# PRICING SUPPLEMENT

**Blue Diamond Investments No. 2 (Proprietary) Limited**

(Incorporated with limited liability in South Africa under Registration No. 2005/038396/07)

**Issue of ZAR 30,000,000 Eskom Holdings Limited Linked CPI-Indexed Notes**

**Under its ZAR 10,000,000,000 Secured Note Programme**

This document constitutes the pricing supplement relating to the issue of Notes or other Obligations described herein. References in this pricing supplement to the Terms and Conditions are to the section headed *"Terms and Conditions of the Notes"* in the Programme Memorandum dated 30 November 2005 (the "Programme Memorandum") as supplemented and/or amended and/or replaced by the Applicable Issuer Programme Supplement dated 30 November 2005 and by the terms and conditions set out in this pricing supplement. Any capitalised terms not defined in this pricing supplement shall have the meaning ascribed to them in the section of the Programme Memorandum headed *"Glossary of Terms"*, unless separately defined in the Programme Memorandum, the Applicable Issuer Programme Supplement or this pricing supplement. References to any Condition in this pricing supplement are to that Condition of the Terms and Conditions.

This pricing supplement must be read in conjunction with the Programme Memorandum and the Applicable Issuer Programme Supplement. To the extent that there is any conflict or inconsistency between the contents of this pricing supplement and the Programme Memorandum and/or the Applicable Issuer Programme Supplement, the provisions of this pricing supplement shall prevail.

**PART A: NOTES**

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| 1. | Issuer: | Blue Diamond Investments No. 2 (Proprietary) Limited |
| 2. | Status of Notes: | Senior Secured |
| 3. | Note Rating: | N/A |
| 4. | Rating Agency: | N/A |
| 5. | Tranche Number: | 1 |
| 6. | Series Number: | 2 |
| 7. | Aggregate Principal Amount: | ZAR 30,000,000 |
| 8. | Issue Date: | 24 February 2006 |
| 9. | Specified Denomination: | ZAR 1,000,000 |

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| 10. | Issue Price: | ZAR 30,000,000 |
| 11. | Final Maturity Date: | 31 December 2018 |
| 12. | Form of Notes: | Listed Registered Notes |
| 13. | Applicable Business Day Convention: | Modified Following Business Day |
| 14. | Other: | N/A |

## ADDITIONAL/AMENDED/REPLACEMENT TERMS AND CONDITIONS

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| 15. | Additional Terms and Conditions | N/A |
| 16. | Amended Terms and Conditions | N/A |
| 17. | Replacement Terms and Conditions – N/A | |

## INDEX LINKED NOTES

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| 18. | Description of index | CPI Index Linked Notes |
| | CPI Index: | means the weighted average of the consumer price index as published by Statistics South Africa, which is referred to as "CPI – All items for metropolitan areas" in Statistical release P0141.1, or such substituted index as may be determined by the Calculation Agent. |
| | Reference CPI: | means the CPI Index for the fourth calendar month preceding the calendar month in which the applicable Interest Payment Date occurs, where the applicable Interest Payment Date is the first day of any calendar month. If the applicable Interest Payment Date occurs on a day other than the first day of a calendar month, then the Reference CPI shall be determined in accordance with the following formula: |

Ref. CPI = Ref. CPIj + [(t −1)/D] x (Ref. CPIj+1 − Ref. CPIj)

Where:

(a) Ref. CPIj is the Reference CPI for the first day of the calendar month which shall be the CPI Index for the fourth calendar month preceding the calendar month in which the applicable Interest Payment Date occurs;

(b) Ref. CPIj+1 is the Reference CPI for the third calendar month preceding the calendar month in which the applicable Interest Payment Date occurs;

(c) t is the calendar day corresponding to the applicable Interest Payment Date; and

(d) D is the number of days in the calendar month in which the applicable Interest Payment Date occurs.

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| | Base CPI: | 129.51786 |
| 19. | Interest Commencement Date: | Issue Date |
| 20. | Interest Payment Date(s) | Semi-annually on each 30 June and 31 December. |
| 21. | Formula by reference to which Interest Amount is to be determined | (Issue Price * 2.92 % (NACS)) * (Reference CPI / Base CPI) * Act/365 |
| 22. | Formula in accordance with which redemption amount in respect of principal is to be determined | Issue Price |
| 23. | Provisions where calculation by reference to Index and/or Formula is impossible or | If prior to Final Maturity Date, the CPI Index Is discontinued then the Calculation Agent will, after consultation with Statistics South |

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| impracticable | Africa or any successor entity, substitute an appropriate alternative index in its discretion which shall be deemed to be the CPI Index for the purposes of this transaction. |
| | As soon as practicable after effecting any substitution of an alternative index as provided for in this section, notice of such substitution and the effective date thereof, shall be communicated in writing to BESA by the Issuer. |
| Failure/delay of Index to be published: | If as a result of a one month delay in the publication of be the CPI Index, the Reference CPI is not available in order to make a determination in accordance with the formula above, then subject to the terms below, a substitute CPI Index value calculated as follows will be used: |

$$CPIm = CPIm-1 \times (CPIm-1 / CPIm-13)1/12$$

Where:

(a) CPIm is the Substitute CPI Index for the month that is required;

(b) m = month

In the event of a delay of more than one month, CPIm shall be determined in accordance with the following formula:

$$CPIm = CPIm-n \times (CPIm-n/CPIm-n-12)n/12$$

Where:

(a) n is the number of months' delay.

When the above formulae are used to calculate a Substitute Reference CPI value, then such formulae shall be used for all subsequent calculations that rely on that month's Index Ratio, and shall not be replaced by the actual Reference CPI when the CPI Index is reported, except for use in the above formulae. Further, when the above formulae are used to calculate a Substitute Reference CPI value, the last CPI Index that has been reported will be used to calculate Reference CPI values for the month(s) in which the CPI Index has not been reported timeously.

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| 24. | Day Count Fraction | Actual/365 (Fixed), being the actual number of days in each relevant Calculation Period divided by 365. |
| 25. | Other | |
| | Additional CPI Amount | On the Final Maturity Date or the Early Termination Date, whichever is the earlier (together, "Interest Termination Date"), the Issuer shall pay the Additional CPI Amount to the Noteholder, which is calculated as follows:<br><br>Issue Price * (Reference CPI on Interest Termination Date / Base CPI) – Issue Price |
| | Adjustment to CPI Index: | If the CPI Index is reset, then a new Reference CPI that is applicable for the issue date will (if the Calculation Agent deems it necessary) be calculated in such a way that the Interest Amount is the same immediately before and after the reset. |

**PART B: COLLATERAL**

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| 26. | Deposit: | | |
| | 26.1 | Amount: | N/A |
| | 26.2 | Bank holding Deposit: | N/A |
| | 26.3 | Account number | N/A |
| 27. | Securities: | | |
| | 27.1 | Amount: | ZAR 30,000.000 |



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| 27.2 | Type of Securities: | Notes referencing the performance of Eskom Holdings Limited ("Eskom Contract") |
| 27.3 | Rights of Issuer ceded: | Yes |
| 27.4 | Events of Default | Bankruptcy or Failure to Pay, Restructuring of any ZAR denominated senior unsubordinated bond or loan of Eskom Holdings Limited as defined in the Eskom Contract. |
| 27.5 | Rights on Event of Default | The Counterparty to the Eskom Contract may discharge its obligations to the Issuer under the Eskom Contract by making a cash payment to the Issuer or by delivery to the Issuer of the unsubordinated bond or loan of Eskom Holdings Limited referred to above ("Eskom Bond"). |
| 27.6 | Other | The information referred to herein in relation to the Eskom Contract is a summary of certain of the terms and conditions of the Eskom Contract. The Noteholder is entitled at any time to request a copy of the Eskom Contract from the Issuer. The Issuer will deliver such copy within 3 Business Days of the request. Should an Event of Default occur in terms of the Eskom Contract, no Additional CPI Amount or Interest Amount will be made to the Issuer under the Eskom Contract and the following terms shall apply: |

.1 the Issuer shall be liable for all costs (if any) involved in unwinding all the interest rate hedges associated with the Eskom Contract, such costs shall be deducted first from the Note Residual Value and then from the Additional CPI Amount prior to the Counterparty to the Eskom Contract making any payment due under the Eskom Contract.

.2 the calculation agent to the Eskom Contract will in good faith determine a Note Residual Value. The Note Residual Value is the sum of i) the Market Interest Rate Component; and ii) the Accrued Interest unpaid in terms of the Eskom Contract.

.3 If the Note Residual Value is negative to the Counterparty to the Eskom Contract, the Counterparty to the Eskom Contract shall pay such Note Residual Value less any amount in terms of .1 to the Issuer in addition to any additional amounts payable under the Eskom Contract.

.4 If the Note Residual Value is positive to the Counterparty to the Eskom Contract, the Counterparty to the Eskom Contract will then deduct such positive amount, plus any amounts owing in terms of .1, first from the Additional CPI Amount and then from any cash payment due under the Eskom Contract, or if physical settlement is applicable the Counterparty to the Eskom Contract shall retain the Eskom Bond until the Noteholder has settled such positive Note Residual Value in cash.

.5 the calculation agent to the Eskom Contract will in good faith determine the Market Interest Rate Component, which will be the change in Eskom Contract value as a result of movements in market interest rates from the Issue Date to such calculation date.

27.7 The Issuer will not amend the terms of the Eskom Contract without the approval of the Noteholder.

28.

28.1 Other form of Collateral — If the rating of the Counterparty to the Eskom Contract falls below the Required Credit Rating of F1+(zaf) (or the equivalent thereof) or such rating is withdrawn, then, the Counterparty to the Eskom Contract shall be required to post cash collateral within 5 Business Days, in an amount of 100% of the Issue Price of the Eskom Contract ii) plus any Additional CPI Amount, which for the purpose of this paragraph, shall be calculated on the first business day of every month, the Reference CPI on such date to be used for the calculation iii) plus the negative Note Residual Value with respect to the Issuer (if any); with the Issuer until the Required Credit Rating has been met. The Issuer shall either place the cash collateral received:

29. on short term deposit, with a maturity of less than 30 days, with a counterparty with at least a required credit rating of F1(zaf) (or the equivalent thereof); or

30. on a longer term deposit with a counterparty with at least a required credit rating of F1+(zaf) (or the equivalent thereof).

Interest received on the deposit will be paid to the Counterparty to the Eskom Contract.

31. Rights under Related Contracts (see heading "Related Contracts" above) — N/A

32. Other form of Collateral — N/A

33. Custodian of Collateral (if not Administrator)

**CALL OPTION**

34. Call — At the option of the Issuer

35. Non-Call Period — The Issuer may not exercise the Call prior to an event of default under the Eskom Contract referred to in item 27.4.

36. Circumstances in which Call may be exercised

The Issuer may exercise the Call on or after the date on which it becomes aware of an event of default under the Eskom Contract referred to in item 27.4.

37. Optional Redemption Amount(s) or method of calculating such amount(s) The Optional Redemption Amount, subject to paragraph 23, shall be equal to the cash payment received by the Issuer from the Counterparty to the Eskom Contract as described in paragraph 27.4 or the delivery of the Eskom Bond to the Noteholder. Accordingly the Issuer may elect to discharge its obligation to redeem the Notes at the Optional Redemption Amount by either paying to the Noteholder the cash received by the Issuer under the Eskom Contract or by delivery of the Eskom Bonds to the Noteholder and the Issuer's liability to the Noteholder shall be extinguished in full by such payment or delivery.

38. Optional Redemption Date(s)

38.1 5 Business Days after receipt by the Issuer of the cash payment or the Eskom Note under the Eskom Contract or 5 Business Days after the expiry of the notice period referred to in Condition 9 of the Terms and Conditions, if redeemable in part:

38.2 Minimum Principal Amount to be Redeemed: N/A

38.3 Maximum Principal Amount to be Redeemed: N/A

38.4 Notice period (if different from the Programme Memorandum): N/A

39. Other: N/A

**PUT OPTION**

40. Put — At the option of the Noteholder

40.1 Non-Put Period — The Noteholder may not exercise the Put prior to an event of default under the Eskom Contract referred to in item 27.4.

41. Circumstances in which Put may be exercised
The Noteholder may exercise the Put on or after the date on which it becomes aware of an event of default under the Eskom Contract referred to in item 27.4.

42. Optional Redemption Amount(s) or method of calculating such amount(s)

The Optional Redemption Amount, subject to paragraph 23, shall be equal to the cash payment received by the Issuer from the Counterparty to the Eskom Contract as described in item 27.4 or the delivery of the Eskom Bond to the Noteholder. Accordingly the Noteholder may elect that the Issuer discharges its obligations to redeem the Notes on the Optional Redemption Date by either paying to the Noteholder an amount equal to the cash payment received by the Issuer under the Eskom Contract or by delivery of the Eskom Bonds to the Noteholder and the Issuer's liability to the Noteholder shall be extinguished in full by such payment or delivery.

43. Optional Redemption Date(s) 5 Business Days after receipt by the Issuer of the cash payment or the Eskom Bond under the Eskom Contract or 5 Business Days after the expiry of the notice period referred to in Condition 9 of the Terms and Conditions, whichever is the later.

44. Notice period (if different from the Programme Memorandum) 5 Business Days after receipt by the Issuer of the cash payment or the Eskom Bond under the Eskom Contract or 5 Business Days after the expiry of the notice period referred to in Condition 9 of the Terms and Conditions, whichever is the later.

44.1 Notice period (if different from the Programme Memorandum): N/A

44.2 Other: N/A

**PART C: RELATED CONTRACTS**

| | | |
|---|---|---|
| 45. | Related Contract Counterparty | N/A |
| 46. | Type of Related Contract | N/A |
| 47. | Effective date of Related Contract | N/A |
| 48. | Reference Entity | N/A |
| 49. | Reference Obligations | N/A |
| 50. | Scheduled date of termination | N/A |
| 51. | Method of settlement | N/A |
| 52. | Related Contract Events: | |

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|---|---|---|
| 52.1 | Credit Events | N/A |
| 52.2 | Events of Default | N/A |
| 52.3 | Termination Events | N/A |

53. Consequence of Related Contract Event:

| | | |
|---|---|---|
| 53.1 | Notes to be redeemed | N/A |
| 53.2 | Interest rate step down, incl. new rate applicable | N/A |
| 53.3 | Cession of rights under defaulted Related Contract | N/A |
| 53.4 | Other | N/A |

54. Time periods for exercise of rights on Related Contract Event N/A

55. Other salient terms of Related Contract N/A

56. Other N/A

**PART D: OTHER OBLIGATIONS**

| | | |
|---|---|---|
| 57. | Type | N/A |
| 58. | Salient terms of Obligation | N/A |
| 59. | Other | N/A |

**PART E: PAYMENT SEQUENCE**

60. Ranking of Notes/Obligations in:

| | | |
|---|---|---|
| 60.1 | Pre-Enforcement Payment Sequence | As per Applicable Issuer Programme Supplement |
| 60.2 | Post-Enforcement Payment Sequence | As per Applicable Issuer Programme Supplement |

61. Other N/A