

Komati Basin Water Authority



KOBWA

Private Placing Document

Private placing of

Komati Basin Water Authority (KOBWA)
Registered Loan Stock (Loan No. 1)
(13.50% coupon, redeemable on 31 October 2027)
to a maximum nominal value of R380 million

Financial arranger



HAMBROS BANK

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

**Issue manager and
sponsoring member**



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

Financial advisor

Price Waterhouse



Corporate Finance

(Registration number 70/03711/07)

Legal advisor



MCMXC111
**BRINK COHEN
LE ROUX & ROODT INC**
ATTORNEYS

(Registration number 93/04501/21)

Auditors

**Deloitte &
Touche**



Chartered Accountants (SA)

Date of placing document : 27 October 1997

Salient dates and times

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

Definitions

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

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

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

Summary

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

The KOBWA stock will be issued in accordance with the Rules. Settlement agents will follow the electronic settlement procedures prescribed by the Rules when making interest and capital payments. The Rules are available on request from the Bond Exchange.

Interest and capital payments by the transfer secretaries to stockholders will be made by electronic funds transfer and cheques will only be issued to individual certificate holders on request.

The issuer will issue a single KOBWA stock certificate which will be immobilised at the Central Depository in terms of the Rules. Certificates will only be issued to individual certificate holders on request to their settlement agents.

Blocked Rand

Blocked Rand may be used to purchase KOBWA stock subject to South African Exchange Control Regulations.

Background to Komati River Basin Development Project

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

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

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

Background to the issue

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

The Issuer

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

The Issue

1. Purpose of the issue

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

2. Payment and certificates

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

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

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

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

3. Trading

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

Terms and conditions of the issue

1. Authorisation

- 1.1 The issue was approved by a resolution of the board of directors of the issuer dated 24 October 1997.
- 1.2 All KOBWA stock will be held and issued subject to the terms and conditions contained herein.
- 1.3 These terms and conditions are binding on the issuer and will be binding on each person whose name is entered in the registers.

2. Allotment and issue of KOBWA stock

- 2.1 The issue will be for a maximum nominal value of R380 million.
- 2.2 The issue will be made to investors in minimum nominal values of R1 million each.
- 2.3 All KOBWA stock shall rank pari passu in all respects with existing KOBWA debt then in issue from the respective dates of allotment and issue thereof.

3. Security

- 3.1 The obligation of the issuer to pay interest and repay capital on the KOBWA stock is explicitly guaranteed by the Government of the Republic of South Africa in terms of the Government guarantee.
- 3.2 The trustee has been appointed to enforce the Government Guarantee on behalf of stockholders.

4. Bond Exchange listing

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

5. Certificates, register and transfers of KOBWA stock

- 5.1 A single KOBWA stock certificate in respect of the KOBWA stock allotted and issued to investors will be immobilised at the Central Depository in terms of the Rules.
- 5.2 An individual certificate for the KOBWA stock allotted and issued to any individual stockholder will only be issued to such stockholder on written application to its settlement agent, in which event the stockholder will be entitled to collect the certificate from the settlement agent concerned.
- 5.3 The Central Depository and the individual certificate holders will be the registered stockholders. The transfer secretaries will list in their register the Central Depository and the individual certificate holders, and the settlement agents will keep registers of the stockholders whose stock has been immobilised at the Central Depository.
- 5.4 Neither the settlement agents nor the transfer secretaries shall be bound to enter in their respective registers notice of any trust or to recognise any right of any other person to KOBWA stock other than the stockholders.

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

6. Interest

- 6.1 Interest, at the rate of 13.50% per annum, will be paid semi-annually in arrear until 31 October 2027.
- 6.2 Interest payment dates will be 30 April and 31 October in each year up to and including the redemption date, and the first payment of interest will be made on 30 April 1998 calculated on a six-monthly basis.
- 6.3 The registers will be closed in each year up to the redemption date from 31 March to 30 April and from 30 September to 31 October (all dates inclusive) or such shorter period as market conditions may allow to determine those stockholders entitled to receive interest.
- 6.4 Interest payments will, subject to Exchange Control Regulations, be made in the currency of the Republic of South Africa by electronic funds transfer into the accounts of stockholders unless, in respect of individual certificate holders, contrary instructions are agreed with the transfer secretaries in advance.
- 6.5 As at the date of this placing document and in terms of current legislation, interest payments to non-residents are free of withholding tax.

7. Redemption of capital

- 7.1 The nominal value of KOBWA stock outstanding will be redeemed in full on 31 October 2027.
- 7.2 Redemption payments will, subject to the Exchange Control Regulations, be made in the currency of the Republic of South Africa on the redemption date by electronic transfer into the accounts of stockholders unless, in respect of individual certificate holders, contrary instructions are agreed with the transfer secretaries in advance.
- 7.3 No redemption payment in respect of KOBWA stock held by individual certificate holders will be made unless the certificate in respect of the KOBWA stock has been surrendered to the transfer secretaries.

8. Exchange Control Regulations

- 8.1 Former residents of the Common Monetary Area (being the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho) may use blocked funds to acquire KOBWA stock subject to South African Exchange Control Regulations.
- 8.2 All payments in respect of applications for KOBWA stock by non-residents using blocked funds must be made through an authorised dealer in foreign exchange.
- 8.3 KOBWA stock certificates issued to a non-resident individual stockholder whose registered address is outside the Common Monetary Area will be endorsed "non-resident" and will be sent to the authorised dealer through which the payment was made for their control in terms of the Exchange Control Regulations.

9. Electronic funds transfer

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

10. Postal agents

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

11. Document available for inspection

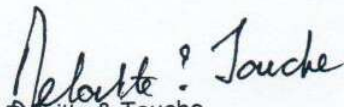
Copies of the audited annual financial statements of the issuer for its most recent financial year, a certified extract of the relevant Ministerial approvals including the Government Guarantee, and a copy of the KOBWA board resolution approving the issue are available for inspection on request at the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

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


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

13. Certificate by KOBWA's Auditors

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


Deloitte & Touche
Chartered Accountants (SA)
27 October 1997

Signed at Johannesburg on behalf of KOBWA on 27 October 1997


Chief Executive
CRAH CRANAHAN


Director
F. BELL
10

Corporate information

Issuer :

KOBWA

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

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Issue manager and sponsoring member:

Rand Merchant Bank Limited

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Sandton, 2196
(PO Box 786273, Sandton, 2146)

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Fax : (011) 269-9598

Legal advisors:

Brink Cohen Le Roux & Roodt Inc

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6 Anerley Road
Parktown, 2193
(P.O. Box 2404, Houghton, 2041)

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

Auditors :

Deloitte and Touche

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

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Financial advisors:

Price Waterhouse

Corporate Finance (Pty) Ltd

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Sandown, 2196
(P.O. Box 783027, Sandton, 2146)

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

Financial arranger:

Hambros Bank Limited

(regulated by the SFA)

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Transfer secretaries :

Optimum Registrars (Pty) Limited

4th Floor, Edura House
40 Commissioner Str
Johannesburg, 2001
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Trustee:

Jackson & Swanepoel Attorneys

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