



Old Mutual plc  
ISIN code: GB0007389926  
JSE share code: OML  
NSX share code: OLM  
Issuer code: OLOML  
("Old Mutual plc")



**NEDCOR**

Nedcor Limited  
(Incorporated in the Republic of South Africa)  
(Registration number: 1966/010630/06)  
JSE share code: NED  
ISIN code: ZAE000004875  
("Nedcor")



Old Mutual (South Africa) Limited  
(Incorporated in the Republic of South Africa)  
(Registration number: 1998/012276/06)  
("Old Mutual (SA)")



*Authorised Financial Services Provider*  
Mutual & Federal Insurance Company  
Limited  
(Incorporated in the Republic of South Africa)  
(Registration number: 1970/006619/06)  
JSE share code: MAF,  
NSX share code: MTF  
ISIN code: ZAE000010823  
("Mutual & Federal")

## Overview

### Rationale

Old Mutual plc is a very significant participant in the South African economy through its three subsidiaries Old Mutual (SA) (our life assurance and asset management businesses), Nedcor and Mutual & Federal. Our strategy is to create a powerful international financial services company using our strong South African businesses. The strength of those businesses and the growth of our customer base requires the normalisation of South African society and the establishment of successful black participation in the economy.

Accordingly, Old Mutual plc has been actively addressing various aspects of Black Economic Empowerment (BEE) over the past few years. Today, we announce a crucial milestone on this journey. We are proposing three separate but inter-dependent transactions designed under a common set of principles which will introduce new broad-based black ownership into each of our South African subsidiaries.

### Proposal

We propose to issue new ordinary shares to black controlled entities beneficially owned by our black employees (39%), clients and distributors (27%), communities (10%) and our Black Business Partners (24%) to the value of:

- 13.48% of the value of Old Mutual (SA) (Old Mutual plc shares)
- 11.50% of the value of Nedcor's South African business (Nedcor shares)
- 11.00% of Mutual & Federal (Mutual & Federal shares)

For Old Mutual plc as a whole, shares to the value of 12.75% of the value of its South African business will be placed under direct black ownership. The total value of all the shares to be issued under this proposal is R7.2bn of which R7.1bn will be to black shareholders.

Internal funding arrangements are proposed for each South African subsidiary to allow them to acquire the shares.

The total number of shares to be issued under this proposal will amount to (as a percentage of the enlarged share capital of each entity):

- 5.64% of Old Mutual plc
- 9.47% of Nedcor
- 11.14% of Mutual & Federal

#### Financial impact

The financial impact of these proposals is a reduction in the embedded value of Old Mutual plc of 3.1p (33c) per share (2.2%) and a 3.3% and 5.7% dilution in adjusted and basic earnings per share respectively. The impact at Nedcor is a 0.10% accretion in NAV per share and a 0.14% dilution in headline earnings per share. At Mutual & Federal, there will be a 0.28% dilution in NAV per share and a 1.05% accretion in headline earnings per share. There will be an additional dilutive impact from the effects of share based payments which will be more apparent when accounts are prepared under new IFRS conventions.

The economic cost for each South African subsidiary is as follows:

	<u>Economic cost as a % of the value of South African business</u>	<u>Economic cost as a % of the value of indicative market capitalisation</u>
The OMSA Transaction	3.15%	-
The Nedcor Transaction	3.66%	3.28%
The Mutual & Federal Transaction	3.13%	3.13%
Old Mutual plc (effect of three transactions)	3.31%	2.49%

We are confident that the cost of this proposal will be amply repaid over its ten year life.

#### Very Broadly Based

As a result of this proposal, all of our South African employees will have share interests in our companies with the incentivisation that share ownership provides. Uniquely, many of our clients and distributors will also acquire an interest in our shares which will support our strategy greatly.

#### Quality Partners with Detailed Performance Agreements

We believe that our Black Business Partners will add value to our businesses and we are extremely pleased to have the WIPHOLD and BRIMSTONE Consortia becoming shareholders in our businesses, as well as Mtha at Mutual & Federal. All are leading entrepreneurial BEE groupings with wide spread beneficial ownership. Our agreements with the Black Business Partners include detailed measurable performance agreements with significant financial incentives for delivery, and require a substantial commitment of time and energy.

#### Summary

In summary, our proposals today, form a transformational deal that secures future returns for all our stakeholders.

The breadth of involvement means that over 500 000 South African's across all nine provinces, amongst all our stakeholders – employees, clients, distributors, communities, will have an interest in our success.

And our proposals are good business sense – they build our customer base, incentivise our employees, and add the strength of our partners towards the achievement of our strategy.

These transactions are an important investment in our future.

Jim Sutcliffe

Chief Executive, Old Mutual plc

## A Strong Foundation, A New Future





### Empowering the Old Mutual Group

#### TRANSACTION SUMMARY

The Old Mutual Group (which comprises Old Mutual plc, its subsidiaries, joint ventures and associates) proposes three separate but inter-dependent transactions which will introduce new direct broad-based black ownership in each of its South African subsidiaries which equates to:

- 13.48% of Old Mutual (SA) which includes all of Old Mutual plc's South African businesses with the exception of its investments in Nedcor and Mutual & Federal, through the issue of new ordinary share capital of Old Mutual plc which will amount to 5.58% of the enlarged issued share capital of Old Mutual plc. Shareholders will be requested to approve the issue of 5.98% of Old Mutual plc's current issued share capital;
- 11.50% of Nedcor's South African businesses, through the issue of new ordinary share capital of Nedcor which will amount to 9.33% of the enlarged issued share capital. Shareholders will be requested to approve the issue of 10.46% of Nedcor's current issued share capital; and
- 11.00% of Mutual & Federal, through the issue of new ordinary share capital of Mutual & Federal which will amount to 11.00% of the enlarged issued share capital. Shareholders will be requested to approve the issue of 12.54% of Mutual & Federal's current issued share capital, collectively the "Group Transactions".

Based on Old Mutual plc's effective interest in each of these subsidiaries, the Group Transactions will result in the introduction of direct black ownership worth 12.75% of the value of Old Mutual plc's South African businesses and are subject to the various conditions precedent set out in this announcement which include shareholder, regulatory and various other approvals.

							
							Total value of direct black shareholding
(SA businesses)	Rm	% <sup>(1)</sup>	Rm	% <sup>(1)</sup>	Rm	% <sup>(1)</sup>	Rm
Employees & Management	1 689	6.66	680	2.57	357	6.00	2 726
Clients & Distributors	288	1.14	1 593	6.03	30	0.50	1 911
Non-executive directors	-	-	59	0.22	-	-	59
Communities	576	2.27	118	0.45	30	0.50	724
Black Business Partners	864	3.41	590	2.23	238	4.00	1 692
	<b>3 417</b>	<b>13.48</b>	<b>3 040</b>	<b>11.50</b>	<b>655</b>	<b>11.00</b>	<b>7 112</b>

BLACK STAFF & MANAGEMENT	BLACK CLIENTS & DISTRIBUTORS	BLACK COMMUNITIES	WIPHOLD CONSORTIUM	BRIMSTONE CONSORTIUM
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<sup>(1)</sup> Percentage of value of South African business value

#### Rationale for the Group Transactions

Old Mutual plc is an international financial services group with significant business interests in Africa, the United States and the United Kingdom. South Africa is the core of the business and, through clients' savings, the Old Mutual Group (or the "Group") is a significant financial participant in the South African

economy. It is, therefore, important that Old Mutual plc's shareholders' long-term interests are aligned with the success of South Africa as a country. We believe that Black Economic Empowerment ("BEE") is a key requirement for the promotion of sustainable economic growth and social development in South Africa and is therefore fundamental to the interests of our employees, clients and shareholders.

As an active participant in the development of the Financial Sector Charter ("FSC"), the Old Mutual Group is committed to the goals and targets set out in the FSC. Along with the South African Insurers Association, the Life Offices' Association and the Banking Association amongst others, the Old Mutual Group is a signatory to the FSC signed on the 17 October 2003 and views the FSC as setting minimum standards for financial sector participants. The Group Transactions have been designed to complement the Group's overall strategy towards implementing broad-based empowerment in its businesses. The Group Transactions are truly broad-based and include employees and management, clients, distributors, black trade union members, professional bodies, entrepreneurs, women's and community groupings throughout South Africa.

The owners of shares to be issued in the Group Transactions are set out below:

- **Employees and management** – The Group recognises the importance of creating an employee and management complement that is representative of South Africa's demographics. Acknowledging that the Group is not fully representative and that transformation comes from within, the Group proposes to set aside shares with a market value of R2 726m to recruit, retain and incentivise black employees and management. These shares will initially be distributed to an estimated 29 260 Group employees of which approximately 17 500 are black.
- **Clients and Distributors** – Part of the Group's strategy is to focus on black clients. An aggregate of R1 911m worth of shares have been set aside for clients and distributors throughout South Africa. R288m worth of Old Mutual plc shares have been assigned to develop black distributors in underserved markets. R1 593m of Nedcor shares will be made available to black retail and corporate banking clients and R30m of Mutual & Federal shares have been set aside to support black people wishing to develop broker businesses.
- **Communities** – Since 1994, the Group has invested over R750m in community development around South Africa. As part of the Group Transactions, an additional R148m will be allocated to black communities and charitable organisations in every province throughout South Africa. In addition R576m of Old Mutual plc shares have been assigned to assist with the education of black members of unions who do business with Old Mutual (SA).
- **Black Business Partners** – The WIPHOLD and BRIMSTONE Consortia (in the case of Old Mutual (SA) and Nedcor) and the WIPHOLD Consortium and Mtha-we-Mpumelele ("Mtha") (in the case of Mutual & Federal) have been chosen as active Black Business Partners to assist in growing the business and driving transformation.

### Principles of the Group Transactions

In designing the Group Transactions, the Group developed a set of principles aimed at sustainable, broad-based empowerment. These principles include:

- **Transformation** – The Group has designed the Group Transactions to accelerate operational transformation. This extends to employment equity, particularly at the management level, client acquisition, strategies for underserved markets, profiling the Group and community involvement. The

Group Transactions are being implemented as part of the Group's comprehensive, overarching approach to rapid transformation.

- **Broad-based approach** – The Group Transactions are designed to directly or indirectly benefit more than half a million black South Africans across the country, including employees and management, clients and women's groupings, black trade union members, entrepreneurs and communities. The Group has sought to achieve an equitable balance between individuals that are internal and external to the Group. In the process, the ultimate beneficiaries of the Group Transactions have been reviewed to ensure that no individual benefits unduly. Employees and management will be the prime beneficiaries of the Group Transactions.
- **Alignment of value added to benefits received** – No one individual or ultimate beneficiary will be rewarded out of proportion to the value that they add.
  - Performance agreements (in the form of binding memoranda of understanding) have been negotiated with the Black Business Partners to ensure mutually beneficial, enduring partnerships. The performance agreements have been designed to incentivise the Black Business Partners by aligning their rewards which they receive under the performance agreements to the value that they add to the businesses;
  - The Group Transactions aim to balance the economic participation by internal and external individuals, the consequence of which is that no single external individual benefits more than the Group's most highly paid South African employee; and
  - The Group Transactions seek to ensure that benefits are earned incrementally over the term of the agreements.
- **Full economic benefits and voting rights** – From the inception of the Group Transactions, shareholders and beneficiaries must have the full benefits of the voting rights and the economic benefits attached to equity ownership. Trusts, which have been or will be formed to acquire and hold Old Mutual plc, Nedcor or Mutual & Federal shares, have been or will be structured so as to comply with the ownership and control requirements of the FSC in that the majority of trustees will be independent black people and beneficiaries will be black people.
- **Estimated benefits to exceed the estimated costs of the Group Transactions** – In designing the Group Transactions, the Group sought to ensure that over time the commercial benefits of implementing the Group Transactions would outweigh the costs, and that the costs are in line with BEE transactions concluded in the financial sector to date.
- **Existing black shareholding to be excluded from the calculation of black ownership in terms of the Group Transaction** – Old Mutual plc had 1.46% (at 1 January 2004) existing black shareholding which translates into 3.50% of the value of Old Mutual (SA). In calculating the black ownership in Old Mutual (SA) post the implementation of the Group Transactions, existing black shareholding has not been taken into account.
- **Maximising long-term shareholder value** – The overall cost of the Group Transactions equates to approximately 3.31% of the value of the Group's South African businesses. The initial impact is a reduction in embedded value per share of 2.2%. Initial costs associated with implementation of the Group Transactions have been excluded from adjusted operating profit such that the impact on adjusted operating earnings per share of 3.3% results from costs associated with managing the schemes and the dilution of the Old Mutual Group's holdings in Nedcor and Mutual & Federal.

While the Group Transactions are dilutive to earnings and embedded value per share in the short term, they will reposition the Old Mutual Group in the longer term enabling it to transform and grow within South Africa. The Group expects the benefits of the different elements of the Group Transactions to significantly outweigh the costs over the longer term.

## Transaction Summary

Subject to the fulfilment of the conditions precedent set out in paragraphs 3.14, 4.15 and 5.11 below, which include, *inter alia*, the approval of Old Mutual plc, Nedcor and Mutual & Federal shareholders, the Old Mutual Group proposes to facilitate three separate but inter-dependent transactions that will result in direct black ownership worth over 10% of each of its South African subsidiaries namely Old Mutual (SA), Nedcor and Mutual & Federal. The Group Transactions, as defined below, include:

- the issue of 5.98% of Old Mutual plc's current issued share capital with resulting black shareholding worth 13.48% of Old Mutual (SA) (the "Old Mutual (SA) Transaction");
- the issue of 10.46% of Nedcor's current issued share capital with resulting black shareholding worth 11.50% of Nedcor's South African business (the "Nedcor Transaction"); and
- the issue of 12.54% of Mutual & Federal's current issued share capital with resulting black shareholding worth 11.00% of Mutual & Federal's South African businesses (the "Mutual & Federal Transaction").

As part of this process, Old Mutual plc has signed various legal agreements and binding Memoranda of Understanding ("MOUs") with the WIPHOLD and BRIMSTONE Consortia with respect to the Old Mutual (SA) Transaction. Further, detailed, binding MoUs have been entered into between Nedcor and the WIPHOLD and BRIMSTONE Consortia respectively and between Mutual & Federal and the WIPHOLD Consortium and Mtha respectively, setting out the terms of their participation as well as related performance criteria together with the implications of not meeting or exceeding those criteria. It is expected that the MoUs will be replaced by final legal agreements prior to the posting of the required circulars to Old Mutual plc, Nedcor and Mutual & Federal shareholders.

In summary, the table below sets out the number and value of shares which will be issued through the Group Transactions.

	Total deal					Black ownership portion				Value as a % of South African businesses post issue of shares
	Number of shares	% of shares issued pre the Group Transactions	% of shares issued post the Group Transactions	Value of shares		Number of shares	% of shares issued post the Group Transactions	Value of shares		
				Rm	£m			Rm	£m	
Old Mutual (SA) Transaction	230.6	5.98%	5.64%	3,448	296	228.5	5.58%	3,417	293	13.48%
Nedcor Transaction	41.3	10.46%	9.47%	3,085	265	40.7	9.33%	3,040	261	11.50%
Mutual & Federal Transaction	31.1	12.54%	11.14%	663	57	30.7	11.00%	655	56	11.00%
				7,196	618			7,112	610	

Based on Old Mutual plc's effective interest in each of these businesses, the Group Transactions will result in the introduction of direct black ownership of 12.75% in Old Mutual plc's South African businesses.

This announcement sets out the details and financial effects of the Old Mutual (SA) Transaction, the Nedcor Transaction and the Mutual & Federal Transaction and the combined financial effects for Old Mutual plc shareholders.

## 1. Impact of the Group Transactions on Old Mutual plc Shareholders

### 1.1. Accounting Treatment of the Group Transactions

In accordance with the rules of the UK Listing Authority ("UKLA") and the JSE Securities Exchange South Africa ("JSE"), the underlying accounting treatment is in accordance with the accounting policies set out in the last published audited financial information. In presenting the consolidated impact for Old Mutual plc of the Group Transactions, information is to be presented in accordance with UK GAAP as it existed at 31 December 2004.

The accounting treatments adopted may require transactions to be accounted for in a different manner to their legal substance and form. The accounting treatment described below has been determined based on accounting advice and emerging interpretations.

Effective 1 January 2005, the Old Mutual Group will prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). It has therefore been necessary to consider the accounting treatments under both bases of reporting. Restated 31 December 2004 results on an IFRS basis will be published by Old Mutual plc on 3 May 2005.

The following accounting principles are applicable:

- **Consolidation of Special Purpose Vehicles ("SPVs")** – where control is deemed to remain within the Old Mutual Group, the entities established to support the Group Transactions are regarded as subsidiaries. The acquisition of Old Mutual plc shares by the consolidated SPVs are regarded as issues of treasury shares, resulting in a reduction in equity within the consolidated financial statements.
- **Earnings per share** – the weighted average number of shares is impacted by the Group Transactions only to the extent that any issue of shares is not regarded as treasury shares for the purpose of the consolidated financial statements.
- **Embedded value per share** – the number of shares in issue will increase to include the Old Mutual plc shares acquired by all SPVs. Where deferred consideration is to be received for the issue of the shares, an adjustment to the embedded value is required to represent the discounted present value of the consideration.

### 1.2. Combined Pro forma Financial Effects for Old Mutual plc Shareholders

The pro forma financial effects of the Group Transactions for the financial year ended 31 December 2004 are set out in the table below to assist Old Mutual plc shareholders to assess the impact of the Group Transactions on adjusted operating earnings per share ("Adjusted EPS"), basic earnings per share ("Basic EPS") and adjusted embedded value per share ("Adjusted EV per share").

The pro forma financial effects have been prepared in accordance with UK GAAP as it existed at 31 December 2004. They are provided for illustrative purposes only. Due to the unaudited pro forma nature of the information, it may not give a true reflection of the Group's financial position after completion of the Group Transactions, nor the effect on the Group's future earnings.

United Kingdom pence	Before the Group Transactions and the issue of shares	After the Group Transactions and the issue of shares	change %
Adjusted EPS <sup>(1)</sup>	15.3	14.8	(3.3)
Basic EPS <sup>(1)</sup>	14.1	13.3	(5.7)
Adjusted EV per share <sup>(2)</sup>	139.1	136.0	(2.2)

South African cents	Before the Group Transactions and the issue of shares	After the Group Transactions and the issue of shares	change %
Adjusted EPS <sup>(1)</sup>	181.1	175.7	(3.0)
Basic EPS <sup>(1)</sup>	166.2	156.8	(5.7)
Adjusted EV per share <sup>(2)</sup>	1 508.0	1 475.0	(2.2)

Notes:

(1) The "Before the Group Transactions and issue of shares" column reflects the audited earnings and adjusted earnings per Old Mutual plc share for the year ended 31 December 2004. The "After the Group Transactions and issue of shares" column reflects the earnings adjusted for the financial effects of the various Group Transactions based on the assumption that the Group Transactions were implemented on 1 January 2004.

The financial effects on earnings include the initial impact of entering into the Group Transactions of £10m (R120m) and the first year of annual impact of £18m (R203m). The initial impact is excluded from the adjusted operating profit, and hence adjusted EPS. As a result of the Group Transactions, Old Mutual plc's interests in its subsidiaries Nedcor and Mutual and Federal will be reduced. The financial effects take into account a reduction in the Group's share of earnings from these subsidiaries accordingly.

(2) The "Before the Group Transactions and issue of shares" column reflects the audited adjusted EV per Old Mutual plc share at 31 December 2004. In determining adjusted EV per share, the total number of shares in issue as at 31 December 2004 of 3 854m includes 383m treasury shares, consisting of 92m shares held in ESOP Trusts and 291m shares held in policyholder funds. The "After the Group Transactions and issue of shares" column reflects the adjusted EV per share after the considerations received from the various scheme and an enlarged number of shares based on the assumption that the Group Transactions were implemented on 31 December 2004. In determining the adjusted EV per share, the number of shares in issue of 4 085m includes all Old Mutual plc shares issued under the Group Transactions.

The financial effects on embedded value "After the Group Transactions and issue of shares" include the initial consideration received on the issue of Old Mutual plc shares to SPVs which are considered external to the Old Mutual Group. Embedded value is unchanged for the initial consideration received in respect of treasury shares issued to consolidated SPVs. A pro-forma uplift adjustment is included to reflect the discounted present value of the deferred consideration to be received from external parties in respect of all schemes.

(3) The weighted average number of shares in issue remains unchanged. Shares issued to consolidated SPVs are to be excluded as they are accounted for as treasury shares. Shares issued to unconsolidated SPVs are excluded due to the restricted nature of the issue. The weighted average number of shares in issue used in calculating basic EPS as at 31 December 2004 was 3 432m. The weighted average number of shares in issue used in calculating adjusted EPS, after allowing for shares held in policyholders' funds, was 3 748m.

### IFRS financial effects

The accounting treatment under IFRS differs from the accounting treatment under UK GAAP as it existed at 31 December 2004 to the extent that IFRS 2 "Share based payments" applies to the Group Transactions. As the additional IFRS 2 costs incurred are in respect of equity settled share based payment transactions, the charge to the profit and loss account will result in a corresponding credit to an equity reserve and, therefore,

has no impact on the embedded value. There are no other differences in the calculation of adjusted EV per share.

### **1.3. Opinions and Recommendations**

#### **1.3.1. Opinion of the Old Mutual plc board**

The board of Old Mutual plc, together with its advisors, has structured the direct black ownership initiative in an attempt to ensure that it is in line with the BEE strategy of the Old Mutual Group.

Although not required in terms of the UKLA Listing Rules, nor the JSE's Listings Requirements, the board of Old Mutual plc appointed Deutsche Securities (SA) (Proprietary) Limited ("Deutsche Securities") to consider the terms of the Group Transactions from a financial point of view.

Deutsche Securities in giving their financial advice to the director's of the board of Old Mutual plc have relied upon the board of Old Mutual plc for the commercial assessment of the Group Transactions. The board of Old Mutual plc, having received this advice, considers the terms and conditions of the Group Transactions to be fair and reasonable.

Accordingly, the board recommends that ordinary shareholders vote in favour of the resolutions to approve the Group Transactions. In respect of their personal holdings in Old Mutual plc, the board members currently intend to vote in favour of the proposed resolutions.

## **2. Black shareholder groupings**

### **2.1. Employee and management schemes**

Current and future employees are a critical component of the Group's transformation strategy. By reserving a significant portion of shares for the benefit of current and future black managers and employees, the Group Transactions will assist in transforming and creating a dynamic, effective workforce.

To this end, each of the Group Transactions incorporates a broad-based component which allows for an award of shares to the value of R7 500 to employees who have not participated in any other employee and management share scheme of the Group.

The employee and management schemes also provide the Group with sufficient resources to meet the ongoing employment equity targets of the FSC.

### **2.2. Client and distributor schemes**

In the spirit of broad-based empowerment, current and future clients and distributors, where appropriate, will be invited to participate in the Group Transactions. To this end, Old Mutual (SA), Nedcor and Mutual & Federal have designed specific client and distributor schemes. Old Mutual (SA) has created a trust to support the emergence of new black distributors as set out in paragraph 3.4.1. Nedcor has designed specific schemes for its corporate and retail clients detailed in paragraphs 4.4.1 and 4.4.2 below. Mutual & Federal has established a Black Broker Trust to support black people wishing to develop broker businesses as detailed in paragraph 5.5 below.

### 2.3. Community Schemes

Community Schemes enhance the broad-based nature of the Group Transactions and supplement existing community social initiatives undertaken by the Group.

### 2.4. Black Business Partners

#### 2.4.1. Overview of the Black Business Partner selection process

The Old Mutual Group has selected the WIPHOLD and BRIMSTONE Consortia as its Black Business Partners. The selection process involved the assessment of the potential Black Business Partners against the following criteria:

- **Empowerment credentials and broad-based criteria** – an assessment of the shareholding and the ultimate beneficiaries of the Black Business Partners with the specific objective of ensuring that potential partner companies are black-owned and controlled companies, representing a broad-base of beneficiaries. Consideration was also given as to whether directors and management of the potential Black Business Partners comprised predominantly black people, as defined in the FSC.
- **Leadership and values** – an assessment of whether the potential Black Business Partners had strong, clear leadership and shared the Group's values. Regard was also given as to whether the leadership of the potential Black Business Partners would be able to commit sufficient time and resources to focus on business development and transformation.
- **Experience** – an assessment of whether the potential Black Business Partners had a demonstrable track record of transformational ability as well as financial services sector experience.
- **Risk and reward philosophy** – an assessment of whether the potential Black Business Partners would be able to place their own capital at risk and therefore make a capital contribution of 2.5% of the transaction value.

A further assessment of each of the potential Black Business Partners' ability to assist Old Mutual (SA), Nedcor and Mutual & Federal with each of the following objectives was undertaken:

- the retention of existing business and the attraction of additional business;
- the strategic and holistic transformation of the Group in response to a changing business environment; and
- improving the corporate profile and image of the Group in the market and helping to position the business.

This process assisted the Group to determine the level of participation of each of the Black Business Partners in the Group Transactions.

#### 2.4.2. Performance agreements

The Black Business Partners have each concluded binding performance MOUs (referred to hereinafter as "performance agreements") with the relevant Group companies, which will govern the relationship with and performance and remuneration of the Black Business Partners.

It is intended that on an annual basis the Black Business Partners will meet with each of the business units of Old Mutual (SA), Nedcor and Mutual & Federal, as appropriate, in order to detail the specific tasks to be performed in the following twelve month period. The Black Business Partners have agreed the first set of performance criteria with the Group which will benchmark future performance agreements in terms of the type and the amount of work required and which will apply to the eighteen month period from 1 July 2005.

In terms of the performance agreements, the WIPHOLD and BRIMSTONE Consortia will commit substantial time and resources to the business units of Old Mutual (SA), Nedcor and Mutual & Federal in order to meet the requirements of their respective performance agreements. Progress will be monitored semi-annually.

The Black Business Partners will be paid an annual performance fee that will be linked to performance targets achieved in terms of the performance agreements. The annual fee will range between Rnil and R36.5m, Rnil and R25m and Rnil and R10m for Old Mutual (SA), Nedcor and Mutual & Federal respectively. A portion of this performance fee will be used to cover pre-agreed working capital requirements of the Black Business Partners. The balance in the case of Old Mutual (SA) will be applied to satisfy the amounts remaining due in respect of the Old Mutual shares issued to the relevant SPV. In the case of Nedcor and Mutual & Federal, the balance will be utilised to acquire new Nedcor and Mutual & Federal shares as detailed in the paragraphs dealing with the funding arrangements in the separate Old Mutual (SA), Nedcor and Mutual & Federal sections below.

### 2.4.3. Key terms of the Group's agreements with the Black Business Partners

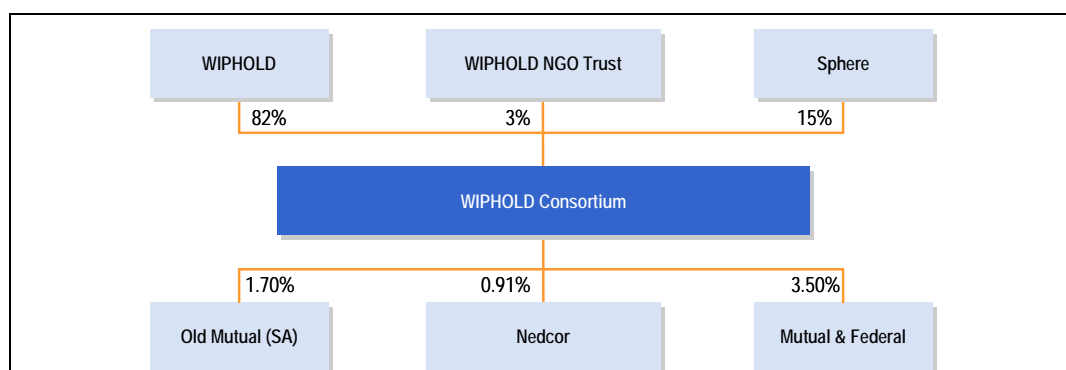
Subject to the terms of the subscription agreements the Black Business Partners:

- Must remain black companies as defined in the FSC during the 10 year lock-in period;
- May not dispose of Old Mutual plc, Nedcor and/or Mutual & Federal shares acquired as a result of the Group Transactions during such lock-in period;
- May not enter into equity transactions or substantial relationships with any of the Old Mutual Group's competitors; and
- May not take up any directorships with any of the Old Mutual Group's competitors.

### 2.4.4. The Women Investment Portfolio Holdings Limited ("WIPHOLD") Consortium:

The WIPHOLD Consortium will acquire:

- 0.71% of the enlarged issued share capital of Old Mutual plc, which equates to 1.70% of Old Mutual (SA);
- 0.91% of the enlarged issued share capital of Nedcor; and
- 3.50% of the enlarged issued share capital of Mutual & Federal.



The WIPHOLD Consortium is led by WIPHOLD (82.0% of the WIPHOLD Consortium) – WIPHOLD was founded 10 years ago by four successful women executives as an organisation dedicated to women's empowerment. With 1 200 direct beneficiaries and 18 000 indirect beneficiaries through the WIPHOLD

Investment Trust, and over 300 000 indirect beneficiaries through the WIPHOLD NGO Trust, whose constituent Non-Government Organisations (“NGOs”) span all nine provinces, WIPHOLD is one of the most genuinely broad-based black empowerment companies in South Africa. WIPHOLD is a majority black owned company, with in excess of 50% of the shareholding in the hands of women. All shareholdings are direct and unencumbered. As at December 2003, the WIPHOLD Investment Trust had distributed R46m to its beneficiaries.

Old Mutual (SA), has an effective 32.5% stake in WIPHOLD, demonstrating the strength of its existing relationship.

WIPHOLD's current business activities are focused in three areas:

- Financial services (advisory, asset management, stockbroking, treasury services);
- Ownership of infrastructure assets; and
- Diversified investments (in telecommunications, tourism, manufacturing and power & automation).

The directors of WIPHOLD include two of the original founding members, Louisa Mojela, CEO of WIPHOLD and Gloria Tomatoe Serobe, CEO of Wipcapital (Pty) Limited.

Wendy Luhabe (2% of WIPHOLD's 82% in the WIPHOLD Consortium), one of the other original founding members of WIPHOLD, will be contributing her experience in the areas of financial services and human resource development as a further operational value-add by the WIPHOLD Consortium.

WIPHOLD has also included Sphere Holdings (Proprietary) Limited (“Sphere”) in its consortium (15% of the WIPHOLD Consortium). Sphere is a new generation empowerment company, comprised of experienced individuals with a proven track record in private equity, investment banking and asset management. Sphere's ownership structure promotes broad-based empowerment whilst incentivising founder shareholders and management. Sphere's directors and management include Itumeleng Kgaboesele, CEO, Executive Directors Pulane Kingston and Aadil Carim and Associate Director, Marang Denalane. Directors and management hold the majority shareholding of Sphere (57%). 17.5% of Sphere's shareholding are reserved for broad-based groupings that have a particular focus on education and the economic upliftment of black women. These groups include Ditikeni Investment Company Limited (an investment vehicle for 24 NGOs involved in education and training, health (HIV/AIDS), housing and rural development) and the Student Sponsorship Programme (a non-profit organisation offering scholarships to previously disadvantaged students) to which shares have already been allocated. Nedbank Limited owns 13% of Sphere.

The remaining 3% of the WIPHOLD Consortium's stake will be held by the WIPHOLD NGO Trust. The WIPHOLD NGO Trust was established in 2004 with the aim of further enhancing the black and female profile of WIPHOLD, as well as its broad-base of beneficiaries. Louisa Mojela and Gloria Tomatoe Serobe serve as trustees. A majority of independent trustees will be appointed.

The Trust has two primary objectives:

- To empower and support NGOs whose primary focus is development programmes pertaining to black women and/or children; and
- The inclusion of NGOs with the ability to contribute strategically to the activities of WIPHOLD.

The ten organisations that currently form part of the WIPHOLD NGO Trust are: The Democratic Nursing Organisation of South Africa; the South African Democratic Teachers Union (women's chapter); National

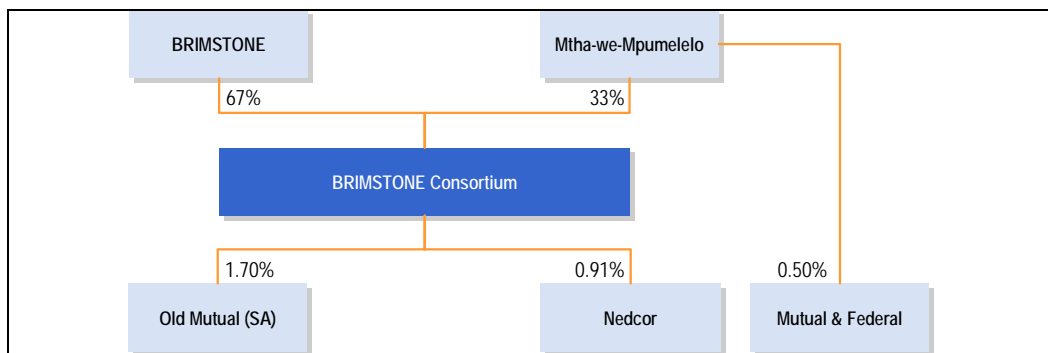
Baptist Church, Kwa Drabo Trust; People Opposing Women Abuse; the Thusanang Development and Training Project; Tshwarangang Legal Advocacy Centre; Tshepang Educare Trust; Young Women's Christian Association and the Thandanani Association.

**2.4.5. The Brimstone Investment Corporation Limited ("BRIMSTONE") Consortium:**

The BRIMSTONE Consortium will acquire:

- 0.71% of the enlarged issued share capital of Old Mutual plc, which equates to 1.70% of Old Mutual (SA); and
- 0.91% of the enlarged issued share capital of Nedcor.

Mtha, a 33% shareholder in the BRIMSTONE Consortium, will acquire 0.50% of the enlarged issued share capital of Mutual & Federal.



- The BRIMSTONE Consortium is led by BRIMSTONE (67.0% of the BRIMSTONE Consortium) – BRIMSTONE was incorporated in South Africa on 2 October 1995 as an investment vehicle for black South Africans and listed in the "Investment Companies" sector of the JSE in 1998. The company's mission is to be profitable, empowering and to have a positive social impact on the businesses and individuals with whom it is involved, including shareholders, employees, suppliers, customers and the community. BRIMSTONE currently has a market capitalisation of approximately R240m.

The directors of BRIMSTONE include two of its original founding members, Mustaq Brey, Chief Executive Officer, and Fred Robertson, Executive Deputy Chairman, both of whom have long and extensive experience across the financial services sector. BRIMSTONE's board is chaired by Professor Jakes Gerwel, former Director General in the Office of President Nelson Mandela and Secretary of the State in the first Government of National Unity.

BRIMSTONE is a focused black controlled and managed investment holding company seeking to achieve above average returns for its shareholders by investing in businesses and entering into alliances to which it contributes capital, ideas, management, impeccable empowerment credentials and a value driven corporate identity. BRIMSTONE has strategic investments in the following sectors of the South African economy:

- Industrial sector: investments in the manufacturing of upmarket men's clothing, packaging and fishing;
- Financial Services sector: investments in insurance broking, consulting, and short-term insurance; and
- Healthcare sector: investments in one of South Africa's largest private hospital groups and smaller investments in the supply of medical equipment to this sector.

More than 52% of BRIMSTONE's economic value is held by approximately 3 700 black South Africans. The company has a black board of directors and operational management is in black hands.

BRIMSTONE employs approximately 1 100 employees directly in its subsidiaries and more than 19 300 in its associate companies and has sought to empower its people through extensive employee participation in the equity of BRIMSTONE.

Old Mutual (SA) holds 9.95% of BRIMSTONE's 'N' ordinary shares.

The BRIMSTONE Consortium includes Mtha-we-Mpumelelo ("Mtha") (33% of the BRIMSTONE Consortium) which is comprised as follows:

- Chestnut Hill is a 35% shareholder in Mtha and the shareholders of Chestnut Hill include Bulelani Ngcuka, Chairman, Sango Ntsaluba, Non-executive Chairman of Sizwe Ntsaluba and Chief Executive Officer of Amabubesi Investments (Proprietary) Limited ("Amabubesi") and Thabiso Tlelai, Chair of the Tourism Business Council of South Africa. Other shareholders include Mveleleli Boo, currently an Executive at Amabubesi, Gilimamba Mahlali, Chairman of Risk Monitor Group and Kennedy Memani, Director of KREM Investment Holdings and the Senior Partner in XK Memani, Ruiters and Associates.
- Izingwe Financial Investments, an associate company of Izingwe Capital, is a 35% shareholder in Mtha. Izingwe's Chairman is Siphon M. Pityana, formerly a Group Executive Director of Nedcor Investment Bank Holdings, managing director of Strategic Business Development at Nedbank Corporate and the Director General of the Departments of Foreign Affairs and Labour. Other directors include Ashley Ally, the former CEO of the Legal Aid Board, Tsakani Matshazi, a Chartered Accountant, Phillip Dexter, the former Executive Director of Nedlac, and Mark Sifris, a corporate attorney.

Mtha includes the investment vehicles of three broad-based groupings that represent black professionals namely:

- The Black Lawyers Association ("BLA") (10% of Mtha) – The BLA represents approximately 900 black legal professionals and 300 legal students. It is a voluntary association whose objectives include the support and development of black lawyers and the provision of legal education and services to the black community.
- National Association for Democratic Lawyers ("Nadel") (10% of Mtha) – Nadel is a voluntary organisation of lawyers, which has the primary goal of ensuring access to justice for previously disadvantaged individuals. Its members comprise all legal practitioners including attorneys, advocates, judges, paralegals and law students. Nadel provides legal advocacy and various legal support programmes, including judicial skills training.
- South African Medical and Dental Practitioners ("SAMDP") (10% of Mtha) – SAMDP represents black medical and dental practitioners. It has 5 000 members and is an active player in the transformation of the health industry. It also plays a significant role in ensuring ethical standards, quality service and accessible healthcare throughout South Africa.

#### 2.4.6. Resolved conflicts

The Old Mutual Group identified and sought to address any perception of potential conflicts of interests between the Group and its potential Black Business Partners. Three key conflicts are identified and disclosed below:

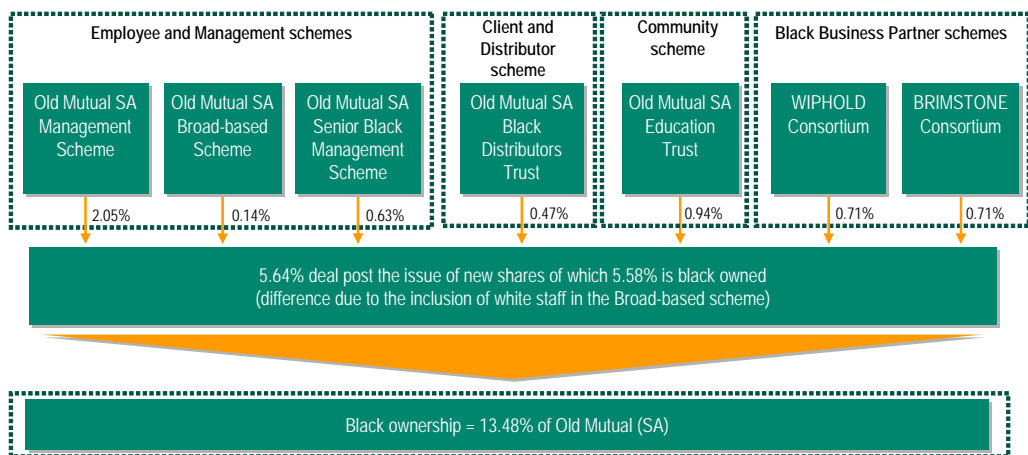
- Pulane Kingston, a 20.3% shareholder in Sphere and a senior member of the WIPHOLD team, is married to a member of the advisory team from Deutsche Securities. The Old Mutual plc board has considered this issue and is of the view that this potential conflict is not material.
- The board of Old Mutual plc is aware of the fact that the majority of the board members and shareholders of Chestnut Hill are common to the board and shareholders of Amabubesi. An Old Mutual (SA) executive who is a shareholder of Amabubesi is however not a shareholder or board member of Chestnut Hill. Old Mutual (SA) holds a 20% stake in Amabubesi. The Old Mutual plc board has considered this issue and is of the view that it does not give rise to a potential conflict.
- Professor Jakes Gerwel already sits on the board of Old Mutual Life Assurance Company (South Africa) Limited ("OMLACSA"). He is the Chairman of BRIMSTONE. The Old Mutual plc board has considered this issue and is of the view that it does not give rise to a potential conflict.

### 3. Overview of the Old Mutual (SA) Transaction

Key Highlights:

- 13.48% of the value of Old Mutual (SA)
- 5.64% of Old Mutual plc's enlarged issued share capital following the issue of new shares
- Key black stakeholders included: Employees and management (50%), Clients and Distributors (8%), Community Scheme (17%) and Black Business Partners (25%)
- Aimed at 7 458 black employees
- Unique Client and Distributor scheme to include black distributors
- Performance agreements with broad-based Black Business Partners – The WIPHOLD and BRIMSTONE Consortia
- Aligned with empowerment strategy to preserve and grow business

#### 3.1. Proposed Old Mutual (SA) Transaction structure



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#### 3.2. Direct black shareholding as a result of the Old Mutual (SA) Transaction

As part of Old Mutual (SA)'s ongoing commitment to transformation, Old Mutual (SA) is proposing a number of schemes aimed to benefit a wide group of stakeholders including employees and management, distributors, trade union members and their beneficiaries, communities and Black Business Partners.

Shares in Old Mutual plc, the UK listed entity, will be issued in order to facilitate the Old Mutual (SA) Transaction. Old Mutual (SA) is a 100% held South African subsidiary of Old Mutual plc. 230.6m shares (5.64% of Old Mutual plc's current issued share capital) will be issued in respect of the various employee and management schemes and to the various SPVs to be formed for the Old Mutual (SA) Transaction at the same price of R14.95 per share, which represents the 10 day volume weighted average price of Old Mutual plc shares to 15 April 2005. The introduction of black shareholding of 5.58% of the enlarged issued share capital of Old Mutual plc, represents 13.48% of the value of Old Mutual (SA). The total level of black ownership in Old Mutual (SA) relative to the value of Old Mutual (SA) increases to 16.98%, if the existing direct black ownership of 1.46% in Old Mutual plc which equates to 3.50% of the value of Old Mutual (SA) as at 1 January 2004 is included.

The table below sets out the total deal size at Old Mutual (SA) as well as the black ownership at Old Mutual (SA) using the enlarged issued share capital of Old Mutual plc to facilitate the Old Mutual (SA) Transaction.

	Using Old Mutual plc shares			At Old Mutual (SA) level		
	Total deal		Black ownership	Total deal	Black ownership	
	No of shares	Deal value	Shareholding (post issue of new shares)	Shareholding (post issue of new shares)	Shareholding (post issue of new shares)	
	m	Rm				
<b>Employee and Management Schemes</b>	<b>115.0</b>	<b>1 720</b>	<b>2.82%</b>	<b>2.76%</b>	<b>6.78%</b>	<b>6.66%</b>
Old Mutual (SA) Management Scheme	83.7	1 252	2.05%	2.05%	4.93%	4.93%
Old Mutual (SA) Senior Black Management Scheme	25.8	386	0.63%	0.63%	1.53%	1.53%
Old Mutual (SA) Broad-based Scheme	5.5	82	0.14%	0.08%	0.32%	0.20%
<b>Client &amp; Distributor Scheme</b>						
Black Distributors Trust	19.3	288	0.47%	0.47%	1.14%	1.14%
<b>Community Scheme</b>						
Education Trust	38.5	576	0.94%	0.94%	2.27%	2.27%
<b>Black Business Partners</b>	<b>57.8</b>	<b>864</b>	<b>1.41%</b>	<b>1.41%</b>	<b>3.41%</b>	<b>3.41%</b>
WIPHOLD Consortium*	28.9	432	0.71%	0.71%	1.70%	1.70%
BRIMSTONE Consortium*	28.9	432	0.71%	0.71%	1.70%	1.70%
<b>Total Old Mutual (SA) Transaction</b>	<b>230.6</b>	<b>3 448</b>	<b>5.64%</b>	<b>5.58%</b>	<b>13.60%</b>	<b>13.48%</b>
Existing black shareholders	59.5	889	1.46%	1.46%	3.50%	3.50%
<b>Total</b>	<b>290.1</b>	<b>4 337</b>	<b>7.10%</b>	<b>7.04%</b>	<b>17.10%</b>	<b>16.98%</b>

\* Figures rounded up to 2 decimal places

### 3.3. The Old Mutual (SA) Employee and Management Schemes (worth 6.66% of Old Mutual (SA))

Old Mutual (SA) firmly believes that its employees and management are critical catalysts in transforming its business. The Old Mutual (SA) employee and management schemes comprise three different elements:

#### 3.3.1. The Old Mutual (SA) Management Scheme (worth 4.93% of Old Mutual (SA))

The existing Old Mutual (SA) Management Scheme is to be replaced by a new Old Mutual (SA) Management Scheme, the primary purpose of which is to attract, reward and retain senior and middle management of Old Mutual (SA). Old Mutual plc will issue new ordinary shares to the new employee share trust which will be funded by employer companies within the Old Mutual (SA) Group, primarily from OMLACSA. The new employee share trust will own 2.05% of the enlarged issued share capital of Old Mutual plc (which equates to 4.93% of Old Mutual (SA)).

This new employee share trust will be used to fund the long-term share incentives that Old Mutual (SA) expects to allocate to black management in the normal course of business to 2014. By reserving a

significant portion of the Old Mutual plc shares for black management, Old Mutual (SA) is demonstrating its unequivocal commitment to transform its business fundamentally. The quantum of these long-term incentives are considered to be in line with international standards.

Share allocations for white management will also be made in terms of the new Old Mutual (SA) Management Scheme, but will only be matched by the existing employee share trust at the time that the allocations are made.

Shares will be allocated in terms of Old Mutual (SA)'s current allocation policy, subject to regular market testing and individual performance. The current policy is to make allocations in a combination of Restricted Share Plan ("RSP") share awards and share options. The RSP share awards will vest immediately (subject to the condition that the participant remains in Old Mutual (SA)'s employment for a period of time), while the share options will be exercisable after 3 years (but within 6 years). Participants are to be paid the dividends in respect of the RSP share awards and will be entitled to exercise the voting rights in respect of the relevant Old Mutual plc shares, but will have no dividend or voting rights in respect of the unexercised share options. The entire interest of 2.05% in Old Mutual plc shares held by the new employee share trust will count for black ownership given that the trust has been structured so as to comply with the ownership and control requirements of the FSC.

### **3.3.2. The Old Mutual (SA) Senior Black Management Scheme (worth 1.52% of Old Mutual (SA))**

The Old Mutual (SA) Senior Black Management Scheme will operate for the benefit of the senior black management employed by Old Mutual (SA). A new trust will be formed to operate the scheme. Old Mutual plc will issue new ordinary shares to this trust, to be funded by means of a grant, primarily from OMLACSA, such that the trust will own 0.63% of the enlarged issued share capital of Old Mutual plc (which equates to 1.53% of Old Mutual (SA)).

The trustees, on instruction from the Old Mutual (SA) Remuneration Committee, will make awards to existing (50%) and future (50%) participants. The scheme will comprise a once-off allocation with the possibility of an increase in allocation on promotion. This allocation will be in addition to the normal allocations made in terms of the Old Mutual (SA) Management Scheme and will be made by means of RSP share awards over Old Mutual plc shares.

The RSP share awards will vest immediately but participants will only take delivery of the relevant Old Mutual plc shares after 4 years (one third), 5 years (one third) and 6 years (one third).

The RSP share awards will be based on individual performance and subject to a multiple of annual remuneration with participants having to remain in Old Mutual (SA)'s employment for a period of time.

### **3.3.3. The Old Mutual (SA) Broad-based Scheme (worth 0.32% of Old Mutual (SA))**

This scheme will operate for the benefit of all Old Mutual (SA) employees who do not participate in any other share scheme of the Group. This scheme will thus operate for the benefit of both black and white employees employed by Old Mutual (SA), 67% of which are black. The same trust that operates the Old Mutual (SA) Senior Black Management Scheme will operate the Old Mutual (SA) Broad-based Scheme. This trust will own 0.14% of Old Mutual plc's enlarged issued share capital (which equates to 0.32% of Old Mutual (SA)), to be funded by means of a grant primarily from OMLACSA.

An RSP share award of R7 500 per employee will be made upfront to all qualifying employees, subject to a 5-year delivery period.

#### **3.4. Old Mutual (SA) Client and Distributor Scheme (worth 1.14% of Old Mutual (SA))**

The Old Mutual (SA) Client and Distributor Scheme allows Old Mutual (SA) to demonstrate its commitment to its current and future black distributors through the creation of the following client and distributor scheme:

##### **3.4.1. Black Distributors Trust (worth 1.14% of Old Mutual (SA))**

The objective of the Black Distributors Trust will be to provide or secure finance for black brokers and agents, as well as distribution businesses owned and managed by black South Africans. The finance or security made available by the trust will be utilised by such black distributors to acquire assets required in order to commence operations in a productive manner. The trust will be formed and will acquire 0.47% of Old Mutual plc's enlarged issued share capital (which equates to 1.14% of Old Mutual (SA)).

There is a clear and present need for the development of a network of black distributors in order to serve previously underserved markets. Old Mutual (SA) recently launched the Old Mutual Academy for Financial Planners, an academy which provides the training required to operate as intermediaries to black South Africans. The Black Distributors Trust will augment the Academy and, through providing or securing funding required by black distributors to acquire relevant operational assets (which is often hard to obtain especially given the variable nature of distribution income), will ensure and fast track the productive entry by black distributors into the market.

The Black Distributors Trust will be funded using the same funding mechanism as the Black Business Partners as detailed in paragraph 3.8.1 below.

#### **3.5. Community Scheme (worth 2.27% of Old Mutual (SA))**

The Old Mutual (SA) Education Trust allows Old Mutual (SA) to demonstrate its commitment to its union customer base.

##### **3.5.1. Education Trust (worth 2.27% of Old Mutual (SA))**

Complementing Old Mutual (SA)'s current focus on training and education, the purpose of the Education Trust is to provide a meaningful benefit to black trade union members who are clients and important stakeholders of Old Mutual (SA). The trust will be formed and will acquire 0.94% of the enlarged issued share capital of Old Mutual plc (which equates to 2.27% of Old Mutual (SA)).

The overall focus of the Education Trust will be to assist with the education needs of black members of participating unions. Given the need for and importance of education in South Africa, especially amongst the black communities, the Education Trust will provide tertiary education scholarships to black members of participating unions and their dependents.

A number of trade unions with which Old Mutual (SA) has a business relationship will be invited to participate in the initiative, and black members of such participating unions will benefit directly from the Education Trust.

The following trade unions, which represent a membership of more than 600 000, have already registered their support for the Education Trust initiative:

- Democratic Nursing Organisation of South Africa;
- National Education Health and Allied Workers Union;
- National Teachers Union;
- South African Commercial, Catering and Allied Workers Union; and
- South African Democratic Teachers Union.

The Education Trust will be funded using the same funding mechanism as the Black Business Partners as detailed in paragraph 3.8.1 below.

### **3.6. Old Mutual (SA) Black Business Partners (worth 3.41% of Old Mutual (SA))**

The WIPHOLD and BRIMSTONE Consortia will each acquire 0.71% of Old Mutual plc's enlarged issued share capital, representing 1.70% each of the value of Old Mutual (SA)'s South African business and will be funded on the basis detailed in paragraph 3.8.1 below.

### **3.7. Proposed appointments to the Old Mutual (SA) Board**

Once the Old Mutual (SA) Transaction has been effected, and all conditions precedent have been met, Gloria Serobe from the WIPHOLD Consortium will be invited to join the OMLACSA Board. Professor Jakes Gerwel who currently sits on the OMLACSA board will remain on the OMLACSA board post implementation of the Old Mutual (SA) Transaction, representing the BRIMSTONE Consortium.

### **3.8. Mechanism to implement the Old Mutual (SA) Transaction**

#### **3.8.1. Old Mutual (SA) Structure**

For Old Mutual (SA) employees and management schemes, black-controlled trusts will be created and funded directly by Old Mutual (SA) employer companies.

The Old Mutual plc shares will be issued to the four UK incorporated SPVs (set up for and wholly owned by each of the Old Mutual (SA) Black Distributors Trust, the Old Mutual (SA) Education Trust and two South African holding companies, (which in turn are wholly owned subsidiaries of the WIPHOLD Consortium and the BRIMSTONE Consortium respectively) for the rand equivalent of 10 pence per share (the par value of the Old Mutual plc shares) in cash and an undertaking given by the SPVs to pay a further cash amount as part of the subscription price (in rand) to Old Mutual plc on 1 May 2015 and to pay any dividends on Old Mutual plc shares and the major portion of performance fees earned by the Black Business Partners upon receipt to Old Mutual plc by way of early discharge of part of the amount specified below (the "cash undertaking"). The Black Business Partners will each make a capital contribution of 2.5% to the relevant South African holding companies, which in turn will capitalize the SPVs, with the balance of the par value funded by the SPVs from rand-denominated third party loans. In the case of the SPVs owned by the Black Distributors Trust and the Education Trust, third party rand denominated loans will fund the entire par value. Dividends received by the SPVs from their holdings of Old Mutual plc shares and the major portion of the performance fees earned by the Black Business Partners will be used first to repay the third party loans (in the case of the Black Distributors Trust and the Education Trust, a portion of these dividends will be applied to fund the objectives of these trusts) and thereafter will be paid to Old Mutual plc towards satisfaction of the SPVs' obligations (in part) under the cash undertaking (part of the subscription price).

The payment due on 1 May 2015 to discharge the balance of the cash undertaking will be (subject to a minimum of one rand) the lesser of:

- the difference between the rand equivalent of the market price of the shares shortly before the allotment date and the rand equivalent of 10 pence par value per share plus an escalation factor and less any amounts paid by the SPVs in partial satisfaction of the undertaking. This amount will be calculated on an annual basis and will be increased annually by 1.5% of the market value at inception. ; and
- the rand equivalent of the market value of the Old Mutual plc shares at the highest price quoted on the London Stock Exchange during the period between 1 January 2015 and the business day before 1 May 2015.

	<u>Black Distributors Trust</u>	<u>Education Trust</u>	<u>Black Business Partners</u>
Issue price of shares	Par value and cash undertaking	Par value and cash undertaking	Par value and cash undertaking
Upfront amount paid by SPV	Par value (funded by third party financiers)	Par value (funded by third party financiers)	Par value (all but 2.5% funded by third party financier)
Date on which cash undertaking is payable	1 May 2015	1 May 2015	1 May 2015
Escalation factor (fixed, NACA) on cash undertaking	9.3%	8.16%	8.16%

### 3.8.2. UK Scheme of Arrangement: Court sanction of the issue of the shares

Owing to the dilutive nature of the proposals on Old Mutual plc shareholders, the Board of Old Mutual plc intends to seek the approval of its shareholders and the sanction of the High Court of Justice in England for a scheme of arrangement (the "Scheme") between Old Mutual plc and its members under section 425 of the UK Companies Act 1985 for the issue of shares to or for the benefit of Old Mutual (SA) Black Distributors Trust, the Old Mutual (SA) Education Trust, the WIPHOLD Consortium and the BRIMSTONE Consortium. If the Scheme is sanctioned by the High Court of Justice in England, it will become binding on Old Mutual plc and all of its shareholders.

### 3.9. Value of the Old Mutual (SA) Transaction

The Old Mutual plc Board appointed Deutsche Securities to perform a valuation of its South African businesses, excluding Nedcor and Mutual & Federal. Deutsche Securities has derived a value of R25 354m for these businesses, which translates into 44% of the market capitalisation using the 10 day volume weighted average price of Old Mutual plc shares to 15 April 2005.

The value of the Old Mutual (SA) Transaction is based on the indicative market capitalisation of Old Mutual plc at 15 April 2005 of R57 622m, using the 10 day volume weighted average price of R14.95 per share to that date.

### 3.10. Estimated Economic Cost of the Old Mutual (SA) Transaction

Old Mutual (SA) has estimated the economic cost of the Old Mutual (SA) Transaction to be R799m. This translates into 3.15% of the value of Old Mutual (SA).

### 3.11. Accounting Treatment of the Old Mutual (SA) Transaction

In accordance with the rules of the UK Listing Authority and the JSE, the underlying accounting treatment is in accordance with the accounting policies set out in the last published audited financial information. In presenting the consolidated impact for Old Mutual plc of the Old Mutual (SA) Transaction, information is to be presented in accordance with UK GAAP as it existed at 31 December 2004.

The accounting treatments adopted may require transactions to be accounted for in a different manner to their legal substance and form. The accounting treatment described below has been determined based on accounting advice and emerging interpretations.

Effective 1 January 2005, the Old Mutual Group will prepare its consolidated financial statements in accordance with IFRS. It has therefore been necessary to consider the accounting treatments under both bases of reporting. Revised 31 December 2004 results on an IFRS basis will be published by Old Mutual plc on 3 May 2005.

The following accounting principles are applicable:

- **Consolidation of Special Purpose Vehicles (“SPVs”)** – where control is deemed to remain within the Old Mutual Group, the entities established to support the Old Mutual (SA) Transaction are regarded as subsidiaries. The acquisition of Old Mutual plc shares by the consolidated SPVs are regarded as issues of treasury shares, resulting in a reduction in equity within the consolidated financial statements.
- **Earnings per share** – the weighted average number of shares is impacted by the Old Mutual (SA) Transaction only to the extent that any issue of shares is not regarded as treasury shares for the purpose of the consolidated financial statements.
- **Embedded value per share** – the number of shares in issue will increase to include the Old Mutual plc shares acquired by all SPVs. Where amounts received in terms of the cash undertaking are received for the issue of the shares, an adjustment to the embedded value is required to represent the discounted present value of the consideration.

### 3.12. Pro forma Financial Effects of the Old Mutual (SA) Transaction

The pro forma financial effects of the Old Mutual (SA) Transaction for the financial year ended 31 December 2004 are set out in the table below to assist Old Mutual plc shareholders to assess the impact of the Old Mutual (SA) Transaction on adjusted operating earnings per share (“Adjusted EPS”), basic earnings per share (“Basic EPS”) and adjusted embedded value per share (“Adjusted EV per share”).

The pro forma financial effects have been prepared in accordance with UK GAAP as it existed at 31 December 2004. They are provided for illustrative purposes only. Due to the unaudited pro forma nature of the information, it may not give a true reflection of Old Mutual plc’s financial position after completion of the Old Mutual (SA) Transaction.

	Before the Old Mutual (SA) Transaction and the issue of shares	After the Old Mutual (SA) Transaction and the issue of shares	change %
South African cents			
Adjusted EPS <sup>(1) (3)</sup>	181.1	179.7	(0.8)
Basic EPS <sup>(1) (3)</sup>	166.2	162.6	(2.2)
Adjusted EV per share <sup>(2) (3)</sup>	1 508.0	1 475.0	(2.2)

Notes:

(1) The "Before the Old Mutual (SA) Transaction and issue of shares" column reflects the audited earnings and adjusted earnings per Old Mutual plc share for the year ended 31 December 2004. The "After the Old Mutual (SA) Transaction and issue of shares" column reflects the earnings adjusted for the financial effect of the various Old Mutual (SA) Transaction based on the assumption that the Old Mutual (SA) Transaction were implemented on 1 January 2004. The financial effects on earnings include the initial impact of entering into the Old Mutual (SA) Transaction of R75m and the first year of annual impact of R49m. The initial impact is excluded from the adjusted operating profit, and hence adjusted EPS.

(2) The "Before the Old Mutual (SA) Transaction and issue of shares" column reflects the audited adjusted EV per Old Mutual plc share at 31 December 2004. In determining adjusted EV per share, the total number of shares in issue as at 31 December 2004 of 3 854m includes 383m treasury shares, consisting of 92m shares held in ESOP Trusts and 291m shares held in policyholders' funds. The "After the Old Mutual (SA) Transaction and issue of shares" column reflects the adjusted EV per share after the considerations received from the various schemes and an enlarged number of shares based on the assumption that the Old Mutual (SA) Transaction was implemented on 31 December 2004. In determining the adjusted EV per share, the number of shares in issue of 4 085m includes all Old Mutual plc shares issued under the Old Mutual (SA) Transaction.

The financial effects on EV "After the Old Mutual (SA) Transaction" include the initial consideration received on the issue of Old Mutual plc shares to SPVs which are considered external to the Old Mutual Group. EV is unchanged for initial consideration received in respect of treasury shares issued to consolidated SPVs. A pro-forma uplift adjustment is included to reflect the discounted present value of the deferred consideration to be received from external parties in respect of all schemes.

(3) The weighted average number of shares in issue remains unchanged. Shares issued to consolidated SPVs are to be excluded as they are accounted for as treasury shares. Shares issued to unconsolidated SPVs are excluded due to the restricted nature of the issue. The weighted average number of shares in issue used in calculating basic EPS as at 31 December 2004 was 3 432m. The weighted average number of shares in issue used in calculating adjusted EPS, after allowing for shares held in policyholders' funds, was 3 748m.

### IFRS financial effects

The accounting treatment under IFRS differs from the accounting treatment under UK GAAP as it existed at 31 December 2004 to the extent that IFRS 2 "Share based payments" applies to the Old Mutual (SA) Transaction. As the additional IFRS 2 costs incurred are in respect of equity settled share based payment transactions, the charge to the profit and loss account will result in corresponding credit to an equity reserve and, therefore, has no impact on the embedded value. There are no other differences in the calculation of adjusted EV per share.

### 3.13. Measuring the black ownership of the Old Mutual (SA) Transaction

	<u>Rm</u>
Value of Old Mutual (SA)	25 354
Value of OMSA Transaction	3 448
Less: white employee component of Old Mutual (SA) Broad-based Scheme	<u>(31)</u>
Black ownership portion of Old Mutual (SA) Transaction	<u>3 417</u>
Black ownership portion of Old Mutual (SA) Transaction as a % of the value of Old Mutual (SA)	13.48%

Note:

- 1) This excludes existing black shareholding of 3.50% of Old Mutual (SA) based on direct black shareholding of 1.46% in Old Mutual plc at 1 January 2004.

### 3.14. Conditions Precedent to the Old Mutual (SA) Transaction

- The sanction by the High Court of Justice in England of the Scheme as described in 3.8.2 above and the Scheme becoming effective in accordance with its terms;
- The passing of the appropriate resolutions by the shareholders of Old Mutual plc to implement the Group Transactions. In this regard, the required circular is expected to be posted to ordinary shareholders of Old Mutual plc in due course;
- Written notice having been received by Old Mutual plc from the WIPHOLD and BRIMSTONE Consortia that they have received appropriate shareholder approval;
- Written notice having been received by Old Mutual plc of approval of the Old Mutual (SA) Transaction by the shareholders of BRIMSTONE to the extent such approval is required by the JSE;
- No breach of certain clauses of the subscription agreement having been committed by any SPV or the WIPHOLD or BRIMSTONE Consortia;
- Third party funding is obtained by the WIPHOLD and BRIMSTONE Consortia to fund the payment of the par value of the Old Mutual plc shares;
- The admission of the Old Mutual plc shares to the Official List of the London Stock Exchange in accordance with paragraph 7.1 of the UK Listing Rules and the admission of the shares to trading becoming effective in accordance with paragraph 2.1 of the Admission and Disclosure Standard produced by the London Stock Exchange;
- The adoption by the SPVs, their holding companies or the shareholders (as the case may be) of their constitutional documents and any shareholders' agreement in such form as Old Mutual plc may approve in writing;
- Any other regulatory approvals required by Old Mutual plc or the SPVs in order to effect the Old Mutual (SA) Transaction; and
- Old Mutual plc being satisfied that each of the Group Transaction proposals set out in this announcement shall have received all consents, sanctions and approvals to which each such transaction is subject and that each such transaction will be implemented in accordance with its terms.

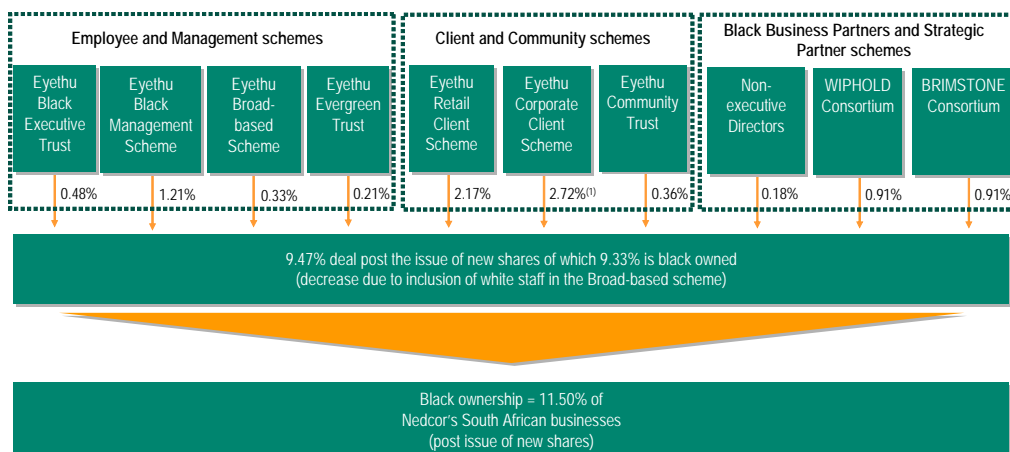
The last mentioned condition is capable of variation with Old Mutual plc's approval and can be waived in whole or in part by Old Mutual plc.

## 4. Overview of the Nedcor Transaction

### Key Highlights:

- Represents 11.50% of the value of Nedcor's South African businesses
- Key black stakeholders included: Employee and Management (23%), Clients (52%), Non-executive directors (2%), Black Business Partners (19%) and Community Trust (4%)
- Unique retail and corporate client schemes
- Benefits many tens of thousands of participants
- Performance agreements with broad-based Black Business Partners - the WIPHOLD and BRIMSTONE Consortia, and with a Business Development Partner – Aka Capital (Proprietary) Limited ("Aka Capital")
- Aligned with empowerment strategy to preserve and grow business

### 4.1. Proposed Nedcor Transaction structure



<sup>(1)</sup> Includes Aka Capital as a Business Development Partner with a stake of 0.38%

### 4.2. Direct black shareholding as a result of the Nedcor Transaction

Further to the cautionary announcement of 4 April 2005 Nedcor is pleased to announce that, as part of its ongoing programme of transformation, and subject to the fulfilment of the conditions precedent set out in paragraph 4.15 below, Nedcor is proposing the introduction of direct, broad-based black ownership into the Nedcor Group by way of the issue of new ordinary shares in the share capital of Nedcor ranking *pari passu* in all respects with the existing issued ordinary shares of Nedcor. Accordingly a diverse group of black stakeholders consisting of employees, clients, community interest groups, non-executive directors and strategic Black Business Partners, have been selected to participate as shareholders.

The proposed transaction achieves strong alignment with the overall strategic objectives of Nedcor in a number of key respects. These include:

- positioning of Nedbank as a "bank for all";
- repositioning of the Nedbank brand in the retail segment with a potential increase in retail clients;
- assisting in the attainment of employment equity targets, particularly at senior employee levels;
- repositioning the bank internally and culturally to better serve the requirements of a changing external market;

- improving market share in the public sector;
- assisting with targeted expansion and growth into Africa and specifically sub-Saharan Africa;
- protecting existing business and market share by meeting and exceeding the ownership and control requirements of the FSC;
- participating in a meaningful way in the development of emerging BEE corporates and securing future growth together with these corporates;
- building on a leading position in the BEE financing market;
- rewarding employee and client loyalty; and
- aligning with Nedcor's overall programme of promotion of women's interests.

The table below sets out the total deal size at Nedcor as well as the black ownership at Nedcor using the enlarged issued share capital of Nedcor to facilitate the Nedcor Transaction.

	Total deal			Black ownership	
	No of shares	Deal value	Shareholding (post issue of new shares)	Shareholding (post issue of new shares)	As a % of Nedcor's South African business value
	m	Rm			
<b>Employee and Management Schemes</b>	<b>9.7</b>	<b>725</b>	<b>2.23%</b>	<b>2.09%</b>	<b>2.57%</b>
Eyethu Black Executive Trust	2.1	156	0.48%	0.48%	0.59%
Eyethu Black Management Scheme	5.3	393	1.21%	1.21%	1.49%
Eyethu Broad-based Scheme	1.4	107	0.33%	0.19%	0.23%
Eyethu Evergreen Trust	0.9	69	0.21%	0.21%	0.26%
<b>Client-orientated Schemes</b>	<b>21.3</b>	<b>1 593</b>	<b>4.89%</b>	<b>4.89%</b>	<b>6.03%</b>
Eyethu Retail Client Scheme	9.5	708	2.17%	2.17%	2.68%
Eyethu Corporate Client Scheme	11.8	885	2.72%	2.72%	3.35%
<b>Nedcor Non-executive directors</b>	<b>0.8</b>	<b>59</b>	<b>0.18%</b>	<b>0.18%</b>	<b>0.22%</b>
<b>Black Business Partners</b>	<b>7.9</b>	<b>590</b>	<b>1.81%</b>	<b>1.81%</b>	<b>2.23%</b>
WIPHOLD Consortium*	3.9	295	0.91%	0.91%	1.12%
BRIMSTONE Consortium*	3.9	295	0.91%	0.91%	1.12%
<b>Eyethu Community Trust</b>	<b>1.6</b>	<b>118</b>	<b>0.36%</b>	<b>0.36%</b>	<b>0.45%</b>
<b>Total</b>	<b>41.3</b>	<b>3 085</b>	<b>9.47%</b>	<b>9.33%</b>	<b>11.50%</b>

\* Figures rounded up to 2 decimal places

#### **4.3. The Nedcor Employee and Management Schemes (2.23%)**

Nedcor believes that its employees will be a major contributor to the success of its business and that a significant component of the empowerment scheme should be appropriately directed at a broad base of black employees: senior executives, senior and middle management, junior employees and future black managers and employees. The name of the scheme, Eyethu, which means "ours" in the Nguni languages, epitomises the inclusive and uniquely South African identity of this scheme. The Employee and Management Schemes are incremental to the proposed Nedcor Group Share Incentive Scheme specified in the notice to the Annual General Meeting dated 4 May 2005.

##### **4.3.1. The Eyethu Black Executive Trust (0.48%)**

The Eyethu Black Executive Trust ("the Executive Trust") will operate for the benefit of the top black executives employed by Nedcor. Nedcor will issue new ordinary shares to the Executive Trust partly on a grant basis (25%) and partly on an interest-free loan basis (75%), such that the Executive Trust will own 0.48% of the enlarged issued share capital of Nedcor (which equates to 0.59% of Nedcor's South African businesses). The trustees, on instruction from the Nedcor Remuneration Committee, will make awards to existing (30%) and future (70%) qualifying participants for retention and attraction/promotion purposes respectively. Awards will be subject to 4, 5 and 6 year vesting periods.

##### **4.3.2. The Eyethu Black Management Scheme (1.21%)**

The Eyethu Black Management Scheme will operate for the benefit of black senior and middle management of Nedcor presently earning more than R278 000 per annum. Nedcor will issue new ordinary shares to the Eyethu Black Management Scheme Trust ("the Management Trust") partly on a grant basis (10%) and partly on an interest-free loan basis (90%), such that the Management Trust will own 1.21% of the enlarged issued share capital of Nedcor (which equates to 1.49% of Nedcor's South African businesses). The trustees, on instruction from the Nedcor Remuneration Committee, will make awards to existing (60%) and future (40%) qualifying participants for retention and attraction/promotion purposes respectively. Awards will be subject to 4, 5 and 6 year vesting periods.

##### **4.3.3. The Eyethu Broad-based Scheme (0.33%)**

The Eyethu Broad-based Scheme will operate for the benefit of all qualifying employees of Nedcor who do not participate in any other share scheme of the business. This scheme will thus operate for the benefit of both black and white employees of Nedcor. 58% of the scheme participants will be black. The Eyethu Broad-based Scheme will own 0.33% of the enlarged issued share capital of Nedcor (black participation equates to 0.23% of Nedcor's South African businesses). An award of R7 500 per employee will be made upfront to all qualifying participants, subject to fulfilment of a 5 year holding period.

##### **4.3.4. The Eyethu Evergreen Trust (0.21%)**

It is intended that the Eyethu Evergreen Trust ("the Evergreen Trust") be a long-term holder of Nedcor shares and utilise the dividends on the same to repay partly the funding provided by Nedcor to the trust with the remainder available to pay out grants to qualifying beneficiaries to meet social expenditure needs (education, health, etc). The proposed initial qualifying participants will be black employees currently earning less than R83 455 per annum. Applications will be considered by the trustees and assessed on the basis of need.

Nedcor will issue new ordinary shares to the Evergreen Trust on an interest-free loan basis such that the Evergreen Trust will own 0.21% of the enlarged issued share capital of Nedcor (which equates to 0.26% of Nedcor's South African businesses). Half of the dividends received by the Evergreen Trust will be used to partly settle the loan owing to Nedcor, with the remainder available to the trustees to make cash awards to beneficiaries.

#### **4.4. Nedcor Client Schemes (4.89%)**

The Client Schemes allow Nedcor to demonstrate its broad-reaching commitment to be inclusive of all its key current and future black stakeholders, and help to position the group as a "bank for all". The Client Schemes comprise the following two elements:

##### **4.4.1. The Eyethu Retail Client Scheme (2.17%)**

The Eyethu Retail Client Scheme will operate for the benefit of existing and new black Nedbank Retail clients and aims to provide access to shares to a broad-base of South Africa's black population, many of whom will be first time share owners. The scheme will be accompanied by an education campaign.

The Eyethu Retail Trust will sell approximately 9.5m Nedcor shares (which equates to 2.68% of Nedcor's South African businesses) to new and existing Nedbank Retail clients. Applicants, who must be black as defined in the FSC, will subscribe to purchase Nedcor shares from the Eyethu Retail Trust. For every three shares purchased, participants will qualify to receive an additional bonus share, subject to participants maintaining a primary transactional account with Nedbank Retail for a period of three years from the first purchase of Nedcor shares. Participants will be entitled to elect whether they wish to make either a lump sum payment or a monthly debit order. Participants will enjoy capital protection on their investment.

The details of the share offer pursuant to the Eyethu Retail Client Scheme are in the process of being finalised and will be made available to existing and potential black retail clients (including employees meeting the other requirements of the scheme) in due course, with the actual offer itself being launched post the fulfilment of the conditions precedent to the overall transaction.

##### **4.4.2. The Eyethu Corporate Client Scheme (2.72%)**

Nedcor has set aside a portion of the BEE scheme as part of an overall programme to develop BEE corporates by assisting them in their growth opportunities and strategies. To this end, Nedcor shares under the Eyethu Corporate Client Scheme will be made available primarily to existing BEE clients of the bank, as well as to selected other BEE clients and past partners of Nedcor. It is anticipated that more than 20 participants will participate in the Scheme, including a portion not allocated upfront to cater for potential future BEE client relationships. This scheme will afford Nedcor an opportunity to strengthen existing client relationships, while providing access to new business opportunities as these clients grow and prosper. The scheme will endure for a period of six years and will be funded on the basis described in paragraph 4.9 below.

The Eyethu Corporate Trust will acquire an effective interest of 2.72% of the enlarged issued share capital of Nedcor (which equates to 3.35% of Nedcor's South African businesses). The shares will be held by the Corporate Trust on behalf of the scheme participants for six years from the date of purchase.

Participants will each be required to enter into agreements with Nedcor setting out the terms of the scheme as well as the strategic nature of the business relationship being struck between the participant concerned and Nedcor.

With the exception of Aka Capital, each participant in the Eyethu Corporate Client Scheme will be allocated similar shareholdings and individual shareholders will not be permitted to benefit by more than 0.04% as a result of their shareholding in the participating company.

As one of the selected participants in the Eyethu Corporate Client Scheme, Aka Capital, a key corporate client (and previous partner of Old Mutual and Nedcor in Quaystone Asset Management) will additionally fulfill the role of Business Development Partner and will be the single largest participant in the scheme with an interest of 0.38%. Aka Capital has been an important contributor to Nedbank Capital's business over the last few years, and this is anticipated to continue into the future. Aka Capital has undertaken, through entering into a detailed, binding memorandum of understanding with Nedcor, to assist in developing Nedcor's strategy in a number of key business areas in the Nedbank Capital and Nedbank Corporate clusters.

Aka Capital was formed in 1998 and is one of South Africa's leading black-owned private equity and investment holdings groups. The firm benefits from a seasoned and professional leadership team that is well respected in business, government and academic circles. Aka Capital's key interests include Datacentrix and Corobrick. Aka Capital has a long standing relationship with the Old Mutual Group, with Old Mutual (SA) and Nedcor each having a 20% interest in Aka Capital. The balance is held by management. The directors of Aka Capital include Reuel Khoza, Sam Nematswerani and Gary Morolo.

#### **4.5. Non-executive Directors (0.18%)**

The Nedcor Transaction includes an allocation of 0.18% of Nedcor's enlarged issued share capital to black non-executive directors (which equates to 0.22% of Nedcor's South African businesses). The holding of shares by non-executive directors creates an alignment of their interests with those of other shareholders.

The structuring and funding of the non-executive directors' scheme will be on a similar basis to the Eyethu Corporate Client Scheme. In order not to compromise directors' independence, no specific performance conditions will apply to individual directors' shareholdings. Holdings and vesting period conditions will apply.

#### **4.6. Eyethu Community Trust (0.36%)**

0.36% of Nedcor's enlarged issued share capital (which equates to 0.45% of Nedcor's South African businesses) will be set aside through the "zero-finance" mechanism (referred to in 4.9 below) for a Community Trust to be run in conjunction with the Nedcor Foundation. The Eyethu Community Trust's aim is to supplement existing community social initiatives on a co-ordinated and consistent basis. The initial focus of the Eyethu Community Trust will be the training of SME entrepreneurs in basic business and financial skills. The trust will be funded partly on a grant basis (25%) with the remaining funding to be on the basis detailed in paragraph 4.9 below.

#### **4.7. Nedcor Black Business Partners (1.81%)**

The WIPHOLD and BRIMSTONE Consortia will each acquire an effective 0.91% of the enlarged issued share capital of Nedcor (which equates to 1.12% of Nedcor's South African businesses), which will be funded on the basis as detailed in paragraph 4.9 below.

To this end, the WIPHOLD and BRIMSTONE Consortia have each entered into a detailed, binding Memorandum of Understanding ("MoU") with Nedcor setting out the terms of their participation as well as related performance criteria together with the implications of not meeting or exceeding those criteria. It is expected that the MoUs will be replaced by final agreements prior to the posting of the required circular to Nedcor shareholders.

#### 4.8. Proposed appointments to the Nedcor Board

Once the Nedcor Transaction has been effected and all conditions precedent have been met, Gloria Serobe from the WIPHOLD Consortium, Mustaq Brey from the BRIMSTONE Consortium and Reuel Khoza from Aka Capital will be invited to join the Nedcor Board of Directors.

#### 4.9. Mechanics / funding to implement the Nedcor Transaction

For the Nedcor employee and management schemes black-controlled employee trusts will be created and funded directly by Nedbank, either by way of an interest-free loan or a grant as discussed in paragraph 4.3 above. Dividends will be applied to paying down the capital portion of the loan, or distributed to beneficiaries in the case of grant-funded shares. Cash received on the exercise of share options will be applied to paying down the capital portion of the loan.

For all the other schemes, Nedcor has developed a mechanism which involves Nedcor issuing the scheme shares at or about par value to the various scheme participants. On the applicable termination dates for each scheme, Nedcor will be entitled to call back as many of the scheme shares as, based on their then market value, equate in value to the terminal balance of a notional calculation model. The notional calculation model will calculate at pre-agreed notional funding rates. The fundamental parameters of the structure for each of the schemes are set out below:

	Eyethu Corporate Client Scheme		Black Business Partners	Eyethu Retail Client Scheme	Eyethu Community Trust (non-grant element)
	Aka Capital	Other participants			
Issue price of scheme shares	Par	Par	2.5% of market value	Par	Par
Upfront amount paid by underlying participants	Issue price	None (issue price funded on an arms length basis by Old Mutual)	Issue price	Effectively 75% of market value on allocation (par value into trust funded on an arms length basis by Old Mutual)	None (issue price funded on an arms length basis by Old Mutual)
Term	6 years	6 years	10 years	3 years	6 years
Notional opening balance	75% of market value	75% of market value	97.5% of market value	75% of market value	75% of market value
Notional rate (fixed, NACA)	11.83%	11.83%	8.16% + 1.5% of the market value at inception	11.83%	11.83%
Performance adjusters	Yes	No	Yes	No	No

Further detail on the proposed structure will be furnished to shareholders in the forthcoming circular to shareholders, but the essential features of the structure are:

- creation of separate black-controlled vehicles as appropriate for the respective participants ("SPVs");
- the subscription by those SPVs for ordinary shares in Nedcor at par value of R1.00 per share (in the case of the Black Business Partner SPVs, at a small premium to par value representing a 2.5%

downpayment paid by the Black Business Partners). The par value payment in respect of the Corporate Scheme SPV (other than Aka Capital as per the note above), the Retail Scheme SPV and the Community Trust SPV will be Group funded, but not by Nedcor;

- the grant to Nedcor of a call option against the SPVs for a formulaically determined number of Nedcor ordinary shares held in the SPVs, exercisable on the termination date of the particular scheme at the same price per share at which the shares were issued to the SPVs;
- the application of the formula referred to above replicates the same economic consequences that would ensue if the Nedcor Transaction were funded by way of fixed rate preference share funding;
- the SPVs will be granted a call to acquire the same number of shares as acquired by Nedcor exercising its call at the then market value; and
- the effective obligatory re-investment of cash receipts (dividends and a portion of performance fees in the case of Black Business Partners) by recipients into Nedcor shares. In the case of dividends, Nedcor will, through the period of the schemes, undertake semi-annual capitalisation awards with a cash dividend election, and the participants will waive their cash dividend election upfront. In the case of performance fees, the Black Business Partners will be obliged to re-invest the cash portion in subscribing for new Nedcor shares.

#### **4.10. Value of the Nedcor Transaction**

The value of the Nedcor Transaction is based on the indicative market capitalisation of Nedcor at 15 April 2005 of R29 494m, using the 10 day volume weighted average price of R74.75 per share to that date.

#### **4.11. Estimated economic cost of the Nedcor Transaction**

The estimated economic cost of the Nedcor Transaction to Nedcor is R968m. This translates into 3.66% of the value of Nedcor's South African businesses.

#### **4.12. Accounting treatment of the Nedcor Transaction**

The rules of the JSE require that the starting point for calculation of the pro forma adjustments is consistent with the accounting policies used in preparing the latest published audited financial information. The audited 2004 financial information was prepared in accordance with SA GAAP, which was effective for the year ended 31 December 2004. As a result, the pro forma adjustments are based on SA GAAP, as it existed at 31 December 2004.

Effective 1 January 2005, Nedcor will prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). To date, no IFRS information has been published to use as a starting position for the pro forma financial effects. The restated 31 December 2004 financial results on an IFRS basis will be disclosed on or about the 3 May 2005. Revised 31 December 2004 pro forma financial effects of the transaction along with its first quarter trading update on an IFRS basis will be disclosed by Nedcor on or about the 5 May 2005. In the context of this transaction, the impact of IFRS is a broadening of the application of accounting for share based payments in accordance with IFRS 2 "Share based Payments". This results in additional costs that are required to be recognised in respect of the Nedcor Transaction. In all other aspects, the accounting treatment is substantially the same under IFRS and SA GAAP, as it existed at 31 December 2004.

#### 4.13. Pro forma financial effects of the Nedcor Transaction

The pro-forma financial effects of the Nedcor Transaction for the financial year ended 31 December 2004 are set out in the table below. The pro-forma financial effects have been prepared for illustrative purposes only in order to provide information on how the Nedcor Transaction might have affected the financial results and position of the Nedcor consolidated results from 1 January 2004 for Income Statement effects and at 31 December 2004 for the Balance Sheet effects, and, because of their nature, these financial effects may not give a true reflection of the actual financial effects of the Nedcor Transaction.

	Before the Nedcor Transaction and issue of shares (cents)	After the Nedcor Transaction and issue of shares (cents)	change %
Attributable earnings per share ("basic EPS") <sup>(1)(3)</sup>	270	270	(0.05)
Fully diluted EPS <sup>(4)</sup>	269	254	(5.65)
Headline earnings per share ("HEPS") <sup>(1)</sup>	401	400	(0.14)
Fully diluted HEPS	400	377	(5.86)
Ordinary shareholders equity (Rm)	18 095	18 177	0.45
Net asset value ("NAV") per share <sup>(2)(5)</sup>	4 590	4 594	0.10
Tangible net asset value ("TNAV") per share <sup>(2)(5)</sup>	3 537	3 366	0.27

Notes:

- (1) The "Before the Nedcor Transaction and issue of shares" column reflects the audited earnings and headline earnings per Nedcor share for the year ended 31 December 2004. The "After the Nedcor Transaction and issue of shares" column reflects the earnings and headline earnings adjusted for the financial effects of the various schemes based on the assumption that the Nedcor Transaction was implemented from 1 January 2004.
- (2) The "Before the Nedcor Transaction and issue of shares" column reflects the audited net asset value per Nedcor share at 31 December 2004. The "After the Nedcor Transaction and issue of shares" column reflects the net asset value per Nedcor share after the consideration received from the various schemes and an enlarged number of shares based on the assumption that the Nedcor Transaction was implemented on 31 December 2004.
- (3) The "Before the Nedcor Transaction and issue of shares" column weighted average number of shares in issue used in calculating basic EPS was 360.88m and in calculating fully diluted EPS was 361.75m.
- (4) The "After the Nedcor Transaction and issue of shares" column weighted average number of shares in issue used in calculating basic EPS was 362.30m and in calculating fully diluted EPS was 385.25m (this includes Nedcor shares expected to vest under the transaction).
- (5) In calculating NAV and TNAV per share the number of shares in issue as at 31 December 2004 was 394.21m and in determining the pro forma NAV and TNAV per share, the number of shares in issue was 395.63m (including 1.4m shares that vest immediately as a result of the Nedcor Transaction).

#### 4.14. Measuring the black ownership of the Nedcor Transaction

	<u>Rm</u>
Value of Nedcor's South African businesses	26 438
Value of Nedcor Transaction	3 085
Less: white employee component of Nedcor Broad-based Scheme	<u>(45)</u>
Black ownership portion of Nedcor Transaction	<u>3 040</u>
Black ownership portion of Nedcor Transaction as a % of the value of Nedcor's South African businesses	11.50%

#### **4.15. Conditions precedent to the Nedcor Transaction**

The implementation of the Nedcor Transaction is subject to the fulfilment of the following conditions precedent:

- Approval of the requisite majority of Nedcor ordinary shareholders in general meeting to the issue of new Nedcor shares to each of the structures devised. In this regard, the required circular is expected to be posted to ordinary shareholders of Nedcor in due course;
- Written notice having been received by Nedcor from the WIPHOLD and BRIMSTONE Consortia that they have received appropriate shareholder approval;
- Written notice having been received by Nedcor of approval of the Nedcor Transaction by the shareholders of BRIMSTONE to the extent such approval is required by the JSE;
- Obtaining of the necessary regulatory approvals (including, as necessary, the JSE and the Banking Supervision Department of the South African Reserve Bank);
- Sanctioning of the Scheme, relating to the Old Mutual (SA) Transaction, by the High Court of Justice in England and the Scheme becoming effective in accordance with its terms; and
- Old Mutual plc being satisfied that each of the Group Transaction proposals set out in this announcement shall have received all consents, sanctions and approvals to which each such transaction is subject and that such feature will be implemented in accordance with its terms.

The last mentioned condition is capable of variation with Nedcor's and Old Mutuals plc's approval and can be waived in whole or in part by Nedcor with Old Mutual plc's consent.

Shareholders' attention is drawn to the notice of Annual General Meeting dated 4 May 2005 specifying the proposed name change of the Nedcor Group to 'Nedbank Group Limited'.

#### **4.16. Opinions and recommendations for the Nedcor Transaction**

##### **4.16.1. Directors' recommendation**

The board is of the unanimous opinion that the terms and conditions of the Nedcor Transaction are fair and reasonable to the ordinary shareholders of Nedcor. Accordingly, the board recommends that ordinary shareholders vote in favour of the scheme and the resolutions to be proposed at the general meeting to be held to consider the transactions. In respect of their personal holdings in Nedcor, the relevant board members intend to vote their shares in favour of the scheme and the resolutions to be proposed at the aforementioned general meeting. In arriving at this recommendation, the board has taken cognisance of the opinion furnished by JP Morgan referred to in paragraph 4.16.3 below.

##### **4.16.2. Position of Old Mutual plc**

Subject to the obtaining of the necessary approvals of the shareholders of Old Mutual plc in general meeting and in respect of the Scheme, Old Mutual plc (a 50.8% shareholder in Nedcor) intends voting its shares in favour of the Nedcor Transaction and the resolutions to be proposed at the general meeting of Nedcor ordinary shareholders to be held to consider the transaction.

##### **4.16.3. Independent expert's opinion**

Although not required in terms of the Listings Requirements of the JSE, the board of directors of Nedcor appointed JP Morgan as an independent expert to advise the board on whether the terms and conditions of the Nedcor Transaction are fair and reasonable to Nedcor. JP Morgan has considered the terms and conditions of the Nedcor Transaction and, based on a review of the information made available to it and

discussions with management of Nedcor, is of the opinion that the scheme is fair and reasonable from a financial point of view, to Nedcor.

**4.16.4. Senior counsel view of the structure of the Client Scheme, the Non-executive Director Scheme, the Black Business Partners and the Community Trust**

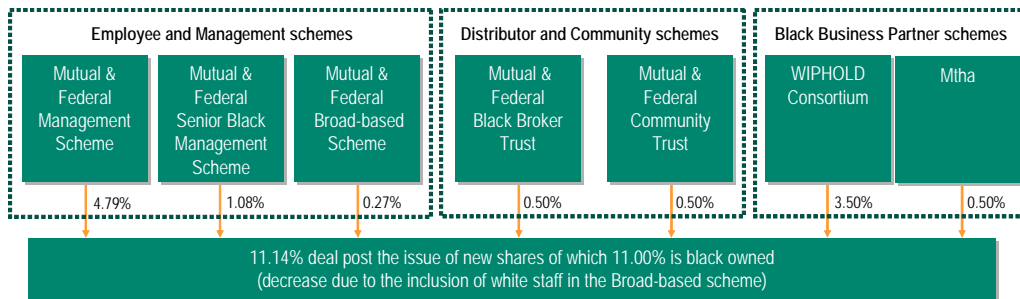
Nedcor has sought the opinion of senior counsel on the "zero finance" structure which it proposes to adopt for the above mentioned schemes and has been furnished with written opinions to the effect that the structure as devised and as described in paragraph 4.9 above complies with all requirements of the Companies Act, Act 61 of 1973, as amended.

## 5. Overview of the Mutual & Federal Transaction

### Key Highlights:

- Resultant direct black ownership of 11.00% at Mutual & Federal
- Key black stakeholders include: Employees and Management (55%), Black Business Partners (36%) and Intermediary and Community schemes (9%)
- Aimed at 1 248 black employees participants
- Intermediary-orientated schemes to include black brokers and community initiatives
- Performance agreements with broad-based Black Business Partners – the WIPHOLD Consortium and Mitha
- Aligned with empowerment strategy to preserve and grow business

### 5.1. Proposed Mutual & Federal Transaction structure



### 5.2. Direct black shareholding as a result of the Mutual & Federal Transaction

Further to the cautionary announcement dated 4 April 2005, Mutual & Federal is pleased to announce that, as part of its ongoing commitment to transformation of its business, and subject to the fulfilment of the conditions precedent set out in paragraph 5.11 below, Mutual & Federal is proposing the introduction of direct, broad-based black ownership into Mutual & Federal by way of the issue of new ordinary shares in the share capital of Mutual & Federal ranking *pari passu* in all respects with the existing issued ordinary shares of Mutual & Federal.

The table below sets out the total deal size at Mutual & Federal as well as the black ownership at Mutual & Federal utilising the enlarged issued share capital of Mutual & Federal to facilitate the Mutual & Federal Transaction.

	Using Mutual & Federal shares			Black ownership Shareholding (post issue of new shares)
	Total deal		Shareholding (post issue of new shares)	
	No of shares	Deal value		
	m	Rm		
<b>Employee and Management Schemes</b>	17.1	365	6.14%	6.00%
Mutual & Federal Management Scheme	13.4	285	4.79%	4.79%
Mutual & Federal Senior Black Management Scheme	3.0	64	1.08%	1.08%
Mutual & Federal Broad-based Scheme	0.7	16	0.27%	0.13%
<b>Black Broker Trust</b>	1.4	30	0.50%	0.50%
<b>Community Trust</b>	1.4	30	0.50%	0.50%
<b>Black Business Partners</b>	11.2	238	4.00%	4.00%
WIPHOLD Consortium	9.8	208	3.50%	3.50%
Mtha	1.4	30	0.50%	0.50%
<b>Total</b>	<b>31.1</b>	<b>663</b>	<b>11.14%</b>	<b>11.00%</b>

### 5.3. Mutual & Federal Employee and Management Schemes

The Mutual & Federal employee and management schemes comprise three different elements:

#### 5.3.1. Mutual & Federal Management Scheme (4.79%)

The existing employee share option scheme is to be replaced by the Mutual & Federal Management Scheme, the primary purpose of which is to attract, reward and retain senior and middle management. Mutual & Federal will issue new ordinary shares to the new employee share trust which will be funded by interest-free loans and/or grants from Mutual & Federal. The new employee share trust will own 4.79% of the enlarged issued share capital of Mutual & Federal.

This new employee share trust will be used to fund the long-term share incentives that Mutual & Federal expects to allocate to black management in the normal course of business to 2013. By reserving a significant portion of the Mutual & Federal shares for black management, Mutual & Federal is demonstrating its unequivocal commitment to transform its business fundamentally.

Shares will be allocated in terms of Mutual & Federal's current allocation policy subject to regular market testing and individual performance. The current policy is to make allocations in a combination of RSP share awards and share options. The RSP share awards will vest immediately (subject to the condition that the participant remains in Mutual & Federal's employment for a period of time), while the share options will be exercisable commencing after 3 years (but within 6 years). Participants are to be paid the dividends in respect of the RSP share awards and will be entitled to exercise the voting rights in respect of the relevant Mutual & Federal shares, but will have no dividend or voting rights in respect of the unexercised share options. Accordingly, the entire interest of 4.79% in Mutual & Federal shares held by the new employee share trust will count for black ownership given that the trust has been structured so as to comply with the ownership and control requirements of the FSC.

### **5.3.2. Mutual & Federal Senior Black Management Scheme (1.08%)**

The Mutual & Federal Senior Black Management Scheme will operate for the benefit of selected senior black management of Mutual & Federal.

A new trust will be formed to operate the Mutual & Federal Senior Black Management Scheme. This new trust will acquire upfront 1.08% of the enlarged issued share capital of Mutual & Federal and will be funded by means of a grant from Mutual & Federal.

The trustees, on instruction from the Mutual & Federal Remuneration Committee, will make awards to existing (25%) and future (75%) participants for retention and attraction purposes respectively. The scheme will comprise a once-off allocation with the possibility of an increase on promotion. This allocation will be in addition to the normal allocations made in terms of the Mutual & Federal Management Scheme and will be made by means of an RSP award.

### **5.3.3. Mutual & Federal Broad-based Scheme (0.27%)**

This scheme will operate for the benefit of all employees of Mutual & Federal who will not participate in either the management scheme or the Mutual & Federal Senior Black Management Scheme. This scheme will thus operate for the benefit of both black and white employees employed by Mutual & Federal, of which 50% are black. The allocation will be made by means of an RSP share award over Mutual & Federal shares of R7 500 per participant.

The same trust that operates the Mutual & Federal Senior Black Management Scheme will operate the Mutual & Federal Broad-based Scheme. The trust will acquire upfront 0.27% of the enlarged issued share capital of Mutual & Federal and will be funded by means of a grant from Mutual & Federal.

### **5.4. Mutual & Federal Community Trust (0.50%)**

The Mutual & Federal Community Trust will be established to provide meaningful benefit to selected community and charitable projects. The trust will acquire a 0.50% interest of the enlarged issued share capital of Mutual & Federal and will be funded on the basis detailed in paragraph 5.8 below.

### **5.5. Mutual & Federal Black Broker Trust (0.50%)**

A new trust will be formed and will acquire 0.50% of the enlarged issued share capital of Mutual & Federal. The objective of the trust will be to provide or secure finance to black people wishing to develop broker businesses to service the short term insurance market in South Africa. The finance made available by the trust will be utilised by such black distributors to acquire assets required in order to commence operation in a productive manner.

The Black Broker Trust will be funded on a similar basis as the Black Business Partners as detailed in paragraph 5.8 below.

### **5.6. Mutual & Federal Black Business Partners (4.00%)**

The WIPHOLD Consortium will acquire 3.50% of the enlarged issued share capital of Mutual & Federal and will be funded on the basis as detailed in paragraph 5.8 below. In addition, Mitha will acquire 0.50% of the enlarged issued share capital of Mutual & Federal and will be funded on the basis detailed in paragraph 5.8 below.

To this end, the WIPHOLD Consortium and Mtha have each entered into a detailed, binding MoU with Mutual & Federal setting out the terms of their participation as well as related performance criteria together with the implications of not meeting or exceeding those criteria. It is anticipated that the MoUs will be substituted with final agreements prior to the posting of the required circular to Mutual & Federal shareholders.

#### **5.7. Proposed appointments to the Mutual & Federal Board**

Once the Mutual & Federal Transaction has been effected and all conditions precedent have been met, Louisa Mojela from the WIPHOLD Consortium and Bulelani Ngcuka from Mtha will be invited to join the Mutual & Federal Board of Directors.

#### **5.8. Mechanism / funding to implement the Mutual & Federal Transaction**

##### **5.8.1. Mutual & Federal Funding Structure**

For the employee schemes, comprising 6.14% of the enlarged issued share capital of Mutual & Federal, black-controlled employee trusts will be created and will be funded directly by Mutual & Federal, either by way of an interest-free loan or a grant as discussed in paragraph 5.3.

For the Community Trust, comprising 0.50% of the enlarged issued share capital of Mutual & Federal, a black controlled trust, the benefits of which are to be determined by black trustees for black beneficiaries in the community, will be created and will be funded through a loan from an Old Mutual Group company, amounting to the par value of the Mutual & Federal shares acquired. The Community Trust will subscribe for new shares in the ordinary share capital of Mutual & Federal amounting to 0.50% of the enlarged issued share capital of Mutual & Federal with a par value of 10 cents per share.

Mutual & Federal will have no shareholdings in the Black Business Partner SPVs nor will Mutual & Federal be represented on the board of the Black Business Partner SPVs. Mutual & Federal is entitled to appoint one trustee to the Community Trust and Black Broker Trust respectively.

For the Black Business Partner and Black Broker schemes, comprising 4.00% and 0.50% of the enlarged issued share capital of Mutual & Federal respectively, Mutual & Federal has developed a mechanism which involves Mutual & Federal issuing the scheme shares at or about par value to the various scheme participants. On the applicable termination dates for each scheme, Mutual & Federal will be entitled to call back as many of the scheme shares as, based on their then market value, are equal in value to the terminal balance on a notional calculation model at the original issue price. The notional calculation model will calculate at pre-agreed notional dividend funding rates.

	<b>Black Broker Scheme</b>	<b>Black Business Partner</b>
Issue price of scheme shares	Par	2.5% of market value
Upfront amount paid by underlying participants	Issue price	Issue price
Term	10 years	10 years
Notional opening balance	Market value less issue price	97.5% of market value
Notional rate (fixed, NACA)	8.16%	8.16% +1.5% of the market value at inception
Performance adjusters	No	Yes

Further detail on the proposed structure will be furnished in the circular to shareholders, but the essential features of the Black Business Partner and Black Broker Schemes are:

- creation of the separate black-controlled vehicles as appropriate for the respective participants ("SPVs");
- the subscription by the SPVs for ordinary shares in Mutual & Federal at par value of 10 cents per share (in the case of the Black Business Partner SPVs, at a small premium to par value representing a 2.5% downpayment paid by the Black Business Partners), in the case of the Black Broker Trust, the par value will be funded through a loan from an Old Mutual Group company;
- the grant to Mutual & Federal of a call option against the SPVs for a formulaically determined number of Mutual & Federal ordinary shares held in the SPVs, exercisable on the termination date of the particular scheme at the same price per share at which the shares were issued to the SPVs;
- the application of the formula referred to above, replicates the same economic consequences that would ensue if the Mutual & Federal Transaction were funded by way of fixed rate preference share funding;
- the SPVs will be granted a call to acquire the same number of shares as acquired by Mutual & Federal exercising its call at the then market value; and
- the effective obligatory re-investment of cash receipts (dividends and portion of performance fees in the case of Black Business Partners) by recipients into Mutual & Federal shares. In the case of dividends, Mutual & Federal will through the period of the schemes, undertake semi-annual capitalisation awards with a cash dividend election, and the SPVs, in the case of the Black Business Partners will waive 100% of their cash dividend election and in the case of the Black Broker Trust, will waive 50% of their cash dividend election upfront. In the case of performance fees, the Black Business Partners will be obliged to re-invest a portion in subscribing for new Mutual & Federal shares.

## 5.9. Value of the Mutual & Federal Transaction

The value of the Mutual & Federal Transaction is based on the indicative market capitalisation of Mutual & Federal at 15 April 2005 of R5 285 m, using the 10 day volume weighted average price of R21.33 per share to that date.

### 5.9.1. Estimated Economic Costs of the Mutual & Federal Transaction

Mutual & Federal has estimated the economic cost of the Mutual & Federal Transaction to be R166 m. This translates to 3.13% of the value of Mutual & Federal.

### 5.9.2. Accounting treatment of the Mutual & Federal Transaction

In accordance with the rules of the JSE, the underlying accounting treatment is in accordance with the accounting policies set out in the last published audited financial information. In presenting the consolidated impact for Mutual & Federal, information is to be presented in accordance with SA GAAP as it existed at 31 December 2004.

The accounting treatments adopted may require transactions to be accounted for in a different manner to their legal substance and form. The accounting treatment described below has been determined based on accounting advice and emerging interpretations.

Effective 1 January 2005, Mutual & Federal will prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). It has therefore been necessary to consider the accounting treatments under both bases of reporting.

The following accounting principles are applicable:

- **Consolidation of Special Purpose Vehicles ("SPVs")** – where control is deemed to remain within Mutual & Federal, the entities established to support the Mutual & Federal Transaction are regarded as subsidiaries. The acquisition of Mutual & Federal shares by the consolidated SPVs are regarded as issues of treasury shares, resulting in a reduction in equity within the consolidated financial statements.
- **Earnings per share** – the weighted average number of shares is impacted by the Mutual & Federal Transaction only to the extent that any issue of shares is not regarded as treasury shares for the purpose of the consolidated financial statements.

### 5.9.3. Pro forma Financial Effects of the Mutual & Federal Transaction

The pro forma financial effects of the Mutual & Federal Transaction for the financial year ended 31 December, 2004 are set out in the table below. The pro forma financial effects have been prepared for illustrative purposes only in order to provide information on how the Mutual & Federal Transaction might have affected the financial results and position of the Mutual & Federal consolidated results from 1 January 2004 for Income Statement effects and at 31 December 2004 for Balance Sheet effects. Because of their nature, these financial effects may not give a true reflection of the actual financial effects of the Mutual & Federal Transaction.

	Before the Mutual & Federal Transaction and issue of shares (cents)	After the Mutual & Federal Transaction and issue of shares (cents)	change %
Basic earnings per share ("basic EPS") <sup>(1)</sup>	467	472	1.07
Fully diluted basic earnings per share	463	430	(7.13)
Headline earnings per share ("HEPS") <sup>(1)</sup>	475	480	1.05
Fully diluted HEPS	471	438	(7.01)
Ordinary shareholders equity (Rm)	3 579	3 600	0.59
Net asset value ("NAV") per share <sup>(2)(5)</sup>	1 447	1 443	(0.28)
Tangible NAV per share <sup>(2)(5)</sup>	1 377	1 374	(0.22)

Notes:

- (1) The "Before the Mutual & Federal Transaction and issue of shares" column reflects the audited basic earnings and headline earnings per Mutual & Federal share for the year ended 31 December 2004. The "After the Mutual & Federal Transaction and issue of shares" column reflects the basic earnings and headline earnings per Mutual & Federal share adjusted for the financial effect of the various schemes based on the assumption that the Mutual & Federal Transaction was implemented on 1 January 2004.
- (2) The "Before the Mutual & Federal Transaction and issue of shares" column reflects the audited net asset value and tangible net asset value per Mutual & Federal share at 31 December 2004. The "After the Mutual & Federal Transaction and issue of

shares" column reflects the net asset value and tangible net asset value per Mutual & Federal share taking into account the consideration received from the various schemes and an enlarged number of shares based on the assumption that the Mutual & Federal Transaction was implemented on 1 January 2004. No shares are currently held as treasury shares.

- (3) The "Before the Mutual & Federal Transaction and issue of shares" column weighted average number of shares in issue used in calculating basic EPS was 245.9m and in calculating fully diluted EPS was 248.0m.
- (4) The "After the Mutual & Federal Transaction and issue of shares" column weighted average number of shares in issue used in calculating basic EPS was 248.0m and in calculating fully diluted EPS was 271.8m (this includes Mutual & Federal shares expected to vest under the transaction).
- (5) In calculating NAV per share, the number of shares in issue as at 31 December 2004 was 247.4m and in determining the pro forma NAV, the number of shares in issue was 249.5m.

#### 5.10. Measuring the black ownership of the Mutual & Federal Transaction

	<u>Rm</u>
Value of Mutual & Federal	5 285
Value of Mutual & Federal Transaction	663
Less: white employee component of Mutual & Federal Broad-based Scheme	<u>(8)</u>
Black ownership portion of Mutual & Federal Transaction	<u>655</u>
Black ownership post the issue of new shares	11.00%

#### 5.11. Conditions precedent to the Mutual & Federal Transaction

The implementation of the Mutual & Federal transaction is subject to the fulfilment of the following conditions precedent:

- Approval of the requisite majority of Mutual & Federal ordinary shareholders in general meeting to the issue of new Mutual & Federal shares to each of the schemes. In this regard, the required circular is expected to be posted to ordinary shareholders of Mutual & Federal in due course;
- Obtaining of the necessary regulatory approvals to implement the transaction;
- Written notice having been received by Mutual & Federal from the WIPHOLD Consortium that they have received appropriate shareholder approval;
- Sanctioning of the Scheme, relating to the Old Mutual (SA) Transaction, by the High Court of Justice in England and the Scheme becoming effective in accordance with its terms; and
- Old Mutual plc being satisfied that each of the Group Transaction proposals set out in this announcement shall have received all consents, sanctions and approvals to which such transaction is subject and that each such transaction will be implemented in accordance with its terms.

The last mentioned condition is capable of variation with Mutual & Federal's and Old Mutual plc's approvals and can be waived in whole or in part by Mutual & Federal with Old Mutual plc's consent.

## 5.12. Opinions and recommendations for the Mutual & Federal Transaction

### 5.12.1. Directors' recommendation

The board of Mutual & Federal recommend that the shareholders of Mutual & Federal vote in favour of the Mutual & Federal Transaction and the resolutions to be proposed at the general meeting to be held to consider the transaction. In respect of their personal holdings in Mutual & Federal, the relevant board members intend to vote their shares in favour of the scheme and the resolutions to be proposed at the aforementioned general meeting.

### 5.12.2. Position of Old Mutual plc

Subject to the obtaining of the necessary approvals of the shareholders of Old Mutual plc in general meeting and in respect of the Scheme, Old Mutual (SA) a 88% shareholder in Mutual & Federal intends voting its shares in favour of the Mutual & Federal Transaction and the resolutions to be proposed at the general meeting of Mutual & Federal ordinary shareholders to be held to consider the transaction.

### 5.13. Timetable and documentation

Old Mutual plc, Nedcor and Mutual & Federal shareholders will be advised in due course as to the important dates and times relevant to the Group Transactions.

Circulars setting out the full details of the proposed introduction of direct black ownership, including details of the Group Transactions and Scheme and the meetings required to implement them will be circulated to shareholders in due course.

19 April 2005

**Transaction advisor and lead sponsor to Old Mutual plc**

Deutsche Securities (SA)  
(Proprietary) Limited

**Sponsor to Old Mutual plc**

Merrill Lynch

**Corporate law advisors (SA) to Old Mutual plc**

Edward Nathan (Pty) Ltd

**Legal advisors as to English Law to Old Mutual plc**

Slaughter and May

**SA Legal advisors to the Old Mutual Group**

Quanta Incorporated Attorneys  
and Conveyancers

**Independent advisor and lead sponsor to Nedcor**

JP Morgan

**Transaction advisor and sponsor to Nedcor**

Nedbank Capital, a  
division of Nedbank  
Limited

**Sponsor to Nedcor**

Merrill Lynch

**Corporate law advisors to Nedcor**

Edward Nathan (Pty)  
Ltd  
Lowndes & Associates

**Transaction advisor and  
transaction sponsor to Mutual  
& Federal**  
Nedbank Capital, a division of  
Nedbank Limited

**Lead sponsor to Mutual &  
Federal**  
Merrill Lynch

**Corporate law advisors to  
Mutual & Federal**  
Edward Nathan (Pty) Ltd  
Lowndes & Associates

**Transaction advisors to  
WIPHOLD**  
  
Wipcapital (Pty) Ltd

**Corporate law advisors to the  
WIPHOLD Consortium**  
  
Edward Nathan (Pty) Ltd

**Legal advisors (UK) to the  
WIPHOLD & BRIMSTONE  
Consortia**  
Linklaters

**Transaction advisors and  
transaction sponsor to  
Brimstone Investment  
Corporation Ltd**  
Nedbank Capital, a division of  
Nedbank Limited

**Legal advisors (SA) to  
Brimstone Investment  
Corporation Ltd**  
  
Hofmeyr Herbstein and Gihwala  
Inc.