



## RAND WATER

*(Established under Transvaal Ordinance No 32 of 1903, as consolidated in the Rand Water Board Statutes (Private) Act, 1950, and now deemed to be established in terms of Section 84 of the Water Services Act, 1997)*

**ZAR5,000,000,000**

### **Rand Water Domestic Medium Term Note Programme**

Under this ZAR5,000,000,000 Rand Water Domestic Medium Term Note Programme (the "Programme"), the Rand Water (the "Issuer") may from time to time issue notes (the "Notes"), which expression shall include Senior Notes and Subordinated Notes (each as defined herein) denominated in any currency agreed by the Issuer and the relevant Dealer(s) (as defined herein) and further subject to all applicable laws and to the terms and conditions (the "Terms and Conditions") contained in this Programme Memorandum (the "Programme Memorandum") and, in the case of Notes listed on the Interest Rate Market of the JSE (as defined herein) or such other Financial Exchange(s) (as defined herein) as may be determined by the Issuer and the relevant authority, the listing requirements of the JSE or such other Financial Exchange(s). Any other terms and conditions not contained in the Terms and Conditions that are applicable to any Notes, replacing or modifying the Terms and Conditions, will be set forth in a pricing supplement (the "Applicable Pricing Supplement").

Capitalised terms used in this Programme Memorandum are defined in the section of this Programme Memorandum headed "Terms and Conditions of the Notes", unless separately defined, and/or in relation to a Tranche of Notes, in the Applicable Pricing Supplement.

This Programme Memorandum will apply to the Notes issued under the Programme in an aggregate outstanding Nominal Amount which will not exceed ZAR5,000,000,000 (or its equivalent in other currencies calculated as described herein) unless such amount is increased by the Issuer as set out in the section of this Programme Memorandum headed "General Description of the Programme".

The Notes may comprise, without limitation, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes and/or such combination of the foregoing Notes and/or such other type of Notes as may be determined by the Issuer and the relevant Dealer(s) and specified in the Applicable Pricing Supplement. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

This Programme Memorandum has been approved by the JSE. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to all applicable laws. Unlisted Notes may also be issued under the Programme. Claims against the BESA Guarantee Fund may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE in accordance with the rules of the BESA Guarantee Fund. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE or the BESA Guarantee Fund. Unlisted Notes are not regulated by the JSE. A copy of the Applicable Pricing Supplement relating to a Tranche of Notes which is to be listed on the Interest Rate Market of the JSE will be delivered to the JSE and the CSD, before the Issue Date, and the Notes in that Tranche may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement, in accordance with the Applicable Procedures. The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the CSD. The placement of a Tranche of unlisted Notes may (at the sole discretion of the Issuer) be reported through the JSE reporting system, in which event the settlement of trades in such Notes will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades done through the JSE. The settlement and redemption procedures for a Tranche of Notes listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

The Notes may be issued on a continuing basis and be placed by one or more of the Dealers specified under the section headed "Summary of Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. References in this Programme Memorandum to the "relevant Dealer" shall, in the case of Notes being (or intended to be) placed by more than one Dealer, be to all Dealers agreeing to place such Notes.

As at the Programme Date, the Issuer is rated. The Programme, however, is not rated as at the Programme Date, but may be rated by a Rating Agency, on a national or international scale basis after the Programme Date. A Tranche of Notes may also, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating which has been assigned to the Issuer and/or, if applicable, to the Programme and/or a Tranche of Notes, as the case may be, as well as the Rating Agency or Rating Agencies which assigned such Rating(s).

*Arrangers*

**NEDBANK CAPITAL, a division of NEDBANK LIMITED  
QUARTILE CAPITAL (PROPRIETARY) LIMITED**

*Dealers*

**INVESTEC BANK LIMITED  
NEDBANK CAPITAL, a division of NEDBANK LIMITED  
QUARTILE CAPITAL (PROPRIETARY) LIMITED**

Programme Memorandum dated 9 December 2010.

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## GENERAL

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*Words used in this section headed "General" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

The Issuer accepts full responsibility for the information contained in this Programme Memorandum. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Programme Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer, having made all reasonable enquiries, confirms that this Programme Memorandum contains or incorporates all information which is material in the context of the issue and the offering of Notes, that the information contained or incorporated in this Programme Memorandum is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Programme Memorandum are honestly held and that there are no other facts, the omission of which would make this Programme Memorandum or any of such information or expression of any such opinions or intentions misleading in any material respect.

The Arrangers, the Dealers, the Sponsor, other professional advisers named herein and the JSE have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arrangers, the Dealers, the Sponsor, other professional advisers or the JSE as to the accuracy or completeness of the information contained or incorporated by reference into this Programme Memorandum or any other information provided by the Issuer. The Arrangers, the Dealers, the Sponsor, other professional advisers and the JSE do not accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Programme Memorandum or any other document entered into in relation to the Programme or any other information supplied by the Issuer in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arrangers, the Dealers, the Sponsor, other professional advisers or the JSE.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme is intended to provide a basis for any credit or other evaluation, or should be considered as a recommendation by the Issuer, the Arrangers, the Dealers, the Sponsor, other professional advisers or the JSE that any recipient of this Programme Memorandum or any other information supplied in connection with the Programme should subscribe for, or purchase, any Notes.

Each person contemplating the subscription for, or purchase of, any Notes should determine for itself the relevance of the information contained in this Programme Memorandum and should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and its subscription for, or purchase of, Notes should be based upon any such investigation as it deems necessary. Neither this Programme Memorandum nor any Applicable Pricing Supplement nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer, the Arrangers, the Dealers, the Sponsor, or the JSE to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Programme Memorandum nor any Applicable Pricing Supplement nor the offering, sale or delivery of any Note shall at any time imply or constitute any representation that there has been no change in the information contained herein or the affairs of the Issuer are correct at any time subsequent to the Programme Date or that any other financial statements or other information supplied in connection with the Programme is correct at any time subsequent to the Programme Date indicated in the document containing the same. The Arrangers, the Dealers, the Sponsor, other professional advisers and the JSE expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, *inter alia*, the most recent financial statements, if any, of the Issuer, when deciding whether or not to subscribe for, or purchase, any Notes.

Neither this Programme Memorandum nor any Applicable Pricing Supplement constitutes an offer to sell or the solicitation of an offer to buy or an invitation by the Issuer to subscribe for or purchase any Notes. The distribution of this Programme Memorandum and any Applicable Pricing Supplement and the issue, sale or offer of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this

Programme Memorandum or any Applicable Pricing Supplement or any Notes come are required by the Issuer, the Arrangers, the Dealers, the Sponsor, other professional advisers and the JSE to inform themselves about, and observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Programme Memorandum or any Applicable Pricing Supplement and other offering materially relating to the Notes, see the section headed "*Subscription and Sale*".

None of the Issuer, the Arrangers, the Dealers, the Sponsor, other professional advisers nor the JSE represents that this Programme Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers, the Dealers, the Sponsor, other professional advisers or the JSE which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement nor other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. The Dealers have represented that all offers and sales by them will be made on the same terms.

**The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "Securities Act"). Notes may not be offered, sold or delivered within the United States or to U.S. persons except in accordance with Regulation S under the Securities Act.**

**In connection with the issue and distribution of any Tranche of Notes under the Programme, the Dealer, if any, that is specified in the Applicable Pricing Supplement as the Stabilising Manager (or any person acting for the Stabilising Manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the listing requirements of the JSE and approved by the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.**

The price/yield and amount of a Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

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## DOCUMENTS INCORPORATED BY REFERENCE

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*Words used in this section headed "Documents Incorporated by Reference" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.*

The following documents shall be deemed to be incorporated in, and to form part of, this Programme Memorandum:

- (a) all amendments and supplements to this Programme Memorandum prepared and circulated by the Issuer from time to time;
- (b) in respect of any issue of Notes under the Programme, the audited annual financial statements of the Issuer, for their three financial years prior to the date of such issue and each of the Issuer's audited annual financial statements released subsequent to such issue of the Notes;
- (c) in respect of any issue of Notes under the Programme, the published annual report (incorporating its audited annual financial statements, together with reports and the notes thereto) of the Issuer and attached to or intended to be read with such financial statements of the Issuer for its three financial years prior to the date of such issue and each of the Issuer's audited annual financial statements released subsequent to such issue of the Notes;
- (d) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme; and
- (e) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which is (i) electronically submitted by the Securities Exchange News Service ("SENS") established by the JSE, to SENS subscribers, if required and/or (ii) available on any electronic news service established or used or required by the JSE,

save that any statement contained in this Programme Memorandum or in any of the documents incorporated by reference in and forming part of this Programme Memorandum shall be deemed to be modified or superseded for the purpose of this Programme Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will provide at the registered office of the Issuer as set out at the end of this Programme Memorandum, without charge a copy of any or all of the documents which are incorporated herein by reference, unless such documents have been modified or superseded, in which case the modified or superseding documentation will be provided. Should any person have difficulty in attaining the documents incorporated by reference, they may contact the JSE for assistance. Requests for such documents should be directed to the Issuer at its registered office as set out at the end of this Programme Memorandum. The audited annual financial statements and unaudited interim financial statements of the Issuer are also available on the Issuer's website, [www.randwater.co.za](http://www.randwater.co.za). This Programme Memorandum is also available on the JSE's website, [www.jse.co.za](http://www.jse.co.za).

Subject to the JSE Debt Listings Requirements the Issuer will, for so long as any Note remains outstanding and listed on the Interest Rate Market of the JSE, publish a new Programme Memorandum or a supplement to this Programme Memorandum, as the case may be, if:

- (a) a change in the condition (financial or otherwise) of the Issuer has occurred which is material in the context of the Notes and the Issuer's payment obligations thereunder; or
- (b) an event has occurred which reasonably affects any matter contained in this Programme Memorandum, the disclosure of which would reasonably be required by Noteholders and/or potential investors in the Notes; or
- (c) any of the information contained in this Programme Memorandum becomes outdated in a material respect; or
- (d) this Programme Memorandum no longer contains all the material correct information required by the Applicable Procedures,

provided that, in the circumstances set out in paragraphs (c) and (d) above, no new Programme Memorandum or supplement to this Programme Memorandum, as the case may be, is required in respect of the Issuer's audited annual financial statements if such audited annual financial statements are incorporated by reference into this

Programme Memorandum and such audited annual financial statements are published, and submitted to the JSE within 6 (six) months after the financial year end of the Issuer.

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## GENERAL DESCRIPTION OF THE PROGRAMME

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*Words used in this section headed "General Description of the Programme" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

The Issuer may from time to time issue one or more Tranches of Notes under the Programme, pursuant to this Programme Memorandum and applicable laws (including, but not limited to, the provisions of the PFMA, the Treasury Regulations and the Water Services Act, the applicable policy directives issued by the Minister of Finance and where required, to the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations) provided that the aggregate outstanding Nominal Amount of all of the Notes issued under the Programme from time to time does not exceed the Programme Amount.

A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to applicable laws. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange. If the Issuer issues a Tranche of unlisted Notes or a Tranche of Notes is listed on any Financial Exchange other than (or in addition to) the JSE, the Issuer will, by no later than the last day of the month of issue of that Tranche of Notes, inform the JSE in writing of the aggregate Nominal Amount and the Maturity Date (if any) of that Tranche of Notes.

This Programme Memorandum and any supplement will only be valid for the issue of Notes in an aggregate Nominal Amount which, when added to the aggregate Nominal Amount then outstanding of all the Notes previously or simultaneously issued under the Programme, does not exceed ZAR5,000,000,000 or its equivalent in other currencies. For the purpose of calculating the South African Rand equivalent of the aggregate Nominal Amount of the Notes issued under the Programme from time to time, the South African Rand equivalent of the Notes denominated in another Specified Currency (as specified in the Applicable Pricing Supplement) shall be determined as of the date of agreement to issue such Notes (the "Agreement Date") on the basis of the closing spot rate for the sale of the South African Rand against the purchase of such Specified Currency in the South African foreign exchange market quoted by any leading bank selected by the Issuer on the Agreement Date (the "Conversion Rate") and in respect of:

- (a) Zero Coupon Notes and other Notes, the Conversion Rate shall be applied to the net subscription proceeds received by the Issuer for the relevant issue; and
- (b) Partly-Paid Notes and Index-Linked Notes, the Conversion Rate shall be applied to the Nominal Amount regardless of the amount paid up on such Notes.

From time to time the Issuer may wish to increase the Programme Amount. Subject to the Applicable Procedures, all applicable laws and the Programme Agreement (as defined in the section headed "*Subscription and Sale*"), the Issuer may, without the consent of Noteholders, increase the Programme Amount by delivering a notice thereof to the Noteholders in accordance with Condition 18 (*Notices*) of the Terms and Conditions, and to the Arrangers and the Dealers. Upon such notice being given to the Noteholders and the conditions set out in the Programme Agreement to the exercise of this right having been met, all references in this Programme Memorandum (and each agreement, deed or document relating to the Programme and/or this Programme Memorandum) to the Programme Amount will be, and will be deemed to be, references to the increased Programme Amount set out in such notice.

As at the Programme Date, the Issuer is rated. The Programme, however, is not rated as at the Programme Date, but may be rated by a Rating Agency, on a national or international scale basis after the Programme Date. A Tranche of Notes may also, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating which has been assigned to Issuer and/or, if applicable, to the Programme and/or a Tranche of Notes, as the case may be, as well as the Rating Agency or Rating Agencies which assigned such Rating or Ratings. A Rating is not a recommendation to subscribe for, buy, sell or hold any Notes. A Rating of the Programme and/or a Rating of a Tranche of Notes may be subject to revision, suspension or withdrawal at any time by the Rating Agency.

This Programme Memorandum will only apply to Notes issued under the Programme on or after the Programme Date.

A summary of the Programme and the Terms and Conditions appears below.

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## SUMMARY OF THE PROGRAMME

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*The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Programme Memorandum and, in relation to the Terms and Conditions of any particular Tranche of Notes, the Applicable Pricing Supplement. Words and expressions defined in the Terms and Conditions shall have the same meanings in this summary.*

### PARTIES

|                          |  |
|--------------------------|--|
| <b>Issuer</b>            | Rand Water, established under Transvaal Ordinance No. 32 of 1903, as consolidated in the Rand Water Board Statutes (Private) Act and deemed to be established in terms section 84 of the Water Services Act.   |
| <b>Arrangers</b>         | Nedbank Capital, a division of Nedbank Limited (Registration Number 1951/000009/06) (“ <b>Nedbank Capital</b> ”), a public company with limited liability, duly incorporated in accordance with the laws of South Africa; and<br><br>Quartile Capital (Proprietary) Limited (Registration Number 2005/016810/07) (“ <b>Quartile Capital</b> ”), a private company with limited liability, duly incorporated in accordance with the laws of South Africa.   |
| <b>Dealers</b>           | Investec Bank Limited (Registration Number 1969/004763/06) (“ <b>Investec Bank</b> ”), a public company with limited liability, duly incorporated in accordance with the laws of South Africa;<br><br>Nedbank Capital;<br><br>Quartile Capital; and<br><br>any additional Dealer appointed under the Programme by the Issuer from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer’s right to terminate the appointment of such Dealer. |
| <b>Transfer Agent</b>    | Nedbank Capital, or such other entity appointed by the Issuer as Transfer Agent, in which event that other entity will act as Transfer Agent, as specified in the Applicable Pricing Supplement.   |
| <b>Paying Agent</b>      | Nedbank Investor Services, a division of Nedbank Limited (Registration Number 1951/000009/06), a public company with limited liability, duly incorporated in accordance with the laws of South Africa,, or such other entity appointed by the Issuer as Paying Agent, in which event that other entity will act as Paying Agent, as specified in the Applicable Pricing Supplement.  |
| <b>Settlement Agent</b>  | Nedbank Limited (Registration Number 1951/000009/06), a public company with limited liability, duly incorporated in accordance with the laws of South Africa, or such other entity appointed a Participant in terms of the rules of the JSE and/or any Financial Exchange to perform electronic settlement of both funds and scrip on behalf of market participants.   |
| <b>Calculation Agent</b> | Nedbank Capital, or such other entity appointed by the Issuer as Calculation Agent, in which event that other entity will act as Calculation Agent, as specified in the Applicable Pricing Supplement.   |
| <b>Sponsor</b>           | Nedbank Capital, or such other entity appointed by Issuer from time to time.   |



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|---------------------------------|---|
| <b>CSD</b>                      | Strate Limited (Registration Number 1998/022242/06), registered as a central securities depository in terms of the Securities Services Act or such additional, alternative or successor central securities depository as may be agreed between the Issuer and the relevant Dealer(s).   |
| <b>JSE</b>                      | JSE Limited (Registration Number 2005/022939/06), a licensed financial exchange in terms of the Securities Services Act or any exchange which operates as a successor exchange to the JSE.  |
| <b>GENERAL</b>                  |   |
| <b>Blocked Rand</b>             | Blocked Rand may be used to subscribe for, or purchase, Notes, subject to the Exchange Control Regulations.   |
| <b>Clearing and Settlement</b>  | Each Tranche of Notes which is held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. The CSD acts as the approved electronic clearing house, and carries on the role of matching, clearing and facilitation of settlement of all transactions carried out on the JSE. Each Tranche of Notes which is held in the CSD will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD (see the section of this Programme Memorandum headed " <i>Settlement, Clearing and Transfers of Notes</i> "). |
| <b>Cross-Default</b>            | The terms of the Senior Notes will contain a cross-default provision relating to Indebtedness for money borrowed having an aggregate outstanding amount equal to at least 5% (five percent) of the total assets of the Issuer as set out in the Issuer's most recent published audited financial statements, from time to time (or its equivalent in any other currency or currencies), or any guarantee of or indemnity in respect of any such indebtedness as further described in Condition 16.1.4.  |
| <b>Denomination</b>             | Notes will be issued in such denominations as may be agreed by the Issuer and the relevant Dealer(s) and as indicated in the Applicable Pricing Supplement, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank or regulator or any laws or regulations applicable to the Notes.   |
| <b>Description of Programme</b> | Rand Water ZAR5,000,000,000 Domestic Medium Term Note Programme.  |
| <b>Distribution</b>             | Notes may be distributed by way of private placement, auction, bookbuild or any other means permitted under South African law, and in each case on a syndicated or non-syndicated basis as may be determined by the Issuer and the relevant Dealer(s) and reflected in the Applicable Pricing Supplement.   |
| <b>Form of Notes</b>            | Each Tranche of Notes which is listed on the Interest Rate Market of the JSE and each Tranche of unlisted Notes will be issued in uncertificated form, and will be held in the CSD. The holder of a Beneficial Interest may exchange such Beneficial Interest for Notes in certificated form represented by an Individual Certificate (see the section of this Programme Memorandum headed " <i>Form of the Notes</i> ").   |
| <b>Governing Law</b>            | The Terms and Conditions and the Notes will be governed by and construed in accordance with the laws of South Africa in force from time to time.  |

|  |   |                         |  |                            |  |
|--|---|-------------------------|--|----------------------------|--|
| <b>Interest</b>                                    | Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked, and the method of calculating interest between the Issue Date and the Maturity Date will be determined in terms of Condition 8 ( <i>Interest</i> ) of the Terms and Conditions.   |                         |  |                            |  |
| <b>Interest Period(s)/Interest Payment Date(s)</b> | The Interest Rate, Interest Payment Date(s) and Interest Period(s), if any, applicable to a Tranche of Notes will be specified in the Applicable Pricing Supplement.  |                         |  |                            |  |
| <b>Issue and Transfer Taxes</b>                    | As at the Programme Date, no securities transfer tax or any similar tax is payable in respect of the issue, transfer or redemption of the Notes (see the section of this Programme Memorandum headed " <i>South African Taxation</i> "). Any future transfer duties and/or taxes that may be introduced in respect of (or that may be applicable to) the transfer of Notes will be for the account of Noteholders.  |                         |  |                            |  |
| <b>Issue Price</b>                                 | Notes may be issued on a fully paid or a partly paid basis and at their Nominal Amount or at a discount or premium to their Nominal Amount as specified in the Applicable Pricing Supplement.   |                         |  |                            |  |
| <b>Listing</b>                                     | This Programme Memorandum has been approved by the JSE. Notes issued under the Programme may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer and the Dealer(s), subject to all applicable laws. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange(s).  |                         |  |                            |  |
| <b>Maturities of Notes</b>                         | Such maturity(ies) as specified in the Applicable Pricing Supplement. The Notes are not subject to any minimum or maximum maturity.   |                         |  |                            |  |
| <b>Negative Pledge</b>                             | Senior Notes will have the benefit of a negative pledge as described in Condition 7 ( <i>Negative Pledge</i> ) of the Terms and Conditions.   |                         |  |                            |  |
| <b>Notes</b>                                       | Notes may comprise: <table border="0" style="margin-left: 20px;"> <tr> <td style="vertical-align: top;"><b>Fixed Rate Notes</b></td> <td>Fixed Rate interest will be payable in arrears on such date or dates as may be agreed between the Issuer and the relevant Dealer(s), as indicated in the Applicable Pricing Supplement and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).</td> </tr> <tr> <td style="vertical-align: top;"><b>Floating Rate Notes</b></td> <td>Floating Rate Notes will bear interest calculated at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quoting service; or (iii) on such other basis as may</td> </tr> </table> | <b>Fixed Rate Notes</b> | Fixed Rate interest will be payable in arrears on such date or dates as may be agreed between the Issuer and the relevant Dealer(s), as indicated in the Applicable Pricing Supplement and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s). | <b>Floating Rate Notes</b> | Floating Rate Notes will bear interest calculated at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quoting service; or (iii) on such other basis as may |
| <b>Fixed Rate Notes</b>                            | Fixed Rate interest will be payable in arrears on such date or dates as may be agreed between the Issuer and the relevant Dealer(s), as indicated in the Applicable Pricing Supplement and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).  |                         |  |                            |  |
| <b>Floating Rate Notes</b>                         | Floating Rate Notes will bear interest calculated at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quoting service; or (iii) on such other basis as may  |                         |  |                            |  |

be agreed between the Issuer and the relevant Dealer(s), as indicated in the Applicable Pricing Supplement.

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes, as indicated in the Applicable Pricing Supplement.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both, as indicated in the Applicable Pricing Supplement.

The Interest Period for Floating Rate Notes may be 1 (one), 2 (two), 3 (three), 6 (six) or 12 (twelve) months or such other period as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

**Zero Coupon Notes**

Zero Coupon Notes will be issued at their Nominal Amount or at a discount to it and will not bear interest (except in the case of late payment as specified).

**Index-Linked Notes**

Payments (whether in respect of interest on Indexed Interest Notes or in respect of principal on Indexed Redemption Amount Notes and whether at maturity or otherwise) will be calculated by reference to such index and/or formula as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

**Dual Currency Notes**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

**Mixed Rate Notes**

Mixed Rate Notes will bear interest over respective periods at the rates applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index-Linked Notes or Dual Currency Notes, each as specified in the Applicable Pricing Supplement.

**Instalment Notes**

The Applicable Pricing Supplement will set out the dates on which, and the amounts in which, Instalment Notes may be redeemed.

**Partly Paid Notes**

The Issue Price will be payable in two or more instalments as set out in the Applicable Pricing Supplement.

**Other Notes**

Terms applicable to any other type of Notes that are approved by the JSE, or its

successor, or such other or further exchange or exchanges as may be selected by the Issuer in relation to an issue of listed Notes, or as agreed between the Issuer and the relevant Dealer(s) in respect of unlisted Notes, will be set out in the Applicable Pricing Supplement.

## **Noteholders**

The holders of Notes which are recorded as the registered Noteholders of those Notes in the Register. The CSD's Nominee will be named in the Register as the registered Noteholder of each Tranche of Notes which is held in the CSD. Each holder of Notes which is represented by an Individual Certificate will be named in the Register as the registered Noteholder of such Notes.

## **Rating**

As at the Programme Date, the Issuer is rated. The Programme, however, is not rated as at the Programme Date, but may be rated by a Rating Agency, on a national scale or international scale basis after the Programme Date. A Tranche of Notes may also, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. If agreed with the relevant Dealers, unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating which has been assigned to the Issuer and/or, if applicable, to the Programme and/or a Tranche of Notes, as the case may be, as well as the Rating Agency or Rating Agencies which assigned such Rating(s).

A Rating is not a recommendation to subscribe for, buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the Rating Agency. Any adverse change in the Rating of the Issuer and/or the Programme and/or a Tranche of Notes, as the case may be, could adversely affect the trading price of all or any of the Notes.

## **Redemption**

A tranche of Notes will, subject to the Applicable Pricing Supplement, be redeemed on the Maturity Date, as set out in Condition 10 (*Redemption and Purchase*).

If so specified in the Applicable Pricing Supplement, the Issuer may redeem the Notes of any Tranche at any time prior to the Maturity Date following the occurrence of a change in law and/or for tax reasons.

If "*Early Redemption at the Option of the Issuer*" is specified as applicable in the Applicable Pricing Supplement or pursuant to Condition 10.3 (*Redemption at the Option of the Issuer*), the Issuer may having given not less than 30 (thirty) days' irrevocable notice (or such other period of notice as may be specified in the Applicable Pricing Supplement) to the Noteholders in accordance with Condition 18 (*Notices*) redeem the Tranche of Notes on any Optional Redemption Date(s).

If "*Redemption in the event of a Change of Control*" is specified as being applicable in the Applicable Pricing Supplement and (a) a Change of Control occurs; and (b) within the Change of Control Period (i) a Rating Downgrade occurs in relation to the Issuer and/or the Programme and/or any Tranche of Notes rated by a Rating Agency, as the case may be (a "**Change of Control Event**"); and (ii) and the relevant Class of Noteholders resolve by way of an Extraordinary Resolution to have their Notes redeemed by the Issuer, then each Noteholder in that Class of Noteholders shall have the option to require the Issuer to redeem each Note held by that Noteholder at its Early Redemption Amount together with accrued interest (if any) on the Mandatory Redemption Date,

in accordance with Condition 10.4 (*Redemption in the event of a Change of Control*).

#### **Regulatory Environment**

The Issuer is subject to government regulation in South Africa (see the section headed "*Risk Factors*").

Public Finance Management Act, 1999 ("**PFMA**"): The Issuer is a "*public entity*" for purposes of the PFMA and is accordingly subject to the provisions of the PFMA. A "*public entity*" may only, among other things, borrow money through its "*accounting authority*". The board of directors of the Issuer is the "*accounting authority*". The Issuer, when it is authorised to borrow money by the board of directors of the Issuer, must submit to the Minister of Finance, on an annual basis, a "*borrowing programme*" for the relevant year.

#### **Selling Restrictions**

The distribution of this Programme Memorandum and/or any Applicable Pricing Supplement and any offering or sale of or subscription for a Tranche of Notes may be restricted by law in certain jurisdictions, and is restricted by law in the United States of America, the United Kingdom, the European Economic Area and South Africa (see the section of this Programme Memorandum headed "*Subscription and Sale*"). Any other or additional restrictions which are applicable to the placing of a Tranche of Notes will be set out in the Applicable Pricing Supplement. Persons who come into possession of this Programme Memorandum and/or any Applicable Pricing Supplement must inform themselves about and observe all applicable selling restrictions.

#### **Size of the Programme**

As at the Programme Date, the Programme Amount is ZAR5,000,000,000. This Programme Memorandum will only apply to Notes issued under the Programme in an aggregate outstanding Nominal Amount which does not exceed the Programme Amount. The Issuer may increase the Programme Amount in the manner set out in the section of this Programme Memorandum headed "*General Description of the Programme*".

#### **Specified Currency**

South African Rand or, subject to all applicable laws and, in the case of Notes listed on the Interest Rate Market of the JSE and the listing requirements of the JSE, such other currency as is specified in the Applicable Pricing Supplement.

#### **Stabilisation**

In connection with the issue and distribution of any Tranche of Notes under the Programme, the Dealer, if any, that is specified in the Applicable Pricing Supplement as the Stabilising Manager (or any person acting for the Stabilising Manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the listing requirements of the JSE and approved by the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

#### **Status of Senior Notes**

The Senior Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (subject to Condition 7 (*Negative Pledge*)) and save for certain debts

required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

**Status and Characteristics relating to Subordinated Notes**

The Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank *pari passu* among themselves and will rank at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer.

Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound up or is subject to business rescue proceedings, then and in any such event the claims of the persons entitled to be paid amounts due in respect of the Subordinated Notes shall be subordinated to all other claims in respect of any other indebtedness of the Issuer including the claims of Senior Noteholders except for other Subordinated Indebtedness of the Issuer, to the extent that, in any such event, and provided as aforesaid, no amount shall be eligible for setting-off or shall be payable to any or all of the persons entitled to be paid amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, liquidation, winding-up or business rescue proceedings (other than Subordinated Indebtedness) has been paid or discharged in full.

**Taxation**

A summary of the applicable Tax legislation in respect of the Notes, as at the Programme Date, is set out in the section of this Programme Memorandum headed "*South African Taxation*". The summary does not constitute tax advice. Potential investors in the Notes should, before making an investment in the Notes, consult their own professional advisers as to the potential tax consequences of, and their tax positions in respect of, an investment in the Notes.

**Use of Proceeds**

The Issuer will use the issue proceeds of the Notes for its general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement.

**Withholding Taxes**

As at the Programme Date, all payments of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of any Taxes levied in South Africa. In the event that any such withholding or deduction is required by applicable law, then the Issuer will, subject to certain exceptions as provided in Condition 11 (*Taxation*), pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction.

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## FORM OF THE NOTES

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*Words used in this section headed "Form of the Notes" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.*

### ***Notes issued in certificated form***

A Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or lodged and immobilised in the CSD may, subject to applicable laws and the Applicable Procedures, be issued in certificated form. If applicable, each such Tranche of Notes will be represented by a single Global Certificate in registered form, and the CSD's Nominee will be named in the Register as the registered Noteholder of such Tranche of Notes (see "*Beneficial Interests in Notes held in the CSD*" below). Unlisted notes may be lodged and immobilised in the CSD, in the form of a Global Certificate.

Each Global Certificate will be physically deposited with and lodged in the CSD.

All certificated Notes which are not represented by a Global Certificate, will be represented by a single Individual Certificate in registered form. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

Title to Notes represented by Certificates will pass upon registration of transfer in accordance with Condition 14.2 (*Transfer of Notes represented by Certificates*) of the Terms and Conditions.

The Issuer shall regard the Register as the conclusive record of title to the Notes represented by Certificates.

Payments of all amounts due and payable in respect of Notes represented by Certificates will be made in accordance with Condition 9 (*Payments*) of the Terms and Conditions to the person reflected as the registered Noteholder of such Notes in the Register at 17h00 (South African time) on the Last Day to Register, and the payment obligations of the Issuer will be discharged by proper payment to or to the order of such registered holder in respect of each amount so paid.

### ***Notes issued in uncertificated form***

A Tranche of Notes which is listed on the Interest Rate Market of the JSE may, subject to applicable laws and Applicable Procedures, be issued in uncertificated form in terms of section 37 of the Securities Services Act.

Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche of Notes issued in uncertificated form will be held by the CSD, and the CSD's Nominee will be named in the Register as the registered Noteholder of that Tranche of Notes.

### ***Beneficial Interests in Notes held in the CSD***

A Tranche of Notes which is listed on the Interest Rate Market of the JSE will either be issued in certificated form and lodged in the CSD under a Global Certificate or be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may also be lodged in the CSD. While a Tranche of Notes is held in the CSD, the CSD's Nominee will be named in the Register as the sole Noteholder of the Notes in that Tranche.

The CSD will hold each Tranche of Notes subject to the Securities Services Act and the Applicable Procedures. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.

The CSD maintains central securities accounts only for Participants. As at the Programme Date, the Participants are Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. Beneficial Interests which are held by Participants will be held directly through the CSD, and the CSD will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the CSD for such Participants.

The Participants are in turn required to maintain securities accounts for their clients. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests in the Notes or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants. Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme, (Clearstream Luxembourg) ("**Clearstream**") may hold Notes through their Participant.

In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular outstanding Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the outstanding Nominal Amount of such Notes standing to the account of any person shall be *prima facie* proof of such Beneficial Interest. The CSD's Nominee (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that outstanding Nominal Amount of such Notes for all purposes.

Title to Beneficial Interests held by Participants directly through the CSD will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Title to Beneficial Interests held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the security accounts maintained by such Participants for such clients. Beneficial Interests may be transferred only in accordance with the Applicable Procedures. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

The holder of a Beneficial Interest will only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 12 (*Exchange of Beneficial Interests and Replacement of Certificates*) of the Terms and Conditions.



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**PRO FORMA APPLICABLE PRICING SUPPLEMENT**

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Set out below is the form of Applicable Pricing Supplement that will be completed for each Tranche of Notes issued under the Programme:

**RAND WATER**

*(Established under Transvaal Ordinance No 32 of 1903, as consolidated in the Rand Water Board Statutes (Private) Act, 1950, and now deemed to be established in terms of Section 84 of the Water Services Act, 1997)*

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
Under its ZAR5,000,000,000 Domestic Medium Term Note Programme**

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, dated 9 December 2010, prepared by Rand Water in connection with the Rand Water ZAR5,000,000,000 Domestic Medium Term Note Programme, as amended and/or supplemented from time to time (the “**Programme Memorandum**”).

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the section of the Programme Memorandum headed “*Terms and Conditions of the Notes*”.

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

**PARTIES**

|                      |            |
|----------------------|------------|
| 1. Issuer            | Rand Water |
| 2. Dealer(s)         | [ ]        |
| 3. Managers          | [ ]        |
| 4. Paying Agent      | [ ]        |
| Specified Address    | [ ]        |
| 5. Calculation Agent | [ ]        |
| Specified Address    | [ ]        |
| 6. Transfer Agent    | [ ]        |
| Specified Address    | [ ]        |

**PROVISIONS RELATING TO THE NOTES**

|                               |  |
|-------------------------------|--|
| 7. Status of Notes            | [Senior/Subordinated]<br>[Secured/Unsecured] |
| 8. Form of Notes              | [Listed/Unlisted] Registered Notes           |
| 9. Series Number              | [ ]  |
| 10. Tranche Number            | [ ]  |
| 11. Aggregate Nominal Amount: |  |
| (a) Series                    | [ ]  |
| (b) Tranche                   | [ ]  |
| 12. Interest                  | [Interest-bearing/Non-interest bearing]      |



- (d) Minimum Rate of Interest [ ] percent per annum
  - (e) Maximum Rate of Interest [ ] percent per annum
  - (f) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision) [ ]
30. Manner in which the Rate of Interest is to be determined [ISDA Determination / Screen Rate Determination/other – insert details]
31. Margin [(...) basis points to be added to/subtracted from the relevant ISDA Rate / Reference Rate]
32. If ISDA Determination:
- (a) Floating Rate [ ]
  - (b) Floating Rate Option [ ]
  - (c) Designated Maturity [ ]
  - (d) Reset Date(s) [ ]
  - (e) ISDA Definitions to apply [ ]
33. If Screen Determination:
- (a) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated) [ ]
  - (b) Interest Rate Determination Date(s) [ ]
  - (c) Relevant Screen Page and Reference Code [ ]
34. If Rate of Interest to be calculated otherwise than by ISDA Determination or Screen Determination, insert basis for determining Rate of Interest/Margin/Fallback provisions [ ]
35. Calculation Agent responsible for calculating amount of principal and interest [ ]

**ZERO COUPON NOTES**

36. (a) Implied Yield [ ]
- (b) Reference Price Percent [NACA] [NACM] [NACQ] [NACS] [other method of compounding]
- (c) Any other formula or basis for determining amount(s) payable [ ]

**PARTLY PAID NOTES**

37. (a) Amount of each payment comprising the Issue Price [ ]
- (b) Dates upon which each payment is to be made by Noteholder [ ]
- (c) Consequences (if any) of failure to make any such payment by Noteholder [ ]

- (d) Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments [ ] percent per annum

#### INSTALMENT NOTES

38. Instalment Dates [ ]
39. Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes) [ ]

#### MIXED RATE NOTES

40. Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for:
- (a) Fixed Rate Notes [ ]
- (b) Floating Rate Notes [ ]
- (c) Index-Linked Notes [ ]
- (d) Dual Currency Notes [ ]
- (e) Other Notes [ ]
41. The interest rate and other pertinent details are set out under the headings relating to the applicable forms of Notes

#### INDEX-LINKED NOTES

42. (a) Type of Index-Linked Notes [Indexed Interest Notes / Indexed Redemption Amount Notes]
- (b) Index/Formula by reference to which Interest Rate / Interest Amount is to be determined [ ]
- (c) Manner in which the Interest Rate / Interest Amount is to be determined [ ]
- (d) Interest Period(s) [ ]
- (e) Interest Payment Date(s) [ ]
- (f) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable [ ]
- (g) Definition of Business Day (if different from that set out in Condition 1 (*Interpretation*)) [ ]
- (h) Minimum Rate of Interest [ ] percent per annum
- (i) Maximum Rate of Interest [ ] percent per annum
- (j) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision) [ ]

#### DUAL CURRENCY NOTES

43. (a) Type of Dual Currency Notes [Dual Currency Interest/Dual Currency Redemption Amount] Notes

- (b) Rate of Exchange/method of calculating Rate of Exchange [ ]
- (c) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable [ ]
- (d) Person at whose option Specified Currency(ies) is/are payable [ ]

**OTHER NOTES**

44. If the Notes are not Partly Paid Notes, Instalment Notes, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes, Index-linked Notes, or Dual Currency Notes or if the Notes are a combination of any of the foregoing, set out the relevant description and any additional Terms and Conditions relating to such Notes. [ ]

**PROVISIONS REGARDING REDEMPTION/MATURITY**

45. Redemption at the Option of the Issuer: [Yes/No]
- If yes:
- (a) Optional Redemption Date(s) [ ]
- (b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) [ ]
- (c) Minimum period of notice (if different from Condition 10.3 *(Redemption at the Option of the Issuer)*) [ ]
- (d) If redeemable in part: [ ]
- Minimum Redemption Amount(s) [ ]
- Higher Redemption Amount(s) [ ]
- (e) Other terms applicable on Redemption
46. Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default (if required). [Yes/No]
- If no:
- (a) Amount payable; or [ ]
- (b) Method of calculation of amount payable [ ]
47. Redemption in the Event of a Change of Control [Yes/No]

**GENERAL**

48. Financial Exchange [ ]
49. Additional selling restrictions [ ]
50. ISIN No. [ ]

- |   |   |
|---|---|
| 51. Stock Code  | [ ]   |
| 52. Stabilising manager   | [ ]   |
| 53. Provisions relating to stabilisation  | [ ]   |
| 54. The notice period required for exchanging uncertificated Notes for Certificates | [ ]   |
| 55. Method of distribution  | [ ]   |
| 56. Credit Rating assigned to the [Issuer]/[Programme]/[Notes]                      | [ ]   |
| 57. Applicable Rating Agency  | [ ]   |
| 58. Governing law (if the laws of South Africa are not applicable)                  | [ ]   |
| 59. Surrendering of Notes in the case of Notes represented by a Certificate         | [ ] days after the date on which the Certificate in respect of the Note to be redeemed has been surrendered to the Issuer |
| 60. Use of proceeds   | [ ]   |
| 61. Other provisions  | [ ]   |

**DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS**

62. Paragraph 3(5)(a)

The “*ultimate borrower*” (as defined in the Commercial Paper Regulations) is the [Issuer].

63. Paragraph 3(5)(b)

The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.

64. Paragraph 3(5)(c)

The auditor of the Issuer is [Insert].

65. Paragraph 3(5)(d)

As at the date of this issue:

- (i) the Issuer has issued [ZAR●,000,000,000] Commercial Paper (as defined in the Commercial Paper Regulations); and
- (ii) the Issuer estimates that it may issue [ZAR●,000,000,000] of Commercial Paper during the current financial year, ending [date].

66. Paragraph 3(5)(e)

All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.

67. Paragraph 3(5)(f)

There has been no material adverse change in the Issuer’s financial position since the date of its last audited financial statements.

68. Paragraph 3(5)(g)

The Notes issued will be [listed/unlisted].

69. Paragraph 3(5)(h)

The funds to be raised through the issue of the Notes are to be used by the Issuer for its [general corporate purposes/funding of its business operations/other].

70. Paragraph 3(5)(i)

The obligations of the Issuer in respect of the Notes are unsecured.

71. Paragraph 3(5)(j)

[Insert], the statutory auditors of the Issuer, have confirmed that nothing has come to their attention to cause them to believe that this issue of Notes issued under the Programme does not comply in all respects with the relevant provisions of the Commercial Paper Regulations.

**Responsibility:**

The Issuer accepts responsibility for the information contained in this Applicable Pricing Supplement. Application [is hereby]/[will not be] made to list this issue of Notes [on • ••••].

SIGNED at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 20●●

For and on behalf of  
**RAND WATER**

\_\_\_\_\_  
Name:  
Capacity: Chief Executive Officer  
Who warrants his/her authority hereto

\_\_\_\_\_  
Name:  
Capacity: Chief Financial Officer  
Who warrants his/her authority hereto

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## TERMS AND CONDITIONS OF THE NOTES

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*The following are the Terms and Conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each Note. A Tranche of Notes will be issued on, and subject to, the below Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.*

Before the Issuer issues any Tranche of listed Notes, the Issuer shall complete, sign and deliver to the JSE or such other or further Financial Exchange(s) and the CSD a pricing supplement based on the *pro forma* Applicable Pricing Supplement included in the Programme Memorandum setting out details of such Notes. The Issuer may determine that particular Notes will not be listed on the Interest Rate Market of the JSE or such other Financial Exchanges and, in that case, no Applicable Pricing Supplement will be delivered to JSE or such other or further Financial Exchange(s).

If there is any conflict or inconsistency between provisions set out in the Applicable Pricing Supplement and the provisions set out in these Terms and Conditions of the Notes, then the provisions in the Applicable Pricing Supplement will prevail.

Words and expressions used in the Applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated. Any reference to legislation or a statute shall be to such legislation or statute as amended, varied or re-enacted from time to time.

### 1. INTERPRETATION

In these Terms and Conditions, unless inconsistent with the context or separately defined in the Applicable Pricing Supplement, the following expressions shall have the following meanings:

|  |  |
|--|--|
| <b>“Applicable Pricing Supplement”</b> | in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to that Tranche of Notes, setting out the additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the <i>pro forma</i> pricing supplement which is set out in the section of the Programme Memorandum headed “ <i>Pro Forma Applicable Pricing Supplement</i> ”;  |
| <b>“Applicable Procedures”</b>         | the rules and operating procedures for the time being of the CSD, the Participants and the JSE and/or any other Financial Exchange;  |
| <b>“Banks Act”</b>                     | the Banks Act, 1990;   |
| <b>“Beneficial Interest”</b>           | in relation to a Tranche of Notes which is held in the CSD, the beneficial interest as co-owner of an undivided share of all of the Notes in that Tranche, as contemplated in section 41(1) of the Securities Services Act, the nominal value of which beneficial interest, in relation to any number of Notes in that Tranche, is determined by reference to the proportion that the aggregate outstanding Nominal Amount of such number of Notes bears to the aggregate outstanding Nominal Amount of all of the Notes in that Tranche, as provided in section 41(3) of the Securities Services Act; |
| <b>“BESA Guarantee Fund”</b>           | The guarantee fund established and operated by the Bond Exchange of South Africa Limited (“ <b>BESA</b> ”), prior to its merger with the JSE on 1 July 2009 and, as at the Programme Date, operated by the JSE as a separate guarantee fund, in terms of sections 9(1)(e) and 18(2)(x) of the Securities Services Act or any successor fund;   |
| <b>“Books Closed Period”</b>           | in relation to a Tranche of Notes, the period, as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfer of the Notes will not be registered, or such shorter period as the Issuer may decide in order to determine those Noteholders entitled to receive interest;  |
| <b>“Business Day”</b>                  | a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) on which commercial banks settle ZAR payments in Johannesburg, save further that if the Applicable Pricing Supplement so provides, “ <i>Business Day</i> ” shall include a Saturday;   |



|                                       |  |
|---------------------------------------|--|
| <b>“Calculation Agent”</b>            | Nedbank Capital, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent in respect of that Tranche or Series of Notes, as indicated in the Applicable Pricing Supplement;  |
| <b>“Certificate”</b>                  | a Global Certificate and/or an Individual Certificate, as the context requires;  |
| <b>“Class of Noteholders”</b>         | the holders of a Series of Notes or, where appropriate, the holders of different Series of Notes;  |
| <b>“Commercial Paper Regulations”</b> | the commercial paper regulations of 14 December 1994 issued pursuant to paragraph (cc) of the definition of “the business of a bank” in the Banks Act, set out in Government Notice 2172 and published in Government Gazette 16167 of 14 December 1994;  |
| <b>“Common Monetary Area”</b>         | South Africa, Lesotho, Namibia, and Swaziland;   |
| <b>“Companies Act”</b>                | the Companies Act, 1973;   |
| <b>“CSD”</b>                          | Strate Limited (Registration Number 1998/022242/06), or its nominee, licensed as a central securities depository in terms of the Securities Services Act or any successor depository, or any additional or alternate depository approved by the Issuer;  |
| <b>“CSD’s Nominee”</b>                | a wholly owned subsidiary of the CSD approved by the Registrar of Securities Services in terms of the Securities Services Act, and any reference to “CSD’s Nominee” shall, whenever the context permits, be deemed to include any successor nominee operating in terms of the Securities Services Act;   |
| <b>“Day Count Fraction”</b>           | <p>in relation to a Tranche of Notes (where applicable) and the calculation of an amount for any period of time (the “<b>Calculation Period</b>”), the day count fraction specified as such in the Terms and Conditions or the Applicable Pricing Supplement and:</p> <ol style="list-style-type: none"> <li>i. if “<b>Actual/365</b>” or “<b>Act/365</b>” is so specified, means the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of the Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);</li> <li>ii. if “<b>Actual/Actual (ICMA)</b>” is so specified, means: <ol style="list-style-type: none"> <li>1. where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and</li> <li>2. where the calculation Period is longer than one Regular Period, the sum of: <ol style="list-style-type: none"> <li>a. the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and</li> <li>b. the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such</li> </ol> </li> </ol> </li> </ol> |

Regular Period and (2) the number of Regular Periods normally ending in any year;

- iii. if “**Actual/Actual**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- iv. if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- v. if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- vi. if “**30/360**”, “**360/360**” or “**Bond Basis**” is so specified, means the number of days in the Calculation period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Day Count Fraction =

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- vii. if “**30E/360**” or “**Eurobond Basis**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Day Count Fraction =

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation

Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31, in which case D<sub>2</sub> will be 30;

viii if “30E/360 (ISDA)” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Day Count Fraction =

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30;

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| “Dealers”              | Investec Bank, Nedbank Capital and Quartile Capital and any other entity appointed as Dealer by the Issuer, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer’s right to terminate the appointment of any such Dealer, as indicated in the Applicable Pricing Supplement;                              |
| “Default Rate”         | in relation to a Tranche of Notes, the default rate specified as such in the Applicable Pricing Supplement;  |
| “Determination Date”   | in relation to a Tranche of Fixed Rate Notes, the date specified as such in the Applicable Pricing Supplement;   |
| “Determination Period” | in relation to a Tranche of Notes, the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the |

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|                                       | first Determination Date falling after, such date);   |
| <b>“Dual Currency Notes”</b>          | Notes which pay interest in a base currency and the principal in a non-base currency or <i>vice versa</i> , as indicated in the Applicable Pricing Supplement;  |
| <b>“Early Redemption Amount”</b>      | in relation to a Tranche of Notes, the amount, as set out in Condition 10.5 ( <i>Early Redemption Amounts</i> ), at which the Notes will be redeemed by the Issuer, pursuant to the provisions of Conditions 10.2 ( <i>Redemption for Tax Reasons</i> ), 10.3 ( <i>Redemption at the Option of the Issuer</i> ) and 10.4 ( <i>Redemption in the event of a Change in Control</i> ) and/or Condition 16 ( <i>Events of Default</i> );  |
| <b>“Encumbrances”</b>                 | any mortgage, pledge, hypothecation, assignment, cession <i>in securitatem debiti</i> , deposit by way of security or any other agreement or arrangement (whether conditional or not and whether relating to existing or to future assets), having the effect of providing a security interest to a creditor or any agreement or arrangement to give any form of a secured claim to a creditor but excluding statutory preferences and any security interest arising by operation of law; |
| <b>“Event of Default”</b>             | in relation to a Series of Notes, any of the events described in Condition 16 ( <i>Events of Default</i> );   |
| <b>“Exchange Control Regulations”</b> | the Exchange Control Regulations, 1961, promulgated pursuant to the Currency and Exchanges Act, 1933;   |
| <b>“Extraordinary Resolution”</b>     | a resolution passed at a meeting (duly convened) of the Noteholders or, as the case may be, by a majority consisting of not less than 66.67% (sixty-six point six seven percent) of the persons voting at such meeting upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than 66.67% (sixty-six point six seven percent) of the votes given on such poll;  |
| <b>“Final Broken Amount”</b>          | in relation to a Tranche of Notes, the final broken amount specified as such in the Applicable Pricing Supplement;  |
| <b>“Final Redemption Amount”</b>      | in relation to a Tranche of Notes, the amount of principal specified in the Applicable Pricing Supplement payable in respect of such Tranche of Notes upon the Maturity Date;   |
| <b>“Financial Exchange”</b>           | the JSE and/or such other or additional financial exchange(s) as may be determined by the Issuer and the relevant Dealer, subject to applicable laws, and upon which the Notes are listed as specified in the Applicable Pricing Supplement;  |
| <b>“Fixed Coupon Amount”</b>          | in relation to a Tranche of Fixed Rate Notes (where applicable), the amount specified as such in the Applicable Pricing Supplement;   |
| <b>“Fixed Interest Payment Date”</b>  | in relation to a Tranche of Fixed Rate Notes, the date specified as such in the Applicable Pricing Supplement;  |
| <b>“Fixed Interest Period”</b>        | in relation to a Tranche of Fixed Rate Notes, the period from (and including) a Fixed Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;   |
| <b>“Fixed Rate Notes”</b>             | Notes which will bear interest at the Fixed Rate of Interest, as indicated in the Applicable Pricing Supplement;  |
| <b>“Fixed Rate of Interest”</b>       | in relation to a Tranche of Notes, the fixed rate of interest specified as such in the Applicable Pricing Supplement;   |
| <b>“Floating Rate Notes”</b>          | Notes which will bear interest at a Floating Rate Interest as indicated in the Applicable Pricing Supplement and more fully described in Condition 8.2 ( <i>Floating Rate Notes and Indexed Interest Notes</i> );   |

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| <b>“Floating Rate”</b>                   | in relation to a Tranche of Notes, the floating rate of interest specified as such in the Applicable Pricing Supplement;   |
| <b>“Global Certificate”</b>              | in relation to a Tranche of Notes which is issued in certificated form and immobilised in the CSD, a certificate deposited with and lodged in the CSD and registered in the name of the CSD’s Nominee, representing all of the Notes in that Tranche (other than those Notes in that Tranche (if any) which are represented by Individual Certificates); |
| <b>“Higher Redemption Amount”</b>        | in relation to a Tranche of Notes, the higher redemption amount specified as such in the Applicable Pricing Supplement;  |
| <b>“Implied Yield”</b>                   | in relation to a Tranche of Zero Coupon Notes, the yield accruing on the Issue Price of such Notes, as specified in the Applicable Pricing Supplement;   |
| <b>“Income Tax Act”</b>                  | Income Tax Act, 1962;  |
| <b>“Indebtedness”</b>                    | in respect of the Issuer any indebtedness in respect of monies borrowed from any third party lender and (without double counting) guarantees (other than those given in the ordinary course of business) given, whether present or future, actual or contingent;   |
| <b>“Indexed Interest Notes”</b>          | Notes in respect of which the Interest Amount is calculated by reference to an index and/or a formula as indicated in the Applicable Pricing Supplement;   |
| <b>“Index-Linked Notes”</b>              | an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable and as indicated in the Applicable Pricing Supplement;  |
| <b>“Indexed Redemption Amount Notes”</b> | Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or a formula as may be indicated in the Applicable Pricing Supplement;  |
| <b>“Individual Certificate”</b>          | a Note in the definitive registered form of a single certificate and being a certificate exchanged for Beneficial Interest in accordance with Condition 12 ( <i>Exchange of Beneficial Interests and Replacement of Certificates</i> ) and any further certificate issued in consequence of a transfer thereof;  |
| <b>“Initial Broken Amount”</b>           | in relation to a Tranche of Notes, the initial broken amount specified as such in the Applicable Pricing Supplement;   |
| <b>“Instalment Amount”</b>               | in relation to a Tranche of Instalment Notes, the amount expressed (in the Applicable Pricing Supplement) as a percentage of the Nominal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note;   |
| <b>“Instalment Notes”</b>                | Notes issued on the same date but redeemed in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as indicated in the Applicable Pricing Supplement;   |
| <b>“Instalment Dates”</b>                | in relation to a Tranche of Instalment Notes, the dates specified as such in the Applicable Pricing Supplement;  |
| <b>“Interest Amount”</b>                 | in relation to a Tranche of Notes, the amount of interest payable in respect of each Nominal Amount of Fixed Rate Notes, Floating Rate Notes and Indexed Notes, as determined by the Calculation Agent in accordance with Condition 8 ( <i>Interest</i> );   |
| <b>“Interest Commencement Date”</b>      | in relation to a Tranche of Notes (where applicable) the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;  |
| <b>“Interest Determination Date”</b>     | in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;  |

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| <b>“Interest Payment Date”</b>                | in relation to a Tranche of Notes, the Interest Payment Date(s) specified in the Applicable Pricing Supplement or, if no express Interest Payment Date(s) is/are specified in the Applicable Pricing Supplement, the last day of the Interest Period commencing on the preceding Interest Payment Date, or, in the case of the first Interest Payment Date, commencing on the Interest Commencement Date; |
| <b>“Interest Period”</b>                      | in relation to a Tranche of Notes, each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;   |
| <b>“Interest Rate” and “Rate of Interest”</b> | in relation to a Tranche of Notes, the rate or rates of interest applicable to Notes other than Zero Coupon Notes as indicated in the Applicable Pricing Supplement;  |
| <b>“Interest Rate Market of the JSE”</b>      | the separate platform or sub-market of the JSE designated as the “ <i>Interest Rate Market</i> ” and on which notes (and other debt securities) may be listed;  |
| <b>“ISDA”</b>                                 | the International Swaps and Derivatives Association Inc.;   |
| <b>“ISDA Definitions”</b>                     | the 2006 ISDA Definitions published by ISDA (as amended, supplemented, revised or republished from time to time) as specified in the Applicable Pricing Supplement;   |
| <b>“Investec Bank”</b>                        | Investec Bank Limited (Registration Number 1969/004763/06); a public company incorporated with limited liability in accordance with the laws of South Africa;   |
| <b>“Issue Date”</b>                           | in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;   |
| <b>“Issue Price”</b>                          | in relation to a Tranche of Notes, the price specified as such in the Applicable Pricing Supplement;  |
| <b>“Issuer”</b>                               | Rand Water, established under Transvaal Ordinance No 32 of 1903, as consolidated in the Rand Water Board Statutes (Private) Act and deemed to be established in terms section 84 of the Water Services Act;   |
| <b>“JSE”</b>                                  | JSE Limited (Registration Number 2005/022939/06), a licensed financial exchange in terms of the Securities Services Act or any exchange which operates as a successor exchange to the JSE;  |
| <b>“Last Day to Register”</b>                 | with respect to a particular Tranche of Notes (as specified in the Applicable Pricing Supplement), the last date or dates preceding a Payment Day on which the Transfer Agent will accept Transfer Forms and record the transfer of Notes in the Register for that particular Tranche of Notes and whereafter the Register is closed for further transfers or entries until the Payment Day;              |
| <b>“Mandatory Exchange”</b>                   | in relation to a Tranche of Notes, the mandatory exchange specified as such in the Applicable Pricing Supplement;   |
| <b>“Margin”</b>                               | in relation to a Tranche of Notes (where applicable), the margin specified as such in the Applicable Pricing Supplement;  |
| <b>“Material Indebtedness”</b>                | any Indebtedness amounting in aggregate not less than 5% (five percent) of the total assets of the Issuer as published in the latest audited financial statements of the Issuer at the time of the occurrence of an Event of Default;   |
| <b>“Material Subsidiary”</b>                  | a Subsidiary: <ul style="list-style-type: none"> <li>(i) of which the Issuer owns more than 50% (fifty percent) of the ordinary shares; and</li> <li>(ii) which contributes at least 15% (fifteen percent) of the total assets of the Issuer as published in the Issuer’s latest audited financial statements or accounts;</li> </ul>   |

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| <b>“Maturity Date”</b>             | in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;   |
| <b>“Minimum Redemption Amount”</b> | in relation to a Tranche of Notes, the minimum redemption amount specified as such in the Applicable Pricing Supplement;  |
| <b>“Mixed Rate Notes”</b>          | Notes which will bear interest over respective periods at differing Interest Rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Index-Linked Notes, each as indicated in the Applicable Pricing Supplement and as more fully described in Condition 8.4 ( <i>Mixed Rate Notes</i> );  |
| <b>“NACA”</b>                      | nominal annual compounded annually;   |
| <b>“NACM”</b>                      | nominal annual compounded monthly;  |
| <b>“NACQ”</b>                      | nominal annual compounded quarterly;  |
| <b>“NACS”</b>                      | nominal annual compounded semi-annually;  |
| <b>“Nedbank Capital”</b>           | Nedbank Capital, a division of Nedbank Limited (Registration Number 1951/000009/06), a public company incorporated with limited liability in accordance with the laws of South Africa;  |
| <b>“Nedbank Investor Services”</b> | Nedbank Investor Services, a division of Nedbank Limited (Registration Number 1951/000009/06), a public company incorporated with limited liability in accordance with the laws of South Africa;  |
| <b>“Nominal Amount”</b>            | in relation to any Note, the total amount, excluding interest and any adjustments on account of any formula, owing by the Issuer under the Note;  |
| <b>“Noteholders”</b>               | the registered holders of the Notes as recorded in the Register;  |
| <b>“Notes”</b>                     | secured or unsecured notes issued or to be issued by the Issuer under the Programme, pursuant to this Programme Memorandum;   |
| <b>“Outstanding”</b>               | in relation to the Notes, all the Notes issued under the Programme other than: <ul style="list-style-type: none"> <li>(a) those which have been redeemed in full;</li> <li>(b) those in respect of which the date for redemption in accordance with the Terms and Conditions has occurred and the redemption moneys wherefor (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Terms and Conditions after such date) remain available for payment against presentation of Certificates (if any);</li> <li>(c) those which have been purchased and cancelled as provided in Condition 10 (<i>Redemption and Purchase</i>);</li> <li>(d) those which have become prescribed under Condition 15 (<i>Prescription</i>);</li> <li>(e) those represented by mutilated or defaced Certificates which have been surrendered in exchange for replacement Certificates pursuant to Condition 12 (<i>Exchange of Beneficial Interests and Replacement of Certificates</i>);</li> <li>(f) (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Certificates have been issued pursuant to Condition 12 (<i>Exchange of Beneficial Interests and Replacement of Certificates</i>),</li> </ul> |

provided that for each of the following purposes:

- (i) the right to attend and vote at any meeting of the Noteholders; and
- (ii) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 19 (*Amendment of these Conditions*) and 20 (*Meetings of Noteholders*),

all Notes (if any) which are for the time being held by the Issuer (subject to any applicable law) or by any person for the benefit of the Issuer and not cancelled shall (unless and until ceasing to be so held) be deemed not to be Outstanding;

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| <b>“Optional Redemption Amount”</b> | in relation to a Tranche of Notes, the optional redemption amount specified as such in the Applicable Pricing Supplement;  |
| <b>“Participant”</b>                | a person accepted by the CSD as a participant in terms of section 34 of the Securities Services Act, and who is approved by the JSE, in terms of the listing requirements of the JSE, as a Settlement Agent to perform electronic settlement of funds and scrip;   |
| <b>“Partly Paid Notes”</b>          | Notes which are issued with the Issue Price partly paid and which Issue Price is paid up fully by the Noteholder in instalments as indicated in the Applicable Pricing Supplement;   |
| <b>“Paying Agent”</b>               | Nedbank Investor Services, unless the Issuer elects to appoint another entity as Paying Agent, in which event that other entity shall act as a Paying Agent in respect of that Tranche or Series of Notes, as indicated in the Applicable Pricing Supplement;  |
| <b>“Payment Day”</b>                | any day which is a Business Day and upon which a payment is due by the Issuer in respect of the Notes;   |
| <b>“Permitted Encumbrance”</b>      | <ul style="list-style-type: none"> <li>(a) any Encumbrance existing as at the date of the Applicable Pricing Supplement; or</li> <li>(b) any Encumbrance with regard to receivables of the Issuer or a Material Subsidiary or which is created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the Indebtedness is limited to the value of such receivable; or</li> <li>(c) any Encumbrance with respect to inter-company Indebtedness incurred between the Issuer and any Subsidiary or between any Subsidiary; or</li> <li>(d) any Encumbrance created over any asset owned, acquired, developed or constructed by the Issuer or a Material Subsidiary being an Encumbrance created for the sole purpose of financing or refinancing that asset owned, acquired, developed or constructed, provided that the Indebtedness so secured shall not exceed the <i>bona fide</i> market value of such asset or the cost of that acquisition, development or construction (including all interest and other finance charges, adjustments due to changes in circumstances and other charges reasonably incidental to such cost, whether contingent or otherwise) and where such market value or cost both apply, the higher of the two; or</li> <li>(e) any encumbrance incurred, assumed or guaranteed by the Issuer as part of any financing, on a normal project finance basis, of all or part of the costs of the acquisition, construction or development of any project where the person or persons providing such financing expressly agrees to limit their recourse to the project financed and the revenues derived from such project as the sole source or repayment for moneys advanced in relation to such financing; or</li> </ul> |



- (f) any Encumbrance over deposit accounts securing a loan equal to the amounts standing to the credit of such deposit accounts, including any cash management system; or
- (g) any Encumbrance created in the ordinary course of business, which includes construction guarantees, over stock-in-trade, inventories, accounts receivable or deposit accounts; or
- (h) any Encumbrance subsisting over any asset of any Subsidiary of the Issuer prior to the date of such entity becoming a Subsidiary of the Issuer and not created in contemplation of such entity becoming a Subsidiary of the Issuer and any substitute Encumbrance created over that asset (but in any such case the amount of the Indebtedness secured by such Encumbrance, may not be increased, save in the ordinary course of business as set out in sub-clauses (a) to (f) above; or
- (i) in addition to any Encumbrance referred to in (a) to (g) above, any Encumbrance securing in aggregate not more than 5% (five percent) of the total assets of the Issuer as published in the Issuer's latest audited financial statements at the time the Encumbrance is established;

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| <b>"PFMA"</b>                          | the Public Finance Management Act, 1999;  |
| <b>"Programme"</b>                     | Rand Water ZAR5,000,000,000 Domestic Medium Term Note Programme under which the Issuer may from time to time issue Notes;   |
| <b>"Programme Amount"</b>              | the maximum aggregate outstanding Nominal Amount of all of the Notes that may be issued under the Programme at any one point in time, being ZAR5,000,000,000 or such increased amount as is determined by the Issuer from time to time, subject to the Applicable Procedures, applicable laws and the Programme Agreement, as set out in the section of this Programme Memorandum headed " <i>General Description of the Programme</i> "; |
| <b>"Programme Date"</b>                | the date of this Programme Memorandum being 9 December 2010;  |
| <b>"Rating"</b>                        | in relation to the Issuer and/or the Programme and/or a Tranche of Notes (where applicable), the rating of the Issuer and/or the Programme and/or the Tranche of Notes granted by the Rating Agency, specified in the Applicable Pricing Supplement;  |
| <b>"Rand Water Board Statutes Act"</b> | the Rand Water Board Statutes (Private) Act, 1950;  |
| <b>"Rand Water Group"</b>              | the Issuer and any other company or entity from time to time whose financial results are consolidated with the financial results of the Issuer in accordance with the requirements of law and SA GAAP;  |
| <b>"Redemption Date"</b>               | in relation to a Tranche of Notes, the date upon which the Notes are redeemed by the Issuer, whether by way of redemption or maturity in terms of Condition 10.1 ( <i>Redemption at Maturity</i> ) or redemption for tax reasons in terms of Condition 10.2 ( <i>Redemption for Tax Reasons</i> ), as the case may be;  |
| <b>"Reference Banks"</b>               | the four leading banks in the South African inter-bank market selected by the Calculation Agent;  |
| <b>"Reference Rate"</b>                | in relation to a Tranche of Notes (where applicable), the rate specified as such in the Applicable Pricing Supplement;  |
| <b>"Reference Price"</b>               | in relation to a Tranche of Notes (where applicable), the price specified as such in the Applicable Pricing Supplement;   |

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| <b>“Register”</b>                  | the register of Noteholders maintained by the Transfer Agent in terms of Condition 13 ( <i>Register</i> ), including any Sub-register, as the case may be;  |
| <b>“Relevant Date”</b>             | in relation to a Tranche of Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the CSD in accordance with these Terms and Conditions, it means the first date on which (i) the full amount of such monies have been received by the CSD, (ii) such monies are available for payment to the holders of Beneficial Interests and (iii) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;  |
| <b>“Relevant Screen Page”</b>      | in relation to a Tranche of Notes (where applicable), the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the Applicable Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate; |
| <b>“Representative”</b>            | a person duly authorised to act on behalf of a Noteholder, the Transfer Agent and the Paying Agent who may be regarded by the Issuer (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such Representative, in the absence of express notice to the contrary from such Noteholder, the Transfer Agent and the Paying Agent;   |
| <b>“SA GAAP”</b>                   | the South African Statements of Generally Accepted Accounting Practice;   |
| <b>“Securities Services Act”</b>   | the Securities Services Act, 2004;  |
| <b>“Senior Noteholders”</b>        | the Noteholders of Senior Notes;  |
| <b>“Senior Notes”</b>              | Notes issued with the status and characteristics set out in Condition 5 ( <i>Status of Senior Notes</i> ), as indicated in the Applicable Pricing Supplement;   |
| <b>“Series”</b>                    | a Tranche of Notes together with any further Tranche or Tranches of Notes which are: <ul style="list-style-type: none"> <li>(i) expressed to be consolidated and form a single series; and</li> <li>(ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;</li> </ul>   |
| <b>“Settlement Agent”</b>          | a Participant, approved by the JSE in terms of the listing requirements of the JSE to perform electronic settlement of both funds and scrip on behalf of market participants;   |
| <b>“Specified Currency”</b>        | in relation to each Note in a Tranche of Notes, subject to all applicable laws, the currency specified in the Applicable Pricing Supplement;  |
| <b>“Specified Denomination”</b>    | in relation to each Note in a Tranche of Notes, the amount specified as such in the Applicable Pricing Supplement;  |
| <b>“South Africa”</b>              | the Republic of South Africa;   |
| <b>“Subordinated Indebtedness”</b> | in the event of the dissolution of the Issuer or if the Issuer is wound up or placed in liquidation, any indebtedness of the Issuer, including any guarantee by the Issuer, under which the right of payment of the person(s) entitled thereto is, or is expressed to be, or is required by any present or future agreement of the Issuer to be, subordinated to the rights of all unsubordinated creditors of the Issuer;  |
| <b>“Subordinated Notes”</b>        | Notes issued with the status and characteristics set out in Condition 6 ( <i>Status and Characteristics of Subordinated Notes</i> ), as indicated in the  |

|                                  |  |
|----------------------------------|--|
|                                  | Applicable Pricing Supplement;   |
| <b>“Subsidiary”</b>              | a subsidiary company as defined in section 1(3) of the Companies Act;  |
| <b>“Sub-register”</b>            | a Sub-register as contemplated in section 91A of the Companies Act;  |
| <b>“Sub-unit”</b>                | with respect to any currency, the lowest amount of such currency that is available as legal tender in the country of such currency;  |
| <b>“Terms and Conditions”</b>    | the terms and conditions incorporated in this section headed <i>“Terms and Conditions of the Notes”</i> and in accordance with which the Notes will be issued;   |
| <b>“Tranche”</b>                 | in relation to any particular Series, all Notes which are identical in all respects (including as to listing);   |
| <b>“Transfer Agent”</b>          | Nedbank Capital, unless the Issuer elects to appoint another entity as a Transfer Agent in which event that other entity shall act as a Transfer Agent in respect of that Tranche or Series of Notes, as indicated in the Applicable Pricing Supplement; |
| <b>“Transfer Form”</b>           | the written form for the transfer of a Note, in the form approved by the Transfer Agent, and signed by the transferor and transferee;  |
| <b>“Water Services Act”</b>      | the Water Services Act, 1997;  |
| <b>“Wholly Owned Subsidiary”</b> | a wholly owned subsidiary as defined in Section 1(5) of the Companies Act;   |
| <b>“ZAR”</b>                     | the lawful currency of South Africa, being South African Rand, or any successor currency;  |
| <b>“ZAR-JIBAR-SAFEX”</b>         | the mid-market rate for deposits in ZAR for a period of the Designated Maturity (as indicated in the Applicable Pricing Supplement) that appears on the Reuters Screen SAFEX Page as at 11h00, Johannesburg time on the relevant date; and               |
| <b>“Zero Coupon Notes”</b>       | Notes which will be offered and sold at a discount to their Nominal Amount or at par and will not bear interest other than in the case of late payment, as indicated in the Applicable Pricing Supplement.   |

## 2. ISSUE

- 2.1. The Issuer may, at any time and from time to time (without the consent of any Noteholder) in accordance with the provisions of the PFMA, issue one or more Tranche(s) of Notes pursuant to the Programme, provided that the aggregate Outstanding Nominal Amount of all of the Notes issued under the Programme from time to time.
- 2.2. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Applicable Pricing Supplement, relating to that Tranche of Notes.
- 2.3. Each Note, may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Note, a Dual Currency Note, a Mixed Rate Note or such combination of any of the foregoing or such other type of Note as may be determined by the Issuer and specified in the relevant Applicable Pricing Supplement.
- 2.4. All payments in relation to the Notes will be made in the Specified Currency. Each Note will be issued in the Specified Denomination.
- 2.5. The Terms and Conditions of a Tranche of Notes are incorporated by reference into the Certificate(s) (if any) representing the Notes in that Tranche. The Applicable Pricing Supplement relating to a Tranche of Notes issued in certificated form will be attached to the Certificate(s) representing the Notes in that Tranche.

### 3. FORM AND DENOMINATION

#### 3.1. General

3.1.1. A Tranche of Notes may be issued in the form of listed or unlisted registered Notes, as specified in the Applicable Pricing Supplement.

3.1.2. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or further Financial Exchange(s) as may be determined by the Issuer and the Dealer(s), subject to any applicable laws. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange.

#### 3.2. Registered Notes

A Tranche of Notes will be issued in certificated form or in uncertificated form, as contemplated in Condition 3.2.1 (*Notes issued in certificated form*) and Condition 3.2.2 (*Notes issued in uncertificated form*), as specified in the Applicable Pricing Supplement. Each Tranche of Notes which is listed on the Interest Rate Market of the JSE whether issued in certificated form or in uncertificated form, will be held in the CSD, as contemplated in Condition 3.2.1 (*Notes issued in certificated form*) and Condition 3.2.2 (*Notes issued in uncertificated form*) respectively. A Tranche of unlisted Notes may also be held in the CSD, as contemplated in Condition 3.2.3 (*Beneficial Interests in Notes held in the CSD*).

##### 3.2.1. *Notes issued in certificated form*

- (i) Each Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or lodged and immobilised in the CSD may be issued in certificated form. Each such Tranche of Notes will be represented by a Global Certificate, and the CSD's Nominee will be named in the Register as the registered Noteholder of that Tranche of Notes. Each Global Certificate will be physically deposited with and lodged in the CSD.
- (ii) All Notes issued in certificated form which are not represented by a Global Certificate will be represented by Individual Certificates.

##### 3.2.2. *Notes issued in uncertificated form*

A Tranche of Notes which is listed on the Interest Rate Market of the JSE may, subject to applicable laws and Applicable Procedures, be issued in uncertificated form in terms of section 37 of the Securities Services Act. Notes issued in uncertificated form will be held in the CSD. Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Note which is represented by a Certificate may be replaced by uncertificated securities in terms of section 37 of the Securities Services Act.

##### 3.2.3. *Beneficial Interests in Notes held in the CSD*

- (i) A Tranche of Notes which is listed on the Interest Rate Market of the JSE will either be issued in certificated form and lodged in the CSD under a Global Certificate or be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may also be held in the CSD in the form of a Global Certificate or in uncertificated form.
- (ii) The CSD will hold Notes subject to the Securities Services Act and the Applicable Procedures.
- (iii) All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.
- (iv) A holder of a Beneficial Interest shall only be entitled to exchange such Beneficial Interest for Notes represented by a Certificate in accordance with Condition 12 (*Exchange of Beneficial Interests and Replacement of Certificates*).

##### 3.2.4. *Recourse to the BESA Guarantee Fund*

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE or the BESA Guarantee Fund. Claims against the BESA Guarantee Fund may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE

and in accordance with the rules of the BESA Guarantee Fund. Unlisted Notes are not regulated by the JSE.

#### **4. TITLE**

##### **4.1. Notes issued in certificated form**

- 4.1.1. The CSD's Nominee will be named in the Register as the registered holder of each Tranche of Notes which is represented by a Global Certificate.
- 4.1.2. Each holder of Notes represented by an Individual Certificate will be named in the Register as the registered holder of such Notes.
- 4.1.3. Title to Notes will pass upon registration of transfer in the Register in accordance with Condition 14.2 (*Transfer of Notes represented by Certificates*).
- 4.1.4. The Issuer, the Transfer Agent and the Paying Agent shall recognise a Noteholder as the sole and absolute owner of the Notes registered in that Noteholder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Note may be subject.

##### **4.2. Notes issued in uncertificated form**

The CSD's Nominee will be named in the Register as the registered holder of each Tranche of Notes which is issued in uncertificated form.

##### **4.3. Beneficial Interests in Notes held in the CSD**

- 4.3.1. While a Tranche of Notes is held in the CSD, the CSD's Nominee will be named in the Register as the sole Noteholder of the Notes in that Tranche.
- 4.3.2. Beneficial Interests which are held by Participants will be held directly through the CSD, and the CSD will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the CSD for such Participants.
- 4.3.3. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants.
- 4.3.4. In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the aggregate Nominal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The CSD's Nominee (as the registered holder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Nominal Amount of such Notes for all purposes.
- 4.3.5. Beneficial Interests in Notes may be transferred only in accordance with the Applicable Procedures. Such transfers will not be recorded in the Register and the CSD's Nominee will continue to be reflected in the Register as the registered holder of such Notes, notwithstanding such transfers.
- 4.3.6. Any reference in the Terms and Conditions to the relevant Participant shall, in respect of a Beneficial Interest, be a reference to the Participant appointed to act as such by the holder of such Beneficial Interest.

#### **5. STATUS OF SENIOR NOTES**

Senior Notes are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

## 6. STATUS AND CHARACTERISTICS OF SUBORDINATED NOTES

- 6.1. Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer, save for those which have been accorded preferential rights by law.
- 6.2. Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up, the claims of the persons entitled to payment of amounts due in respect of the Subordinated Notes, shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness, to the extent that, in any such event, and provided as aforesaid, no amount shall be eligible for setting-off or shall be payable to any or all of the persons entitled to payment of amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, insolvency or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

## 7. NEGATIVE PLEDGE

- 7.1. For so long as any Tranche of the Senior Notes remains Outstanding, the Issuer undertakes that it shall not, and shall procure that no other Material Subsidiary, create or permit the creation of any Encumbrances other than Permitted Encumbrances over any of their present or future business undertakings, assets or revenues to secure any present or future Indebtedness (save for those that have been accorded a preference by law) without at the same time securing all Senior Notes equally and rateably with such Indebtedness or providing such other security or arrangement as may be approved by Extraordinary Resolution of the Senior Noteholders, unless the provision of any such security is waived by an Extraordinary Resolution of the Senior Noteholders.
- 7.2. The Issuer shall be entitled, but not obliged, to form, or procure the formation of, a trust or special purpose company (or more than one), or appoint, or procure the appointment of, an agent or agents to hold any such rights of security for the benefit or on behalf of such Noteholders.

## 8. INTEREST

### 8.1. Fixed Rate Notes

- 8.1.1. Each Fixed Rate Note bears interest on its outstanding Nominal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the Applicable Pricing Supplement at the rate(s) per annum equal to the Fixed Rate of Interest so specified, payable in arrears on the Fixed Interest Payment Dates in each year up to and including the Maturity Date.
- 8.1.2. The first payment of interest will be made on the Fixed Interest Payment Date immediately following the Interest Commencement Date.
- 8.1.3. Except as provided in the Applicable Pricing Supplement, the amount of interest payable per Note on each Fixed Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount, provided that:
  - 8.1.3.1. if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal the Initial Broken Amount specified in the Applicable Pricing Supplement; and
  - 8.1.3.2. if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal the Final Broken Amount.
- 8.1.4. If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Fixed Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, as specified in the Applicable Pricing Supplement, and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half such Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

## 8.2. Floating Rate Notes and Indexed Interest Notes

### *Interest Payment Dates*

Each Floating Rate Note and Indexed Interest Note bears interest on its outstanding Nominal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the Applicable Pricing Supplement, and such interest will be payable in arrears on the Interest Payment Date(s) in each year specified in the Applicable Pricing Supplement. Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

### *Rate of Interest*

The Rate of Interest payable from time to time in respect of the Floating Rate Notes and Indexed Interest Notes will be determined in the manner specified in the Applicable Pricing Supplement.

### *Minimum and/or Maximum Rate of Interest*

If the Applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the Applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

### *Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent, in the case of Floating Rate Notes and Indexed Interest Notes will at, or as soon as is practicable after, each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the Interest Amount payable in respect of each Floating Rate Note and Indexed Interest Note in respect of each Specified Denomination for the relevant Interest Period, and the Calculation Agent shall notify the Issuer of the Rate of Interest for the relevant Interest Period as soon as is practicable after calculating the same. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half a Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

### *Interest Determination, Screen Rate Determination including Fallback Provisions*

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in the Applicable Pricing Supplement under an interest rate swap transaction if that agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the most recent ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the Applicable Pricing Supplement;
- (b) the Designated Maturity is the period specified in the Applicable Pricing Supplement; and
- (c) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on ZAR-JIBAR-SAFEX, the first day of that Interest Period; or (ii) in any other case, as specified in the Applicable Pricing Supplement.

For the purposes of the above sub-paragraph "Floating Rate", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions specified in the Applicable Pricing Supplement.

Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject to the provisions below, be either:

- (a) if the Relevant Screen Page is available,

- (i) the offered quotation (if only one quotation appears on the screen page); or
- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage per annum) for the Reference Rate which appears on the Relevant Screen Page as at 11h00 (or as otherwise specified in the Applicable Pricing Supplement) (Johannesburg time) on the Interest Determination Date in question plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations; or

- (b) if the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11h00 (Johannesburg time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent; or
- (c) if the Rate of Interest cannot be determined by applying the provisions of (a) and (b) above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks offered, at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate to prime banks in the Johannesburg inter-bank market plus or minus (as appropriate) the Margin (if any). If fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the Rate of Interest for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, by the Reference Banks plus or minus (as appropriate) the Margin (if any). If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than ZAR-JIBAR-SAFEX, the Rate of Interest in respect of such Notes will be determined as provided in the Applicable Pricing Supplement.

#### *Notification of Rate of Interest and Interest Amount*

The Issuer will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the JSE and the CSD and/or every other relevant exchange or authority as soon as possible after their determination but in any event no later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the JSE, the CSD and/or every other relevant exchange or authority and to the Noteholders in accordance with Condition 18 (*Notices*).



*Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this sub-paragraph 8.2, by the Calculation Agent shall (in the absence of wilful deceit, bad faith or manifest error or proven error) be binding on the Issuer and all Noteholders and in the absence as aforesaid no liability to the Issuer or the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**8.3. Dual Currency Interest Notes**

In the case of Dual Currency Interest Notes, the Interest Rate or Interest Amount payable shall be determined in the manner specified in the Applicable Pricing Supplement.

**8.4. Mixed Rate Notes**

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on the form of interest-bearing Note (be it a Fixed Rate Note, Floating Rate Note, Index-Linked Note or Dual Currency Note) specified for each respective period, each as specified in the Applicable Pricing Supplement. During each such applicable period, the Interest Rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes, Index-Linked Notes or Dual Currency Notes, as the case may be.

**8.5. Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate specified in the Applicable Pricing Supplement until the date on which all amounts due in respect of such Note have been paid, or, in respect of uncertificated Notes or notes evidenced by a Global Certificate, the date on which the full amount of the money payable has been received by the CSD and/or the Participants and notice to that effect has been given to Noteholders in accordance with Condition 18 (*Notices*).

**8.6. Business Day Convention**

If any Interest Payment Date (or other date), which is specified in the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention, would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is:

- (a) the “**Floating Rate Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months, or other period specified as the Interest Period in the Applicable Pricing Supplement, after the preceding applicable Interest Payment Date (or other date) has occurred; or
- (b) the “**Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (c) the “**Modified Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or
- (d) the “**Preceding Business Day Convention**”, such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

**9. PAYMENTS**

**9.1. General**

Payments of principal and/or interest on an Individual Certificate shall be made to the registered holder of such Note, as set forth in the Register on the close of business on the Last Day to Register (as specified in the Applicable Pricing Supplement). In addition to the above, in the case of a final redemption payment, the holder of the Individual Certificate shall be required, on or before the Last Day

to Register prior to the Maturity Date, to surrender such Individual Certificate at the offices of the Transfer Agent.

Payments of principal and/or interest in respect of uncertificated Notes or Notes represented by a Global Certificate will be made to the CSD and/or the Participants, as shown in the Register on the Last Day to Register, and the Issuer will be discharged of its payment obligations by proper payment to the CSD and/or the Participants, in respect of each amount so paid. Each of the persons shown in the records of the CSD and the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such uncertificated Notes or to the registered holder of such Global Certificate(s).

## 9.2. Method of Payment

Payments will be made in the Specified Currency by credit or transfer, by means of electronic settlement, to the Noteholder.

Payments will be subject in all cases to any fiscal or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*).

If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding paragraph (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque marked "*not transferable*" (or by such number of cheques as may be required in accordance with applicable banking law and practice to make payment of any such amounts). Such payments by cheque shall be sent by post to the address of the Noteholder as set forth in the Register or, in the case of joint Noteholders, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note.

Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer, nor the Paying Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 9.2.

In the case of joint Noteholders, payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes.

## 9.3. Payment Day

If the date for payment of any amount in respect of any Note is not a Business Day, the holder thereof shall not be entitled to payment until the next following Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

## 9.4. Interpretation of Principal and Interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- 9.4.1. any additional amounts which may be payable with respect to principal under Condition 11 (*Taxation*);
- 9.4.2. the Final Redemption Amount of the Notes or the Early Redemption Amount of the Notes, as the case may be;
- 9.4.3. the Optional Redemption Amount(s) (if any), as specified in the Applicable Pricing Supplement, of the Notes;
- 9.4.4. in relation to Instalment Notes, the Instalment Amounts;
- 9.4.5. in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 10.5.3); and
- 9.4.6. any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 11 (*Taxation*).

## 10. REDEMPTION AND PURCHASE

### 10.1. Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer in the Specified Currency at its Final Redemption Amount specified in, or determined in the manner specified in, the Applicable Pricing Supplement on the Maturity Date.

### 10.2. Redemption for Tax Reasons

Notes may be redeemed at the option of the Issuer at any time (in the case of Notes other than Floating Rate Notes, Indexed Interest Notes or Mixed Rate Notes having an Interest Rate then determined on a floating or indexed basis) or on any Interest Payment Date (in the case of Floating Rate Notes, Indexed Interest Notes or Mixed Rate Notes), on giving not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders prior to such redemption, in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable), if the Issuer, immediately prior to the giving of such notice, is of the reasonable opinion that:

10.2.1. as a result of any change in, or amendment to, the laws or regulations of South Africa or any political sub-division of, or any authority in, or of, South Africa having power to tax, or any change or amendment which becomes effective after the relevant Issue Date, the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 11 (*Taxation*); and

10.2.2. the requirement cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Notes may be redeemed by the Issuer in accordance with this Condition 10.2 in whole or in part. Redemption in part may be effected by the Issuer:

10.2.2.1. notwithstanding that such partial redemption may not entirely avoid such obligation to pay additional amounts as provided for or referred to in Condition 11 (*Taxation*); and

10.2.2.2. *mutatis mutandis* in the manner described in Condition 10.3 (*Redemption at the Option of the Issuer*), provided that the references to the giving of notice therein and to the Minimum Redemption Amount and the Higher Redemption Amount (both as specified in the Applicable Pricing Supplement) therein shall be disregarded for such purposes.

Notes redeemed for tax reasons pursuant to this Condition 10.2 will be redeemed at their Early Redemption Amount referred to in Condition 10.5 (*Early Redemption Amounts*), together (if appropriate) with interest accrued from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of redemption or as specified in the Applicable Pricing Supplement.

### 10.3. Redemption at the Option of the Issuer

If the Issuer is specified in the Applicable Pricing Supplement as having an option to redeem, the Issuer may, having given not less than 30 (thirty) nor more than 60 (sixty) days' irrevocable notice to the Noteholders in accordance with Condition 18 (*Notices*), redeem all or some of the Notes (to which such Applicable Pricing Supplement relates) then Outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Applicable Pricing Supplement, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

Any such redemption must be of a Nominal Amount equal to the Minimum Redemption Amount or a Higher Redemption Amount, both as indicated in the Applicable Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by Certificates, and in accordance with the Applicable Procedures in the case of Redeemed Notes which are uncertificated, and in each case not more than 60 (sixty) days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**").

In the case of Redeemed Notes represented by Certificates, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 18 (*Notices*) not less than 30 (thirty) days prior to the date fixed for redemption. The aggregate Nominal Amount of Redeemed Notes represented by Certificates shall bear the same proportion to the aggregate Nominal Amount of all Redeemed Notes as the aggregate Nominal Amount of Certificates outstanding bears to the aggregate Nominal Amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned Nominal Amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate Nominal Amount of Redeemed Notes which are uncertificated shall be equal to the balance of the Redeemed Notes. No exchange of the relevant uncertificated Notes will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this sub-paragraph, and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 18 (*Notices*) at least 10 (ten) days prior to the Selection Date.

Holders of Redeemed Notes shall surrender the Certificates, if any, representing the Notes in accordance with the provisions of the notice given to them by the Issuer as contemplated above. Where only a portion of the Notes represented by such Certificates are redeemed, the Transfer Agent shall deliver new Certificates to the CSD or such Noteholders, as the case may be, in respect of the balance of the Notes.

10.4. **Redemption in the event of a Change of Control**

The provisions of this Condition 10.4 shall apply if specified as being applicable in the Applicable Pricing Supplement.

10.4.1. A "Change of Control Event" shall occur if:

- (a) a Change of Control occurs; and
- (b) within the Change of Control Period, a Rating Downgrade occurs.

10.4.2. Promptly upon the Issuer becoming aware that a Change of Control Event has occurred at any time while any Note remains Outstanding, the Issuer shall give a notice (a "Change of Control Notice") to the relevant Class of Noteholders in accordance with Condition 18 (*Notices*) (a) specifying the nature of the Change of Control Event and the circumstances giving rise to it and the right of those Noteholders to exercise an option, by way of Extraordinary Resolution, to require early redemption of the Notes and (b) convening a meeting of each Class of Noteholders within 30 (thirty) days of the date on which the Issuer becomes aware of that Change of Control Event having occurred.

10.4.3. If a Class of Noteholders resolves, in accordance with Condition 20 (*Meetings of Noteholders*), by way of an Extraordinary Resolution passed at the meeting referred to in Condition 20, to require the redemption of the Notes of that Class of Noteholders as a consequence of the occurrence of the relevant Change of Control Event, then the Issuer shall redeem all of the Notes of that Class of Noteholders within 30 (thirty) days of the date on which such Extraordinary Resolution is passed (the "Mandatory Redemption Date") at its Early Redemption Amount together with interest accrued to, but excluding, the Mandatory Redemption Date.

10.4.4. For the purposes of this Condition 10.4:

- (a) "Acting in Concert" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition of shares in the Issuer by any of them, either directly or indirectly, to obtain or consolidate Control of the Issuer;
- (b) a "Change of Control" shall be deemed to have occurred at each time that any person ("Relevant Person") or person Acting in Concert, at any time directly or indirectly has unconditionally acquired Control of the Issuer, provided that a Change of Control shall not be deemed to have occurred if the shareholders of the Relevant Person are also, or immediately prior to the event which would otherwise constitute a Change of Control, were all of the shareholders of the Issuer;
- (c) "Change of Control Period" means, in relation to a Change of Control of the Issuer, the period commencing on the Date of Announcement and ending on the 45th (forty-fifth) day following the Date of Announcement;
- (d) "Control" of the Issuer means if the Issuer ceases to exist in terms of Section 28 of the Water Services Act and, if converted into a company, the South African Government

ceases to beneficially hold such number of shares in the share capital of the Issuer as confers on the South African Government at least 50% (fifty percent) plus one vote of the voting rights of the issued share capital of the Issuer;

- (e) “**Date of Announcement**” means the date when the Change of Control is announced by the Issuer, or such other third party connected therewith;
- (f) a “**Rating Downgrade**” shall, in relation to Issuer and/or the Programme and/or where any Notes are rated by a Rating Agency, be deemed to have occurred in respect of a Change of Control if within the Change of Control Period any Rating is:
  - (A) withdrawn;
  - (B) changed from an Investment Grade Rating to a non-Investment Grade Rating; or
  - (C) a non-Investment Grade Rating at the Date of Announcement,

provided that no Rating Downgrade shall have occurred if the Rating assigned to the Issuer and/or the Programme and/or the Notes, as the case may be, is substituted for an Investment Grade Rating by another Rating Agency.

#### 10.5. Early Redemption Amounts

For the purpose of Conditions 10.2 (*Redemption for Tax Reasons*), 10.3 (*Redemption at the Option of the Issuer*), 10.4 (*Redemption in the event of a Change of Control*) and/or Condition 16 (*Events of Default*), the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- 10.5.1. in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- 10.5.2. in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in, or determined in the manner specified in, the Applicable Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their Nominal Amount; or
- 10.5.3. in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of: (i) the Reference Price; and (ii) the product of the Implied Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable, or such other amount as is provided in the Applicable Pricing Supplement.

Where such calculation is to be made for a period which is not a whole number of years, it shall be calculated on the basis of actual days elapsed divided by 365 (three hundred and sixty five), or such other calculation basis as may be specified in the Applicable Pricing Supplement.

#### 10.6. Instalment Notes

Instalment Notes will be redeemed at the Instalment Amounts and on the Instalment Dates. In the case of early redemption in accordance with Conditions 10.2 (*Redemption for Tax Reasons*) and or Condition 16 (*Events of Default*), the Early Redemption Amount will be determined pursuant to Condition 10.5 (*Early Redemption Amounts*).

#### 10.7. Partly Paid Notes

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 10 (*Redemption and Purchase*) and the Applicable Pricing Supplement. In the case of early redemption in accordance with Conditions 10.2 (*Redemption for Tax Reasons*) or Condition 16 (*Events of Default*), the Early Redemption Amount will be determined pursuant to Condition 10.5 (*Early Redemption Amounts*).

#### 10.8. Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes at any price in the open market or otherwise. Such Notes may, subject to applicable law, be held, resold, or, at the option of the Issuer, surrendered to the Transfer Agent for cancellation.

#### 10.9. Cancellation

All Notes which have been redeemed will forthwith be cancelled. All Notes so cancelled shall be forwarded to the Issuer and cannot be re-issued or resold. Where only a portion of Notes represented by a Certificate are cancelled, the Transfer Agent shall deliver a Certificate to such Noteholder in respect of the balance of the Notes.

#### 10.10. Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 10 (*Redemption and Purchase*) or upon its becoming due and repayable as provided in Condition 16 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 10.5.3 as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of: (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and (ii) 5 (five) days after the date on which the full amount of the moneys payable has been received by the CSD, and notice to that effect has been given to the Noteholder in accordance with Condition 18 (*Notices*).

#### 10.11. Applicable Procedures

The redemption and partial redemption of Beneficial Interests shall take place in accordance with the Applicable Procedures and the Securities Services Act.

### 11. TAXATION

All payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of South Africa or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.

In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note:

- 11.1. held by or on behalf of a Noteholder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with South Africa other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or
- 11.2. held by or on behalf of a Noteholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or
- 11.3. where such withholding or deduction is in respect of taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the taxable income (as defined in section 1 of the Income Tax Act) or taxable capital gain (as defined in paragraph 1 of Schedule 8 to the Income Tax Act) of any Noteholder; or
- 11.4. where (in the case of payment of principal and/or interest which is conditional on surrender and/or presentation of the relevant Certificate in accordance with the Terms and Conditions) the relevant Certificate is surrendered and/or presented more than 30 (thirty) days after the Relevant Date, except to the extent that the Noteholder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day; or
- 11.5. if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters; or
- 11.6. where the Noteholder is entitled to claim a tax reduction, credit or similar benefit in respect of such withholding or deduction in terms of the Noteholder's domestic tax laws or applicable double tax treaty, and such tax reduction, credit or similar benefit is actually granted to the Noteholder.

Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under these Terms and Conditions or under any

undertakings given in addition to, or in substitution for, these Terms and Conditions.

## 12. EXCHANGE OF BENEFICIAL INTERESTS AND REPLACEMENT OF CERTIFICATES

### 12.1. Exchange of Beneficial Interests

- 12.1.1. The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and subject to section 44 of the Securities Services Act, by written notice to the holder's nominated Participant (or, if such holder is a Participant, the CSD), request that such Beneficial Interest be exchanged for Notes in definitive form represented by an Individual Certificate (the "Exchange Notice"). The Exchange Notice shall specify (i) the name, address and bank account details of the holder of the Beneficial Interest and (ii) the day on which such Beneficial Interest is to be exchanged for an Individual Certificate; provided that such day shall be a Business Day and shall fall not less than 30 (thirty) days after the day on which such Exchange Notice is given.
- 12.1.2. The holder's nominated Participant will, following receipt of the Exchange Notice, through the CSD, notify the Transfer Agent that it is required to exchange such Beneficial Interest for Notes represented by an Individual Certificate. The Transfer Agent will, as soon as is practicable but within 14 (fourteen) days after receiving such notice, in accordance with the Applicable Procedures, procure that an Individual Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 (fourteen) day period, to the holder of the Beneficial Interest at the Specified Office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding, and the delivery to one of those joint holders shall be delivery to all of them.
- 12.1.3. In the case of the exchange of a Beneficial Interest in a Tranche of Notes which is lodged in the CSD under a Global Certificate:
- 12.1.3.1. the CSD's Nominee will surrender the relevant Global Certificate to the Transfer Agent at its Specified Office;
- 12.1.3.2. the Transfer Agent will, in accordance with the Applicable Procedures, procure the splitting of the relevant Global Certificate and the preparation of a new Global Certificate representing the balance of the Notes (if any) in the relevant Tranche still held by the CSD;
- 12.1.3.3. the Issuer will, through its nominated Participant, procure that the new Global Certificate is deposited with and lodged in the CSD and registered in the Register in the name of the CSD's Nominee; and
- 12.1.3.4. the original Global Certificate will be cancelled and retained by the Transfer Agent.
- 12.1.4. In the case of the exchange of a Beneficial Interest in Notes issued in uncertificated form:
- 12.1.4.1. the CSD's Nominee shall, prior to the Exchange Date, surrender (through the CSD system) such uncertificated Notes to the Transfer Agent at its Specified Office; and
- 12.1.4.2. the Transfer Agent will obtain the release of such uncertificated Notes from the CSD in accordance with the Applicable Procedures.
- 12.1.5. An Individual Certificate shall, in relation to a Beneficial Interest:
- 12.1.5.1. in a Tranche of Notes which is held in the CSD under a Global Certificate, represent that number of Notes as have, in the aggregate, the same aggregate Nominal Amount of Notes standing to the account of the holder of such Beneficial Interest; or
- 12.1.5.2. in any number of Notes issued in uncertificated form of a particular aggregate Nominal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Nominal Amount,

as the case may be, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Nominal Amount is equivalent to a fraction of the Specified Denomination or a fraction of any multiple thereof, such Individual Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

### 12.2. Replacement

If any Certificate is worn out, mutilated, defaced, stolen, destroyed or lost it may be replaced at the specified office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be

incurred in connection therewith and the provision of such indemnity as the Issuer and the Transfer Agent may reasonably require. Worn out, mutilated or defaced Certificates must be surrendered at the Specified Office of the Transfer Agent before replacements will be issued.

### 12.3. **Death and sequestration or liquidation of Noteholder**

Any person becoming entitled to Registered Notes in consequence of the death, sequestration or liquidation of the holder of such Notes may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this Condition 12.3, or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the Applicable Procedures, this Condition 12.3 and Condition 14.2 (*Transfer of Notes represented by Certificates*), may transfer such Notes. The Issuer and (if applicable) the CSD and the relevant Participant shall be entitled to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or until such time such Notes are duly transferred.

### 12.4. **Costs**

The costs and expenses of the printing, issue and delivery of each Global Certificate shall be borne by the Issuer. The costs and expenses of the printing, issue and delivery of each Individual Certificate and all taxes and governmental charges that may be imposed in relation to such Individual Certificate and/or the printing, issue and delivery of such Individual Certificate shall be borne by the holder of the Notes represented by that Individual Certificate. Separate costs and expenses relating to the provision of Individual Certificates and/or the transfer of Notes may be levied by other persons, such as a Participant, under the Applicable Procedures, and such costs and expenses shall not be borne by the Issuer. The costs and expenses of the delivery of Certificates and all taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Noteholder.

## 13. **REGISTER**

### 13.1. The Register of Noteholders:

- 13.1.1. shall be kept at the Specified Office of the Transfer Agent or such other person as may be appointed for the time being by the Issuer to maintain the Register;
- 13.1.2. shall contain the names, addresses and bank account numbers of the registered Noteholders;
- 13.1.3. shall show the total Nominal Amount of the Notes held by Noteholders;
- 13.1.4. shall show the dates upon which each of the Noteholders was registered as such;
- 13.1.5. shall show the serial numbers of the Certificates and the dates of issue thereof;
- 13.1.6. shall be open for inspection at all reasonable times during business hours on Business Days by any Noteholder or any person authorised in writing by a Noteholder; and
- 13.1.7. shall be closed during the Books Closed Period.

13.2. The Transfer Agent shall alter the Register in respect of any change of name, address or account number of any of the Noteholders of which it is notified.

13.3. Except as provided for in these Terms and Conditions or as required by law, in respect of Notes, the Issuer will only recognise a Noteholder as the owner of the Notes registered in that Noteholder's name as per the Register.

13.4. Except as provided for in these Terms and Conditions or as required by law, the Issuer shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Certificate may be subject.

## 14. **TRANSFER OF NOTES**

### 14.1. *Transfer of Beneficial Interests in Notes held in the CSD*

- 14.1.1. Beneficial Interests may be transferred only in accordance with the Applicable Procedures through the CSD.
- 14.1.2. Transfers of Beneficial Interests to and from clients of Participants occur by way of electronic book entry in the securities accounts maintained by the Participants for their clients, in accordance with the Applicable Procedures.



- 14.1.3. Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the CSD for the Participants, in accordance with the Applicable Procedures.
- 14.1.4. Transfers of Beneficial Interests in Notes will not be recorded in the Register and the CSD's Nominee will continue to be reflected in the Register as the Noteholder of such Notes notwithstanding such transfers.
- 14.2. **Transfer of Notes represented by Certificates**
- 14.2.1. In order for any transfer of Notes represented by a Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:
- 14.2.1.1. the transfer of such Notes must be embodied in a Transfer Form;
- 14.2.1.2. the Transfer Form must be signed by the registered Noteholder of such Notes and the transferee, or any Representatives of that registered Noteholder or transferee; and
- 14.2.1.3. the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the Certificate representing such Notes for cancellation.
- 14.2.2. Notes represented by a Certificate may only be transferred, in whole or in part, in amounts of not less than the Specified Denomination (or any multiple thereof).
- 14.2.3. Subject to this Condition 14.2, the Transfer Agent will, within 3 (three) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any applicable laws and/or Applicable Procedures), record the transfer of Notes represented by a Certificate (or the relevant portion of such Notes) in the Register, and authenticate and deliver to the transferee at the Transfer Agent's Specified Office or, at the risk of the transferee, send by mail to such address as the transferee may request, a new Certificate in respect of the Notes transferred reflecting the outstanding Nominal Amount of the Notes transferred.
- 14.2.4. Where a Noteholder has transferred a portion only of Notes represented by a Certificate, the Transfer Agent will authenticate and deliver to such Noteholder at the Transfer Agent's Specified Office or, at the risk of such Noteholder, send by mail to such address as such Noteholder may request, at the risk of such Noteholder, a new Certificate representing the balance of the Notes held by such Noteholder.
- 14.2.5. The transferor of any Notes represented by a Certificate will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 14.2.6. Before any transfer of Notes represented by a Certificate is registered in the Register, all relevant transfer taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Issuer and the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.
- 14.2.7. No transfer of any Notes represented by a Certificate will be registered whilst the Register is closed as contemplated in Condition 13 (*Register*).

If a transfer of any Notes represented by a Certificate is registered in the Register, the Transfer Form and cancelled Certificate will be retained by the Transfer Agent.

If a transfer is registered then the transfer form and cancelled Certificate will be retained by the Transfer Agent.

In the event of a partial redemption of Notes under Condition 10.3 (*Redemption at the Option of the Issuer*), the Transfer Agent shall not be required in terms of Condition 10.3 (*Redemption at the Option of the Issuer*), to register the transfer of any Notes during the period beginning on the tenth day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive).

## 15. PRESCRIPTION

The Notes will become void unless presented for payment of principal within a period of three years after their redemption date.

## 16. EVENTS OF DEFAULT

### 16.1. Senior Notes

If, other than as a result of compliance with the applicable laws, for any particular Series of Notes, one or more of the following events ("**Events of Default**") shall have occurred and be continuing:

- 16.1.1. the Issuer fails to pay any principal or interest due under the Senior Notes on its due date for payment thereof and any such failure continues for a period of 5 (five) Business Days, after receiving written notice from any of the Senior Noteholders demanding such payment; or
- 16.1.2. the Issuer or any other Material Subsidiary, as the case may be, fails to remedy a breach of Condition 7 (*Negative Pledge*) within 30 (thirty) Business Days of receiving written notice from the Senior Noteholders demanding such remedy; or
- 16.1.3. the Issuer fails to perform or observe any of its other material obligations or undertakings (not specifically covered elsewhere in this clause 16.1) under or in respect of any of the Senior Notes and such failure continues for a period of 30 (thirty) calendar days after receipt by the Issuer of a notice from the Senior Noteholders (in accordance with Condition 18 (*Notices*)) in respect of such failure specifying the failure and requesting the Issuer to remedy same; or
- 16.1.4. the Issuer or any Material Subsidiary, as the case may be, defaults in the payment of the principal or interest, or any obligations in respect of Material Indebtedness of, or assumed or guaranteed by the Issuer, or any Material Subsidiary, as the case may be, when and as the same shall become due and payable and where notice has been given to the Issuer, or any Material Subsidiary, as the case may be, of the default and if such default shall have continued for more than the notice period (if any) applicable thereto and the time for payment of such interest or principal or other obligation has not been effectively extended or if any such obligations of, or assumed or guaranteed by, the Issuer or any Material Subsidiary, as the case may be, shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of any Event of Default thereunder; or
- 16.1.5. any action, condition or thing, including obtaining any consent, licence approval or authorisation now or in future necessary to enable the Issuer to comply with its respective obligations under the Notes is not taken fulfilled or done or any such consent, licence, approval or authorisation shall be revoked, modified, withdrawn or withheld or shall cease to be in full force and effect, resulting in the Issuer being unable to perform any of its respective payment or other obligations in terms of the Notes and the Issuer fails to take reasonable steps to remedy such circumstances within 5 (five) Business Days of receiving written notice from the Noteholders demanding such remedy; or
- 16.1.6. an order by any court of competent jurisdiction or authority for the liquidation, winding-up, dissolution, judicial management or placement under supervision and commencement of business rescue proceedings of the Issuer or any Material Subsidiary, as the case may be, is made whether provisionally (and not dismissed or withdrawn within 21 (twenty one) days thereof) or finally, or the Issuer or any Material Subsidiary, as the case may be, is placed under voluntary liquidation or curatorship or a meeting is convened to consider the passing of a resolution, or a resolution is passed, to authorise the implementation of any business rescue proceedings in respect of the Issuer or any Material Subsidiary, provided that no liquidation, curatorship, winding-up, dissolution, judicial management or business rescue proceedings shall constitute an Event of Default if (i) the liquidation, winding-up, dissolution, judicial management or business rescue proceedings is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the Rand Water Group with any third party; or (ii) the liquidation, winding-up, dissolution, judicial management or business rescue proceedings is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganization or other similar arrangement, the terms of which were approved by an Extraordinary Resolution of Noteholders before the date of the liquidation, winding-up, dissolution, judicial management or business rescue proceedings; or
- 16.1.7. the Issuer or any Material Subsidiary, as the case may be, initiates or consents to judicial proceedings relating to itself under any applicable compromise with creditors, liquidation, winding-up, business rescue or insolvency or other similar laws or compromises or attempts to compromise, with its creditors generally (or any significant class of creditors) or any meeting of creditors is convened by the Issuer or any Material Subsidiary, as the case may be, to consider a proposal for an arrangement or compromise with its creditors generally (or any significant class of

its creditors), save for any such initiation, consent, attempt or convening of a meeting which relates to the Issuer or any of its Material Subsidiary and is for the purposes of an internal reconstruction or reorganisation within the Rand Water Group or is affected in terms of the Rand Water Services Act; or

- 16.1.8. if a person validly attaches in execution the whole or a material part of the undertaking or assets of the Issuer or any Material Subsidiary, as the case may be, or an execution or attachment or other process is validly levied, enforced upon, sued out or put in force against the whole or a material part of the undertaking or assets of any of them in both instances following a judgement against the Issuer or any Material Subsidiary, as the case may be, by a court of competent jurisdiction and such is not discharged within 21(twenty one) days; or
- 16.1.9. any other Event of Default provided for such Series, as specified in the Applicable Pricing Supplement.

If any one or more of the Events of Default shall have occurred and be continuing, then any Senior Noteholder may, by written notice to the Issuer at the registered office of the Issuer, effective upon the date of receipt thereof by the Issuer, declare the Senior Notes held by the Senior Noteholder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 10.5 (*Early Redemption Amount*)), together with accrued interest (if any) to the date of repayment, or as specified in the Applicable Pricing Supplement, provided that no such action may be taken by a holder of Senior Notes if the Issuer withholds or refuses to make any such payment in order to comply with any law or regulation of South Africa or to comply with any order of a court of competent jurisdiction.

For the purposes of Condition 16.1.4, any Indebtedness which is in a currency other than South African Rand shall be converted into South African Rand at the spot rate for the sale of South African Rand against the purchase of the relevant currency quoted by any leading bank of South Africa selected on the date of such Event of Default.

#### 16.2. Subordinated Notes

If the Issuer defaults in relation to Subordinated Notes in the payment of any amount payable in respect of such Notes, and such default continues for a period of 7 (seven) Business Days after receiving written notice from any of the holders of Subordinated Notes, or if an Event of Default as contemplated in Condition 16.1.6 occurs, any holder of a Subordinated Note may, subject as provided below, at its discretion and without notice, institute such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under such Subordinated Notes, provided that the Issuer shall not be obliged, save in the case of liquidation or winding up proceedings, to pay any sum or sums sooner than the same would otherwise have been payable by it.

In the event of the winding-up or liquidation, whether finally or provisionally, of the Issuer, otherwise than for the purposes of an amalgamation, merger, consolidation or re-organisation not involving liquidation, winding-up or bankruptcy, then any holder of Subordinated Notes issued by the Issuer may by written notice to the Issuer at its registered office, require that its Subordinated Notes are immediately due and repayable at their Early Redemption Amount together with the accrued interest to the date of payment, save that the Noteholders of Subordinated Notes may only receive payment once all the other creditors of the Issuer have been paid in full.

#### 16.3. Notification of Event of Default

If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Noteholders in accordance with Condition 18 (*Notices*), the Dealers and the JSE in writing.

#### 17. CALCULATION AGENT, TRANSFER AGENT AND PAYING AGENT

Any third party appointed by the Issuer as Calculation Agent, Transfer Agent, Paying Agent or otherwise shall act solely as the agents of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with any Noteholders. The Issuer is entitled to vary or terminate the appointment of such agents and/or appoint additional or other agents and/or approve any change in the specified office through which any agent acts.

## 18. NOTICES

- 18.1. Notices to holders of Notes shall be valid if mailed to their registered addresses appearing in the Register. Any such notice shall be deemed to have been given on the seventh day after the day on which it is mailed.
- 18.2. In the event of there being any Certificates in issue, such notices shall be published, not earlier than four days after the date of posting of such notice in terms of this clause:
  - 18.2.1. in an English language daily newspaper of general circulation in South Africa; and
  - 18.2.2. for so long as the Notes are listed on the Interest Rate Market of the JSE, a daily newspaper of general circulation in the city in which the JSE is situated, and any such notices shall be deemed to have been given on the date of first publication.
- 18.3. Notwithstanding the provisions of Condition 18.1, for so long as all of the Notes in a Tranche are held in their entirety in the CSD, they may be substituted for the notice contemplated in Condition 18.1 and in respect of Notes represented by Individual Certificates, Condition 18.2, the delivery of the relevant notice to the CSD's Nominee (as the registered holder of such Notes), the Participants and the JSE for communication by them to the holders of Beneficial Interests in such Notes in accordance with the Applicable Procedures. Each such notice will be deemed to have been received by the holders of Beneficial Interests on the day of delivery of such notice to the CSD's Nominee.
- 18.4. Any notice to the Issuer shall be deemed to have been received by the Issuer, if delivered to the registered office of the Issuer, on the date of delivery, and if sent by registered mail, on the seventh day after the day on which it is sent. The Issuer may change its registered office upon prior written notice to Noteholders specifying such new registered office.
- 18.5. For so long as any of the Notes are uncertificated or represented by a Global Certificate, notice may be given by any holder of an uncertificated Note or Global Certificate (as the case may be) to the Issuer via the relevant Settlement Agent in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Participants may approve for this purpose.

## 19. AMENDMENT OF THESE CONDITIONS

- 19.1. These Terms and Conditions set out all the rights and obligations relating to the Notes and, subject to the further provisions of this Condition 19, no addition, variation or consensual cancellation of these Terms and Conditions shall be of any force or effect unless reduced to writing and signed by or on behalf of the Issuer and the Noteholders.
- 19.2. The Issuer may effect, without the consent of the relevant Class of Noteholders, any modification of the Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is established, provided that the approval of the JSE shall be required. Any such modification shall be binding on the relevant Class of Noteholders and any such modification shall be communicated to the relevant Class of Noteholders in accordance with Condition 18 (*Notices*) as soon as is practicable thereafter. The Issuer and the Dealer(s) may agree, without the consent of the Noteholders, to any modification of these Terms and Conditions which is not prejudicial to the interests of the Noteholders, provided that the approval of the JSE shall be required. Any such modification shall be binding on the Noteholders and shall be notified to the Noteholders in accordance with Condition 18 (*Notices*).
- 19.3. The Issuer may with the prior sanction of an Extraordinary Resolution of Noteholders or with the prior written consent of Noteholders holding not less than 66.67% (sixty-six point six seven percent) in Nominal Amount of the Notes Outstanding from time to time, amend these Terms and Conditions, provided that no such amendment shall be of any force or effect unless notice of the intention to make such amendment shall have been given to all Noteholders in terms of Condition 18 (*Notices*).

## 20. MEETINGS OF NOTEHOLDERS

- 20.1. The Issuer may at any time convene a meeting of all Noteholders or holders of any Series of Notes upon at least 21 (twenty one) calendar days' prior written notice to such Noteholders. This notice is required to be given in terms of Condition 18 (*Notices*). Such notice shall specify the date, place and time of the meeting to be held, which place shall be in South Africa.
- 20.2. Every director or duly appointed representative of the Issuer may attend and speak at a meeting of Noteholders, but shall not be entitled to vote, other than as a proxy or Representative of a Noteholder.

- 20.3. Noteholders holding not less than 25% (twenty-five percent) in Nominal Amount of the outstanding Notes shall be able to request the Issuer to convene a meeting of Noteholders. Should the Issuer fail to requisition such a meeting within 10 (ten) days of such a request being received by the Issuer, the Noteholders requesting such a meeting may convene such meeting.
- 20.4. A Noteholder may by an instrument in writing (a “form of proxy”) signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person (a “proxy”) to act on his or its behalf in connection with any meeting or proposed meeting of the Noteholders.
- 20.5. Any Noteholder which is a corporation may by resolution of its directors or other governing body authorise any person to act as its representative (a “representative”) in connection with any meeting or proposed meeting of the Noteholders.
- 20.6. Any proxy or representative appointed shall, so long as the appointment remains in force, be deemed for all purposes in connection with any meeting or proposed meeting of the Noteholder specified in the appointment, to be the holder of the Notes to which the appointment relates and the holder of the Notes shall be deemed for such purposes not to be the holder.
- 20.7. The chairperson of the meeting shall be appointed by the Issuer. The procedures to be followed at the meeting shall be as determined by the chairperson subject to the remaining provisions of this Condition 20. Should the Noteholder requisition a meeting, and the Issuer fail to call such a meeting within 10 (ten) days of the requisition, then the chairperson of the meeting held at the instance of the Noteholders shall be selected by a majority of Noteholders present in person, by representative or by proxy.
- 20.8. At any such meeting one or more Noteholders present in person, by representative or by proxy, holding in aggregate not less than one third of the Nominal Amount of Notes for the time being Outstanding shall form a quorum for the transaction of business. On a poll, each Noteholder present in person or by proxy at the meeting shall have the number of votes equal to the number of Notes, by denomination, held by the Noteholder.

**21. FURTHER ISSUES**


The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes having terms and conditions the same as any of the other Notes issued under the Programme or the same in all respects save for the amount and date of the first payment of interest thereon, the Issue Price and the Issue Date, so that the further Notes shall be consolidated to form a single Series with the Outstanding Notes.

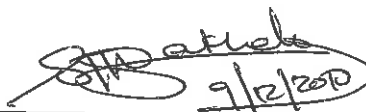
**22. GOVERNING LAW**

These Terms and Conditions and all rights and obligations to the Notes are governed by, and shall be construed in accordance with, the laws of South Africa in force from time to time.

For and on behalf of

~~RAND WATER~~

  
 Name: D. R. P. SECHEMANE  
 Capacity: Chief Executive Officer  
 Who warrants his/her authority hereto

  
 Name: S. M. Nyembe  
 Capacity: Chief Financial Officer  
 Who warrants his/her authority hereto

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## USE OF PROCEEDS

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*Words used in this section headed "Use of Proceeds" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

For purposes of the Commercial Paper Regulations it is recorded that the "Ultimate Borrower", as defined in the Commercial Paper Regulations, of the net proceeds from each Tranche of Notes will be the Issuer, unless otherwise indicated in the Applicable Pricing Supplement.

The proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement.

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## DESCRIPTION OF RAND WATER

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### 1. BACKGROUND AND HISTORY

Established in 1903 as a water utility servicing the gold rush in Johannesburg, Rand Water has since become the largest bulk water utility in Africa and one of the largest in the world, providing bulk water to more than 11 million people in the Gauteng Province, parts of the Mpumalanga Province, the Free State Province and the North West Province. On average approximately 3,800 Ml of potable water is pumped to customers every day. Rand Water's area of supply is estimated to be 18,000 km<sup>2</sup> with an additional 13,000 km<sup>2</sup> joint area of service with other Water Boards. Rand Water's ability to provide quality, reliable and efficient bulk water services to an area that is not located near any major waterway, through 3,300 kilometers of pipeline infrastructure and purification technology, is a unique feat in the global water sector.

Rand Water's client base includes the metropolitan municipalities of Johannesburg, Tshwane and Ekurhuleni and other local municipalities, as well as mines and direct industries.

The primary function of Rand Water is to treat raw water and distribute it in a bulk drinkable form through its infrastructure. Rand Water's distribution network includes over 3,056 kilometres of large diameter pipeline, feeding 58 strategically located service reservoirs.

Rand Water's capabilities include bulk water supply; the treatment of waste water; commercial services including, but not limited to, water quality testing and analysis as well as water sanitation, infrastructure development and utility management. One of Rand Water's strategic objectives is to expand bulk sanitation services to municipalities.

### 2. OWNERSHIP AND CONTROL

Rand Water is established in terms of the Water Services Act, 1997 (the "Act"). The Government of the Republic of South Africa, through the Department of Water Affairs ("DWA") and duly represented by the Minister of Water and Environmental Affairs (the "Minister"), is the sole shareholder of Rand Water (the "Shareholder"). In terms of the Act, Rand Water's primary activity is the provision of bulk water supply services (potable bulk water and sanitation services) within the predetermined service area.

The relationship between Rand Water and the Shareholder is governed by the provisions of the Act. Rand Water operates within the framework of a variety of legislations. The main objectives, the mandate and duties of Rand Water, and the powers of the Board of Rand Water (the "Board") are regulated by the Act. Rand Water, as a schedule 3B state owned business enterprise, upholds and promotes the principles of sound financial management as outlined in the Public Finance Management Act, 1999 (the "PFMA") and it subscribes to the Protocol on Corporate Governance in the Public Sector which mirrors the King II Code of Corporate Governance and which has subsequently been superseded by the King III Report.

### 3. REVIEW OF OPERATIONS/DESCRIPTION OF BUSINESS

#### 3.1 Water Availability, Use Rights, and Licenses

Rand Water's primary source of raw water is the Vaal River system and the yield from this system is increased by periodic augmentation schemes undertaken by the DWA. Rand Water periodically provides the DWA with its demand projections, currently up to the year 2035. These projections are incorporated into Rand Water's wider regional planning, which takes into consideration the augmentation phase for the Lesotho Highlands Water Project ("LHWP") as a matter of course.

In the process of ensuring that the whole supply chain is fully integrated, Rand Water works closely with the DWA, the Trans Caledon Tunnel Authority ("TCTA") and local councils to provide information to determine the appropriate timing of Phase 2 of the LHWP. The timing of this next phase depends on current water usage and projected demand. Currently Rand Water has authorisation from the DWA to extract 2711 Ml/d out of the Vaal River, and 10 Ml/d from Zuurbekom. This is in addition to statutory rights of 977 Ml/d from the Vaal River.

### 3.2 Water Demand of Major Consumers by Resource

When additional consumers are included in the distribution network, appropriate action is taken to ensure that Rand Water's commitment to meet increased demand is met.

Supply to meet the increasing demand during the planning period to 2035 is expected to be provided primarily by the Vaal River system. However, two additional water resources are on the horizon. Return flows from wastewater treatment plants are currently not used directly within the area of service. The DWA has indicated that this may change within 10 years, with regard to flows entering the Vaal Barrage.

Acid mine drainage within the area of service of at least 75 Ml/d will have to be treated and used in the coming five years, according to the DWA's directive. Rand Water is the obvious customer for this supply. Technical and feasibility discussions have commenced with various entities and mines required to undertake this directive.

### 3.3 Supply Capacity

It has been identified that a complete new treatment system needs to be put in place by December 2015 in order to support anticipated demand. This project will be developed on the current Zuikerbosch site. Water to be extracted for this site will be drawn from an upgraded canal and the BG3 pipeline will be installed.

Rand Water will strive to maintain South African Bureau of Standards ("SABS") and Rand Water's internal quality standards.

### 3.4 Capital Expenditure

Planned projects are listed under two categories, namely:

- augmentation infrastructure projects that have the primary purpose of increasing the capacity to meet growth in demand and area of service; and
- renovation and replacement projects that have the primary purpose of maintaining existing capacity to supply.

Some projects, particularly involving pipelines, will serve a dual purpose.

The capital expenditure plan incorporates a capital investment of R6 billion for new augmentation, R1.8 billion for renovation and replacement, R1.9 billion for growth projects and R0.3 billion for moveable assets for the period 2011/15.

## 4. FINANCIAL HIGHLIGHTS: 2010

Refer Annual Report 2010.

## 5. MANAGEMENT STRATEGY (Five Year Business Plan)

The vision of Rand Water is the following:

To be a provider of sustainable, universally competitive water and sanitation solutions for Africa.

This is supported by the following mission:

To deliver and supply world-class, affordable, reliable, and good quality water and related services to all stakeholders through:

- safe, efficient, transparent, sustainable and innovative business practices;
- empowered employees;
- mutually beneficial strategic relationships; and
- legislative compliance and best practice.

In order to attain its strategic intent, Rand Water has set the following strategic objectives, which focus and direct the business activities of the organisation over the five year planning period:

- achieve operational integrity and use best fit technology;
- achieve a high performance culture;



- positively engage stakeholder base;
- achieve growth; and
- maintain financial health and sustainability.

Each of the Rand Water strategic objectives are underpinned by specific key performance areas. These are broadly categorized as follows:

#### 5.1 **Achieve Operational Integrity and Use Best Fit Technology**

- To ensure compliance with all statutory and regulatory requirements;
- to promote safety, health, environment and quality (SHEQ);
- to increase protection of Rand Water's assets and personnel;
- to ensure continuous supply of water to customers;
- to ensure the quality and reliability of Rand Water assets;
- to effectively co-ordinate Rand Water's information and communication technology and knowledge management;
- to maintain the quality of water; and
- to improve internal processes within the Rand Water.

#### 5.2 **Achieve a High Performance Culture**

- To build integrity within the organization;
- to build employee morale and satisfaction;
- to build internal skills and capacity;
- to retain staff through an attractive environment;
- to transform Rand Water's employee profile to reflect demographics of area of supply;
- to provide required assurance at board level; and
- to retain Rand Water's institutional knowledge.

#### 5.3 **Positively Engage Stakeholder Base**

- To promote and implement initiatives that have a socio-economic development impact;
- to reduce legal risk and thereby minimise the financial and reputational impact on Rand Water;
- to improve awareness of Rand Water with external stakeholders; and
- to respond appropriately to Rand Water's environment.

#### 5.4 **Achieve Growth**

- To ensure that Rand Water infrastructure meets current and future demand;
- to promote growth through new areas of supply; and
- to promote growth through new product streams.

#### 5.5 **Maintain Financial Health and Sustainability**

- To promote prudent financial management;
- to achieve optimal investment portfolio performance;
- to mitigate all financial risk for the Rand Water Group;
- to ensure that assets are fully utilised; and
- to ensure that tariffs are determined accurately from Rand Water's environment.

### 6. **RISK MANAGEMENT**

Rand Water has an Enterprise-Wide Risk Management Framework which has three components namely:

- Risk Policy statement;
- Risk Management Framework; and
- Methodology

This framework is currently under review taking into account the requirements set out in the King III Code and ISO 31000.

Rand Water is committed to mitigate and manage all its identified risks. Risk identification is done through the risk assessment process. The risks are identified, analysed, evaluated and ranked by order of priority and risk owners are appointed. The operational risk assessment is done by Portfolios, divisions and sites and the Overall Strategic Risk Assessment is conducted once a year with all Portfolios being present. Internal Audit provide assurance on effectiveness of mitigating controls and report on this to the Board and its Risk Committees.

All governance structures taking part in management, monitoring or playing oversight role in this function are stipulated in the Entity-Wide Risk Management ("EWRM") Framework.

During the June 2010 annual risk assessment, 37 strategic risks were identified and ranked on the Risk Register. The Risk Register was discussed by Corporate Risk Committee, Portfolio Integrating Committee ("PIC") and recommended to the Board for adoption in September 2010 and were also assigned to responsible PIC members.

The risk mitigation plans and controls are continuously monitored by Rand Water's Corporate Risk Committee ("CRC") and these are then assessed by the internal audit function before being considered by the Board Risk Committee.

The following are the Rand Water Top Eleven Strategic Risks:

- 2010 Top Eleven Risks
  1. Condition of existing infrastructure and future expansion
  2. Alternative revenue streams (other than bulk sanitation)
  3. Business efficiency
  4. Ability and capability to supply bulk sanitation
  5. Critical skills attraction and retention
  6. Contracting
  7. Sustainability of supply of goods and services
  8. Availability, cost and tenure of funds
  9. Contractual performance
  10. Alignment between strategic and operational objectives
  11. Staff Capacity and Capability
- 2009 Top Thirteen Risks
  1. Condition of existing infrastructure
  2. Availability, cost and tenure of funds
  3. Quality of potable water
  4. Critical skills attraction and retention
  5. Supply of Bulk Sanitation Services
  6. Contractual Obligations
  7. Business Efficiency
  8. Alternative Revenue Streams
  9. Achievement of stakeholder expectations
  10. Application of Corporate Governance
  11. Quality and Quantity of Raw Water
  12. Availability of goods and services
  13. Alignment between strategic and operational objectives

## **7. RAND WATER MANAGEMENT STRUCTURE**

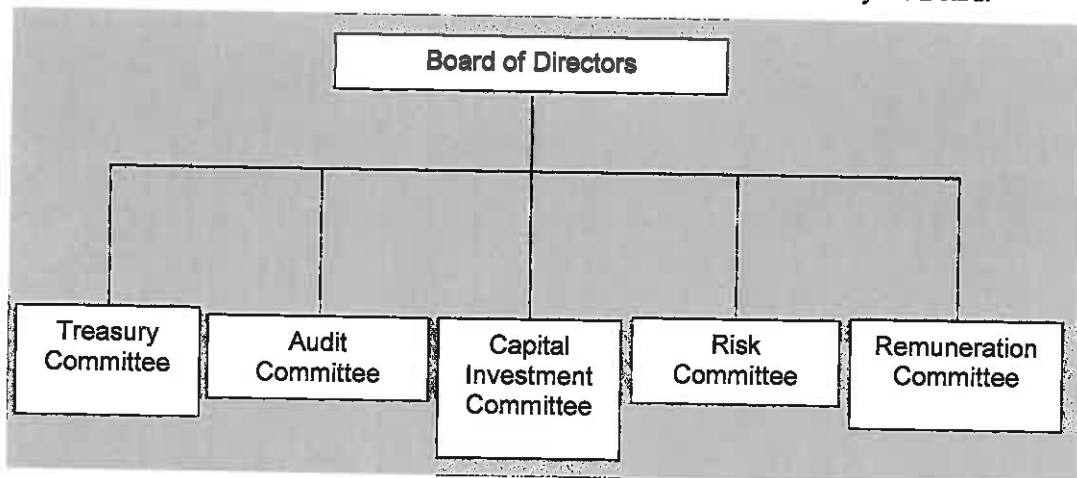
The non-executive Board members are appointed by the Minister and the Board is the Accounting Authority of Rand Water.

The Rand Water functional reporting lines and organogram is shown below:



### Structure of the Committees of the Board

The following organogram illustrates the committees that have been established by the Board:



## 8. CORPORATE GOVERNANCE

At Rand Water corporate governance is an integrated process where the Board, management and employees commit to conducting business in accordance with the highest standards of integrity, behaviour and ethics, recognising that good corporate governance is critical to the successful growth of the organisation.

Rand Water is committed to an open governance process through which its stakeholders derive assurance that the business is being managed ethically and according to prudently determined risk parameters in compliance with legislation and international best practices.

Rand Water has adopted a set of values, which guide and direct the relationship between Board, management and employees, and such values are applied when dealing with all our external stakeholders and communities.

### Compliance

Rand Water is fully committed to the highest standards of integrity, professionalism, sound business principles and practices of good corporate governance. Rand Water promotes ethical behaviour and through its systems and processes, has given life to the ethical culture that is cultivated across the organisation demonstrating its commitment to sound governance principles.

### **Key Governance Highlights**

The Board has adopted the recommendations of the King III Report and has made a commitment to embrace the principles, and the governance framework recommended therein, with the objective of enhancing the organisation's governance practices and processes. During the year under review, Rand Water has commenced with the implementation of the key governance requirements introduced and recommended in the King III Report.

To this end, Rand Water initiated the following key developments:

- review of its governance structures and frameworks to align its business objectives with the requirements of the King III Report;
- adopted the Code of Ethics and also continuously promotes awareness through campaigns to all employees, thereby cultivating a culture of compliance and accountability.

### **Governance Structures**

#### **Board of Directors**

Rand Water has a unitary board structure, which consists of a majority of non executive directors and an executive director. The position of the Chairperson and the Chief Executive are separated and their duties are clearly segregated. The Chairperson of the Board is a non executive director.

The Board is appointed by the DWA, duly represented by the Minister, in accordance with the provisions of the Act.

#### **Roles and Responsibilities of the Board**

The responsibilities of the Board are clearly defined in the Board Charter and within the powers conferred upon it. The Board's primary responsibilities are as follows:

- Retaining full and effective control over the organisation.
- Providing strategic direction to Rand Water.
- Fulfilling its role as the focal point of corporate governance and exercising leadership and judgment in directing Rand Water so as to achieve sustainability for itself and its stakeholders.
- Setting the risk tolerance level in accordance with the adopted strategy, overseeing the identification and evaluation of key risks, as well as the risk management process.
- Monitoring and evaluating the implementation of strategies, policies, management performance criteria and business plans, having regard to its own reporting and performance responsibilities to the Executive Authority.
- Safeguarding a comprehensive system of policies and procedures and appropriate governance structures at management level, and taking the necessary steps to ensure that there is a robust system of internal controls on the effectiveness of which regular assurance is received through risk centric internal audits.
- Ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, and Rand Water's internal governing documents and Codes of Conduct.
- Continually monitoring the exercise of delegated powers by management through understanding the key performance areas and key performance indicators of Rand Water, and considering reporting against these.
- Defining levels of materiality, reserving specific powers to itself and delegating other matters, with the necessary written authority to management.
- Regularly evaluating the economic, political, social and legal issues, as well as other external developments that may influence or affect the developments of Rand Water's business or the interests of the Department of Water.
- Environmental Affairs and, if necessary, the taking of external expert advice.

#### **Subsidiaries**

Rand Water has established two subsidiaries namely, the Rand Water Foundation (a Section 21 Company) which is the social responsibility arm of Rand Water, and Rand Water Services (Proprietary) Limited, which fulfils other water related activities with the objective of ring-fencing

commercial endeavours that do not form part of the core activities of Rand Water. Rand Water is the sole shareholder of these two companies. Rand Water has since reviewed the business model of its structures and the Board has resolved on 6 November 2010 to integrate Rand Water Services (Proprietary) Limited back into Rand Water.

#### ***Board Committees***

The Board established several committees to assist it in discharging its duties and these are: the Audit Committee, Risk Committee, Human Resources and Remuneration Committee, Capital Investment Committee and Treasury Committee. The Board and its committees are equitably represented in terms of their diverse skills and demographics. The Board has approved the Terms of Reference for each of the committees. This ensures the optimal discharge of their respective duties within the scope of the mandate conferred upon each committee.

#### ***Audit Committee***

The Audit Committee was established by the Board to assist it with meeting its responsibilities in compliance with section 51 of the PFMA and the National Treasury Regulations. The Audit Committee has an independent role with accountability to both the Board and the Shareholder. The Audit Committee serves as an independent, oversight and advisory body responsible for financial reporting and financial information, risk management process, internal financial control and compliance thereto, internal and external audit, performance monitoring and evaluation and legislative and regulatory compliance.

#### ***Risk Committee***

The Risk Committee has been established by the Board to assist and support it in discharging its responsibilities and oversight role in respect of the risk management and internal controls in accordance with the risk management frameworks and EWRM plan.

#### ***Human Resources and Remuneration Committee***

The Human Resources and Remuneration Committee has been established to assist in overseeing the development of remuneration policies for executive directors and the application thereof; to direct the administration of the bursary scheme; and to oversee the establishment and implementation of human resources policies. The Human Resources and Remuneration Committee monitors and reviews the performance information provided by Rand Water against the approved corporate business plan. The Human Resources and Remuneration Committee provides the Board and the Shareholder, as per the Shareholders Compact, with an authoritative and credible view of the performance of Rand Water.

#### ***Capital Investment Committee***

The Capital Investment Committee has been established by the Board to optimally control the major capital expenditure that falls within the scope of the “*Primary Activities*” and “*Other Activities*” as defined in the Act. The Capital Investment Committee assists the Board to comply with all directives from the Shareholder with regard to Integrated Water Resource Management and oversees the management and administration of the capital expenditure budget.

#### ***Treasury Committee***

The Treasury Committee has been established by the Board:

- to oversee the operations of the treasury function;
- to provide guidance on Treasury Policies;
- to assist with the overall treasury strategy and monitoring the risks concomitant to the treasury function;
- to oversee the development and implementation of investment, funding and liquidity strategies in line with Treasury Policies approved by Rand Water;
- to oversee the development and implementation of policies and procedures with regards to treasury activities and transactions;
- to ensure compliance with financial regulations and that the activities of the treasury function are in compliance with the Act, PFMA and sound corporate governance;

- to review the Funding Strategy, Investment Strategy and the Hedging Strategy; and
- to monitor adherence to performance of investment strategies ensuring that investment returns fall within acceptable limits.

***Composition of the Board of Directors***

As at the Programme Date, the Board consists of the following members:

*Chairperson:* This position is currently vacant.

*Acting Chairperson: Advocate Mosotho Petlane*

Member of the Board of Rand Water as from: 1 June 2002

*Academic qualifications:*

BA, LLB, Postgraduate Diploma in Business Administration, MBA

*Other directorships:*

Executive Director at the Sedibeng District Municipality; Commissioner with the General Public Service Sector Bargaining Council; Chairperson of the Vaal University of Technology Foundation

*Mr Mdibanisi Tsheke*

Member of the Board of Rand Water as from: 1 June 2002

*Academic qualifications:*

National Preliminary Certificate in Business Administration

*Other directorships:*

Executive Committee, SALGA; Executive, SANCO; serves on the board of Rand Water Services (Proprietary) Limited

*Chief Executive: Mr Percy Sechemane*

Member of the Board of Rand Water as from: 1 September 2008

*Academic qualifications:*

BCom, MBA

*Other directorships:*

None

*Mr Dawood Coovadia*

Member of the Board of Rand Water as from: 1 April 2005

*Academic qualifications:*

BCompt (Hons), BCompt, CA (SA), BAC (SA), CMC, FIMC, FLAC, FCIS, FSAIM, GIA (SA), CAT (UK), M Inst D and JP

*Other directorships:*

Non-executive director of the S A National Roads Agency Limited and Gauteng Enterprise Propeller; Chairman and member of several Audit and Board Committees; Chartered Accountant (SA) practicing with Coovadia and Associates

*Dr Michael Ellman*

Member of the Board of Rand Water as from: 1 June 2002

*Academic qualifications:*

Bsc, MSc Chemical Engineering, MBA, PhD

*Other directorships:*

Advisory Board Member of Department of Chemical Engineering at the University of Pretoria; Senior Consultant and Managing Member of Siyadingana Consultants CC

*Advocate Matshidiso Hashatse*

Member of the Board of Rand Water as from: 1 April 2009

*Academic qualifications:*

BA Journalism, LLB, LLM

*Other directorships:*

Deputy Dean at the Faculty of Students at Rhodes University

*Ms Matshidiso Magonare*

Member of the Board of Rand Water as from: 1 April 2009

*Academic qualifications:*

BA Ed, B Ed (Hons Environmental Education) Integrated Environmental Management (IEM), Project Management, Community Capacity Building (Cert), Assessor (Cert), Moderator (Cert)

*Other directorships:*

None

*Mr Lefadi Makibinyane*

Member of the Board of Rand Water as from: 1 April 2009

*Academic qualifications:*

MBL (Investment Banking & International Finance), BEng (Hons) in Chemical Engineering, MDP (Project Management), Professional Engineer, Chartered Engineer, MIChemE

*Other directorships:*

Strategic Executive Director at the City of Tshwane Metropolitan Municipality

*Ms Savannah Maziya*

Member of the Board of Rand Water as from: 1 April 2009

*Academic qualifications:*

BCom (Hons) Finance & Broadcast Communication (USA), MBA Strategy & Finance (UK)

*Other directorships:*

Group Chief Executive of the Bunengi Group; serves on the boards of the Bunengi Group and Wilson Bayley Holmes-Ovcon (WBHO) Construction; Chairs the National Regulator for Compulsory Specifications

*Ms Phumelele Ndumo-Vilakazi*

Member of the Board of Rand Water as from: 1 April 2005

*Academic qualifications:*

BCom, MBL, Higher Diploma in Computer Auditing

*Other directorships:*

Founding Managing Director of Thuthuka SA

*Ms Nolumphumzo Noxaka*

Member of the Board of Rand Water as from: 1 April 2009

*Academic qualifications:*

CA (SA), MBA, BAdmin, BCom. Acc Hons, N Dip Financial Markets and Instruments, H Dip Computer Audit

*Other directorships:*

Managing Director of Alatha Consulting; serves on the boards of Necsa and Mr Bread (Pty) Ltd

*Ms Thembisile Nwedamutswu*

Member of the Board of Rand Water as from: 1 April 2009

*Academic qualifications:*

Policy Studies (Masters), Adv Diploma in Accounting, Dip Business Admin, Youth Development Certificate, Training of Trainers Cert, Organisation and Strategic Management Certificate

*Other directorships:*

Chief Executive Officer, Independent Development Trust

*Professor Frederick A. O. Otieno*

Member of the Board of Rand Water as from: 1 April 2005

*Academic qualifications:*

PhD (Civil), MBA, MSc, BSc (Civil) (Eng) (Hon), PrEng, FSAICE

*Other directorships:*

Professor of Civil Engineering and the Deputy Vice Chancellor: Technology Innovation and Partnerships, at the Durban University of Technology

*Ms Ferhina Saloojee*

Member of the Board of Rand Water as from: 1 June 2002

*Other directorships:*

Halotsal (Proprietary) Limited; Bergers Filling Station and Salvest Property Investments CC

#### ***The Office of the Group Company Secretary***

The Group Company Secretary provides the Board with guidance on all governance issues and ensures that the Board functions effectively and that procedures, rules and regulations are fully observed. The office of the Group Company Secretary also assists with the implementation and monitoring of good business governance practices throughout the organisation, and compliance to applicable legislation, policies, rules and regulations. The office of the Group Company Secretary forms part of the accountability framework of Rand Water which focuses on adding value to the business by leveraging the value created by conformance.

#### ***Induction and Training***

It is the responsibility of the Group Company Secretary to ensure that newly appointed directors are inducted, and that the organisation has an induction programme for the purposes of their training and development with regards to their roles and responsibilities, their fiduciary duties, applicable legislation and regulations. In addition to that, the Group Company Secretary's responsibility is to update members of the Board on the relevant laws, regulations and any legislative changes from time to time.

Rand Water has a formal induction programme and during the year under review, all the Board members attended several workshops and courses to familiarise them with Rand Water's operations, its business environment, applicable legislation, as well as the King III Report.

#### ***Delegation of Authority***

Rand Water has adopted a comprehensive delegation of authority framework in accordance with section 56 of the PFMA, which clarifies the various levels of materiality and assists with the limits of authorisations throughout the organisation. The Board has, in writing, delegated the powers and authority entrusted to it to management, to perform any of the duties assigned to the Board in terms of the PFMA. The delegation does not in any way divest the Board's responsibilities, authority and duties.

#### ***Code of Ethics***

Rand Water has a strategic objective to engender a culture of integrity, to foster mutual respect and trust amongst the employees and the organisation with regard to any business dealings conducted on its behalf. The Rand Water Code of Ethics applies to the Board members, senior management, all employees, Rand Water's stakeholders and the public in general. This ensures high standards of ethical behaviour in dealing with all stakeholders. The Code of Ethics supports Rand Water's vision and the values that represent the organisation.

#### ***Occupational Health, Safety, Environmental and Quality Management Systems (SHEQ)***

Rand Water maintained the following ISO standards namely, ISO 14001 (Environmental Management Systems), ISO 9001 (Quality Management System) and OHSAS 18001 (Occupational Health & Safety Management System). These have benefited Rand Water with regards to the compliance to legislation, most notably environmental legislation and reduction of ill-health and workplace injuries.

In accordance with the Certification Body's requirements, Rand Water's SHEQ Management System underwent a re-certification by a third party (SABS) audit and retained its certifications with distinction. These three yearly re-certification audits have re-affirmed the high maturity level of Rand Water's SHEQ Management Systems and have enhanced the Combined Assurance by the Board. Internal and external surveillance and legal audits are continuously undertaken as per dedicated schedules to constantly monitor the effectiveness of the systems, and to ensure compliance with all legal and other requirements applicable to the organisation.



### ***Environmental Management – ISO 14001:2004***

In September 2009, following extensive internal, surveillance and legal audits, Rand Water was able to maintain its ISO 14001:2004 certification for a further three years to September 2012. In so doing, Rand Water again demonstrated its ability to implement its commitments to sustainable development and pollution prevention and its adherence to legal requirements.

In line with the fundamental principle of continual improvement, entrenched in the ISO 14001:2004 standard, Rand Water has also embarked on strategies to improve its environmental monitoring and reporting as well as its compliance to applicable legislation. After a gap analysis was completed, the key problem areas of Environmental Impact Assessments (“EIAs”) and Water Use Licenses were identified. Rand Water continues to engage with the DWA to resolve these challenges.

A procedure for the management and execution of EIAs was developed by a task team of specialists from Rand Water’s Risk Advisory Services, Strategic Asset Management, Environmental Management Services and Business Process Mapping departments. Workshops on EIAs and Water Use Licenses were also conducted in the organisation, where legislative requirements and best practices were discussed, and implementation guidelines were consequently developed for the organisation.

Rand Water also adheres to monitoring of environmental aspects that may pose a risk to the environment. Currently, Rand Water is monitoring dust fall out at some of its sites, as well as waste generation, in particular hazardous waste, throughout the organisation.

### ***Occupational Health and Safety – OHSAS 18001:2007***

Rand Water has been successfully certified in terms of the updated version of OHSAS 18001:2007. The updates include, but are not limited to, the requirement that the organisation takes human behaviour capabilities into account when assessing hazards and risks in the workplace.

This was mainly due to a number of factors including, but not limited to, the following elements of the Occupational Health and Safety programme:

- regular workplace health and safety inspections by Health and Safety Representatives;
- health and Safety awareness programmes;
- effective reporting; and
- corrective and preventative system.

Programmes on Safety Health and Environment (“SHE”) awareness including induction and safety awareness posters have been intensified.

### ***Quality Management Systems (QMS) – ISO 9001:2008***

Rand Water holds bi-annual SABS quality management audits which continue to confirm the high maturity level of Quality Management Systems. In these SABS audits, Rand Water’s QMS was found to continuously comply with all ISO 9001:2008 requirements. The re-certification process has already commenced and the first sets of SABS audits have shown excellent compliance to the updated ISO 9001:2008.

### ***Contractor Management***

During the year under review, all Rand Water sites continued to focus on contractor management with regards to compliance to the Construction Regulations as framed under the Occupational Health and Safety, 1993 (the “OHS Act”). A successful campaign by Rand Water’s Risk Advisory departments to have all contractors comply with the Construction Regulations was achieved. This included all small and emerging, medium and big contractors. Compliance with the OHS Act, improved especially amongst the small and emerging contractors. A number of SHE workshops facilitated by Rand Water’s Risk department were held to increase SHE awareness among the contractors.

### ***Site Business Continuity Plans***

During the year under review, all Rand Water’s major pumping stations’ Business Continuity Plans were reviewed. The review process identified no specific areas of serious concern. Nonetheless, all the information contained in the Business Continuity Plans was updated.

### ***Disaster Simulation Exercises***

A total of eight disaster simulation exercises were conducted during the year under review in conjunction with the appropriate local authority emergency services, that is, Disaster Management Centres, the South African Police Services, Rand Water operational sites and other stakeholders. Detailed action plans including timeframes have been compiled for all deviations and are being addressed.

### ***External Audit***

External auditors have been appointed to provide assurance and credibility to the organisation's existing Assurance Framework in terms of the PFMA and the Act.

### ***Internal Audit***

In recent years, internal audit processes have internationally undergone significant changes with regard to how these audits should be undertaken. Most notably, there has been a visible move from process based exercises to ones that are risk-based, while also embracing the key principles of governance and risk management.

Rand Water's Internal Audit unit is considered critical to the organisation and has an independent appraisal function established to evaluate the adequacy and effectiveness of its controls, disciplines, systems and procedures in order to reduce business risks to acceptable and cost effective levels and to ensure the achievement of the organisation's objectives.

The head of Rand Water's Internal Audit unit reports to the Group Governance Executive and also attends the meetings of the Board's Audit Committee. He also attends the meetings of the PIC by invitation. To deliver value added service at Rand Water, the Internal Audit unit has found it imperative to emphasise the importance of differentiators rather than focusing exclusively on qualifiers.

Qualifiers are the standard audit processes internal audit must accomplish daily. These include assurance work, audit reports, work paper documentation and training and development. Differentiators push the internal audit team to strive for excellence and underscore its ability to deliver distinctive value to the organisation.

Rand Water has a formal charter in place to regulate the functions of the Internal Audit unit, as well as a detailed audit plan based on risk assessments and issues raised at the Board, the Audit sub-committee and PIC meetings.

Rand Water's Internal Audit unit has focused on the following key issues, which are championed by the Board and the PIC, which insisted on a more tangible demonstration of the performance of Rand Water's Internal Audit unit:

- focusing on client management, to include knowledge sharing and fostering partnerships with line managers, and returning the ownership of controls to management;
- re-directing its processes from detection to prevention and identifying solutions to challenges;
- focusing on a risk-based approach with its audit processes;
- adding value to Rand Water's organizational objectives, strategies, risks and corporate governance priorities;
- greater emphasis on technology, that is, automated work papers, computer assisted audit software, etc; and
- the adoption of a risk-based plan and the importance of cooperation with other assurance providers.

Rand Water's Internal Audit unit has undertaken the following processes amid the evolving enterprise risks and recession to add strategic value to the organisation:

- Linking the organisation's strategic objectives and value-drivers to those that fall within the scope of internal audit.
- Responding to stakeholders' expectations of internal audit, and the priorities of the Board, the Audit subcommittee and the PIC.

- Identifying inefficient processes and eliminating routine low-value audits.
- Regularly reviewing the updated internal audit plan together with the implementation of cost-reduction measures with key stakeholders to further improve support for internal audit processes.
- Maintaining the alignment with the changing risk profile of Rand Water.
- Attracting and retaining internal audit human resource talent and increasing the business and operational knowledge of staff.
- Leveraging technology to optimise audit operations.

#### ***Legal Services***

Rand Water's strategic risk analysis for the year under review identified "*Contractual Performance*" as the sixth most strategic risk of the organisation. Rand Water has implemented a Contract Management System to streamline previously fragmented contract management processes.

Essentially, the Contract Management System allows for the provision of contract governance, execution management, and performance monitoring while at the same time improving efficiencies.

The System also allows for:

- the central storage of contracts and a controlled user access on documents online;
- the establishment of triggers as notification alerts for the appropriate action requested;
- a significant reduction in the usage of paper; and
- reduction in contract creation times.

All active, expired or terminated contracts entered into by Rand Water as well as any additional information pertaining to the contracts are stored on the Contract Management System.

The standardised templates on the Contract Management System reduce potential legal risk to Rand Water. Since its implementation, Rand Water has observed a significant decrease in the number of contracts challenged by interested and affected Third Parties.

#### ***Supply Chain Management***

Rand Water considers transformation as an essential element of its business that is integral to the development of South Africa.

Rand Water is committed to addressing the imbalances of the past, not only with regard to its human resource processes but also in its commercial equity priorities. The organisation's Procurement Policy is based on the Broad Based Black Economic Empowerment Act, 2003 and the Department of Trade and Industry's Codes of Good Practice.

The policy is aimed at the inclusion of previously disadvantaged individuals onto the supplier base for goods and services. The policy also allows for the setting and reviewing of targets to ensure that progress is made towards the achievement of the organisation's BEE targets.

Rand Water's Procurement Policy strives to:

- provide an appropriate acquisition process for the procurement of all goods and services;
- ensure that the procurement process is fair, transparent, consistent, equitable, competitive and cost effective;
- maintain the highest ethical standards;
- promote the objectives of the Commercial Equity policy; and
- ensure that the procurement processes comply with the legal framework that governs Rand Water.

#### **RAND WATER FRAUD PREVENTION STRATEGY**

Group Forensic Services ("GFS") is an independent assurance function established by management and the Board to identify, prevent and report on white collar crime risk areas in the organisation. The GFS is mandated to investigate criminal and irregular conduct, non-compliance to policy procedure and to assist management with prosecution of identified offenders and the recovery of identified losses.

GFS is also responsible for educating management and staff in regards to their role in the effective combating of fraud risk by creating awareness levels in respect of white collar crime in the organisation. GFS is also responsible for promoting the Rand Water Code of Ethics and for ensuring awareness levels are raised in order to decrease fraud risk exposure in the organisation.

Rand Water's initiatives to contain, manage and eradicate fraud and other white collar crime risks are consolidated in the Rand Water Fraud Prevention Plan that has been approved by management and Board structures.

Group Forensic Services have been mandated to ensure full implementation of this initiative in the Rand Water Group.

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## INVESTOR CONSIDERATIONS

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*The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. The value of the Notes could decline due to any of these risks, and investors may lose some or all of their investment.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.*

*Prospective investors should also read the detailed information set out elsewhere in this Programme Memorandum to reach their own views prior to making any investment decision.*

*References below to the "Terms and Conditions", in relation to Notes, shall mean the "Terms and Conditions of the Notes" set out below and references to a numbered "Condition" shall be to the Terms and Condition under the relevant Terms and Conditions set out below. Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in the Terms and Conditions, except to the extent that they are separately defined in this section or it is clearly inappropriate from the context.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME**

#### **Risk relating to the Issuer**

The Gauteng Province is currently experiencing one of highest rates of urbanisation as people migrate in search of economic opportunities. Rand Water is preparing itself to meet the growing demand for bulk water that will result from this growing urbanisation.

Pivotal to Rand Water's strategy is the pursuit of growth within its mandate under the Water Services Act. However, in order to fully comply with its legislative mandate of bulk water services provision, more emphasis needs to be placed on the sanitation side of the business.

#### ***Bulk Sanitation***

Rand Water is a bulk water supplier in bulk waste water treatment. However, Rand Water is aware that the Water Services Act allows Water Boards to enter this area. In line with its growth strategy, Rand Water is actively pursuing opportunities in this market. This should reduce Rand Water's risk profile and reliance on a single product stream, which is potable water.

Rand Water recognises the huge backlogs in bulk sanitation in its area of supply. The document titled "*Water and Sanitation Audit of March 2009*" which was commissioned on behalf of the DWA recognises the critical situation in sanitation. This is an area in which the Minister has placed special interest. Rand Water is keen to play a leading role in this regard.

By entering this market, this will also help reduce polluted water that flows into the Vaal River. Ultimately, this will have a positive impact on the cost of purifying water, and the potable water tariff.

#### ***Energy***

Energy price increases have a ripple effect on the whole water supply chain. These energy price increases put a strain on all Water Boards. They have a significant effect on the sustainability and financial viability of Water Boards which impacts negatively on their ability to perform their mandates.

Rand Water has to take into consideration tariff increments of 24.8 percent; 25.2 percent; and 26.1 percent in 2010; 2011; and 2012 respectively. This is a significant imposition on Rand Water's input costs. Energy is projected to constitute approximately 30 percent of total costs (from 14 percent in 2009) after all these increments have been implemented.

Over the past two and a half years, Rand Water has received energy price increases in excess of 40 percent per annum. Currently, Rand Water is supplied energy by several suppliers including, Eskom Distribution, City Power, the Emfuleni Municipality and the Ekurhuleni Municipality. These energy price increases have been compounded by the additional price increases from local councils. Local councils, being lower down the electricity supply chain, have imposed higher annual tariff increments than Eskom Holdings Limited

("Eskom").

Rand Water receives its energy from Eskom as well as three other municipalities. This therefore means that Rand Water still has to pay an additional energy tariff increase from the three municipalities over and above the 25.2 percent energy increase. A historical trend analysis shows that these municipalities have increased an additional 12.5 percent over the tariff imposed by Eskom. The three municipalities provide 30 percent of energy consumption by Rand Water. However, they account for 43 percent of the total energy costs, while Eskom provides 70 percent of energy consumption to Rand Water but accounts for 57 percent of Rand Water's total energy costs.

Following requests by Eskom for proposals, Rand Water has undertaken a detailed study of the potential for generating power at four sites within the bulk supply network. The four sites being the Control Works at the raw water canal, and Klipfontein, Brakfontein and Hartbeesthoek Reservoirs on the Palmiet supply system. Capital expenditure of R400 million is required to utilise the generating potential of these sites. The project is strongly financially positive over time, using the tariff scale proposed by Eskom. It will also reduce Rand Water's long term energy bill.

### **Cost of Raw Water**

In previous years, TCTA alerted bulk water suppliers of the impending Second Phase of the LHWP. This Phase is now being implemented and will lead to an increase in the cost of Rand Water. The table below, which shows that the opening tariff was 179.19 cents/m<sup>3</sup> illustrates how the TCTA raw water unit costs increases, have come about.

| <b>TCTA Raw Water Charge (cents / m<sup>3</sup>)</b> |                  |                 |
|--|------------------|-----------------|
|  | <b>2011/2012</b> | <b>% Change</b> |
| <b>2010/11 Tariff</b>                                | <b>179.19</b>    |                 |
| <b>CPI 4.6% adjustment</b>                           | <b>8.24</b>      |                 |
| <b>Under recovery from 2009/10 - Portion 2 of 2</b>  | <b>1.34</b>      |                 |
| <b>LHWP - Phase 2 in Portion 1 of 6</b>              | <b>5.75</b>      |                 |
| <b>Total TCTA unit cost</b>                          | <b>194.520</b>   | <b>8.56%</b>    |

#### **First Phase – 2010/11 Tariff (CPI Adjustment)**

This covers the outstanding debt of the First Phase of the LHWP, and has increased by 4.60 percent (8.24 cents/m<sup>3</sup>). This increase coincides with the May 2010 Consumer Price Index ("CPI") figure, as formulated by the TCTA model. The current agreement with TCTA stipulates that where second quarter (month of May) CPI is between 4.5 percent and 7.5 percent, then the CPI figure is used. If this CPI figure is outside this range, then negotiations will be entered into by TCTA and Rand Water.

#### **Under recovery from 2009/10 – Portion 2 of 2**

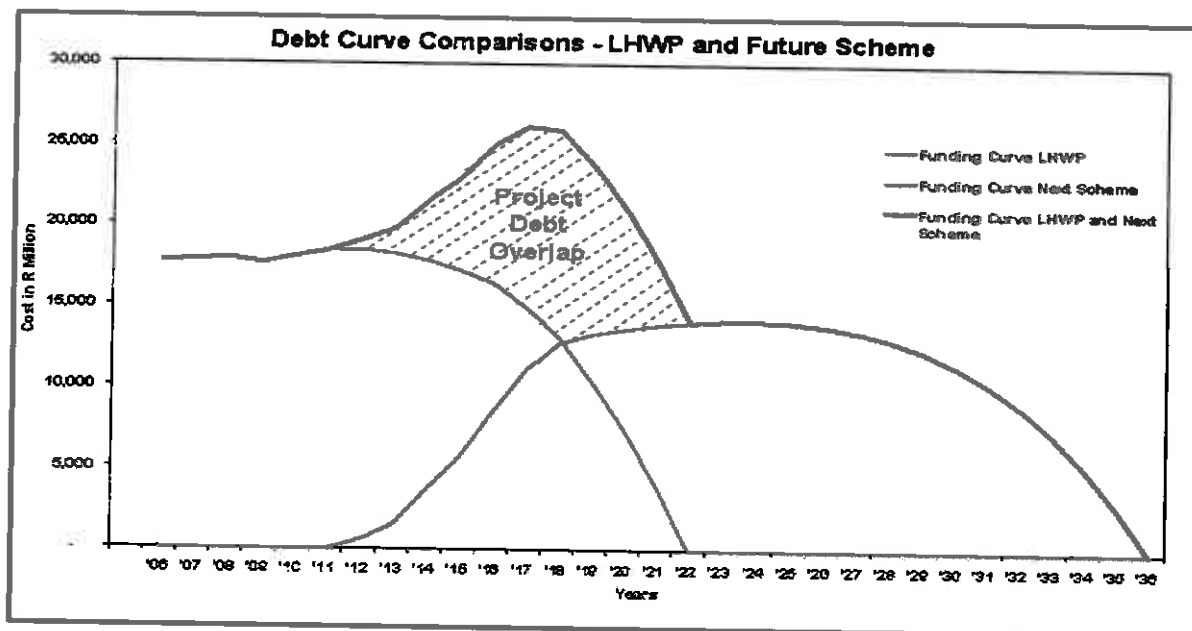
During the 2009/10 consultation period, TCTA agreed to reduce its tariff from 7.5 percent to 6 percent. DWA allowed TCTA to recover this difference over two years. The 1.34 cents/m<sup>3</sup> is the final portion of this under recovery.

#### **Second Phase - LHWP**

This relates to the second phase of the LHWP. This is the first of six components to increase the tariff by 36 cents/m<sup>3</sup>.

#### **Illegal water use by farmers**

The Vaal River and its tributaries are of special importance, not only to the province of Gauteng, but to the nation as a whole. The Vaal River and its tributaries pass through several provinces. Rand Water is, however, concerned by the continued illegal use of water on the Vaal River system. Previous studies have illustrated that the extent of illegal water usage significantly brings forward the Second Phase of the LHWP. This consequentially significantly increases the cost of raw water. Users of the Vaal River are faced with two costs from the First and Second Phase of the LHWP, as shown below. Given current demand projections, the Second Phase should start in the year 2016. Therefore, the tariff in the coming years takes into account the overlap between the two phases, as shown below.



Rand Water is also concerned that a cost element for the monitoring of illegal water use forms part of the DWA tariff for the purchase of raw water.

Rand Water therefore proposes that it be tasked with the direct monitoring of illegal water use. If done successfully, this will help to push backwards the second phase of the LHWP, and help Rand Water manage its input costs.

#### ***Effluent Management***

A significant number of local users including industries within Rand Water's catchment area do not comply with DWA's standards of effluent management. Various steps have been proposed to manage the pollution that accumulates at the Vaal Dam Barrage. If the problem persists, it will exert pressure on Rand Water's cost of production. If Rand Water uses the barrage water, this will increase the cost of purification due to pollution at the Barrage. This ultimately places greater pressure on Rand Water's tariff increments.

Rand Water has been actively involved in providing a long term solution through the Emfuleni Regional Sanitation Scheme. A feasibility study has shown that the current scheme has a total of up to 48 pumping stations when two major pumping stations could perform the same task more efficiently and effectively. The current scenario has consequently resulted in excessively high operational costs as well as frequent spills of effluent into the surrounding area, which are generally upstream of Rand Water's potable water treatment facilities on the Vaal River system.

Currently, DWA's tariff for raw water purchased by Rand Water includes a catchment management element.

#### ***Skill Shortages and Labour Retention***

Rand Water faces competition from the Private and Public Sector in attracting and retaining staff. Rand Water operates in the country's economic hub where the demand for key skill set is high. This results in shortages in the skills required by Rand Water. Rand Water's compensation structure does not assist it; it is capped in relation to the salaries of senior management.

Rand Water lags behind other similarly sized entities in terms of compensation and labour as a percentage of total cost. It is important to align and create parity with other comparable entities, for example, the TCTA.

A retention strategy cannot be sustained if it fails to take into consideration real world dynamics. The following processes are also critical:

#### ***Staffing***

Recruitment, selection, induction and promotion will be critical human resource management functions over the next five years and beyond. Key skills and competencies have to be sought in a labour market where they are in high demand and short supply. Employment Equity strategies have to be applied rigorously to meet both legislative and Rand Water policy requirements. Tighter legislative requirements, litigation-conscious applicants' pool, and a strong desire by Rand Water to apply fair and equitable employment practices

necessitate meticulous recruitment and selection procedures by the recruitment agencies employed by Rand Water.

Innovative means are also required to increase the pool of eligible technically qualified candidates for employment, particularly within previously disadvantaged groups, and to attract those candidates to join Rand Water.

#### *Retention Strategies*

Innovative approaches to retain key skills include social and monetary recognition, development opportunities and career growth opportunities. These approaches are necessary to enhance Rand Water's image as an employer, coupled with restructuring of salary packages in a more flexible manner.

#### *Talent Pool and Accelerated Development*

In addition to development of all staff, many organisations have identified the need to focus especially on attracting, developing and retaining an identifiable pool of talented individuals who are linked to succession planning. Such a pool has been identified in the current financial year and accelerated development processes will continue during the business planning period, cascading down to a larger group of talented employees.

#### *Compensation Strategy*

The total package concept of remuneration will be fully operational for all staff in the N-Q Bands (that is, managerial and senior technical employees) at the start of the planning period, allowing a greater degree of flexibility in structuring pay to attract and retain staff. The current Rand Water-wide incentive scheme is based on the financial performance of the organisation as a whole, with staff in managerial and supervisory ranks being measured and incentivised on individual performance as well.

Competency-based pay is being introduced during the planning period once competency mapping has been completed. This will initially assist the process of addressing fair pay discrimination between individuals in the lower job bands, but will play an important part in creating a learning culture in the organisation as a whole.

#### **Risks relating to the Notes**

##### *The Notes may not be a suitable investment for all investors*

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

##### *There is no active trading market for the Notes*

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be



consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. There is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

***The Notes may be redeemed prior to maturity***

Unless in the case of any particular Tranche of Notes the Applicable Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the government of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the Applicable Pricing Supplement specifies that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

***Because uncertificated Notes and Notes represented by a Global Certificate are held by or on behalf of the CSD, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

Notes issued under the Programme which are listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange and/or immobilised in the CSD may, subject to applicable laws and the Applicable Procedures, be issued in uncertificated form or in the form of a Global Certificate. Unlisted Notes may also be lodged and immobilised in the CSD in uncertificated form or in the form of a Global Certificate. Notes held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. Except in the limited circumstances described in the Terms and Conditions, investors will not be entitled to receive Individual Certificates. The CSD will maintain records of the Beneficial Interests in Notes represented by a Global Certificate and/or issued in uncertificated form, which are held in the CSD (whether such Notes are listed or unlisted). Investors will be able to trade their Beneficial Interests only through the CSD and in accordance with the Applicable Procedures.

Payments of principal and/or interest in respect of uncertificated Notes or Notes represented by a Global Certificate will be made to the CSD and/or the Participants and the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the CSD and/or the Participants for distribution to their account holders. A holder of a Beneficial Interest in uncertificated Notes or Notes represented by a Global Certificate, as the case may be, whether listed or unlisted, must rely on the procedures of the CSD to receive payments under the relevant Notes. Each investor shown in the records of the CSD and/or the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such uncertificated Notes or to the registered holder of Notes represented by a Global Certificate. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, such Beneficial Interests.

Holders of Beneficial Interests in uncertificated Notes and/or Notes represented by a Global Certificate will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the CSD to appoint appropriate proxies.

***Credit Rating***

Tranches of Notes issued under the Programme, the Issuer and/or the Programme, as the case may be, may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

***Risks related to the structure of the particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

***Notes subject to optional redemption by the Issuer***

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above

the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### ***Index-Linked and Dual Currency Notes***

The Issuer may issue Notes the terms of which provide for interest or principal payable in respect of such Note to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”) or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

#### ***Partly-paid Notes***

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

#### ***Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### ***Modification and waivers and substitution***

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

#### ***Change of law***

The Notes are governed by, and will be construed in accordance with, South African law in effect as at the Programme Date. No assurance can be given as to the impact of any possible judicial decision or change to South African law or administrative practice in either such jurisdiction after the Programme Date.

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## SETTLEMENT, CLEARING AND TRANSFER OF NOTES

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*Words used in this section headed "Settlement, Clearing and Transfer of Uncertificated Notes" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

### **Notes listed on the Interest Rate Market of the JSE and/or held in the CSD**

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE in certificated form or in uncertificated form will be held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.

### **Clearing systems**

Each Tranche of Notes listed on the Interest Rate Market of the JSE and held in the CSD or a Tranche of unlisted Notes held in the CSD, as the case may be, will be issued, cleared and settled in accordance with the rules and operating procedures for the time being of the JSE and the CSD through the electronic settlement system of the CSD. Such Notes will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD.

The CSD has, as the operator of an electronic clearing system, been appointed by the JSE to match, clear and facilitate the settlement of transactions concluded on the JSE. Subject as aforesaid each Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued, cleared and transferred in accordance with the Applicable Procedures and the Terms and Conditions, and will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the CSD. The Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Dealer(s).

### **Participants**

The CSD maintains accounts only for Participants. As at the date of the Programme Memorandum, the Participants which are approved by the JSE, in terms of the listing requirements of the JSE, as Settlement Agents to perform electronic settlement of funds and scrip are Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear, as operator of the Euroclear System, and Clearstream will settle off-shore transfers in the Notes through their Participants.

### **Settlement and clearing**

Participants will be responsible for the settlement of scrip and payment transfers through the CSD, the JSE and the South African Reserve Bank.

While a Tranche of Notes is held in the CSD, the CSD's Nominee, a wholly owned subsidiary of the CSD approved by the Registrar of Securities Services in terms of the Securities Services Act, and any reference to "CSD's Nominee" shall, whenever the context permits, be deemed to include any successor nominee operating in terms of the Securities Services Act, will be named in the Register as the sole Noteholder of the Notes in that Tranche. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.

In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the Nominal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The CSD's Nominee (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Nominal Amount of such Notes for all purposes.

Payments of all amounts in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or held in the CSD under a Global Certificate will be made to the CSD's Nominee, as the registered Noteholder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the CSD or the relevant Participant, as the case may be, as the holders of Beneficial Interests in Notes shall look solely to the CSD or the relevant Participant, as the case may be, for such person's share of each payment so made by (or on behalf of) the Issuer to, or for the order of, the CSD's Nominee, as the registered Noteholder of such Notes.

Payments of all amounts in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or held in the CSD under a Global Certificate will be recorded by the CSD's Nominee, as the registered

Noteholder of such Notes, distinguishing between interest and principal, and such record of payments by the CSD's Nominee, as the registered Noteholder of such Notes, shall be *prima facie* proof of such payments.

***Transfers and exchanges***

Title to Beneficial Interest held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the securities accounts maintained by such Participants for such clients. Title to Beneficial Interests held by Participants directly through the CSD will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Beneficial Interests may be transferred only in accordance with the Applicable Procedures.

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 14.2 (*Transfer of Notes represented by Certificates*).

***Records of payments, trust and voting***

Neither the Issuer nor the Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to Beneficial Interests. Neither the Issuer nor the Paying Agent nor the Transfer Agent will be bound to record any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

***BESA Guarantee Fund***

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE or the BESA Guarantee Fund. Claims against the BESA Guarantee Fund may only be made in respect of the trading of the Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the BESA Guarantee Fund. Unlisted Notes are not regulated by the JSE.

***Notes listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE***

Each Tranche of Notes which is listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the rules and settlement procedures for the time being of that Financial Exchange. The settlement and redemption procedures for a Tranche of Notes which is listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

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## SUBSCRIPTION AND SALE

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*Words used in this section headed "Subscription and Sale" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.*

The Dealers have in terms of the programme agreement dated 9 December 2010, as may be amended, supplemented or restated from time to time (the "**Programme Agreement**"), agreed with the Issuer a basis upon which they may from time to time agree to subscribe for Notes or procure the subscription of the Notes.

### **Selling restrictions**

#### ***South Africa***

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that it will not solicit any offers for subscription for or sale of the Notes in that Tranche, and will itself not sell the Notes in that Tranche of Notes, in South Africa, in contravention of the Companies Act, the Banks Act, the PFMA, the Exchange Control Regulations and/or any other applicable laws and regulations of South Africa in force from time to time. Notes will not be offered for subscription to any single addressee for an amount of less than ZAR100,000.

#### ***United States***

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (a) the Notes in that Tranche have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act;
- (b) it has not offered, sold or delivered any Notes in that Tranche and will not offer, sell or deliver any Notes in that Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 (forty) days after completion of the distribution, as determined and certified by the Dealer or, in the case of an issue of such Notes on a syndicated basis, the relevant Lead Manager, of all Notes of the Series of which that Tranche of Notes is a part, within the United States or to, or for the account or benefit of, U.S. persons;
- (c) it will send to each dealer to which it sells any Notes in that Tranche during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons; and
- (d) it, its affiliates and any persons acting on its or any of its affiliates behalf have not engaged and will not engage in any directed selling efforts in the United States (as defined in Regulation S under the Securities Act) with respect to the Notes in that Tranche and it, its affiliates and any persons acting on its or any of its affiliates' behalf have complied and will comply with the offering restrictions requirements of Regulation S.

Until 40 (forty) days after the commencement of the offering of a Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the Securities Act.

#### ***European Economic Area***

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of any of such Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of any of such Notes to the public in that Relevant Member State:

- (a) in the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive and/or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive and ending on the date which is 12 (twelve) months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 (two hundred and fifty) employees during the last financial year; (2) a total balance sheet of more than €43 000 000.00 and (3) an annual turnover of more than €50 000 000.00 as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 (one hundred) natural or legal persons per Relevant Member State (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### **United Kingdom**

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (a) in relation to any of the Notes in that Tranche which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any of such Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act, 2000 (the “FSMA”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any of the Notes in that Tranche in circumstances in which section 21(1) of the FSMA does not apply to the Issuer;
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any of the Notes in that Tranche in, from or otherwise involving the United Kingdom.

#### **General**

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to agree that:

- (a) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscription, offers or sales;
- (b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement.

Neither the Issuer nor any of the Dealers represent that Notes may at any time lawfully be subscribed for or sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to any exemption available thereunder or assumes any responsibility for facilitating such subscription or sale.

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## SOUTH AFRICAN TAXATION

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*Words used in this section headed "South African Taxation" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

*The comments below are intended as a general guide to the relevant tax laws of South Africa as at the date of the Programme Memorandum. The contents of this section headed "South African Taxation" do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.*

### **Withholding Tax**

Under current taxation law in South Africa, all payments made under the Notes to Resident and non-Resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa.

However, the Taxation Laws Amendment Act of 2010 introduces such withholding tax. The withholding tax legislation will apply in respect of interest received or accrued on or after 1 January 2013. The legislation imposes a withholding tax of 10 percent of the amount of any interest received by or accruing to any foreign person that is not a controlled foreign company.

In terms of the legislation, interest received by or accrued to any foreign person during a year of assessment in respect of any debt owed by a bank (defined to mean any bank as defined in section 1 of the Banks Act, a mutual bank as defined in section 1 of the Mutual Banks Act, 1993 or a co-operative bank as defined in section 1 of the Co-operative Banks Act, 2007), will be exempt from the withholding tax. Accordingly, the withholding tax will not apply to this Programme.

### **Securities Transfer Tax**

The issue, transfer and redemption of the Notes will not attract securities transfer tax under the Securities Transfer Tax Act, 2007. Any future transfer duties and/or taxes that may be introduced in respect of (or applicable to) the transfer of Notes will be for the account of Noteholders.

### **Value-Added Tax**

No value-added tax ("VAT") is payable on the issue or transfer of Notes. Notes constitute "*debt securities*" as defined in section 2(2)(iii) of the Value-Added Tax Act, 1991. The issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security is a financial service, which is exempt from VAT in terms of section 12(a) of that Act.

Commissions, fees or similar charges raised for the facilitation of these services will however be subject to VAT at the standard rate (currently 14 percent.), except where the recipient is a non-Resident as contemplated below.

Services (including exempt financial services) rendered to non-Residents who are not in South Africa when the services are rendered, are subject to VAT at the zero rate in terms of section 11(2)(l) of the Value-Added Tax Act, 1991.

### **Income Tax**

Under current taxation law effective in South Africa, a "*resident*" (as defined in section 1 of the South African Income Tax Act, 1962 (the "**Income Tax Act**")) is subject to income tax on his/her world-wide income. Accordingly, all Noteholders who are "*residents*" of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any interest earned pursuant to the Notes. Non residents of South Africa are subject to income tax on all income derived from a South African source (subject to applicable double taxation treaties). Interest income is deemed to be derived from a South African source if it is derived from the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of "*interest bearing arrangement*". The Notes will constitute an "*interest bearing arrangement*". The place of utilisation or application of funds will, unless the contrary is proved, be deemed, in the case of a juristic person, to be that juristic person's place of effective management. The Issuer has its place of effective management in South Africa as at the Programme Date. Accordingly, if the funds raised from the issuance of any Tranche of Notes are applied by the Issuer in South Africa, the interest earned by a Noteholder will be deemed to be from a South African source and subject to South African income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act (*see below*).



Under section 24J of the Income Tax Act, any discount or premium to the Nominal Amount of a Note is treated as part of the interest income on the Note. Interest income which accrues (or is deemed to accrue) to a Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day to-day basis until that Noteholder disposes of the Note or until maturity unless an election has been made by the Noteholder (if the Noteholder is entitled under Section 24J of the Income Tax Act to make such election) to treat its Notes as trading stock on a mark to market basis. This day to day basis accrual is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. In practice the premium or discount is treated as interest for the purposes of the exemption under section 10(1)(h) of the Income Tax Act. However, due to the elective nature of the Issuer's interest payment obligations under Subordinated Notes the proceeds of which qualify as Regulatory Capital, it is unlikely that section 24J of the Income Tax Act will apply to interest actually paid by the Issuer on such Subordinated Notes. Interest actually paid by the Issuer on Subordinated Notes the proceeds of which qualify as Regulatory Capital will, however, still be subject to income tax unless such interest income is exempt from income tax under section 10(1)(h) of the Income Tax Act (*see below*).

Under section 10(1)(h) of the Income Tax Act, interest received by or accruing to a Noteholder who, or which, is not a resident of South Africa during any year of assessment is exempt from income tax, unless that person:

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during that year of assessment; or
- (b) at any time during that year of assessment carried on business through a permanent establishment in South Africa.

If a Noteholder does not qualify for the exemption under Section 10(1)(h) of the Income Tax Act, exemption from, or reduction of any income tax liability may be available under an applicable double taxation treaty.

Certain entities may be exempt from income tax. Prospective subscribers for or purchasers of Notes are advised to consult their own professional advisers as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act.

#### **Capital Gains Tax**

Capital gains and losses of residents of South Africa on the disposal of Notes are subject to capital gains tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. Under section 24J(4A) of the Income Tax Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest), be allowed as a deduction from the taxable income of the holder when it is incurred and accordingly will not give rise to a capital loss.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that person through which a trade is carried on in South Africa during the relevant year of assessment.

Purchasers are advised to consult their own professional advisers as to whether a disposal of Notes will result in a liability to capital gains tax.

#### **Definition of Interest**

The references to "*interest*" above mean "*interest*" as understood in South African tax law. The statements above do not take any account of any different definitions of "*interest*" or "*principal*" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

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## **SOUTH AFRICAN EXCHANGE CONTROL**

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*Words used in this section headed "South African Exchange Control" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

*The information below is intended as a general guide to the position under the Exchange Control Regulations as at the date of the Programme Memorandum. The contents of this section headed "South African Exchange Control" do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.*

### **Non-South African resident Noteholders and emigrants from the Common Monetary Area**

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the Applicable Terms and Conditions may be subject to the Exchange Control Regulations.

### **Blocked Rand**

Blocked Rand may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rand may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

### **Emigrants from the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed "*emigrant*". Such restrictively endorsed Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an "*emigrant*" account.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder's Blocked Rand account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

### **Non-residents of the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed "*non-resident*". In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the CSD, the securities account maintained for such Noteholder by the relevant Participant will be designated as a "*non-resident*" account.

It will be incumbent on any such non-resident Noteholder to instruct the non-resident's nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificate has been endorsed "*non-resident*" or the relevant securities account has been designated as a "*non-resident*" account, as the case may be.

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## GENERAL INFORMATION

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*Words used in this section headed "General Information" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

### **Authorisation**

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa as at the date of this Programme Memorandum have been given for the establishment of the Programme and the issue of Notes and for the Issuer to undertake and perform its obligations under the Programme Memorandum and the Notes. As required by section 66(f) of the PFMA, the establishment of the Programme and each Issue of the Notes are authorised in terms of the relevant borrowing programme the Issuer submitted to the Minister of Finance as at the time of each issue of Notes.

### **Listing**

The Programme Memorandum was approved by the JSE on 23 November 2010. Notes to be issued under the Programme will be listed on the Interest Rate Market of the JSE or any other Financial Exchange.

### **Documents Available**

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer as set out at the end of this Programme Memorandum:

- (a) all amendments and supplements to this Programme Memorandum prepared by the Issuer from time to time;
- (b) in respect of any issue of Notes under the Programme, the audited annual financial statements of the Issuer, for their three financial years prior to the date of such issue;
- (c) in respect of any issue of Notes under the Programme, the published annual report (incorporating its audited annual financial statements, together with reports and the notes thereto) of Issuer and attached to or intended to be read with such financial statements of the Issuer for its three financial years prior to the date of such issue;
- (d) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme; and
- (e) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which is electronically submitted by the Securities Exchange News Service ("SENS") established by the JSE, to SENS subscribers, if required.

### **Material Change**

Save as disclosed in this Programme Memorandum, there has been no material adverse change in the financial or trading position of the Issuer since the date of the Issuer's latest audited financial statements.

### **Litigation**

Save as disclosed herein, neither the Issuer, nor any of its respective consolidated Subsidiaries are or have been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had a significant effect on the financial position of the Issuer or its consolidated subsidiaries.

### **Auditors**

Sizwe Ntsaluba VSP acted as the auditors of the financial statements of the Issuer for the financial years ended 30 June 2009 and 2008. Unqualified audit reports have been issued in respect of those years. SAB&T Chartered Accountants Incorporated acted as the auditors of the financial statements of the Issuer for the financial year ended 30 June 2010.

## **ISSUER**

### **Rand Water**

*(Established under Transvaal Ordinance No 32 of 1903, as consolidated in the Rand Water Board Statutes (Private) Act, 1950, and now deemed to be established in terms of Section 84 of the Water Services Act, 1997)*

522 Impala Road

Glenvista, 2058

South Africa

Contact: Mr L Ncobela

Email: [group-treasury@randwater.co.za](mailto:group-treasury@randwater.co.za)

## **ARRANGERS**

**Nedbank Capital,  
a division of Nedbank Limited**  
(Registration Number 1951/000009/06)

135 Rivonia Road

Sandown

Sandton, 2196

South Africa

Contact: Mr B Stewart

**Quartile Capital (Proprietary) Limited**  
(Registration Number 2005/016810/07)

1<sup>st</sup> Floor

Fortune Kunene House

261 Oxford Road

Illovo, 2196

South Africa

Contact: Mr M Motloba

## **DEALERS**

**Investec Bank Limited**  
(Registration Number 1969/004763/06)

100 Grayston Drive

Sandown

Sandton, 2196

South Africa

Contact: Mr R Moody

**Nedbank Capital,  
a division of Nedbank Limited**  
(Registration Number 1951/000009/06)

135 Rivonia Road

Sandown

Sandton, 2196

South Africa

Contact: Mr B Stewart

**Quartile Capital (Proprietary) Limited**  
(Registration Number 2005/016810/07)

1<sup>st</sup> Floor

Fortune Kunene House

261 Oxford Road

Illovo, 2196

South Africa

Contact: Mr M Motloba

## **TRANSFER AGENT AND CALCULATION AGENT**

**Nedbank Capital,  
a division of Nedbank Limited**  
(Registration Number 1951/000009/06)

135 Rivonia Road

Sandown

Sandton, 2196

South Africa

Contact: Mr B Stewart

## **PAYING AGENT**

**Nedbank Investor Services,  
a division of Nedbank Limited**  
(Registration Number 1951/000009/06)

2<sup>nd</sup> Floor, Forum IV Braampark

33 Hoofd Street

Braamfontein, 2000

South Africa

Contact: Ms A Frankland

**SPONSOR**  
**Nedbank Capital,**  
**a division of Nedbank Limited**  
(Registration Number 1951/000009/06)  
135 Rivonia Road  
Sandown  
Sandton, 2196  
South Africa  
Contact: Mr B Stewart

**LEGAL ADVISERS TO THE ISSUER**

**DLA Cliffe Dekker Hofmeyr Inc.**

1 Protea Place  
Sandton, 2196  
South Africa  
Contact: Mr J Mphafudi and  
Mr D Govender

**LEGAL ADVISERS TO THE ARRANGERS  
AND DEALERS**

**Bowman Gilfillan Inc.**

165 West Street  
Sandown  
Sandton, 2196  
South Africa  
Contact: Mr C van Heerden

**AUDITORS TO THE ISSUER**

**SAB & T Chartered Accountants Inc.**

119 Witch hazel Avenue  
Highveld Technopark  
Centurion  
South Africa  
Contact: Mr A Darmalingam

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