



**HOMECHOICE HOLDINGS LIMITED**

*(Incorporated in South Africa with limited liability under Registration Number 1991/005430/06)*

**ZAR500,000,000**

**Domestic Medium Term Note Programme**

**Unconditionally and irrevocably guaranteed, jointly and severally, by the Guarantors (from time to time and for the time being)**

Under this ZAR500,000,000 Domestic Medium Term Note Programme, HomeChoice Holdings Limited (the “**Issuer**”) may from time to time issue unsecured or secured registered notes of any kind (the “**Notes**”). Capitalised terms used in this Programme Memorandum (as defined below) are defined in the section of this Programme Memorandum headed “*Terms and Conditions of the Notes*” (the “**Terms and Conditions**”), unless separately defined, and/or in relation to a Tranche of Notes, in the Applicable Pricing Supplement.

The Issuer’s obligations to the Noteholders under the Notes are guaranteed, jointly and severally, irrevocably and unconditionally, by the Guarantors (from time to time and for the time being) on the terms and conditions of the guarantee dated on or about the date of this Programme Memorandum (the “**Guarantee**”), and as described in Condition 6 (*Guarantee*) of the Terms and Conditions.

This Programme Memorandum will apply to the Notes issued under the Programme in an aggregate outstanding Nominal Amount which will not exceed ZAR500,000,000 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, Indexed Notes, Dual Currency Notes, Instalment Notes, Partly Paid Notes, Exchangeable Notes, Extendible 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) as 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 and is listed on the Interest Rate Market of 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 but will not be regulated by the JSE. A copy of the signed 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 for all trades done through the JSE. 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 the 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.

**The attention of investors contemplating investing in the Notes is drawn to the section headed “*Risk Factors*” for a discussion of certain factors that should be carefully considered by prospective investors in connection with an investment in the Notes.**

As at the date of this Programme Memorandum, the Issuer has been rated by GCR, which rating is reflected in the Applicable Pricing Supplement. As at the date of this Programme Memorandum, the Programme has not been rated by a Rating Agency. The Guarantors have not, as at the date of this Programme Memorandum, been rated. After the date of this Programme Memorandum the Guarantors may 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. The Applicable Pricing Supplement will reflect the rating, if any, which has been assigned to the Issuer, the Guarantors, the Programme and/or a Tranche of Notes, as the case may be, as well as the Rating Agency which assigned such rating. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Programme Memorandum, if appropriate, will be made available, which will describe the effect of the agreement reached in relation to such Notes.

*Debt Sponsor, Arranger and Dealer*

**Rand Merchant Bank,  
a division of FirstRand Bank Limited**



*Attorneys to Arranger and Issuer*

**Edward Nathan Sonnenbergs**



Programme Memorandum dated **15 October 2013**

## 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 and each of the Guarantors certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the Programme Memorandum contains all information required by law and the JSE Debt Listings Requirements. The Issuer and each of the Guarantors accept full responsibility for the accuracy of the information contained in this Programme Memorandum, Applicable Pricing Supplements, the annual financial report, any amendments to the annual financial report and/or any supplements from time to time, except as otherwise stated therein.

The Issuer and each of the Guarantors, having made all reasonable enquiries, confirm 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 false or misleading in any material respect.

This document is to be read and construed with any amendment or supplement thereto (this document, as amended, replaced or supplemented, the "**Programme Memorandum**") and in conjunction with any other documents which are deemed to be incorporated herein by reference (see section headed "*Documents Incorporated by Reference*") and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the Applicable Pricing Supplement. This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and are deemed to form part of this Programme Memorandum.

Claims against the BESA Guarantee Fund Trust (or any successor fund) may only be made in respect of trading in Notes listed on the JSE in accordance with the rules of the BESA Guarantee Fund Trust, if listed on the Interest Rate Market, and can in no way relate to trading on another licensed or recognised exchange or to a default by the Issuer of its obligations in terms of its obligations under the Notes.

The JSE takes no responsibility for the contents of the Programme Memorandum, any supplements thereto, or the annual report (as amended or restated from time to time) or the amendments to the annual report, makes no representation as to the accuracy or completeness of any of the foregoing documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole

or any part of the Programme Memorandum, supplements thereto, or the annual report (as amended and restated from time to time) or the amendments to the annual report.

The Arranger, the Dealers, the JSE, the CSD or any of their respective affiliates and other professional advisors named herein 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 Arranger, the Dealers, the JSE, the CSD or other professional advisors as to the accuracy or completeness of the information contained in this Programme Memorandum or any other information provided by the Issuer or any of the Guarantors. The Arranger, the Dealers, the JSE, the CSD or their respective affiliates and other professional advisors do not accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer and/or any of the Guarantors in connection with the Programme.

No person has been authorised by the Issuer or any of the Guarantors 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, each of the Guarantors, the Arranger, the Dealers, the JSE, the CSD, each of their agents or employees or other professional advisors.

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 Guarantors, the Arranger or any of the Dealers that any recipient of this Programme Memorandum or any other information supplied in connection with the Programme should subscribe for, or purchase, any Notes.

**The attention of investors is drawn to Condition 6 (*Guarantee*) of the Terms and Conditions and the section headed “*Terms and Conditions of the Guarantee*” pursuant to which, from time to time additional guarantors may accede to the Guarantee and guarantee the obligations of the Issuer to investors and/or Guarantors may be removed as guarantors. Accordingly, investors should determine which entities are Guarantors in respect of the Programme at any particular point in time; see Condition 6.1.8.1 in this regard.**

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 the Guarantors 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 to sell or the solicitation of an offer to buy or invitation by or on behalf of the Issuer and/or the Guarantors, the Arranger or any of the Dealers 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 that the information contained herein is correct at any time subsequent to the date hereof or that any other financial statements or other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Arranger and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantors during the life of the Programme. Investors should review, *inter alia*, the most recent financial statements, if any, of the Issuer and/or the Guarantors when deciding whether or not 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 Guarantors, the Arranger and the Dealers 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 material relating to the Notes, see the section headed "*Subscription and Sale*".

None of the Issuer, the Guarantors, the Dealers or other professional advisors 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 Guarantors, the Arranger, the Dealers or other professional advisors 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 or 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, and 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 Applicable Laws and agreed with 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.

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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 this is clearly inappropriate from the context.*

For so long as any Note remains outstanding, 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 by the Issuer from time to time;
- (b) the Guarantee executed by the Guarantors in favour of the Noteholders;
- (c) the published annual report of the Issuer and each of the Guarantors incorporating their audited consolidated annual financial statements (including, where applicable, the audited consolidated interim financial statements), together with reports and the notes attached to or intended to be read with such financial statements of the Issuer and each of the Guarantors for their 3 (three) financial years prior to the date of such issue as well as for each financial year thereafter ending on the last day of each financial year, currently 31 December in respect of the Issuer and each of the Guarantors;
- (d) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme;
- (e) all the certificates signed by the Issuer, as contemplated in Condition 6; and
- (f) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which is electronically submitted, after the date of this Programme Memorandum, by the Securities Exchange News Service ("**SENS**"), or any other similar service, established 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 and the Debt Sponsor will, for so long as any Note remains outstanding, make available for inspection at the registered office of the Issuer and the Debt Sponsor, as set out at the end of this Programme Memorandum, a copy of (a) this Programme Memorandum and all of the documents which are incorporated herein by reference, unless such documents have been modified or

superseded, and (b) the most recently obtained monthly register made available by the CSD Participant to the CSD. Requests for such documents should be directed to the Issuer and the Debt Sponsor at their registered offices as set out at the end of this Programme Memorandum. This Programme Memorandum, Applicable Pricing Supplements and any supplementary documents thereto will be available on the JSE website, [www.jse.co.za](http://www.jse.co.za), and, the Issuer's annual report, including the audited consolidated annual financial statements of the Issuer, the audited consolidated annual financial statements of the HomeChoice Group and this Programme Memorandum (and any supplementary documents thereto, including the Applicable Pricing Supplements) are also available on the Issuer's website, [www.homechoiceholdings.co.za](http://www.homechoiceholdings.co.za).

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 material change in the condition (financial or otherwise) of the Issuer or any of the Guarantors occurs; or
- (b) a material event has occurred which 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 materially 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 and each of the Guarantors consolidated annual financial statements if such consolidated annual financial statements are incorporated by reference into this Programme Memorandum. Such consolidated annual financial statements are published, as required by the Companies Act, and submitted to the JSE and the Issuer's consolidated annual financial statements and the consolidated annual financial statements of the HomeChoice Group are published on the Issuer's website, [www.homechoiceholdings.co.za](http://www.homechoiceholdings.co.za) within 6 (six) months after the financial year end of the Issuer and each of the Guarantors.

The Issuer will, for so long as any Note remains outstanding and listed on the Interest Rate Market of the JSE, announce by electronically publishing such announcement on the Securities Exchange News Service ("**SENS**"), or any other similar service, established by the JSE, when the Issuer's

consolidated annual financial statements and the consolidated annual financial statements of the HomeChoice Group are available.

## 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 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, provided that the aggregate outstanding Nominal Amount of all of the Notes issued under the Programme from time to time does not exceed the authorised 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 but will not be 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. 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 the authorised amount of ZAR500,000,000 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 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 Arranger and the Dealer(s). 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 date of this Programme Memorandum, the Programme has not been rated by a Rating Agency. 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. A rating of a Tranche of Notes is not a recommendation to subscribe for, buy, sell or hold any Notes, and 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.

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

## 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.*

<b>Arranger</b>	Rand Merchant Bank, a division of FirstRand Bank Limited (registration number 1929/001225/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa (" <b>RMB</b> ") or such other Arranger(s) as may be appointed by the Issuer, as specified in the Applicable Pricing Supplement.
<b>Blocked Rand</b>	Blocked Rand may be used to subscribe for, or purchase, Notes, subject to the Exchange Control Regulations.
<b>Calculation Agent</b>	RMB, 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>Clearing and Settlement</b>	Notes may be cleared and settled in accordance with the rules of the JSE and the CSD. The Notes have been accepted for clearance through the CSD, which forms part of the JSE clearing system that is managed by the CSD, and may be accepted for clearance through any additional clearing system as may be agreed between the JSE and the Issuer. As at the date of this Programme Memorandum, the Participants include (but are not limited to) Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, Citibank N.A., South Africa branch, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch, The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear Bank S.A./N.V. as operator of the Euroclear System (" <b>Euroclear</b> ") and Clearstream Banking, société anonyme (Clearstream Luxembourg) (" <b>Clearstream</b> "), may hold Notes through their Participant.

<b>Cross-Default</b>	The terms of the Notes will contain a cross-default provision relating to Indebtedness for money borrowed having an aggregate outstanding amount equal to or greater than 2.5% (two point five percent) of the Total Assets of the HomeChoice Group (or its equivalent in any other currency or currencies) calculated at the time of the occurrence of an Event of Default.
<b>CSD</b>	Strate Limited (registration number 1998/022242/06), registered as a central securities depository in terms of the Financial Markets Act or such additional, alternative or successor central securities depository as may be agreed between the Issuer and the relevant Dealer(s).
<b>Dealer(s)</b>	RMB, and 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>Debt Sponsor</b>	RMB or such other Debt Sponsor as may be appointed by the Issuer subject to the approval of the JSE in accordance with the JSE Debt Listings Requirements.
<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>	HomeChoice Holdings Limited ZAR500,000,000 Domestic Medium Term Note Programme.
<b>Distribution</b>	Notes may be distributed by way of private placement 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.

**Form of Notes**

Notes may be issued in either certificated form or electronically in uncertificated form as described in the section headed "*Form of the Notes*". Notes listed on the Interest Rate Market of the JSE must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act.

**Governing Law**

The Notes will be governed by and construed in accordance with the laws of South Africa in force from time to time.

**Guarantee**

The Issuer's obligations under the Notes are unconditionally and irrevocably guaranteed, jointly and severally, irrevocably and unconditionally, by the Guarantors (from time to time and for the time being) in accordance with the Guarantee as described in Condition 6 (*Guarantee*) of the Terms and Conditions, as amended, novated and/or substituted from time to time in accordance with its terms.

**Guarantors**

means, from time to time, the Initial Guarantors and such other Group Company, which is a Wholly-Owned Subsidiary of the Issuer and which becomes a Material Subsidiary and accedes to the Guarantee by completing and executing an accession letter in the form attached as **Appendix A** to the Guarantee and delivering such accession letter to the Calculation Agent under and pursuant to Condition 6 of the Terms and Conditions, but excluding any Initial Guarantor and/or Guarantor that has been removed as a Guarantor pursuant to Condition 6.1.6 of the Terms and Conditions. The Issuer will, for so long as any Note remains outstanding and listed on the Interest Rate Market of the JSE, announce by electronically publishing such announcement on the Securities Exchange News Service ("**SENS**"), or any other similar service, established by the JSE, when any Group Company accedes to the Guarantor and becomes a Guarantor and/or when any Guarantor is removed as a Guarantor, as contemplated under and pursuant to Condition 6 of the



Terms and Conditions.

<b>Initial Guarantors</b>	means each of HomeChoice Proprietary Limited incorporated in South Africa with limited liability under registration number 1985/002759/07, FinChoice Proprietary Limited incorporated in South Africa with limited liability under registration number 1993/005310/07 and HomeChoice Property Company Proprietary Limited incorporated in South Africa with limited liability under registration number 1991/005428/07, acting jointly and severally.
<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 may vary between the Issue Date and the Maturity Date.
<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 date of this Programme Memorandum, 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 is 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>Issuer</b>	HomeChoice Holdings Limited, incorporated in South Africa with limited liability under registration number 1991/005430/06 (" <b>HomeChoice</b> ").

<b>Listing</b>	This Programme has been approved by the JSE for the listing of the Notes on the Interest Rate Market of 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 but will not be 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>Material Subsidiary</b>	Any Subsidiary which represents at least 5% (five percent) of the Total Assets of the HomeChoice Group and/or 5% (five percent) of the operating profits of the HomeChoice Group, as published in the latest consolidated audited financial statements of the HomeChoice Group.
<b>Maturities of Notes</b>	Such maturity(ies) that is/are acceptable to the JSE and 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>Noteholders</b>	The holders of the listed or unlisted registered Notes (as recorded in the Register). The CSD's Nominee will be named in the Register as the registered Noteholder of each Tranche of Notes in uncertificated form and which is listed on the Interest Rate Market of the JSE. Each holder of Notes which is represented by an Individual Certificate will be named in the Register as the registered Noteholder of such Notes.
<b>Notes</b>	Notes may comprise: <p><b>Dual Currency Notes</b> 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</p>

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.

**Exchangeable Notes** Exchangeable Notes may be redeemed by the Issuer in cash or by the delivery of securities as specified in the Applicable Pricing Supplement.

**Fixed Rate Notes** 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).

**Floating Rate Notes** Floating Rate Notes will bear interest calculated at a rate determined: (a) 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 (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quoting service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s).

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.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

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

<b>Index-Linked Notes</b>	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.
<b>Instalment Notes</b>	The Applicable Pricing Supplement will set out the dates on which, and the amounts in which, Instalment Notes may be redeemed.
<b>Mixed Rate Notes</b>	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.
<b>Partly Paid Notes</b>	The Issue Price will be payable in 2 (two) or more instalments as set out in the Applicable Pricing Supplement.
<b>Zero Coupon Notes</b>	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).

**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.

**Paying Agent** RMB, 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.

**Rating** As at the date of this Programme Memorandum, the Issuer has been rated by GCR, which rating is reflected in the Applicable Pricing Supplement. As at the date of this Programme Memorandum the Programme has not been rated by any Rating Agency. As at the date of this Programme Memorandum the Guarantors have not been rated by any Rating Agency.

**Rating of Notes** A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating, if any, which has been assigned to a Tranche of Notes, 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 Notes and may be subject to revision, suspension or withdrawal at any time by the Rating Agency.

**Redemption** The Applicable Pricing Supplement relating to a Tranche of Notes will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in

specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders (as the case may be) and, upon giving not less than 30 (thirty) nor more than 60 (sixty) calendar days' irrevocable notice (or such other notice period (if any) as is indicated in the Applicable Pricing Supplement) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the Applicable Pricing Supplement.

The Applicable Pricing Supplement may provide that Notes may be redeemable in 2 (two) or more instalments of such amounts and on such dates as indicated in the Applicable Pricing Supplement.

### **Selling Restrictions**

The distribution of this Programme Memorandum and any offering or sale of or subscription for a Tranche of Notes may be restricted in certain jurisdictions, and is restricted by law in the United States of America 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 or any Applicable Pricing Supplement must inform themselves about and observe all applicable selling restrictions.

### **Size of the Programme**

As at the date of this Programme Memorandum, the Programme Amount is ZAR500,000,000. 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 as described in the section of this Programme Memorandum headed "*General Description of the Programme*".

<b>Specified Currency</b>	South African Rand (“ <b>ZAR</b> ”) or, subject to all Applicable Laws and, in the case of Notes listed on the Interest Rate Market of the JSE subject to the rules of the JSE, such other currency as is specified in the Applicable Pricing Supplement.
<b>Stabilisation</b>	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 Applicable Laws and agreed with 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.
<b>Status and Characteristics relating to Subordinated Notes</b>	Unless otherwise specified in the Applicable Pricing Supplement, the Subordinated Notes constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> among themselves and will rank at least <i>pari passu</i> 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, business rescue or wound up, 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 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, business rescue or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

**Status of Guarantee**

Unless otherwise specified in the Applicable Pricing Supplement, the obligations of each Guarantor under the Guarantee will constitute unconditional and unsecured obligations of that Guarantor and will rank (subject to any obligations preferred by law) *pari passu* with all other present and future unsecured and unsubordinated obligations of that Guarantor.

**Status of Senior Notes**

Unless otherwise specified in the Applicable Pricing Supplement, 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 (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.

**Taxation**

All payments of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of taxes levied in South Africa unless such withholding or deduction is required by law.

For a summary of the current law in relation to the withholding or deduction of taxes levied in South Africa, see the section titled "*South African Taxation*" below.

In the event that withholding tax or such other deduction is required by law, then the Issuer will, subject to certain exceptions as provided in Condition 11 (*Taxation*), make such payments 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. For a summary of the position in relation to issue and transfer taxes, see "*Issue and Transfer Taxes*" above.

**Transfer Agent**

RMB, 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.

**Use of Proceeds**

The Issuer and each of the Guarantors will use the issue proceeds of the Notes for their general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement, as permitted by the Commercial Paper Regulations.

## 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.

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

### Registered Notes

A Tranche of registered Notes will be issued in certificated form or 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 must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act and will be held in the CSD in the name of, and for the account of, the CSD’s Nominee. A Tranche of unlisted Notes may also be held in the CSD.

Each Tranche of Notes will be issued in the form of registered Notes in accordance with the Terms and Conditions and by (i) Individual Certificates, or (ii) no Individual Certificates, if issued in uncertificated form in terms of section 33 of the Financial Markets Act.

### Notes issued in certificated form

A Tranche of Notes may, subject to Applicable Laws and the Applicable Procedures, be issued in certificated form. If applicable, each such Tranche of Notes will be 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).

All certificated Notes will be represented by single Individual Certificates 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 Individual Certificates will pass upon registration of transfer in accordance with Condition 14.1.2 (*Transfer of Notes represented by Individual Certificates*) of the Terms and Conditions.

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

Payments of all amounts due and payable in respect of Notes represented by Individual 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 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 must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets 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 be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may either be issued in certificated form or issued in uncertificated form. Unlisted, uncertificated Notes may also be lodged in the CSD. While a Tranche of Notes is held in its entirety 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 Financial Markets 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 date of the Programme Memorandum, the Participants include (but are not limited to) Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, Citibank N.A., South Africa branch, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch, 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 Individual Certificates*) of the Terms and Conditions.

## 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:



### HOMECHOICE HOLDINGS LIMITED

*(Incorporated in South Africa with limited liability under Registration Number 1991/005430/06);*  
(the "Issuer")

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
Under its ZAR500,000,000 Domestic Medium Term Note Programme  
Unconditionally and irrevocably guaranteed, jointly and severally, by the Guarantors (from  
time to time and for the time being)**

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, dated 15 October 2013 and approved by the JSE on [●] 2013, prepared by HomeChoice Holdings Limited in connection with the HomeChoice Holdings Limited ZAR500,000,000 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.

### DESCRIPTION OF THE NOTES

1. Issuer HomeChoice Holdings Limited

- |     |                                                                                              |                                                                                                                                                                                           |
|-----|----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.  | Guarantors                                                                                   | [HomeChoice Proprietary Limited/ FinChoice Proprietary Limited/HomeChoice Property Company Proprietary Limited/[•]]                                                                       |
| 3.  | Status of Notes                                                                              | [Secured/Unsecured]                                                                                                                                                                       |
| 4.  | Rated                                                                                        | [Yes/No]<br>[If Yes, see paragraphs 65-69 below]                                                                                                                                          |
| 5.  | Rating Agency                                                                                | [Moody's/Fitch/S&P/GCR]                                                                                                                                                                   |
| 6.  | Form of Notes                                                                                | [Listed/Unlisted] Registered Notes                                                                                                                                                        |
| 7.  | Series Number                                                                                | [•]                                                                                                                                                                                       |
| 8.  | Tranche Number                                                                               | [•]                                                                                                                                                                                       |
| 9.  | Aggregate Nominal Amount:                                                                    |                                                                                                                                                                                           |
|     | (a) Series                                                                                   | [•]                                                                                                                                                                                       |
|     | (b) Tranche                                                                                  | [•]                                                                                                                                                                                       |
| 10. | Interest                                                                                     | [Interest-bearing/Non-interest-bearing]                                                                                                                                                   |
| 11. | Interest Payment Basis                                                                       | [[Fixed Rate/Floating Rate/Zero Coupon/Index-Linked/Dual Currency/Partly Paid/Instalment] Notes/other]                                                                                    |
| 12. | Automatic/Optional Conversion<br>from one<br>Interest/Redemption/Payment<br>Basis to another | [insert details including date for conversion]                                                                                                                                            |
| 13. | Form of Notes                                                                                | [Registered Notes: [The Notes in this Tranche are issued in uncertificated form and held by the CSD]. [The Notes in this Tranche are issued in certificated form and lodged in the CSD]]. |
| 14. | Issue Date                                                                                   | [•]                                                                                                                                                                                       |
| 15. | Nominal Amount per Note                                                                      | [•]                                                                                                                                                                                       |
| 16. | Specified Denomination                                                                       | [•]                                                                                                                                                                                       |

- |     |                                                                                                |                                                                                                                                                    |
|-----|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| 17. | Issue Price                                                                                    | [•]                                                                                                                                                |
| 18. | Interest Commencement Date                                                                     | [•]                                                                                                                                                |
| 19. | Maturity Date                                                                                  | [•]                                                                                                                                                |
| 20. | Applicable Business Day Convention                                                             | Floating Rate Business Day / Following Business Day / Modified Following Business Day / Preceding Business Day / other convention – insert details |
| 21. | Final Redemption Amount                                                                        | [•]                                                                                                                                                |
| 22. | Last Date to Register                                                                          | [•]                                                                                                                                                |
| 23. | Books Closed Period(s)                                                                         | The Register will be closed from [•] to [•] and from [•] to [•] (all dates inclusive) in each year until the Maturity Date                         |
| 24. | Default Rate                                                                                   | [•]                                                                                                                                                |
| 25. | Value of Aggregate Nominal Amount of all Notes issued under the Programme as at the Issue Date | [•]                                                                                                                                                |

#### **FIXED RATE NOTES**

- |     |                            |                                                                               |
|-----|----------------------------|-------------------------------------------------------------------------------|
| 26. | (a) Fixed Rate of Interest | [•] percent. per annum [payable [annually/semi-annually/quarterly] in arrear] |
|     | (b) Fixed Interest Payment | [•] in each year up to and including the Maturity Date/other Date(s)          |
|     | (c) Fixed Coupon           | [•] per [•] in Nominal Amount Amount(s)                                       |
|     | (d) Initial Broken Amount  | [•]                                                                           |
|     | (e) Final Broken Amount    | [•]                                                                           |
|     | (f) Determination Date(s)  | [•] in each year                                                              |
|     | (g) Day Count Fraction     | [•]                                                                           |

- (h) Any other terms relating to the particular method of calculating interest [•]

### FLOATING RATE NOTES

27. (a) Floating Interest Payment Date(s) [•]
- (b) Interest Period(s) [•]
- (c) Definition of Business Day (if different from that set out in Condition 1 (*Interpretation*)) [•]
- (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) [•]
28. Manner in which the Rate of Interest is to be determined [ISDA Determination / Screen Rate Determination/other – insert details]
29. Margin [[•] basis points to be added to/subtracted from the relevant ISDA Rate / Reference Rate]
30. If ISDA Determination:
- (a) Floating Rate [•]
- (b) Floating Rate Option [•]



- (c) Designated Maturity [•]
  - (d) Reset Date(s) [•]
  - (e) ISDA Definitions to apply [•]
31. 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
32. 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 [•]
33. Calculation Agent responsible for calculating amount of principal and interest [•]

#### **ZERO COUPON NOTES**

34. (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**

35. (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**

36. Instalment Dates [•]
37. Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes) [•]

**MIXED RATE NOTES**

38. 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 [•]

39. The interest rate and other pertinent details are set out under the headings relating to the applicable forms of Notes

**INDEX-LINKED NOTES**

40. (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) [Base CPI for Indexed- Linked Notes] [•]
- (g) Calculation Agent [•] [Please note: if the performance of an instrument relates to the performance of an index and/or the calculation thereof, the index Calculation Agent for Debt Securities must be registered as such with the JSE – paragraph 4.11(j) of the JSE Debt Listings Requirements.]
- (h) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable [•]
- (i) Definition of Business Day (if different from that set out in Condition 1 (*Interpretation*)) [•]
- (j) Minimum Rate of Interest [•] percent per annum
- (k) Maximum Rate of Interest [•] percent per annum
- (l) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision) [•]
- (m) Other terms relating to Index-Linked Notes [Please Note: Additional JSE requirements may be applicable if Index-Linked Notes are issued. See the JSE guidelines for Acceptable Index Providers and section 19 of the JSE Listings Requirements.]

**DUAL CURRENCY NOTES**

41. (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 [•]

**EXCHANGEABLE NOTES**

42. (a) Mandatory Exchange applicable? [Yes/No]
- (b) Noteholders' Exchange Right applicable? [Yes/No]
- (c) Exchange Securities [•]
- (d) Manner of determining Exchange Price [•]
- (e) Exchange Period [•]
- (f) Other [•]

**EXTENDIBLE NOTES**

43. (a) Last date to which Redemption Date may be extended [•]
- (b) Step-up Margin [•]
- (c) Requisite Notice [•]
- (d) Other [•]

**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, Extendible Notes, Dual Currency Notes or Exchangeable 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. Issuer's Optional Redemption: [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 10.6 (*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. Redemption at the Option of the Senior Noteholders: [Yes/No]
- If yes:
- (a) Optional Redemption Date(s) [•]
- (b) Optional Redemption Amount(s) [•]
- (c) Minimum period of notice (if different from Condition 10.7 (*Redemption at the Option of the Senior Noteholders*)) [•]
- (d) If redeemable in part:
- Minimum Redemption Amount(s) [•]

- Higher Redemption Amount(s) [•]
- (e) Other terms applicable on Redemption [•]
- (f) Attach pro forma put notice(s)
47. Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default (if required). [Yes/No]
- If yes:
- (a) Amount payable; or [•]
- (b) Method of calculation of amount payable [•]

#### **GENERAL**

48. Financial Exchange [•]
49. Calculation Agent [•]
50. Paying Agent [•]
51. Specified office of the Paying Agent [•]
52. Transfer Agent [•]
53. Provisions relating to stabilisation [•]
54. Stabilising Manager [•]
55. Additional selling restrictions [•]
56. ISIN No. [•]



- |     |                                                                |                                                             |
|-----|----------------------------------------------------------------|-------------------------------------------------------------|
| 57. | Stock Code                                                     | [•]                                                         |
| 58. | Method of distribution                                         | [ <i>Dutch auction or other</i> ]                           |
| 59. | If syndicated, names of Managers                               | [•]                                                         |
| 60. | If non-syndicated, name of Dealer                              | [•]                                                         |
| 61. | Governing law (if the laws of South Africa are not applicable) | [•]                                                         |
| 62. | Use of proceeds                                                | [•]                                                         |
| 63. | Pricing Methodology                                            | [Standard JSE pricing methodology / other – insert details] |
| 64. | Other provisions                                               | [•]                                                         |
| 65. | Issuer Rating and issue date                                   | [•] / [•]                                                   |
| 66. | Programme Rating and issue date                                | [•] / [•]                                                   |
| 67. | Notes Rating and issue date                                    | [•] / [•]                                                   |
| 68. | Date of rating review                                          | [•]                                                         |
| 69. | Rating Agency                                                  | [•]                                                         |

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

70. Paragraph 3(5)(a)

The ultimate borrower is the Issuer, the Guarantors, each Wholly Owned Subsidiary of the Issuer and each Holding Company of the Issuer and/or each Wholly Owned Subsidiary, as permitted by the Commercial Paper Regulations.

71. 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.

72. Paragraph 3(5)(c)

The auditor of the Issuer is PwC.

73. Paragraph 3(5)(d)

As at the date of this issue:

- (a) the Issuer has [not issued any]/[issued ZAR●,000,000] commercial paper; and
- (b) the Issuer estimates that it may issue ZAR●,000,000 of commercial paper during the current financial year, ending [date].

74. 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.

75. Paragraph 3(5)(f)

There has been no material change in the financial or trading position of the Issuer since the date of the Issuer and each Guarantor's latest audited financial statements up to the date of this Programme Memorandum.

76. Paragraph 3(5)(g)

The Notes issued will be [listed/unlisted].

77. 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].

78. Paragraph 3(5)(i)

The obligations of the Issuer in respect of the Notes are [secured]/[unsecured].

79. Paragraph 3(5)(j)

PwC, the statutory auditors of the Issuer, have confirmed that [their review did not reveal anything which indicates / nothing has come to their attention to indicate] that this issue of

Notes issued under the Programme will not comply in all respects with the relevant provisions of the Commercial Paper Regulations.

**Responsibility:**

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that this Applicable Pricing Supplement contains all information required by law and the JSE Listing Requirements. The Issuer [and each Guarantor] accepts full responsibility for the accuracy of the information contained in this Applicable Pricing Supplement and the annual financial report, the amendments to the annual financial report or any supplements from time to time, except as otherwise stated therein.

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

**HOMECHOICE HOLDINGS LIMITED**

\_\_\_\_\_  
Name:

Capacity:

Who warrants his/her authority hereto

\_\_\_\_\_  
Name:

Capacity:

Who warrants his/her authority hereto

## 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.

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.

### 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 Laws”</b>	means, in relation to a person, all and any (a) statutes and subordinate legislation; (b) regulations, ordinances and directives; (c) by-laws; (d) codes of practice, circulars, guidance notes, judgments and decisions of any competent authority, and (e) other similar provisions, from time to time;
<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</i> ”

*Supplement*”;

<b>“Applicable Procedures”</b>	the rules and operating procedures for the time being of the CSD, the Participants and the JSE or any other financial or stock exchange on which the Notes may be listed, as the case may be;
<b>“Arranger”</b>	RMB or such other Arranger as may be appointed by the Issuer, as specified in the Applicable Pricing Supplement;
<b>“Banks Act”</b>	the Banks Act, 1990, as amended or replaced from time to time;
<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 37(1) of the Financial Markets 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 37(3) of the Financial Markets Act;
<b>“BESA Guarantee Fund Trust”</b>	the guarantee fund established and operated by the JSE as a separate guarantee fund, in terms of the of the rules of the JSE, as required by sections 8(1)(h) and 17(2)(w) of the Financial Markets Act or any successor fund;
<b>“Books Closed Period”</b>	the period, as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfers 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 or redemption moneys;
<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 or any other business centre specified in the Applicable Pricing Supplement;
<b>“Calculation Agent”</b>	RMB, 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;
<b>“Change of Control”</b>	means in relation to the Issuer any event which results in Control of the Issuer becoming vested in a person or group of persons which did not, immediately before the event in question, have such Control;
<b>“Change of Control Event”</b>	shall occur as is described in Condition 10.2.1;
<b>“Change of Control Period”</b>	means, in relation to a Change of Control of the Issuer, the period starting 90 (ninety) days before and ending 90 (ninety) days after the date on which that Change of Control of the Issuer is notified to Noteholders in accordance with Condition 18 ( <i>Notices</i> );
<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, 2008, as amended or replaced from time to time;
<b>“Control”</b>	means (a) the holding, directly or indirectly, beneficially of more than 50% (fifty percent) of the issued share capital of the Issuer (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital), or (b) the power, directly or indirectly, to cast, or

control the casting of, such number of the shares in the issued share capital of the Issuer, carrying more than 50% (fifty percent) of the total number of votes that may be cast at a general meeting of the members of the Issuer;

**“Court Day”**

during the term of a court, any day other than a Saturday, Sunday or public holiday;

**“CSD”**

Strate Limited (registration number 1998/022242/06), or its nominee, operating in terms of the Financial Markets Act (or any successor legislation thereto), or any additional or alternate depository approved by the Issuer;

**“CSD’s Nominee”**

a wholly owned subsidiary of the CSD approved by the Registrar of Securities Services in terms of the Financial Markets 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 Financial Markets Act;

**“Day Count Fraction”**

in relation to a Tranche of Notes (where applicable) and the calculation of an amount for any period of time (the **“Calculation Period”**), the day count fraction specified as such in the Terms and Conditions or the Applicable Pricing Supplement and:

- (a) if **“Actual/365”**, **“Act/365”**, or **“Act/Act”** is so specified, means the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (three hundred and sixty-five) (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 (three hundred and sixty-six) and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365 (three hundred and sixty-five));

- (b) if “**Actual/Actual (ICMA)**” is so specified, means:
- (i) 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 (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and
  - (ii) where the calculation Period is longer than one Regular Period, the sum of:
    - a. the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and
    - b. the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods normally ending in any year;
- (c) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (three hundred and sixty-five) (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 (three hundred and sixty-six) and (b) the actual number



of days in that portion of the Calculation Period falling in a non-leap year divided by 365 (three hundred and sixty-five));

- (d) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (three hundred and sixty-five);
- (e) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360 (three hundred and sixty);
- (f) if “**30/360**”, “**360/360**” or “**Bond Basis**” is so specified, means the number of days in the Calculation period divided by 360 (three hundred and sixty), 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:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31 (thirty one), in which case D1 will be 30 (thirty); and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31 (thirty one) and D1 is greater than 29 (twenty nine), in which case D2 will be 30 (thirty);

- (g) if “**30E/360**” or “**Eurobond Basis**” is so specified, means the number of days in the Calculation Period divided by 360 (three hundred and sixty), 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:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a

number, of the Calculation Period unless such number would be 31 (thirty one), in which case D1 will be 30 (thirty); and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31 (thirty one), in which case D2 will be 30 (thirty);

- (h) if “**30E/360 (ISDA)**” is so specified, means the number of days in the Calculation Period divided by 360 (three hundred and sixty), 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:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period unless (a) that day is the last day of February or (b) such number would be 31 (thirty one), in which case

D1 will be 30 (thirty); and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless (a) that day is the last day of February but not the Maturity Date or (b) such number would be 31 (thirty one), in which case D2 will be 30 (thirty);

<b>“Dealer(s)”</b>	RMB, unless the Issuer elects to appoint any other entity(ies) as Dealer, 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;
<b>“Debt Sponsor”</b>	RMB or such other Debt Sponsor as may be appointed by the Issuer subject to the approval of the JSE in accordance with the JSE Debt Listings Requirements;
<b>“Default Rate”</b>	in relation to a Tranche of Notes, the default rate specified as such in the Applicable Pricing Supplement;
<b>“Determination Date”</b>	in relation to a Tranche of Fixed Rate Notes, the date specified as such in the Applicable Pricing Supplement;
<b>“Determination Period”</b>	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 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, subject to Exchange Control Regulations;

<b>“Early Redemption Amount”</b>	the amount, as set out in Condition 10.9 ( <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 in the event of a Change of Control of the Issuer</i> ), 10.3 ( <i>Redemption in the event of a loss of the assigned rating of the Senior Notes</i> ), 10.4 ( <i>Redemption in the event that the Notes are no longer listed on a Financial Exchange</i> ), 10.5 ( <i>Redemption for Tax Reasons</i> ), 10.8 ( <i>Redemption in the event of a failure by the Issuer to attain the required Minimum Equity Level, as contemplated in Condition 6.1.7</i> ), 10.9 ( <i>Early Redemption Amounts</i> ) and/or Condition 16 ( <i>Events of Default</i> );
<b>“Encumbrances”</b>	any mortgage, pledge, hypothecation, lien, 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>“Equity”</b>	means the aggregate value of equity in the Issuer and each of the Guarantors, calculated as follows: <ul style="list-style-type: none"> <li>all ordinary shares; and</li> <li>all non-redeemable preference shares; and</li> <li>all redeemable preference shares where the redemption amount and/or all associated redemption rights have been subordinated to the claims of all other creditors of the Issuer and the relevant Guarantor, including the Noteholders under this Programme; and</li> <li>non-distributable reserves; and</li> </ul>

distributable reserves.

**Plus**

the principal amount of any loans from direct or indirect shareholders that have been subordinated so that the principal amount owing under any such loan has been subordinated to the claims of all other creditors of the Issuer and the relevant Guarantors, including the Noteholders under this Programme; and

the shareholdings of outside shareholders in Subsidiaries; and

negative goodwill.

**Less**

any goodwill, cost of control, trademarks, licences, patents, or any other form of intangible asset (excluding capitalised software); and

any deferred tax asset.

**“Equity Test”**

means the test conducted by the Issuer in accordance with Condition 6.1.5, in terms of which, as at the date of the test, the aggregate, in Rand, of the Equity of the Issuer and the Guarantors is divided by the Nominal Amount of the Notes (plus any accrued interest thereon) (in Rand) and is expressed as a percentage;

**“Event of Default”**

any of the events described in Condition 16 (*Events of Default*);

**“Exchangeable Notes”**

Notes which may be redeemed by the Issuer in the manner indicated in the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as is determined in accordance with the Applicable Pricing Supplement;

<b>“Exchange Control Regulations”</b>	the Exchange Control Regulations, 1961, promulgated pursuant to the Currency and Exchanges Act, 1933 (as amended from time to time);
<b>“Exchange Period”</b>	in respect of Exchangeable Notes to which the Noteholders’ Exchange Right applies (as indicated in the Applicable Pricing Supplement), the period indicated in the Applicable Pricing Supplement during which such right may be exercised;
<b>“Exchange Price”</b>	the amount determined in accordance with the manner described in the Applicable Pricing Supplement, according to which the number of Exchange Securities which may be delivered in redemption of an Exchangeable Note will be determined;
<b>“Exchange Securities”</b>	the securities indicated in the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of Exchangeable Notes to the value of the Exchange Price;
<b>“Extendible Note”</b>	any Note with a maturity of not more than 18 (eighteen) months, which entitles the Issuer to extend the Redemption Date to a pre-determined future date, as indicated in the Applicable Pricing Supplement;
<b>“Extraordinary Resolution”</b>	means:  (a) 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 comma sixty seven percent) of the persons voting at such meeting upon a show of hands or by proxy or if a poll is duly demanded then by a majority consisting of not less than 66.67% (sixty six comma sixty seven percent) of the votes given on such poll; or  (b) a resolution passed, other than at a meeting (duly convened) of the Noteholders, in respect of which not less than 66.67% (sixty six comma

sixty seven percent) of the Noteholders, voted in favour by signing in writing a resolution in counterparts. Where the requisite approval is obtained within 20 (twenty) Business Days from the date the resolution is submitted to the Noteholders, such a resolution shall be as valid and effectual as if it had been passed at a meeting (duly convened) of the Noteholders, provided that notice shall have been given to all Noteholders in terms of Condition 18 (*Notices*), unless all of the Noteholders consent in writing to the waiver of the required notice contemplated in Condition 18 (*Notices*);

<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>	the amount of principal specified in the Applicable Pricing Supplement payable in respect of each 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;
<b>“Financial Markets Act”</b>	the Financial Markets Act, 2012, as may be amended, supplemented or replaced from time to time;
<b>“Fitch”</b>	means Fitch Ratings Limited (or (if applicable) any South African subsidiary or associated company of Fitch Ratings Limited) and its successors in title;
<b>“Fixed Coupon Amount”</b>	in relation to a Tranche of 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 as indicated in the Applicable Pricing Supplement and more fully described in Condition 8.2 ( <i>Floating Rate Notes and Indexed Interest Notes</i> );
<b>“GCR”</b>	Global Credit Ratings Co. Proprietary Limited (Registration Number: 1995/005001/07) (or (if applicable) any South African subsidiary or associated company of Global Credit Ratings Co. Proprietary Limited) and its successors in title;
<b>“Group Company”</b>	any one or more members of the HomeChoice Group;
<b>“Guarantee”</b>	means the agreement of guarantee dated on or about the date of this Programme Memorandum, entered into by the Guarantors (from time to time and for the time being), jointly and severally, irrevocably and unconditionally, for the benefit of Noteholders, as described in Condition 6 ( <i>Guarantee</i> ), a <i>pro-forma</i> extract of which is contained in the section headed “ <i>Terms and Conditions of the Guarantee</i> ” and as amended, novated and/or substituted from time to time in accordance with its terms;
<b>“Guarantors”</b>	means, from time to time, the Initial Guarantors and such other Group Company, which is a Wholly-Owned Subsidiary of the Issuer and which becomes a Material Subsidiary and accedes to the Guarantee by completing and executing an accession letter in the form attached as <b>Appendix A</b> to the Guarantee and delivering such accession letter to the Calculation Agent under and

pursuant to Condition 6 of the Terms and Conditions, but excluding any Initial Guarantor and/or Guarantor that has been removed as a Guarantor pursuant to Condition 6.1.6 of the Terms and Conditions;

<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>“Holding Company”</b>	in relation to a Subsidiary, means a juristic person that controls that Subsidiary as a result of any circumstances contemplated in sections 2(2)(a) and 3(1)(a) of the Companies Act;
<b>“HomeChoice Group”</b>	the Issuer and any other company or entity whose financial results are consolidated with the financial results of the Issuer in accordance with IFRS;
<b>“IFRS”</b>	the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (“ <b>IASB</b> ”) and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (as amended, supplemented or re-issued from time to time);
<b>“Initial Guarantors”</b>	means each of HomeChoice Proprietary Limited incorporated in South Africa with limited liability under registration number 1985/002759/07, FinChoice Proprietary Limited incorporated in South Africa with limited liability under registration number 1993/005310/07 and HomeChoice Property Company Proprietary Limited incorporated in South Africa with limited liability under registration number 1991/005428/07, acting jointly and severally;
<b>“Implied Yield”</b>	the yield accruing on the Issue Price of Zero Coupon Notes, as specified in the Applicable Pricing Supplement;
<b>“Income Tax Act”</b>	Income Tax Act, 1962, as amended or replaced from

	time to time;
<b>“Indebtedness”</b>	in respect of the Issuer, the Guarantors and all Material Subsidiaries, as the case may be, any indebtedness in respect of monies borrowed from any third party lender and (without double counting) guarantees, suretyships and indemnities (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;
<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 a Beneficial Interest in accordance with Condition 12 ( <i>Exchange of Beneficial Interests and Replacement of Individual 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>	the amount expressed 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 Dates”</b>	in relation to a Tranche of Instalment Notes, the dates specified as such in the Applicable Pricing Supplement;

<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>“Interest Amount”</b>	the amount of interest payable in respect of each Nominal Amount of Fixed Rate Notes, Floating Rate Notes and Indexed-Linked Notes, as determined in accordance with Condition 8 ( <i>Interest</i> );
<b>“Interest Commencement Date”</b>	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;
<b>“Interest Payment Date”</b>	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>	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 “Interest Rate Market” and on which notes (and other debt securities) may be listed;
<b>“Investment Grade Rating”</b>	where a long-term national scale rating is applicable, means a national scale rating of “ <b>Baa3.za</b> ” by Moody’s or “ <b>BBB-(zaf)</b> ” by Fitch or “ <b>zaBBB-</b> ” by S&P or “ <b>BBB-</b> ”

	by GCR or their equivalent (from time to time), or better;
<b>“ISDA”</b>	the International Swaps and Derivatives Association Inc.;
<b>“ISDA Definitions”</b>	the 2006 ISDA Definitions as published by ISDA (as amended, supplemented, revised or republished from time to time) as specified in the Applicable Pricing Supplement;
<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>	HomeChoice Holdings Limited incorporated in South Africa with limited liability under registration number 1991/005430/06 ( <b>“HomeChoice”</b> );
<b>“JSE”</b>	the JSE Limited (registration number 2005/022939/06), a licensed financial exchange in terms of the Financial Markets Act or any other exchange which operates as a successor exchange to the JSE;
<b>“Last Calendar Day to Register”</b>	with respect to a particular Tranche of Notes (as reflected 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 Exchangeable 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 equal to or greater than 2.5% (two point five percent) of the Total

Assets of the HomeChoice Group, as published in the latest consolidated audited financial statements of the HomeChoice Group from time to time (or its equivalent in other currencies at the time of the occurrence of an Event of Default);

**“Material Subsidiary”**

any Subsidiary which represents at least 5% (five percent) of the Total Assets of the HomeChoice Group and/or 5% (five percent) of the operating profits of the HomeChoice Group, as published in the latest consolidated audited financial statements of the HomeChoice Group;

**“Maturity Date”**

in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;

**“Minimum Equity Level”**

means, the minimum amount of Equity required so as to ensure that when the Equity Test is conducted, the Equity of the Issuer and the Guarantors is equal to or is greater than 250% (two hundred and fifty percent) of the Nominal Amount of the Notes (plus any accrued interest thereon);

**“Minimum Equity Level Failure Event”**

shall occur if at any time, the Issuer fails to attain the required Minimum Equity Level, as contemplated in Condition 6.1.7;

**“Minimum Redemption Amount”**

in relation to a Tranche of Notes, the minimum redemption amount specified as such in the Applicable Pricing Supplement;

**“Mixed Rate Notes”**

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 (*Mixed Rate Notes*);

**“Moody’s”**

means Moody’s Investor Services Limited (or (if applicable) any South African subsidiary or associated company of Moody’s Investor Services Limited) and its

	successors in title and assigns;
<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>“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 holders of the listed and/or unlisted registered Notes (as recorded in the Register);
<b>“Noteholders’ Exchange Right”</b>	if indicated as applicable in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the Exchange Securities in <i>lieu</i> of cash from the Issuer upon redemption of such Notes;
<b>“Notes”</b>	the 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 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;</li><li>(c) those which have been purchased and cancelled as provided in Condition 10 (<i>Redemption and</i></li></ul>

*Purchase*);

- (d) those which have become prescribed under Condition 15 (*Prescription*);
- (e) those represented by those mutilated or defaced Individual Certificates which have been surrendered in exchange for replacement Individual Certificates pursuant to Condition 12 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*);
- (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 Individual Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Individual Certificates have been issued pursuant to Condition 12 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*),

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;

**“Optional Redemption Amount”** 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 31 of the Financial Markets Act;
<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>	RMB, or such other entity appointed by the Issuer as Paying Agent and specified in the Applicable Pricing Supplement, in which event that other entity shall act as Paying Agent in respect of that Tranche or Series of Notes;
<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 created by a Group Company prior to the date on which such Group Company became a Material Subsidiary in accordance with these Terms and Conditions;</li><li>(c) any Encumbrance with regard to receivables or which is created pursuant to any securitisation or like arrangement in accordance with normal market practice, provided that the proceeds of such securitisation or like arrangement are utilised in the ordinary course of the Issuer’s business and that such proceeds are not utilised to make any “distribution” as defined in the Companies Act; or</li><li>(d) any Encumbrance in favour of the Issuer with respect to inter-company Indebtedness incurred between the Issuer and any Subsidiary; or</li></ul>

- (e) any Encumbrance created over any immovable asset owned, acquired, developed or constructed, provided that, at the time of its creation, the Indebtedness so secured shall not exceed the *bona fide* 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
- (f) any Encumbrance incurred, assumed or guaranteed by the Issuer and/or the Guarantors as part of any financing 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 of repayment for moneys advanced in relation to such financing; or
- (g) any Encumbrance created in the ordinary course of business over deposit accounts securing a loan equal to the amounts standing to the credit of such deposit accounts, including any cash management system; or
- (h) any Encumbrance created by operation of law or statute in the ordinary course of business; or
- (i) any Encumbrance of any equity interests held by the Issuer or any Guarantor; or
- (j) 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 (i) above and (k) below); or

- (k) in addition to any Encumbrance referred to in (a) to (j) above, any Encumbrance securing in aggregate not more than 3.5% (three point five percent) of the Total Assets of the HomeChoice Group as published in the latest consolidated audited financial statements of the HomeChoice Group, at the time the Encumbrance is established;

<b>“Programme”</b>	the HomeChoice Holdings Limited ZAR500,000,000 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 the authorised amount of ZAR500,000,000 or such increased amount as is determined by the Issuer and the Guarantors 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>“PwC”</b>	Pricewaterhouse Coopers Incorporated, incorporated in South Africa with limited liability under registration number 1998/012055/21;
<b>“Rating”</b>	in relation to a Tranche of Notes (as and where applicable), the rating of the Tranche of Notes of the Issuer granted by the Rating Agency, as specified in the Applicable Pricing Supplement and in relation to the

Issuer, the rating of the Issuer granted by the Rating Agency, as specified in the Applicable Pricing Supplement, and where a Tranche of Notes and/or the Issuer (as the case may be) is rated by more than 1 (one) Rating Agency, the lowest rating applied to such Tranche of Notes and/or the Issuer (as the case may be) will be deemed to be the applicable rating of such Tranche of Notes and/or the Issuer (as the case may be);

**“Rating Agency”**

Moody’s and/or Fitch and/or S&P and/or GCR and/or such other internationally recognised rating agency as may be appointed by the Issuer, from time to time;

**“Rating Downgrade”**

shall, in relation to the Issuer and/or where any Notes are and/or where the Programme is, rated by a Rating Agency, be deemed to have occurred in respect of a Change of Control if within the Change of Control Period, the Rating previously assigned to the Issuer and/or the Programme and/or such Notes, as the case may be, by any Rating Agency is:

- (a) withdrawn by the Rating Agency or cancelled by the Issuer;
- (b) changed from an Investment Grade Rating to a non-Investment Grade Rating; or
- (c) in the case of a non-Investment Grade Rating, downgraded by any Rating Agency by one or more Rating Notches;

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;

<b>“Rating Notch”</b>	means the difference between one rating and another level lower for example from “BB+” to “BB” by the Rating Agency or such similar lower or equivalent rating;
<b>“Redemption Date”</b>	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 in the event that the Notes are no longer listed on a Financial Exchange in terms of Condition 10.4 ( <i>Redemption in the event that the Notes are no longer listed on a Financial Exchange</i> ) or redemption for tax reasons in terms of Condition 10.5 ( <i>Redemption for Tax Reasons</i> ), as the case may be;
<b>“Reference Banks”</b>	five leading banks in the South African inter-bank market selected by the Calculation Agent;
<b>“Reference Price”</b>	in relation to a Tranche of Notes (where applicable), the price specified as such in the Applicable Pricing Supplement;
<b>“Reference Rate”</b>	in relation to a Tranche of Notes (where applicable), the rate specified as such in the Applicable Pricing Supplement;
<b>“Register”</b>	the register maintained by the Transfer Agent in terms of Condition 13 ( <i>Register</i> );
<b>“Regular Period”</b>	<p>(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to, but excluding the first Interest Payment Date and, each successive period from and including one Interest Payment Date to, but excluding the next Interest Payment Date;</p> <p>(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling</p>

in any year to, but excluding the next Regular Date, where **“Regular Date”** means the day and the month (but not the year) on which any Interest Payment Date falls; and

- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to ,but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

**“Relevant Date”**

in respect of any payment relating to the 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 (a) the full amount of such monies have been received by the CSD, (b) such monies are available for payment to the holders of Beneficial Interests and (c) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;

**“Relevant Screen Page”**

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;

**“Representative”**

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, Transfer Agent or Paying Agent;

<b>“RMB”</b>	Rand Merchant Bank, a division of FirstRand Bank Limited (registration number 1929/001225/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa;
<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 Notes</i> );
<b>“Senior Notes Credit Rating Event”</b>	shall occur if at any time while any Senior Note remains Outstanding, a Senior Note with a Rating ceases to be rated by at least one of Moody’s, Fitch, S&P or GCR;
<b>“Series”</b>	a Tranche of Notes together with any further Tranche or Tranches of Notes which are:  (a) expressed to be consolidated and form a single series; and  (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
<b>“Specified Currency”</b>	in relation to each Note in a Tranche of Notes, subject to all Applicable Laws and in the case of Notes listed on the Interest Rate Market of the JSE subject to the rules of the JSE, 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, 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>“South Africa” or “RSA”</b>	the Republic of South Africa;
<b>“Step-up Margin”</b>	the margin to be added to the Interest Rate applicable to an Extendible Note and specified in the Applicable Pricing Supplement;
<b>“S&amp;P”</b>	means, Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies Incorporated (Registration No, 1996/014081/10), its successors-in-title and assigns;
<b>“Subordinated Indebtedness”</b>	in the event of the dissolution of the Issuer or if the Issuer is wound up or placed in liquidation or business rescue, 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 5.2 ( <i>Subordinated Notes</i> );
<b>“Subsidiary”</b>	a subsidiary company as defined in Section 3(1)(a) 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” or “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>“Total Assets”</b>	the aggregate of all consolidated assets of the HomeChoice Group as set out in the most recently published audited financial statements of the HomeChoice Group from time to time;
<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>	RMB, unless the Issuer elects to appoint another entity as Transfer Agent in which event that other entity shall act as Transfer Agent in respect of that Tranche or Series of Notes, as specified 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>“Wholly Owned Subsidiary”</b>	a wholly owned subsidiary as defined in Section 3(1)(b) 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 SAFEY 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.

## 2. ISSUE

- 2.1. The Issuer may, at any time and from time to time (without the consent of any Noteholder), 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 does not exceed the Programme Amount.
- 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 Terms and Conditions of that Tranche of Notes. The applicable Terms and Conditions of a Tranche of Notes are 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 relating to that Tranche of Notes.

- 2.3. The applicable Terms and Conditions of a Tranche of Notes are incorporated by reference into the Individual 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 Individual 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. 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, an Instalment 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 Applicable Pricing Supplement.
- 3.1.3. All payments in relation to the Notes will be made in the Specified Currency. Each Note will be issued in the Specified Denomination.
- 3.1.4. 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. Unlisted Notes are not regulated by the JSE.

#### 3.2. Registered Notes

A Tranche of registered Notes will be issued in certificated form, as contemplated in Condition 3.2.1 (*Notes issued in certificated form*), or in uncertificated form, as contemplated in 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 will be held in the CSD, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*). A Tranche of unlisted Notes may also be held in the CSD, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*).

3.2.1. Notes issued in certificated form

3.2.1.1. Each Tranche of Notes may, subject to Applicable Laws and the Applicable Procedures, be issued in certificated form. The individual holder of the Notes will be named in the Register as the registered Noteholder of that Tranche of Notes.

3.2.1.2. All Notes issued in certificated form 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 must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets 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 an Individual Certificate may be replaced by uncertificated securities in terms of section 33 of the Financial Markets Act.

3.2.3. Beneficial Interests in Notes held in the CSD

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

3.2.3.2. The CSD will hold Notes subject to the Financial Markets Act and the Applicable Procedures.

3.2.3.3. 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.

3.2.3.4. A holder of a Beneficial Interest shall 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 Individual Certificates).*

3.2.4. Recourse to the BESA Guarantee Fund Trust

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the BESA Guarantee Fund Trust, even if such Notes are settled through the electronic settlement procedures of the JSE and the CSD. Claims against the BESA Guarantee Fund Trust 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 Trust. Unlisted Notes are not regulated by the JSE.

4. **TITLE**

4.1. Notes issued in certificated form

4.1.1. Each holder of Notes represented by an Individual Certificate will be named in the Register as the registered holder of such Notes.

4.1.2. Title to Registered Notes will pass upon registration of transfer in the Register in accordance with Condition 14.1.2 (*Transfer of Notes Represented by Individual Certificates*).

4.1.3. The Issuer, each of the Guarantors, 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 uncertificated Notes is held in its entirety 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, each of the Guarantors, 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 NOTES

### 5.1. 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.

### 5.2. Subordinated Notes

5.2.1. 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.

5.2.2. Subject to applicable law, in the event of the Issuer commencing business rescue proceedings (whether voluntarily or otherwise) or 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 business rescue, dissolution, insolvency or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

## 6. GUARANTEE

### 6.1. General

- 6.1.1. The Issuer has procured that the payment obligations of the Issuer under the Notes which are specified in the Applicable Pricing Supplement as being subject to the Guarantee ("**Guaranteed Notes**") are guaranteed by the Guarantors on the terms and conditions as contained in the Guarantee, as described in the section of the Programme Memorandum headed "*Terms and Conditions of the Guarantee*", as read with the Applicable Pricing Supplement.
- 6.1.2. The Issuer may also issue Notes that are not guaranteed by the Guarantors, if so specified in the Applicable Pricing Supplement. In the event that Notes are issued which are not guaranteed by the Guarantors as specified in the Applicable Pricing Supplement, the provisions relating to the Guarantee in this Programme Memorandum and the Applicable Pricing Supplement for such issue shall not be applicable to the Guarantors nor to such Noteholders and the provisions of this Programme Memorandum and the Applicable Pricing Supplement shall be construed accordingly, in particular but without limitation, the section headed "*Events of Default*". Noteholders of Notes which are not Guaranteed Notes shall have no claim against any Guarantor of any nature whatsoever.
- 6.1.3. The Guarantors irrevocably and unconditionally, jointly and severally, guarantee to the Noteholders of Guaranteed Notes ("**Guaranteed Noteholders**") the due and punctual payment by the Issuer of any moneys payable by the Issuer to the Guaranteed Noteholders in respect of the Guaranteed Notes, in the manner and subject to the terms of the Guarantee.
- 6.1.4. The obligations of each Guarantor under the Guarantee constitute unconditional and unsecured obligations of each of the Guarantors and will rank (subject to any obligations preferred by law) *pari passu* with all other present and future unsecured and unsubordinated obligations of that Guarantor.
- 6.1.5. In respect of each Note from the Issue Date, as at the last day of the Issuer's financial year or half financial year (whichever occurs first),

within 90 (ninety) days of the last day of each financial year and within 60 (sixty) days of the last day of each half financial year of the Issuer, the Issuer shall:

6.1.5.1. determine whether any Group Company, which is a Wholly Owned Subsidiary of the Issuer, has become a Material Subsidiary based on the latest consolidated audited annual financial statements or interim financial statements of the HomeChoice Group (whichever is published the latest) and if it has, the Issuer shall procure that within 30 (thirty) days from the date of such determination, the relevant Group Company becomes a Guarantor, by duly completing and executing the accession letter in the form attached as **Appendix A** to the Guarantee and delivering such accession letter to the Calculation Agent; and

6.1.5.2. ensure that the Minimum Equity Level based on the latest consolidated audited annual financial statements, or if not available, the unaudited consolidated annual financial statements, or interim financial statements of the HomeChoice Group (whichever is published the latest), has been attained; and

6.1.5.3. determine whether any Guarantor is no longer a Material Subsidiary and/or a Wholly Owned Subsidiary of the Issuer,

which determinations and/or confirmations shall be confirmed to the Calculation Agent in a certificate signed by 2 (two) directors of the Issuer (one of whom shall be the chief financial officer and one of whom shall be an executive director) accompanied by the relevant calculations and delivered to the Calculation Agent, within 90 (ninety) days of the last day of each financial year and within 60 (sixty) days of the last day of each half financial year of the Issuer.

6.1.6. If:

6.1.6.1. the Issuer conducts the Equity Test as contemplated in Condition 6.1.5.2 above based on the latest consolidated audited annual financial statements, or if not available, the unaudited consolidated annual financial statements, or



interim financial statements of the HomeChoice Group (whichever is published the latest) and confirms that the required Minimum Equity Level is satisfied before the removal of the relevant Guarantor and would still be satisfied after the removal of such relevant Guarantor; and

6.1.6.2. the relevant Guarantor does not owe any amount under and pursuant to the Guarantee,

then, once such confirmation is confirmed to the Calculation Agent in a certificate signed by 2 (two) directors of the Issuer (one of whom shall be the chief financial officer and one of whom shall be an executive director) accompanied by the relevant calculations and delivered to the Calculation Agent, within 90 (ninety) days of the last day of each financial year and within 60 (sixty) days of the last day of each half financial year of the Issuer, such Guarantor shall be immediately removed as a Guarantor and the Guarantee signed by such Guarantor shall be immediately cancelled.

6.1.7. If at any time after the Issue Date, the results of the Equity Test (as contemplated in Condition 6.1.5.2 based on the latest consolidated audited annual financial statements, or if not available, the unaudited consolidated annual financial statements, or interim financial statements of the HomeChoice Group (whichever is published the latest)) conducted by the Issuer, the Equity is lower than the required Minimum Equity Level, the Issuer shall procure that within 30 (thirty) days from the date of such determination, it shall either:

6.1.7.1. procure that any Group Company, which is a Wholly Owned Subsidiary of the Issuer becomes a Guarantor, by duly completing and executing the accession letter in the form attached as **Appendix A** to the Guarantee and delivering such accession letter to the Calculation Agent; and/or

6.1.7.2. increase the Equity,

so that the required Minimum Equity Level is attained, failing which each Senior Noteholder has the option to request the redemption of such Senior Note(s) by the Issuer in accordance with Condition 10.8 (Redemption in the event of a failure by the Issuer to

attain the required Minimum Equity Level, as contemplated in Condition 6.1.7).

6.1.8. Each Noteholder will, at its cost and on reasonable notice to the Calculation Agent, be entitled to require the Calculation Agent to provide:

6.1.8.1. a list of the current Guarantors pursuant to the Programme;  
and/or

6.1.8.2. the results of the Equity Test(s) conducted, as contemplated in Condition 6.1.5.2.

6.2. Benefit of the Guarantee

Each Guaranteed Noteholder hereby agrees that upon acquisition of any Guaranteed Note, such Guaranteed Noteholder is deemed to have notice of, and accept the benefit of all the provisions of the Guarantee. The terms of the Guarantee provide that upon the acquisition of the Guaranteed Note by the Guaranteed Noteholder, the Guarantors are deemed to have received notice of acceptance of the benefit of the Guarantee by such Guaranteed Noteholder. Copies of the Guarantee are available for inspection at the registered office of the Issuer and/or the Debt Sponsor specified at the back of this Programme Memorandum.

7. **NEGATIVE PLEDGE**

7.1. So long as any Tranche of the Senior Notes remains Outstanding, the Issuer, each of the Guarantors and the Material Subsidiaries undertake that they shall not 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 which 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 as may be approved by Extraordinary Resolution of the Senior Noteholders of the relevant Series of Notes, unless the provision of any such security is waived by an Extraordinary Resolution of the Senior Noteholders of the relevant Series of Notes.

7.2. The Issuer, each of the Guarantors and the Material Subsidiaries 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 (as described in Condition 7.1 above) for the benefit or on behalf of such Noteholders.

## 8. INTEREST

### 8.1. Fixed Rate Notes

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.

The first payment of interest will be made on the Fixed Interest Payment Date next following the Interest Commencement Date.

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:

- 8.1.1. 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
- 8.1.2. if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal the Final Broken Amount.

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 subparagraph, “**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:

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

- 8.2.4. if the Relevant Screen Page is available,
  - 8.2.4.1. the offered quotation (if only one quotation appears on the screen page); or
  - 8.2.4.2. 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

- 8.2.5. if the Relevant Screen Page is not available or if, in the case of 8.2.4.1 above, no such offered quotation appears or, in the case of 8.2.4.2 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
- 8.2.6. if the Rate of Interest cannot be determined by applying the provisions of 8.2.4 and 8.2.5 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 2 (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 2 (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 Financial 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 Financial 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 (*Floating Rate Notes and Indexed Interest Notes*), 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. Interest on Indexed Notes

In the case of Indexed Notes, if the Interest Rate or Final Redemption Amount falls to be determined by reference to an index and/or a formula, such rate or amount payable shall be determined in the manner specified in the Applicable Pricing Supplement. Any interest payable shall fall due for payment on the Interest Payment Date(s).

8.6. Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue on the paid-up Principal Amount of such Notes and otherwise as specified in the Applicable Pricing Supplement.

8.7. Interest on Instalment Notes

In the case of Instalment Notes, interest will accrue on the amount outstanding on the relevant Note from time to time and otherwise as specified in the Applicable Pricing Supplement.



8.8. Interest on Extendible Notes

If the Redemption Date of Extendible Notes is extended by the Issuer, the Interest Rate in respect of the Principal Amount Outstanding will be increased by the Step-up Margin, from (and including) the Redemption Date to (but excluding) the Actual Redemption Date.

8.9. 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, 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*).

8.10. 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, falls on a day that is not a Business Day, then, if the Business Day Convention specified is:

8.10.1. 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: (a) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day and (b) 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

8.10.2. 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

- 8.10.3. 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
- 8.10.4. 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

Where any amounts are due and payable under the Senior Notes, such amounts shall be settled in full before any amounts are paid under the Subordinated Notes.

Payments of principal and/or interest on an Individual Certificate shall be made to the Transfer Agent, who will in turn, acting on behalf of the Issuer, in accordance with the terms and conditions of the Agency Agreement, make payment 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 shall 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 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.

### 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.

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 Transfer 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 (*Method of Payment*).

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.

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*).

### 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);
- 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 10.9.3); 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 in the event of a Change of Control of the Issuer

10.2.1. A “**Change of Control Event**” shall occur if a Change of Control occurs (subject to the *proviso* below) and within the Change of Control Period:

- 10.2.1.1. in the case of any Tranche of Notes rated by a Rating Agency, a Rating Downgrade in relation to such Notes occurs; or

10.2.1.2. there is a Rating Downgrade in relation to the Issuer or the Programme.

10.2.2. Promptly upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice to the Noteholders in accordance with Condition 18 (*Notices*) specifying the nature of the Change of Control Event and the circumstances giving rise to it and the procedure for exercising the option per Condition 10.2.3.

10.2.3. If at any time while any Note remains Outstanding, upon the occurrence of a Change of Control Event, the Issuer shall, and only if the Noteholders have:

10.2.3.1. in terms of Condition 18 (*Notices*) issued a notice to convene a meeting of Noteholders within 30 (thirty) days of the date of which the Change of Control Event occurred;

10.2.3.2. resolved in terms of Condition 20 (*Meeting of Noteholders*) by way of Extraordinary Resolution requiring the redemption of the Notes of that Class of Noteholders; and

10.2.3.3. issued a written notice to the Issuer from that Class of Noteholders to redeem such Note,

redeem all Notes held by that Class of Noteholders at the Early Redemption Amount together with accrued interest (if any). Such redemption shall occur on the next Interest Payment Date following such Change of Control Event unless the said Interest Payment Date falls within 14 (fourteen) days of receipt of the notice referred to in Condition 10.2.3.3, in which case the Issuer shall redeem the said Notes on the second Interest Payment Date following the said Change of Control Event.

### 10.3. Redemption in the event of a loss of the assigned rating of the Senior Notes

10.3.1. A Senior Notes Credit Rating Event shall give each Senior Noteholder the option to request the redemption of such Senior Note by the Issuer.

10.3.2. Promptly upon the Issuer becoming aware that a Senior Notes Credit Rating Event has occurred, the Issuer shall give notice to the Senior Noteholders in accordance with Condition 18 (*Notices*) specifying the

nature of the Senior Notes Credit Rating Event and the circumstances giving rise to it and the procedure for exercising the option contained in Condition 10.3.1.

10.3.3. Upon receipt by the Senior Noteholders of the notice referred to in Condition 10.3.2, each Senior Noteholder shall have 14 (fourteen) days thereafter to exercise its option contained in Condition 10.3.1 to redeem such Senior Note, after which the said option shall expire.

10.3.4. Each Senior Noteholder shall exercise its option contained in Condition 10.3.1 by delivering a written notice, in terms of Condition 18 (*Notices*), to the Issuer to that effect. A failure by a Senior Noteholder to deliver a notice to redeem in the 14 (fourteen) day period described in Condition 10.3.3 shall be deemed to be an election by such Senior Noteholder not to exercise the option contained in Condition 10.3.1.

10.3.5. Upon receipt by the Issuer of the notice in Condition 10.3.4, the Issuer shall redeem the relevant Senior Note at the Early Redemption Amount together with accrued interest (if any). Such redemption shall occur on the next Interest Payment Date following such Senior Notes Credit Rating Event unless the said Interest Payment Date falls within 60 (sixty) days after the close of the 14 (fourteen) day period referred to in Condition 10.3.3, in which case the Issuer shall redeem the said Senior Notes on the second Interest Payment Date following the said Senior Notes Credit Rating Event, provided that in each case the relevant Senior Notes shall not be redeemed later than their Maturity Date.

10.4. Redemption in the event that the Notes are no longer listed on a Financial Exchange

10.4.1. If the relevant Tranche of Notes listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange(s), are no longer listed on a Financial Exchange for a period of more than 10 (ten) days, each Senior Noteholder shall have the option to request the redemption of such Senior Note(s) by the Issuer.

10.4.2. Promptly upon the Issuer becoming aware that the relevant Tranche of Notes listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange(s), are no longer listed on a Financial Exchange for a period of more than 10 (ten) days, the Issuer shall give notice to the Senior Noteholders in accordance with Condition 18

(*Notices*) specifying the nature of such event and the circumstances giving rise to it and the procedure for exercising the option contained in Condition 10.4.1.

10.4.3. Upon receipt by the Senior Noteholders of the notice referred to in Condition 10.4.2, each Senior Noteholder shall have 14 (fourteen) days thereafter to exercise its option contained in Condition 10.4.1 to redeem such Senior Note, after which the said option shall expire.

10.4.4. Each Senior Noteholder shall exercise its option contained in Condition 10.4.1 by delivering a written notice, in terms of Condition 18 (*Notices*), to the Issuer to that effect. A failure by a Senior Noteholder to deliver a notice to redeem in the 14 (fourteen) day period described in Condition 10.4.3 shall be deemed to be an election by such Senior Noteholder not to exercise the option contained in Condition 10.4.1.

10.4.5. Upon receipt by the Issuer of the notice in Condition 10.4.4, the Issuer shall redeem the relevant Senior Note(s) at the Early Redemption Amount together with accrued interest (if any). Such redemption shall occur on the next Interest Payment Date following such event unless the said Interest Payment Date falls within 60 (sixty) days after the close of the 14 (fourteen) day period referred to in Condition 10.4.3, in which case the Issuer shall redeem the said Senior Notes on the second Interest Payment Date following the said event, provided that in each case the relevant Senior Note(s) shall not be redeemed later than their Maturity Date.

#### 10.5. 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) calendar 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:

10.5.1. 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 or any of the Guarantors would be required to pay additional amounts as provided or referred to in Condition 11 (*Taxation*); and

10.5.2. the requirement cannot be avoided by the Issuer or any of the Guarantors taking reasonable measures available to them,

provided that no such notice of redemption shall be given earlier than 90 (ninety) calendar days prior to the earliest date on which the Issuer or any of the Guarantors 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 10.5 (*Redemption for Tax Reasons*) in whole or in part. A redemption in part may be effected by the Issuer:

10.5.3. 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

10.5.4. *mutatis mutandis* in the manner described in Condition 10.6 (*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 10.5 (*Redemption for Tax Reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 10.9 (*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.

#### 10.6. 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) calendar 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 Individual 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) calendar 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 Individual 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) calendar days prior to the date fixed for redemption. The aggregate Nominal Amount of Redeemed Notes represented by Individual Certificates shall bear the same proportion to the aggregate Nominal Amount of all Redeemed Notes as the aggregate Nominal Amount of Individual 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) calendar days prior to the Selection Date.

Holders of Redeemed Notes shall surrender the Individual 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 Individual Certificates are redeemed, the Transfer Agent shall deliver new Individual Certificates to the CSD or such Noteholders, as the case may be, in respect of the balance of the Notes.

#### 10.7. Redemption at the Option of the Senior Noteholders

If Senior Noteholders are specified in the Applicable Pricing Supplement as having an option to request the redemption of Notes, such Senior Noteholders may exercise such option in respect of such Notes represented by Individual Certificates by delivering to the Transfer Agent, in accordance with Condition 18 (*Notices*), a duly executed notice ("**Put Notice**") in unaltered form, at least 30 (thirty) calendar days but not more than 60 (sixty) calendar days, prior to the Optional Redemption Date.

Where redemption in part has been permitted in the Applicable Pricing Supplement, the redemption amount specified in such Put Notice in respect of any such Note must be of a principal amount equal to or greater than the Minimum Redemption Amount or equal to or less than the Higher Redemption Amount, each as indicated in the Applicable Pricing Supplement.

The redemption by the Senior Noteholders of uncertificated Notes shall take place in accordance with the Applicable Procedures.

The Issuer shall proceed to redeem the Senior Notes in respect of which such option has been exercised in accordance with the terms of the Applicable Pricing Supplement, at the Optional Redemption Amount and on the Optional Redemption Date, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

In the event that the redeeming Noteholder is the holder of an Individual Certificate, then such Senior Noteholder shall (attached to the Put Notice) deliver the Individual Certificate to the Transfer Agent at least 1 (one) Business Day prior to the Optional Redemption Date, for cancellation failing which the Put Notice shall be invalid. A holder of an Individual Certificate shall in that holder's Put Notice specify a bank account in South Africa into which the redemption payment amount is to be paid.

The delivery of Put Notices shall be required to take place during normal office hours to the Issuer and Transfer Agent. Put Notices shall be available for inspection at the specified offices of the Transfer Agent.

Any Put Notice given by a holder of any Senior Note pursuant to this Condition 10.7 (*Redemption at the Option of the Senior Noteholders*) shall be irrevocable except where after giving the notice but prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such Senior Noteholder, at its option, may elect by notice to the Issuer, delivered at least 1 (one) Business Day prior to the Optional Redemption Date, to withdraw the notice given pursuant to

this paragraph and instead to declare such Senior Note forthwith due and payable pursuant to Condition 16 (*Events of Default*).

The Issuer shall have no obligation to remedy any defects in any Put Notice or bring any such defects to the attention of any Noteholder and shall not be liable whatsoever for any claims or losses arising in connection with a defective or invalid Put Notice.

10.8. Redemption in the event of a failure by the Issuer to attain the required Minimum Equity Level, as contemplated in Condition 6.1.7

10.8.1. A Minimum Equity Level Failure Event shall give each Senior Noteholder the option to request the redemption of such Senior Note(s) by the Issuer.

10.8.2. Promptly upon the Issuer becoming aware that a Minimum Equity Level Failure Event has occurred, the Issuer shall give notice to the Senior Noteholders in accordance with Condition 18 (*Notices*) specifying the nature of the Minimum Equity Level Failure Event and the circumstances giving rise to it and the procedure for exercising the option contained in Condition 10.8.1.

10.8.3. Upon receipt by the Senior Noteholders of the notice referred to in Condition 10.8.2, each Senior Noteholder shall have 14 (fourteen) days thereafter to exercise its option contained in Condition 10.8.1 to redeem such Senior Note, after which the said option shall expire.

10.8.4. Each Senior Noteholder shall exercise its option contained in Condition 10.8.1 by delivering a written notice, in terms of Condition 18 (*Notices*), to the Issuer to that effect. A failure by a Senior Noteholder to deliver a notice to redeem in the 14 (fourteen) day period described in Condition 10.8.3 shall be deemed to be an election by such Senior Noteholder not to exercise the option contained in Condition 10.8.1.

10.8.5. Upon receipt by the Issuer of the notice in Condition 10.8.4, the Issuer shall redeem the relevant Senior Note at the Early Redemption Amount together with accrued interest (if any). Such redemption shall occur on the next Interest Payment Date following such Minimum Equity Level Failure Event unless the said Interest Payment Date falls within 60 (sixty) days after the close of the 14 (fourteen) day period referred to in Condition 10.8.3, in which case the Issuer shall redeem the said Senior Notes on the second Interest Payment Date following the said Minimum

Equity Level Failure Event, provided that in each case the relevant Senior Notes shall not be redeemed later than their Maturity Date.

10.9. Early Redemption Amounts

For the purpose of Conditions 10.2 (*Redemption in the event of a Change of Control of the Issuer*), 10.3 (*Redemption in the event of a loss of the assigned rating of the Senior Notes*), 10.4 (*Redemption in the event that the Notes are no longer listed on a Financial Exchange*), 10.5 (*Redemption for Tax Reasons*), 10.8 (*Redemption in the event of a failure by the Issuer to attain the required Minimum Equity Level, as contemplated in Condition 6.1.7*) and Condition 16 (*Events of Default*), the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- 10.9.1. in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- 10.9.2. 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
- 10.9.3. in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of: (a) the Reference Price; and (b) 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.

10.10. 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 10.5 (*Redemption for Tax Reasons*) or 16 (*Events of Default*), the Early Redemption Amount will be determined pursuant to Condition 10.9 (*Early Redemption Amounts*).

10.11. 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 and the Applicable Pricing Supplement. In the case of early redemption in accordance with Conditions 10.5 (*Redemption for Tax Reasons*) or 16 (*Events of Default*), the Early Redemption Amount will be determined pursuant to Condition 10.9 (*Early Redemption Amounts*).

10.12. Exchangeable Notes

If the Notes are Exchangeable Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in the manner indicated in the Applicable Pricing Supplement. Exchangeable Notes in respect of which Mandatory Exchange is indicated in the Applicable Pricing Supplement as applying, or upon the exercise by the Noteholder of the Noteholder's Exchange Right (if applicable), will be redeemed by the Issuer delivering to each Noteholder as many of the Exchange Securities as are required in accordance with the Exchange Price. The delivery by the Issuer of the Exchange Securities in the manner set out in the Applicable Pricing Supplement shall constitute the *in specie* redemption in full of such Notes.

10.13. Purchases

The Issuer or any other Group Company, as the case may be, may at any time purchase Notes at any price on the open market or otherwise. Such Notes may, subject to applicable law, be held, resold, or, at the option of the Issuer or any other Group Company, as the case may be, surrendered to the Transfer Agent for cancellation. The Issuer or any other Group Company, as the case may be, may attend any meeting of the Noteholders but will not be entitled to vote at such Noteholder meetings.

If the Issuer or any other Group Company at any time, on a cumulative basis, holds more than 30% (thirty percent) of the Outstanding Notes, the Issuer shall notify the Noteholders by electronically publishing such information on the Securities Exchange News Service ("**SENS**"), or any other similar service, established by the JSE.

10.14. 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 an Individual Certificate are cancelled, the

Transfer Agent shall deliver an Individual Certificate to such Noteholder in respect of the balance of the Notes.

10.15. 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 10.9.3 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: (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and (b) 5 (five) calendar 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*).

10.16. Applicable Procedures

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

11. **TAXATION**

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 (for a summary of the current law in relation to the withholding or deduction of taxes levied in South Africa, see "*South African Taxation*" below).

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 could lawfully avoid (but has not so avoided) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future including, without limitation, by making a declaration of non-residence or other similar claim or filing for exemption to which it is entitled to the relevant tax authority or the Paying Agent (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or
- 11.3. held by or on behalf of a Noteholder who could lawfully reduce (but has not so reduced) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future including, without limitation, by making a declaration of non-residence or other similar claim or filing for the reduction to which it is entitled to the relevant tax authority or the Paying Agent (the effect of which is not to require the disclosure of the identity of the relevant Noteholder) – to the extent that such Noteholder could lawfully reduce such withholding or deduction but failed to do so; or
- 11.4. held by or on behalf of a Noteholder in circumstances where such party could lawfully reduce the amount of taxation otherwise levied or leviable upon the principal or interest by virtue of any non-South African tax laws applicable to such Noteholder, whether by way of a tax credit, rebate deduction or reduction equal to all or part of the amount withheld or otherwise, and whether or not it is actually claimed and/or granted and/or allowed; or
- 11.5. 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 income or taxable income (as defined in section 1 of the Income Tax Act) or capital gain (as contemplated in paragraph 3 of Schedule 8 to 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
- 11.6. in respect of any present or future taxes, duties, assessments or governmental charges of whatever nature which are payable otherwise than by withholding from payment of principal or interest, if any, with respect to such Note; or
- 11.7. where (in the case of payment of principal and/or interest which is conditional on surrender and/or presentation of the relevant Individual Certificate in accordance with the Terms and Conditions) the relevant Individual 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 or surrendering the Individual Certificate for payment on such thirtieth day; or

- 11.8. if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters; or
- 11.9. if such withholding or deduction arises in terms of the US Foreign Account Tax Compliance Act (“**FATCA**”), any regulations or agreements thereunder, official interpretations thereof, any intergovernmental approach thereto, or implementing legislation adopted by another jurisdiction in connection with FATCA; or
- 11.10. where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- 11.11. any combination of 11.1 to 11.10.

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 INDIVIDUAL 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 42 read with section 35(2)(i) of the Financial Markets Act (or such other relevant section of any successive legislation), 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 (a) the name, address and bank account details of the holder of the Beneficial Interest and (b) 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) calendar 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) calendar 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 Participant acting on behalf of the holder of the Beneficial Interest in respect of the conversion 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 Notes issued in uncertificated form:
  - 12.1.3.1. the CSD's Nominee shall, prior to the Exchange Date, will surrender (through the CSD system) such uncertificated Notes to the Transfer Agent at its Specified Office;
  - 12.1.3.2. the Transfer Agent will; obtain the release of such uncertificated Notes from the CSD in accordance with the Applicable Procedures.
- 12.1.4. An Individual Certificate shall, in relation to a Beneficial Interest:
  - 12.1.4.1. in a Tranche of Notes which is held in the CSD, 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
  - 12.1.4.2. 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.

- 12.1.5. Subject always to Applicable Laws and the Applicable Procedures, upon the replacement of a Beneficial Interest in Notes with Notes in definitive form represented by an Individual Certificate in accordance with this Condition 12 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*), such Notes (now represented by an Individual Certificate) will cease to be listed on the Financial Exchange and will no longer be lodged in the CSD. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

12.2. Replacement

If any Individual 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. Mutilated or defaced Individual 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 (*Death and sequestration or liquidation of Noteholder*) 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 (*Death and sequestration or liquidation of Noteholder*) and Condition 14.1.2 (*Transfer of Notes represented by Individual 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 shall duly transfer the Notes.

12.4. Costs

The costs and expenses of the printing, issue and delivery of each Individual Certificate and all taxes and governmental charges or insurance 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.

13. **REGISTER**

13.1. The Register of Noteholders shall:

- 13.1.1. 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. contain the names, addresses and bank account numbers of the registered Noteholders;
- 13.1.3. show the total Nominal Amount of the Notes held by Noteholders;
- 13.1.4. show the dates upon which each of the Noteholders was registered as such;
- 13.1.5. show the serial numbers of the Individual Certificates and the dates of issue thereof;
- 13.1.6. 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. be closed during each 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 Individual Certificate may be subject.

#### 14. TRANSFER OF NOTES

##### 14.1. Transfer of registered Notes

###### 14.1.1. Transfer of Beneficial Interests in Notes held in the CSD

- 14.1.1.1. Beneficial Interests may be transferred only in accordance with the Applicable Procedures through the CSD.
- 14.1.1.2. 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.
- 14.1.1.3. 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.
- 14.1.1.4. 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.

###### 14.1.2. Transfer of Notes represented by Individual Certificates

- 14.1.2.1. In order for any transfer of Notes represented by an Individual Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:
- 14.1.2.1.1. the transfer of such Notes must be embodied in a Transfer Form;
- 14.1.2.1.2. the Transfer Form must be signed by the registered Noteholder of such Notes and the transferee, or any authorised representatives

of that registered Noteholder or transferee;  
and

- 14.1.2.1.3. the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the Individual Certificate representing such Notes for cancellation.
- 14.1.2.2. Notes represented by an Individual Certificate may only be transferred, in whole or in part, in amounts of not less than the Specified Denomination (or any multiple thereof).
- 14.1.2.3. Subject to this Condition 14.1.2 (*Transfer of Notes represented by Individual Certificates*), 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 an Individual 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 Individual Certificate in respect of the Notes transferred reflecting the outstanding Nominal Amount of the Notes transferred.
- 14.1.2.4. Where a Noteholder has transferred a portion only of Notes represented by an Individual 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 Individual Certificate representing the balance of the Notes held by such Noteholder.
- 14.1.2.5. The transferor of any Notes represented by an Individual Certificate will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.

- 14.1.2.6. Before any transfer of Notes represented by an Individual 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.
- 14.1.2.7. No transfer of any Notes represented by an Individual Certificate will be registered whilst the Register is closed as contemplated in Condition 13 (*Register*).
- 14.2. If a transfer of any Notes represented by an Individual Certificate is registered in the Register, the Transfer Form and cancelled Individual Certificate will be retained by the Transfer Agent.
- 14.3. If a transfer is registered then the Transfer Form and cancelled Individual Certificate will be retained by the Transfer Agent.
- 14.4. In the event of a partial redemption of Notes under Condition 10.6 (*Redemption of the Option at the Issuer*), the Transfer Agent shall not be required in terms of Condition 10.6 (*Redemption of the Option at 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).
- 14.5. The Notes shall, upon transfer, be fully paid up.

## 15. **PRESCRIPTION**

The Notes will become void unless presented for payment of principal within a period of 3 (three) years after their redemption date, save that any Individual Certificate constituting a “*bill of exchange or other negotiable instrument*” in accordance with section 11 of the Prescription Act, 1969 will become void unless presented for payment of principal and interest within a period of 6 (six) years from the Relevant Date.

## 16. EVENTS OF DEFAULT

### 16.1. Senior Notes

If, 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 Nominal Amount 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 fails to pay any interest due under the Senior Notes on its due date for payment thereof and any such failure continues for a period of 3 (three) Business Days, after receiving written notice from any of the Senior Noteholders demanding such payment; or
- 16.1.3. the Issuer fails to perform or observe any of its other obligations or undertakings (not specifically covered elsewhere in this clause 16.1 (*Senior Notes*)) 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 fails to remedy a breach of Condition 7 (*Negative Pledge*) within 21 (twenty one) Business Days of receiving written notice from the Senior Noteholders demanding such remedy; or
- 16.1.5. the Issuer, the Guarantors or a 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, the Guarantors or a 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, the Guarantors or a 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 constituting a Material Indebtedness of, or assumed or guaranteed by, the Issuer, the Guarantors or a 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

- 16.1.6. 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 or each of the Guarantors to comply with its respective obligations under the Guarantee, is not in place 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 or the Guarantors, as the case may be, being unable to perform any of its respective payment or other obligations in terms of the Notes or the Guarantee respectively, and the Issuer or the Guarantors, as the case may be, fail(s) to remedy such circumstances within 21 (twenty one) Business Days of receiving written notice from the Noteholders demanding such remedy; or
- 16.1.7. the Issuer, the Guarantors or a Material Subsidiary, as the case may be, initiates or consents to the commencement of business rescue proceedings or to judicial proceedings relating to itself, an order by any court of competent jurisdiction or authority for the liquidation, winding-up, dissolution, commencement of business rescue proceedings or analogous proceedings of the Issuer, the Guarantors or a Material Subsidiary, as the case may be, is made whether provisionally (and not dismissed or withdrawn within 21 (twenty one) Court Days thereof) or finally, or the Issuer, the Guarantors or a Material Subsidiary, as the case may be, is placed under business rescue, voluntary liquidation or curatorship, provided that no liquidation, curatorship, winding-up, dissolution, judicial management, business rescue or analogous proceedings shall constitute an Event of Default if (a) the liquidation, winding-up, dissolution, judicial management, business rescue or analogous proceedings is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the HomeChoice Group with any third party; or (b) the liquidation, winding-up, dissolution, judicial management, business rescue or analogous 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, business rescue or analogous proceedings; or

- 16.1.8. the Issuer, the Guarantors or a Material Subsidiary, as the case may be initiates or consents to the commencement of business rescue proceedings or to judicial proceedings relating to itself under any applicable compromise with creditors, liquidation, winding-up 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, the Guarantors or a 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, the Guarantors or a Material Subsidiary, as the case may be and is for the purposes of an internal reconstruction or reorganisation within the HomeChoice Group; or
- 16.1.9. if a person validly attaches in execution the whole or a material part of the undertaking or assets of the Issuer, the Guarantors or a 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, the Guarantors or a Material Subsidiary, as the case may be by a court of competent jurisdiction and such is not discharged within 21 (twenty one) Court Days; or
- 16.1.10. the Guarantee is not in full force and effect and such failure has continued for more than 30 (thirty) days following the service by the Noteholders on the Guarantors and the Issuer of a written notice requiring that failure to be remedied; or
- 16.1.11. the Issuer, the Guarantors or a Material Subsidiary, as the case may be, ceases or threatens to cease to carry on the whole or a substantial part of its business, or otherwise as approved by an Extraordinary Resolution of the Senior Noteholders, or the Issuer, the Guarantors or a Material Subsidiary, as the case may be, stops or threatens to stop payment of, or is unable to, or admits to being unable to, pay its debts (or any class

of its debts) as they fall due, or is deemed unable to pay its debts (or any class of its debts) pursuant to or for the purposes of any applicable law; or

- 16.1.12. any step is taken by or under any authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of the Issuer, the Guarantors or a Material Subsidiary, as the case may be, or a material part of the assets of the Issuer, the Guarantors or a Material Subsidiary, as the case may be or any of the securities issued by the Issuer, the Guarantors or a Material Subsidiary, as the case may be; or
- 16.1.13. 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 Note held by that 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 10.9 (*Early Redemption Amounts*)), together with accrued interest (if any) to the date of repayment, or as specified in the Applicable Pricing Supplement, provided that although an amount may be due it will not be regarded as being payable 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 16.1.5, any Material 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

- 16.2.1. In relation to Subordinated Notes, if the Issuer defaults 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 16.1.7 occurs (other than an Event of Default contemplated in Condition 16.2.2 below), 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 (see Condition 16.2.2 below), to pay any sum or sums sooner than the same would otherwise have been payable by it.

16.2.2. In the event of the winding-up or liquidation, whether finally or provisionally, of the Issuer, the Guarantors or a Material Subsidiary 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.

16.2.3. For so long as no Tranche of Senior Notes remains Outstanding, the provisions of Condition 16.1 (*Senior Notes*) shall apply *mutatis mutandis* to the Subordinated Notes.

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 the Guarantors and all Noteholders in accordance with Condition 18 (*Notices*) and the JSE in writing.

17. **CALCULATION AGENT, TRANSFER AGENT, PAYING AGENT AND PARTICIPANT**

Any third party appointed by the Issuer as Calculation Agent, Paying Agent, Transfer Agent or otherwise shall act solely as the agent 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, provided that there will at all times be a Transfer Agent, Calculation Agent, Participant and Paying Agent with an office in such place as may be required by the Applicable Procedures.

## 18. NOTICES

### 18.1. General

Notices to holders of Notes shall be valid if mailed to their registered addresses appearing in the Register or if electronically published on the Securities Exchange News Service (“**SENS**”), or any other similar service, established by the JSE. Any such notice shall be deemed to have been given on the seventh day after the day on which it is mailed or the day of its publication, as the case may be.

Any notice to the Issuer or any of the Guarantors, as the case may be, shall be deemed to have been received by the Issuer or such Guarantor, as the case may be, if delivered to the registered office of the Issuer or such Guarantor, as the case may be, 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 and each Guarantor may change its registered office upon prior written notice to Noteholders specifying such new registered office.

### 18.2. Certificated Notes

In the event of there being any Individual Certificates in issue, such notices shall be published, not earlier than 4 (four) calendar days after the date of posting of such notice in terms of this clause in an English language daily newspaper of general circulation in South Africa and any such notice shall be deemed to have been given on the date of first publication.

### 18.3. Uncertificated Notes

If any notice is given to holders of uncertificated Notes, a copy thereof shall be delivered to the JSE (and published on SENS), the CSD and the Participants and such delivery shall discharge the Issuer of its obligations to give such notice to the holders of the Notes.

For so long as any of the Notes are uncertificated, notice may be given by any holder of an uncertificated Note to the Issuer or any of the Guarantors *via* the relevant Participant in accordance with the Applicable Procedures, in such manner as the Issuer or any of the Guarantors, as the case may be and the relevant Participants may approve for this purpose.

## 19. AMENDMENT OF THESE CONDITIONS

19.1. These Conditions set out all the rights and obligations relating to the Notes and, subject to the further provisions of this Condition 19 (*Amendment of these*

*Conditions*), no addition, variation or consensual cancellation of these Terms and Conditions shall be of any force or effect unless the JSE has been notified and the amendments have been reduced to writing and signed by or on behalf of the Issuer, the Guarantors and the Noteholders.

- 19.2. Subject to Condition 19.3, the Issuer and the Guarantors may effect, without the consent of any Noteholder, any amendment to 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 Applicable Law. Any such amendment will be binding on Noteholders and such amendment will be notified to the JSE and the Noteholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.
- 19.3. In respect of an amendment that is not of a formal, minor or technical nature, such amendment may be made only with the prior authorisation of an Extraordinary Resolution of (a) all of the Noteholders or (b) the Noteholders of a particular Series of Notes, as the case may be. The Issuer will call a meeting of all of the Noteholders or a meeting of the Noteholders of that Series, as the case may be. Such meeting or meetings will be regulated by the provisions set out in Condition 20 (*Meeting of Noteholders*). No proposed amendment will be made to the Terms and Conditions until such amendment has been approved by Extraordinary Resolution, and, in relation to any Tranche of Notes listed on the Interest Rate Market of the JSE, in compliance with the JSE Debt Listings Requirements.

## 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 14 (fourteen) calendar days prior written notice to such Noteholders, unless the holders of at least 90% (ninety percent) of the aggregate Nominal Amount outstanding of the Notes agree in writing to a shorter period. 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 (in each case including but not limited to, by means of video conferencing, telephone and other electronic means) 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) calendar 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 Noteholders 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 (*Meetings of Noteholders*). Should the Noteholders requisition a meeting, and the Issuer fail to call such a meeting within 10 (ten) calendar 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 the relevant 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 Specified 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 relevant Outstanding Notes.

22. **GOVERNING LAW**

The Programme Memorandum, the Notes 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.

## TERMS AND CONDITIONS OF THE GUARANTEE

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Words used in this section headed "Terms and Conditions of the Guarantee" 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.

1. The undersigned Guarantors, jointly and severally, hereby irrevocably and unconditionally guarantee (as primary obligors and not merely as sureties) to the holders of Notes referred to in the Applicable Pricing Supplement (the "**Guaranteed Noteholders**") issued by HomeChoice Holdings Limited (registration number 1991/005430/06) (the "**Issuer**") under the ZAR500,000,000 Domestic Medium Term Note Programme established by the Issuer ("**Programme**") and specified in the Applicable Pricing Supplement as being subject to this Guarantee ("**Guaranteed Notes**"), the due and punctual payment by the Issuer of all amounts payable by the Issuer to the Guaranteed Noteholders in respect of the Guaranteed Notes in the manner hereinafter provided, namely:
  - 1.1. if and whenever the Issuer does not pay any amount when due under or in connection with the Guaranteed Notes, the Guarantors shall forthwith, upon written demand by a Guaranteed Noteholder, pay to the Transfer Agent, CSD and/or the Participants, as the case may be, for the benefit and on behalf of the Guaranteed Noteholders, in the relevant currency the amount in respect of which such default has been made; provided that the Guarantors shall not be liable to pay any amounts pursuant to this Guarantee to the extent that the Issuer's failure to pay has resulted from and continues to result from the occurrence of the intervention of, or any action by or against, any Governmental Agency of South Africa which prevents such payment;
  - 1.2. any payment so made shall *pro tanto* cure such default by the Issuer provided that every payment of such moneys as aforesaid made by the Guarantors shall be satisfaction *pro tanto* of this Guarantee;
  - 1.3. payment under this Guarantee shall be made by any or each of the Guarantors no later than 3 (three) Business Days after receipt of a written demand;
  - 1.4. all payments by a Guarantor in respect of the Guaranteed Notes shall be made (a) without set-off or counterclaim and (b) free and clear of withholding or deduction for or on account of any Taxes imposed or levied by or on behalf of the country of incorporation of such Guarantor or any political sub-division or authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In the event of such withholding or deduction being required by law, such Guarantor



shall pay such additional amounts as would be necessary in order that the net amounts received by the Guaranteed Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable hereunder in the absence of such withholding or deduction, except that no such additional amounts shall be payable:

- 1.4.1. to or on behalf of a Guaranteed Noteholder who is liable for such Taxes by reason of his having some connection with the country of incorporation of the relevant Guarantor other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or
- 1.4.2. where (in the case of payment of principal and/or interest which is conditional on surrender and/or presentation of the relevant Individual Certificate in accordance with the Terms and Conditions), the relevant Individual Certificate is surrendered and/or presented more than 30 (thirty) days after the Relevant Date, except to the extent that the Guaranteed Noteholder would have been entitled to such additional amounts on presenting or surrendering the Individual Certificate on such 30<sup>th</sup> (thirtieth) day; or
- 1.4.3. to or on behalf of a Guaranteed Noteholder who could lawfully avoid (but has not so avoided) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future including, without limitation, by making a declaration of non-residence or other similar claim or filing for exemption to which it is entitled to the relevant tax authority or the Paying Agent (the effect of which is not to require the disclosure of the identity of the relevant Guaranteed Noteholder); or
- 1.4.4. to or on behalf of a Guaranteed Noteholder who could lawfully reduce (but has not so reduced) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future including, without limitation, by making a declaration of non-residence or other similar claim or filing for the reduction to which it is entitled to the relevant tax authority or the Paying Agent (the effect of which is not to require the disclosure of the identity of the relevant Guaranteed Noteholder) – to the extent that such Guaranteed Noteholder is eligible to reduce such withholding or deduction but failed to do so; or

- 1.4.5. to or on behalf of a Guaranteed Noteholder in circumstances where such party could lawfully reduce the amount of taxation otherwise levied or leviable upon the principal or interest by virtue of any non-South African tax laws applicable to such Guaranteed Noteholder, whether by way of a tax credit, rebate deduction or reduction equal to all or part of the amount withheld or otherwise, and whether or not it is actually claimed and/or granted and/or allowed; or
  - 1.4.6. in respect of any Taxes which are payable otherwise than by withholding from payment of principal or interest, if any, with respect to such Note; or
  - 1.4.7. 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 income or taxable income (as defined in section 1 of the Income Tax Act) or capital gain (as contemplated in paragraph 3 of Schedule 8 to the Income Tax Act) or taxable capital gain (as defined in paragraph 1 of Schedule 8 to the Income Tax Act) of any Guaranteed Noteholder; or
  - 1.4.8. if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters; or
  - 1.4.9. if such withholding or deduction arises in terms of the US Foreign Account Tax Compliance Act ("**FATCA**"), any regulations or agreements thereunder, official interpretations thereof, any intergovernmental approach thereto, or implementing legislation adopted by another jurisdiction in connection with FATCA; or
  - 1.4.10. where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - 1.4.11. any combination of 1.4.1 to 1.4.10;
- 1.5. without prejudice to the provisions of paragraph 1.4 above, each of the Guarantors shall be liable as if it were the principal debtor and not merely as surety and neither of the Guarantors shall be exonerated or discharged from any liability under this Guarantee by time being given to the Issuer or the Guarantors by the Guaranteed Noteholders (or their representatives), by any other indulgence or concession to the

Issuer granted by the Guaranteed Noteholders (or their representatives) or by anything which the Guaranteed Noteholders (or their representatives) may omit or neglect to do or by any other dealing or thing which, but for this provision, might operate to exonerate or discharge any of the Guarantors from this Guarantee or by the illegality, invalidity or unenforceability of or any defect in the provisions of any Note or this Guarantee or any of the Issuer's obligations thereunder or hereunder;

- 1.6. this Guarantee is to be a continuing guarantee and accordingly shall remain in operation until all moneys owing by the Issuer in respect of the Guaranteed Notes issued by it have been paid or satisfied, and is in addition to and not in substitution for any other rights which the Guaranteed Noteholders may have under or by virtue of the provisions of the Guaranteed Notes, and may be enforced without first having recourse to any such rights and without taking any steps, actions or proceedings against the Issuer. In particular, this Guarantee may be enforced on each and every occasion on which default is made by the Issuer in payment notwithstanding that any call under this Guarantee may have been made previously or that any proceedings may have been commenced against the Guarantors in respect of sums already due under this Guarantee;
- 1.7. the Guaranteed Noteholders may from time to time make any arrangement or compromise with the Guarantors or any of them in relation to this Guarantee which the Guaranteed Noteholders may think fit;
- 1.8. the Guarantors shall not, without the consent of the Guaranteed Noteholders, at any time after default has been made by the Issuer in the payment of any moneys payable by the Issuer in respect of the Guaranteed Notes or under or pursuant to this Guarantee and so long as any moneys payable by the Guarantors in respect of such defaulted moneys remain unpaid, exercise in respect of any amounts paid under this Guarantee any right of subrogation or any other right or remedy which may accrue to the Guarantors in respect of or as a result of such payment;
- 1.9. if any payment received by any Guaranteed Noteholders pursuant to the provisions of the Guaranteed Notes or this Guarantee shall, on the subsequent bankruptcy or insolvency of the Issuer or the Guarantors, be avoided under any laws relating to bankruptcy or insolvency, such payment shall not be considered as having discharged or diminished the liability of the Guarantors, and this Guarantee shall continue to apply as if such payment had at all times remained owing by the Issuer and the Guarantors shall indemnify the Guaranteed Noteholders in respect thereof; and

- 1.10. the Guarantors may effect, without the consent of the Guaranteed Noteholders, any amendment of this Guarantee which is of a formal, minor or technical nature or is made to correct a manifest error, or to comply with mandatory provisions of any relevant laws.
2. Capitalised terms used in this Guarantee shall have the meanings given to them under the Terms and Conditions in the ZAR500,000,000 Domestic Medium Term Note Programme Memorandum dated 15 October 2013.
3. The Guarantors hereby confirm that upon acquisition of any Note by any Guaranteed Noteholder, the Guarantors are deemed to have received notice of the acceptance from the Guaranteed Noteholder(s) of the benefits conferred by, and the provisions of, this Guarantee.
4. The Guarantors acknowledge and agree that each Guaranteed Noteholder shall be entitled to require the Paying Agent to produce the original of this Guarantee and each accession undertaking on request and further shall be entitled to require the Paying Agent, which shall be obliged, to provide a copy of this Guarantee to that Guaranteed Noteholder on request.
5. The Guarantors hereby renounce, jointly and severally, all benefits arising from the legal exceptions "*non numeratae pecunia*" (no money was paid over), "*non causa debiti*" (lack of actionable debt) "*errore calculi*" (mistake in calculation of amount due) and "*beneficia excussionis et divisionis*" (the benefits of excussion and division), with the meaning, force and effect of which the Guarantors hereby declare themselves to be fully acquainted.
6. So long as any of the Guaranteed Notes remain Outstanding, each Guarantor undertakes that it shall not create or permit the creation of any Encumbrances other than any Permitted Encumbrance over any of their present or future businesses, 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 Guaranteed Notes equally and rateably with such Indebtedness or providing such other security as may be approved by Extraordinary Resolution of the Guaranteed Noteholders, unless the provision of any such security is waived by an Extraordinary Resolution of the Guaranteed Noteholders.
7. Any admission made by the Issuer in respect of the Guaranteed Notes shall be binding on each of the Guarantors.
8. Notwithstanding any part payment by the Guarantors or on the Guarantor's behalf, the Guarantors shall have no right to any cession of action in respect of such part payment and shall not be entitled to take any action against the Issuer or against any other surety for the Issuer in respect thereof unless and until the indebtedness of the Issuer to the Guaranteed Noteholders shall have been discharged in full.

9. Each notice, demand or other communication under this Guarantee shall be in writing delivered personally or by recognised courier or facsimile and be deemed to have been given:

9.1. in the case of a facsimile, on this first Business Day following the date of transmission; and

9.2. in the case of a letter, when delivered; and

9.3. be sent to the Guarantors at:

78 Main Road  
Wynberg  
Cape Town, 7800  
Attention: The Company Secretary  
Facsimile: (021) 680 1001

or to such other address in South Africa or facsimile number as is notified from time to time by such Guarantor to the Guaranteed Noteholders in accordance with Condition 18 (*Notices*) of the Terms and Conditions.

Each Guarantor chooses the above address as its *domicilium citandi et executandi* for all purposes under this Guarantee, whether in respect of court process, notices or other documents or communications of whatsoever nature.

10. The Guarantors hereby confirm that upon acquisition of any Note by any Guaranteed Noteholder, the Guarantors are deemed to have received notice of acceptance from the Guaranteed Noteholder(s) and/or the Representative(s) of the benefits conferred by, and the provisions of, this Guarantee.

11. Additional Guarantors that are required to accede to this Guarantee as more fully contemplated in the Terms and Conditions shall upon signature of a letter substantially in the form of Appendix "A" hereto be deemed to have acceded to this Guarantee on the basis that such additional Guarantor shall be regarded as a Guarantor and shall be bound by all the terms of the Guarantee as if such additional Guarantor were an original party to the Guarantee.

12. A Guarantor may be removed from the Guarantee and the Guarantee may be cancelled in respect of such Guarantor, in which event it shall be of no further force and effect against such Guarantor, in accordance with the provisions of Conditions 6.1.6 and 6.1.6 of the Terms and Conditions.

13. This Guarantee is, and all rights and obligations relating to this Guarantee are, governed by, and shall be construed in accordance with, the laws of South Africa.
14. Each Guarantor agrees for the benefit of the Guaranteed Noteholders that the High Court of South Africa, Western Cape High Court, Cape Town shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes which may arise out of or in connection with this Guarantee and for such purposes, irrevocably submits to the non-exclusive jurisdiction of such court.
15. This Guarantee constitutes the whole agreement relating to the subject matter hereof. No amendment or consensual cancellation of this Guarantee or any provision or term hereof shall be binding unless (a) such cancellation occurs in accordance with the provisions of Condition 6.1.6 of the Terms and Conditions; or (b) it has been approved by Extraordinary Resolution of Guaranteed Noteholders and thereafter recorded in a written document signed by each of the Guarantors. Any waiver or relaxation or suspension given or made shall be strictly construed as relating to the matter in respect whereof it was made or given.

In this Guarantee:

**“Governmental Agency”** means any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any central bank or any stock exchange or any self-regulatory organisation established under statute); and

**“Taxes”** means any present or future taxes, duties, assessments or governmental charges of whatever nature.

**SIGNED** at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

For: **HOMECHOICE PROPRIETARY LIMITED**  
(as Initial Guarantor)

Signature: \_\_\_\_\_  
who warrants that he / she is duly authorised thereto

Name: \_\_\_\_\_

Capacity: \_\_\_\_\_

**SIGNED** at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

For: **FINCHOICE PROPRIETARY LIMITED**  
(as Initial Guarantor)

Signature: \_\_\_\_\_  
who warrants that he / she is duly authorised thereto

Name: \_\_\_\_\_

Capacity: \_\_\_\_\_

**SIGNED** at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

For: **HOMECHOICE PROPERTY COMPANY PROPRIETARY LIMITED**  
(as Initial Guarantor)

Signature: \_\_\_\_\_  
who warrants that he / she is duly authorised thereto

Name: \_\_\_\_\_

Capacity: \_\_\_\_\_

## ANNEXURE A

## FORM OF GUARANTEE ACCESSION LETTER

[Date]

To: [Name of Payment Agent]

Dear Sirs

**HOMECHOICE HOLDINGS LIMITED (REGISTRATION NUMBER 1991/005430/06) (THE “ISSUER”) UNDER THE ZAR500,000,000 DOMESTIC MEDIUM TERM NOTE PROGRAMEM (THE “PROGRAMME”)**

We refer to the Guarantee dated [●] 2013 in respect of the above Programme as amended, novated or substituted from time to time in accordance with its terms (the “**Guarantee**”). Capitalised terms used in this letter shall have the meanings given to them in the Guarantee.

We hereby confirm and undertake, for the benefit of the Guaranteed Noteholders, that by our signature hereunder we have acceded to the Guarantee on the basis that we shall be bound by all the terms and conditions of the Guarantee as if we were an original party to the Guarantee.

This letter is governed by, and shall be construed in accordance with, South African law.

Yours faithfully

[Name of New Guarantor]

Signed: \_\_\_\_\_

cc: The Arranger and the Dealers



## RISK FACTORS

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*Words used in this section entitled “Risk Factors” 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 believes that the factors described below, which are not set out in any particular order, represent key 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. Some risks are not yet known and some that are not currently deemed material could later turn out to be material. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding of any Notes are exhaustive.*

*All of these risks could materially affect the HomeChoice Group, its reputation, business, results of its operations and overall financial condition.*

*The information set out below is therefore not intended as advice and does not purport to describe all of the considerations that may be relevant to a prospective investor.*

*Investors contemplating making an investment in the Notes should determine their own investment objectives and experience, and any other factors which may be relevant to them in connection with such investment.*

## RISK ASSOCIATED WITH THE NOTES

### 1. RISKS RELATING TO THE ISSUER’S BUSINESS

For further information on risks facing the Issuer’s business, and the measures in place to mitigate these risks, please refer to section of this Programme Memorandum headed “*Description of the Issuer and each of the Guarantors*”.

### 2. RISKS RELATING TO THE ISSUER’S INDUSTRY

For further information on risks relating to the Issuer’s industry, see the Issuer’s annual report incorporated herein by reference and the section of this Programme Memorandum headed “*Description of the Issuer and each of the Guarantors*”.

### 3. 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:

- 3.1. 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;
- 3.2. 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;
- 3.3. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- 3.4. understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- 3.5. 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.

The 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 and legal 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.

### 4. THERE IS NO ACTIVE TRADING MARKET FOR THE NOTES

The Notes issued with the Programme Memorandum will be new securities which may not be widely distributed and for which there is currently no active trading market. While application may be made for the Notes to be traded on the JSE or on such other Financial Exchange(s) as may be determined by the Issuer, there can be no assurance that the Issuer will be able to maintain such listing or that a trading market will develop for the Notes. 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 political and economic conditions, the condition of the financial sector, the financial condition of the Issuer, the Issuer's financial performance and future prospects.

## 5. THE NOTES MAY BE REDEEMED PRIOR TO MATURITY

In the event that the Issuer is obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any taxes, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions.

In addition, if the Terms and Conditions provide that Notes are in certain circumstances redeemable prior to the Maturity Date, the Notes may be redeemed 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.

## 6. RISKS RELATED TO NOTES GENERALLY

### 6.1. Change of law

No assurance can be given as to the impact of any possible judicial decision or change to South African law or the law of any other jurisdiction or administrative practice after the listing of the Notes.

### 6.2. Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### 6.3. Foreign Exchange Control

Foreign derived loan capital or equity capital may be introduced into South Africa through a formal system of Exchange Control as summarised in the section entitled "*South African Exchange Control*" of this Programme Memorandum. However, unless the prior approval of the South African Reserve Bank has been obtained, the

proceeds from the sale of assets in South Africa owned by a non-resident are not remittable to the non-resident.

## 7. **FINANCIAL MARKETS**

A prospective investor of the Notes should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary markets for instruments similar to the Notes. The Issuer cannot predict if and when these circumstances will change, and if and when they do, whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in future.

## 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 published in Government Notice 2172 in Government Gazette 16167 of 14 December 1994 under section 90 of the Banks Act, 1990 (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, the Guarantors, each Wholly Owned Subsidiary of the Issuer and each Holding Company of the Issuer and/or each Wholly Owned Subsidiary, as permitted by the Commercial Paper Regulations..

The Issuer, the Guarantors, each Wholly Owned Subsidiary of the Issuer and each Holding Company of the Issuer and/or each Wholly Owned Subsidiary will use the issue proceeds of the Notes for their general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement, as permitted by the Commercial Paper Regulations.

SIGNED at CAPE TOWN on this the \_\_\_\_\_ day of \_\_\_\_\_ 2013

For and on behalf of

### **HOMECHOICE HOLDINGS LIMITED**

(as Issuer)

\_\_\_\_\_  
Name:

Capacity:

Who warrants his/her authority hereto

\_\_\_\_\_  
Name:

Capacity:

Who warrants his/her authority hereto

For and on behalf of

**HOMECHOICE PROPRIETARY LIMITED**

(as Initial Guarantor)

\_\_\_\_\_  
Name:  
Capacity:  
Who warrants that his/her authority hereto

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

For and on behalf of

**FINCHOICE PROPRIETARY LIMITED**

(as Initial Guarantor)

\_\_\_\_\_  
Name:  
Capacity:  
Who warrants that his/her authority hereto

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

For and on behalf of

**HOMECHOICE PROPERTY COMPANY PROPRIETARY LIMITED**

(as Initial Guarantor)

\_\_\_\_\_  
Name:  
Capacity:  
Who warrants that his/her authority hereto

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

## DESCRIPTION OF THE ISSUER AND THE GUARANTORS

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### 1. INTRODUCTION

The HomeChoice Group commenced trading in 1985 and is a leading credit-based home shopping retailer that sells homeware merchandise and financial services products to the rapidly expanding urban middle-income mass market in Southern Africa.

Established in Cape Town in 1985, the HomeChoice Group has evolved from a start-up mail order business into a multi-channel home shopping retailer with a customer base of more than one million people. Marketing channels include direct mail through the catalogue, electronic channels such as the Internet, mobile phone and electronic mail, and telemarketing through outbound call centres. HomeChoice Group makes significant investment in its credit systems and processes and has established a strong team with extensive analytical skills and credit expertise in the middle-income mass market.

Capitalising on the extensive credit records of its loyal customer base, in 2007, the HomeChoice Group expanded into financial services with the launch of FinChoice Proprietary Limited (“**FinChoice**”) which offers personal loans to HomeChoice customers of good credit standing.

FoneChoice (“**FoneChoice**”) was launched in 2011 in response to the rapidly increasing demand for mobile smartphones and computer products, and this technology is now offered on credit to HomeChoice customers.

The head office from which HomeChoice Proprietary Limited, FinChoice and FoneChoice operate is owned by the HomeChoice Group and is based in Wynberg, Cape Town. HomeChoice Group’s primary distribution centre is in Cape Town and a new ZAR155 million (one hundred and fifty five million Rand) distribution facility is being built for completion in late 2013.

HomeChoice Group also sells its products outside the borders of South Africa and its customers in Botswana, Lesotho, Namibia and Swaziland account for 8% (eight percent) of retail sales collectively.



## Operating segments

HomeChoice Group's business has 2 (two) main operating segments:

### 1.1. Retail

1.1.1. HomeChoice is the HomeChoice Group's multi-channel home shopping retailer that offers an extensive range of household textiles and homewares merchandise and a convenient shopping experience with a home delivery service. Credit is available to the middle-income mass market customer on cash or terms of 6 (six), 16 (sixteen) and 24 (twenty four) months.

1.1.2. FoneChoice is a home shopping start-up business selling laptop computers and mobile smartphones on credit to HomeChoice customers. Products are offered on terms of 24 (twenty four) and 36 (thirty six) months.

### 1.2. Financial Services

FinChoice is a niche direct marketing financial services provider that markets unsecured personal loan products solely to HomeChoice customers with good credit records. FinChoice offers flexible financial solutions on terms ranging from 1 (one) to 24 (twenty four) months. Customers are empowered to transact on their loan accounts conveniently 24 (twenty four) hours a day, accessing further credit over time as needed.

## Customer profile

HomeChoice Group has a customer database of 1.3 million (one point three million). The customer base is 84% (eighty four percent) female in the LSM 4 (four) to 8 (eight) categories, spread across South Africa and the neighbouring countries of Namibia, Botswana, Lesotho and Swaziland. The profile of a typical HomeChoice customer is a black, urban female; between the ages of 25 (twenty five) and 45 (forty five); employed with an average monthly income of ZAR7,200 (seven thousand two hundred Rand). HomeChoice Group has a loyal customer base, with over 80% (eighty percent) of business being conducted with existing customers of known credit standing.

## Competitive strengths

HomeChoice Group's competitive strengths include:

### 1.3. Extensive experience and brand loyalty in mass market

HomeChoice Group has an unwavering focus on the urban middle-income mass market. Over the past 3 (three) decades, it has developed extensive knowledge of direct marketing, credit management and customer behaviour in this target market. HomeChoice managed to create a strong brand and loyalty with its predominantly female customer base. The strength of the brand is evidenced in HomeChoice being voted as the public's favourite e-commerce website at the 2012 South African eCommerce Awards.

### 1.4. Well positioned in growing market segment

The middle-income mass market has grown strongly in the past 10 (ten) years. The LSM 4 (four) to 8 (eight) target market in which the group operates accounted for 53%(fifty three percent) of the country's population in 2004 and this has grown to 72% (seventy two percent) in 2011 (Source: South African Audience Research Foundation). Growth has been driven by real wage increases, more people entering formal employment, increasing social grants and growing levels of urbanisation. Customers are expected to continue to migrate up the LSM spectrum as they benefit from rising living standards and higher income. HomeChoice remains committed to this market segment.

### 1.5. Strength of the direct marketing model

Home shopping offers customers a convenient experience that suits their lifestyle and time constraints. The multi-channel contact points ensure accessibility to customers at all times and enable the HomeChoice Group to serve a geographically dispersed customer base without the limitations of a physical store presence. The direct marketing model enables the business to predict purchasing behaviour, response rates and future profitability of marketing campaigns. Customers are segmented based on their propensity to respond and on their probability of default, using behaviour and response scorecards. Revenue can be adjusted by increasing or decreasing marketing activity.

1.6. Positioned to benefit from growth in online retailing

Online retail sales are expected to show strong growth in South Africa in the next few years, driven by increased access to the Internet and mobile smartphones. HomeChoice is capitalising on the growth in online retailing with an increasing proportion of customers using electronic sales channels. While online retail sales accounted for an estimated 1% (one percent) of retail sales in South Africa in 2011, 7% (seven percent) of HomeChoice sales were through the Internet and 72% (seventy two percent) of FinChoice customers were registered on the KwikServe mobile channel in 2012.

1.7. Expertise in managing the risk of credit

The business model is based on using credit as an enabler of sales to the mass market female customer base. The HomeChoice Group has extensive experience in mass market credit management and the purchasing and credit history of over one million customers is used to inform credit decision-making processes. HomeChoice filters new customers for the HomeChoice Group. Strict and consistent credit and affordability criteria, together with internally developed scorecards, are applied to all new credit applications. New customers are granted a low credit exposure, allowing the HomeChoice Group to observe payment behaviour without significant exposure risk.

1.8. Ability to leverage the customer base

HomeChoice has a database of over 1.3 million (one point three million) customer records. FinChoice leverages the HomeChoice database by directly marketing personal loans to selected credit-proven customers. This ensures that FinChoice's offers are marketed to relatively low risk prospects and the business therefore has a stable loan book with an acceptable risk of bad debt. The same leverage and credit expertise has been applied with the launch of FoneChoice which markets mobile phones and laptops to HomeChoice customers with good credit records.

1.9. Expanding presence in Africa

Africa presents an attractive medium to long term-growth opportunity. Currently 8% (eight percent) of the HomeChoice Group's retail sales are generated from customers in Botswana, Lesotho, Namibia and Swaziland. As a direct marketer the HomeChoice Group does not face many of the challenges, risks and costs encountered by traditional retailers expanding into Africa. Sustained economic growth and the increasing spending power of the emerging middle class in several African

countries makes the sub-Saharan region attractive for growth. Increasing Internet penetration and broader bandwidth, together with the rapid growth in mobile phone ownership in Africa, will support growth of online marketing on the rest of the continent.

1.10. Track record of organic growth

HomeChoice has a proven record of delivering organic and cash generative growth. This has been driven through product innovation and merchandise range extension. Tight cost management and strict credit granting has contributed to the growth. A feature of the group's performance has been the increasing operating profit contribution from FinChoice

1.11. Entrepreneurial and experienced management

Specialised direct marketing skills are scarce and highly sought after. The ongoing investment in people has enabled the HomeChoice Group to retain key skills and attract some of the leading talent in the industry. The executive team has a healthy balance of industry and company experience, with homegrown talent complemented with externally recruited specialists. The executive directors of the HomeChoice Group each have over 10 (ten) years' service, while the HomeChoice and FinChoice operating board directors have an average of 15 (fifteen) years' experience in their areas of specialisation.

1.12. Focused strategies for sustainable growth

Organic growth strategies are aimed at ensuring continued competitive advantage in the retail and financial services markets. These strategies include broadening the merchandise range, attracting new customers, increasing revenue from existing customers, enhancing the customer experience through technology and expanding warehousing capacity and the distribution network.

2. **BACKGROUND AND HISTORY**

Since 1985, the HomeChoice Group has grown from a mail order start-up company into a leading multi-channel home shopping retailer:

2.1. HomeChoice was established in Cape Town in 1985, initially selling cookware on credit through direct response media advertisements.

2.2. The first homeware catalogue was published in 1987.

- 2.3. Telemarketing was introduced in 1994.
- 2.4. In 1995, the first credit scorecard was developed and an independent home delivery network was launched the following year.
- 2.5. HomeChoice Holdings Limited was listed on the JSE in September 1996, with a market capitalisation of ZAR200 million (two hundred million Rand).
- 2.6. The Internet was introduced into the business with the launch of the HomeChoice website in 1997.
- 2.7. HomeChoice was negatively impacted by the over-extension of credit to the mass market in the years preceding 2001.
- 2.8. HomeChoice Holdings Limited delisted from the JSE in February 2003 as it experienced financial difficulties. Market sentiment became unfavourable towards small market capitalisation companies and the low share price created a negative market perception of the business.
- 2.9. Extensive consolidation and restructuring took place from 2002 to 2004.
- 2.10. The HomeChoice Development Trust was launched in 2006, with particular focus on charitable support for early childhood development.
- 2.11. FinChoice was established in 2007 to offer financial services products to HomeChoice customers of good credit standing.
- 2.12. Cash collected from customers exceeded ZAR1 billion (one billion Rand) in 2010 for the first time.
- 2.13. FoneChoice was launched in 2011 to offer HomeChoice customers mobile smartphones and computer products.
- 2.14. FinChoice KwikServe, an innovative mobile self-service marketing channel, was launched in 2011.
- 2.15. HomeChoice Group generated over ZAR1 billion (one billion Rand) in revenue in 2011.
- 2.16. HomeChoice Group's total equity passed the ZAR1 billion (one billion Rand) mark in 2012.

### 3. LEGAL STATUS

HomeChoice was incorporated on 26 September 1991 under the laws of South Africa and is regulated under the Companies Act. The Company is a public company.

HomeChoice's financial year end is currently 31 December of each year.

The annual audited financial statements of HomeChoice have been prepared in accordance with IFRS and the Companies Act.

**Company Secretary** Bradley Bastard

**Company Secretary Address** 78 Main Road, Wynberg, Cape Town, 7800

**Registration number** 1991/005430/06

**Registered place of business:** 78 Main Road, Wynberg, Cape Town, 7800

### 4. OWNERSHIP AND CONTROL

#### Major Shareholders

The following table presents information showing the holding of the issued ordinary share capital of the Issuer in excess of 5% (five percent), as at June 2013:

Shareholder	Number of Shares	% of issued Shares
GFM	83 649 531	80.5%
RMB Securities	9 487 033	9.1%

Details of the Issuer's subsidiaries are set out below. All of the operating Subsidiaries of the Issuer are Wholly-Owned Subsidiaries.

Save for HomeChoice Proprietary Limited (Namibia), which is incorporated in the Republic of Namibia, and HomeChoice Proprietary Limited (Botswana) which is incorporated in the Republic of Botswana, all of the Issuer's Subsidiaries are incorporated in South Africa.

### Operating Subsidiaries

Company	Registration number	Date of incorporation	Date of becoming subsidiary	Issued share capital
HomeChoice Proprietary Limited	1985/002759/07	17/06/1985	17/06/1985	R1
HomeChoice Property Company Proprietary Limited	1991/005428/07	26/09/1991	26/09/1991	R60
FinChoice Proprietary Limited	1993/005310/07	13/09/1993	13/09/1993	R1,700
FoneChoice Proprietary Limited	1991/005429/07	26/09/1991	26/09/1991	R60
Odvest 189 Proprietary Limited	2011/007536/07	06/04/2011	6/04/2011	R120

## 5. CORPORATE GOVERNANCE AND MANAGEMENT

### King III adherence

#### *Application of King III Principles*

The HomeChoice Group endorses the King Code of Governance for South Africa 2009 (King III) which forms the foundation of the HomeChoice Group's governance framework.

King III is not prescriptive and contains a series of recommendations which can be adopted on an "apply or explain" basis. The board committees are responsible for monitoring and evaluating conformity with the provisions of King III to ensure fairness, accountability, responsibility and transparency in all business activities. The HomeChoice Group strives to maintain an appropriate balance between governance and delivering competitive financial returns to shareholders.

The key principles of King III are leadership, sustainability, corporate citizenship and integration. The key risk and reporting implications centre around integrated reporting, combined assurance, annual review of internal financial statements, risk-based internal audit and IT governance. Together, the Companies Act and King III are set to promote more stringent standards of corporate governance and greater director accountability.

The corporate good governance principles contained in the King III Report on Governance and Code of Governance Principles provide the standard for the HomeChoice Group's corporate governance framework and practices.

#### *Non-application of King III Principles*

HomeChoice complies with King III principles, save for the following:

- Chairman of the board of directors

King III recommends that the chairman of the board should be an independent non-executive director. The position of chairman is held by an executive director, Rick Garratt. The board believes that this departure from King III is appropriate as Mr Garratt is the HomeChoice Group's founder, has extensive experience and adds considerable value to the merchandise and marketing areas, in particular. The board has appointed an independent non-executive, John Bester, as lead independent director.

- Audit Committee

King III requires that the audit committee comprises only of independent non-executive directors. One of the members of the audit committee, Willem Jungschläger, is not classified as independent under the King Code by virtue of an indirect beneficial shareholding in the HomeChoice Group that he considers material to his wealth. The board is, however, satisfied that this shareholding does not impact on the director's objectivity and ability to exercise independent judgment.

#### Executive Directors

##### *Rick Garratt*

BCom, CA(SA)

Rick Garratt has been the executive chairman since 2007. Prior to that, he was the Chief Executive Officer of the Issuer. Rick founded the HomeChoice Group in 1985 and has been involved with all operational aspects. He was previously a partner at Ernst & Young Inc..

##### *Shirley Maltz*

BCom, CPE, LPC

Shirley Maltz joined the Group in 2001, overseeing the credit and operations division, as well as all marketing activities. She was appointed Deputy Chief Executive Officer in 2006 and to



Chief Executive Officer of the retail business in 2007. She was appointed to her current position as Chief Executive Officer for the group in 2013. Prior to joining the Group she was a fund manager at Mercury Asset Management (SA) and Fleming Martin (SA).

Annalize Kirsten

BCompt (Hons), CA(SA)

Annalize Kirsten joined the HomeChoice Group in 1999 and was appointed Financial Director in 2002. She is responsible for the HomeChoice Group's finance and information technology, as well as the retail operations. Annalize Kirsten was Deputy Chief Operating Officer before being appointed to her current position as Chief Operating Officer of the retail business and Chief Financial Officer in 2007. She was previously with PricewaterhouseCoopers Inc..

Non-Executive Directors

John Bester

BCom (Hons), CA(SA)

John Bester spent 16 (sixteen) years in the accounting profession and was a partner at Ernst&Young Inc.. He serves on the board as the Lead Independent Director. His experience in commerce and industry includes serving as the Financial Manager of Toyota Marketing South Africa, Financial Director of Warner Lambert South Africa, and Financial Director and Chief Financial Officer of the Norwich Holdings Limited Group of Companies. He is currently a non-executive director of Personal Trust International, Clicks Group, Sovereign Foods and Western Province Rugby, and chairs a number of audit committees.

Amanda Chorn

BA, LLB, LLM

Amanda Chorn is an attorney of the High Court of South Africa and currently resides in the United Kingdom where she is a director of various companies. Amanda Chorn provides consultancy services to private clients, specialising in international structuring.

Pierre Joubert

BCom, CA(SA)

Pierre Joubert has served in senior positions in several companies, including Financial Director of Reumech Equipment, Commercial Director of the Connection Group, Financial Director of Software Connection Limited and Chief Executive of Connection Group Holdings.

In 2002 he joined Rand Merchant Bank as a senior equity transactor and is currently head of the Global Markets division.

Willem Jungschläger

BA (Hons), PhD

Willem Jungschläger has over 30 (thirty) years' experience as a human relations and human performance specialist. For the last 20 (twenty) years he has consulted to and trained large organisations, both nationally and internationally, in the retail, electricity, mining and transport industries. His experience includes serving as HR director of the Laser Transport Group, senior psychologist at the Koeberg Nuclear Power Station and as a training officer for the Ford Motor Company.

Company Secretary

Bradley Bastard

BCom, PGDA, MCom (Tax), CA(SA)

Bradley Bastard commenced his career with Deloitte and then spent 5 (five) years in the United Kingdom working in the telecommunications industry. He has subsequently held senior financial positions in retail and manufacturing entities before joining the Group in June 2008.

## 6. **REGULATORY ENVIRONMENT**

The HomeChoice Group's activities are subject to legal and regulatory restrictions. Changes to such laws and regulations and/or changing interpretations of existing regulatory provisions may adversely affect the environment in which the HomeChoice Group operates and compliance with any changes to these laws and regulations could result in material costs being incurred by the HomeChoice Group. While the HomeChoice Group endeavours to ensure that at all times it complies with the applicable statutory and regulatory requirements, there is always a degree of uncertainty in this regard and the HomeChoice Group may be unaware of current instances of non-compliance with legislation.

Legislative compliance is incorporated in the HomeChoice Group's risk management processes and when considered appropriate, is reviewed with external advisors. The HomeChoice Group will continue to actively monitor its regulatory compliance, take appropriate advice, and make any necessary adjustments to its operational procedures and products as and when required.

Certain key legislation and regulations to which the HomeChoice Group is currently subject are listed below:

National Credit Act No. 34 of 2005

The National Credit Act, No 34 of 2005 (“**NCA**”) came into effect on 1 June 2006 and provides for the regulation of credit and credit providers in South Africa. The NCA requires certain persons who provide credit to consumers under credit agreements to which the NCA applies, to register with the National Credit Regulator (“**NCR**”), established under the NCA. Both HomeChoice and FinChoice are registered credit providers.

The NCA regulates, amongst other things:

- (a) credit agreements and the origination process;
- (b) obtaining personal and other information from consumers and restrictions on the use, dissemination and application thereof;
- (c) the receipt and reporting to credit bureaus and the NCR of consumer credit information;
- (d) the protection of consumer rights and prohibition of discriminatory practices and other prohibited conduct as well as the prevention of reckless lending;
- (e) the enforcement and termination of credit agreements and collection practices and processes;
- (f) consumer over-indebtedness and regulation of debt review processes;
- (g) the disclosure, charging and collecting of fees and costs under credit agreements.

The NCA prescribes maximum interest rates, initiation fees, service charges, collection fees and other costs which may be lawfully charged in terms of the NCA in relation to the categories of credit agreements regulated under the NCA.

The NCA also regulates insurance that is sold in relation to a credit agreement (credit insurance) and provides that a credit provider may require a consumer to maintain credit life insurance over the term of the credit agreement, but should allow the consumer the opportunity to choose its own insurer.

Consumer Protection Act No. 68 of 2008

The Consumer Protection Act, No 68 of 2008 (“**CPA**”) came into effect on the 31 March 2011 and provides for the regulation of consumer rights generally. In particular it regulates the

supply of goods and services in South Africa as well as the promotion and marketing thereof and certain other incidental matters.

The CPA does not regulate or apply to transactions and agreements to which the NCA applies. It does however apply to any goods or services which are the subject matter of a credit agreement. The CPA would accordingly only be relevant to that aspect of the business of the HomeChoice Group that relates to the promotion, marketing and supply of goods and services to consumers but not to the granting of credit and furnishing of loans.

The CPA regulates, amongst other things:

- (a) the promotion, marketing and sale of goods and services including, direct marketing, catalogue marketing and other forms/avenues of marketing;
- (b) the supply, delivery and installation of goods sold irrespective of whether sold for cash or on credit;
- (c) the safety and quality of goods and ensuring that the requirements and standards provided for in the CPA are complied with;
- (d) promotional activities such as trade coupons, promotional offers and promotional competitions;
- (e) the protection of consumer rights and prevention of discriminatory and other prohibited practices;
- (f) product labelling requirements and other forms of mandatory notices such as warnings;
- (g) liability for defects, failures, hazards and unsafe goods and safety monitoring and product recall provisions; and
- (h) returns of goods and repairs to defective goods and warranties in goods;

One of the most important provisions in the CPA is the imposition of strict liability in relation to the supply of goods which are unsafe, defective, hazardous or have inadequate instructions or warnings pertaining to any hazard arising from the use of such goods. The liability is strict in the sense that it is irrelevant whether or not the harm resulted from any negligence on the part of the supplier.

Direct marketing to consumers at home is specifically regulated and contact times and days are prescribed. Direct marketing outside of these prescribed periods can only be done if the consumer has requested or agreed otherwise.

Transactions with consumers resulting from direct marketing may be rescinded by the consumer without reason or penalty within 5 (five) Business Days from the later of (a) the date on which the transaction or agreement was concluded or (b) the date on which the goods in question were delivered. The consumer must then be refunded within 15 (fifteen) business Days of the supplier receiving the notice of rescission (if no goods were delivered yet) or return of the goods in question.

*Protection of Personal Information Bill No. B9 of 2009*

The Protection of Personal Information Bill (“**POPI**”) if passed in its current form will bind all public and private bodies which collect, use, access, store, disseminate and/or otherwise, process personal information in any manner whatsoever, unless a private or public body forms part of the exclusions set out in POPI.

POPI creates offences and penalties for non-compliance and breach of the provisions thereof and creates a regulatory body to which complaints by any person may be made, and upon which an investigation into such allegation will occur. POPI provides data subjects with rights to access their personal information held by any public or private body and prescribes strict measures to be taken in the event that there is a breach of personal information. POPI also creates rights for persons regarding unsolicited electronic communications (via direct marketing and/or other means) and automated decision making.

POPI, when it comes into force and assuming it is substantially the same content as the Bill, is likely to significantly increase the compliance burden across the HomeChoice Group. The collection and processing of personal information (as defined by the Bill) is integrated into the daily operations of the HomeChoice Group.

The various existing legislative requirements for the retention and destruction of electronic, magnetic and paper information will be augmented by the enactment of POPI.

## 7. **KEY POTENTIAL RISKS FACING THE BUSINESS**

A summary of major risks and mitigation strategies is presented in the table below:

Risk	Context	Risk mitigation
Inability to sustain and fund revenue growth at targeted margins.	The HomeChoice Group has experienced strong growth, with a compound annual growth rate in revenue of 27% for the period 2007 to 2012, whilst maintaining competitive operating profit margins.	<ul style="list-style-type: none"> <li>• Revenue growth driven through targeted direct marketing model, supported by investment in customer acquisition.</li> <li>• Employee performance and incentives aligned with achieving financial targets.</li> <li>• Strong balance sheet with</li> </ul>

		low gearing supports option of supplementing internally generated cash with debt finance.
Growing the customer database to support the HomeChoice Group's growth targets without compromising the health of the list.	As a direct retailer without physical stores, one of the biggest drivers of growth is new customers on our database. This is important both from generating merchandise sales and from creating an "excess" of names to allow the opportunity to remove customers from marketing selections to manage risk and maintain the health of the list.	<ul style="list-style-type: none"> <li>• Use the strong HomeChoice brand and retail margin to drive customer acquisition and absorb the cost of a new name to the HomeChoice Group.</li> <li>• Customer segmentation based on purchase and payment history enables predictive campaign outcomes.</li> <li>• Scalable, multi-channel campaigns targeted at attracting creditworthy customers.</li> <li>• Ability to test campaigns prior to being rolled out to the customer base.</li> <li>• Mix of channel and offer is managed to optimise marginal and average cost per name.</li> <li>• Focus on alternative market segments and opportunities, including electronic channels.</li> </ul>
Not correctly forecasting customer demand.	<p>The HomeChoice Group's merchandise offering is a strong driver of demand and it is essential that the HomeChoice Group is able to anticipate consumer trends and buy accordingly.</p> <p>If the HomeChoice Group is unsuccessful in forecasting developing trends or the demand for new products, the Issuer may have stock shortages, which may negatively impact on the customer experience, or be overstocked, which may result in clearance sales or write-offs which could adversely affect margins.</p>	<ul style="list-style-type: none"> <li>• Experienced merchandise team which keeps abreast of global trends.</li> <li>• In-house innovation studio.</li> <li>• Robust business review processes.</li> <li>• Disciplined buying and planning formula.</li> <li>• Use of an advanced retail forecasting system.</li> <li>• Monitoring of markdowns and an effective clearance strategy.</li> </ul>
Dependence on key suppliers.	The HomeChoice Group's suppliers are subject to operational risks beyond the control of the HomeChoice Group, and where such risks may cause delays or increased costs, these effects may be	<ul style="list-style-type: none"> <li>• HomeChoice Group has a wide base of committed suppliers with relationships built over a number of years.</li> <li>• Key suppliers are assessed for their</li> </ul>

	<p>passed onto the HomeChoice Group.</p> <p>Most of the HomeChoice Group's merchandise suppliers are in China and Pakistan and the HomeChoice Group is thus exposed to country risk.</p>	<p>contingency plans against loss of production facilities.</p> <ul style="list-style-type: none"> <li>• Alternate sources of supply are evaluated.</li> </ul>
Strong growth in distribution and warehouse capacity requirement.	Strong merchandise sales growth has significantly increased the volumes of parcels being handled each year and merchandise storage requirements.	<ul style="list-style-type: none"> <li>• New distribution centre under construction and on target to be operational in January 2014. This will increase capacity from 50 000m<sup>2</sup> to 200 000m<sup>2</sup> and facilitate the introduction of new processes to optimise operations.</li> <li>• Increasing delivery hubs from 11 (eleven) to 13 (thirteen) in 2013.</li> </ul>
Risks related to credit.	<p>The HomeChoice Group's strategic focus on the middle-income mass emerging market has significant credit risk.</p> <p>The HomeChoice Group serves borrowers who display varying credit risk profiles and hence there are a variety of credit-related risks which the HomeChoice Group has to manage, including risks related to identifying creditworthy borrowers, approving borrowers for loans, monitoring loan exposure, collecting amounts due and recovering on non-performing loans.</p> <p>There is a risk of further worsening in the South African credit environment, resulting in increased debtor costs.</p>	<ul style="list-style-type: none"> <li>• Dedicated credit risk team, with detailed analysis and monitoring of risk metrics and vintages.</li> <li>• Highly predictive scorecards which are constantly reviewed to enhance predictive powers.</li> <li>• Strict credit-granting policies and processes, with credit policy changes reviewed and approved by management prior to implementation.</li> <li>• Tightening of credit policy and reduction in credit limits and loan values.</li> <li>• Regular monitoring of customer debt levels and HomeChoice Group exposure metrics.</li> </ul>
Failure to secure business data.	<p>As a data rich direct marketing business, the HomeChoice Group is dependent upon the availability and integrity of its data for marketing, credit risk processes and customer engagement.</p> <p>The HomeChoice Group has accumulated a wealth of customer purchase, payment and contactability data and the failure to secure this, and data related to the customer list, could adversely affect the</p>	<ul style="list-style-type: none"> <li>• Information Security Subcommittee has responsibility for identifying and reviewing risks, establishing processes, policies and actions for storage, access and distribution of data.</li> <li>• Logging is in place to detect access and security breaches in respect of key database information.</li> <li>• An "external vulnerability" assessment was</li> </ul>

	HomeChoice Group's competitive advantage.	<p>undertaken by independent consultants.</p> <ul style="list-style-type: none"> <li>• Current initiatives have been initiated to further improve our information security capability.</li> </ul>
Managing the business demand for IT system innovation and improvements to legacy systems within cost and IT resource constraints.	Information is critical in a direct marketing environment and the HomeChoice Group has a strategic reliance on integrated technology solutions. Technology is also often the enabler to enhancing the customer experience. There is thus continuous business demand for IT system innovation and improvements to legacy systems.	<ul style="list-style-type: none"> <li>• Operating board prioritises projects.</li> <li>• Regular engagement with business to prioritise systems delivery and optimise resource utilisation.</li> <li>• Significant investment in IT development and resource capacity.</li> <li>• Implementing ERP system using dedicated project management team utilising specialist internal and external resources.</li> </ul>
Disruptions to IT systems and infrastructure	The HomeChoice Group is highly dependent on the effective operation of its information systems. Disruptions to systems or services provided by third-party suppliers would impact upon the HomeChoice Group's ability to transact with customers.	<ul style="list-style-type: none"> <li>• Key telecommunication equipment spares stored on-site and SLA established with local supplier for supply of any additional spares required.</li> <li>• Multiple telecom links to head office enable redundancy for VOIP communication in the event of telecommunication failure.</li> <li>• Uninterrupted Power Supply's and backup generator at the head office and warehouse enables operations to continue in the event of a power failure.</li> </ul>
Major disaster at the head office or distribution centre.	The HomeChoice Group has centralised operations at its head office and distribution centre. A major disaster at either of these locations is likely to have a material impact on the HomeChoice Group's operations and the HomeChoice Group may suffer harm to its brand.	<ul style="list-style-type: none"> <li>• Fire protection systems installed and 24 (twenty-four) hour security and camera surveillance.</li> <li>• Insurance cover in respect of stock, and loss of profits cover in the event of damage or destruction.</li> <li>• New warehouse (when complete) will include a disaster recovery site for the head-office.</li> </ul>
Loss of key executives and staff	The success of the HomeChoice Group is based, in part, on the strategic and operational	<ul style="list-style-type: none"> <li>• Remuneration benchmarking conducted to ensure market</li> </ul>



	<p>contributions of its executives, senior management and other key staff.</p> <p>The HomeChoice Group operates in an environment in which there is a scarcity of direct marketing, retail and financial services skills, and the HomeChoice Group's accumulated talent and experience may not be readily replaced in the short-term.</p> <p>The loss of key employees may disrupt the HomeChoice Group's business operations.</p>	<p>competitiveness.</p> <ul style="list-style-type: none"> <li>• Implementation of a management strategy encompassing the entire employment lifecycle.</li> <li>• Defined career paths for critical roles with supporting development plans.</li> <li>• Succession management plans implemented where possible for key employees.</li> </ul>
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### Systematic Risk

#### *Environment in South Africa*

Political, economic and general business conditions in South Africa may affect consumer confidence and spending, particularly in respect of the products sold by the Issuer, which are discretionary products. Period of sustained low or no growth in the local economy may have adverse effects on the Issuer's revenues and cost of bad debt.

In general, South Africa faces many challenges in overcoming substantial inequalities in levels of social and economic development among its people. The South African Government has taken a number of significant steps towards addressing the social and economic problems in South Africa, although certain problems still exist. While South Africa features a highly developed financial and legal infrastructure at the core of its economy, it has high levels of unemployment, poverty and crime. Particular considerations include how the South African government will ultimately address such tensions and problems, to what extent its efforts will be successful, the political, social and economic consequences of such efforts and the effect on South African businesses of the continuing integration of the South African economy with the economies of the rest of the world.

The economic direction of South Africa may be influenced by the extent to which the South African government, organised labour and business are able to agree upon common goals and the means of achieving them. While the HomeChoice Group believes that the economic sentiment is positive for the future, these social and economic problems may have a negative impact on the South African economy and in turn may have an adverse effect on the HomeChoice Group's operations and on its business and financial performance as a whole.

### Increased trade restrictions

Given the relatively high level of imports, the introduction of additional quotas, import duties or other trade restrictions could increase the cost of the supply of products to the Issuer, and may require the Issuer to consider alternative supply sources, disrupting operations and significantly adversely affecting the profitability of the Issuer.

### Exchange rate, interest rate and inflation fluctuations

Whilst the HomeChoice Group has some ability to mitigate exchange rate fluctuations through its own-brand strategy and ability to re-engineer product offers to maintain margins, sudden changes in the exchange rate may affect the costs of goods imported, directly and indirectly. Significant and sudden increases in local interest rates may curb consumer expenditure, however will increase interest income. Furthermore, higher inflation rates may curb the Issuer's profitability where such increased inflation rates are not associated with increased productivity.

### Financial risk management objectives and policies

#### *Liquidity risk management*

Liquidity risk is the risk that the HomeChoice Group will not be able to meet its financial obligations as they fall due. The HomeChoice Group's approach to liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the HomeChoice Group's reputation. The risk is managed through optimisation of daily cash management and regular reviews of cash flow projections to ensure that appropriate borrowing facilities are in place.

#### *Credit risk management*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the HomeChoice Group. The HomeChoice Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk as the HomeChoice Group has a large, wide-spread customer base. Credit risk consists principally of trade and loan receivables and short-term cash deposits.

#### *Trade and loan receivables*

Trade and loan receivables have repayment terms of 6 (six) to 36 (thirty six) months and attract interest based on rates determined by the NCA. Methods used to grant credit to customers comply with the requirements of the NCA.

Customer acquisition takes into account the risk level, repurchase propensity and profitability of new customers. *Bespoke* scorecards predict the level of risk of new customers, and relatively small instalment accounts are granted. Industry-wide fraud databases are used to identify potentially fraudulent applications. The HomeChoice Group maintains a suite of behaviour scorecards which provide a sound basis for extending further instalment credit to good-paying customers. These scorecards are regularly reviewed and upgraded. The HomeChoice Group manages the ageing of retail trade receivables on a contractual basis.

The FinChoice loans receivable book is derived from HomeChoice customers who have demonstrated good payment behaviour. The HomeChoice Group manages the ageing of FinChoice loans receivable on a recency basis. Recency refers to the number of payment cycles that have elapsed since the last qualifying payment was received.

All HomeChoice Group data is taken into account when a customer is considered for credit extension. The quality of the customer base is closely monitored and early default models are maintained to detect any signs of early customer default. External collection agents are used to supplement collections activities to recover outstanding balances. The HomeChoice Group does not hold any collateral against receivable balances.

A provision for impairment is raised when there is objective evidence that the business will not be able to collect all amounts due according to the original terms of the receivable. A default or delinquency in payment is regarded as objective evidence that a receivable might be impaired. Accordingly, a percentage of all trade and loans receivable past due is provided for. The HomeChoice Group establishes an allowance for impairment that represents its estimate of incurred losses using delinquency roll rate models. No security is obtained for trade and loans receivables, and accordingly the entire balance as per the statement of financial position is exposed to credit risk.

#### *Cash and cash equivalents*

The HomeChoice Group invests surplus cash only with F1+ and approved F1 national short-term rated financial institutions.

#### *Loans to employees*

In terms of the HomeChoice Group's employee share incentive scheme, loans have been provided to certain directors and managers of the HomeChoice Group to enable them to acquire shares in HomeChoice Holdings Limited at market value. These shares are pledged to and held by the trustees for the time being of the HomeChoice Share Trust.

### *Financial guarantees*

Credit risk arises in relation to financial guarantees given to certain parties. A subsidiary of the HomeChoice Group has provided security on behalf of the HomeChoice Group's associate.

### *Guarantors*

The attention of investors is drawn to Condition 6 (*Guarantee*) of the Terms and Conditions and the section headed "*Terms and Conditions of the Guarantee*" pursuant to which, from time to time additional guarantors may accede to the Guarantee and guarantee the obligations of the Issuer to investors and/or Guarantors may be removed as guarantors. Accordingly, investors should determine which entities are Guarantors in respect of the Programme at any particular point in time; see Condition 6.1.8.1 in this regard.

### *Interest rate risk management*

The HomeChoice Group's interest-bearing assets and liabilities comprise trade and loan receivables, cash and cash equivalents, money market investments, borrowings from the bank and suspensive sale agreements. All interest bearing assets and liabilities are sensitive to fluctuations in interest rates, except for trade and loan receivables, where the interest rate is fixed at the time of entering into an agreement with the customer.

### *Foreign currency risk management*

The HomeChoice Group undertakes transactions in foreign currencies, hence exposure to exchange rate fluctuations arise. The majority of these transactions are purchases of inventory from Asia and are denominated in US dollars. When deemed appropriate by the directors, the HomeChoice Group enters into forward exchange contracts to assist in managing its foreign currency exposure and economically hedge the exchange risk.

### *Capital risk management*

The HomeChoice Group's objective in managing capital is to sustain the HomeChoice Group's ability to continue as a going concern while enhancing returns to shareholders. The HomeChoice Group primarily makes use of equity for capital management purposes. The directors meet regularly to review the capital structure. As part of this review the directors consider the availability of funding within the HomeChoice Group to fund the HomeChoice Group's capital requirements. The directors also consider the cost of capital and the risks associated with each class of capital. The board monitors the return on equity and seeks to maintain a balance between the higher returns that may be possible with higher levels of borrowings and the security and other benefits afforded by a sound capital position. The

directors have determined a medium-term target of 27% (twenty seven percent) to 32% (thirty two percent).

In order to maintain or adjust the capital structure, the HomeChoice Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or increase or reduce debt. From time to time the HomeChoice Group repurchases its own shares. The timing of these repurchases depends on the availability of shares to be repurchased and available funding. The decision to repurchase shares or reduce share premium is made on a specific transaction basis. The HomeChoice Group does not have a defined share buy-back plan. Neither the Issuer nor its Subsidiaries are subject to externally imposed capital requirements.

## 8. **FINANCIAL INFORMATION**

Financial information of the Issuer and each of the Guarantors for the financial years ended 31 December and audited by PwC is available for inspection upon request to the Issuer and is also available on the Issuer's website, [www.homechoiceholdings.co.za](http://www.homechoiceholdings.co.za).

## **SETTLEMENT, CLEARING AND TRANSFER OF NOTES**

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*Words used in this section headed "Settlement, Clearing and Transfer of 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 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/or unlisted Notes that are held in the CSD 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 and/or unlisted Notes that are held in the CSD 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 CSD, in terms of the rules of the CSD, and who act as settlement agents to perform electronic settlement of funds and scrip include (but are not limited to) Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, Citibank N.A., South Africa branch, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch, 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 its entirety 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 Financial Markets 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 Financial Markets 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 held in the CSD 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 Notes which is listed on the Interest Rate Market of the JSE and held in the CSD 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 Interests 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 12.1 (*Exchange of Beneficial Interests*).

#### **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. None of the Issuer, the Paying Agent, or 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 Trust**

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the BESA Guarantee Fund Trust. Claims against the BESA Guarantee Fund Trust 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 Trust. 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.



## 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 this is clearly inappropriate from the context.*

The Dealers have in terms of the programme agreement dated on or about the date of this Programme Memorandum, 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 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 ZAR1,000,000 (one million Rand).

#### United States of America

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 of America or to U.S. persons except in accordance with Regulation S under the Securities Act.

#### 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:

1. 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; and

2. 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.

## 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. South African tax legislation is subject to frequent change and accordingly the comments as set out below may be subject to change, possibly with retrospective effect. In particular, the draft proposals contained in the Draft Taxation Laws Amendment Bill, 2013 (the “Draft Bill”) are not discussed below – unless expressly stated otherwise.***

***The contents of this section headed “South African Taxation” does 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 advisors in this regard.***

### **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 holders of Notes who are residents of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any income (including income in the form of interest) earned in respect of 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 from a South African source if it is attributable to an amount incurred by a person that is a resident, unless the interest is attributable to a permanent establishment which is situated outside the Republic; or 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”. Accordingly, if the interest payments in respect of the Notes are from a South African source as set out above, the interest earned by a Noteholder will be 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 Tranche of Notes is treated as part of the interest income on the Notes. Interest income which accrues (or is deemed to accrue) to the 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 Notes or until maturity unless an election has been made by the holder (if the holder 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. The 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. The interest may qualify for the exemption under section 10(1)(h) of the Income Tax Act.

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 (one hundred and eighty-three) 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.

We note that the Draft Bill proposes to amend the exemption contained in section 10(1)(h) of the Income Tax Act.

If a holder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, an 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 advisors as to whether the interest income earned on the Notes will be exempt from South African income tax.

### **Capital Gains Tax**

The disposal of Notes by residents of South Africa may be subject to the capital gains tax provisions contained in the Eighth Schedule to the Income Tax Act if the Notes are held as capital assets. 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 income (as interest), be allowed as a deduction from the 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 in South Africa.

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

### **Securities Transfer Tax ("STT")**

The issue, transfer and redemption of the Notes will not attract securities transfer tax under the Securities Transfer Tax Act, 2007 (the "**STT Act**") because the Notes do not constitute "securities" as defined in the STT Act. 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 holders of the Notes.

### **Value-Added Tax**

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

However, commissions, fees or similar charges raised for the facilitation of the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of Notes that constitute "debt securities" as defined in section 2(2)(iii) of the VAT Act will be subject to VAT at the standard rate (currently 14% (fourteen 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, may be subject to VAT at the zero rate in terms of section 11(2)(l) of the VAT Act.

### **Withholding tax**

The withholding tax on interest was introduced in 2010. These provisions were due to become effective on 1 July 2013. However, it is understood from draft tax legislation released by the National Treasury that the interest withholding tax provisions will effectively be deferred to 1 January 2015.

Under current proposals the withholding tax will be imposed at the rate of 15% (fifteen percent) of the amount of any interest that is paid by any person to or for the benefit of any foreign person to the extent that such amount of interest is from a South African source in terms of the Income Tax Act. For the purposes of the withholding tax, a "foreign person" is defined as any person that is not a South African tax resident. Accordingly, to the extent that any interest is paid to Noteholders who are South African tax residents, the withholding tax will not apply.

Moreover, under current proposals there will be an exemption from the withholding in respect of Notes listed on a recognised exchange, including Notes listed on the JSE Limited. The same exemption for listed Notes existed under the legislation introduced in 2010.

It is also proposed to exempt from the withholding tax on interest, any amount of interest from a South African source paid to a foreign person if such foreign person is a natural person who was physically present in South Africa for a period exceeding 183 (one hundred and eighty three) days in aggregate during the 12 (twelve) month period preceding the date on which the interest is paid or to a foreign person if the debt claim in respect of which the interest is paid is effectively connected with a permanent establishment of that foreign person in South Africa. Compliance requirements exist in order to rely on the latter exemption.

**Definition of Interest**

The references to "interest" above mean "interest" as contemplated in the Income Tax Act. 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.

## **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 advisors 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 Individual 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 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.

**Exchange Control – Issuer**

As at the date of this Programme Memorandum, the Issuer does not require exchange control approval for this Programme.



## 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.

### Listing

The Programme Memorandum has been approved by the JSE. Notes to be issued under the Programme may 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:

1. all amendments and supplements to this Programme Memorandum prepared by the Issuer from time to time;
2. in respect of any issue of Notes under the Programme, the audited annual financial statements (including, where applicable, the audited interim financial statements), together with such statements, reports and the notes attached to or intended to be read with such financial statements thereto, of the Issuer for its three financial years prior to the date of such issue;
3. each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme;
4. the Guarantee executed by the Guarantors in favour of the Noteholders; and
5. 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**”), or any other similar service, established by the JSE. This Programme Memorandum will be available on the JSE website, [www.jse.co.za](http://www.jse.co.za), and the audited annual

financial statements of the Issuer and this Programme Memorandum are also available on the Issuer's website, [www.homechoiceholdings.co.za](http://www.homechoiceholdings.co.za).

**Material Change**

As at the date of this Programme Memorandum, and after due and careful enquiry, there has been no material change in the financial or trading position of the Issuer and the Guarantors since the date of the Issuer's and the Guarantors' respective latest audited financial statements. As at the date of this Programme Memorandum, there has been no involvement by the auditors in making the aforementioned statement.

**Litigation**

Save as disclosed in this Programme Memorandum, the Issuer is not nor has it 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.

**Auditors**

PwC have acted as the auditors of the financial statements of the Issuer for the financial year ended 31 December 2012, 2011 and 2010 and, in respect of those years, have issued unqualified audit reports.

**ISSUER****HomeChoice Holdings Limited**

78 Main Road

Wynberg

Cape Town, 7800

Contact: The Company Secretary

Tel: (021) 680 1111

**GUARANTORS****HomeChoice Proprietary Limited**

78 Main Road

Wynberg

Cape Town, 7800

Contact: The Company Secretary

Tel: (021) 680 1111

**FinChoice Proprietary Limited**

78 Main Road

Wynberg

Cape Town, 7800

Contact: The Company Secretary

Tel: (021) 680 1111

**HomeChoice Property Company Proprietary Limited**

78 Main Road

Wynberg

Cape Town, 7800

Contact: The Company Secretary

Tel: (021) 680 1111

**ARRANGER AND DEALER****Rand Merchant Bank,****a division of FirstRand Bank Limited**

1 Merchant Place

Corner Fredman Drive and Rivonia Road

Sandton, 2196

Contact: Mr. B Martin

Tel: (011) 282 8118

**TRANSFER AGENT**

**Rand Merchant Bank,  
a division of FirstRand Bank Limited**  
1 Merchant Place  
Corner Fredman Drive and Rivonia Road  
Sandton, 2196  
Contact: Mr. B Martin  
Tel: (011) 282 8118

**CALCULATION AGENT**

**Rand Merchant Bank,  
a division of FirstRand Bank Limited**  
1 Merchant Place  
Corner Fredman Drive and Rivonia Road  
Sandton, 2196  
Contact: Mr. B Martin  
Tel: (011) 282 8118

**PAYING AGENT**

**Rand Merchant Bank,  
a division of FirstRand Bank Limited**  
1 Merchant Place  
Corner Fredman Drive and Rivonia Road  
Sandton, 2196  
Contact: Mr. B Martin  
Tel: (011) 282 8118

**DEBT SPONSOR**

**Rand Merchant Bank,  
a division of FirstRand Bank Limited**  
1 Merchant Place  
Corner Fredman Drive and Rivonia Road  
Sandton, 2196  
Contact: Mr. B Martin  
Tel: (011) 282 8118

**LEGAL ADVISORS TO THE ISSUER****Edward Nathan Sonnenbergs Inc.**

(Registration Number 2006/081200/21)

1 North Wharf Square

Loop Street

Foreshore,8001

Cape Town

South Africa

Contact: Mr C van Loggerenberg

Tel: (021) 410 2500

**LEGAL ADVISORS TO THE ARRANGER AND  
DEALER****Edward Nathan Sonnenbergs Inc.**

(Registration Number 2006/081200/21)

1 North Wharf Square

Loop Street

Foreshore,8001

Cape Town

South Africa

Contact: Mr C van Loggerenberg

Tel: (021) 410 2500

**AUDITORS TO THE ISSUER****PricewaterhouseCoopers Inc.**

No. 1, Waterhouse Place

Century City

Cape Town, 7441

Contact: Mr Thinus Hamman

Tel: (021) 529 2183

**COMPANY SECRETARY TO THE ISSUER****Mr Bradley Bastard**

78 Main Road

Wynberg

Cape Town, 7800

Contact: bbastard@homechoice.co.za

Tel: (021) 680 8046