
METROPOLITAN HOLDINGS LIMITED
CIRCULAR TO SHAREHOLDERS

**PROPOSED AMENDMENT TO THE TERMS OF THE BLACK ECONOMIC EMPOWERMENT
TRANSACTION WITH
KAGISO TRUST INVESTMENTS (PROPRIETARY) LIMITED**

4 AUGUST 2009

METROPOLITAN
HOLDINGS LIMITED 



THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Action Required

This circular is important and should be read with particular attention to page 2 titled "Action Required by Metropolitan shareholders".

The definitions and interpretation given on pages 6 to 9 of this circular have been used on this page.



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 amendment to the terms of the black economic empowerment transaction with KTI;
- the amendment to the terms of the A1 Met prefs and the A2 Met prefs;
- the amendment of Metropolitan's articles of association;

and incorporating:

- a notice of general meeting of shareholders; and
 - a form of proxy (blue) (for use by certificated shareholders and dematerialised shareholders with own-name registration only).
-
-

Attorneys to Metropolitan
Edward Nathan Sonnenbergs



KTI



Sponsor to Metropolitan in South Africa
Merrill Lynch South Africa (Pty) Ltd



Independent expert to Metropolitan
Ernst & Young



Attorneys to KTI
Webber Wentzel

Sponsor to Metropolitan in Namibia
Simonis Storm Securities (Pty) Ltd

Transaction adviser
Metropolitan Capital (Pty) Ltd



Lead Banker
Rand Merchant Bank

Date of issue: 4 AUGUST 2009

ACTION REQUIRED BY METROPOLITAN SHAREHOLDERS

The definitions and interpretation commencing on page 5 apply to this circular in its entirety, including the action required by Metropolitan shareholders set out below.

Please take careful note of the following provisions regarding the action to be taken by Metropolitan shareholders.

Please take further note that all dates and times are subject to change and are indicative only. Any changes to the indicated dates and times will be announced on SENS and in the South African and Namibian press.

1. If you are in any doubt as to the action you should take in relation to this circular, please consult your CSDP, stockbroker, banker, accountant, legal adviser or other professional adviser immediately.
2. If you have disposed of all your shares in Metropolitan, please forward this circular to the stockbroker, banker or agent through whom you disposed of such shares.
3. A general meeting of Metropolitan shareholders will be held at 11:00 am on Wednesday, 26 August 2009 in the Auditorium, 7 Parc du Cap, Mispel Road, Bellville, Cape Town.
4. **If you are the beneficial owner of dematerialised shares, other than with own-name registration:**
 - 4.1 *Voting at the general meeting*
 - 4.1.1 If your CSDP or broker has not contacted you, it would be advisable for you to contact your CSDP or broker and furnish them with your voting instructions as to how you wish to cast your vote at the general meeting by the date stipulated in the custody agreement entered into between you and your CSDP or broker.
 - 4.1.2 If your CSDP or broker does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or broker.
 - 4.1.3 You must **not** complete the attached form of proxy (**blue**).
 - 4.2 *Attendance and representation at the general meeting*
 - 4.2.1 If you wish to attend the general meeting, you must advise your CSDP or broker accordingly and your CSDP or broker will issue you with the necessary letter of representation required to attend the general meeting.
 - 4.2.2 Unless you advise your CSDP or broker, in accordance with the terms of the agreement concluded between you and your CSDP or broker, that you wish to attend the general meeting and have been provided with a letter of representation from them or instructed them to send their proxy to represent you at the general meeting, your CSDP or broker may assume that you do not wish to attend the general meeting and act in accordance with the agreement between you and your CSDP or broker.
5. **If you hold certificated shares :**
 - 5.1 *Voting, attendance and representation at the general meeting*
 - 5.1.1 You may attend the general meeting in person and may vote at the general meeting.
 - 5.1.2 Alternatively, you may appoint a proxy to represent you at the general meeting by completing the attached form of proxy (**blue**) in accordance with the instructions it contains and by returning it to Link Market Services SA (Pty) Ltd, 5th Floor, 11 Diagonal Street, Johannesburg, 2001, South Africa (PO Box 4844, Johannesburg, 2000) (in South Africa) or Transfer Secretaries (Pty) Ltd, Shop 8, Kaiserkrone Centre, Post Street Mall, Windhoek, Namibia (P O Box 2401, Windhoek) (in Namibia) to be received by them by no later than 11:00 on Monday, 24 August 2009.
 - 5.1.3 Certificated shareholders are encouraged to complete the form of proxy (blue) attached to this document if they do not intend to attend the general meeting in person.
 - 5.1.4 If more than 1 (one) proxy is appointed on a single form of proxy, then only 1 (one) of those proxies (in order of appointment) will be entitled to exercise that proxy. In the case of joint certificated shareholders and joint dematerialised own-name shareholders, the vote of the senior certificated shareholders or senior dematerialised own-name shareholders (seniority will be determined by the order in which the names of the joint certificated shareholder or joint dematerialised own-name shareholders stand in Metropolitan's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote of the other joint certificated shareholders or joint dematerialised "own-name" shareholders.
 - 5.1.5 Where there are joint holders of Metropolitan shares, any one of such person may vote at the general meeting in respect of such shares as if they are solely entitled thereto, but if more than one of such joint holders are present or represented at the general meeting, the person whose name stands first in Metropolitan's share register in respect of such shares or their proxy, as the case may be, shall alone be entitled to vote in respect of such shares.
6. **If you hold dematerialised shares, with own-name registration, the provisions of paragraph 5.1 apply to you.**

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

Transfer secretaries in South Africa

Link Market Services SA (Pty) Ltd
(Registration number 2000/007239/07)
5th Floor,
11 Diagonal Street
Johannesburg
2001
(PO Box 4844, Johannesburg, 2000)
Telephone number: 011 834 2266

Attorneys to Metropolitan

Edward Nathan Sonnenbergs Inc.
(Registration number 2006/018200/21)
2nd floor Andmar Building
Cnr Church & Van Ryneveld Streets
Stellenbosch, 7600
(P O Box 2293, Cape Town, 8000)
Telephone number: 021 808 6620

Sponsor in South Africa

Merrill Lynch South Africa (Proprietary) Limited
(A subsidiary of Bank of America Corporation)
(Registered Sponsor and Member of the JSE
Securities Exchange South Africa)
(Registration number 1995/001805/07)
138 West Street
Sandown, Sandton,
2196
Telephone number: 011 305 5822

Sponsor in Namibia

Simonis Storm Securities (Proprietary) Limited
(Member of the Namibian Stock Exchange)
(Registration number 96/421)
4 Koch Street, Klein Windhoek,
Namibia
(PO Box 3970, Windhoek, Namibia)
Telephone number: 00264 61 254194

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)
Telephone number: 00264 61 227647

Independent expert

Ernst & Young
Ernst & Young House
35 Lower Long Street
Cape Town
8001
(P.O. Box 656, Cape Town, 8000)

KTI

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

Attorneys to KTI

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

Lead Banker

Rand Merchant Bank
A division of FirstRand Bank Limited
(Registration Number 1929/001225/06)
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton, 2196
(P O Box 786273, Sandton, 2196)

Transaction adviser

Metropolitan Capital (Proprietary) Limited
(Registration Number 2006/020007/07)
3rd Floor, Letterstedt House
Newlands on Main
Main Road
Newlands, 7700
(Postnet Suite 42, Private Bag X1005, Claremont, 7735)
Telephone number: 021 657 3400

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IMPORTANT DATES AND TIMES

2009

Notice of general meeting posted to shareholders on	Tuesday, 4 August
Forms of proxy in respect of the general meeting of shareholders to be received by the transfer secretaries by 11:00 am on	Monday, 24 August
General meeting of shareholders to be held at 11:00 on	Wednesday, 26 August
Results of the general meeting announcement published on SENS on	Wednesday, 26 August
Results of the general meeting announcement published in the South African and Namibian press on	Thursday, 27 August

Notes:

1. The above dates and times are subject to change. Any changes will be published in the South African and Namibian press and released on SENS.
2. All references to times in this circular relate to South African local times unless otherwise stated.

DEFINITIONS

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

“A1 extension date”	30 October 2012;
“A1 Met prefs”	the variable rate cumulative convertible redeemable A1 preference shares with a par value of 0,0001 cent each in the share capital of Metropolitan, issued by Metropolitan to SPV on 1 October 2004;
“A2 extension date”	5 December 2012;
“A2 Met prefs”	the variable rate cumulative convertible redeemable A2 preference shares with a par value of 0,0001 cent each in the share capital of Metropolitan, issued by Metropolitan to SPV;
“A3 Met prefs”	the variable rate cumulative convertible redeemable A3 preference shares with a par value of 0,0001 cent each in the share capital of Metropolitan issued by Metropolitan to SPV;
“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”	in respect of: <ul style="list-style-type: none">- the phase I transaction and phase II transaction a consortium of banks, comprising Absa, RMB and Nedbank; and- the phase III transaction a consortium of banks comprising of RMB, Nedbank and SCM;
“BEE”	black economic empowerment;
“BBBEE”	broad based black economic empowerment;
“certificated shareholders”	shareholders who have not dematerialised their Metropolitan shares and thus hold paper share certificates or other documents of title in respect of their Metropolitan shares;
“certificated shares”	shares which are evidenced by a certificate and which have not yet been surrendered for dematerialisation;
“Charter”	the Financial Sector Charter adopted by various stakeholders in the financial services industry in 2003;
“Companies Act”	the Companies Act, 1973 (Act 61 of 1973), as amended;
“CSDP”	a Central Securities Depository Participant or broker registered in terms of the Securities Services Act;
“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 on behalf of a dematerialised shareholder;
“dematerialised shareholders”	Metropolitan shareholders who hold dematerialised 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;

“documents of title”	Share certificates and/or certified transfer deeds and/or balance receipts or any other documents of title in respect of Metropolitan shares;
“financing agreements”	collectively, the phase I financing agreements, phase II financing agreements and phase III financing agreements, or any of them as the context may indicate;
“finance consortium”	RMB and SCM;
“financial ratios”	collectively the following financial ratios: 1. dividend per Met ord; 2. value of new business; and 3. fully diluted core headline earnings per Met ord; as defined in Metropolitan's annual financial statements from time to time;
“general meeting”	the general meeting of shareholders to be held at 11:00 am on Wednesday, 26 August 2009 in the Auditorium, 7 Parc du Cap, Mispel Road, Bellville, Cape Town, to consider the resolutions required to implement the phase III transaction;
“JSE”	the exchange operated by JSE Limited, a company duly registered and incorporated with limited liability under the company laws of the Republic of South Africa under registration number 2005/022930/06, licensed as an exchange under the Securities Services Act;
“KTI”	Kagiso Trust Investments (Proprietary) Limited, (Registration number 1993/007845/07), a private company duly incorporated under the company laws of South Africa;
“last practicable date”	the last practicable date prior to finalising the circular, being 21 July 2009;
“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time;
“Met prefs”	collectively the A1 Met prefs, the A2 Met prefs and the A3 Met prefs;
“Metropolitan” or “the Company”	Metropolitan Holdings Limited (Registration number 2000/031756/06), a public company, duly incorporated under the company laws of South Africa, the ordinary shares of which are listed on the JSE and NSX;
“Metropolitan board”	the board of directors of Metropolitan as constituted from time to time;
“Metropolitan directors” or “directors”	the directors of Metropolitan detailed in paragraph 6 of Part II of this circular;
“Metropolitan Empowerment Trust”	the Metropolitan Empowerment Trust (Masters reference number IT 303/2006) established as the vehicle for the participants to hold an indirect interest in Metropolitan;
“Metropolitan group”	Metropolitan, its subsidiaries and associate companies;
“Metropolitan shares” or “Met ords”	ordinary par value shares of 0,0001 cent each in the share capital of Metropolitan;
“Nedbank”	Nedbank Limited (Registration number 1951/000009/06), a public company, duly incorporated under the company laws of South Africa, acting through its Nedbank Capital division;
“Newco”	Off the Shelf Investments 109 (Proprietary) Limited (Registration number 2004/013168/07), a private company, duly incorporated under the company laws of South Africa and a subsidiary of KTI;
“NSX”	the Namibian Stock Exchange;
“participants”	the participants who have been offered a beneficial interest in the Metropolitan Empowerment Trust;
“phase I financing agreements”	the agreements entered into between SPV, KTI, Newco, Metropolitan and the bank consortium to regulate and implement the phase I transaction and the subscription of the A1 Met prefs;

“phase I transaction”	the transaction described in and implemented pursuant to the relationship agreement in terms of which KTI, through its shareholding in Newco and indirectly in SPV became the beneficial holder of approximately 10% (ten per cent) (on a fully diluted basis and excluding the treasury shares) of the issued shares of Metropolitan;
“phase II financing agreements”	the agreements entered into by and between the bank consortium, the finance consortium, Newco, SPV, KTI and Metropolitan to regulate and implement the phase II transaction and the subscription of the A2 Met prefs and A3 Met prefs;
“phase II transaction”	the transaction in terms of which KTI and the Metropolitan Empowerment Trust, through their shareholding in Newco and indirectly in SPV, increased their combined beneficial shareholding in Metropolitan to approximately 17.3%;
“phase III financing agreements”	the agreements entered into by and between the bank consortium, Newco, SPV, KTI and Metropolitan to regulate and implement the phase III transaction;
“phase III relationship agreement”	means the agreement titled “Second Amended and Restated Relationship Agreement” entered into between Metropolitan, KTI, Newco and SPV dated 30 June 2009;
“phase III transaction”	the phase III transaction as described more fully in Part I of this circular:
“Registrar”	the Registrar as defined in the Companies Act;
“relationship agreement”	the agreement concluded on 10 June 2004 between Metropolitan, KTI, Newco and SPV providing for the phase I transaction and detailing their future relationship;
“resolutions”	the special and ordinary resolutions contained in the notice of general meeting;
“restated relationship agreement”	the document titled “Amended and Restated Relationship Agreement” between, Metropolitan KTI, Newco and SPV dated 24 August 2005 providing for the phase II transaction and detailing their future relationship, as amended;
“RMB”	FirstRand Bank Limited (Registration number 1929/001225/06), a public company duly incorporated under the company laws of South Africa, acting through its Rand Merchant Bank division;
“SCM”	Sanlam Capital Markets Limited, (Registration number 1996/004744/06), a public company duly incorporated under the company laws of South Africa;
“Securities Services Act”	the South African Securities Services Act, No. 36 of 2004, as amended;
“SENS”	the Securities Exchange News Service of the JSE;
“shareholders” or “Metropolitan 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 private company duly incorporated under the company laws of South Africa and a wholly owned subsidiary of Newco;
“SPV2”	Off the Shelf Investments 168 (Proprietary) Limited (Registration number 2006/019588/07), a private company duly incorporated under the company laws of South Africa and a wholly owned subsidiary of KTI;
“SPV prefs”	collectively all classes of cumulative redeemable preference shares of R1,00 each in the share capital of SPV;
“Strate”	the electronic custody and settlement system used by the JSE and operated by Strate Limited (Registration number 1998/022242/06), a public company incorporated under the company laws of South Africa, which is a registered central securities depository;

“10% threshold”	10% (on a fully diluted basis and excluding the treasury shares) of the aggregate number of the Met prefs and Met ords in issue on 5 December 2005, being the date on which the A2 Met prefs and A3 Met prefs were issued by Metropolitan to SPV;
“transfer secretaries”	Link Market Services SA (Proprietary) Limited (Registration number 2000/007239) (in South Africa) and Transfer Secretaries (Proprietary) Limited (Registration number 93/713) (in Namibia);
“treasury shares”	Met ords held from time to time by subsidiaries of Metropolitan on behalf of shareholders;
“trigger event”	<p>SPV is in breach of the phase III financing agreements or an event of default has occurred under the SPV prefs and:</p> <ul style="list-style-type: none"> • SPV has failed to remedy such breach or event of default within the time period allowed; and • the bank consortium has demanded from SPV the redemption of the SPV prefs, or any relevant part thereof; and
“suspensive conditions”	the suspensive conditions contained in paragraph 7 of Part I of this circular.

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")

Metropolitan board

Non-executive directors:

Fatima Jakoet

Peter Lamprecht

Syd Muller

John Newbury

Johnson (JJ) Njeke (Acting Chairman)

Bulelwa Palei

Andile Sangqu

Marius Smith

Franklin Sonn

Johan van Reenen

Executive directors:

Phillip Matlakala (Chief Executive: Retail)

Preston Speckmann (Group Finance Director)

Wilhelm van Zyl (Group Chief Executive)

Group secretary

Bongiwe Gobodo-Mbomvu

CIRCULAR TO SHAREHOLDERS

PART I – Amendment to the terms of the BEE transaction with KTI

1. INTRODUCTION

On 10 June 2004 Metropolitan, KTI, Newco, SPV and certain other parties entered into the relationship agreement and the phase I financing agreements pursuant to which the phase I transaction was implemented and KTI, through SPV, acquired a 10,25% equity stake in Metropolitan with effect from 1 October 2004. At that stage KTI and Metropolitan announced their intention to increase KTI's shareholding in Metropolitan and to include members of Metropolitan's senior management in the structure.

In fulfilment of these objectives, Metropolitan, KTI, Newco and SPV entered into the restated relationship agreement and the phase II financing agreements during 2005, pursuant to which the phase II transaction was implemented.

In terms of the phase II transaction:

- KTI, through SPV, subscribed for 12 700 000 A2 Met prefs and 34 381 139 A3 Met prefs;
- the Metropolitan Empowerment Trust acquired 25% of the issued shares in the capital of Newco, as a result of which KTI and the Metropolitan Empowerment Trust through their shareholding in Newco and indirectly in SPV, increased their combined shareholding in Metropolitan to approximately 17.3%.

The phase I and phase II transactions have been successful. To give effect to the stated intentions of Metropolitan and KTI that their relationship should be long term and for the further reasons set out in this circular, Metropolitan, KTI, Newco and SPV have entered into the phase III relationship agreement and phase III financing agreements.

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

2. KAGISO TRUST AND KTI

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

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

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

3. THE METROPOLITAN EMPOWERMENT TRUST

The Metropolitan Empowerment Trust was established to provide the participants with the opportunity of acquiring a meaningful equity stake in Metropolitan. Each participant placed a proportion of their own capital at risk in order to acquire a benefit under the terms of the Metropolitan Empowerment Trust. Approximately 70% of the beneficial interest of the Metropolitan Empowerment Trust accrued to black people. At present the Metropolitan Empowerment Trust owns 25% of the issued shares in Newco which translates to an effective beneficial interest in Metropolitan of approximately 5.6%.

4. RATIONALE FOR AND BENEFITS OF THE PHASE III TRANSACTION

4.1 Rationale

The empowerment requirements set out in the Department of Trade and Industry's Codes of Good Practice and the Charter are key drivers for the strategy and operations of Metropolitan. However, Metropolitan regards the legislative and regulatory requirements in respect of empowerment as the minimum standards to be met. As a group, Metropolitan has always focused on exceeding the expectations outlined by the Charter and the Department of Trade and Industry.

Metropolitan's BBBEE ownership strategy involving KTI and the Metropolitan Empowerment Trust was implemented in order to facilitate meaningful participation by black South Africans as envisaged by the Charter. In addition, BBBEE is one of Metropolitan's most important business imperatives and is in line with the group's strategic objectives.

Over the past five years, KTI and the Metropolitan Empowerment Trust acquired a strategic interest in Metropolitan through the implementation of the phase I and phase II transactions, which resulted in KTI and the Metropolitan Empowerment Trust, through their shareholding in Newco and indirectly in SPV, increasing their shareholding in Metropolitan. Recently KTI increased its shareholding in Metropolitan through the acquisition by SPV2 of approximately 9 000 000 Met ords. At present the combined, direct and indirect, beneficial shareholding of the Metropolitan Empowerment Trust and KTI in Metropolitan is approximately 21%.

4.2 Benefits of the phase I and II transactions

KTI has proven to be a supportive and effective BEE partner to Metropolitan over the years and both parties have received a number of benefits from this association:

- the relationship has realigned the existing Metropolitan shareholding to include a meaningful proportion of black shareholders;
- the phase I and phase II transactions have delivered significant immediate tangible and long-term value to shareholders.

The phase II transaction was funded over a period of four years in respect of the A2 Met prefs, ending 5 December 2009 and five years in respect of the A3 Met prefs, ending 5 December 2010. If the SPV prefs are not refinanced on these respective dates, SPV would have to redeem the Met prefs or convert the Met prefs into Met ords and dispose of such Met ords.

4.3 Refinancing the SPV prefs

In relation to both the phase I and phase II transactions, such failure to refinance the SPV prefs would result in the dilution of KTI and the Metropolitan Empowerment Trust's effective shareholding in Metropolitan, to the detriment of Metropolitan's strategic objectives and business imperatives, its BEE ownership objectives and KTI's long term investment objectives.

Pursuant to the provisions of the phase II restated relationship agreement, KTI and Metropolitan explored alternatives to refinance the SPV prefs which had not been redeemed and, subject to fulfilment of the suspensive conditions, have agreed to enter into the proposed phase III transaction in terms of which:

- the respective redemption dates of the A1 Met prefs and A2 Met prefs would be extended;
- the terms of the remaining A1 Met prefs and A2 Met prefs would be amended, which amendments include a reduction of the coupon rate of the dividend payable on the A1 Met prefs and A2 Met prefs.

4.4 Benefits of the proposed phase III transaction

The benefits of the proposed phase III transaction include the following:

- The refinancing of the SPV prefs would prevent the dilution of KTI and the Metropolitan Empowerment Trust's effective shareholding in Metropolitan;
- Metropolitan's BBBEE business imperatives could be maintained and its strategic objectives achieved by maintaining its BBBEE ownership strategy;
- KTI and the Metropolitan Empowerment Trust would maintain a meaningful economic shareholding in Metropolitan;
- Metropolitan would continue to realise its BBBEE ownership strategy going forward;
- the reduction of the coupon rate of the dividend payable on the A1 Met prefs and A2 Met prefs would reduce the Company's cost of capital;
- the impact on the Metropolitan share price caused by a substantial Metropolitan share conversion or redemption of Met prefs in a volatile market would be mitigated.

5. SALIENT TERMS OF THE PHASE III TRANSACTION

5.1 Introduction

In order to refinance the SPV prefs, KTI, SPV, Metropolitan and the bank consortium entered into the phase III financing agreements and KTI, Newco, SPV and Metropolitan entered into the phase III relationship agreement to regulate and implement the proposed phase III transaction.

The salient terms of these arrangements are:

- the final redemption date of the A1 Met prefs is extended from 30 September 2009 for a further term to the A1 Extension Date (being 30 October 2012);
- the final redemption date of all the A2 Met prefs is extended from 5 December 2009 for a further term to the A2 Extension Date (being 5 December 2012);
- the terms of the A1 Met prefs and A2 Met prefs are amended, including an amendment of the coupon rate of the dividend payable on the A1 Met prefs and A2 Met prefs, as detailed in paragraph 5.2 and 5.3 of this circular;
- SPV pledges, as security for its obligations to the bank consortium, the A1 Met prefs and A2 Met prefs on the terms set out in more detail in paragraph 11 of this circular.

5.2 The A1 Met prefs

5.2.1 The salient terms of the A1 Met prefs prior to the phase III transaction.

5.2.1.1 Type

The A1 Met prefs are variable rate cumulative convertible redeemable preference shares. These shares are not listed on the JSE or NSX but application may be made to the JSE and NSX for listing of the Met ords resulting from the conversion of the A1 Met prefs in accordance with their terms. The A1 Met prefs constitute 11% of Metropolitan's issued share capital.

5.2.1.2 Duration

At present the A1 Met prefs are, subject to the consent of the bank consortium, convertible into Met ords on or before 30 September 2009 and then, if not converted, compulsorily redeemable on 30 September 2009 at the issue price of R388 314 368.

5.2.1.3 Redemption Events

The A1 Met prefs will become redeemable on the occurrence of certain redemption events, including but not limited to the failure of the Company to declare preference dividends or on certain events of insolvency of the Company. Full details of the redemption events were provided to shareholders in the notice of general meeting contained in the company's circular to shareholders, dated 6 August 2004, which is available for inspection.

5.2.1.4 Voting

Although the A1 Met prefs are not listed on the JSE or NSX, they carry voting rights *pari passu* with the Met ords. This dispensation to permit voting rights to the A1 Met prefs was granted by the JSE subject to certain conditions, as set out in paragraph 8 of this circular.

5.2.1.5 Dividends

The dividend rate per *annum* payable by Metropolitan on the A1 Met prefs at present is the sum of the following:

- 72% of the prime rate as charged by First National Bank, a division of FirstRand Bank Limited;
- an initial margin of 0.5%;
- an 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 is paid semi-annually until the redemption of the Met prefs. Having achieved the performance margin 3 times, the performance margin at present is 1.5%;
- 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 are paid semi-annually until the redemption of the Met prefs. At present, the additional out performance quantitative margin is 4%.

The dividends are paid semi-annually in arrears on 30 September and 31 March each year. Full details of the present dividend terms applicable to the A1 Met prefs were provided to shareholders in the notice of general meeting contained in the company's circular to shareholders, dated 6 August 2004, which is available for inspection.

5.2.2 Salient terms of the amendments to the A1 Met prefs in terms of the phase III transaction

5.2.2.1 Introduction

To facilitate the implementation of the phase III transaction, the terms of the A1 Met prefs will be amended as set out in paragraphs 5.2.2.2 and 5.2.2.3 below. Save for these amendments, the terms of the A1 Met prefs will remain unchanged in all material respects.

5.2.2.2 Duration

In terms of the proposed phase III transaction, the A1 Met prefs are convertible into Met ords on a one for one basis at any time until the A1 extension date and if not converted, are compulsorily redeemable at the issue price of the A1 Met prefs on the A1 extension date, being 30 October 2012.

5.2.2.3 Dividends

In terms of the proposed phase III transaction:

- the dividend rate per annum payable by Metropolitan on the A1 Met prefs will be amended to 85% of the prime rate as charged by First National Bank, a division of FirstRand Bank Limited; and
- an initial dividend of approximately R2 713 600 will be paid to SPV in order to enable SPV to pay an initial dividend to cover the raising fee of the bank consortium.

5.3 The A2 Met prefs

5.3.1 The salient terms of the A2 Met prefs prior to the phase III transaction

5.3.1.1 Type

The A2 Met prefs are variable rate cumulative convertible redeemable preference shares. These shares are not listed on the JSE or NSX but application may be made to the JSE and NSX for listing of the Met ords resulting from the conversion of the A2 Met prefs in accordance with their terms. The A2 Met prefs constitute 2% of Metropolitan's issued share capital.

5.3.1.2 Duration

The A2 Met prefs are, subject to the consent of the bank consortium, convertible into Met ords on a one for one basis from three years and one day after the issue date of 5 December 2005 and then, if not converted, are compulsorily redeemable at their issue price on 5 December 2009.

5.3.1.3 Redemption Events

The A2 Met prefs will become redeemable on the occurrence of certain redemption events, including but not limited to the failure of the Company to declare preference dividends or on certain events of insolvency of the Company. Full details of the redemption events were provided to shareholders contained in the notice of general meeting contained in the company's circular to shareholders, dated 5 September 2005, and a further notice to shareholders, dated, 28 September 2005 which are available for inspection.

5.3.1.4 Voting

Although the A2 Met prefs are not listed on the JSE or NSX, they carry voting rights *pari passu* with the Met ords. This dispensation to permit voting rights to the A2 Met prefs was granted by the JSE subject to certain conditions, as set out in paragraph 8 of this circular.

5.3.1.5 Dividends

At present the dividend rate per *annum* payable by Metropolitan on the A2 Met prefs is the greater of the following:

- the dividend per Met ord declared and paid in the corresponding period; or
- an annual rate of 2.5% calculated on the A2 Met pref issue price of R116 586 000.

The dividends on the A2 Met prefs are paid semi-annually in arrears on 30 September and 31 March each year. Full details of the present dividend terms applicable to A2 Met prefs were provided to shareholders in the notice of general meeting contained in the company's circular to shareholders, dated 5 September 2005, and a further notice to shareholders, dated 28 September 2005, which are available for inspection.

5.3.2 Salient terms of the amendments to the A2 Met prefs in terms of the phase III transaction

5.3.2.1 Introduction

To facilitate the implementation of the phase III transaction, the terms of the A2 Met prefs will be amended as set out in paragraphs 5.3.2.2 and 5.3.2.3 below. Save for these amendments, the existing terms of the A2 Met prefs will remain unchanged in all material respects.

5.3.2.2 Duration

In terms of the proposed phase III transaction, the A2 Met prefs are convertible into Met ords on a one for one basis at any time until the A2 extension date and if not converted, are compulsorily redeemable at the issue price of the A2 Met prefs on the A2 extension date, being 5 December 2012.

5.3.2.3 Dividends

In terms of the proposed phase III transaction:

- the dividend rate per *annum* payable by Metropolitan on the A2 Met prefs will be amended to 85% of the prime rate as charged by First National Bank, a division of FirstRand Bank Limited; and
- an initial dividend of approximately R1 165 900 will be paid to SPV in order to enable SPV to pay an initial dividend to cover the raising fee of the bank consortium.

6. PHASE III RELATIONSHIP AGREEMENT

Metropolitan, KTI, Newco and SPV concluded the relationship agreement on 10 June 2004 to regulate the first phase of their broad-based empowerment transaction. To ensure that the principles of that agreement also applied to the issue of the A2 Met prefs and the A3 Met prefs Metropolitan, KTI, Newco and SPV amended and restated the relationship agreement by entering into the restated relationship agreement which also made provision for the introduction of the Metropolitan Empowerment Trust as a shareholder of Newco.

In order to refinance the BEE transactions, KTI, Metropolitan and a consortium of banks entered into the phase III financing agreements in order to extend the external funding. Metropolitan, KTI, SPV and Newco entered into the phase III relationship agreement on 30 June 2009 in order to regulate and implement the proposed phase III transaction. The phase III relationship agreement restates the phase II relationship agreement save for certain changes, the salient terms of which are to align the relationship with the new financing structures as set out in this circular.

7. SUSPENSIVE CONDITIONS

The phase III transaction is subject to the passing of all necessary resolutions by the requisite majority of shareholders at the general meeting and the registration thereof by the Registrar where applicable, by 30 September 2009.

8. JSE CONDITIONS TO MET PREFS

8.1 The JSE does not ordinarily allow the creation of unlisted securities with voting and other rights attached thereto. However, in the interest of BEE and as part of the phase I transaction and phase II transaction, it agreed to the creation, allotment and issue of the A1 Met prefs, A2 Met prefs and the A3 Met prefs, subject to the following conditions, which were all complied with:

8.1.1 The articles of association of Metropolitan had to be amended to reflect:

- the terms governing such Met prefs;
- that any issue of Met prefs would be subject to the provisions of the Listings Requirements;
- that no further Met prefs could be issued without the approval of the JSE and shareholders;
- that the holder of the Met prefs could not veto any resolution that would otherwise have been passed by the holders of Met ords together with the holder of the Met prefs;
- that notwithstanding any article pertaining to general meetings of ordinary and/or preference shareholders, the votes cast by each holder would rank equally.

- 8.2 The full terms governing the Met prefs had to be set out in the notice of the general meeting;
- 8.3 The Met prefs would not be taken into account by Metropolitan in categorising transactions contemplated in Section 9 of the Listings Requirements, but the votes attaching to the Met prefs could be cast at a shareholders' meeting of Metropolitan convened to consider such transaction;
- 8.4 Metropolitan would provide periodic updates to its shareholders on an interim and annual basis regarding the status of the phase II transaction; and
- 8.5 The Met prefs had to be held in escrow with Metropolitan's attorneys, and would only be entitled to vote for so long as they were held by SPV and SPV was BEE controlled.

With regard to a pledge and cession of the Met prefs, the JSE has confirmed that the Met prefs will lose their voting rights if SPV loses its voting rights or entitlement to dividends in respect of the Met prefs to a party that is not a BEE entity pursuant to a pledge and cession of the Met prefs.

9. AMENDMENT TO THE ARTICLES OF ASSOCIATION

The terms governing the A1 Met prefs are contained in article 135 of the articles of association. The terms and conditions of the rights and the privileges attaching to the A2 Met prefs are contained in article 136 of the articles of association. In order to give effect to the amendment of the terms of the A1 Met prefs and A2 Met prefs as envisaged in terms of the phase III transaction, the articles of association and in particular articles 135 and 136, have to be amended.

Shareholders are required to consider the resolution relating to the amendment to the articles of association contained in the notice of general meeting which forms part of this circular, and if deemed fit, to pass it as a special resolution.

10. CONVERSION OF CERTAIN A1 MET PREFS

At present, the A1 Met prefs are, subject to the consent of the bank consortium, convertible into Met ords on a one for one basis, on or before 30 September 2009. In terms of the provisions of article 135 the conversion is effected by means of a written notice to the secretary of Metropolitan.

KTI has indicated that it intends to convert 22 842 650 of its A1 Met prefs into 22 842 650 Met ords which conversion is expected to be effected before 30 September 2009. Upon conversion these shares shall rank *pari passu* in all respects with all other Met ords.

11. PLEDGE AND CESSION OF MET PREFS

- 11.1 In terms of the phase III financing agreements, SPV has, subject to the phase III financing agreements becoming unconditional within their terms, ceded and pledged the Met prefs to the bank consortium.
- 11.2 Notwithstanding the fact that the Met prefs have, subject to the phase III financing agreements becoming unconditional within their terms, been ceded and pledged as set out in paragraph 11.1, the phase III financing agreements specifically provide that SPV shall be entitled to:
 - exercise all voting rights in respect of the Met prefs; and
 - receive all dividends payable in respect of the Met prefs,until such time as a trigger event has taken place.

PART II - General information relating to Metropolitan

1. NATURE OF BUSINESS OF METROPOLITAN

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

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 five different businesses, namely Corporate, Retail, International, Health and Asset Management business, the relative contribution of each business to Metropolitan being as follows:

2008 Financial Year Overview

Business	Net Inflow	Investment Assets	Embedded Value	Diluted Core Headline Earnings
	Rbn	Rbn	Rbn	Rm
Corporate	(1.2)	28.3	0.599	153
Retail	2.9	35.5	3.048	448
International	0.3	4.7	1.108	94
Health	2.0	5.0	0.923	100
Asset Management	4.3	22.2	0.377	65
Shareholder assets	0.0	2.0	5.275	151
Total	8.3	97.7	11.330	1011

2. PROSPECTS FOR THE BUSINESS OF METROPOLITAN

Metropolitan continues to be committed to focusing on boosting new business volumes, containing costs and improving the quality of new business written in order to profitably increase its market share. Given Metropolitan's focus on and dominance in the low and middle income markets, the Metropolitan board of directors believe that the business model of Metropolitan is geared for growth and should ensure ongoing business success. Metropolitan has demonstrated the ability to weather adverse economic conditions in the short term and the Metropolitan board believes that it is ideally positioned to continue delivering on its vision of creating prosperity for the people of Africa and its shareholders.

3. FINANCIAL EFFECTS OF THE PHASE III TRANSACTION

The directors have considered the financial effects of the proposed phase III transaction and are of the view that they are not material.

4. OPINIONS AND RECOMMENDATIONS

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

The board has considered the terms and conditions of the phase III transaction as well as the opinion of Ernst & Young and is of the opinion that the terms and conditions of the phase III transaction are fair to shareholders. Accordingly, the Metropolitan board recommends that shareholders vote in favour of the resolutions in respect of the phase III transaction.

Those directors of Metropolitan who hold Metropolitan shares and whose interests are disclosed in paragraph 6.3 of Part II intend voting in favour of the resolutions in respect of the phase III transaction.

5. SHARE CAPITAL OF METROPOLITAN

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

	R
Authorised	
1 000 000 000 ordinary shares of 0.0001 cents each	1 000
129 000 000 variable rate cumulative convertible redeemable preference shares of 0.0001 cents each	129
Issued	
540 166 387 ordinary shares of 0.0001 cents each	540
122 923 789 variable rate convertible redeemable preference shares of 0.0001 cents each	123
Share premium (million)	839
(527 590 787 Met ords are listed and 12 575 600 Met ords are unlisted, having been issued through the Metropolitan Share Purchase Trust)	

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

	R
Authorised	
1 000 000 000 ordinary shares of 0.0001 cents each	1 000
53 000 000 A1 Met prefs	53
12 700 000 A2 Met prefs	13
35 000 000 A3 Met prefs	35
Issued	
563 009 037 ordinary shares of 0.0001 cents each	563
53 000 000 A1 Met prefs	53
12 700 000 A2 Met prefs	13
34 381 139 A3 Met prefs	34
Share premium (million)	839
(550 433 437 Met ords are listed and 12 575 600 Met ords are unlisted, having been issued through the Metropolitan Share Purchase Trust)	

6. DIRECTORS

6.1 Information on directors

Name	Function	Principle activities	Business address
Fatima Jakoet	Independent non-executive	Business consultant and director of companies	36 Winter Crescent, Greenhaven, Athlone, 7764
Peter Lamprecht	Independent non-executive	Director of companies	PO Box 3015, Knysna, 6570
Phillip Matlakala	Executive	Chief Executive Retail	Metropolitan Holdings, PO Box 2212, Bellville, 7535
Syd Muller	Independent non-executive	Director of companies	2 Swift Lane, Steenberg Estate, Tokai Road, Tokai, 7945
John Newbury	Independent non-executive	Director of companies	PO Box 911, Northlands, 2116
JJ Njeke	Non-executive (Acting Chairman)	Chief Executive of Kagiso Trust Investments	Kagiso, PO Box 55276, Northlands, 2116
Bulelwa Paledi	Independent non-executive	Attorney and Director of companies	PO Box 181061, Dalbridge, 4014
Andile Sangqu	Non-executive	Executive director of Kagiso Trust Investments	Kagiso, PO Box 55276, Northlands, 2116

Marius Smith	Independent non-executive	Director of companies	11 Magnolia Crescent, Valmary Park, Durbanville, 7550
Franklin Sonn	Independent non-executive	Director of companies	African Star, PO Box 2087, Bellville, 7535
Preston Speckmann	Group Finance Executive	Group finance director for Metropolitan	Metropolitan Holdings, PO Box 2212, Bellville, 7535
Johan van Reenen	Independent non-executive	Investment professional and director of companies	PO Box 12588, Die Boord, Stellenbosch, 7613
Wilhelm van Zyl	Group Chief Executive	Group chief executive for Metropolitan	Metropolitan Holdings, PO Box 2212, Bellville, 7535

6.2 Directors' interest in phase III transaction

- 6.2.1. The directors (excluding the directors appointed by KTI and the executive directors referred to in paragraph 6.1 of Part II above) have no indirect or direct beneficial interest in the phase III transaction.
- 6.2.2. The directors appointed by KTI, namely Andile Sangqu and JJ Njeke, have an indirect and/or direct beneficial interest in KTI which in aggregate amounts to less than 5% of the issued share capital of KTI.
- 6.2.3. All three executive directors, namely Wilhelm van Zyl, Preston Speckmann and Phillip Matlakala, are participants in the Metropolitan Empowerment Trust.
- 6.2.4. The remuneration received by the directors will not be varied as a consequence of the proposed phase III transaction.

6.3 Directors' interest in securities

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

Directors	Direct (^{'000})	Indirect (^{'000})	Total number (^{'000})	% of total issued share capital
Non-executive				
Independent:				
Syd Muller	7		7	0.0
John Newbury		75	75	0.0
Johan van Reenen		315	315	0.0
Marius Smith		105	105	0.0
Franklin Sonn	3	41	44	0.0
Executive				
Wilhelm van Zyl	400		400	0.1
Total	410	536	946	0.1

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

	Transaction Date	Price	Number of shares	Nature of transaction	Extent of interest
John Newbury	26/05/2009	11.29	1,363	purchase	indirect beneficial
John Newbury	26/05/2009	11.23	1,133	purchase	indirect beneficial
John Newbury	27/05/2009	11.49	6,074	purchase	indirect beneficial
John Newbury	27/05/2009	11.50	38,826	purchase	indirect beneficial

7. MAJOR SHAREHOLDERS

As at 31 December 2008, the interests of shareholders holding 5% or more of the issued ordinary share capital of Metropolitan beneficially (excluding treasury shares) were as follows:

Name	Number of Metropolitan shares (millions)			Percentage
	Beneficial direct	Beneficial indirect	Total	
KTI-SPV	9	111	120	18.2%
Public Investment Corporation (PIC)	52	28	80	12.1%

8. SHARE PRICE HISTORY

Metropolitan's share price on the JSE and NSX is summarised in Annexure 2 to this circular. On the last practicable date, the closing price per share on the JSE was 1255 cents and on the NSX 1263 cents.

9. ISSUES OF SECURITIES IN PREVIOUS THREE YEARS

The Company has not issued any shares in the previous three years and has repurchased and cancelled the following Met ords:

Date shares cancelled	Number of shares cancelled	Aggregate issue price R'million
31 July 2006	15 534 600	16
15 June 2007	44 023 149	44
28 March 2008	26 362 870	26
19 May 2009	15 626 280	16

10. CORPORATE GOVERNANCE AND KING CODE REPORT

Shareholders are referred to Annexure 3 for a statement in respect of Metropolitan's compliance with the King Code Report and good corporate governance.

11. MATERIAL CHANGES

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

12. MATERIAL CONTRACTS

As at the last practicable date, there were no material contracts entered into otherwise than in the ordinary course of business carried on by Metropolitan.

13. LITIGATION STATEMENT

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

14. DIRECTORS' RESPONSIBILITY STATEMENT

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

15. EXPERTS' CONSENTS

Each of the attorneys, sponsors and other advisers have given their written consent to their names appearing in this document in the form and context in which they appear and have not withdrawn their consent prior to its publication.

In addition, the independent expert Ernst & Young, 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.

16. RELATED PARTY INFORMATION

The phase III transaction constitutes a "related party transaction" in terms of the Listings Requirements by virtue of the fact that SPV is a material shareholder of Metropolitan. SPV and SPV2 currently hold 14 million Met Ords and 123 million Met prefs which is equivalent to approximately 21% of the total issued share capital of Metropolitan.

KTI, SPV and SPV2 will be taken into account in determining a quorum at the general meeting that will be held to consider the phase III transaction. However, in accordance with the Listings Requirements the votes of KTI (if any), SPV2 and SPV and their associates will not be taken into account in determining the results of the voting at the general meeting in respect of the phase III transaction (which requires the passing of a special resolution which requires a majority of 75% of Metropolitan shareholders present or represented by proxy at the general meeting). The only director whose vote will not be taken into account as a result of his shareholding in the Company, is Wilhelm van Zyl.

17. GENERAL MEETING

Following hereafter, and forming part of this circular, is a notice of general meeting of shareholders convened to be held in the Auditorium, 7 Parc du Cap, Mispel Road, Bellville, Cape Town on Wednesday, 26 August 2009, at 11:00 am for the purpose of considering and, if deemed fit, passing with or without modification, the resolutions required to implement the phase III transaction.

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

Certificated shareholders and shareholders who have dematerialised shares in their own name and who are unable to attend the general meeting, but wish to be represented thereat, are requested to complete and return the attached form of proxy (blue) to be received by the transfer secretaries by no later than 11:00 am on Monday, 24 August 2009, 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 letter of representation to attend the general meeting or they must instruct their CSDP as to how they wish to vote at the general meeting. This must be done in terms of the custody agreement entered into between the shareholder and the CSDP.

18. EXPENSES

The expenses or estimated expenses incurred by Metropolitan in relation to the phase III transaction exclusive of Value Added Tax are set out in detail in the table below:

Sponsor	R150 000
Corporate Law Advisors	R750 000
Independent Professional Expert	R570 000
JSE Inspection Fees	R20 000
Documentation Printing and Posting	R40 000
Contingency	R150 000

19. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by shareholders from the date of this circular, dated 4 August 2009, up to and including 26 August 2009, 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 at their respective offices in Johannesburg and Windhoek:

- 19.1. Metropolitan's memorandum and articles of association;
- 19.2. the audited financial statements of Metropolitan for the three financial years ended 31 December 2006, 2007 and 2008;
- 19.3. the independent expert's fairness opinion;
- 19.4. the consent letters from the advisers;
- 19.5. a signed copy of this circular;
- 19.6. the phase I, phase II and phase III relationship agreements;
- 19.7. Metropolitan's circular to shareholders dated 6 August 2004;
- 19.8. Metropolitan's circular to shareholders dated 5 September 2005; and
- 19.9. Metropolitan's further notice to shareholders dated 28 September 2005.

By order of the Metropolitan board

Mrs B Gobodo-Mbomvu
Company secretary

Bellville, Cape Town
4 August 2009

INDEPENDENT EXPERT'S OPINION

"Reliance Restricted

The Directors
Metropolitan Holdings Limited
PO Box 2212
Bellville
7535

22 July 2009

Appropriate independent professional advice to the Board of the Metropolitan Holdings Limited ("Metropolitan") regarding the proposed third phase of Metropolitan's black economic empowerment ("BEE") transaction ("the proposed phase III transaction")

Dear Sirs:

Introduction

The definitions outlined in the "Definitions" section of this circular of which this letter forms a part, have been used throughout this letter.

On 1 October 2004 Metropolitan implemented the first phase of its broad-based ownership strategy in terms of which Kagiso Trust Investments (Pty) Ltd ("KTI") acquired 10.25% of the issued share capital of Metropolitan. Both parties announced their intention to increase this shareholding within a reasonable period and to include members of Metropolitan's senior management in a second phase of the transaction. The second phase of the transaction was implemented on 5 December 2005, enabling Metropolitan management to participate through the Metropolitan Empowerment Trust.

The initial phase of the transaction was funded over a period of five years ending on 30 September 2009. The Relationship Agreement required that the parties met, not later than six months prior to 30 September 2009, to explore alternatives for refinancing. Metropolitan has met with KTI, the latest being March 2009, to discuss the alternatives. A summary of the proposed restructure is as follows:

- KTI converts 22 842 650 (30%) of its A1 Metropolitan Preference Shares ("A1 Met Prefs") into Metropolitan ordinary shares on 30 September 2009;
- The 53 000 000 remaining A1 Met Prefs of R271.4m are extended for a further period of three years to 30 October 2012;
- 100% of A2 Metropolitan Preference Shares ("A2 Met Prefs") of R116.6m are extended for a further period of three years to 5 December 2012;
- The funding consortium extends the A1 SPV Preference Shares ("A1 SPV Prefs") of R271.4m and A2 SPV Preference Shares ("A2 SPV Prefs") of R116.6m to 30 October 2012 and 5 December 2012 respectively;
- The SPV disposes of such number of Metropolitan ordinary shares to yield net proceeds of R160m (after transaction costs and accrued dividends due in respect of SPV preference shares redeemed with such proceeds);
- The SPV issues F cumulative redeemable preference shares ("F SPV Prefs") for an amount of R75m;
- The SPV will utilize the subscription proceeds generated above to redeem the full outstanding amount on B, C and D SPV preference shares as at 30 September 2009 and redeem R87m of the A1 SPV Prefs.

We have been appointed by the Board of Metropolitan as an independent professional expert (by way of providing a fairness opinion) in terms of the JSE Limited ("JSE") Listings Requirements. Our advice relates to the proposed phase III transaction.

We understand that the independent fairness opinion is required as the proposed phase III transaction has been deemed by the JSE to be a material transaction with a related party.

Definition of fairness

Fairness is primarily based on quantitative factors. In this regard, we have considered the estimated cost of the proposed phase III transaction to Metropolitan shareholders, in relation to the risks to Metropolitan, if it were not to implement the proposed phase III transaction, and the benefits which may arise as a result of the proposed phase III transaction.

The transaction will generally be considered fair if the value gained by Metropolitan shareholders as a result of the proposed phase III transaction is considered to be equal to or greater than the cost to Metropolitan of the proposed phase III transaction.

The transaction will generally be considered unfair if the value gained by Metropolitan shareholders as a result of the proposed phase III transaction is considered to be less than the cost to Metropolitan of the proposed phase III transaction.

Procedures performed and sources of information

We have performed, amongst others, the following procedures:

- reviewed general market data, including economic, governmental and legislative aspects which have an impact on Metropolitan the proposed phase III transaction specifically;
- obtained an understanding of the Metropolitan BEE Scheme as it currently stands, including the structures, instruments, terms and affected parties;
- obtained an understanding of the proposed phase III transaction, including the revised instruments, revised terms and affected parties;
- reviewed the relevant proposed phase III transaction agreements and considered the terms and conditions contained in those documents as well as the commercial issues relating to the proposed phase III transaction;
- analysed the applicable historical and forecast financial information in respect of Metropolitan and the BEE scheme;
- reviewed other relevant publicly available information;
- reviewed forecast dividend rates for Metropolitan ordinary and preference shares to be used as an input into our calculations;
- analysed the views expressed by investment analysts and other market commentators;
- held discussions with the management of Metropolitan and its advisors;
- assessed Metropolitan's rationale for the proposed phase III transaction, its potential value to Metropolitan as well as considered management's assessment of the potential negative impact of Metropolitan not having entered into the proposed phase III transaction;
- examined the rationale for and extent of the salient terms of the proposed phase III transaction – in relation to Metropolitan's other BEE initiatives as well as comparable transactions within the broader universe of BEE transactions concluded in South Africa;
- performed appropriate financial analysis on the effects of the transaction to Metropolitan shareholders. This involved the following:
 - Performed a comparison of the position of Metropolitan shareholders under the scenarios of the proposed phase III transaction and other plausible scenarios and conducted appropriate sensitivity analyses given a reasonable range of key assumptions;
 - Forecast the revised preference share dividends under the new proposed terms;
 - Determined the financial effects of the alternative, default scenario: This involved the conversion of the Metropolitan preference shares into ordinary shares (in accordance with the existing scheme timetable) and would result in additional ordinary dividends payable. we have forecast these and treated this as a dilutive cost to existing Metropolitan shareholders;
 - Considered the extension of the preference shares terms on the imbedded call options. We have calculated this additional value (cost to Metropolitan) using the Black-Scholes option pricing model; and
 - Compared the net cash flow results of the scenarios to determine the most beneficial scenario to Metropolitan shareholders;
- determined the fairness of the transaction from the perspective of Metropolitan's shareholders based on the results of the steps outlined above.

Based on the results of the procedures mentioned above, we determined the fairness of the proposed phase III transaction as it concerns shareholders of Metropolitan.

We believe that the above considerations justify the conclusion outlined below.

Limiting conditions

We have relied upon the accuracy of the information used by us in deriving our opinion albeit that, where practicable, we have corroborated the reasonableness of such information through, amongst other things, reference to work performed by independent third party/ies, historic precedent or our own knowledge and understanding. While our work has involved an analysis of the annual financial statements and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards. Accordingly, we assume no responsibility and make no representations with respect to the accuracy of any information provided to us in respect of Metropolitan.

We have also assumed that the proposed phase III transaction (and A1 and A2 Met prefs) will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, advisers of Metropolitan and we express no opinion on such consequences.

The opinion expressed below is necessarily based upon the information available to us, the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us as at the date hereof. We have assumed that all conditions precedent in the transaction agreements, including any material regulatory and other approvals required in connection with the proposed phase III transaction have been or will be properly fulfilled/obtained. Subsequent developments may affect our opinion, however, we are under no obligation to update, revise or re-affirm such.

Opinion

Our opinion is required as a result of the proposed phase III transaction. We have considered the terms and conditions of the proposed phase III transaction and performed a comparison of the position of Metropolitan shareholders under the current and proposed phase III transaction scenarios by comparing the forecast future net cash flows arising from each scenario, as detailed above. Based upon and subject to the conditions set out below, are of the opinion that the proposed phase III transaction is fair to Metropolitan shareholders.

Because of this fact, we did not have to factor (nor attempt to quantify or calculate) any additional benefits to Metropolitan arising from the transaction, i.e. continued revenue streams to Metropolitan arising from its maintained BEE status.

This opinion does not purport to cater for each individual shareholder's circumstances and/or risk profile, but rather that of the general body of Metropolitan shareholders taken as a whole. Each shareholder's decision will be influenced by such shareholder's particular circumstances and accordingly shareholders should consult with an independent advisor if they are in any doubt as to the merits or otherwise of the transaction.

Use of this opinion

This opinion is provided solely for the use of the board of Metropolitan and Metropolitan shareholders 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 Ernst & Young or Ernst & Young Advisory Services Limited be made by Metropolitan or any of its affiliates, without the prior consent of Ernst & Young Advisory Services Limited.

Independence and consent to publication

We have been retained by the board as an independent advisor to the board and shareholders in connection with the transaction and we will receive a fixed fee for the services provided in connection herewith, which fee is payable upon delivery of this opinion. We confirm that, other than the aforementioned, we have no interest, direct or indirect, beneficial or non-beneficial, in Metropolitan or in the success or failure of the transaction which forms the subject matter hereof.

We hereby consent to this letter and the references thereto being made public to holders of Metropolitan shares in the form and context in which they are to be published in this document to shareholders on or about 4 August 2009. We confirm that we have given and have not withdrawn our consent prior to the issue of the said document to Metropolitan shareholders.

Sincerely,

S H Alt
Director
Ernst & Young Advisory Services Ltd"

SHARE PRICE HISTORY ON THE JSE AND THE NSX

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

Twelve months prior to date of issue of circular

Date	High (c)	Low (c)	Close (c)	Volume	Value Traded (ZARm)
31/07/2008	1230	1009	1150	37 035 101	409.397 626
31/08/2008	1288	1143	1280	19 670 955	240.164 754
30/09/2008	1367	1050	1100	31 043 285	386.664 408
31/10/2008	1205	890	996	39 140 369	414.481 526
30/11/2008	1080	950	1058	40 173 255	404.832 397
31/12/2008	1150	1000	1080	24 994 292	270.534 515
31/01/2009	1247	1041	1220	26 311 375	298.475 689
28/02/2009	1295	1080	1092	36 656 539	442.959 565
31/03/2009	1136	941	1050	46 103 300	483.816 766
30/04/2009	1159	1010	1070	21 159 894	230.140 369
31/05/2009	1228	1070	1163	20 956 987	242.096 905
30/06/2009	1190	1056	1165	43 774 201	482.492 125

Quarterly over the years prior to the abovementioned twelve month period

Date	High (c)	Low (c)	Close (c)	Volume	Value Traded (ZARm)
30/09/2006	1292	1105	1225	128 577 691	1 543.760 23
31/12/2006	1581	1195	1500	131 101 581	1 759.690 96
31/03/2007	1650	1441	1485	163 441 021	2 522.345 32
30/06/2007	1691	1421	1486	145 728 161	2 312.303 80
30/09/2007	1550	1314	1520	95 698 942	1 419.495 97
31/12/2007	1635	1408	1509	94 577 985	1 461.014 38
31/03/2008	1520	1141	1340	105 266 737	1 413.196 06
30/06/2008	1458	1080	1093	109 942 669	1 379.519 03
30/09/2008	1367	1009	1100	87 749 341	1 036.226 79

Thirty days preceding the latest practicable date

Date	High (c)	Low (c)	Close (c)	Volume	Value Traded (ZARm)
09/06/2009	1129	1095	1100	13 27 106	14.628 374
10/06/2009	1113	1096	1100	2 921 018	32.142 312
11/06/2009	1100	1075	1079	1 214 265	13.149 924
12/06/2009	1100	1070	1093	2 573 723	28.133 310
15/06/2009	1104	1095	1095	767 856	8.439 350
17/06/2009	1100	1056	1060	1 894 689	20.253 058
18/06/2009	1090	1060	1090	2 479 838	26.627 577
19/06/2009	1111	1075	1089	2 619 748	28.536 766
22/06/2009	1090	1069	1071	2 216 578	23.846 854
23/06/2009	1075	1058	1070	2 521 857	26.907 521
24/06/2009	1100	1073	1095	1 458 834	15.934 496
25/06/2009	1111	1088	1090	2 653 652	29.051 764
26/06/2009	1120	1100	1110	2 309 326	25.667 302
29/06/2009	1127	1115	1127	3 195 030	35.799 152
30/06/2009	1165	1125	1165	1 411 700	16.147 841
01/07/2009	1170	1145	1170	1 329 922	15.388 888
02/07/2009	1177	1159	1177	703 382	8.226 052
03/07/2009	1186	1140	1186	886 989	10.399 253
06/07/2009	1162	1148	1159	1 162 114	13.390 904
07/07/2009	1176	1150	1170	1 270 347	14.746 708
08/07/2009	1176	1150	1170	1 745 901	20.299 278
09/07/2009	1191	1160	1190	955 002	11.231 166
10/07/2009	1205	1178	1193	865 919	10.287 385
13/07/2009	1203	1176	1203	1 020 653	12.078 498
14/07/2009	1240	1187	1211	1 248 197	15.217 511
15/07/2009	1251	1217	1235	1 138 055	14.114 892
16/07/2009	1250	1229	1234	853 613	10.532 797
17/07/2009	1269	1230	1238	654 955	8.162 868
20/07/2009	1250	1233	1245	654 974	8.122 352
21/07/2009	1271	1235	1255	1 075 233	13.543 142

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

Thirty days preceding the latest practicable date

	High (c)	Low (c)	Close (c)	Volume	Value Traded (N\$m)
	1263	1079	1263	6 392 550	65.234 944

Twelve months prior to date of issue of circular

	High (c)	Low (c)	Close (c)	Volume	Value Traded (N\$m)
	1342	960	1140	26 342 766	300.420 729

N\$ = Namibian dollar

STATEMENT IN SUPPORT OF KING CODE REPORT

Corporate governance

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

The Metropolitan board is accountable and responsible for the performance and affairs of the Metropolitan group. It achieves the above by delegating authority to the board committees and management. The Metropolitan board has a number of committees that assist it in discharging its duties. The committees meet independently and then report back to the Metropolitan board through their chairmen. Each committee has a formal charter that clearly defines its roles and responsibilities.

Independence of the board of directors

The Metropolitan board has a policy that evidences a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered power of decision-making. The roles of the group chairman, who is a non-executive director, and of the group chief executive are kept separate in accordance with principles of good corporate governance. In addition to the three executive directors, the board comprises 10 non-executive directors, two of whom are not independent.

Nominations and directors' affairs committee

The board is responsible for nominating directors and for filling vacancies that may occur between annual meetings of shareholders.

The appointment of new directors is in terms of a formal and transparent procedure. Prospective appointees are put forward by the nominations and directors' affairs committee and approved directly by the board, subject to shareholder confirmation at the following annual general meeting. The nominations and directors' affairs committee constitute only non-executive directors and it met four times during 2008.

Because continuity is imperative, all non-executive directors are subject to retirement by rotation and re-election by shareholders at least once every three years in accordance with the articles of association. Reappointment is not automatic.

Audit committee

The chairman of this committee is an independent non-executive director and all the members are independent non-executive directors.

In addition to overseeing the financial reporting process, the group audit committee's principal objectives include:

- providing the respective boards with an assessment of the effectiveness of the external auditors and the internal audit function;
- approving the external audit fees;
- monitoring the application of the policy that governs the provision of non-audit services by the group's external auditors;
- approving the extent and nature of all non-audit services provided.

With effect from September 2009, the audit committee shall, on an annual basis, consider and satisfy itself of the appropriateness of the expertise and experience of the financial director and the annual report of Metropolitan shall contain a statement to the effect that the audit committee has executed this responsibility.

The audit committee meets at least four times a year.

Remuneration committee

Meeting four times a year, this committee sets remuneration policy for all staff members. It comprises an independent non-executive director as chairman, one non-independent non-executive director and two independent non-executive directors.

The Committee's principal objectives include, but are not limited to:

- reviewing the group's compensation and benefits policies and procedures;
- setting remuneration levels for executive directors as well as the chairmen and non-executive-directors.

The remuneration committee also deals with all aspects of the remuneration of directors and executive management, including share incentive arrangements.

Risk committee

The board has delegated the assessment of the quality, integrity and reliability of the group's risk management processes to the Metropolitan risk committee. The objective of the committee is to assist the board in the discharge of its duties relating to corporate accountability and the associated risks in terms of management, assurance and reporting.

The committee is chaired by an independent non-executive director and includes two executive directors and five independent non-executive directors.

In addition to the abovementioned board risk committee, the group financial director chairs a group management risk committee. The members comprise executive directors, selected senior executives and the corporate governance group executive. The committee is tasked with integrating and monitoring the management of risk in respect of the day-to-day activities of the group. The Risk Committee meets at least four times a year.

Compliance with King II and approach to corporate governance

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

The board continues to monitor developments in the corporate governance arena, locally and internationally, with a view to reviewing and adapting corporate governance structures and practices where appropriate. All entities in the Metropolitan group are required to subscribe to the group's governance framework and principles. Each year the group facilitates a comprehensive process to ensure compliance by all significant entities.

During 2009 Prof L W Nkuhlu resigned as director and chairman of the Metropolitan board. At present JJ Njeke, a non-executive director, is acting chairman of the Metropolitan board. In 2008 the Metropolitan board appointed a lead director, Mr P C Lamprecht to, amongst other duties, chair the board meetings when the acting chairman is conflicted.

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")

NOTICE OF GENERAL MEETING

Save as expressly defined in this notice and the resolutions below, words and expressions used in the circular to shareholders dated 4 August 2009 shall bear the same meanings in this notice.

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 am on Wednesday, 26 August 2009, for the purposes of considering and, if deemed fit, passing with or without modification, the following special and ordinary resolutions:

SPECIAL RESOLUTION NUMBER 1

"Resolved as a special resolution that the articles of association of the Company be and are hereby amended by:

the deletion of articles 135 and 136 in their entirety and the substitution thereof by the following new articles 135 and 136:

ARTICLE 135

TERMS AND CONDITIONS OF THE RIGHTS AND PRIVILEGES ATTACHING TO THE "A1" MET PREFS

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 cent 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:

"A1" Met Prefs"	the variable rate convertible cumulative redeemable preference shares in the share capital of the Company with a par value of 0,0001 cent;
"A1" Met Preference Dividend"	the preferential cash dividend payable to the Holders of "A1" Met Prefs in accordance with article 135.3 below;
"A1" SPV Prefs"	the variable rate cumulative redeemable "A1" preference shares in the share capital of the SPV with a par value of R1;
"A1" and "A2" Redemption Reserve Account"	the call account opened and maintained by the SPV with RMB, as such account may be replaced, renumbered or redesignated from time to time, or such other account as the Bank Consortium may notify to the SPV in writing from time to time;
"the Act"	the Companies Act 61 of 1973, as amended from time to time;
"Additional Dividend"	the additional dividend payable to the Holders of "A1" Met Prefs in accordance with article 135.4.1.2 below;
"the Bank Consortium"	collectively, RMB, Nedbank and SCM;

“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;
“Dividend Date”	31 March and 30 September each year until the Redemption Date and the Redemption Date;
“Dividend Period”	each period commencing on (and including) the previous Dividend Date and ending on (but excluding) the subsequent Dividend Date, provided that the last Dividend Period in respect of any “A1” Met Pref shall be the period from and including the Dividend Date immediately preceding the Redemption Date of such “A1” Met Pref until (and excluding) the Redemption Date of such “A1” Met Pref;
“Effective Date”	30 September 2009, or such other date as may be agreed in writing between the Bank Consortium, the Company and the SPV from time to time;
“Holder”	the holder of the “A1” Met Prefs from time to time;
“Issue Date”	the date of issue of the “A1” Met Prefs;
“Issue Price”	the amount of R5.12 (being an initial issue price of R7.12 less aggregate repayments of share capital and share premium of R2.00) less any further repayments of share capital or premium to Holders;
“JSE”	the securities exchange licensed in terms of the Securities Services Act, owned and operated by JSE Limited, a public company incorporated under the laws of South Africa with registration number 2005/022939/06;
“Nedbank”	Nedbank Limited, a public company incorporated under the laws of South Africa with registration number 1951/000009/06, acting through its Capital Division;
“Prime Rate”	the prevailing interest rate (per cent, per annum, compounded month) 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”	30 October 2012, unless the “A1” 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 Bank Consortium and the Company;
“RMB”	FirstRand Bank Limited, a public company incorporated under the laws of South Africa with registration number 1929/001225/06, acting through its Rand Merchant Bank Division;
“SCM”	Sanlam Capital Markets Limited, a public company incorporated under the laws of South Africa with registration number 1996/004744/06;
“SPV”	Off the Shelf Investments 108 (Proprietary) Limited, a private company incorporated under the laws of South Africa with registration number 2004/013271/07; and
“Subsidiary”	any subsidiary as defined in the Act.

135.3 “A1” Met Preference Dividends

135.3.1 The “A1” 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 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 "A1" Met Preference Dividends shall be due and payable 6 monthly in arrear on the Dividend Dates to Holders of "A1" Met Prefs registered on the Business Day immediately preceding each Dividend Date.

135.3.3 The Company shall pay any preference dividends on the "A1" Met Prefs into the "A1 and "A2" Redemption Reserve Account in accordance with the Priority of Payments provisions in respect of the "A1" SPV Prefs.

135.3.4 The Holders of the "A1" Met Prefs shall have the right to receive and be paid, on each Dividend Date in respect of each "A1" Met Pref held by it, an "A1" Met Preference Dividend for the Dividend Period preceding such Dividend Date, determined as follows:

$$\text{MPD} = \frac{A \times B \times C}{365}$$

Where:

MPD = the "A1" Met Preference Dividend per "A1" Met Pref;

A = the Dividend Rate;

B = the Issue Price per "A1" Met Pref; and

C = the number of days in the period for which the "A1" Met Preference Dividend is payable.

135.4 Additional Dividends

135.4.1 In addition to the "A1" Met Preference Dividend, the Holders of the "A1" Met Prefs shall be entitled to:

135.4.1.1 an initial special dividend of R2 713 600.00 payable to the Holder of the "A1" Met Prefs on the Effective Date; and

135.4.1.2 in the event that the SPV becomes obliged to pay to the holder of any "A1" SPV Pref any additional dividend or increased dividend or any other amount pursuant to the provisions of article 39.4 (*Adjustment Events*) of the articles of the SPV ("**Increased Amount**"), such additional dividend ("**Additional Dividend**") or increased dividend or other amount as will place the SPV in the same net after-tax position after the payment of the Increased Amount as it would have been in had it not become obliged to pay the Increased Amount, within 3 Business Days after receipt of the SPV's written demand in the case of an Additional Dividend or other amount and on the next succeeding Dividend Date in the case of an increased dividend. This obligation shall endure notwithstanding the redemption of the "A1" Met Prefs in full.

135.5 Redemption

135.5.1 The amount at which the Company shall redeem each "A1" Met Pref in terms of article 135.5.3 shall be an amount equal to:

135.5.1.1 the Issue Price;

135.5.1.2 any accrued, but unpaid "A1" Met Preference Dividends; and

135.5.1.3 any arrear "A1" Met Preference Dividends which at the date of redemption are still unpaid in respect of each "A1" 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 "A1" Met Preference Dividend was neither declared nor paid or if declared, was not paid; 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 the "A1" Met Prefs from its share premium account as contemplated in S76(3)(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 "A1" 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 "A1" 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 If either the "A1" Met Preference Dividend, any Additional Dividend or the Redemption Amount is not paid on the date upon which it is due and payable in terms of this article 135 then, for so long as the amount due by the Company in respect of either the "A1" Met Preference Dividend, Additional Dividend or the Redemption Amount remains in arrears, the amount due by the Company in respect of the arrear "A1" Met Preference Dividend, Additional Dividend or the Redemption Amount (as the case may be) shall be increased by an amount arrived at by applying a rate which is 200 basis points above the Prime Rate to the amount of the arrear "A1" Met Preference Dividend, Additional Dividend or the Redemption Amount, on the same basis as set out in article 135.3.4, *mutatis mutandis*, from and including the due date for payment thereof to, but excluding, the actual date of actual 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 "A1" Met Prefs shall be redeemed in full for the Redemption Amount, if:

- 135.6.1.1 the Company should have failed to declare any dividend on the "A1" Met Prefs on the Dividend Date, or, having declared any dividend, should have failed to pay such dividend on the due date of payment therefor, unless such failure is caused by an administrative or technical error and payment is made within 3 Business Days of its due date; or
- 135.6.1.2 if the Company should fail to redeem any of the "A1" Met Prefs on the Redemption Date or fail to pay to the Holder thereof the full proceeds on redemption of the due date of payment therefor, unless such failure is caused by an administrative or technical error and payment is made within 3 Business Days of its due date;

and the SPV has given the Company written notice that it requires redemption of such "A1" Met Prefs.

135.6.2 *Default events requiring immediate redemption*

- 135.6.2.1 any default under the terms of "A1" SPV Prefs resulting in the SPV being called upon or otherwise obliged to redeem the "A1" SPV Prefs; 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 share holders 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.

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 "A1" 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 "A1" Met Prefs is entirely subject to the conditions of approval issued by the Listings Division of the JSE;

135.7.2 no further issue of "A1" Met Prefs may be made without the written consent of the JSE; and

135.7.3 the Holder may not veto any resolution of the Company that would otherwise have been passed by the holders of ordinary shares together with Holders of the "A1" Met Prefs.

135.8 Rights of Conversion

135.8.1 The Holder may, upon written notice to the secretary of the Company after 3 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 "A1" Met Prefs into ordinary shares of the Company, on the basis of a conversion of one "A1" Met Pref for one such ordinary share 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 "A1" Met Prefs shall deliver to the Company certificates in respect of the number of "A1" 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 to the Company, whereafter the Company shall apply for the listing of such converting "A1" 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 "A1" 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 years shall be forfeited by the Holder to the Company.

ARTICLE 136

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

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

136.1 Interpretation

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

"A1 Met Prefs"	the 75 842 650 variable rate cumulative convertible redeemable preference shares in the share capital of the Company with a par value of 0,0001 cent and a premium of R6,119999 issued by the Company to the SPV on 1 October 2004;
"A1 SPV Prefs"	the variable rate cumulative redeemable "A1" preference shares in the share capital of the SPV with a par value of R1.00 issued by the Bank Consortium on 1 October 2004;
"A2 Met Prefs"	the variable rate convertible cumulative redeemable "A2" preference shares in the share capital of the Company with a par value of 0,0001 cent;
"A2 Met Preference Dividend"	the preferential cash dividend payable to the Holders of the "A2" Met Prefs in accordance 136.2 below;
"A2 SPV Subscription Agreement"	the "A2" SPV preference share subscription agreement between the Company, the SPV, Newco and the Bank Consortium concluded contemporaneously with this Agreement;
"A1" and "A2" Redemption Reserve Account"	the call account opened and maintained by the SPV with RMB, as such account may be replaced, renumbered or redesignated from time to time, or such other account as the Bank Consortium may notify to the SPV in writing from time to time;

“the Act”	the Companies Act 61 of 1973, as amended from time to time;
“Additional Dividend”	the additional dividend payable to the Holders of the “A2” Met Prefs in accordance with article 136.2.5.2 below;
“the Bank Consortium”	collectively, RMB, Nedbank and SCM;
“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;
“Dividend Rate”	means a rate equal to 85% of the Prime Rate from time to time, adjusted in accordance with the provisions of article 136.2.5.2, or such other rate as may be agreed in writing between the SPV, the Company and the Bank Consortium from time to time;
“Dividend Date”	31 March and 30 September each year until the Redemption Date and the Redemption Date;
“Dividend Period”	each period commencing on (and including) the previous Dividend Date and ending on (but excluding) the subsequent Dividend Date, provided that the last Dividend Period in respect of any “A2” Met Pref shall be the period from and including the Dividend Date immediately preceding the Redemption Date of such “A2” Met Pref until (and excluding) the Redemption Date of such “A2” Met Pref;
“Effective Date”	30 September 2009, or such other date as may be agreed in writing between the Bank Consortium, the Company and the SPV from time to time;
“Holder”	the holder of the “A2” Met Prefs from time to time;
“Issue Date”	the date of issue of the “A2” Met Prefs, being 30 September 2005;
“Issue Price”	the amount of R9.18 (being an initial issue price of R10.18 less aggregate repayments of share capital and share premium of R1.00) less any further repayments of share capital or premium to Holders;
“JSE”	the securities exchange licensed in terms of the Securities Services Act, owned and operated by JSE Limited, a public company incorporated under the laws of South Africa with registration number 2005/022939/06;
“Met Ords”	the ordinary shares of 0,0001 cent in the share capital of the Company;
“Met Prefs”	collectively the “A1” Met Prefs, the “A2” Met Prefs and any additional preference shares that rank pari passu with them issued by the Company to the SPV on or after the Issue Date which additional issue shall not exceed R350 000 000;
“Nedbank”	Nedbank Limited, a public company incorporated under the laws of the Republic of South Africa with Registration Number 2004/013168/07;
“Prime Rate”	the prevailing interest rate (per cent, per annum, compounded monthly) from time to time published by First National Bank, a division of FirstRand Bank Limited, as being its prime overdraft rate (as certified by any manager of FirstRand Bank Limited whose appointment and designation need not be proved) expressed as a percentage;

“Redemption Amount”	the amount detailed in 136.3.1;
“Redemption Date”	5 December 2012, unless the “A2” Met Prefs are converted or redeemed at an earlier date in terms of this article 136, or such later date as agreed between the SPV, the Bank Consortium and the Company;
“RMB”	FirstRand Bank Limited, a public company incorporated under the laws of South Africa with Registration Number 1929/001225/06, acting through its Rand Merchant Bank Division;
“SCM”	Sanlam Capital Markets Limited, a public company incorporated under the laws of South Africa with registration number 1996/004744/06;
“SPV”	Off the Shelf Investments 108 (Proprietary) Limited, a private company incorporated under the laws of South Africa with Registration Number 2004/013271/07; and
“Subsidiary”	any subsidiary as defined in the Act.

136.2 “A2” Met Preference Dividends

- 136.2.1 The “A2” Met Prefs shall confer on the Holder thereof the right to receive out of the profits of the Company, which right shall rank pari passu with the rights of all other holder of Met Prefs but prior to the provision for, or declaration or payment of, any dividends or capital of any nature whatsoever on any ordinary share in the capital of the Company, a 6 monthly cumulative preferential cash dividend which shall accrue on a daily basis and which shall be determined in the manner set out in 136.2.2 and 136.2.4 below.
- 136.2.2 The “A2” Met Preference Dividends shall be due and payable 6 monthly in arrear on the Dividend Dates to the Holder of “A2” Met Prefs registered on the Business Day immediately preceding each Dividend Date.
- 136.2.3 The Company shall pay any “A2” Met Preference Dividends on the “A2” Met Prefs into the “A1” and “A2” Redemption Reserve Account in accordance with the Priority of Payments provisions in respect of the “A2” SPV Prefs.
- 136.2.4 The Holders of the “A2” Met Prefs shall have the right to receive and be paid, on each Dividend Date in respect of each “A2” Met Pref held by it, an “A2” Met Preference Dividend for the Dividend Period preceding such Dividend Date, determined as follows:

$$\text{MPD} = \frac{A \times B \times C}{365}$$

Where:

MPD = the “A2” Met Preference Dividend per “A2” Met Pref;

A = the Dividend Rate;

B = the Issue Price per “A2” Met Pref; and

C = the number of days in the period for which the “A2” Met Preference Dividend is payable.

- 136.2.5 In addition to the “A2” Met Preference Dividend, the Holders of the “A2” Met Prefs shall be entitled to:

136.2.5.1 an initial special dividend of R1 165 900.00 payable to the Holder of the “A2” Met Prefs on the Effective Date; and

136.2.5.2 in the event that the SPV becomes obliged to pay to the holder of any “A2” SPV Pref any additional dividend or increased dividend or any other amount pursuant to the provisions of article 42.4 (Adjustment Events) of the articles of the SPV (“Increased Amount”), such additional dividend (“Additional Dividend”) or increased dividend or other

amount as will place the SPV in the same net after-tax position after the payment of the Increased Amount as it would have been in had it not become obliged to pay the Increased Amount, within 3 Business Days after receipt of the SPV's written demand in the case of an Additional Dividend or other amount and on the next succeeding Dividend Date in the case of an increased dividend. This obligation shall endure notwithstanding the redemption of the "A2" Met Prefs in full.

136.3 Redemption

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

136.3.1.1 the Issue Price;

136.3.1.2 any accrued, but unpaid "A2" Met Preference Dividends; and

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

136.3.1.4 any additional dividend detailed in article 136.2.5 to which the Holder is entitled but not yet been paid by the Company.

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

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

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

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

136.3.4 If either the "A2" Met Preference Dividend, any Additional Dividend or the Redemption Amount is not paid on the date upon which it is due and payable in terms of this article 136 then, for so long as the amount due by the Company in respect of either the "A2" Met Preference Dividend or the Redemption Amount remains in arrears, the amount due by the Company in respect of the arrear "A2" Met Preference Dividend, Additional Dividend or the Redemption Amount (as the case may be) shall be increased by an amount arrived at by applying a rate which is 200 basis points above the Prime Rate to the amount of the arrear "A2" Met Preference Dividend, Additional Dividend or the Redemption Amount, on the same basis as set out in article 136.2.4, *mutatis mutandis*, from and including the due date for payment thereof to, but excluding, the actual date of actual payment.

136.4 Redemption on Default

136.4.1 *Default events requiring written notification from SPV*

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

136.4.1.1 the Company should have failed to declare any dividend on the "A2" Met Prefs on the Dividend Dates, or, having declared any dividend, should have failed to pay such dividend on the due date of payment therefor, unless such failure is caused by an administrative or technical error and payment is made within 3 Business Days of its due date; or

136.4.1.2 if the Company should fail to redeem any of the "A2" Met Prefs on the Redemption Date or fail to pay to the Holder thereof the full proceeds on redemption of the due date of payment therefor, unless such failure is caused by an administrative or technical error and payment is made within 3 Business Days of its due date; and

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

136.4.2 **Default events requiring immediate redemption**

- 136.4.2.1 any default under the terms of "A2" SPV Prefs resulting in the SPV being called upon or otherwise obliged to redeem the "A2" SPV Prefs; or
- 136.4.2.2 if the Company commits an act which, if it were a natural person, would be an act of insolvency in terms of Section 8 of the Insolvency Act; or
- 136.4.2.3 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
- 136.4.2.4 if the Company should give any notice or take any steps to convene a meeting of its share holders to adopt a resolution placing it in liquidation or under judicial management, in either case whether provisionally or finally; or
- 136.4.2.5 if the Company should make or attempt to make or recommend any general offer of compromise with any or all of its creditors.

136.5 **Meetings**

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

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

136.6 **Rights of Conversion**

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

136.7 **General**

- 136.7.1 The Company shall not be liable to the Holders for interest on any unclaimed "A2" Met Preference Dividend or distribution of redemption monies. The Company shall retain all unclaimed monies until they are claimed; provided that any amount remaining unclaimed for a period of 12 years shall be forfeited by the Holder to the Company."

The reason for the passing of special resolution number 1 is to amend the articles of association of the Company to give effect to amendments of the terms of the A1 Met prefs and A2 Met prefs and matters incidental thereto.

The effect of the special resolution will be to amend the articles of association of the Company accordingly, thereby enabling the Company to amend the terms of the A1 Met prefs and A2 Met prefs.

ORDINARY RESOLUTION NUMBER 1

“Resolved as an ordinary resolution that:

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

VOTING AND PROXIES

KTI, SPV and SPV2 will be taken into account in determining a quorum at the general meeting. However, in accordance with the Listings Requirements the votes of KTI (if any), SPV2 and SPV and their associates will not be taken into account in determining the results of the voting at the general meeting (which requires the passing of a special resolution which requires a majority of 75% of Metropolitan shareholders present or represented by proxy at the general meeting).

If you hold certificated shares or if you have dematerialised your Metropolitan shares and have elected “own-name” registration in the sub-register of Metropolitan maintained by a Central Securities Depository Participant (“CSDP”), you may attend, speak and vote at the general meeting in person. If you do not wish to attend, but wish to be represented thereat by proxy, you may appoint one or more proxies (who need not be members of the company) to attend, speak and vote on your behalf at the general meeting by completing the attached form of proxy for the general meeting in accordance with the instructions it contains.

By order of the Metropolitan board

Mrs B Gobodo-Mbomvu
Company secretary

Bellville, Cape Town
4 August 2009



