ANNEXURE B17

COVER PAGE

THE ELEMENTS PROJECT

(ADVANCED DEVELOPMENT AND COMMERCIALISATION EVIDENCE)

In the matter between:

EPHRAIM MBUSO DLAMINI

and

FIRSTRAND BANK LIMITED

The documents contained in this Annexure B17 are representative extracts demonstrating that the Elements Project had progressed to an advanced stage of design, professional execution, financial feasibility and commercial readiness prior to its interruption.

This annexure is not intended to duplicate financial records contained in Schedules A–D and Annexure X, but to provide concise evidentiary confirmation of the existence, advancement and readiness of the development.

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B17.1 Development Configuration

B17.2 Professional Execution (by Turner & Townsend)

B17.3 Costing and Feasibility

B17.4 Commercial Sales Readiness

B17.5 Funding Readiness

SECTION B17.1

DEVELOPMENT CONFIGURATION

This document reflects the Site Development Plan for the Elements Project, including the relevant erven, development structure, and architectural scope, demonstrating that the project had progressed to a defined and executable configuration.

PEG HR SOLUTIONS

THE ELEMENTS

Erven 2579, 2580, 2582 and 2583 – Umhlanga Ridge New Town Center

SITE DEVELOPMENT PLAN



Architects
Palace Architects (Pty) Ltd.

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SECTION B17.2

PROFESSIONAL EXECUTION

Project Execution Plan (Turner & Townsend)

This document reflects the structured project execution framework, including programme, cost control and professional team coordination, evidencing that the Elements Project had progressed beyond conceptual stage into formal development execution planning.

Turner & Townsend
Construction and Management Consultants

pep

Elements Phase 1

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Project Manager

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PO Box 474
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Project Execution Plan

Feb 08

making the difference

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Rev	Originator	Approved	Date
1	Gareth Bowman		25 February 2008



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1 Introduction

1.1 Introduction

The Project Execution Plan (PEP) has been formulated in order to meet the full requirements of the appointment of Turner & Townsend, for Project Management, for the construction of the Elements Development.

The PEP is a consolidation of information determined during the formulation of the project strategy and includes a clear definition of the strategy and procedures intended to meet the objectives of the project.

The PEP maps out the project implementation methodology, and acts as a reference document for all parties involved in this project.

This PEP has been drafted using the information available at the time. This plan will be updated as more information becomes available and as the project evolves.

1.2 Purpose of this Document

The purpose of the document is to provide a management tool for planning, implementing, controlling and reviewing the project.

All aspects of the project are discussed in the document. The document covers the project from the conceptual stage through to the completion of construction and the occupation of the premises by the client. The document records the underlying philosophy that will direct decisions and the procedures to be adopted in implementing the construction of Nautical Pride.

1.3 Project Duration

The Project Execution Plan is current from February 2008 to the completion of the project.

1.4 Validation of the Plan

Validation of the Project Execution Plan will be by .....

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1.5 Words and Phrases

- Words referring to persons shall include firms, partnerships and companies.
- Words importing the singular only also includes the plural and visa versa where the content requires.
- Words importing the masculine only also indicates the feminine and visa versa where the content requires.

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2 Project Brief

2.1 Status

The Client wishes to construct a mixed use development that will consist of the following:

- **A basement of approximately 4076m2**
- **Ground floor Commercial space of approx. 1600m2**
- **First to Fifth floor residential units ranging from one to three bedroom – approximately 5400m2**

The total floor area will be approximately 12000m2 including common areas and the construction is to be completed by July 2009

2.2 Project Scope

The project scope includes but is not limited to the following:

- **The architectural design of the new facility**
- **The structural design of the new facility**
- **The internal design and layout of the new facility**
- **The construction of the new facility**
- **The infrastructure and access surrounding/involving the development.**

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3 Objectives

3.1 Introduction

Key objectives for the construction of the Elements Development are to provide the following:

- A mixed use development which will be appealing to the public
- Private basement parking
- Retail and outdoor conveniences on the ground floor

3.2 Objectives and Priorities

Cost

To be monitored and review by the Project Manager at regular intervals. The Quantity Surveyors, Schoombie Haartman will work very closely with the PM and present cost plans and cash flows at regular intervals.

Time

The initial stage of the project commenced in July 2007. It is proposed to have the construction and fit out of the new facility ready for testing and commissioning by July 2009.

Limitations

Rules and regulations need to be adhered to at all times during the project period. Items & elements to be aware of include but are not restricted to the following:

- Procurement
- Security
- Payment regulations
- Occupational health and safety
- Logistics
- Council, THdev & Tennant Liaison
- Noise and dust control

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4 Methodology

4.1 Process

The construction of The Elements will have four phases. The phases are planning including design co-ordination, procurement, execution & testing and commissioning. The process is shown on the diagrams overleaf.

Planning

The planning phase includes the briefing of the team by the client, this includes special requirements for the mixed use development and implementation of the themes devised by the client. The team will work with the client and produce drawings and a specification document. The team will work closely with each other detailing design co ordination and proposed systems to be installed. The team need to design within the given budgets to avoid overspending.

Procurement

The drafting of the enquiry documents using the information gathered both from the site, the client and the professional team as well as the approval of the documents, the tender period and evaluation up to and including the award of the contract make up the procurement phase.

While the procurement phase is a discreet phase in the process the activities of this phase may have a time overlap with those of the planning phase. It is quite possible on this project that different phases of the project run concurrently.

Execution

From the time that the contract is awarded and the agreements signed, the project will be in the execution phase. The construction and fit out works for this project will take place during the execution phase. It is imperative that this phase be completed by July 2009 to allow sufficient testing and commissioning before occupation.



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Testing and Commissioning

During this phase all major works will be completed and the contractor will be validating their work and proving to the professional team that the equipment has been installed according to the engineers/architects details. It will also give the contractor a chance to rectify any of the teething problems that may occur prior to handover.

The final activity of the execution phase will be the drafting and the issuing of the Project Close out Report. This report reviews the performance of the project relative to the project objectives and strategy

4.2 Work Breakdown Structure

The work breakdown structure for the project is detailed below:

- Planning
  - Briefing
  - Project Execution Plan
  - End user specifications, requirements documents and drawings
  - Sales Documents and Legalities
  - Design Co ordination
- Procurement
  - Proposal enquiry documents
    - Specification
    - General conditions of contract
    - Special conditions of contract
    - Pricing schedule / Bill of quantities
    - Drawings
  - Enquiry documents issued
  - Enquiry documents returned



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- Proposals evaluated
- Recommendation on proposals
- Tender award
- Cost Management and Change Control Implementation

Ÿ **Execution**

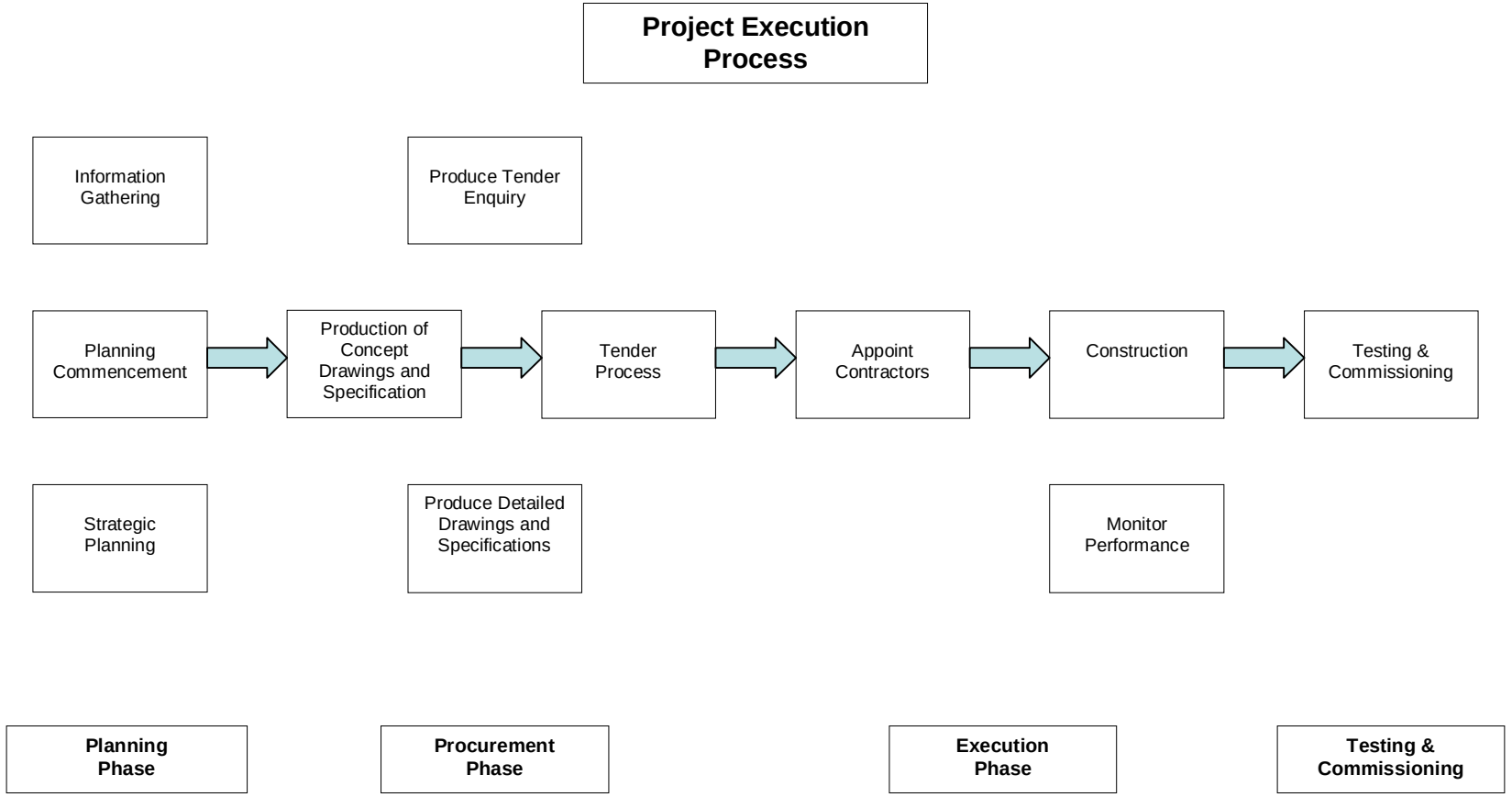
- Main contractor established on site
- Construction
- Routine performance measurement and reporting
- Performance reviews and Project Progress reports

Ÿ **Testing and Commissioning**

- Testing and commissioning
- Project close out report



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4.3 Programme

The draft programme for the project is attached in appendix 1.

The programme is based on the information available at the time that this Project Execution Plan was written and will be adjusted as the project progress.



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5.0 Risks

5.1 Introduction

Project Risk Management is a process whereby risks associated with the project are identified, analysed and plans are affected to maximise possible benefits while minimising negative impacts.

5.2 Risk Identification

Risk identification is an on-going process through the life of the project. The risk identification process will include:

- Internal – risks that the team can manage
- External – risks outside the control of the team
- Positive outcome risks – opportunities
- Negative outcome risks – threats

The risk identification process will utilise checklists, flowcharts and interviews/meetings to identify the risks and their category. The process will then identify:

- The source of the risk
- Risk triggers
- Information or project deficiencies
- Probability of occurrence
- The effect of a risk's occurrence

5.3 Risk Management and Risk Analysis and Response

Identified risks can be:

- Avoided - A
- Minimised - M
- Transferred - T
- Retained - R



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The risk management plan will document the procedures that will be used to manage risk throughout the project. Values will be apportioned to these risks and they will be identified. An event may occur which was either not identified as a risk or had an effect that was greater than expected. In these instances the risk management plan will be reworked. If the event is immediate then the effect of the event will require a response that may not previously have been planned.

An example of the risk register is attached in appendix B



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6.0 Constraints

6.1 Financial

The project has a planned budget which forms part of the project plan. Strict change control mechanisms will be in place to ensure that the budget is not exceeded.

The project may carry risks that incur additional unforeseen costs which will have to be managed by the project team.

6.2 Programme

The programme in appendix A is a draft copy. As more information becomes available this will be updated and adjusted.

Unexpected delays or operational requirements can affect progress such that achievement of the target completion date is placed at risk. Where possible float is built into the programme to accommodate the effect of any constraints encountered. The management focus will be concentrated on those areas that constrain the critical path activities. Early warning can alleviate most problems & time delays.

6.3 Access and security control

All consultants and contractors will need to adhere to the relevant rules and laws pertaining to access control and the security controls that will be in place on site.

6.4 Logistics

Due to possible access and space constraints a careful logistics plan will need to be implemented by the contractor to cover items such as storage of materials, delivery of materials to site and the removal of construction waste. This will be approved by the team and if necessary THdev.

6.5 Noise, dust control and working times

Due to the nature and location of the construction site, noise & dust containment will have to be adhered to. In addition to this there may be defined working hours that will need to be adhered to. An EMP will be implemented for the site.



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7.0 Roles and Responsibilities

7.1 Purpose of the Section

The purpose of the following sub-sections is to provide a basis for an efficient and effective organisation defining the roles and responsibilities.

7.2 Disclosure

Each consultant must disclose to the Project Manager any activity that may adversely affect their relationship with the client.

7.3 Security of Information

Each consultant, in accepting an appointment, undertakes to ensure that all information to which he and his staff have access will be treated as confidential and will not be passed to any party without the approval of the Project Manager. The Project Manager will obtain the written approval of the client prior to issuing a letter of approval for the releases of any information outside the team

7.4 Client

The main client point of contact will be Mr Tseliso Khali.

7.5 Professional Team

The management and project organisational structure for the project is attached at the end of section 7.

Development Manager & Financial Managers– Palace Group

Tseliso Khali will be the appointed client representative and will be acting as the development manager.

All decision making and relevant communication will be channelled through Tseliso to obtain the correct/associated approvals and or answers.

Nic Christoforou will be the financial manager on the project and will monitor project cashflow and expenditure. Nic will work closely with the development manager, the QS and PM to ensure the project remains in budget and that cashflows and lending are not exceeded. Nic will liase directly with Nedbank on commercial issues.



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Project Managers & Principle Consultants– Turner & Townsend

Gareth Bowman will be responsible for the day to day running of the project, and will be supervised and overseen by Mark Haselau.

The responsibilities of the Project Manager as outlined in the proposal for Project Management Services include, but are not limited to the following:

Formulation of a development programme

Facilitate the co-ordination of information flow between the consultant team and the contractor/s and specialist supplier/s installers

Ensure the timeous design information is received from consultants so that tender documentation can be prepared for construction work packages

Formulation of the procurement strategy with the professional team

Holding client meetings, producing minutes and during construction issue a monthly progress report

Holding meetings with key stakeholders, the professional team and at a later stage the contractor

Endeavour to limit the clients risk through detailed planning and the skilful resolution of problem areas as and when they arrive

Client reporting – ensuring the delivery of the following by the relevant parties;

- **Programme updates**
- **Progress reports**
- **Monthly progress reports and monitoring of budgets with QS.**
- **Provide facilitation where decisions and approvals are required.**

Provide a project close out report and ensure all handover documents are complete prior to issuing them to the client

Quantity Surveying– Schoombie Haartman

Mr Calvin Setzkorn will be the quantity surveyor responsible for this project

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The quantity surveyor will be responsible for the cost and commercial management aspects of the project. The quantity surveyor will work in co-ordination with the Project Manager and client.

The responsibilities of the quantity surveyor will include, but will not be limited to the following:

Development of cost estimates which will eventually culminate in an approved budget, based on the concept design parameters

Value engineering of approved cost estimate to ensure optimum value.

Advising and deciding on the most suitable procurement strategy

Financially evaluating procurement procedures and reporting on financial impacts

Advising on risk management strategies and advising and reporting on the high, medium and low monetary impact risks occurring during the project period

Preparation of all contract documentation

Maintaining and running financial management statements on a monthly basis and monitoring the variations/changes against the benchmarked budget.

Attending all relevant meetings

Examining and reporting on tenders received

Issuing cost reports to the PM for inclusion in the project progress report.

Preparing, resolving and agreeing on all financial and contractual aspects regarding issues during the project and concluding the final account

Architect – Palace Architects

Mr Christophe Rolland from Palace Architects will be the architect responsible for this project.

The architect will be responsible for the aesthetic design of the works related to this project, as well as incorporating all other consultants requirements within the overall design drawings including landscape design. Design co ordination between consultants is of the utmost importance while the preliminary designs are being evolved.

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The Architects will liase with local authorities and THdev for submission drawings and the associated requirements needed to obtain approval.

The architect will work under the co-ordination of the Project Manager.

Structural Engineer – Tobbell Stretch and Associates

Assistance to the Quantity Surveyor Project Manager in preparation of documentation and design for negotiation tender purposes where required.

Monitoring and reporting with the Quantity Surveyor Project Manager on structural elements on the project and their budgetary effect.

The evaluation of alternative designs should the need arise.

Construction monitoring of the execution of the works to review work procedure, construction materials and to check critical elements for compliance with the specifications.

The allocation of such resources to ensure that the documentation flow and contract/subcontract awards are maintained in accordance with the contractors agreed information schedule requirements and the construction programme.

Design and monitor :

Piling & foundations, all reinforced concrete works including retaining walls, ground beams ,surface beds, slabs, columns, beams, stairs and ring beams.

Structural steel stanchions, beams, stairs and composite slabs where applicable.

Structural steel and timber roof trusses where applicable.

In conjunction with the Architect we will ensure that co-ordination of expansion joints to all concrete work and brickwork is affected in order to obviate cracking.

Fascia ,curtain walling and shop front structural steel support work where required.

Upon Practical Completion the engineer is to provide a defects list to allow the contractor to work towards Works completion.

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Electrical and Mechanical Engineer (incl fire) – Palace Consulting Engineers

Services carried out will be in line with and according to the gazetted "Guidelines Scope and Tariff of Fees for Persons registered in terms of the Engineering Profession Act, 2000".

These shall include, but are not limited to the following:

Preliminary design of the works including internal reticulation and co ordination with other consultants for development budgets.

Detailed design and tender documentation including drawings and specification documents for tender and construction – Electrical, Mechanical and Fire requirements

Liaison with local municipalities and service providers for application, approvals and connection requirements relevant to the Wet services, electrical supplies & fire requirements.

Construction Monitoring i.e. attendance for meetings & on site inspections and sign off.

Defects and commissioning management of relevant equipment and services installation.

Engineer to provide a disaster management plan for the development

Wet Services Engineer - Palace Consulting Engineers

Roles and responsibilities as above – to include all wet service requirements in the development from basement level upwards an all internal reticulation

Civil Engineers – Palace Consulting civil and Structural Engineers

Provide the required and relevant information for the submission of SDP and planning approval documents.



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Assist the Quantity Surveyor in preparation of tender documents and designs for negotiation or tender purposes, where required.

Construction monitoring on civil site works at least one (1) site visit every two (2) weeks for the duration of the civil works.

Design and monitor construction of bulk earthworks.

Design and monitor of storm water (collection and reticulation from the basement to existing services), and sewer/ waste water (collection and reticulation from the basement to existing services). Preparation of Storm water Management Plan, pre and post construction.

Design and monitor of roads and pavements, and recommendations where applicable.

Liaison with local municipalities/authorities and service providers for application and connections requirements for sewer and water.

Sales & Marketing – Palace Real Estate & SEEF Estate Agents

Appoint and manage SEEF Estate Agency whom will sell the units and commercial component.

Appoint and manage a Bond Originator.

To negotiate commission structures on the sales price.

To advise the architects/design team as to what the market demands are in terms of size, layout and design of units and the associated finishes.

To liase between the architect, developer , project manager and Sales agency to keep communication channels consistent and effective expedition of documentation and transfer of the units

To appoint and manage suitable persons to prepare marketing brochures and material for the launch and boards.

To advise on what the market can sustain in terms of costing and prices of units.

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To approve and oversee the marketing process until sell-out including a launch phase.

Provide the Developer and Project manager with weekly reports on Sales in order to ensure the prescribed milestones are reached.

Legal – Palace Real Estate & Calteaux and Partners

Appoint and manage Calteaux & Partners whom are competent to handle the scope of work associated with the sales and legal requirements of the development.

To facilitate negotiation and present a Sales Agreement that has been prepared by the Conveyances that is acceptable to all parties and approved by Nedbank.

To interface and maintain effective communication between the Sales Agency and the Conveyances

To ensure that all relevant documentation reaches the Conveyances and is expedited in the required timeframes

To report back on progress to the Project Manager and Developer on all items relating to the Conveyancing process.

Contractor - TBC



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Organisational Breakdown Structure – Project Organogram (To be attached)

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8 Project Directory

Organisation	Name	Task	Cell	Phone	Fax	Email
PEG HR Solutions (Pty) LTD	Mbuso Dlamini	Developer (Palace Group)		(011)8841736	(011) 883 3713	mbuso.@palacegroup.co.za
Turner & Townsend	Gareth Bowman	Project Consultants	074 101 2617	(031) 2655710	(031) 2655713	gbowman@kzn-turntown.co.za
	Mark Haselau	Project Consultants	082 555 5452	(031) 2655710	(031) 2655713	mhaselau@kzn-turntown.co.za
SEEF Real Estate	Tessa Douglas	Sales Agents				tessa.douglas@seeff.com
Palace Group	Tseliso Khali	Palace Proj Man	083 320 7053	(011) 8841736	(011) 8833713	tseliso.khali@palacegroup.co.za
Palace Civil & Structural	Suleiman Rashid	Civil & Structural	082 561 0673	(011) 8841736	(011) 8832059	suleiman.rashid@palacegroup.co.za
Palace Architects	Christopher Rolland	Architects	083 441 1972	((011) 8841744	(011) 8832059	christophe.rolland@palacegroup.co.za
	Matthieu Beck	Architects	072 727 5618	(011) 8841744	(011) 8832059	matthieu.beck@palacegroup.co.za
Palace Real Estate	Gail Blacher	Palace Marketing & Sales	082 940 6538	(011) 884 1744	(011) 8832059	gail.blacher@palacegroup.co.za
Palace Consulting Engineers	Olu Soluade	Electrical & Mechanical	076 613 7606	(011) 653 1600	(011) 3180569	olu.soluade@palacegroup.co.za
Tobbell Stretch Association	Rod Stretch	Civil & Structural	082 454 7221	(031) 566 2753	(031) 5662721	tsa@eastcoast.co.za
Schoombie Hartmann	Calvin Setzkorn	Quantity Surveyor	082 450 3614	(031) 201 3110	(031) 2019102	calvin@shgroup.co.za
	Andrew Setzkorn	Quantity Surveyor	072 858 5245	(031) 201 3110	(031) 2019102	andrew@shgroup.co.za
Palace Group	Nic Christoforou	Finance & Managment	083 327 3655	(011) 884 1736	(011) 883 3713	nic.christoforou@palacegroup.co.za
Calteaux & Partners	Annette Horwitz	Conveyancing Attorney		(011) 452 9960	(011) 452 9968	annetteh@calteaux.co.za
Tongaat Hulett Development	Brian Cole	Land Seller		(031) 560 1935		brian.cole@thdev.co.za
Drennan, Maud & Partners	Thomas Kujawa	Geotechnical		(031) 201 8992		thomas@dmpconsulting.co.za



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Nedbank	Debbie Macnamara	Bankers	082 902 4858	(031) 364 3227	(031) 364 2996	debbiemac@nedbank.co.za
PD Naaidoo & Associates		Traffic Impact Assesment		(011) 877 0000		
Real Landscapes	Terry van der Riet	Landscape Consultant	082 857 6571			terry.vanderriet@reallandscapes.co.za



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9 Communications

9.1 Written Communication

All written communications to the Project Manager will be addressed to the:

The Project Manager
Turner and Townsend
PO Box 474
Westville 3630

Tel: 031 2655710
Fax: 031 2655713
E-mail: gbowman@kzn-turntown.co.za

For attention: Mr Gareth Bowman

General

Every written communication will bear a reference comprising the following:

Project Title:	**The Elements Phase 1**
Subject:	**A subtitle referring to the content of the written communication. Generally letters should refer to a single subject**
Addressee:	**Name and address for whose attention the communication is intended must be shown**
Circulation:	**Additional circulation must be clearly shown**
Reference Number:	**A file reference number and document reference number must be given**
Date:	**The date the communication is to be distributed must be clearly shown**

All correspondence impacting on time, cost and quality or scope of the project must be sent via the Project Manager. Copies of all correspondence between the team members must be sent to the Project Manager; this includes, amongst other things, letters, minutes, meeting notes, and e-mails.

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Documents shall be transmitted either by hand, e-mail or post with evidence of receipt assumed as follows:

- Hand – evidence of receipt shall be a signature of a member of staff of the recipient organisation.
- Post – receipt shall be assumed five working days after posting to the notified address.
- E-mail – receipt shall be assumed one working day after sending to the addressees. A copy of the sent e-mail with the addressees e-mail address at the top of the document must be retained as proof of sending.

Standard facsimile transmission sheet

Team members are requested to try and not send facsimiles if needed to do so please copy the fax transmissions via e-mail or formal letters.

Filing

Each Team member shall be responsible for the implementation of a project filing system. Administration of the system may be subject to independent audit. Copies of all relevant documents especially those recording an effect on time, cost functionality or quality must be copied to the Project Manager for the project file.

Electronic Copies

Reports will be accompanied by an electronic copy to be e-mailed to the project manager. Software packages that are acceptable for such purpose are specified as follows:

- MS Project
- MS Office
- MS PowerPoint
- PDF
- DWG's



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9.2 Verbal Communication

Verbal Communication Record

Team members are to minute all Verbal Communications that will affect the project and send these to the project manager.

Drawing and Site Instruction Issue Mechanism

Relevant team members are to be copied on Site Instructions and drawing issues.

The project manager and QS will require the following copies of drawings when they are issued by the relevant professionals.

Project Manager	**Hard Copy x 1**	**1x Electronic Copy**
Quantity Surveyor	**Hard Copy x 1**	**1x Electronic Copy**



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10 Reports

10.1 Introduction

A structured reporting and review process will be implemented to determine how work is progressing relative to the project brief and to identify where problems exist and what action is required.

Formal reports will be on A4 paper and will be bound within cover sheets unless otherwise requested. A3 paper folded, may be used for programmes, diagrams and sketches.

The monthly report will include standard title pages containing:

- The project title:
- Client:
- Document title
- Date of production
- Distribution list

10.2 Project Manager's Monthly Report

The Project Manager will submit a monthly progress report at the end of each month. The report will contain, among others:

- Executive summary of the report;
- Short review of the past month's activities;
- A contractors report and review
- Include a Cost Report from the Quantity Surveyors
- Variation Orders and Instructions
- RFI Schedule
- Issues of Concern; and
- Schedule of principal actions to be taken during the following month.



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The purpose of this document is to formally update the client regarding the status of all aspects of the Project. Input will be required from all consultants and the main contractor – dates for this information will be clarified at a later date.

10.3 Project Close-out Report

On completion of the project the Project Manager will complete a Close-Out Report. The Close-Out Report will report on:

- **The project background;**
- **requirements;**
- **achievements;**
- **compare performance with the baseline and adjusted requirement;**
- **the methodology used to manage variations;**
- **claims;**
- **learning points;**
- **costs and cost variations;**
- **variations between the outturn cost and the budget; and**
- **Performance against the programme and any delays.**



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11 Meetings

11.1 Meetings

All meetings must have an Agenda and Attendance Register and be followed up by a set of Minutes, which must be issued within one week of the meeting taking place. The Agenda and Minutes must be issued to the attendees and other relevant parties.

Whenever possible, an agenda should be submitted to the attendees prior to a meeting. The objective of issuing an agenda is to provide structure and focus for the meeting and enable those attending to arrive with thoughts and ideas on the matters to be discussed, together with any necessary preparatory work completed.

11.2 Project Co-ordination Meetings

A bi-monthly meeting during the initial phase, and monthly meeting during the execution phase, involving the Consultants and appropriate representatives of the client , chaired by the Project Manager, will be held to review key project issues. The objectives of the meetings are to:

- Obtain directives required from the client
- Obtain the clients detailed requirements for all aspects of the project;
- Present to and obtain approvals from the client to Co-ordinate Team activities;
- Review progress and performance;
- Consider and resolve project issues;
- Initiate actions and issue tasks to the Teams;
- Control and monitor costs (in terms of variations);
- Co-ordinate and monitor schedule issues; and
- Ensure the quality of all aspects of the project.



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12 Information Gathering

12.0 Information Gathering

The information will be gathered in a structured manner for each particular aspect of the project and stored for future reference. All information must go via or be copied to the project manager and be recorded/documented for future reference.



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13 Schedule and Progress Control

13.1 Measurement

The objective of the Project Team is to create an environment that will deliver the project within the agreed and approved timeframe. All parties must be aware that they are contributors and must ensure that the process properly accommodates their own requirements as well as imposing constraints on their own activities. The project schedule/program is a pro-active tool for the management of the project and needs to be reviewed/commented on should there be any foreseeable problems by the team.

13.2 Projects Programme

The Project programme is detailed in appendix 1.

13.3 Progress Control

Progress will be monitored regularly and reported at the bi-monthly meetings during the initial phase and monthly during the execution phase. The report will record performance deviations and the actions planned to correct the deviations.



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14 Cost Management

14.1 Cost Management Philosophy

Cost management essentially facilitates the development of processes such as cost planning, value engineering, cost forecasting, change management, project approvals, payment processes and cost verification. The cost management process will therefore consist of maintaining a tight control of the budget, including forecasting the variable project outturn costs.

14.2 Service Detail

TTPM will work closely with the Quantity surveyors to keep project costs within the budget. TTPM will be notified of all project variations and any valued engineering that may occur. TTPM will also be party to and help in resolving and agreeing all financial and contractual aspects regarding issues during the project and help concluding the Final Account.

14.3 Change Control Process

A1 Identify Potential Change

Potential change can be identified by a variety of people and raised through a Change Request Form or RFI. The methods of identifying potential change may or may not lead to a formal Change Request but it is important to recognise that a Change Request Form can be raised by any member of the professional team.

The identification and review of a change will potentially generate a Principle Agent or Site Instruction, in order to implement the change on site immediately. In this instance a Change Request will only be required if a funding need exists via a PA Instruction.

A2 Raise Change Request

A Change Request Form is used to seek formal approval for a proposed significant change to the approved project brief and scope. It can be raised directly in response to an identified change or to support a funding application for a Clients Instruction that cannot be funded within the affected project. Change Request Forms represent a useful measure of Project activity and they should be logged in order that we can report against them and track any trends.

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- **Principle Agent Instruction(PAI)**
  - **The PAI identifies the proposed change, describes the associated impacts and seeks formal approval of the proposed change. It can be raised as a direct result of identifying the need for a change to scope, specification, programme or cost, or follow on from a change identified by the professional team. A PAI should also be raised as a response to an identified risk occurring.**

- **Activities**
  - **Project Manager will raise a PAI via the Change Request Form, following the change identification and maintain a log of all PAI's.**
  - **The Project Manager coordinates the inputs to the PAI and liaises with other team members affected by the proposed change. If any doubt exists in terms of affected parties, then all project members should be invited to comment.**
  - **The Project Manager will obtain the necessary endorsements and approvals for the PAI, confirming that the Change has been completed and that a conclusion (Approval or Rejection) has been reached in terms of the proposed change. This must involve the participation of the Client or development manager.**
  - **The Project Manager updates the log of change orders and advises the project leader for any appropriate updates to the execution plans**

A3 Approve the Principle Agent Instruction

During or immediately following the review of a Change Request, the Project Manager should obtain signatures/approval from the Client. These signatures represent the endorsement of the change and recommendation to proceed with the change if appropriate – program & value implications.

A4 Implement the Change

The key tasks to be undertaken include:

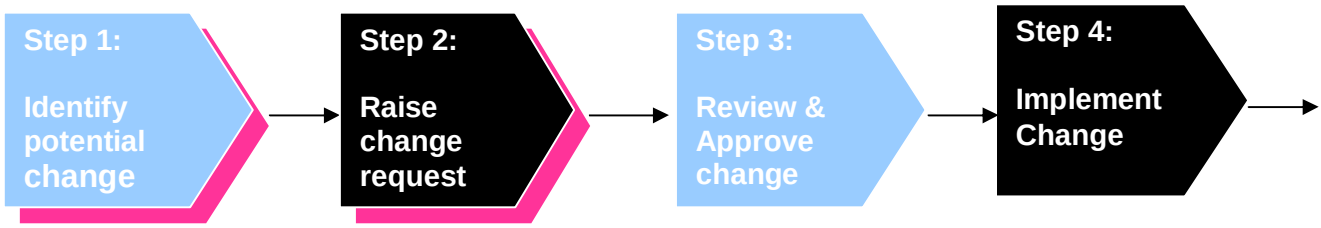
- **Activities**
  - **Update the Change logs to reflect the approved status**



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- Issue the Principle Agent Instruction if appropriate
- Updating Execution Plans (including risk/opportunity registers) and project brief.

Change Control Process



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15 Consents and Approvals

15.1 Consents

The Project Manager & Project Team will require consultation and access onto site at various times. If special consents are required the team are to be made aware of this at an early stage.

15.2 Approvals

The Project Execution Plan is submitted for approval by the Client. This document identifies and records the project strategy and methodology to be used. Approval of this document authorises the team to proceed with the strategy as presented.



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16 Payments

16.1 Monthly Certificates

The Project Manager will help if necessary with the validation and certification of any certificates.

16.2 Payment

Payment will be approved by the Quantity Surveyor, PM and Client. Payment will be subject to Client procedures and rules governing approval and payment. (NEDBANK to advise)

16.3 Invoices

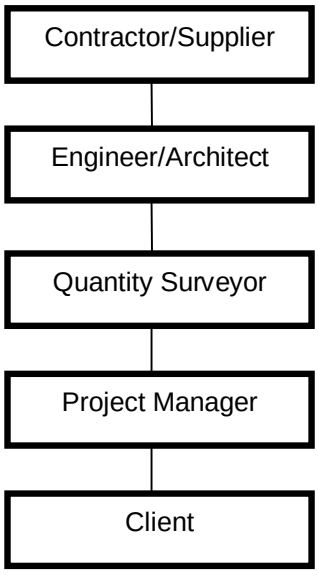
Invoices should be lodged with the QS on the ……. of the month. Original tax invoices including all supporting documentation must be sent to the QS for valuing.

16.4 Payment Dates & Procedure

Payment will be made on the ……. day of the following month – once invoices are received.

All payment certificates will go through the following procedure and be signed off by the relevant parties.

Technical



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17.0 Claims

17.1 Policy

Claims will be evaluated provided that they have been submitted in compliance with the terms of their appointment or contract. Claims not submitted in compliance with the terms of the respective appointment or contract, will be rejected.

17.2 Method

The methodology for lodging a claim will be as provided for in the appointment or contract. The procedure will involve:

- Lodging a claim timeously with the Client Project Manager.
- The Client Project Manager will register receipt of the claim
- The Project Manager will detail the scope, quantum and cause of the claim or alternatively if that information is not available identify when such information will be provided.
- The Project Manager will evaluate the claim with the professional team and make a recommendation.
- The Client will decide on the claim and notify the Project Manager of their decision.

17.3 Contractual Process

TBC

17.4 Defence (Check List)

Detailed below is the check list to be used as a tool when a claim is received:

- Has the claim been lodged within the time prescribed in the contract.
- Does the claim identify the cause, quantum and effect.
- Does the claim relate to an activity that affects the planned delivery.
- Does the claim relate to the achievement of an activity.
- Is the quantum of the claim detailed in the pricing schedule.



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17 Safety

18.1 Occupational Health and Safety Act

The Occupational Health and Safety Act (Act 85 of 1993) requires that, whilst operating within the Client's/Contractors premises, the Project Team shall secure the health and safety of all team members.

The Project Team will, as a minimum, be required to operate within the requirements of the Act.

A copy of the Contractors health and safety plan will be included and/or available on site.

The client will appoint a Health & Safety advisor to monitor site safety and report back to the PM on his findings.

18.2 First Aid Facilities

The Contractor must provide at least the level of first aid staff and facilities required in the Occupational Health and Safety Act.

The contract must make provision for the establishment and maintenance of the requisite first aid facilities.

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18 Logistics

19.1 Working Hours

TBC

19.2 Access

19.3 Security

19.4 Traffic Routes

19.5 Temporary Services

19.6 Contractors Site Office

19.7 Contractors Site Rules



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APPENDICES

List of Appendices

Appendix 1 Programme

Appendix 2 Risk Register



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APPENDIX 1

Programme

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SECTION B17.3

COSTING AND FEASIBILITY

This document reflects a formal construction cost estimate prepared on the basis of architectural and engineering inputs, demonstrating that the Elements Project had been financially assessed and prepared for implementation.

Preliminary Estimate

UMHLANGA RIDGE- PROPOSED RESIDENTIAL PROPERTY DEVELOPMENTS -THE ELEMENTS, Phase 1

FOR

PALACE ENGINEERING GROUP

A member of Palace Group

June 2012

megbenu@palacegroup.co.za

1 GENERAL NOTES AND DEFINITIONS

1.1 GENERAL PROJECT OUTLINE

The Project "ELEMENTS - Phase 1", is a Proposed Residential Property Development at Umhalnga Ridge in Durban, comprising five floors on a basement.

1.2 BASIS OF ESTIMATE

The estimate is based on Architect's conceptual design development drawings dated 06th Feb 2012 and issued to the Quantity Surveyor on 27th March 2012 and Engineer's Foundation and Piling layout drawings dated Dec 2007 and issued to the Quantity surveyor on 16th May 2012.

This Preliminary Estimate is based on current building costs of the prevailing competitive market conditions, assuming a *negotiated* tender situation.

This Report is primarily focused on **Construction Cost Estimate.**

Specialist Installations:

Pile Foundation; Cost included herein is based on estimated cost provided by the Durban branch of ESORFRANKI Geotechnical.

Lifts: Based on budget provided by OTIS Lifts, Durban branch

1.3 EXCLUSIONS AND ASSUMPTIONS

Allowances made are as follows :

1.3.1 Civil / Structural assumptions based on Architects drawings - layout plans only. (No foundation and sectional details)
1.3.2 General allowance made for soil drainage, sub-surface water drainage, stormwater drainage
1.3.3 General allowance for fittings due to lack of information.
1.3.4 General allowance for internal plumbing due to lack of information.
1.3.5 General allowance for general electrical installations.
1.3.6 General allowance for fire services.
1.3.7 General allowance made for Airconditioning.
1.3.8 No allowance made for Special Electrical Installation.
1.3.9 No allowance made for Specialist Tenant Installations
1.3.10 No allowance made for loose furniture
1.3.11 Professional Fees are excluded.
1.3.12 General allowance made for Business Management System
1.3.13 2% and 3% Allowed for detail development and building contract contingencies respectively
1.3.14 An amount of R10,000.00 is allowed for signage.
1.3.15 Preliminaries and General Items at 9%.

1.4 ASSUMED PROGRAMME

For the purpose of calculation of future escalation and the monitoring of contractor's real time cost, the following programme and percentages have been assumed.

1.4.1	Date of Estimate	April-2012	
1.4.3	Construction Commencement Date	1 August 2012	(Subject to confirmation)
1.4.4	Practical Completion of Construction	30 January 2014	(Subject to confirmation)
1.4.5	Pre-Tender Escalation % Allowance	6.00%	(4 month)
1.4.6	Post-Tender Escalation % Allowance	6.00%	(18 months)

1.5 AREA INFORMATION

Construction Area	:	11,611 m²
Rentable Area	:	6,430 m²

2 *FINANCIAL OVERVIEW OF CONSTRUCTION COST*

ESTIMATED TOTAL FINANCIAL COMMITMENT

2.1

TOTAL CONSTRUCTION COST Incl VAT	***R***	***66,466,689.31***
Primary Elements	R	38,165,605.14
Special Installations	R	13,210,947.00
Alterations	R	-
External works and services	R	3,107,799.60
Preliminaries	R	4,903,591.66
Other costs	R	7,078,745.91
Professional fees	R	-

2.2

Construction cost Per m2 of Construction Area

Total Project Cost /m2 of **CONSTRUCTION** Area, Incl VAT	**R**	**5,724.46**
Primary Elements	R	3,287.02
Special Installations	R	1,137.80
Alterations	R	-
External works and services	R	267.66
Preliminaries	R	422.32
Other costs	R	609.66
Professional fees	R	-

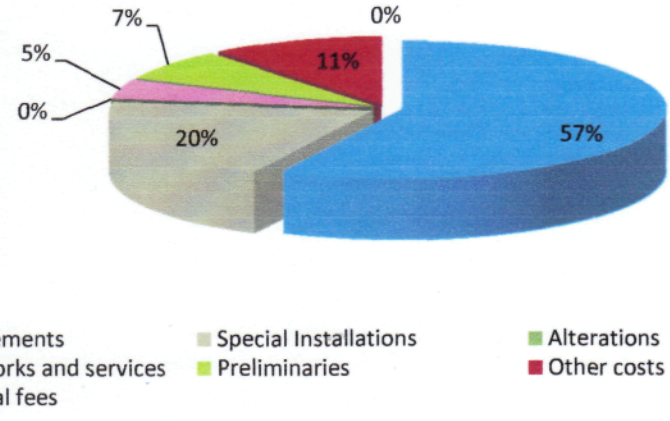
2.3

Construction Cost Per m2 of Rentable Area

Total Project Cost /m2 of **RENTABLE** Area Incl VAT	**R**	**10,336.97**
Primary Elements	R	5,935.55
Special Installations	R	2,054.58
Alterations	R	-
External works and services	R	483.33
Preliminaries	R	762.61
Other costs	R	1,100.89
Professional fees	R	-

2.4

APPORTIONMENT OF CONSTRUCTION COSTS



OVERVIEW OF FINANCIAL VIABILITY

PROPERTY DESCRIPT THE ELEMENTS (Phase 1)

3 SNAP FEASIBLITY

3.1 DATA

i	Saleable Area	a)	Residential Units	5,860.00	
		b)	Commercial	570.00	
			Sq metre		6,430.00 m2
ii	Construction cost *including contingency*		*Rand/sq m*		10,336.97
iii	Average Retail price (incl VAT)		*Rand/sq m*		*18,000.00*

3.2 DEVELOPMENT COST

					Cost per sq m
i	Land Cost *(Phase 1 only) say*			15,000,000.00	2,332.81
ii	Construction cost *including Escalations*			63,861,954.95	9,931.87
iii	Construction contingency Costs @			2,604,734.36	405.09
iv	Cost of services inclded above				
v	Professional Fees @ say	9%			0.00
vi	Interest Cost during construction period,	18 months @	8.0%	*4,288,788.02*	667.00
vii	Monthly costs, rates etc estmtd @	100,000.00	per month	1,800,000.00	279.94
viii	NHBRC Enrolment fee say..			35,000.00	5.44
viv	All in Development Cost			**R 87,590,477.33**	**R 13,622.16**

NOTE A:

1 Historical costs not included in this viability assessment

2 Average Retail price is the anticipated verbally provided by Project Manager & Architect

3 Land Cost verbally provided by Project Manager & Architect

4 Monthly costs, rates etc. are estimated

3.3 SALES REVENUE Incl VAT

		Area m2	Sales value Incl VAT
i	Residential units	5,860.00	105,480,000
ii	Commercial units	570.00	10,260,000
iii	**Total**	6,430.00	**115,740,000**

3.4 REVENUE

i	Sales Revenue (gross) as above			115,740,000
ii	Sales Revenue excluding VAT			101,526,316
iii	*Less*	All in Development Cost		-87,590,477
iv	*Less*	Agents commission 4%	excluding VAT	-4,061,053
v	*Less*	Marketing cost; ie Brochures, signage virtual tour etc		-250,000
vi		Develepment Profit	**R**	**9,624,786**

vii ***Development margin on sales value excl VAT*** 9.48%

viv ***Development profit margin on cost*** **10.99%**

NOTE B:

1. Professional fees have been excluded from the development cost to beef up the profit margin .
2. For this Development to be more viable, the cost of construction must be negotiated downwards with a reputable Building Contractor and/or average selling price to be increased.

UMHLANGA RIDGE- PROPOSED RESIDENTIAL PROPERTY DEVELOPMENTS -THE ELEMENTS, Phase 1

FOR

PALACE ENGINEERING GROUP

4. ELEMENTAL ESTIMATE SUMMARY

ESTIMATE OF ESCALATED CONSTRUCTION COST AT CONTRACT COMPLETION DATE INCLUDING VALUE ADDED TAX

SUMMARY OF CONSTRUCTION COST

		Construction Cost	Rate per m²	% of Construction Cost
1 PRIMARY ELEMENTS		33,478,601.00	2883.38	61.20%
2 SPECIAL INSTALLATIONS		11,588,550.00	998.08	21.19%
3 ALTERATIONS		0.00	0.00	0.00%
4 EXTERNAL WORKS AND SERVICES		2,726,140.00	234.79	4.98%
5 TRAINING		0.00	0.00	0.00%
6 PRELIMINARIES @	9%	4,301,396.19	370.46	7.86%
7 CONTRACTORS FEE *(Included in rates)*		0.00	0.00	0.00%
8 CONTINGENCY ALLOWANCES		2,604,734.36	224.34	4.76%
ESTIMATE OF CURRENT CONSTRUCTION COST (EXCLUDING VAT)		54,699,421.55	4711.05	100.00%
9.1 Pre Tender escalation @ *6% for 6months*		1,093,988.43	94.22	2.00%
9.2 Contract Escalations @ *6% for 12months*		2,510,703.45	216.24	4.59%
10 VALUE ADDED TAX (VAT)		8,162,575.88	703.01	14.00%
ESTIMATE OF ESCALATED CONSTRUCTION COST AT CONTRACT COMPLETION DATE INCLUDING VALUE ADDED TAX		**R 66,466,689.31**	**R 5,724.52**	**114.00%**
Professional fees @	?? %			
		R 66,466,689	R 5,724.52	

5. SUMMARY OF AREA SCHEDULE

	OVERALL CONSTRUCTION AREA				SELLABLE AREA			
	Residential	Commercial	Parking	Total	Residential	Commercial	Parking	Total
Basement	0	0	4074.69	4074.69	0	0	3974.69	3974.69
Ground Floor	1013.69	694.27	0	1707.96	534.19	567.95	0	1102.14
1st Floor	1673.72	0	0	1673.72	1610.70	0	0	1610.70
2nd Floor	1561.92	0	0	1561.92	1483.45	0	0	1483.45
3rd Floor	1561.92	0	0	1561.92	1483.45	0	0	1483.45
4th Floor	811.48	0	0	811.48	580.67	0	0	580.67
5th Floor	219.18	0	0	219.18	167.33	0	0	167.33
TOTAL	**6842.00m2**	**694.00m2**	**4075.00m2**	**11611.00m2**	**5860.00m2**	**568.00m2**	**3975.00m2**	**10402.00m2**
	6,841.91	694.27	4,074.69	11,610.87	5,859.79	567.95	3,974.69	10,402.43

Excluding Basement parking = 6427.31m2

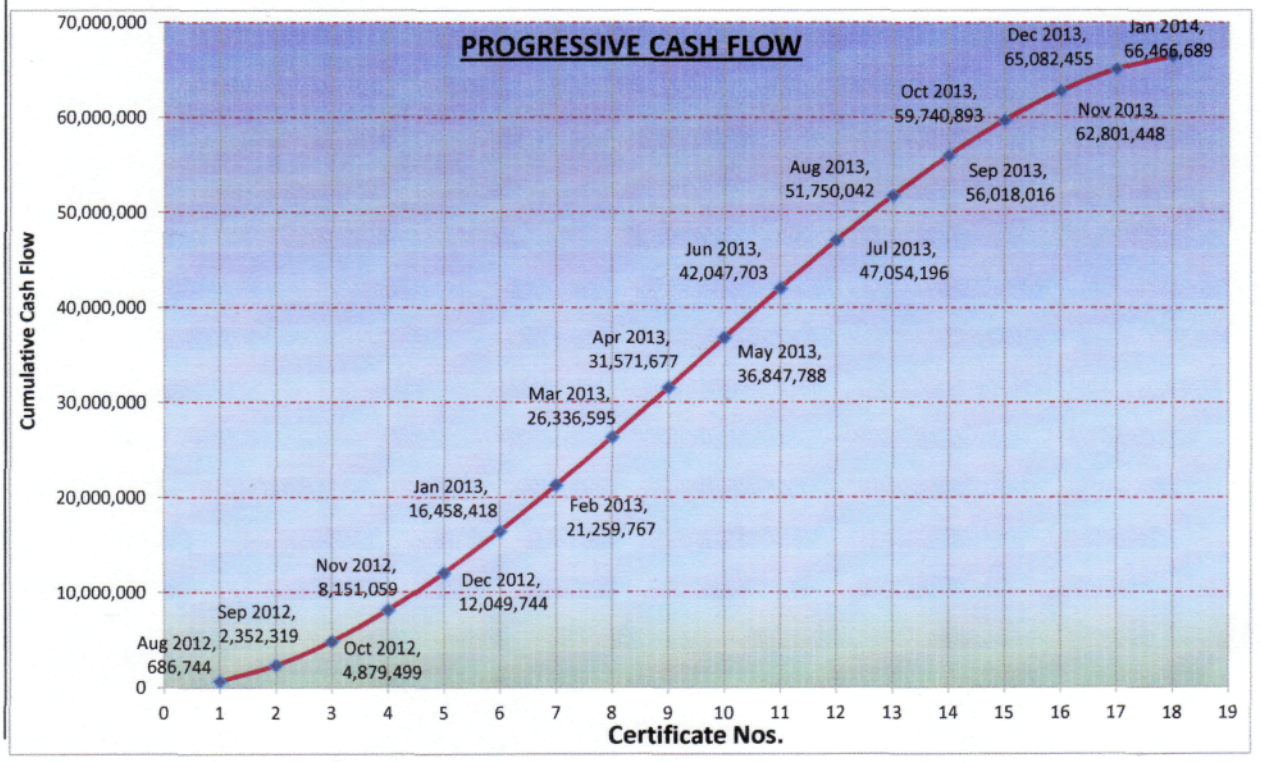
Excluding Basemnt parking & Commercial Areas = **5,859.36**

Total Stairs and other general areas = 1209.00m2

5 ESTIMATED CONSTRUCTION CASHFLOW

5.1 PROGRESS INDICATOR BY CASHFLOW

Projected Final Account	R66,466,689	*(Including Vat but Excluding Professional Fees)*
Commencement date	01-Aug-12	*(Envisaged)*
Contract Period	18 Months	
Envisaged Completion date	30-Jan-14	



MONTHLY CASHFLOW

Month	Cert. No	Building Work
Aug 2012	1	686,744
Sep 2012	2	1,665,575
Oct 2012	3	2,527,180
Nov 2012	4	3,271,560
Dec 2012	5	3,898,715
Jan 2013	6	4,408,644
Feb 2013	7	4,801,349
Mar 2013	8	5,076,828
Apr 2013	9	5,235,082
May 2013	10	5,276,111
Jun 2013	11	5,199,915
Jul 2013	12	5,006,493
Aug 2013	13	4,695,846
Sep 2013	14	4,267,974
Oct 2013	15	3,722,877
Nov 2013	16	3,060,555
Dec 2013	17	2,281,007
Jan 2014	18	1,384,234
TOTAL		**66,466,689**

PROGRESSIVE CASHFLOW

Month	Cert. No	Building Work
Aug 2012	1	686,744
Sep 2012	2	2,352,319
Oct 2012	3	4,879,499
Nov 2012	4	8,151,059
Dec 2012	5	12,049,774
Jan 2013	6	16,458,418
Feb 2013	7	21,259,767
Mar 2013	8	26,336,595
Apr 2013	9	31,571,677
May 2013	10	36,847,788
Jun 2013	11	42,047,703
Jul 2013	12	47,054,196
Aug 2013	13	51,750,042
Sep 2013	14	56,018,016
Oct 2013	15	59,740,893
Nov 2013	16	62,801,448
Dec 2013	17	65,082,455
Jan 2014	18	**66,466,689**

SECTION B17.4

COMMERCIAL SALES READINESS

These materials reflect the commercial positioning and market-ready presentation of the Elements Project, demonstrating that the development had progressed to a stage of active marketing and intended sales rollout.

THE ELEMENTS

on park avenue, parkside

retail ● commercial ● hotel





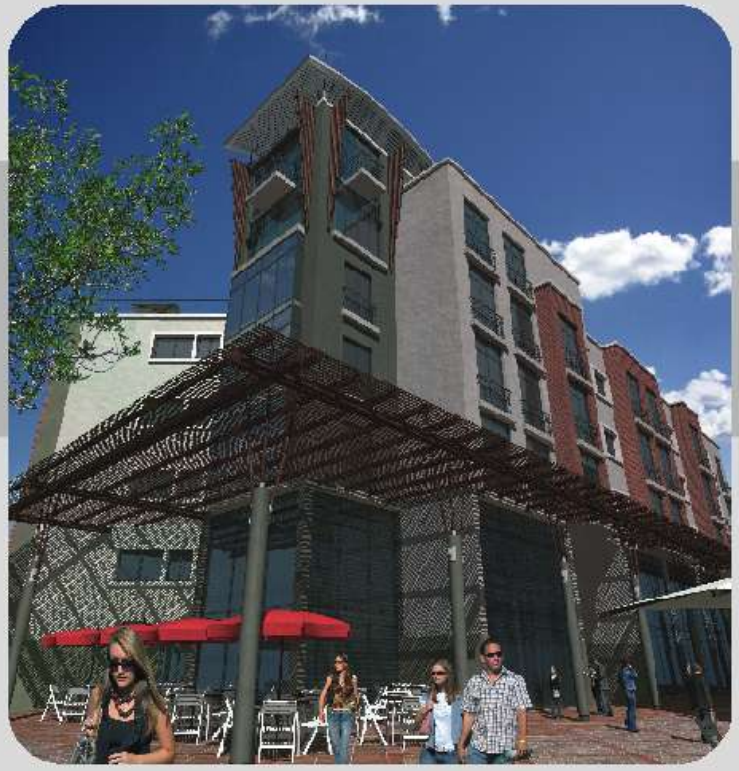


UMHLANGA NEW TOWN CENTRE

THE ELEMENTS

on park avenue, parkside

retail • commercial • hotel



The Elements on Park Avenue is a phased, mixed use development. The bright and airy, contemporary designed offices and hotel look across the tree lined boulevards to the new park and lake beyond, whilst situated in a strategic position on the Umhlanga Ridge Boulevard right on the Mt Edgecombe arterial link into the Umhlanga New Town Centre.

It doesn't get more prime than this!

Parkside is the new green focus of Umhlanga New Town Centre. It will offer an exciting commercial and retail ambience close to the busy, trendy continental atmosphere of the very popular Gateway shopping and entertainment area, a short walk away.

The Elements is to be developed in four phases, which will include a hotel, shops. restaurants, coffee bars and offices.

The architects have taken cognizance of the warm climate and have arranged the shops and offices around central courtyards, cooled by cascading fountains. The walkways are designed as a cross ventilation corridor, drawing air through the various water features and cooling the buildings. This design element, together with the use of rooftop solar panels and rain runoff water storage tanks makes this a green building, using as far as possible, renewable energy sources.









The Elements is tomorrow's building, making a statement for the better in terms of image, sustainability and functionality, proudly developed by The Palace Group with an eye to the future.

Palace Real Estate is working in cooperation with the developer, The Palace Group.

Call Gail Blacher of Palace Real Estate on 082 940 6538 to discuss your needs and secure your space within this exciting commercial development.
Each independently or all of the four stands are available as well as turnkey developments. Alternatively opportunities as commercial or retail tenants are available.

Brokers are welcome to call to discuss and introduce your clients..





















Ground Floor Plan



Typical 2nd & 3rd Floor Plans

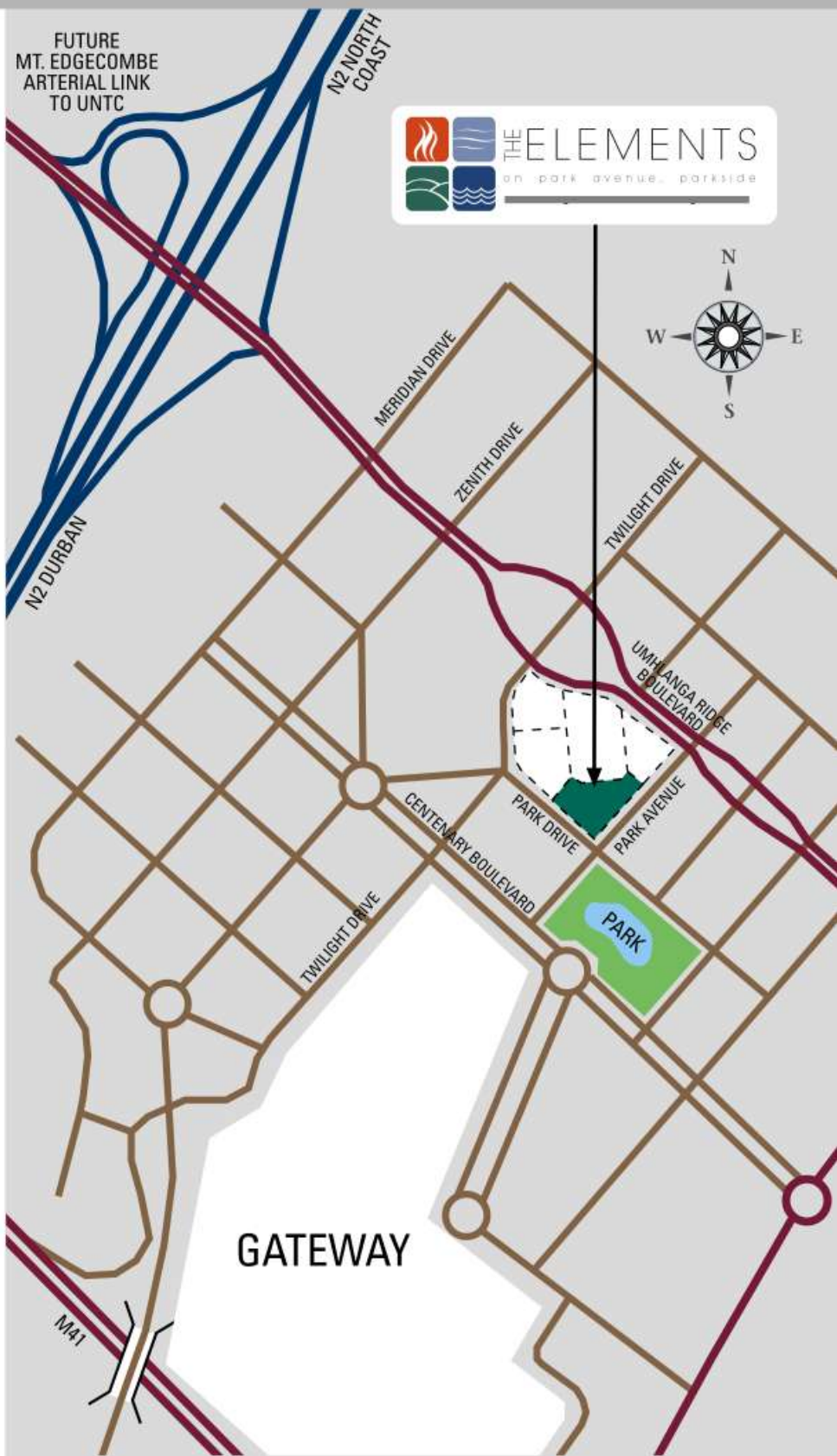
PALACE GROUP

Turner & Townsend
Construction and Management Consultants

ooba
Experts in home finance

Calteaux & Partners
Attorneys, Notaries & Conveyancers

UMHLANGA RIDGE
NEW TOWN CENTRE



SECTION B17.5

FUNDING READINESS

This correspondence confirms that the Plaintiff had reached a stage of funding engagement and was ready to commence development, including inviting RMB to fund the project in accordance with existing arrangements.

PEG HR

Solutions Pty Ltd

Reg. No: 2003/025572/07

3rd Floor, China Constructio Bank Building, 95 grayston Drive, Sandton
P O Box 651922, Benmore. 2010.
Tel: +2711 783 5698 Fax: 0866710109
Email: peghr@palacegroup.co.za Website: www.palacegroup.co.za

3rd September 2012

RMB Investment Banking - Real Estate
Attention : Mr Sivuziwe Mzamo
1 Merchant Place, Cnr Fredman Drive and Rivonia Rd
Sandton. 2196
P O Box 786273
Sandton. 2146.

Dear Sir

RE : THE ELEMENTS PHASE 1 PROJECT ON ERF 2579 UMHLANGA RIDGE

Our telecon of the 31st August 2012 refer.

We are ready to start with the first phase of the four-phased Elements Project.

We hereby invite you to study the attached documents; namely the project drawings, Spatial Development Plan (SDP) document together with the associated feasibility study done by various parties; and advise us on date and time when you would be able to discuss the project with us with a view to RMB funding the development of the top structure of this phase of the project, in terms of the agreement entered into between RMB and PEG HR Solutions Pty Ltd.

We are available to meet you at your earliest convenience, which we hope will not be later than the 10th September 2012.

Trusting that this meets your requirements.

Please do not hesitate to contact the [redacted] 011 783 5698 or mbuso.dlamini@palacegroup.co.za should your require further details.

Yours Faithfully

Mbuso Dlamini
Managing Director
PEG HR Solutions Pty Ltd