BRINK/DOCS/HAMBROS.UN2
October 24, 1997

From the Financials

Final Balloon Payment

on 31, Oct 2027.

349 366 403

25 310 500.

interest.
6 months.

374, 676, 900

UNDERWRITING AGREEMENT

between

KOMATI BASIN WATER AUTHORITY
established in terms of the Water Act, 1956
("Kobwa")

and

HAMBROS BANK LIMITED
a registered London bank, regulated by the Securities and Futures Authority for the conduct of investment business in the United Kingdom
("Hambros")

1 RECORDAL

1.1 Kobwa intends allotting and issuing on 31 October 1997 ("the Settlement Date") certain registered loan stock (Loan No. 1) (13,50% coupon, redeemable on 31 October 2027) with an authorised nominal value of R380 million ("the Kobwa Stock") and classified as "loan stock" pursuant to the provisions of the Financial Markets Control Act, 1989 ("the Issue").

1.2 The Kobwa Stock will be allotted and issued subject to the terms and conditions set out in a private placing document to be issued on 27 October 1997 by Kobwa ("the Private Placing Document"), from which date Hambros will go on risk in terms of this agreement.

1.3 Hambros wishes to place and underwrite the Issue.

2 THE ISSUE

2.1 Kobwa undertakes, subject to the fulfilment of the suspensive conditions in 3, to proceed with the Issue and to that end, undertakes to submit all relevant documents to The Bond Exchange of South Africa ("the Bond Exchange"), so as to obtain a listing of the Kobwa Stock on the Bond Exchange. A copy of the draft Private Placing Document is attached as **Schedule 1**.

2.2 Save for any alterations required by the Bond Exchange, the Financial Services Board or the South African Reserve Bank, the draft Private Placing Document in **Schedule 1** shall not be altered without the prior written consent of Hambros, which consent shall not be unreasonably withheld or delayed.

2.3 Hambros hereby undertakes to place the Kobwa Stock and underwrite the Issue on the terms and conditions set out in this

AJB

agreement.

3 SUSPENSIVE CONDITIONS

This agreement is subject to the fulfilment of the following suspensive conditions, namely:

3.1 the Bond Exchange granting a listing of the Kobwa Stock on or before the Settlement Date (or such later date as may be mutually agreed upon in writing between Kobwa and Hambros); and

3.2 the issue by the Minister of Water Affairs and Forestry, acting in concurrence with the Minister of Finance on behalf of the Government of Republic of South Africa in terms of section 35(1) of the Exchequer Act, 1975 on or before the Settlement Date, of a guarantee, in accordance with the draft attached as **Schedule 2**, in terms of which the Republic of South Africa will guarantee to the registered holders of the Kobwa Stock, or in the event of any person being appointed by Kobwa to act as trustee for and on behalf of such registered holders, to the person so appointed, that in the event of Kobwa failing to fulfil its obligations under the Kobwa Loan No.1, that the Government of the Republic of South Africa will make payment of all amounts payable in terms thereof upon the receipt of a written request therefor.

4 WARRANTY

Kobwa warrants to Hambros that:

4.1 the Kobwa Stock will be legally created and will be free and unencumbered and that Kobwa will have the capacity and authority to allot and issue the Kobwa Stock;

4.2 all statements made by Kobwa in the Private Placing Document for purposes of the Issue, will be true and correct and no material facts will be omitted therefrom.

5 UNDERWRITING

5.1 For the purpose of this clause 5, "the Unplaced Kobwa Stock" shall mean all Kobwa Stock up to an aggregate authorised nominal value of R380 million, which Hambros is unable to place by close of business on the Settlement Date, upon which date all prospective investors for Kobwa Stock will in terms of the Private Placing Document, be required to pay Kobwa for the Kobwa Stock to be allotted and issued to them.

5.2 Hambros agrees to place the Kobwa Stock and to underwrite the Issue by making or causing to be made, payment to Kobwa of an amount ("the Shortfall") up to the authorised nominal value of the Kobwa Stock, namely R380 million (subject always to the limits in 6.1), less the aggregate amount paid by prospective stockholders to Kobwa on the Settlement Date in respect of the remaining portion of the Kobwa Stock successfully placed by Hambros with third party investors. Hambros undertakes to place the Kobwa Stock and to underwrite the Issue at no worse than 38 basis points above the bid yield of the R157 Government Loan Stock as at the Settlement Date ("the R157 Bid Yield").

5.3 Kobwa or Price Waterhouse, in its capacity as Kobwa's financial advisor to the Issue ("Price Waterhouse") shall advise Hambros as soon as reasonably possible after close of business on the Settlement Date, of the amount required to be paid by Hambros to Kobwa for the Shortfall, if any, and Hambros shall pay, or cause to be paid to Kobwa, the amount so specified within 24 hours of receipt of written notice by Kobwa or Price Waterhouse to Hambros at its address set out in 8.3.

AJB

5.4 Kobwa shall, on the Settlement Date, issue the Unplaced Kobwa Stock in respect of which payment is made by Hambros, to Hambros and/or its nominees in the proportions in which they have paid the Shortfall, and shall enter the name/s of Hambros and/or its nominees as the holders of the Kobwa Stock in Kobwa's register of Kobwa stockholders.

6 FEE AND PAYMENT

6.1 In consideration for Hambros underwriting and placing commitments in terms of this agreement, Kobwa shall pay to Hambros an all inclusive fee equal to the amount raised by the Issue of Kobwa Stock in excess of the R157 Bid Yield but not exceeding 38 basis points above the R157 Bid Yield, subject to the remaining provisions of this clause 6.1. If and to the extent to which Hambros succeeds in placing any Kobwa Stock:

6.1.1 from 31 points up to and including 37 points above the R157 Bid Yield, the full difference (in money terms) between placing such Kobwa Stock at 38 points above the R157 Bid Yield and the R157 Bid Yield in respect of the Kobwa Stock so placed, will accrue to Hambros, and Hambros shall not be obliged to pass any portion of such benefit on to Kobwa;

6.1.2 below 31 basis points above the R157 Bid Yield, then the full difference (in money terms) between placing such Kobwa Stock below 31 points above the R157 Bid Yield and the R157 Bid Yield in respect of the Kobwa Stock so placed, shall accrue in equal proportions to Kobwa and Hambros, and Hambros shall be obliged to pay over to Kobwa, 50% of such benefit.

6.2 Kobwa shall pay the fee due by Kobwa to Hambros in terms of 6.1, within 48 hours of Hambros fulfilling its obligations in terms of

AB

5.3. In the event of the provisions of 8 being invoked, Kobwa shall within 21 days thereof, reimburse Hambros for any disbursements actually incurred by Hambros in connection with the Issue up to the date of such notice.

7 COSTS

Kobwa shall be responsible for all domestic issuing costs to be incurred in connection with the Issue in accordance with standard market practice in the Republic of South Africa including the costs of Deloitte & Touche, Price Waterhouse, PW Corporate Finance (Pty) Ltd, Brink Cohen le Roux & Roodt Inc. and the fee referred to in 6.1.

8 WITHDRAWAL

8.1 If at any time up to the date and time upon which this agreement becomes unconditional, there is a material change inside or outside the Republic of South Africa (being the territory covered by the nine provinces identified in section 103 of the Constitution of the Republic of South Africa, 1996) in stock market and/or economic and/or financial and/or political conditions and/or should any other circumstances arise inside or outside the Republic of South Africa which, in the opinion of either Hambros or Kobwa (which opinion shall not be subject to challenge and shall be binding on the other of them), makes its inadvisable or impractical for the Private Placing Document to be issued or for the Issue to proceed, then either Hambros or Kobwa shall be entitled to cancel this agreement by written notice delivered to the other of them at the address set out in 8.2 or 8.3, as the case may be, by no later than such time, and in that event:

8.1.1 Kobwa shall have no claim against Hambros in terms of this agreement; and

AJB

8.1.2 Hambros shall have no claim against Kobwa in terms of this agreement, except for the refund of any disbursements incurred by Hambros in connection with the Issue.

8.2 Any notice of cancellation pursuant to 8.1 or any other notice in terms of this agreement which Hambros may wish to give to Kobwa shall be in writing and shall be delivered by hand to Kobwa at:

c/o PW Corporate Finance (Pty) Ltd
90 Rivonia Road
Sandown
2196
(Marked for the attention of: Chief Executive Officer)

8.3 Any notice of cancellation pursuant to 8.1 or any other notice in terms of this agreement that Kobwa may wish to give to Hambros, shall be in writing and shall be delivered by hand to Hambros at:

Hunt's End
38 Wierda Road West
Sandton
2196
(Marked for the attention of: Head of Capital Markets)

9 SUBUNDERWRITING

9.1 Hambros shall be entitled but not obliged, in Hambros's discretion, to subunderwrite its obligations in terms of this agreement to place the Kobwa Stock and to underwrite the Issue, upon such terms and conditions as Hambros and any such subunderwriter may agree upon.

9.2 Any subunderwriting agreement entered into between Hambros and any such subunderwriter shall constitute a domestic concern between Hambros and the subunderwriter concerned, and shall not create any contractual link between Kobwa and the subunderwriter concerned.

10 INDEMNITY

10.1 Kobwa indemnifies Hambros and holds it harmless against all claims of whatever nature which may be made against Hambros and against all damages and liabilities of whatever nature for which Hambros may be or become liable and which may arise out of or be based upon any untrue statement in the Private Placing Document or upon the disclosure or failure to disclose in the Private Placing Document, any matter or fact, the disclosure or omission of which may make any statement contained in the Private Placing Document, misleading or materially inaccurate.

10.2 Kobwa will, on written demand from Hambros, refund to Hambros all legal costs (on an attorney and client scale) and other expenses reasonably incurred by Hambros in investigating any claim or defending any action of the nature referred to in 10.1.

11 GENERAL

11.1 No agreement to alter, vary or cancel this underwriting agreement shall be of any force or effect unless reduced to writing and signed by or on behalf of the parties hereto.

11.2 Subject to 11.1, this document contains the entire agreement between the parties in regard to the subject matter hereof and neither of them shall be bound by any undertakings, representations or warranties which are not recorded in this

AJB

underwriting agreement.

11.3 No indulgence, leniency or extension of time which either party ("the Grantor") may grant or show to any other party, shall in any way prejudice the Grantor or preclude the Grantor from exercising any of its rights in the future.

SIGNED at SANDTON on 24th OCTOBER 1997

For: **KOMATI BASIN WATER AUTHORITY**

Signatory: CRM. CLANAHAN A. BELL.
Capacity: CHIEF EXECUTIVE OFF. DIRECTOR.
Authority: BOARD RESOLUTION DATED 24. October 1997.

SIGNED at LONDON on 27TH OCTOBER 1997

For: **HAMBROS BANK LIMITED**

Signatory: A.J. BELL
Capacity: VICE CHAIRMAN
Authority:

BRINK/DOCS/HAMBROS.UN2
October 24, 1997

SCHEDULE 1

DRAFT PRIVATE PLACING DOCUMENT

BRINK/DOCS/HAMBROS.UN2
October 24, 1997

SCHEDULE 2

DRAFT GUARANTEE

Certified a true copy of the original
Sean Cullen
Commissioner of Oaths
90 Rivonia Rd
Sandton
Cpt. SANDF

THE GUARANTEE

WHEREAS, in terms of Article 9(1)(d) of the Treaty on the Development and Utilisation of the Water Resources of the Komati River Basin entered into by the Government of the Republic of South Africa and the Government of the Kingdom of Swaziland on 13 March 1992 (hereinafter referred to as "the Treaty:), the Komati Basin Water Authority (hereinafter referred to as "KOBWA") has the power to raise money by way of loans and arrange overdrafts from its bankers for the design, construction, operation and maintenance of the water storage project comprising Driekoppies Dam on the Lomati River and the Maguga Dam on the Komati River together with the ancillary works set out in Article 4 of the Treaty, as sub-phase 1A and sub-phase 1B of the Komati River Basin Development Plan (hereinafter referred to as "the Project");

AND WHEREAS KOBWA has resolved to procure financing for the Project by means of the issue of Komati River Basin Authority registered loan stock (Loan No. 1) (hereinafter referred to as "KOBWA" Loan No. 1") in a maximum nominal value which will not exceed R380 000 000 (Three Hundred and Eighty Million Rand) on the terms and conditions set out in the Annexure hereto;

AND WHEREAS the issuer requires as security for the KOBWA Loan No. 1, a guarantee from the Government of the Republic of South Africa for the repayment of the capital outstanding from time to time and the payment of the interest thereon should the issuer fail to meet its obligations thereunder;

AND WHEREAS the Minister of Water Affairs and Forestry, being empowered in terms of section 35(1) of the Exchequer Act (Act No. 66 of 1975), to issue the said guarantee on behalf of the Government of the Republic of South Africa, has decided with the concurrence of the Minister of Finance that the issue of such guarantee is in the public interest;

NOW THEREFORE, I, Kader Asmal, in my capacity as Minister of Water Affairs and Forestry and acting in concurrence with Trevor Manuel, in his capacity as Minister of Finance on behalf of the Government of the Republic of South Africa in terms of Section 35(1) of the Exchequer Act, 1975 (Act No. 66 of 1975), do hereby unconditionally and irrevocably guarantee to the registered holders of KOBWA Loan No. 1 or, in the event of any person being appointed by KOBWA to act as trustee for and on behalf of such registered holders, to the person so appointed, that, in the event of the issuer failing to fulfil its obligations under the said KOBWA Loan No. 1, the Government of the Republic of South Africa undertakes to make payment of all amounts payable in terms hereof upon the receipt of a written request therefor addressed to:

Director-General: Water Affairs and Forestry
Residensie Building
185 Schoeman Street
PRETORIA
0001

or

Certified a true copy
Commissioner of Oaths
Sean Cullhane
90 Rivonia Rd
Sandown
Gt. Sandton

Private Bag X 313
PRETORIA
0001

marked for the attention of Director: Legal Services

Thus done and signed at CAPE TOWN this 23 day of OCTOBER 1997.

AS WITNESSES:

1. _____

_____
MINISTER OF WATER AFFAIRS AND FORESTRY

2. _____

Concurred at Johannesburg International Airport this 25th day of October 1997.

AS WITNESSES:

1. _____

_____
MINISTER OF FINANCE

2. _____

Komati Basin Water Authority

KOBWA

Private Placing Document

Private placing of

Komati Basin Water Authority (KOBWA)
Registered Loan Stock (Loan No. 1)
(13.50% coupon, redeemable on 31 October 2027)

to a maximum nominal value of R380 million

Financial arranger

Hambros Bank Limited (London)
(regulated by the SFA)

Issue manager and sponsoring member

Rand Merchant Bank Limited
(Registration number 68/13988/06)

Financial advisor

Price Waterhouse

Corporate Finance

(Registration number 70/03711/07)

Legal advisor

MCMXCIII
BRINK COHEN
LE ROUX & ROODT INC
ATTORNEYS

(Registration number 93/04501/21)

Auditors

Deloitte & Touche

Chartered Accountants (SA)

Date of placing document : 27 October 1997

Salient dates and times

Issue date	**Monday, 27 October 1997**
Payment	**Friday, 31 October 1997**

Definitions

In this placing document, unless otherwise stated or implied by the context, the words and phrases in the first column have the meaning stated opposite them in the second column:

"Bond Exchange"	the Bond Exchange of South Africa, a licenced financial exchange in terms of the Financial Markets Control Act, No. 55 of 1989;
"Bond Exchange System"	the electronic trade reporting, matching and settlement system operated by the Bond Exchange to facilitate electronic settlement of funds and scrip;
"business day"	any day except a Saturday, Sunday, public holiday or any other day declared by the executive committee of the Bond Exchange, and approved by the Registrar of Financial Markets, not to be a business day;
"Central Depository"	The Central Depository Limited (Reg. No. 91/00941/06) operating in terms of the Safe Deposit of Securities Act, No. 85 of 1992 for the immobilisation of securities;
"Financial advisor"	Price Waterhouse Corporate Finance (Pty) Limited (Reg. No. 70/03711/07), acting on behalf of KOBWA and the Joint Water Commission, in structuring and raising the required funds for the Maguga Dam Project;
"Financial arranger"	Hambros Bank Limited, being an overseas bank, regulated by The Securities and Futures Authority, for the conduct of investment business in the UK, appointed to arrange financing for KOBWA for the Maguga Dam Project, and underwriter of the placing of the bond issue;
"Government guarantee"	a guarantee issued by the Government of the Republic of South Africa on 25 October 1997 for the obligations of the issuer to pay interest and capital on the KOBWA stock;
"individual certificate holders"	stockholders whose KOBWA stock has not been immobilised at the Central Depository and who have been issued certificates in respect of the KOBWA stock allotted and issued to them;
"interest payment date"	30 April and 31 October in each year after the issue date and if such date is not a business day, the next succeeding business day, until the redemption date;
"issue amount"	the issue of KOBWA stock with a maximum nominal value of R380 million;
"issue date"	Monday, 27 October 1997, being the date of allotment and issue of the KOBWA stock forming part of the issue;
"issue manager"	RMB, being a member of the Bond Exchange;

"KOBWA" or "the issuer"	Komati Basin Water Authority, established in terms of the Water Act, No. 54 of 1956;
"KOBWA stock"	KOBWA Registered Loan Stock (Loan No.1) with an authorised nominal value of R380 million and classified as "loan stock" pursuant to the provisions of the Financial Markets Control Act, No. 55 of 1989;
"redemption date"	31 October 2027 or, if such date is not a business day, the next business day;
"registers"	the registers of stockholders kept by the settlement agents and the transfer secretaries;
"RMB"	Rand Merchant Bank Limited (Reg. No. 68/13988/06), a registered bank in terms of the Banks Act, No. 94 of 1990 and a member of the Bond Exchange;
"Rules"	the rules and directives of the Bond Exchange;
"settlement agent"	any one of the institutions approved by the executive committee of the Bond Exchange to perform electronic nett settlement of both funds and scrip on behalf of all market participants on the Bond Exchange;
"settlement date"	Friday, 31 October 1997, being the date upon which investors are required to pay for the KOBWA stock allotted and issued to them;
"stockholders"	the investors to which KOBWA stock has been allotted and issued;
"transfer secretaries"	Optimum Registrars (Pty) Ltd (Reg. No. 94/03973/07);
"Treaty"	The treaty on the development and utilisation of the water resources of the Komati River Basin between the Government of the Republic of South Africa and the Government of the Kingdom of Swaziland entered into on 13 March 1992; and
"trustee"	Jackson & Swanepoel attorneys, Nelspruit or such trustee as may be appointed by the directors of the issuer from time to time to enforce the Government guarantee on behalf of the stockholders.

Summary

Issue	KOBWA Registered Loan Stock (Loan No. 1), secured by a Government guarantee.
Purpose	The purpose of the issue is to raise funds, in terms of the Treaty, for Phase 1(b) of the Komati River Basin Development Project, for the construction of the Maguga Dam.
Amount	The issue will be for a maximum nominal value of R380 million allocated all or in part at the discretion of the issuer.
Security	The obligation of the issuer to pay interest and repay capital on the KOBWA stock Loan No.1 is explicitly guaranteed by the Government of the Republic of South Africa.
Interest rate (per annum)	13.50%
Period	30 years
Redemption date	31 October 2027
Redemption value	R100.00%
Interest payable	Interest is payable semi-annually in arrear on 30 April and 31 October in each year until the redemption date, with the first payment due on 30 April 1998 and the last payment due on 31 October 2027.
Registers closed	The registers will be closed from 31 March to 30 April and from 30 September to 31 October (all dates inclusive) in each year until the redemption date.
Date of issue	Monday, 27 October 1997, being the date of the issue of the KOBWA stock.
Payment date	Payment by investors must be made to their settlement agents on Friday, 31 October 1997 in accordance with the Rules.
Trading	The KOBWA issue will be listed on the Bond Exchange under the code "KW01".

Electronic Settlement	The KOBWA stock will be issued in accordance with the Rules. Settlement agents will follow the electronic settlement procedures prescribed by the Rules when making interest and capital payments. The Rules are available on request from the Bond Exchange. Interest and capital payments by the transfer secretaries to stockholders will be made by electronic funds transfer and cheques will only be issued to individual certificate holders on request. The issuer will issue a single KOBWA stock certificate which will be immobilised at the Central Depository in terms of the Rules. Certificates will only be issued to individual certificate holders on request to their settlement agents.
Blocked Rand	Blocked Rand may be used to purchase KOBWA stock subject to South African Exchange Control Regulations.

Background to Komati River Basin Development Project

The Komati River Basin Development Project is a joint development between the Government of the Republic of South Africa and the Government of the Kingdom of Swaziland and is governed by the Treaty entered into by the respective Governments on 13 March 1992 and ratified by both parties on 6 November 1992.

The purpose of the project is to promote rural development and to alleviate poverty in the lower Komati Valley by increasing the productivity of the land through irrigated agriculture. Water flows are to be regulated to meet existing and future water demands in the Komati Valley in both Swaziland and South Africa whilst recognising the right of downstream users in Mozambique to a reasonable and equitable share.

In terms of the Treaty, KOBWA is the executive body charged with the management of the project. The object of KOBWA is the design, construction, operation and maintenance of the project in accordance with the provisions of the Treaty as directed by the Joint Water Commission (JWC).

Background to the issue

Financing is sought by KOBWA to fund the projected cash outflows of the Maguga Dam project. The amount will cover infrastructure development and construction of the main dam. The site of the proposed Maguga Dam is approximately 12km south of Piggs Peak and about 8km downstream of the Mbabane/Piggs Peak road bridge over the Komati River in the Kingdom of Swaziland.

The Issuer

KOBWA was established in terms of section 138J(1) of the Water Act, 1956, by Government Notice 1545 of 20 August 1993 and is authorised in terms of the Treaty, to raise finance in order to comply with the obligations in terms of the Treaty.

The Issue

1. Purpose of the issue

The purpose of the issue is to raise funds, in terms of the Treaty for Phase 1(b) of the Komati River Basin Development Project, for the construction of the Maguga Dam.

2. Payment and certificates

2.1 Payment of the full price of the KOBWA stock allotted and issued to investors must be made on Friday, 31 October 1997 to their settlement agents, in the currency of the Republic of South Africa in terms of the Rules.

2.2 A single KOBWA stock certificate in respect of all the KOBWA stock allotted and issued to investors will be immobilised at the Central Depository in terms of the Rules.

2.3 On written application by a stockholder to its settlement agent the stockholder will be entitled to collect a certificate for the KOBWA stock, allotted and issued to it, from the offices of the settlement agent concerned.

2.4 The Central Depository and the individual certificate holders will be the registered stockholders. The transfer secretaries will list in their register the Central Depository and the individual certificate holders, and the settlement agents will keep registers of the stockholders whose stock has been immobilised at the Central Depository.

3. Trading

KOBWA stock will be listed on the Bond Exchange under the designation of "KW01".

Terms and conditions of the issue

1. Authorisation

1.1 The issue was approved by a resolution of the board of directors of the issuer dated 24 October 1997.

1.2 All KOBWA stock will be held and issued subject to the terms and conditions contained herein.

1.3 These terms and conditions are binding on the issuer and will be binding on each person whose name is entered in the registers.

2. Allotment and issue of KOBWA stock

2.1 The issue will be for a maximum nominal value of R380 million.

2.2 The issue will be made to investors in minimum nominal values of R1 million each.

2.3 All KOBWA stock shall rank pari passu in all respects with existing KOBWA debt then in issue from the respective dates of allotment and issue thereof.

3. Security

3.1 The obligation of the issuer to pay interest and repay capital on the KOBWA stock is explicitly guaranteed by the Government of the Republic of South Africa in terms of the Government guarantee.

3.2 The trustee has been appointed to enforce the Government Guarantee on behalf of stockholders.

4. Bond Exchange listing

The KOBWA stock will be listed on the Bond Exchange as an approved financial instrument in terms of the Financial Markets Control Act, No. 55 of 1989 and the Rules.

5. Certificates, register and transfers of KOBWA stock

5.1 A single KOBWA stock certificate in respect of the KOBWA stock allotted and issued to investors will be immobilised at the Central Depository in terms of the Rules.

5.2 An individual certificate for the KOBWA stock allotted and issued to any individual stockholder will only be issued to such stockholder on written application to its settlement agent, in which event the stockholder will be entitled to collect the certificate from the settlement agent concerned.

5.3 The Central Depository and the individual certificate holders will be the registered stockholders. The transfer secretaries will list in their register the Central Depository and the individual certificate holders, and the settlement agents will keep registers of the stockholders whose stock has been immobilised at the Central Depository.

5.4 Neither the settlement agents nor the transfer secretaries shall be bound to enter in their respective registers notice of any trust or to recognise any right of any other person to KOBWA stock other than the stockholders.

5.5 Transfers of KOBWA stock shall be done in terms of the Rules and in respect of individual certificate holders no transfer shall be registered in the register of the transfer secretaries unless the certificate and a form of transfer in the prescribed form have been lodged by the individual certificate holder with the transfer secretaries. Unless the issuer permits otherwise, KOBWA stock may only be transferred in multiples of R1 million nominal value.

6. Interest

6.1 Interest, at the rate of 13.50% per annum, will be paid semi-annually in arrear until 31 October 2027.

6.2 Interest payment dates will be 30 April and 31 October in each year up to and including the redemption date, and the first payment of interest will be made on 30 April 1998 calculated on a six-monthly basis.

6.3 The registers will be closed in each year up to the redemption date from 31 March to 30 April and from 30 September to 31 October (all dates inclusive) or such shorter period as market conditions may allow to determine those stockholders entitled to receive interest.

6.4 Interest payments will, subject to Exchange Control Regulations, be made in the currency of the Republic of South Africa by electronic funds transfer into the accounts of stockholders unless, in respect of individual certificate holders, contrary instructions are agreed with the transfer secretaries in advance.

6.5 As at the date of this placing document and in terms of current legislation, interest payments to non-residents are free of withholding tax.

7. Redemption of capital

7.1 The nominal value of KOBWA stock outstanding will be redeemed in full on 31 October 2027.

7.2 Redemption payments will, subject to the Exchange Control Regulations, be made in the currency of the Republic of South Africa on the redemption date by electronic transfer into the accounts of stockholders unless, in respect of individual certificate holders, contrary instructions are agreed with the transfer secretaries in advance.

7.3 No redemption payment in respect of KOBWA stock held by individual certificate holders will be made unless the certificate in respect of the KOBWA stock has been surrendered to the transfer secretaries.

8. Exchange Control Regulations

8.1 Former residents of the Common Monetary Area (being the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho) may use blocked funds to acquire KOBWA stock subject to South African Exchange Control Regulations.

8.2 All payments in respect of applications for KOBWA stock by non-residents using blocked funds must be made through an authorised dealer in foreign exchange.

8.3 KOBWA stock certificates issued to a non-resident individual stockholder whose registered address is outside the Common Monetary Area will be endorsed "non-resident" and will be sent to the authorised dealer through which the payment was made for their control in terms of the Exchange Control Regulations.

9. Electronic funds transfer

Interest and redemption payments will be made electronically into the accounts of stockholders. Neither the issuer nor its agents will be responsible for any loss in transmission. On written request by an individual certificate holder to the transfer secretaries, payments will be made by cheque. In such event, post-dated interest and redemption cheques will be posted to the individual certificate holders (unless contrary instructions have been agreed with the transfer secretaries), at the stockholder's risk, 14 days prior to the interest payment date or the redemption date, as the case may be.

10. Postal agents

Where cheques and certificates are posted, they will be posted to the registered address of individual certificate holders, provided that neither the issuer nor its agents will be responsible for any loss in delivery and the postal authorities will be deemed to be the agent of the individual certificate holders for the purpose of all such deliveries.

11. Document available for inspection

Copies of the audited annual financial statements of the issuer for its most recent financial year, a certified extract of the relevant Ministerial approvals including the Government Guarantee, and a copy of the KOBWA board resolution approving the issue are available for inspection on request at the offices of KOBWA and the trustee during normal business hours until the redemption date.

12. Information required to be disclosed in terms of the Commercial Paper Regulations published in Government Notice 2172 in Government Gazette 16167 of 14 December 1994

KOBWA is a going concern and can in all circumstances be reasonably expected to meet its commitments. The auditors of KOBWA are Deloitte and Touche, Chartered Accountants (SA). KOBWA has not previously issued any Commercial Paper. There has not been any material adverse change in KOBWA's financial position since its most recent financial year end.

13. Certificate by KOBWA's Auditors

In accordance with the Banks Act, 1990, we have performed certain procedures described below, regarding the issue of KOBWA registered loan stock ("Loan No. 1") with an authorised nominal value of R380 million, secured by a Republic of South Africa Government Guarantee. The financial information in the placing document is the responsibility of KOBWA's directors. Our responsibility is to report on the results of the procedures performed. Our procedures consisted of determining whether the placing document contained the disclosures required to be given in placing documents as promulgated in paragraph 3(5) of the Schedule to Government Notice 2172 published in Government Gazette 16167 of 14 December 1994, and whether the conditions set out in paragraphs 3(1) to 3(4) and 3(6) of the Schedule referred to above, for the issue of commercial paper, have been met. Our findings are that the placing document meets the conditions for commercial paper as specified above and that the required disclosures in the placing document have been made.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (SA)
27 October 1997

Signed at Johannesburg on behalf of KOBWA on 27 October 1997

Chief Executive
CRH CLANAHAN

Director
A. BELL

Corporate information

Issuer :

KOBWA
10b Brander Street,
Nelspruit, 1201
(P.O. Box 35085, Nelspruit,1200)

Telephone : (013) 752-3191
Fax : (013) 752-4704

Issue manager and sponsoring member:

Rand Merchant Bank Limited
1 Merchant Place
Cnr Fredman Drive & Rivonia Road
Sandton, 2196
(PO Box 786273, Sandton, 2146)

Telephone : (011) 269-9040
Fax : (011) 269-9598

Legal advisors:

Brink Cohen Le Roux & Roodt Inc
South Wing, PPS House
6 Anerley Road
Parktown, 2193
(P.O Box 2404, Houghton, 2041)

Telephone : (011) 486-1555
Fax : (011) 486-0303

Auditors :

Deloitte and Touche
4th Floor, Prorom Building
Brown Street
Nelspruit, 1201
(P.O Box 27, Nelspruit, 1200)

Telephone : (013) 752-7131
Fax : (013) 752-6357

Financial advisors:

Price Waterhouse
Corporate Finance (Pty) Ltd
90 Rivonia Road,
Sandown, 2196
(P.O. Box 783027, Sandton, 2146)

Telephone : (011) 780-2500
Fax : (011) 780-2095

Financial arranger:

Hambros Bank Limited
(regulated by the SFA)
41 Tower Hill
London EC3N 4HA

Telephone : (09) 44 171 480-5000
Fax : (09) 44 171 702-9725

Transfer secretaries :

Optimum Registrars (Pty) Limited
4th Floor, Edura House
40 Commissioner Str
Johannesburg, 2001
(P.O Box 62391, Marshalltown, 2107)

Telephone : (011) 834-1050
Fax : (011) 834-2446

Trustee:

Jackson & Swanepoel Attorneys
1st Floor, Nelcity
Paul Kruger Str
Nelspruit, 1201
(P.O Box 4550, Nelspruit, 1200)

Telephone : (013) 752-4908
Fax : (013) 752-4911