for R539 999 668.
 - (b) A special dividend of R1 350 000 was paid on 1 January 2003.
 - (c) A special dividend of R2 266 668 was paid on 31 March 2003.
 - (d) A preference dividend of R12 163 493 was paid on 31 March 2003 and R26 324 984 on 30 September 2003.
 - (e) Transaction costs of R4 500 000 were paid on 1 January 2003.
 - (f) Investment income was earned at an after-tax rate of 6.3% on the net cash after taking into account the above amounts.
 - (g) The portion of the "preference dividend" which is the unwinding of the discount of the liability portion of the preference shares amounts to R14 807 035.
 - (h) STC at a rate of 12.5% was taken into account on the dividends paid.
 - (i) A tax rate of 30% was applied.

The unaudited *pro forma* balance sheet of Metropolitan at 31 December 2003 has been prepared on the assumption that the transaction was effected on 31 December 2003.

	Published (1) Rm	The repurchase of shares (2) Rm	Pro forma before the transaction Rm	Adjustments for the transaction Rm	Pro forma after the transaction Rm
ASSETS					
Non-current assets					
Investment assets	34 930	-	34 930	-	34 930
Investment property	2 319	-	2 319	-	2 319
Equities	19 485	-	19 485	-	19 485
Government stock	3 905	-	3 905	-	3 905
Stock of and loans to other public bodies	4 459	-	4 459	-	4 459
Debentures and loans	760	-	760	-	760
Policy loans	416	-	416	-	416
Funds on deposit and other money-market instruments	3 586	-	3 586	-	3 586
Goodwill	337	-	337	-	337
Intangible assets	81	-	81	-	81
Deferred tax	24	-	24	-	24
Tangible assets	121	-	121	-	121
Current assets					
Receivables	1 325	-	1 325	-	1 325
Cash and cash equivalents	290	(293)	(3)	535 ⁽³⁾	532
Total assets	37 108	(293)	36 815	535	37 350
EQUITY AND LIABILITIES					
Capital and reserves					
Ordinary share capital	5 199	(293)	4 906	351	5 257
Equity portion of convertible redeemable preference shares	-	-	-	-	-
Share premium	-	-	-	-(4)	-
Foreign currency translation reserve	2 196	(293)	1 903	351 ^(3 & 4)	2 254
Distributable reserve	3	-	3	-	3
Outside shareholders' interest	3 000	-	3 000	-	3 000
Non-current liabilities	72	-	72	-	72
Policyholders' fund	30 268	-	30 268	184	30 452
Insurance contracts	23 948	-	23 948	-	23 948
Investment contracts	5 622	-	5 622	-	5 622
Surplus in 90:10 fund	661	-	661	-	661
Liability portion of convertible redeemable preference shares	-	-	-	184 ⁽⁴⁾	184
Deferred tax	37	-	37	-	37
Current liabilities	1 569	-	1 569	-	1 569
Other current liabilities	1 306	-	1 306	-	1 306
Tax	106	-	106	-	106
Provision for liabilities and charges	157	-	157	-	157
Total equity and liabilities	37 108	(293)	36 815	535	37 350

- 1) Extracted from the audited published annual financial results of Metropolitan for the year ended 31 December 2003.
- 2) The following assumptions were applied with regard to the repurchase of shares:
 - (a) Metropolitan repurchased 35 376 184 shares for R238 741 929 from Capricorn on 31 December 2003.
 - (b) Metropolitan repurchased 7 371 002 shares through the market for R54 545 415 on 31 December 2003.
- (3) Metropolitan issued the Met prefs to the SPV for a cash consideration of R539 999 668 and paid transaction costs of R4 500 000 which have been written off against the premium.
- (4) As the Met prefs can be converted to ordinary shares they have been treated as a hybrid instrument in terms of AC 133 and split between a liability portion and an equity portion. The value of the liability was calculated as the net present value of the future dividend payments discounted at a rate of 8.51% and amounted to R184 051 682 which has been included in non-current liabilities. The balance of the cash consideration received of R355 947 986 was allocated to convertible redeemable preference share capital and share premium.
- (5) It was assumed that the Met prefs would convert on a one-for-one basis into ordinary shares on the last day prior to the 5th anniversary of the Met prefs.

11.

DIRECTORS' REMUNERATION

Director	Fees	Annual Package	Bonus	Pension Fund Contribution	Total
	R'000	R'000	R'000	R'000	R'000
Gloria Serobe	350				350
Peter Doyle		1 601	350	212	2 163
Abel Sithole		1 455	300	191	1 946
Preston Speckmann		1 016	300	142	1 458
Nthuthukoyezwe Buthelezi	160				160
Irene Charnley	170				170
Willie Esterhuysen	200				200
Ian Goldin	48				48
Peter Lamprecht	267				267
Syd Muller	210				210
John Newbury	220				220
Moss Ngoasheng	38				38
Marius Smith	348				348
Franklin Sonn	160				160
Johan van Reenen	200				200
Sandile Zungu	160				160
	2 531	4 072	950	545	8 098

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

The remuneration receivable by the directors will not be varied as a consequence of the transaction.

12.

PROSPECTS FOR THE BUSINESS OF METROPOLITAN

Metropolitan continues to be committed to concentrate on boosting new business volumes, containing costs and improving the quality of new business 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.

13. **DIRECTORS' INTEREST IN THE TRANSACTION**

13.1 The directors (excluding the directors appointed by KTI detailed in paragraph 6.5 above) have no material, indirect or direct beneficial interest in the transaction.

13.2 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.

14. **ISSUES OF SECURITIES IN PREVIOUS THREE YEARS**

	Number of shares issued (million)	Aggregate issue price R'million
Shares issued during 2002	27	174
Shares issued during 2003	13	79
Shares issued during 2004	-	-

The shares issued during the periods referred to in the table above were issued only in terms of the staff share schemes.

15. **KING II REPORT**

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

16. **OPINIONS AND RECOMMENDATIONS**

16.1 **Independent expert's opinion**

Merrill Lynch South Africa (Proprietary) Limited, the independent expert, has considered the transaction and is of the opinion that it is fair and reasonable. The text of the letter from Merrill Lynch South Africa (Proprietary) Limited is set out in Annexure 1.

16.2 **Directors' opinion**

The directors (excluding the directors nominated by KTI as detailed in paragraph 6.5 above) have considered the terms and conditions of the transaction and are of the unanimous opinion that the transaction is in the best interests of Metropolitan and its shareholders, having considered the cost and future benefits to Metropolitan as well as the opinion of the independent expert.

Those directors who own Met ords intend voting in favour of the special and ordinary resolutions necessary to effect the transaction in respect of their own shareholdings and recommend that shareholders do likewise.

The directors confirm that the transaction constitutes an issue for cash in terms of the Listings Requirements but does not constitute an affected transaction as defined in the Securities Regulation Code on Take-overs and Mergers and the Rules of the Securities Regulation Panel established under section 440B of the Companies Act.

17. **CONSENTS**

PriceWaterhouseCoopers Inc., reporting accountants to Metropolitan, has given and has not withdrawn its written consent to the inclusion of its 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.

PART II - The proposed odd-lot offer

18. INTRODUCTION

- 18.1 In the circular to shareholders dated 4 November 2003, shareholders were advised that the board had proposed an odd-lot offer in order to reduce the number of shareholders who held odd-lots, of less than 100 shares in Metropolitan. The first odd-lot offer was necessitated due to odd-lots having been created as a result of a previous unbundling by NAIL of part of its Metropolitan stake to its shareholders. The first odd-lot offer was implemented on 15 December 2003.
- 18.2 Subsequent to the first odd-lot offer NAIL unbundled its remaining Metropolitan stake to its shareholders. This has resulted in the creation of numerous further odd-lot holdings in Metropolitan and consequently, has necessitated Metropolitan undertaking a further odd-lot offer to its shareholders who hold odd-lots.
- 18.3 A breakdown of the composition of shareholders at 31 March 2004 revealed that:
- 18.3.1 out of a total of 27 973 shareholders of listed Metropolitan shares, 23 154 shareholders owned less than 100 Metropolitan shares;
 - 18.3.2 the total holdings of these 23 154 shareholders constituted less than 0.010% of the total issued share capital of Metropolitan;
 - 18.3.3 of these odd-lot holders, 22 273 owned less than 15 Metropolitan shares;
 - 18.3.4 the total holdings of these 22 273 shareholders constituted less than 0.006% of the total issued share capital of Metropolitan.
- 18.4 The minimum cost of executing a trade on the JSE of an odd-lot holding of less than 100 shares amounts to approximately R140.00 made up, *inter alia*, of brokerage charges and CSDP fees.
- 18.5 At the last practicable date, the closing price per Metropolitan share amounted to R7.30 and accordingly the value of 15 Metropolitan shares and 100 Metropolitan shares amounted to R109.50 and R730.00, respectively.
- 18.6 It is clear that for a shareholder holding 15 Metropolitan shares or less, the cost of selling such Metropolitan shares exceeds their value. In addition, for shareholders holding more than 15 but less than 100 Metropolitan shares, the cost of selling such Metropolitan shares is substantial in relation to the value of their holdings.
- 18.7 Furthermore, the annual total administration cost to Metropolitan in respect of shareholders holding odd-lots amounts to approximately R2.8 million.
- 18.8 The board is of the view that shareholders holding odd-lots should be afforded the opportunity of holding a more meaningful stake in Metropolitan; alternatively, they should be offered a cost-efficient method of disposing of their Metropolitan shares without the negative consequences detailed in paragraph 18.6 above.
- 18.9 The implementation of the odd-lot offer will also significantly reduce the ongoing administrative cost to Metropolitan connected with a large number of odd-lot holders without leading to Metropolitan being in contravention of the minimum spread requirements of the Listings Requirements.
- 18.10 The board has accordingly proposed an odd-lot offer (subject to the fulfilment of the conditions precedent referred to in 21.2) on the terms and conditions detailed in paragraph 21 of the circular in order to enable odd-lot holders:
- 18.10.1 to acquire a more meaningful stake in Metropolitan; or
 - 18.10.2 to dispose of their odd-lots in a cost-effective manner;
- thereby reducing the number of odd-lot holders in an equitable manner.

19. PURPOSE OF PART II OF THE CIRCULAR

The purpose of Part II of the circular is to furnish information to shareholders regarding the odd-lot offer, the specific authority to purchase odd-lots, the specific authority to issue shares to odd-lot holders and the resolutions to be proposed at the general meeting in connection with the odd-lot offer.

20. LAST DAY TO TRADE AND RECORD DATE FOR THE ODD-LOT OFFER

The last day to trade Metropolitan shares on the JSE and NSX in order to participate in or be eligible for the odd-lot offer is Friday, 10 September 2004.

Odd-lot holders are entitled to participate in the odd-lot offer and to exercise the elections referred to in paragraph 21.1.2 of the circular.

Odd-lot holdings arising after the close of business on Friday, 17 September 2004, will not be entitled to participate in the odd-lot offer.

21. ODD-LOT OFFER

21.1 Terms of the odd-lot offer

21.1.1 All odd-lot holders will be afforded the opportunity to participate in the odd-lot offer subject to the fulfilment of the conditions precedent relating to the odd-lot offer. **Shareholders should note that this offer is a further odd-lot offer to the first odd-lot offer proposed to shareholders in the circular of 4 November 2003 and all shareholders who hold odd-lot holdings must again participate in the odd-lot offer proposed in this circular by exercising one of the options referred to in paragraph 21.1.2 of this circular. Failure to do so will result in those shareholders' odd-lot holdings being sold in terms of paragraph 21.1.3 of this circular.**

21.1.2 The odd-lot offer will open on Friday, 6 August 2004 and will be implemented on the basis that odd-lot holders may, up to 12:00 on Friday, 17 September 2004 elect to either:

21.1.2.1 acquire a sufficient number of additional Metropolitan shares at the offer price in order to increase their respective holdings to 100 Metropolitan shares; or

21.1.2.2 sell their odd-lot holdings to Metropolitan at the offer price plus a 5% premium per Metropolitan share; or

21.1.2.3 retain their odd-lot holdings.

21.1.3 **The shares of those odd-lot holders who do not make an election or who do not instruct their CSDP as to their election, will be deemed to have elected to sell their odd-lot holdings at the offer price plus a premium of 5%.** In terms of the articles of association, all amounts not claimed by shareholders whose shares have been so acquired will be held in trust by Metropolitan for a period of three years until lawfully claimed. If such shareholders do not claim payment from Metropolitan within a period of three years from 20 September 2004, they will forfeit such payment for the benefit of Metropolitan if the directors so resolve. Any bank charges and interest on unclaimed amounts held in trust will be for the account of Metropolitan.

21.1.4 The aggregate number of Metropolitan shares which becomes available as a result of:

- odd-lot holders electing to accept the cash alternative; or
- odd-lot holders being deemed to have accepted the cash alternative because they failed to exercise any election,

will be used as far as is practicable or possible to satisfy the demand for Metropolitan shares to be issued to those odd-lot holders who have elected to acquire additional Metropolitan shares in terms of the top-up alternative.

21.1.5 To the extent that the total number of such available shares is insufficient to meet the aggregate requirement of those odd-lot holders who have elected to increase their holding to 100 Metropolitan shares, new Metropolitan shares will be issued, and to the extent that such available shares exceed the aggregate number of shares to be issued to those odd-lot holders who elect to increase their holding to 100 Metropolitan shares, such shares will be repurchased by Metropolitan and cancelled.

21.1.6 Odd-lot holdings arising after the close of business on Friday, 17 September 2004 will not be entitled to participate in the odd-lot offer and the odd-lot holders concerned will retain ownership of such odd-lot holdings.

21.2 Conditions precedent

The implementation of the odd-lot offer is subject to the resolutions relating to the odd-lot offer in the notice of the general meeting contained in this circular being duly passed, with or without modification, and the special resolutions being registered by the Registrar of Companies.

21.3 Election and surrender procedure

21.3.1 General

All shareholders who hold odd-lots at the close of business on Friday, 17 September 2004 may elect to:

- acquire sufficient additional shares to increase their odd-lot holdings to 100 Metropolitan shares; or
- sell their odd-lot holdings; or
- retain their odd-lot holdings.

The election by an odd-lot holder is irrevocable and may not be withdrawn once exercised.

21.3.2 Dematerialised odd-lot holders

Dematerialised odd-lot holders should instruct their CSDP as to what action they wish to take. This should be done in terms of the custody agreement entered into between them and the CSDP. These shareholders must not return the enclosed form of election and surrender (blue) to the transfer secretaries.

It should also be noted that shareholders who have dematerialised their Metropolitan shares do not hold share certificates and consequently there is no surrender procedure applicable to them. The accounts of dematerialised odd-lot holders will be updated automatically with the CSDP.

21.3.3 Certificated odd-lot holders

All certificated odd-lot holders who have not dematerialised their shares should complete the enclosed form of election and surrender (blue) in accordance with the instructions contained therein and return it to the transfer secretaries, to be received by 12:00 on Friday, 17 September 2004. These shareholders must exercise their election in the following manner:

21.3.3.1 The top-up alternative

All certificated odd-lot holders who wish to increase their holding to 100 Metropolitan shares must return a duly completed form of election and surrender (blue) to the transfer secretaries, to be received by 12:00 on Friday, 17 September 2004, together with a cheque or banker's draft in South African currency, in accordance with the procedures set out below, for the amount required to acquire the additional shares at the offer price. Transaction costs (including stamp duty) will be for the account of Metropolitan.

Payment should be made as follows:

South Africa

A cheque (crossed and marked "not transferable" and with the words "or bearer" deleted) or a banker's draft drawn (on a registered commercial bank) in favour of "Metropolitan Holdings odd-lot offer" for the amount due (payable in the currency of South Africa) must either be:

lodged (by hand only) with:

Computershare Investor Services 2004 (Proprietary) Limited
70 Marshall Street
Johannesburg
2001

or posted to:

Computershare Investor Services 2004 (Proprietary) Limited
PO Box 61051
Marshalltown
2107

to reach the South African transfer secretaries by 12:00 on Friday, 17 September 2004.

Namibia

A banker's draft (marked "not negotiable") drawn (on a registered commercial bank) in favour of "Metropolitan Holdings odd-lot offer" for the amount due (payable in the currency of South Africa) must either be:

lodged (by hand only) with:

Transfer Secretaries (Proprietary) Limited
Shop 8, Kaiserkrone Centre
Post Street Mall
Windhoek
Namibia

or posted to:

Transfer Secretaries (Proprietary) Limited
PO Box 2401
Windhoek
Namibia

to reach the Namibian transfer secretaries by 12:00 on Friday, 17 September 2004.

All forms of election and surrender and cheques or banker's drafts received by the transfer secretaries by 12:00 on Friday, 17 September 2004 will be processed and new share certificates will be dispatched by registered post from 20 September 2004, at the risk of the odd-lot holders concerned.

21.3.3.2 The cash alternative

All certificated odd-lot holders who wish to sell their odd-lot holdings must return a duly completed form of election and surrender (blue) to the transfer secretaries, to be received by 12:00 on Friday, 17 September 2004, accompanied by the relevant documents of title in respect of the odd-lot holder's entire shareholding.

If any documents of title have been lost or destroyed and the odd-lot holder concerned produces evidence to this effect to the satisfaction of Metropolitan, then Metropolitan may dispense with the surrender of such documents of title against provision of an acceptable indemnity.

Cheques will be posted to certificated odd-lot holders who have elected to sell their odd-lots from 20 September 2004, at the risk of the odd-lot holders concerned.

21.3.3.3 Retention alternative

All certificated odd-lot holders who wish to retain their odd-lot holdings must return a duly completed form of election and surrender (blue) to the transfer secretaries, to be received by 12:00 on Friday, 17 September 2004.

21.3.4 Nominee companies

Nominee companies will be treated as a single shareholder, but should a nominee company elect to purchase additional shares or to dispose of odd-lot holdings on behalf of principals whose shareholdings constitute odd-lot holdings, it may do so by applying before 12:00 on Friday, 17 September 2004 in writing to the South African or Namibian transfer secretaries (as the case may be), giving details of the number of shares involved. The application should, where applicable, be accompanied by a cheque or banker's draft in South African currency in accordance with the procedures set out in paragraph 21.3.3.1 above or by the relevant documents of title in respect of the odd-lot holder's entire shareholding.

21.3.5 Documents of title and monies held pending implementation

Documents of title received and any monies payable will be held in trust by the transfer secretaries pending the passing of the necessary resolutions at the general meeting and the registration of the special resolutions by the Registrar of Companies. In the event that the required resolutions are not so passed and registered, the transfer secretaries will, within five business days, return the documents of title and, if applicable, monies paid, to the odd-lot holders concerned by registered post, at the risk of such odd-lot holders.

No interest will be paid on cheques deposited or amounts so held in trust.

The results of the general meeting will be announced on SENS on Wednesday, 1 September 2004 and in the South African and Namibian press on Thursday, 2 September 2004.

21.4 Specific authority to repurchase shares for the purpose of the odd-lot offer

21.4.1 To the extent that the aggregate of the Metropolitan shares sold or deemed to have been sold in terms of the odd-lot offer exceeds the total number of the shares required by those odd-lot holders electing to increase their holding to 100 Metropolitan shares, such Metropolitan shares will be repurchased by Metropolitan at the offer price plus a premium of 5%. In terms of the Companies Act and the Listings Requirements, Metropolitan requires a special resolution to be passed by its shareholders authorising such a repurchase of its shares. This resolution is contained in the notice of general meeting contained in this circular.

21.4.2 Metropolitan intends to make use of available cash resources to fund the specific repurchase (if any).

21.5 Statement by directors

The directors have considered the effect of this specific repurchase undertaken pursuant to the odd-lot offer and are of the opinion that:

21.5.1 Metropolitan will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of this circular;

21.5.2 the consolidated assets of Metropolitan, fairly valued, will be in excess of the consolidated liabilities of Metropolitan for a period of 12 months after the date of this circular. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of Metropolitan;

21.5.3 the ordinary capital and reserves of Metropolitan will be adequate for Metropolitan's requirements for a period of at least 12 months after the date of this circular; and

21.5.4 the working capital available to Metropolitan will be sufficient for Metropolitan's requirements for a period of at least 12 months after the date of this circular.

21.6 Specific authority to issue shares for the purpose of the odd-lot offer

21.6.1 To the extent that the aggregate of the Metropolitan shares sold or deemed to have been sold in terms of the odd-lot offer is insufficient to meet the total number of the shares required by those odd-lot holders electing to increase their holding to 100 Metropolitan shares, Metropolitan will issue new shares to the odd-lot holders in question at the offer price. In terms of the Listings Requirements, the approval of a 75% majority of the votes cast by the shareholders present or represented by proxy at the general meeting is required for this ordinary resolution to be passed. This resolution is contained in the notice of general meeting contained in this circular.

21.6.2 An application will be submitted to the JSE and NSX to grant a listing of the additional Metropolitan shares that may be issued.

21.7 Dematerialisation of shares and dealings in shares

21.7.1 Shareholders who have not yet dematerialised their shares are referred to the circular to shareholders dated 21 September 2001 providing information on STRATE and the implementation of the Issuer-Sponsored Nominee Programme. Shareholders may request additional copies from Computershare Investor Services 2004 (Proprietary) Limited on telephone number 086 110 0930.

- 21.7.2 Shareholders may not dematerialise or rematerialise their Metropolitan shares between Monday, 13 September 2004 and Friday, 17 September 2004, both days inclusive. Holders of certificated shares must take note that they will be unable to trade their Metropolitan shares on the JSE or NSX until their shares have been dematerialised.

22. SHARE CAPITAL OF METROPOLITAN

The authorised and issued share capital of Metropolitan at the last practicable date was as follows:

	R
Authorised	
1 000 000 000 ordinary shares of 0.0001 cents each	1 000
Issued	
704 607 075* ordinary shares of 0.0001 cents each	705
Share premium	2 245 582 272

* (635 104 125 shares are listed and 69 502 950 shares are unlisted, having been issued to the Metropolitan Share Purchase Trust)

23. EFFECTS OF ODD-LOT OFFER ON SHARE CAPITAL

The potential specific repurchase of shares by Metropolitan for the purposes of the odd-lot offer referred to in paragraph 21.4 of the circular, and any issue of Metropolitan shares for cash to odd-lot holders electing the top-up alternative, will have no significant effect on Metropolitan's ordinary share capital.

24. FINANCIAL EFFECTS OF ODD-LOT OFFER

The potential specific repurchase referred to in paragraph 21.4 of the circular will not have any significant effect on the embedded value, adjusted net asset value, headline earnings, core headline earnings or earnings per share of Metropolitan.

25. OPINIONS AND RECOMMENDATIONS

The directors are of the opinion that the terms and conditions of the resolutions relating to the odd-lot offer are fair and reasonable to shareholders and recommend that shareholders vote in favour of the resolutions relating to the odd-lot offer which are to be tabled at the general meeting. The directors with interests in the issued ordinary share capital of Metropolitan intend to vote in favour of such resolutions.

26. EXCHANGE CONTROL

The following is a summary of the South African Exchange Control Regulations. If in doubt, shareholders should consult their professional advisers without delay.

26.1 Emigrants from the common monetary area

Cash arising from the sale of odd-lot holdings is not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations of South Africa. As may be applicable, a cheque in respect of cash arising from the sale of odd-lot holdings, or a new share certificate or share statement, will be forwarded to the authorised dealer in foreign exchange in South Africa controlling the Metropolitan shareholders' blocked assets. The attached form of election and surrender (blue) makes provision for details of the authorised dealer concerned to be given. A "non-resident" endorsement will be stamped on every new share certificate or share statement issued to a shareholder who is an emigrant from the common monetary area.

All CSDPs and brokers with whom ordinary shares have been dematerialised should note that they are required to comply with the South African Exchange Control Regulations set out above.

26.2 All other non-residents of the common monetary area

Cash arising from the sale of odd-lot holdings which is due to all non-resident, non-emigrant odd-lot holders on the South African register will be paid by cheque posted, or electronically transferred, to the authorised bank in South Africa nominated by the odd-lot shareholder, it being incumbent upon such shareholder to instruct the nominated authorised bank as to the disposal of the amount concerned. The attached form of election and surrender (blue) makes provision for details of the authorised bank concerned to be given.

A "non-resident" endorsement will be stamped on every new share certificate or share statement issued by the South African transfer secretaries to a shareholder whose registered address is outside the common monetary area. The new share certificate will be forwarded to the shareholder concerned in accordance with paragraph 21.3.3.1 of the circular.

All CSDPs with whom Metropolitan shares have been dematerialised should note that they are required to comply with the South African Exchange Control Regulations set out above.

26.3

Failure to provide information

If the information regarding authorised dealers and banks is not given in terms of paragraph 26.1 or 26.2 above, the share certificates or share statements and any cash will be held in trust by Metropolitan for the shareholders concerned, pending receipt of the necessary information or instructions. No interest will be paid on any cash so held in trust.

PART III – General authority to distribute part of Metropolitan’s share premium to shareholders

27. GENERAL AUTHORITY TO MAKE PAYMENTS TO SHAREHOLDERS

In recent communications to shareholders, the directors have indicated that Metropolitan could currently be deemed to be overcapitalised and that the board wishes to consider making repayment of capital to shareholders in the near future. The board accordingly proposes to obtain a general authority to distribute part of Metropolitan’s share premium to shareholders, on the basis that:

- 27.1 a general authority will be given (which shall be valid until the Metropolitan’s next annual general meeting or for a period of 15 months from the date of the resolution, whichever period is shorter) to the directors to effect such distribution, subject to the Listings Requirements and the Companies Act;
- 27.2 the payment shall not exceed 20% of Metropolitan’s issued share capital, including reserves (but excluding minority interests and revaluation of assets and tangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last 6 months, in any one financial year, measured as at the beginning of such financial year); and
- 27.3 the payment is to be made pro rata to all shareholders of Metropolitan.

Such general authority will provide the directors with the flexibility to distribute any surplus capital of Metropolitan to shareholders when the need arises.

The disclosures contained in Part IV of this circular shall also be applicable to this general authority.

In terms of the Companies Act and Listings Requirements, Metropolitan requires an ordinary resolution to be passed by its shareholders authorising such general approval to make payments to shareholders of Metropolitan’s share premium. This resolution is contained in the notice of the general meeting attached to this circular.

PART IV – General information relating to the transaction, the odd-lot offer and general authority to make payments to shareholders

28. MAJOR SHAREHOLDERS

As at 30 June 2004, the interests of shareholders holding 5% or more of the issued ordinary share capital beneficially (excluding treasury shares) were as follows:

Name	Number of Metropolitan shares	Percentage
Public Investment Commissioner (PIC)	85 338 737	12.9
Sanlam	76 413 849	11.5
Metropolitan Policyholder Funds	31 857 332	4.8
Liberty	29 175 563	4.4
Investment Solutions	23 624 416	3.6
Transnet Pension Fund	17 538 449	2.6

29. DIRECTORS

29.1 Information on directors

Name	Function	Business address
Mr Ntuthukoyezwe Buthelezi	Non-executive	Compass Group, PO Box 3627, Rivonia, 2128
Mrs Irene Charnley	Non-executive	MTN Group, PO Box 9955, Sandton, 2146
Mr Peter Doyle	Group Chief Executive	Metropolitan Holdings, PO Box 2212, Bellville, 7535
Prof Willie Esterhuysen	Non-executive	26 Seruria Street, Paradyskloof Stellenbosh, 7600
Mr Pieter Lamprecht	Non-executive	PO Box 3015, Knysna, 6570
Mr Eric Molobi	Non-executive	Kagiso House, 16 Fricker Road, Illovo, 2196
Mr Syd Muller	Non-executive	2 Swift Lane, Steenberg Estate, Tokai Road, Tokai, 7945
Mr John Newbury	Non-executive	PO Box 911, Northlands, 2116
Mr Johnson Njeke	Non-executive	Kagiso House, 16 Fricker Road, Illovo, 2196
Mr Andile Sangqu	Non-executive (alternate)	Kagiso House, 16 Fricker Road, Illovo, 2196
Mrs Gloria Serobe	Non-executive Chairman	Wiphold, Postnet Suite 169, Private Bag X2600, Houghton, 2014
Mr Abel Sithole	Executive	Metropolitan Life, PO Box 2212, Bellville, 7535
Mr Marius Smith	Non-executive	11 Magnolia Crescent, Valmary Park, Durbanville, 7550
Dr Franklin Sonn	Non-executive	Cape Star, PO Box 2087, Bellville, 7535
Mr Preston Speckmann	Executive	Metropolitan Holdings, PO Box 2212, Bellville, 7535
Mr Johan van Reenen	Non-executive	Cape Star, PO Box 2087, Bellville, 7535
Mr Sandile Zungu	Non-executive	Denel, PO Box 8322, Centurion, 0042

29.2 Directors' interest in securities

On 30 June 2004, 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:						
Mr S A Muller		7			7	0.0009
Mr J E Newbury	1				1	0.0001
Mr M L Smith			105		105	0.0149
Prof W P Esterhuysen	10				10	0.0014
Dr F A Sonn	3	52			55	0.0078
Executive						
Mr P R Doyle	1 698			778	2 476	0.3514
Mr A M Sithole	1 138				1 138	0.1615
Mr P E Speckmann	674				674	0.0957
	3 524	59	105	778	4 466	0.6338

Note:

There have been no changes to directors' interests since 30 June 2004.

30. SHARE PRICE HISTORY

Metropolitan's share price 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 730 cents.

31. MATERIAL CHANGES

There has been no material change in the financial or trading position of the Metropolitan Group since the publication of its audited results for the year ended 31 December 2003.

32. 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 its subsidiaries. The board is not aware of any such proceedings that are pending or threatened.

33. DIRECTORS' RESPONSIBILITY STATEMENT

The directors whose names are given in paragraph 29.1 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.

34. GENERAL MEETING

Following hereafter, and forming part of this circular, is a notice of the general meeting of shareholders convened to be held in the Auditorium, 7 Parc du Cap, Mispel Road, Bellville, Cape Town on Wednesday, 1 September 2004, at 11:00 for the purpose of considering and, if deemed fit, passing with or without modification, the resolutions required to implement the transaction, odd-lot offer and the general authority to make payments to shareholders.

In terms of the Companies Act the special resolutions necessary to give effect to the creation of the Met prefs, the amendments of the articles of association and the specific repurchase of shares must be passed by at least 75% of the shareholders present in person or by proxy and voting at the general meeting.

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 (white) to be received by the transfer secretaries by no later than 11:00 on Monday, 30 August 2004, 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 in this regard. This must be done in terms of the custody agreement entered into between the shareholder and the CSDP.

35. **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection by shareholders from the date of this circular, 6 August 2004, up to and including 1 September 2004, 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 and at the offices of the transfer secretaries in Namibia, being Shop 8, Kaiserkrone Centre, Post Street Mall, Windhoek:

- 35.1 Metropolitan's memorandum and articles of association;
- 35.2 the audited financial statements of Metropolitan for the three financial years ended 31 December 2001, 2002 and 2003;
- 35.3 the agreements relating to the transaction comprising the subscription agreements, relationship agreement and cession of voting rights;
- 35.4 the reporting accountants' report;
- 35.5 the independent expert's fair and reasonable opinion;
- 35.6 the consent letters from the advisers; and
- 35.7 a signed copy of this circular.

By order of the board

Mrs B Gobodo-Mbomvu
Company secretary

Bellville, Cape Town
6 August 2004

Independent Expert's Opinion

"28 July 2003

Metropolitan Holdings Limited
 7 Parc du Cap
 Mispel Road
 Belville 7530
 South Africa

For the Attention of the Board of Directors

1. Introduction

Metropolitan Holdings Limited (the "Company") and Kagiso Trust Investments (Pty) Ltd (the "Acquiror" or "NewCo"), together with Off The Shelf Investments 109 (Pty) Ltd and Off The Shelf Investments 108 (Pty) Ltd, both newly formed, wholly owned subsidiaries of the Acquiror, propose to enter into a Relationship Agreement (the "Agreement") pursuant to which NewCo will acquire 75.8 million redeemable convertible preference shares, par value 0.0001 cents per share (the "Met Preference Shares") for an aggregate consideration of ZAR540 million in cash (the "Consideration") (the "Transaction"). It is understood that each Met Preference Share will carry an option to convert into one ordinary share in the Company (the "Met Ordinary Shares"). Such option, to be exercised at the election of the holder of Met Preference Shares, can take place at any time between the third and the fifth anniversary of the Transaction. The 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 74% 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 and qualitative targets, where the quantitative targets have been agreed upfront and the qualitative targets will be reasonably agreed between the Company and NewCo in due course. Furthermore, a special dividend of approximately ZAR3.6 million is payable by the Company.

You have asked us, as independent professional expert, whether, in our opinion, the Transaction is fair and reasonable to holders of the Company's ordinary shares pursuant to section 5.53(b) of the Listings Requirements of the JSE Securities Exchange South Africa (the "JSE").

2. 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 the Relationship Agreement between the Company and NewCo;
- participated in discussions with senior management of the Company, including discussions regarding financial forecasts of the management of the Company;
- participated in discussions with, and reviewed documents, including a legal opinion written by the Company's legal advisers regarding the application of the Financial Sector Charter in the context of the Transaction; 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 terms of the Transaction in comparison with the terms of certain other transactions that we deemed to be relevant;
- the assessment of the Board as to the benefits it expects from entering into the Transaction, as well as the potential impact on the Company of not entering into the Transaction; and
- the environment in which the Company operates and the need for empowerment within that environment for the Company to operate effectively.

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 Acquiror under any laws relating to bankruptcy, insolvency or similar matters. In addition, we have not assumed any obligation to conduct any physical inspection of the properties or facilities of the Company. In respect of financial forecast information furnished to or discussed with us by the Company, we have discussed the assumptions made therein with the management of the Company. On the basis of these and such other enquiries as we have considered appropriate, we believe that the financial forecast information has been compiled with due care and consideration. For actuarial information, we have relied on the published analysis that has been prepared by independent actuaries. 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. We have assumed, with your consent, that the Transaction will be deemed to comply with the requirements of the Financial Sector Charter and that the Met Preference Shares will be counted towards the direct ownership requirement of the Financial Sector Charter in full. We have also assumed that the relationship agreement has not been materially amended subsequent to our review and that the Transaction will be consummated substantially on the terms set out in the Relationship agreement as signed on 23 June 2004.

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 Financial Sector Charter, 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 Transaction, 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 Transaction.

3. **Methodology**

In arriving at our conclusion, we have undertaken a valuation of the options embedded in the 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 Met Preference Shares, including the cost of the options, to the cost of funding of the Company. The differential has been compared with the potential loss of value that may arise if the Company were not to enter into the Transaction.

4. **Explanation of Fair and Reasonable**

Fairness is based on quantitative issues. We have had regard to the value of the consideration received and of the securities to be issued, as well as to the potential loss in value if the Company were not to enter into the Transaction. Reasonableness is based on qualitative issues, including those described above under factors taken into account in paragraph 2.

5. **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 losing its empowerment credentials as a result of termination of the Transaction, failure of the holders of the Met Preference Shares to exercise their options or sale of Met Ordinary Shares following exercise of the options. We have also relied on agreements setting out the terms of the Transaction, 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 Transaction are fair and reasonable to the holders of the Company's Ordinary Shares.

6. **Relationship with the Company**

We have been retained as an independent professional expert in connection with the Transaction 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. 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 Ordinary Shares 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.

7. **Use of this Opinion**

This opinion is provided solely for the benefit of the Board and the holders of the Company's Ordinary Shares in connection with and for the purpose of their consideration of the Transaction. 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 Transaction, does not constitute a recommendation to any shareholder as to how such shareholder should vote on the proposed Transaction or any matter related to it and does not express an opinion on future movements in the price of the Met Ordinary shares.. 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 transaction.

Yours faithfully,

MERRILL LYNCH SOUTH AFRICA (PTY) LTD

Reporting Accountants' Report

"28 July 2004

The Directors
Metropolitan Holdings Limited
P O Box 2212
BELLVILLE
7535

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 Investments (Proprietary) Limited ("KTI"), subject to certain conditions precedent, to conclude an empowerment transaction that will result in KTI acquiring an equity holding in Metropolitan ("the transaction").

We report on the unaudited *pro forma* financial information set out in paragraph 10 of the circular to Metropolitan shareholders to be dated on or about 6 August 2004 ("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 Listings Requirements of the JSE Securities Exchange South Africa ("JSE").

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

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 results of Metropolitan for the year ended 31 December 2003, 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.

Because the above procedures do not constitute either an audit or a review made in accordance with Statements of South African Auditing Standards, we do not express any assurance on the fair presentation of the unaudited *pro forma* financial information.

Had we performed additional procedures or had we performed an audit or review of the financial information in accordance with Statements of South African Auditing Standards, other matters might have come to our attention that would have been reported to you.

4. **OPINION**

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 purpose of the unaudited *pro forma* financial information, in terms of the transaction and in terms of section 8.30 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:

Date	High (cents)	Low (cents)	Close (cents)	Volume
Quarterly				
30 June 2001	980	780	956	70 351 038
30 September 2001	1 060	700	840	74 219 126
31 December 2001	945	650	800	112 270 263
31 March 2002	902	520	595	97 059 893
30 June 2002	820	540	630	103 308 534
30 September 2002	669	485	555	44 264 779
31 December 2002	660	505	610	34 560 564
31 March 2003	640	495	520	40 877 870
30 June 2003	640	470	595	29 671 430
Monthly				
31 July 2003	635	595	620	10 766 544
31 August 2003	630	575	610	39 327 531
30 September 2003	620	550	560	7 333 925
31 October 2003	700	560	670	13 997 753
30 November 2003	750	630	685	12 124 930
31 December 2003	700	635	685	11 160 978
31 January 2004	750	680	730	18 716 828
29 February 2004	810	720	770	9 646 569
31 March 2004	800	715	720	12 805 173
30 April 2004	790	720	745	33 312 753
31 May 2004	800	714	755	26 703 571
30 June 2004	771	710	730	18 786 684

Date	High (cents)	Low (cents)	Close (cents)	Volume
Daily				
01 July 2004	730	727	727	673 548
02 July 2004	740	720	740	2 577 169
05 July 2004	740	730	740	472 963
06 July 2004	745	730	745	415 616
07 July 2004	750	750	750	872 734
08 July 2004	760	750	750	213117
09 July 2004	745	740	745	494710
12 July 2004	750	740	750	123600
13 July 2004	750	740	740	411500
14 July 2004	750	740	750	584678
15 July 2004	750	750	750	1217618
16 July 2004	750	750	750	2341987
19 July 2004	760	740	760	1008342
20 July 2004	755	750	750	341083
21 July 2004	760	750	759	121799
22 July 2004	755	735	735	163216
23 July 2004	735	720	720	1682895
26 July 2004	735	720	720	1001289
27 July 2004	745	730	730	907391
28 July 2004	740	730	730	895927
29 July 2004	735	720	730	2015019

Statement in support of King II Report

Corporate governance

Metropolitan views its approach to corporate governance as one of the key business drivers, and hence strengths. The primary motivation 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 also important that the Group continues to contribute towards trust and confidence in the capital markets through open and honest communication. 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.

Compliance with King II

The directors are of the opinion that Metropolitan complies with, and has applied, the requirements of King II.

Various initiatives were undertaken during the previous financial year as part of the process of strengthening corporate governance within the Group. These included the finalisation of an extensive, in-depth corporate governance review. The Group was found to be compliant with most of the recommendations in King II and, in response to the findings of the review, embarked on the following during 2003:

- implementing a board charter
- establishing a risk committee
- establishing a nominations committee
- reviewing its relationships with selected service providers and consultants to enhance independence and objectivity
- conducting an independent board self-assessment review for the first time.

Application of King II and approach to the corporate governance

All entities in the Metropolitan Group are required to subscribe to the spirit and principles of King II. In addition, King II is applied to all operating entities of the nature and size identified therein.

The board will continue to emphasise corporate governance as a strategic driver. It will also continue 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.



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

("Metropolitan" or "the Company")

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, 1 September 2004, 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 6 August 2004 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 R1 000 consisting of 1 billion ordinary shares of 0.0001 cents each, be and is hereby increased to the nominal value of R1 075.84265 by the creation of 75 842 650 variable rate cumulative convertible redeemable preference shares of 0.0001 cents each, the rights and conditions attaching to which are set out in article 135 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."

Reason for and effect of special resolution number 1

The reason for and effect of this special resolution number 1 is to increase the Company's authorised share capital by the creation of 75 842 650 variable rate cumulative convertible redeemable preference shares 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 the insertion of the following new article 135 after the existing article 134:

135 **TERMS AND CONDITIONS OF THE RIGHTS AND PRIVILEGES ATTACHING TO THE VARIABLE RATE CONVERTIBLE CUMULATIVE REDEEMABLE PREFERENCE SHARES**

135.1 Notwithstanding anything to the contrary in the articles, the following terms and conditions shall attach to the variable rate convertible cumulative redeemable preference shares of 0.0001 cents (Zero point Zero Zero Zero One Cents) each in the issued share capital of the Company.

135.2 **Interpretation**

For the purposes of this article 135, 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:

"A' SPV Prefs" the variable rate cumulative redeemable "A" preference shares in the share capital of the SPV with a par value of R1 (One Rand);

"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;
"Business Day"	any day (other than a Saturday, Sunday or an official public holiday in South Africa within the meaning of the Public Holidays Act, No. 36 of 1994, as amended) on which banks generally are open for business in Johannesburg;
"Coupon Rate"	the coupon rate of dividend payable on the Met Prefs in accordance with article 135.3.5 below;
"Dividend Date"	31 March and 30 September each year;
"Holder"	the holder of the Met Prefs from time to time;
"Initial Rate"	the initial rate of dividend payable on the Met Prefs defined as "B" in article 135.3.4 below;
"Intercreditor and Agency Agreement"	the intercreditor and agency agreement concluded between Absa, RMB and Nedbank;
"Issue Date"	the date of issue of the Met Prefs;
"Issue Price"	the amount of R7.12 (Seven Rand Twelve Cents), less any repayments of share capital or premium to Holders;
"JSE"	the JSE Securities Exchange South Africa;
"KTI"	Kagiso Trust Investments (Proprietary) Limited, a private company duly incorporated under the laws of South Africa with registration number 1993/007845/07;
"Managing Agent"	the managing agent as appointed in accordance with the Intercreditor and Agency Agreement;
"Met Prefs"	the variable rate convertible cumulative redeemable preference shares in the share capital of the Company with a par value of 0.0001 cents;
"Met Preference Dividend"	the preferential cash dividend payable to the Holders of Met Prefs in accordance with article 135.3 below;
"Methold 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 article 135.5.1 below;
"Redemption Date"	a date 5 (five) years after the Issue Date, unless the Met Prefs are converted or redeemed at an earlier date in terms of this article 135, 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;
"SPV Subscription Agreement"	the subscription agreement between the Company, the SPV, Newco, the Bank Consortium and Khumo Bathong Capital (Proprietary) Limited;
"Subsidiary"	any subsidiary as defined in the Act.

135.3 Preference Dividends

- 135.3.1 The Met Prefs shall confer on the Holder thereof the right to receive out of the profits of the Company 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 articles 135.3.2 and 135.3.4 below.
- 135.3.2 The Met Preference Dividends shall be due and payable 6 (six) monthly in arrear on the Dividend Dates to Holders of Met Prefs registered on the Business Day immediately preceding each Dividend Date.
- 135.3.3 Save for the dividend payable in terms of article 135.4.2 below, the Company's obligation to pay any preference dividends on the Met Prefs shall at all times be discharged by direct payment of such preference dividends to the Managing Agent who shall distribute any preference dividends exceeding the amount attributable to the Coupon Rate in accordance with clause 1.7 of Schedule 1 to the SPV Subscription Agreement.
- 135.3.4 The Met Preference Dividend for each of the Met Prefs held by the Holders thereof from time to time shall be calculated in arrear in accordance with the following formula:

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

Where:

- MPD = the Met Preference Dividend per Met Pref;
- A = the Coupon Rate as determined in article 135.5;
- B = the Initial Rate of 0,5%;
- C = the Performance Rate as determined in article 135.3.6;
- D = the Out-Performance Rate as determined in article 135.3.7;
- E = the Issue Price;
- F = the number of days of the relevant period in respect of which the Met Preference Dividend is payable.

135.3.5 Coupon Rate

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

$$A = G \times \text{PR}$$

Where:

- A = the Coupon Rate;
- G = 74% or such other percentage applicable as contemplated in article 135.4.3 below;
- PR = the Prime Rate.

135.3.6 The Performance Rate

- 135.3.6.1 The boards of the Company and KTI shall jointly at the beginning of each financial year and each half year of the Company determine certain qualitative milestones for KTI to achieve in respect of the Company's business for the succeeding 6 (six) months.
- 135.3.6.2 An additional rate of dividend ("the Performance Rate") shall accrue to the Holder in terms of article 135.3.6.5 if the requisite qualitative milestones are achieved.
- 135.3.6.3 The Performance Rate shall commence at zero and then increase by an additional 0.5% for each semi-annual qualitative milestone that is achieved.
- 135.3.6.4 The first qualitative milestone shall be set for the period from 1 January 2005 until 30 June 2005 and, if achieved, the applicable Performance Rate will be taken into account in calculating the September 2005 Met Preference Dividend.
- 135.3.6.5 Once the Performance Rate has increased it shall remain at that level for the purposes of the formula in article 135.3.4 until conversion or redemption of the Met Prefs, unless the Performance Rate is increased by the achievement of further qualitative milestones as contemplated in article 135.3.6.2.

135.3.7 The Out-Performance Rate

- 135.3.7.1 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:
- 135.3.7.1.1 dividend per ordinary share;
 - 135.3.7.1.2 value of new business for the period concerned;
 - 135.3.7.1.3 fully diluted core headline earnings per share.
- 135.3.7.2 An additional rate of dividend ("the Out-Performance Rate") shall accrue to the Holders in accordance with article 135.3.7.3 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.
- 135.3.7.3 The first Out-Performance Rate shall be calculated for the period 1 July 2004 to 31 December 2004 and will be included in the March 2005 Met Preference Dividend calculation. The Out-Performance Rate shall commence at zero and then increase by an additional percentage as determined in article 135.3.7.4.
- 135.3.7.4 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 Met Prefs
9% and below	0
greater than 9% and less than or equal to 10%	0.065%
greater than 10% and less than or equal to 11%	0.13%
greater than 11% and less than or equal to 12%	0.195%
greater than 12% and less than or equal to 13%	0.245%
greater than 13% and less than or equal to 14%	0.295%
greater than 14% and less than or equal to 15%	0.345%
greater than 15% and less than or equal to 16%	0.385%
greater than 16% and less than or equal to 17%	0.425%
greater than 17% and less than or equal to 18%	0.465%
greater than 18% and less than or equal to 19%	0.505%
in excess of 19%	0.545%

135.3.7.5 Once the Out-Performance Rate has increased it shall remain at that level for the purposes of the formula in article 135.3.4 until conversion or redemption of the Met Prefs unless it is increased by further growth in the Basket.

135.4 **Additional Dividends**

In addition to the Met Preference Dividend, the Holders of the Met Prefs shall be entitled to payment of additional dividends in the following amounts:

- 135.4.1 R2 266 668 (Two Million Two Hundred and Sixty Six Thousand Six Hundred and Sixty Eight Rand), payable with the first Met Preference Dividend paid after the Issue Date;
- 135.4.2 R1 350 000 within 7 days of the Issue Date, and
- 135.4.3 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 "A" SPV Prefs in accordance with clause 1.8 of Schedule 1 of the SPV Subscription Agreement, which amounts shall be payable within 7 (seven) days after receipt of the SPV's written demand.

135.5 **Redemption**

135.5.1 The amount at which the Company shall redeem each Met Pref in terms of article 135.5.3 shall be an amount equal to:

- 135.5.1.1 the Issue Price; plus
- 135.5.1.2 any arrear 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 Met Preference Dividend was neither declared nor paid or if declared, was not paid; plus
- 135.5.1.3 interest on arrear Met Preference Dividends calculated daily at the Prime Rate plus 2%, from the due date for payment of the Met Preference Dividend up to (but excluding) the Redemption Date, compounded monthly; plus
- 135.5.1.4 any additional dividend detailed in article 135.4 to which the holder is entitled but not yet been paid by the Company.

135.5.2 The Company shall make provision for the redemption of Met Prefs from its share premium account as contemplated in S76(1)(c) of the Act.

135.5.3 Subject to the further provisions of the Act and the provisions of article 135.6 below, the Company shall redeem the Met Prefs in full for the Redemption Amount, on the Redemption Date against either:

- 135.5.3.1 surrender to the Company of the certificates in respect of the Met Prefs; or
- 135.5.3.2 if such certificates are lost, receipt of a suitable written indemnity from the holder that the certificates have not been alienated or pledged.

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

135.6 **Redemption on Default**

135.6.1 ***Default event requiring written notification from SPV***

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

- 135.6.1.1 the Company should have failed to declare any dividend on the 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; and
- 135.6.1.2 the SPV has given the Company written notice that it requires redemption of such Met Prefs.

135.6.2 **Default events requiring immediate redemption**

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

- 135.6.2.1 if the Company should fail to redeem any of the 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
- 135.6.2.2 if the Company commits an act of insolvency which, if it were a natural person, would be an act of insolvency in terms of Section 8 of the Insolvency Act; or
- 135.6.2.3 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
- 135.6.2.4 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
- 135.6.2.5 if the Company should make or attempt to make or recommend any general offer of compromise with any or all of its creditors; or
- 135.6.2.6 if any asset of the Company is attached for a judgement in excess of R5 million and the Company fails to set such attachment aside within 60 days; or
- 135.6.2.7 any default under the terms of "A" SPV Prefs resulting in the SPV being called upon to redeem the "A" SPV Prefs; or
- 135.6.2.8 any acts committed by the Company which are ultra vires the Company's objects as contained in its memorandum and these articles; or
- 135.6.2.9 any repudiation by the Company of its obligations under the terms of this article 135, 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 any of its obligations under this article 135.

135.7 **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 Met Prefs, but subject to the following conditions imposed by the Listings Division of the JSE:

- 135.7.1 the exercise of the voting rights of the Met Prefs are entirely subject to the conditions of approval issued by the Listings Division of the JSE;
- 135.7.2 no further issue of Met Prefs may be made without the written consent of the JSE; and
- 135.7.3 the Holder may not veto any resolutions of the Company that would otherwise have been passed by the holders of ordinary shares together with the Holder of the Met Prefs.

135.8 **Rights of Conversion**

- 135.8.1 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 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 said notice together with the written consent of the Bank Consortium.
- 135.8.2 Upon such conversion the Holder of the 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 ordinary shares of the Company against payment of all costs incurred by the Company to issue such ordinary shares of the Company, whereafter the Company shall apply for the listing of such converted Met Prefs on the JSE.

135.9 **General**

- 135.9.1 The Company shall not be liable to the Holders for interest on any unclaimed 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.
- 135.9.2 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 135."

Reason for and effect of special resolution number 2

The reason for and effect of this special resolution number 2 is to amend the articles of association of the Company to provide for the terms and conditions attaching to the variable rate cumulative convertible redeemable preference shares created in terms of special resolution number 1 and the requirements of the JSE.

Special resolution number 3

"Resolved as a special resolution that:

subject to the passing of ordinary resolution number 2, the Company be and is hereby authorised by way of a specific approval in terms of section 85 of the Companies Act and in terms of the Listings Requirements of the JSE and any other stock exchange upon which the shares of the Company may be quoted or listed, to repurchase at the offer price plus a premium of 5% the ordinary shares held by those odd-lot holders in the Company who elect, pursuant to the odd-lot offer, to sell their odd-lot holdings to the Company or who do not make an election and are accordingly deemed to have sold their odd-lot holdings, to the extent that such ordinary shares are not transferred to odd-lot holders who have elected to purchase additional shares under the odd-lot offer. The ordinary shares repurchased in terms of this specific approval will be cancelled, delisted and restored to the status of authorised ordinary shares."

Reason for and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to authorise the Company to repurchase ordinary shares in the Company for the purpose of the odd-lot offer contained in the circular to shareholders dated 6 August 2004.

Ordinary resolution number 1

"Resolved as an ordinary resolution that:

subject to the passing and registration of special resolution numbers 1 and 2, the 75 842 650 variable rate cumulative redeemable preference shares with a par value of 0.0001 cents 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 order to implement the transaction."

In terms of the Listings Requirements, the approval of a 75% majority of the votes cast by the shareholders present or represented by proxy at the general meeting is required for this ordinary resolution to be passed.

Ordinary resolution number 2

"Resolved as an ordinary resolution that:

in terms of article 134 of the articles of association of the Company the directors be and are hereby authorised and empowered to make and implement an odd-lot offer to shareholders holding less than 100 ordinary shares in the Company at the close of business on Friday, 17 September 2004 on the terms and conditions of the odd-lot offer contained in the circular dated 6 August 2004 which has been approved by the JSE and NSX and which is tabled at the general meeting."

Ordinary resolution number 3

"Resolved as an ordinary resolution that:

subject to the passing of ordinary resolution number 2, the directors be and are hereby granted a specific authority in terms of section 221 of the Companies Act and the Listings Requirements of the JSE and any other stock exchange upon which the shares of the Company may be quoted or listed, to allot and issue such number of ordinary shares of 0.0001 cents each in the capital of the Company at the offer price as may be required by those odd-lot holders who, pursuant to the odd-lot offer contained in the circular to shareholders dated 6 August 2004, have elected to increase their holdings to 100 ordinary shares, to the extent that the aggregate of Metropolitan shares which have been sold under the odd-lot offer is insufficient to meet the number of shares required by such odd-lot holders."

In terms of the Listings Requirements, the approval of a 75% majority of the votes cast by the shareholders present or represented by proxy at the general meeting is required for this ordinary resolution to be passed.

Ordinary resolution number 4

“Resolved as an ordinary resolution that:

the directors of the Company be and are hereby authorised, by way of a general authority, to distribute to shareholders of the Company any share capital and reserves of the Company in terms of Section 90 of the Companies Act, article 100 of the articles of association of the Company and in terms of the Listings Requirements, it being recorded that the Listings Requirements currently require, *inter alia*, that the Company may make a general distribution of share capital only if:

- the general authority shall be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 months from the passing of this ordinary resolution; and
- any general distribution of share premium by the Company shall not exceed 20% of the Company's issued share capital and reserves but excluding minority interests.

The directors of the Company are of the opinion that, if the Company were to enter into a transaction to distribute share capital and/or reserves totalling 20% of the current issued share capital and reserves of the Company, during the period that the authority is valid:

- the Company, and the Company and its Subsidiaries (“the Group”) will be able to pay its debts as they become due in the ordinary course of business;
- the consolidated assets of the Company and the Group, fairly valued in accordance with generally accepted accounting practice, will exceed its consolidated liabilities;
- the issued share capital of the Company and the Group will be adequate for the purpose of the business of the Company and the Group for the foreseeable future; and
- the working capital available to the Company and the Group will be sufficient for the Company and the Group's requirements for the foreseeable future.”

Ordinary resolution number 5

“Resolved as an ordinary resolution that:

seven million of the unissued ordinary shares of the Company be and are placed under the control of the directors to enable the directors to allot and issue such shares for the purpose of the Metropolitan Staff Share Purchase Trust and the Metropolitan Share Incentive Trust, subject to the provisions of the Companies Act and the Listings Requirements of the JSE and provided that the total shareholding of such trusts shall not exceed the current limits of 10% and 5% respectively of the total issued share capital of the Company.”

Ordinary resolution number 6

“Resolved as an ordinary resolution that:

any 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

6 August 2004

