Guide to: VALUATION, CERTIFICATION & PAYMENT

For use with:
Principal Building Agreement
N/S Subcontract Agreement
Minor Works Agreement

prepared by the JOINT BUILDING CONTRACTS COMMITTEE Inc

RECOMMENDED BY THE JBCC CONSTITUENTS
Association of Construction Project Managers
Association of South African Quantity Surveyors
Master Builders South Africa
South African Association of Consulting Engineers
South African Institute of Architects
South African Property Owners Association
Specialist Engineering Contractors Committee

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JBCC SERIES 2000 - July 2007

Preface

JBCC documents are compiled in the interests of standardisation and portray the consensus view of the Joint Building Contracts Committee of good practice and an equitable distribution of contractual risk in the building industry. The documentation sets out a clear, balanced and enforceable set of procedures, rights and obligations, which when competently managed and administered, protect the employer, contractor and subcontractor alike. The Series 2000 covers all aspects of contract for most types of building projects and should consequently simplify the administration of building contracts. It should be noted that each document has been formulated for use specifically as part of the Series 2000 and is most unlikely to be suitable for use with other forms of contract.

Warning!

Persons entering into or preparing contracts using the JBCC Series 2000 are warned of the dangers inherent in modifying any part of it. If it is considered essential to make changes, users are advised to ensure that such changes are drafted by qualified legal persons with extensive knowledge of the JBCC documentation and the construction industry. Experience has shown that changes drafted by others, including members of the building professions, often have results very different from those intended which may be prejudicial to either or both parties.

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DISCLAIMER

The purpose of this publication is to give guidance on the most effective application of the provisions of the JBCC Series 2000 documents. This guidance is given in good faith. JBCC disclaims all liability for any loss, damage or expense that may be incurred in using this guide.
Valuation, Certification and Payment

[...] = PBA / N/S clause No’s

INTRODUCTION

All the agreements in the JBCC document suite follow much the same payment procedures that have specifically designed forms for this purpose. It is vitally important in dealing with the payment process that the prescribed procedures in terms of the particular agreement are strictly adhered to. Payment is probably the most sensitive area of the contract and therefore it is essential not to take “short cuts” in the certification process. The “rules” applying to valuation and certification need to be fully understood and time periods and bars carefully observed in the interests of all parties. Note: Tax and other laws vary from country to country and therefore these provisions need to be checked for local conformity

PREPARATION

The contract data clauses have a direct bearing on the preparation for valuation, certification and payment:

Pre-Tender Information (EC)

[1.1] Employer details (Legally correct - No abbreviations etc)
[1.2] Principal Agent details (Only the principal agent may authorise payment)
[2.1] Law of Agreement
[2.2] Works identification
[2.3] Site description (Stand No, location etc)
[4.1] Completion: Works as a whole
[4.2] Works in sections
[4.1] Penalty for: Works as a whole
[4.2] Works in sections

Post Tender Information (CE)

[1.1] Contractor details
[2.1] The security option selected in terms of the tender
[3.2.5] The preliminaries amounts payment option selected in terms of the tender
[3.2.6] The preliminaries amounts adjustment option selected in terms of the tender
[5.8.5] The accepted contract sum and the base amount of the contract value in terms of the agreement

*PBA

*[41.4] The penalty per calendar day agreed by the parties
*[41.5] An annual building industry holiday period is applicable
*[41.6] CPAP adjustment of contract value is applicable
*[41.7] The latest day of the month for the issue of a payment certificate
*[41.8] Employer to provide a Payment Guarantee
*[41.9] Changes, if any, to the provisions of the JBCC payment provisions

THE INTERIM PAYMENT CYCLE (See diagram opposite)

Clause No references related to the PBA unless stated otherwise

Setting the Cycle

The payment cycle is initially set by the date selected. The employer and contractor should set this date by mutual agreement as all other payment functions and duties stem from it. A date related to the month end tends to result in late payment as it will inevitably clash with normal month end accounting requirements

Certification

The principal agent must issue a payment certificate for each and every month of the contract. A number of other documents [31.3] are required to be prepared with each payment certificate

Payment

The active payment cycle periods set by the JBCC agreements span 21 calendar days with 7 to 10 days at the end to complete the calendar month. Principal agents and employers should appreciate that contractors, and particularly subcontractors, are heavily reliant on a regular cash flow. Every effort should be made to ensure that the payment provisions of the agreement are met to the benefit of all parties concerned. Late payment by the employer to the contractor or by the contractor to the subcontractor that results in the liquidation of either of the recipient parties is never beneficial to the project
SECURITY PROVIDED BY THE CONTRACTOR

Note: The percentages applying to the various securities are varied by the State and therefore must be regarded as being indicative only.

VARIABLE CONSTRUCTION GUARANTEE
1. The default value of the guarantee is set at the maximum guaranteed sum which is not to exceed 10% of the contract sum. The employer may stipulate any amount that does not exceed the above percentage. This also applies to the reduced values.
2. The guarantee reduces to not more than 6% once 50%+ of the contract sum has been certified.
3. When practical completion is achieved the value reduces to not more than 4% of the contract sum.
4. Final completion reduces the value to not more than 2% of the contract sum.
5. The guarantee expires when payment is due to the contractor in the final payment certificate.

Note: The guarantee has an expiry date. This should preferably be specified in the tender documents. Generally the expire date should be set at least six months after the anticipated practical completion date. Where the contract is likely to continue beyond this date the employer can require that the contractor has the period extended by the guarantor failing which retention can be applied.

CASH DEPOSIT
Not recommended. The contractor must appreciate that a cash deposit is “at risk.”

FIXED CONSTRUCTION GUARANTEE AND PAYMENT REDUCTION [31.8]
1. The default value of the guarantee is set at the maximum guaranteed sum which is not to exceed 5% of the contract sum. The employer may stipulate any amount that does not exceed the above percentage.
2. The value of the works to be certified that does not exceed the contract sum is adjusted to 95% of such value up to practical completion.
3. Where the value of the works increases during construction the 95% limit of the contract sum will be achieved prior to practical completion.
4. The value of the works that exceeds the contract sum plus CPAP adjustments is certified in full.
5. When practical completion is achieved the guarantee expires.
6. On achievement of practical completion the value of the works to be certified is adjusted to 97%.
7. On achievement of final completion the value of the works to be certified is adjusted to 99%.
8. The final payment certificate certifies 100% of the contract value.

Note: The payment reduction has two possible negative impacts. These are:
• No interest is payable on the reduction.
• A negative cash flow results where n/s subcontractor monies are to be certified in full.

VARIABLE CONSTRUCTION GUARANTEE (MINOR WORKS)
1. The guarantee is provided under the same conditions as those applying to 1.0 above but at a value of 8%. No reduction of value occurs before practical completion.
2. When practical completion is achieved the value reduces to not more than 4% of the contract sum.
3. Final completion reduces the value to not more than 2% of the contract sum.
4. When practical completion is achieved the guarantee expires.

Note: The same conditions apply in regard to the expiry date as noted in 1.0 above.

5.0 RETENTION - MINOR WORKS
1. The retention, as a payment reduction of value of the works to be certified, is set at 8% to a maximum of 4 of such value up to practical completion.
2. The 4 limit will be reached well before practical completion.
3. The retention reduces to 2% after practical completion.
4. No retention (0%) is deducted in the final payment certificate.

Note: Where an amount certified in a payment certificate favours the employer [13.12] the retention held in terms of 5.2 and 5.3 is increased by that amount.
• No interest is paid on the retention.
• The contractor must appreciate that the retention is “at risk” in the hands of the employer.
### COMPARISON OF JBCC SECURITY OPTIONS

#### PRINCIPAL BUILDING AGREEMENT (PBA + N/S)

**Variable Construction Guarantee**

<table>
<thead>
<tr>
<th>Site handover</th>
<th>50% of Contract Sum</th>
<th>Practical Completion</th>
<th>Final Completion</th>
<th>Final Cert Settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>10%</td>
<td>6%</td>
<td>4%</td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>

**Fixed Construction Guarantee + Payment Reduction**

- Payment Reduction: 5%
- Fixed VC Guarantee: 5%
- Payment Reduction: 3%
- Payment Reduction: 1%

**MINOR WORKS AGREEMENT (MWA)**

**Variable Construction Guarantee**

| 6%               | 4%                   | 2%                   |

**Retention**

- 8% to 4% max: 4%
- 2%: 2%
COMPENSATORY AND DEFAULT INTEREST

[ ] = PBA / N/S clauses.  Days = calendar days unless stated otherwise.  MWA - No compensatory interest

1.0  PRACTICAL COMPLETION

1.1  Compensatory interest only applies to payment certificates issued 31 days after practical completion [31.10] whereas default [31.11] interest can occur in relation to any payment certificate

1.2  The principal agent must issue the works completion list within 7 days of practical completion [25.1] (5 days assumed in the diagram)

1.3  Should the contractor not achieve works completion within 20 working days of the issue of the works completion list the right to compensatory interest on the works completion list items is forfeited [25.4]

2.0  WORKS COMPLETION

2.1  Where Works Completion “A” is achieved within 20 working days of the issue of the works completion list all further monies certified attract compensatory interest (subject to 1.1) [31.10]

2.2  Where Works Completion “B” is achieved (40 days) all further monies less the value of the works completion list items attract compensatory interest [25.4]

2.3  The agent must do a separate valuation of works completion items for 2.2 and all further payment certificates

3.0  FINAL COMPLETION

3.1  At least 3 payment certificates (= 90 c days) must be issued prior to the final payment certificate [34.5]

4.0  PAYMENT CERTIFICATE 11

4.1  The first payment certificate after practical completion (=15 days) attracts no compensatory interest [31.10]

4.2  The employer meets payment requirements

5.0  PAYMENT CERTIFICATE 12

5.1  Compensatory interest over 15 + 30 = 45 days included in payment certificate from recovery statement

5.2  The employer meets payment requirements

6.0  PAYMENT CERTIFICATE 13

6.1  Compensatory interest for 75 days included

6.2  The employer pays certificate 21 days after issue date.  The first 7 days is the employer’s “payment window” [31.11].  The further 14 days attracts default interest

6.3  Should the employer pay the certified amount + the default interest i.e. the “debt due” no further default interest applies

6.4  Should the employer pay only the certified amount further default interest of 9 days would apply to the “unpaid balance” and must be included in the next recovery statement.

6.6  It is preferable that, with the employer’s concurrence, the default interest on the “unpaid balance” should be calculated up to the next expected payment date viz 9 + 7 = 16 days thereby extinguishing the default

7.0  PAYMENT CERTIFICATE 14

7.1  The employer meets payment requirements without 6.6 inclusion

7.2  Should 6.6 not have been applied the “unpaid balance” default interest as per 6.5 would again apply

8.0  PAYMENT CERTIFICATE 15

8.1  Should final completion and acceptance of the final account not be achieved in 90 days further interim payment certificates are to be issue in terms of the “payment cycle”

8.2  The final payment certificate also attracts compensatory interest.  Should the certificate be paid late default interest is due and is recoverable by the contractor as a debt

9.0  COMPENSATORY INTEREST CALCULATION

Assumptions:

•  Interest rate % = 11.5% x 100% (see definition)
•  Net amount certified = 20 000.00
•  Certificate issued after Practical Completion = 45 days

Calculation:  20 000 x 11.5% x 100% x 45 / 365 = 283.56

10.0  DEFAULT INTEREST CALCULATION

Assumptions:

•  Interest rate % = 11.5% x 160% (see definition)
•  Certificate No 3 payment due = 91 200.00
•  Payment made after Certificate issue date = 21 days
•  Employer default period 21-7 day payment period = 14 days (see 6.2 above)
•  Balance of payment cycle = 9 days
•  Next Employer payment (expected) = 7 days

Calculation: 91 200 x 11.5% x 160% x 14 / 365 = 643.65

Assuming the employer makes payment of the certificate amount only:

Add: 643.65 x 11.5% x 160% x 9 / 365 = 2.92 (see 6.4 above)

Total default interest due at end of payment cycle = 646.57

Additional interest to expected Employer payment date

Add: 646.57 x 11.5% x 160% x 7 / 365 = 2.28 (see 6.5 above)

Total default interest paid = 648.85
COMPENSATORY AND DEFAULT INTEREST

ASSUMPTIONS
1. Each payment certificate issued reflects an amount in favour of the contractor.
2. All periods are in calendar days.
3. The contractor's "payment cycle" is a constant 30 days.
4. Default periods given are for demonstration purposes only.

![Diagram of payment certificates and default interest assumptions]
PURPOSE

The recovery statement deals with financial transactions between the employer and contractor that do not affect the contract value and are therefore not part of the valuation of the work in progress or the final account. These transactions can occur at any time during the contract. Such amounts, as are determined by the principal agent on a monthly basis, are included in the payment certificate that is issued at that time. Documentation substantiating the amounts due are to accompany the recovery statement. By dealing with these transactions as they occur and not at the end of the contract considerable administrative frustration is avoided.

THE STATEMENT

<table>
<thead>
<tr>
<th>Column A</th>
<th>Total Amount to be Recovered</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All amounts, whenever determined by the principal agent, are accounted for on an accumulative basis</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column B</th>
<th>Less Previously Recovered</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Previously determined accumulative amounts are accounted for</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column C</th>
<th>Recovered this Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The difference between the column A and B subtotal amounts are carried to the referenced item in the payment certificate</td>
</tr>
</tbody>
</table>

AMOUNTS DUE TO THE EMPLOYER

There are nine conditions not related to the contract value for which the employer is entitled to make recovery from the contractor. These are:

- The first six (1.1.x) are grouped together as they impact on the tax on the certified contract value
- Any penalty due (1.2) is also accounted for before tax is calculated as it is an expense in the contractor’s hands and is separated for clarity purposes
- Default interest (1.3.1) is tax neutral and is accounted for after tax
- Advance payment recoupment (1.3.2) is accounted for after tax

AMOUNTS DUE TO THE CONTRACTOR

There are only four conditions for which the contractor is entitled to recovery from the employer. These are:

- Compensatory (2.1.1) and default interest (2.1.2) amounts, which are both tax neutral, are accounted for after tax
- Damages (2.2) which are an expense in the hands of the contractor are accounted for before tax
- Advance payment received (2.1.3) is accounted for after tax

IMPORTANT NOTES

1. A recovery statement is required to be issued simultaneously with each payment certificate [33.1]
2. All recovery amounts are dealt with on a “before tax” basis as tax (where applicable) is dealt with in the payment certificate
3. Each item to be recovered is identified by a payment certificate reference location with only the amount in column C being transferred to that location

ADVANCE PAYMENT ADMINISTRATION

See Page 19
Recovery Statement
issued in terms of 33.0 of the Principal Building Agreement

Certificate Nº: CCC - 03
Certificate date: 27 March 2007

Employer: Rainbow Nation Enterprises(Pty) Ltd
Contractor: Pharaoh Construction Collective
Works: Corporate Close Chambers
Site: Stand 2001 Stargate

The following amounts, as detailed in supplementary documents, are to be recovered in the stated Payment Certificate:

<table>
<thead>
<tr>
<th>A</th>
<th>TOTAL TO BE RECOVERED</th>
<th>B</th>
<th>LESS PREVIOUS RECOVERY</th>
<th>C</th>
<th>RECOVERY THIS PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 AMOUNTS DUE TO THE EMPLOYER</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.1 Effecting insurance [33.2.1]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.2 Work executed by other parties [33.2.2]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.3 Termination of a nominated subcontract [33.2.3]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4 Termination of the agreement [33.2.6]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.5 Default by the contractor [33.2.7]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.6 Direct payments to N/S subcontractors [33.2.8]</td>
<td>10 000.00</td>
<td>10 000.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal of 1.1</td>
<td>10 000.00</td>
<td>10 000.00</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2.1 Penalties levied [33.1.1, 33.2.5]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3.1 Default interest [33.1.2, 33.1.7]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3.2 Advance payment recoupment [33.2.4]</td>
<td>40 000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal of 1.3</td>
<td>40 000.00</td>
<td></td>
<td>40 000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.0 AMOUNTS DUE TO THE CONTRACTOR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.1 Compensatory interest [33.1.4]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.2 Default Interest [33.1.5]</td>
<td></td>
<td>648.85</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.3 Advance payment made [33.1.7]</td>
<td>350 000.00</td>
<td>200 000.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal of 2.1</td>
<td>350 648.85</td>
<td>200 000.00</td>
<td>150 648.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2 Damages [33.1.6]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note: All amounts exclude tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Signed by the principal agent who, as agent for the employer, certifies that the amounts stated above are included in the current payment certificate

Signed: AV Marshall
Date: 27 March 2007

Name of firm: Millennium Design Ensemble, Saturnia
**PAYMENT CERTIFICATE (PBA)**

**PURPOSE**
The payment certificate certifies an amount of money due and payable between the employer and contractor or vice versa. Note that where the payment certificate is in favour of the contractor it must be in the form of a liquid document that will be recognised by a court of law [1.7]. Liquidity is conferred where the employer (the debtor), by the signature of the principal agent, acknowledges his indebtedness to the contractor for a determined sum of money. The wording related thereto is all important as is the correct identification of the employer, principal agent and contractor and the payment amount that is due to the contractor. Where payment is due to the employer from the contractor it is obtained in terms of [33.3]

**THE PAYMENT CERTIFICATE**

<table>
<thead>
<tr>
<th>Col A</th>
<th>Contract Sum</th>
<th>The contract sum in terms of the agreement is detailed and is fixed so as to act as a cornerstone for the duration of the contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Col B</td>
<td>Current Contract Value</td>
<td>The totals of Columns A and B give an immediate comparison between the contract sum and contract value at the time of issue of the payment certificate. The quantity surveyor, where appointed, determines the Contract Value for approval by the principal agent</td>
</tr>
<tr>
<td>Col C</td>
<td>Current Valuation</td>
<td>The quantity surveyor, where appointed, determines the valuation items</td>
</tr>
<tr>
<td>Col D</td>
<td>Current Amount Certified</td>
<td>The principal agent certifies the current valuation amounts and items of loss and expense detailed in the recovery statement as well as tax on the applicable items</td>
</tr>
</tbody>
</table>

1.0 **Value of work executed** The value must be "a reasonable estimate of the work executed ...". This should not be interpreted as being "work satisfactorily completed". It is important that the principal agent applies his mind to the impartiality of the valuation before certifying such amount. Should it be necessary the principal agent is entitled to modify the quantity surveyor's valuation

2.1-2 **Materials on and off site** Both on and off site materials should be included in the valuation as the risk to the employer is negligible assuming that such materials are considered appropriate by the principal agent [31.6] and that the contractor has provided the required security [15.2.2]. It is legally difficult to achieve a definitive transfer of ownership of materials off site. An advance payment guarantee (see Recovery Statement) covering such materials is probably the best option available to cover the employer's additional risk [31.6.5] where the contractor's security is considered to be insufficient to meet such risk

3.0 **Security adjustment** This is only required where the contractor has elected to provide the security [14.4] to which payment reduction provisions apply [31.8] or has defaulted in not furnishing his chosen security and the employer elects to apply the payment reduction option [14.7.1]

4.0 **Net contract amount** The amount reflected in Column B is the same as that stated in Column A

5.0 **Adjustments to contract value** The adjustments that have been determined to date and are included 1.0 are shown. Anticipated adjustments are not included

6.0 **Contract price adjustment** Column B reflects the updated provision, C reflects the current valuation which appears in D also

7.0 **GROSS AMOUNT CERTIFIED** The summed total of the previous items

8.0 **Less Previous gross amount certified** Item 7.0 of the previous certificate

9.0 **NET AMOUNT CERTIFIED** The net resultant portion of the contract value certified in this certificate

10.0 **1, 2, 3 Recovery Statement Amounts** Note that all these amounts affect the contractor's income or expenditure and are therefore applied before tax is calculated

11.0 **SUB TOTAL** The summed total of the previous items

12.0 **Tax** The subtotal 11.0 is pretax and tax is assumed at 14%. The subtotal could be negative. Where this occurs the tax will be nil (Note: Not a negative amount)

13.0 **1, 2, 3 Recovery Statement Amounts** Interest and advance payment amounts. Note that these amounts are tax neutral and therefore do not attract tax

14.0 **TOTAL** The summed total of the fixed Contract Sum and the variable comparative current Contract Value

15.0 **CERTIFIED AMOUNT DUE FOR PAYMENT** Identify the correct party

16.0 **Contract sum execution** Where the contractor has provided a security in the form of a variable construction guarantee the percentage of the contract sum that has been executed must be determined. The completion status (✓ or X) must be indicated as it affects all the security options
**Payment Certificate**

**issued in terms of 31.0 of the Principal Building Agreement**

**Certificate Nº**: CCC - 03

**Type**: Interim

---

<table>
<thead>
<tr>
<th>Employer</th>
<th>Rainbow Nation Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor</td>
<td>Pharaoh Construction Collective</td>
</tr>
<tr>
<td>Works</td>
<td>Corporate Close Chambers</td>
</tr>
<tr>
<td>Site</td>
<td>Stand 2001 Stargate</td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th><strong>A</strong></th>
<th><strong>B</strong></th>
<th><strong>C</strong></th>
<th><strong>D</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract SUM</td>
<td>Current CONTRACT VALUE</td>
<td>Current VALUATION</td>
<td>Current CERTIFICATION</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>1.0</strong> Value of work executed [31.4.1]</td>
<td><strong>270 000.00</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2.1</strong> Materials on site [31.4.2]</td>
<td><strong>20 000.00</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2.2</strong> Materials off site [31.4.2]</td>
<td>----</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3.0</strong> Security adjustment [14.0, 31.8] (yes/no) <strong>No</strong> (If Yes) ---%</td>
<td><strong>290 000.00</strong></td>
<td><strong>290 000.00</strong></td>
<td></td>
</tr>
<tr>
<td><strong>4.0</strong> Net contract amount</td>
<td><strong>2 420 000.00</strong></td>
<td><strong>2 420 000.00</strong></td>
<td></td>
</tr>
<tr>
<td><strong>5.0</strong> Adjustments to contract value [32.0]</td>
<td><strong>100 000.00</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>6.0</strong> Contract price adjustment [32.13]</td>
<td><strong>80 000.00</strong></td>
<td><strong>80 000.00</strong></td>
<td><strong>10 000.00</strong></td>
</tr>
<tr>
<td><strong>7.0</strong> GROSS AMOUNT CERTIFIED</td>
<td></td>
<td></td>
<td><strong>300 000.00</strong></td>
</tr>
<tr>
<td><strong>8.0</strong> Less Previous gross amount certified [31.4.3, 34.6.2]</td>
<td></td>
<td></td>
<td><strong>-120 000.00</strong></td>
</tr>
<tr>
<td><strong>9.0</strong> NET AMOUNT CERTIFIED</td>
<td></td>
<td></td>
<td><strong>180 000.00</strong></td>
</tr>
<tr>
<td><strong>10.1</strong> Less Expense and Loss [Recovery Statement 1.1]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>10.2</strong> Less Penalties [Recovery Statement 1.2]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>10.3</strong> Add Damages [Recovery Statement 2.2]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>11.0</strong> SUB TOTAL</td>
<td><strong>2 500 000.00</strong></td>
<td><strong>2 600 000.00</strong></td>
<td><strong>180 000.00</strong></td>
</tr>
<tr>
<td><strong>12.0</strong> Add Tax on 11.0 [31.5.5]</td>
<td><strong>350 000.00</strong></td>
<td><strong>364 000.00</strong></td>
<td><strong>25 200.00</strong></td>
</tr>
<tr>
<td><strong>13.1</strong> Less Interest / Advance Payment Recoupment [Recovery Statement 1.3]</td>
<td></td>
<td></td>
<td><strong>-40 000.00</strong></td>
</tr>
<tr>
<td><strong>13.2</strong> Add Interest / Advance Payment Made [Recovery Statement 2.1]</td>
<td></td>
<td></td>
<td><strong>150 648.85</strong></td>
</tr>
<tr>
<td><strong>14.0</strong> TOTAL</td>
<td><strong>2 850 000.00</strong></td>
<td><strong>2 964 000.00</strong></td>
<td></td>
</tr>
<tr>
<td><strong>15.0</strong> CERTIFIED AMOUNT DUE FOR PAYMENT TO THE (Contractor / Employer)</td>
<td><strong>Contractor</strong></td>
<td></td>
<td><strong>315 848.85</strong></td>
</tr>
<tr>
<td><strong>16.0</strong> Contract sum execution % [Variable construction guarantee only]</td>
<td></td>
<td></td>
<td>(D7.0 + A11.0 x 100) <strong>12.0%</strong></td>
</tr>
</tbody>
</table>

---

Security status (Mark each box with a ✓ or X)

- 16.0 < 50% ✓
- 16.0 > 50% X

Practical completion X

Final completion X

Signed by the principal agent who, as agent for the employer, certifies that the positive or negative amount stated in D15.0 above is due and payable

Signed: AV Marshall

Date: 27 March 2007

---

**Name of firm**: Millennium Design Ensemble, Saturnia
**PAYMENT CERTIFICATE NOTIFICATION (PBA)**

[... = PBA clause

**PURPOSE**
The payment certificate notification informs the n/s subcontractor of subcontract amounts of money as part of the total amount that has been certified to the contractor (or employer) in the current payment certificate. Any adjustment made to such amount due to the security provided by the contractor is not applicable to the payment due to the subcontractor. The contractor must certify the full subcontract amount and make such adjustment as is due in terms of the security provided by the subcontractor. The NOTE opposite on the form details this condition.

**THE PAYMENT CERTIFICATE NOTIFICATION**

<table>
<thead>
<tr>
<th>Col A</th>
<th>N/S Contract Sum</th>
<th>The n/s contract sum is detailed and is fixed so as to act as a cornerstone for the duration of the contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Col B</td>
<td>Current Contract Value</td>
<td>The totals of Columns A and B give an immediate comparison between the n/s contract sum and n/s contract value at the time of issue of the payment certificate</td>
</tr>
<tr>
<td>Col C</td>
<td>Current Valuation</td>
<td>The principal agent or quantity surveyor, where appointed, determines the valuation items</td>
</tr>
<tr>
<td>Col D</td>
<td>Current Amount Certified</td>
<td>The principal agent notifies the subcontractor of the current n/s valuation amounts certified to the contractor together with any adjustment in terms of the security provided by the contractor, the previous gross n/s amount certified as well as tax on the net n/s amount certified</td>
</tr>
</tbody>
</table>

1.0 Value of subcontract work executed  The principal agent notifies the valuation items that have been included in the current payment certificate

2.0 1, 2 Materials on and off site  The principal agent notifies the valuation items that have been included in the current payment certificate

3.0 Security adjustment  The principal agent notifies the adjustment (if any) made to the valuation items that have been included in the current payment certificate due in relation to the contractor’s security provision in terms of the principal agreement

4.0 Net contract amount  The amount reflected in Column B is the same as the amount in A

5.0 Authorised variations  The adjustments that have been determined by the principal agent to date and are included in 1.0 are shown. Anticipated adjustments are not included

6.0 Contract price adjustment  Column B reflects the updated provision, C reflects the current valuation by the principal agent which also appears in D

7.0 GROSS AMOUNT CERTIFIED  The summed total of the previous items

8.0 Less Previous gross amount certified  Item 7.0 of the previous certificate

9.0 NET AMOUNT CERTIFIED  The amount of the n/s contract value that has been certified in the current payment certificate. Note that this amount could differ in the contractor’s payment advice as it is subject to the adjustments that the contractor may be entitled to make in terms of the subcontractor’s security or the n/s recovery statement

10.0 SUB TOTAL  The summed total of the previous items

11.0 Add Tax on 10.0  All of the above amounts are pretax with tax being assumed at 14%. Note: Where 10.0 is negative the tax will be nil (cannot be negative)

12.0 1, 2 Advance payment amounts  Note that these amounts are tax neutral and therefore do not attract tax

13.0 TOTAL  The summed total of the n/s contract sum and the current n/s contract value

14.0 AMOUNT DUE FOR PAYMENT  The principal agent must identify which party is to receive payment

15.0 Contractor completion status  The principal agent indicates the percentage of the n/s contract sum that has been executed. The completion status (✔️ or ❌) must be indicated as it affects all the security options for the works as a whole in terms of practical and final completion

Note  The principal agent is not responsible for and is not involved in determining any of the recovery amounts nor for determining whether the security provided by the subcontractor varies the amount due.
**Payment Certificate Notification** issued in terms of the Principal Building Agreement

**Contractor:** Pharaoh Construction Collective  
**Subcontractor:** Electra (Pty) Ltd  
**N/S Works:** CCC Electrical Reticulation  
**Site:** Stand 2001 Stargate

**NOTE:** The payment certificate identified above has been issued to the contractor in which is included an amount that is due for payment to or by the named N/S subcontractor. Where applicable, the adjusted amount certified is in terms of the security provided by the contractor. This adjustment may or may not affect the amount certified to the subcontractor. No account is taken of other amounts that may be due between the parties. The compilation of the certified amount is set out below

<table>
<thead>
<tr>
<th>Date of issue:</th>
<th>27 March 2007</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>A</th>
<th>N/S CONTRACT SUM</th>
<th>B</th>
<th>CURRENT N/S CONTRACT VALUE</th>
<th>C</th>
<th>CURRENT VALUATION</th>
<th>D</th>
<th>CURRENT CERTIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>Value of work executed [31.4.1]</td>
<td></td>
<td>12 000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Materials on site [31.4.2]</td>
<td></td>
<td>8 000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>Materials off site [31.4.2] (yes/no)</td>
<td></td>
<td>----</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.0</td>
<td>Security adjustment [14.0, 31.8]</td>
<td>No</td>
<td>(If Yes)</td>
<td>----%</td>
<td>20 000.00</td>
<td>20 000.00</td>
<td></td>
</tr>
<tr>
<td>4.0</td>
<td>Net n/s contract amount</td>
<td>600 000.00</td>
<td>600 000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.0</td>
<td>Adjustments to n/s contract value [32.0]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.0</td>
<td>Contract price adjustment [32.13]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.0</td>
<td>GROSS AMOUNT CERTIFIED</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20 000.00</td>
<td></td>
</tr>
<tr>
<td>8.0</td>
<td>Less Previous gross amount certified [31.4.3, 34.6.2]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>9.0</td>
<td>NET AMOUNT CERTIFIED</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20 000.00</td>
<td></td>
</tr>
<tr>
<td>10.0</td>
<td>SUB TOTAL</td>
<td>600 000.00</td>
<td>600 000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.0</td>
<td>Add Tax on 10.0 [31.5.5]</td>
<td>84 000.00</td>
<td>84 000.00</td>
<td></td>
<td></td>
<td>2 800.00</td>
<td></td>
</tr>
<tr>
<td>12.1</td>
<td>Add Advance Payment made [33.1.7]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>150 000.00</td>
<td></td>
</tr>
<tr>
<td>12.2</td>
<td>Less Advance Payment recouped [33.2.4]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>----</td>
<td></td>
</tr>
<tr>
<td>13.0</td>
<td>TOTAL</td>
<td>684 000.00</td>
<td>684 000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.0</td>
<td>AMOUNT DUE FOR PAYMENT TO THE (Subcontractor / Contractor)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>172 800.00</td>
<td></td>
</tr>
<tr>
<td>15.0</td>
<td>N/S Contract sum execution % [Variable construction guarantee only]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.3 %</td>
<td></td>
</tr>
</tbody>
</table>

Contractor completion status (Mark each box with a ✓ or X)  
Practical completion X  
Final completion X

Signed by the principal agent of the employer who certifies that the amount stated in D14.0 above is included in the current payment certificate

**Signed:** AV Marshall  
**Date:** 27 March 2007

Name of firm:  
Millennium Design Ensemble, Saturnia

Page 12

N/S RECOVERY STATEMENT

PURPOSE

N/S recovery statement deals with certain expenses and losses suffered by the contractor or subcontractor that do not affect the N/S contract value and are therefore not part of the valuation for the work in progress nor the N/S final account. These expenses and losses can occur at any time during the contract. Such amounts as are determined by the contractor on a monthly basis, are included in the interim or final payment certificate that is issued at that time. Documentation substantiating the amounts due are to accompany the N/S recovery statement.

By dealing with these expenses and losses as they occur considerable administrative frustration is avoided as each expense or loss is readily identifiable as against dealing with them at final account stage. Further the parties are correctly compensated for the expenses and losses suffered as they occur and not only at the end of the contract.

THE STATEMENT

Column A  Total Amount to be Recovered
All amounts, whenever determined by the contractor, are accounted for on an accumulative basis.

Column B  Less Previously Recovered
Accumulative previously determined amounts are accounted for.

Column C  Recovered this Period
The difference between the column A and B subtotal amounts is shown in this column and is carried to the referenced item in the payment advice statement.

AMOUNTS DUE TO THE CONTRACTOR

There are eight conditions for which the contractor is entitled to recovery from the subcontractor. These are:

- The first six (1.1.x) are grouped together as they all impact on the tax calculated on the certified contract value
- The remaining two items, default interest (1.2) and advance payment recoupment (1.2.2), are accounted for after tax.

AMOUNTS DUE TO THE SUBCONTRACTOR

There are five conditions for which the subcontractor is entitled to recovery from the contractor. These are:

- Damages (2.1.1) and non-contract variations (2.1.2) which are accounted for before tax
- Compensatory interest (2.2.1), default interest (2.2.2) and advance payments made. These amounts are accounted for after tax.

IMPORTANT NOTES

1. The N/S recovery statement must be issued simultaneously with each payment advice statement [33.1]
2. All recovery amounts are to exclude tax as this is dealt with in the payment advice statement
3. Each item to be recovered is identified by a payment advice location reference with only the amount in column C being transferred to that location

ADVANCE PAYMENT ADMINISTRATION

See Page 19
## N/S Recovery Statement

**Contractor:** Pharaoh Construction Collective  
**Subcontractor:** Electra (Pty) Ltd  
**N/S Works:** CCC electrical reticulation  
**Site:** Stand 2001 Stargate

The following amounts, as detailed in supplementary documents, are to be recovered in the stated Payment Advice:

<table>
<thead>
<tr>
<th>Payment advice reference ▼</th>
<th>A TOTAL TO BE RECOVERED</th>
<th>B LESS PREVIOUS RECOVERY</th>
<th>C RECOVERED THIS PERIOD</th>
</tr>
</thead>
</table>

### 1.0 AMOUNTS DUE TO THE CONTRACTOR

1.1.1 Effecting insurance [33.2.1]  
1.1.2 Work executed by other parties [33.2.2]  
1.1.3 Damages [33.2.3, 38.5.6]  
1.1.4 Termination of the n/s agreement [33.2.6]  
1.1.5 Default by the n/s subcontractor [33.2.7]  
1.1.6 Additional cost of scaffolding [33.2.8]

**Subtotal of 1.1** [10.1]  
2 500.00  
2 500.00

1.2.1 Default interest [33.1.2]

**Subtotal of 1.2** [13.1]  

### 2.0 AMOUNTS DUE TO THE SUBCONTRACTOR

2.1.1 Damages [33.1.6]  
2.1.3 Non-contract variations [33.1.8]  

**Subtotal of 2.1** [10.2]  
12 000.00  
12 000.00

2.2.1 Compensatory interest [33.1.4]  
2.2.2 Default interest [33.1.5]  
2.2.1 Advance payment granted [33.1.7]  

**Subtotal of 2.2** [13.2]  
150 000.00  
150 000.00

*Note: All amounts exclude tax*

Signed by the contractor who certifies that the amounts stated above are included in the current payment advice statement

**Name of firm:** Pharaoh Construction Collective, Dune Valley 1745

**Signed:**  
A S Sergeant  
**Date:** 13 April 2007
PURPOSE

The payment advice statement certifies an amount of money due and payable between the contractor and subcontractor or vice versa. Note that where the payment advice is in favour of the subcontractor it in must be in the form of a liquid document that will be recognised by a court of law [1.7]. Liquidity is conferred where the contractor (the debtor), by his signature, acknowledges his indebtedness to the subcontractor for a determined sum of money. The wording related thereto is all important as is the correct identification of the contractor and subcontractor and the payment amount due to the subcontractor. Where payment is due to the contractor from the subcontractor it is obtained in terms of [33.3]

THE PAYMENT ADVICE STATEMENT

Col A N/S Contract Sum The n/s contract sum in terms of the n/s agreement is detailed and is fixed so as to act as a cornerstone for the duration of the contract

Col B Current N/S Contract Value The totals of Columns A and B give an immediate comparison between the n/s contract sum and n/s contract value at the time of issue of the payment advice statement

Col C Current Valuation The contractor determines the valuation in terms of the statement issued [31.13.1] of the Principal Building Agreement

Col D Current Amount Certified The contractor certifies the current valuation amounts and items of loss and expense detailed in the n/s recovery statement as well as tax on the applicable items

1.0 Value of work executed The value is determined in terms of the statement in terms of Col C above. The contractor has no right to reduce/vary the value from the amounts detailed in the Col C statement issued by the principal agent

2.0 1, 2 Materials on and off site Subcontractor on and off site materials are to be included where they are certified in the payment certificate

3.0 Security adjustment This is only required where the subcontractor has elected to provide the security [14.4] to which payment reduction provisions apply [31.8] or has defaulted in not furnishing his chosen security and the contractor elects to apply the payment reduction option [14.7.1]

4.0 Net contract amount The amount reflected in Column B is the same as the amount in A

5.0 Adjustments to n/s contract value The adjustments that have been determined to date by the principal agent and are included in 1.0 are shown. Anticipated adjustments are not included

6.0 Contract price adjustment Column B reflects the updated provision, C reflects the current valuation which also appears in D

7.0 GROSS AMOUNT CERTIFIED The summed total of the previous items

8.0 Less Previous gross amount certified Item 7.0 of the previous payment advice statement

9.0 NET AMOUNT CERTIFIED The amount of the contract value certified in this payment advice statement

10.0 1, 2, 3 N/S Recovery Statement Amounts Note that all these amounts affect the subcontractor’s income or expenditure and are therefore applied before tax is calculated

11.0 SUB TOTAL The summed total of the previous items

12.0 Tax The subtotal 11.0 is pretax and tax is assumed at 14%. The subtotal could be negative. Where this occurs the tax will be nil (Note: Tax cannot be negative)

13.0 1, 2 N/S Recovery Statement Amounts Interest and advance payment amounts are tax neutral

14.0 TOTAL The summed total of the n/s contract sum and the n/s current contract value

15.0 AMOUNT DUE FOR PAYMENT Identify the correct party

16.0 Contract sum execution Where the subcontractor has provided a security in the form of a variable construction guarantee the percentage of the n/s contract sum that has been executed must be determined. The completion status (✓ or ✗) must be indicated as it affects all the security options
### Payment Advice

**Issued in terms of 31.0 of the N/S Subcontract Agreement**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. N/S CONTRACT SUM</strong></td>
<td></td>
</tr>
<tr>
<td>Value of work executed [31.4.1]</td>
<td>14 000.00</td>
</tr>
<tr>
<td>Materials on site [31.4.2]</td>
<td>6 000.00</td>
</tr>
<tr>
<td>Materials off site [31.4.2]</td>
<td>----</td>
</tr>
<tr>
<td><strong>B. CURRENT N/S CONTRACT VALUE</strong></td>
<td></td>
</tr>
<tr>
<td>Security adjustment [14.3, 14.7.1] (yes/no)</td>
<td>Yes</td>
</tr>
<tr>
<td>(If Yes) 90 %</td>
<td>20 000.00</td>
</tr>
<tr>
<td><strong>C. CURRENT CERTIFICATION</strong></td>
<td></td>
</tr>
<tr>
<td>Net contract amount</td>
<td>600 000.00</td>
</tr>
<tr>
<td>Adjustments to contract value [32.0]</td>
<td>----</td>
</tr>
<tr>
<td>Contract price adjustment [32.13]</td>
<td>----</td>
</tr>
<tr>
<td><strong>D. GROSS AMOUNT CERTIFIED</strong></td>
<td>18 000.00</td>
</tr>
<tr>
<td>Less Previous gross amount certified [31.4.3, 34.6.2]</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>NET AMOUNT CERTIFIED</strong></td>
<td>18 000.00</td>
</tr>
<tr>
<td>Add Expense and Loss [Recovery Statement 1.1]</td>
<td>- 2 500.00</td>
</tr>
<tr>
<td><strong>SUB TOTAL</strong></td>
<td>27 500.00</td>
</tr>
<tr>
<td>Add Tax on 11.0 [31.5.5]</td>
<td>3 850.00</td>
</tr>
<tr>
<td><strong>INTEREST / ADVANCE PAYMENT RECOPMENT</strong> [Recovery Statement 1.2]</td>
<td>----</td>
</tr>
<tr>
<td>Add Interest / Advance Payment Made [Recovery Statement 2.2]</td>
<td>150 000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>684 000.00</td>
</tr>
</tbody>
</table>

**Amount Due for Payment to the**

| (Subcontractor / Contractor)  | 182 350.00 |

**N/S Contract sum execution %** [Variable construction guarantee only]

<table>
<thead>
<tr>
<th>Security status (Mark each box with a ✓ or X)</th>
<th>16.0 &lt; 50%</th>
<th>16.0 &gt; 50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practical completion</td>
<td>✓</td>
<td>X</td>
</tr>
<tr>
<td>Final completion</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Signed by the contractor who certifies that the positive or negative amount stated in D15.0 above is due and payable

**Name of firm:**

**Pharaoh Construction Collective**

**Signed:**

**AS Sergeant**

**Date:** 13 April 2007
**PAYMENT CERTIFICATE (MWA)**

[... = MWA clause

**PURPOSE**

The payment certificate certifies an amount of money due and payable between the employer and contractor or vice versa. Note that where the payment certificate is in favour of the contractor it must be in the form of a liquid document that will be recognised by a court of law [1.7]. Liquidity is conferred where the employer (the debtor), by the signature of the principal agent, acknowledges his indebtedness to the contractor for a determined sum of money. The wording accompanying the principal agent’s signature is all important as is the correct identification of the employer, principal agent and contractor and that the payment amount is due to the contractor. Note that where payment is due to the employer from the contractor it is obtained in terms of [13.12,14,16]

**THE PAYMENT CERTIFICATE**

<table>
<thead>
<tr>
<th>Col A</th>
<th>Contract Sum</th>
<th>The contract sum in terms of the agreement is detailed and is fixed so as to act as a cornerstone for the duration of the contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Col B</td>
<td>Current Contract Value</td>
<td>The totals of Columns A and B give an immediate comparison between the contract sum and contract value at the time of issue of the payment certificate</td>
</tr>
<tr>
<td>Col C</td>
<td>Current Valuation</td>
<td>The principal agent determines the valuation of the works</td>
</tr>
<tr>
<td>Col D</td>
<td>Current Amount Certified</td>
<td>The principal agent certifies the current valuation amounts and items of loss and expense [13.6/7] as well as tax on the applicable items</td>
</tr>
</tbody>
</table>

1.0 **Value of work executed**

   It is important that the principal agent applies his mind to the impartiality of the valuation where another agent is involved before certifying such amount

2.0 **Materials and goods**

   Materials must be included assuming that they are to the satisfaction of the principal agent [13.5.2]. Any advance given by the employer for the purchase of materials must also be included

3.0 **SUBTOTAL**

   The summed total of the previous items

4.0 **Less Retention**

   This is only required where the contractor has elected to provide the security [2.3] to which payment reduction provisions apply [13.9] or has defaulted in not furnishing his security and the employer elects to apply the payment reduction option [13.9]

5.0 **Net contract amount**

   The amount reflected in Column B is the same as the amount in A

6.0 **Adjustments to contract value**

   The adjustments that have been determined to date and are included 1.0 are shown. **Anticipated adjustments are not included**

7.0 **Less Previous gross amount certified**

   Item 4.0 of the previous certificate

8.0 **NET AMOUNT CERTIFIED**

   The amount of the contract value certified in this certificate

9.0 **1, 2, 3, 4**

   These amounts that are due between the parties are not part of the contract value. Note that penalties and the other items are an expense to the contractor and are therefore applied **before tax is added**

10.0 **SUB TOTAL**

   The summed total of the previous items

11.0 **Tax**

   The subtotal 10 is pretax and tax is assumed at 14%. Where the subtotal is negative the tax will be **NIL**

12.0 **1, 2**

   Interest amounts due between the parties are tax neutral and do not attract tax

13.0 **TOTAL**

   The summed total of the **fixed** contract sum and the **variable** current contract value

14.0 **CERTIFIED AMOUNT DUE FOR PAYMENT**

   Identify the correct party

15.0 **Contract Sum Execution**

   This gives a quick guide to both the employer and contractor on the progress of the works. The security and completion status (✓ or ✗) must be indicated as it affects all the security options
Payment Certificate
issued in terms of 13.0 of the
Minor Works Agreement

Certificate No: NWC21-08
(Interim or Final) Interim

<table>
<thead>
<tr>
<th>Employer</th>
<th>Professional Placements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor</td>
<td>New World Contracts</td>
</tr>
<tr>
<td>Works</td>
<td>Home / Office Conversion</td>
</tr>
<tr>
<td>Site</td>
<td>No 9 Dvorak Street, Symphony Village</td>
</tr>
</tbody>
</table>

| Valuation date: | 27 March 2007 |
| Payment due date: | 13 April 2007 |

<table>
<thead>
<tr>
<th>A CONTRACT SUM</th>
<th>B CURRENT CONTRACT VALUE</th>
<th>C CURRENT VALUATION</th>
<th>D CURRENT CERTIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 Value of work executed [13.5.1]</td>
<td></td>
<td></td>
<td>485 000.00</td>
</tr>
<tr>
<td>2.1 Materials and goods [13.5.2]</td>
<td></td>
<td></td>
<td>25 000.00</td>
</tr>
<tr>
<td>3.0 SUBTOTAL</td>
<td></td>
<td></td>
<td>510 000.00</td>
</tr>
<tr>
<td>4.0 Less Retention [13.9] (yes/no) Yes (If Yes) 8% or 4%</td>
<td>20 400.00</td>
<td></td>
<td>489 600.00</td>
</tr>
<tr>
<td>5.0 Net contract amount</td>
<td>840 000.00</td>
<td>840 000.00</td>
<td></td>
</tr>
<tr>
<td>6.0 Adjustments to contract value [14.0]</td>
<td></td>
<td></td>
<td>60 000.00</td>
</tr>
<tr>
<td>7.0 Less Previous gross amount certified [13.5.3]</td>
<td>-</td>
<td></td>
<td>-302 100.00</td>
</tr>
<tr>
<td>8.0 NET AMOUNT CERTIFIED</td>
<td></td>
<td></td>
<td>187 500.00</td>
</tr>
<tr>
<td>9.1 Less Work by a others (direct contractor) [13.7.1]</td>
<td></td>
<td></td>
<td>-30 500.00</td>
</tr>
<tr>
<td>9.2 Less Penalties due to employer [13.7.2]</td>
<td></td>
<td></td>
<td>----</td>
</tr>
<tr>
<td>9.3 Less Expense or loss due to employer [13.7.3]</td>
<td></td>
<td></td>
<td>----</td>
</tr>
<tr>
<td>9.4 Add Expense or loss due to contractor [13.8]</td>
<td></td>
<td></td>
<td>----</td>
</tr>
<tr>
<td>10.0 SUBTOTAL</td>
<td>840 000.00</td>
<td>900 000.00</td>
<td>157 000.00</td>
</tr>
<tr>
<td>12.0 Add Tax on 10.0 [13.6.2]</td>
<td>117 600.00</td>
<td>126 000.00</td>
<td>21 980.00</td>
</tr>
<tr>
<td>12.1 Add Interest due to contractor [13.13]</td>
<td></td>
<td></td>
<td>----</td>
</tr>
<tr>
<td>12.2 Less Interest due to employer [13.14]</td>
<td></td>
<td></td>
<td>----</td>
</tr>
<tr>
<td>13.0 TOTAL</td>
<td>957 600.00</td>
<td>1 026 600.00</td>
<td></td>
</tr>
<tr>
<td>14.0 CERTIFIED AMOUNT DUE FOR PAYMENT TO THE (Contractor / Employer)</td>
<td></td>
<td></td>
<td>178 980.00</td>
</tr>
</tbody>
</table>

16.0 Contract sum execution %
(C3.0 ÷ A10.0 x 100) 60.7 %

Security status (Mark each box with a ✔ or ✗)
Practical completion ✗ Final completion ❌

Signed by the principal agent who, as agent for the employer, certifies that the positive or negative amount stated in D14.0 above is due and payable

Signed:
A Vivaldi

Date: 13 April 2005

Name of firm:
Symphonic Architecture Incorporated, Venecia

ADVANCE PAYMENT

PURPOSE
The Advance Payment Guarantee is a specifically designed financial instrument to enable the employer to make an advance payment to the contractor or subcontractor for substantial materials or equipment that need to be ordered in advance of their requirement on site. Such goods therefore do not qualify for payment certification. Some form of collateral will be required by the institution providing the guarantee. A "transfer of ownership" is not considered to be a legally unenforceable substitute.

ADMINISTRATION
1. All advance payment transactions are dealt with in the recovery statement (Minor Works directly in the payment certificate).
2. No “direct payments” or recoupment of the advance should bypass the payment certificate. This ensures that all financial transactions related to the contract are accounted for in the payment provisions of the applicable agreement.
3. Interest or other charges related to the advance payment guarantee agreed by the parties should be dealt with directly between the parties as they are not part of the contract sum nor the contract value.
4. An advance payment guarantee should not be demanded for materials off site that adequately fall within the provisions of a construction guarantee provided by the contractor or n/s subcontractor.
5. Advance payments are a specialised form of loan and therefore do not attract tax.
6. Note that the end Current Certification balances with the end Total Net Payment.
7. The employer is entitled to call up the Guarantee should default in the repayment occur at any stage.
8. Advance Payment Life Cycle Table
The following tables set out the typical cash flow of an advance payment to both the contractor and a subcontractor.

<table>
<thead>
<tr>
<th>Guarantee Information</th>
<th>Contractor</th>
<th>N/S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recipient’s Net Contract value (ex tax)</td>
<td>2 000 000</td>
<td>600 000</td>
</tr>
<tr>
<td>Advance payment required</td>
<td>200 000</td>
<td>150 000</td>
</tr>
<tr>
<td>Recoupment period (months)</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Recoupment start month</td>
<td>M3</td>
<td>M5</td>
</tr>
<tr>
<td>Recoupment monthly payment</td>
<td>40 000</td>
<td>50 000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payment Certificate Data</th>
<th>M1</th>
<th>M2</th>
<th>M3</th>
<th>M4</th>
<th>M5</th>
<th>M6</th>
<th>M7</th>
<th>M8</th>
<th>Total Contract Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation</td>
<td>Cont 40 000</td>
<td>120 000</td>
<td>280 000</td>
<td>500 000</td>
<td>800 000</td>
<td>1 200 000</td>
<td>1 700 000</td>
<td>2 000 000</td>
<td></td>
</tr>
<tr>
<td>Previously certified N/S</td>
<td>5 600</td>
<td>11 200</td>
<td>25 200</td>
<td>37 800</td>
<td>65 800</td>
<td>89 600</td>
<td>82 600</td>
<td>46 200</td>
<td>364 000</td>
</tr>
<tr>
<td>Current Certification add Tax</td>
<td>14%</td>
<td>40 000</td>
<td>80 000</td>
<td>180 000</td>
<td>270 000</td>
<td>470 000</td>
<td>640 000</td>
<td>590 000</td>
<td>330 000</td>
</tr>
<tr>
<td>Gross Certification</td>
<td>Cont 45 600</td>
<td>91 200</td>
<td>205 200</td>
<td>307 800</td>
<td>535 800</td>
<td>729 600</td>
<td>672 000</td>
<td>376 200</td>
<td>2 964 000</td>
</tr>
<tr>
<td>Advance/recoupment N/S</td>
<td>200 000</td>
<td>150 000</td>
<td>-50 000</td>
<td>-50 000</td>
<td>-50 000</td>
<td>-50 000</td>
<td>-50 000</td>
<td>-50 000</td>
<td>-50 000</td>
</tr>
<tr>
<td>Total Net Payments</td>
<td>245 600</td>
<td>91 200</td>
<td>315 200</td>
<td>267 800</td>
<td>445 800</td>
<td>639 600</td>
<td>582 600</td>
<td>376 200</td>
<td>2 964 000</td>
</tr>
</tbody>
</table>
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http://www.clotansteel.co.za