

# DENEL

## EXHIBIT W 10

## CELIA PAULINA MAMOHLALA MALAHLELA

WTO STATE



#### JUDICIAL COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE, CORRUPTION AND FRAUD IN THE PUBLIC SECTOR INCLUDING ORGANS OF STATE

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#### IN THE COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE, CORRUPTION AND FRAUD IN THE PUBLIC SECTOR INCLUDING ORGANS OF STATE

#### STATEMENT

I, the undersigned,

#### CELIA PAULINA MAMOHLALA MALAHLELA

do hereby state as follows:

#### 1. INTRODUCTION

- I am an adult female previously employed as the Acting General Manager: Properties at Denel SOC Ltd. Denel SOC Ltd's head office is located on Nellmapius Drive, Centurion, Gauteng Province, 0046.
- 1.2. This statement has been prepared in terms of Rule 6.2 of the Rules Governing the Proceedings of the Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in The Public Sector Including Organs of State, chaired by Deputy Chief Justice, Raymond Zondo ("the Commission"). This statement has been prepared following a request received from the investigators of the Commission.
- I believe the facts contained in this statement to be true and correct and within my personal knowledge and belief, save where the context indicates otherwise.
- 1.4. Where I make submissions on legal matters, I do so on the advice of the legal representatives of Denel SOC Ltd, which advice I accept as being correct.
- 1.5. The purpose of this statement is to respond to the queries raised by the Commission's investigators regarding my involvement as the Executive Manager: Supply Chain at Denel Land Systems with respect to the following:

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- 1.5.1. The appointment of VR Laser Services (Pty) Ltd by Denel Land Systems to produce 217 armour hulls for the Hoefyster Platform Components in the year 2014 and pursuant to the Updated Request for Proposals dated 06 June 2014;
- 1.5.2. The conclusion of the Memorandum of Agreement in the year 2015, between Denel Land Systems and VR Laser Services (Pty) Ltd whereby the latter was appointed by the former to be a single-source supplier for the provision of all fabricated steel services and goods such as the fabrication of hulls, fabricated structures and/or turret hulls, for a period of 10 years.
- 1.5.3. The appointment of VR Laser Services (Pty) Ltd by Denel Land Systems in 2016 to supply cradles, FCM outer shields and armour components, following the cancellation of an agreement between Denel Land Systems and LMT (Pty) Ltd to supply the same components.
- 1.6. Prior to providing the information referred to in the previous paragraph, I shall first provide the details of when I assumed the role of Executive Manager: Supply Chain at Denel Land Systems by setting out my educational background and employment history.

#### 2. PROFESSIONAL BACKGROUND AND EMPLOYMENT AT DENEL SOC LTD

- 2.1. I hold a Bachelor of Laws (LLB) Degree from the University of Western Cape, which I completed in 2005.
- 2.2. I joined Denel Land Systems in May 2012, in the position of a Contracts Manager in the Supply Chain Department. I had initially applied for the position of Company Secretary through a recruitment agency. Following going through the interview process for this position, I was informed by the agency that due to internal changes that were occurring within Denel Land Systems, the position was no longer available.
- 2.3. I was then informed of the position of Contracts Manager being available and also went through the interview process for this. I was then provided with an offer of employment for this later position, which I duly accepted.

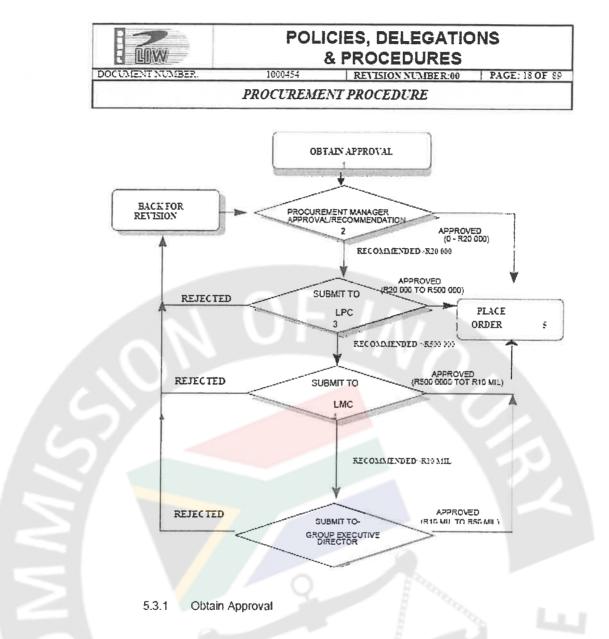
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- 2.4. Prior to the above, my employment background was as follows:
- 2.4.1. I joined Eskom Holdings SOC Ltd as a Governance and Legal Officer in February 2006 until July 2007;
- 2.4.2. I then joined De Beers Consolidated Mines as Senior Supply Chain Officer from August 2007 until July 2010;
- 2.4.3. I thereafter joined Katanga Mining as a Contracts Advisor in August 2010 and was given the added role of Company Secretary from November 2010 until I left the employ during May 2012.
- 2.5. In or around November 2012, the Denel Land Systems division amalgamated the company Mechem Incorporated to become "Denel Land Systems incorporating Mechem" and restructuring took place which required me to act as the Executive Manager: Supply Chain. I acted in this position until February 2013 where after, I became appointed on a full-time basis in the said position.
- 2.6. During this time as Executive Manager: Supply Chain, I reported to the Chief Operations Officer of Denel Land Systems, Mr Reenen Teubes.
- 2.7. My responsibilities as Executive Manager: Supply Chain included the following:
- 2.7.1. Providing strategic direction to the remainder of the team within the supply chain department;
- 2.7.2. Responsible for the signing-off of commercial procurement, which entailed the purchasing of off-the-shelf / non-technical products;
- 2.7.3. Responsible for the signing-off of technical procurement, which entailed the purchasing of components based on data packs specific to a particular make of an armour vehicle, line replacements and ammunition.
- 2.7.4. Member and chairperson of the Procurement Committee of Denel Land Systems – the Procurement Committee had delegation to approve the appointment of suppliers wherein the contract value was R 5 million or less;

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- 2.7.5. Making recommendations to the Denel Land Systems' Executive Management Committee (EXCO) for the appointment of suppliers wherein the contract value exceeded the delegation provided to the Procurement Committee referred to above.
- 2.8. A copy of the organogram of the supply chain department applicable to Denel Land Systems at the time is attached hereto as **Annexure CM1**.
- 2.9. A copy of the Delegation of Authority policy applicable to Denel Land Systems at the time is attached hereto as **Annexure CM2**.
- 2.10. The procurement practice that I found in place at the time was that suppliers were appointed mainly through a closed tender/Request For Quotation system.
- 2.11. Below is an illustration of the approval process taken from the Denel LIW Procurement Procedure, Document Number 1000454, implemented on 17 May 2000.





- 2.12. Depending on the value of the procurement referred to above and as per Denel Land Systems' Delegation of Authority policy, I would also be responsible for the preparation of the submissions for approval by the Executive Committee of Denel Land Systems.
- 2.13. I resigned from the position of Executive Manager: Supply Chain at the end of December 2016. Later in January 2017, I joined the operations department at the Denel Corporate Office. I then took up the position of Acting General Manager: Properties at Denel SOC Ltd in August 2017, which latter position I resigned from on 12 April 2019.

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#### 3. EVALUATION CRITERIA USED IN THE ASSESSMENT OF BIDS

- 3.1. As is public knowledge, on 07 December 2011, the then Minister of Finance issued an exemption to entities listed under Schedule 2 of the Public Finance Management Act of 1999, regarding compliance with the provisions of the Preferential Procurement Regulations of 2011 read with the Preferential Procurement Policy Framework Act of 2000, in so far as the evaluation criteria for tenders is concerned. The exemption was scheduled to last until 07 December 2012. A copy of the exemption is attached hereto and marked as **Annexure CM3**.
- 3.2. Following the lapse of the exemption period referred to above, the Minister of Public Enterprises, as Denel SOC Ltd's shareholder representative, issued a letter dated 07 December 2012 to the then Chairperson of the Board of Directors of Denel, informing him amongst others things:
- 3.2.1. The exemption enjoyed by entities listed under Schedule 2 of the PFMA expired on 07 December 2012;
- 3.2.2. There were a number of unresolved issues pertaining to the extension of the exemption of State-Owned Entities ("SOEs") as per the exemption that had been issued on 07 December 2011 these issues will have a material impact on the ability of SOEs to extract optimal commercial, developmental and transformational value from strategic procurements.
- 3.2.3. The minister was personally engaging with the Minister of Finance to resolve the above-mentioned issues SOEs should in the meantime, continue to procure as if the extension to the exemption (which lapsed on 07 December 2012) was still in place.
- 3.3. A copy of the letter from the Minister of Public Enterprises dated 07 December 2012 and the cover email from the Supply Chain Executive within the Denel Group, Mr Dennis Mlambo ("Mr Mlambo") to the supply chain managers within the Denel Group is attached hereto and marked as Annexure CM4.

- 3.4. On or about 28 February 2013, Mr Mlambo conducted a presentation to stakeholders/suppliers at large at the Denel Supplier Day, wherein he set out the criteria that was to be applied by the Denel Group in the evaluation of tenders. A copy of the presentation and agenda for the Denel Supplier Day is attached hereto and marked as **Annexure CM5**.
- 3.5. As will be noted from the presentation, the following evaluation criteria was to be used by the Denel Group in assessing / adjudicating tenders:
- 3.5.1. Price 25%
- 3.5.2. Functionality 45%
- 3.5.3. BBBEE 30%.
- 3.6. The criteria referred to above is noted to have been part of the Denel Group's strategic objective of increasing the black supplier pool in its core business areas and improving the quality of contracting with suppliers to achieve, a fair spread of risk sharing and profitability.
- 3.7. Mr Mlambo had further, through his email of 19 February 2014, addressed to the various managers within the divisions of the Denel Group, highlighted the low level of spend by Denel on black-owned and black women owned companies and reminded the parties responsible for the adjudication criteria to implement the same and with immediate effect. The email of 19 February 2014 from Mr Mlambo, attached hereto as **Annexure CM6**.
- 3.8. I also need to point out that the applicable internal procurement policies at the time were the following:
- 3.8.1. Denel LIW Procurement Procedure, Document Number 1000454, implemented on 17 May 2000.
- 3.8.2. Denel Land Systems' Procurement Policy Revision no. 6, revised on 07 April 2008; and

3.9. The above-stated background is what informed the application of the evaluation criteria to the responses received pursuant to the award of the 217 Armour Hulls for the Hoefyster Platform Components in the year 2014.

## 4. THE APPOINTMENT OF VR LASER SERVICES (PTY) LTD BY DENEL LAND SYSTEMS TO PRODUCE 217 ARMOUR HULLS FOR THE HOEFYSTER PLATFORM COMPONENTS IN THE YEAR 2014

## 4.1. <u>The submission to Denel Land Systems EXCO during April 2014,</u> recommending the appointment of VR Laser Services (Pty) Ltd

- 4.1.1. During the month of April 2014, I signed-off submission to the Denel Land Systems EXCO, recommending that the committee approve the appointment of VR Laser Services (Pty) Ltd, based on the quotations that Denel Land Systems had received in response to the Request for Offers ("RFO") for Hoefyster Platform Components under Proposal Number HY/RFO/2011-001, issued during February 2012. To the best of my knowledge the RFO was issued to the following suppliers:
- 4.1.1.1. LMT Holdings (Pty) Ltd ("LMT"),
- 4.1.1.2. DCD-Dorbyl (Pty) Ltd ("DCD"); and
- 4.1.1.3. VR Laser Services (Pty) Ltd.

(the companies referred to in 4.1.1.1 to 4.1.1.3 are collectively referred to as "the three suppliers")

- 4.1.2. I was a member of the team, which discussed the progress being made with the Platform Hulls Manufacturing. I received an invitation from Mr Riaan Badenhorst in his capacity as Project Manager: Transfer of Technology Platform ("Mr Badenhorst") at the time, to attend the standing meeting to discuss the progress being made with the Platform Hulls Manufacturing and the said meeting was scheduled for 01 April 2014.
- 4.1.3. As can be seen from the Supply Chain organogram as at November 2012 and attached hereto as Annexure CM1, Mr Badenhorst was previously employed in the Supply Chain Department as a procurement

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officer. He therefore had been involved in the procurement process of the Platform Hull Manufacturing prior to his position of Project Manager: Transfer of Technology Platform.

- 4.1.4. The information available to this team, in preparation for the meeting scheduled for 01 April 2014 included not only the responses received from the three respective suppliers in response to the RFO of February 2012 but also a report by Finland company, Patria Land Services Oy ("Patria") titled: "Hull Welding TT Information Week 8 2014 Denel Land System" dated 03 March 2014 ("the Patria Report").
- 4.1.5. Patria was the original equipment manufacturer of the vehicles to be supplied by DLS to Armscor under the Hoefyster Contract and had conducted site visits to the three suppliers who were issued with RFOs in February 2012. I can confirm that I was not part of the Denel Land Systems' delegation that attended the site visits to the three suppliers.
- 4.1.6. A copy of the email invite from Mr Badenhorst to the meeting of 01 April 2014 attaching the Patria Report, is attached hereto as **Annexure CM7**.<sup>1</sup> As can be noted from the email invite, the persons who were invited to this meeting were:
- 4.1.6.1. Johan Bezuidenhout;
- 4.1.6.2. Reenen Teubes;
- 4.1.6.3. Henk van den Heever;
- 4.1.6.4. Martin Drevin; and
- 4.1.6.5. Nols Fonternel.
- 4.1.7. I pause to mention that I was first made aware of the three suppliers' responses to the RFO of February 2012 on or about 10 February 2014 by Mr Badenhorst. A copy of the email from Mr Badenhorst dated 10 February 2014 is attached hereto as **Annexure CM8**.

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<sup>&</sup>lt;sup>1</sup> I need to point out that I was first made aware of the Patria Report through an Outlook meeting invite that came from Mr Badenhorst on 04 March 2014, wherein the said report was contained in the body of the Invite. The persons invited to this meeting included Mr Reenen Teubes. I then attended to forward the said Report to Mr Stephan Burger in his capacity as the Chief Executive Officer of Denel Land Systems. A copy of the email invite of 04 March 2014 from Mr Badenhorst and my email to Mr Burger on the same day are attached hereto as **Annexure CM7.1** & **CM7.2**.

- 4.1.8. Following the meeting above, a submission to the DLS EXCO which contained a recommendation on which supplier should be appointed in the Platform Hulls Manufacturing was prepared, based on the responses received from the three respective suppliers in response to the RFO of February 2012.
- 4.1.9. The draft submission to the DLS EXCO was initially prepared on or about 04 April 2014 by Mr Badenhorst and submitted to me for consideration for onward transmission to the DLS EXCO.
- 4.1.10. Copies of the emails from Mr Badenhorst dated 04 April 2014 with respect to the above are attached hereto an **Annexures CM9**.
- 4.1.11. A final submission was concluded on 25 April 2014 for the DLS EXCO's consideration for its meeting of 29 April 2014, recommending the appointment of VR Laser Services (Pty) Ltd as the preferred supplier in the Platform Hulls Manufacturing contract.
- 4.1.12. The email to the Denel Land Systems EXCO attaching the submission of 25 April 2014 is attached hereto as Annexure CM10.
- 4.1.13. The agenda for the DLS EXCO meeting of 29 April 2014 is attached hereto as **Annexure CM11**.
- 4.1.14. As can be noted under paragraph 7 of the DLS EXCO submission of 25 April 2014 (Annexure CM10), titled "Supply Chain Comment", the Patria Report had been integrated into the recommendation of the crossfunctional team for the appointment of VR Laser Services (Pty) Ltd as the preferred supplier in the Platform Hulls Manufacturing contract.
- 4.1.15. Although the Patria Report had been used in support of the decision recommend that VR Laser Services (Pty) Ltd, it is submitted that VR Laser would have been recommended as the preferred supplier due to the fact that it had offered the most competitive price out of the three suppliers under review. As can be noted on page 2 of the submission, the prices of the three suppliers were as follows:

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Supplier	Amount / prices per unit		
VR Laser Services (Pty) Ltd	R 865 010.00		
DCD Dorbyl	R 896 000.00		
LMT	R 1 738 694.00		

- 4.1.16. Shortly before signing-off the submission of 25 April 2014 and emailing it to the Denel Land Systems' EXCO, I received an email from Mr Teubes requesting that I check the shareholders' agreement in place between LMT and Denel Land Systems.
- 4.1.17. Mr Teubes indicated that his request was informed by a communication he had received from LMT's managing director at the time, Dr Stefan Nell, accusing Denel Land Systems of contravening the shareholders agreement in so far as Denel Land Systems intimated contracting with other parties, (presumably VR Laser Services (Pty) Ltd) on the hull manufacturing.
- 4.1.18. Mr Teubes' email above was followed by an email from Mr Pieter Knoetze ("Mr Knoetze"), the Chief Financial Officer of Denel Land Systems at the time, advising that he recalled a letter that was signed by Denel Land Systems confirming that Denel Land Systems would put the business (of manufacturing hulls) to LMT, as a condition to the equity deal (involving the purchase of LMT by Denel Land Systems with Pamodzi as a minority and equity partner).
- 4.1.19. Ms Denise Govender ("Ms Govender"), the Executive: Legal for Denel Land Systems at the time, responded to the email exchanges referred to above, attaching amongst other documents,
- 4.1.19.1. the draft shareholders agreement between Denel Land Systems and LMT;
- 4.1.19.2. the submission to the Board of Directors of Denel SOC Ltd, notifying the Board of the proposed revised LMT transaction and requesting approval for the

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- 4.1.19.2.1. reduction of Denel's Shareholding from 70% to 51%;
- 4.1.19.2.2. conversion of the R 12,75 million pre-payment made to LMT by Denel Land Systems to preference shares; and
- 4.1.19.2.3. the exercise of the Call Option.
- 4.1.20. Ms Govender further referred to page 6 of the Denel Board submission which highlighted the strategic benefits of the acquisition of LMT by Denel and these were:
- 4.1.20.1. There was a strategic interest for DLS to ensure that LMT continued to operate as a going concern due to the criticality of LMT to the Hoefyster and Malaysia programmes.
- 4.1.20.2. The transaction (acquisition of LMT by DLS) contributed to supplier development;
- 4.1.20.3. The establishment of a vehicle integration capability with Denel and potential to access other vehicle programmes.
- 4.1.20.4. Significantly higher margins on the Hoefyster programme were expected due to the in-house manufacturing that would take place.
- 4.1.21. The email trail of 25 April 2014 between Mr Teubes, Mr Knoetze and Ms Govender referred to above is attached hereto as **Annexure CM12**.
- 4.1.22. I attended to present to the Denel Land Systems' EXCO the submission of 25 April 2014, at the meeting that was scheduled for 29 April 2014. With respect to the outcome of the decision of EXCO, in response to the recommendation of the appointment of VR Laser Services (Pty) Ltd as contained in the submission of 25 April 2014, I can confirm that the committee did not approve the appointment. Instead, the committee took a decision that the three suppliers be requested to provide the most recent and updated quotations from their initial responses to the RFO of February 2012.
- 4.1.23. I pause to mention that Ms Govender had, on or about 26 May 2014, also provided a report regarding DLS' obligation to LMT on the placement of orders for the turret and platform hulls. Ms Govender had

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advised that the report was provided following information received from Mr Knoetze that the Denel Corporate Office had requested the same.

- 4.1.24. In the report, Ms Govender had considered the documentation as listed below in providing her advice and she summarily advised as follows:
- 4.1.24.1. The MOU between DLS and LMT:
  - The motivations provided to both DLS and DCO Board of Directors did not place a legally binding obligation on DCO and Denel to contract LMT.
  - This MOU was also no longer in force and had no binding obligations on the parties.
- 4.1.24.2. Contract 00200177 for the supply of trunnion machining (turret hulls) on the Hoefyster contract and its Cancellation Letter
  - No legal obligation arose from either of the parties as a result of the cancellation of Contract 00200177.
- 4.1.24.3. <u>Option to Purchase Agreement: Annexure "A2" MOU between</u> Denel and LMT
  - The MOU expressly stated that LMT's First Right of Refusal placed no legally enforceable obligation to appoint LMT as a contractor or subcontractor for any work.
- 4.1.24.4. <u>The letter of 13 June 2011 by DLS CEO to Pamodzi CEO, Mr Ndaba</u> <u>Ntsele</u>
  - The letter was submitted to Pamodzi in good faith and could not be deemed to be legally binding.
- 4.1.25. The email from Ms Govender of 26 May 2014, attaching the abovementioned report is attached hereto as **Annexure CM13**.

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## 4.2. <u>The adjudication of the Updated Request for Proposals HY/RFO/2011-002/1 in</u> June 2014

- 4.2.1. On or about 06 June 2014, Mr van den Heever dispatched with Updated Request for Proposals HY/RFO/2011-002/1 to the three suppliers.
- 4.2.2. As is apparent from the Updated Request for Proposals, the three suppliers were informed that the contract scope was for the delivery of 217 weapon systems, consisting of turrets and vehicles. The suppliers were further required to amend/update their proposals/quotations to contain a breakdown of the prices for the Armour Hull to include the following:
- 4.2.2.1. Price for the Armour Hull, excluding mine protection;
- 4.2.2.2. Price for mine protection only; and
- 4.2.2.3. Prices to exclude all jigs and fixtures.
- 4.2.3. The suppliers were requested to provide their responses through the email address: <u>quotes@dlsys.co.za</u> on or before 12:00 noon on 25 June 2014.
- 4.2.4. Copies of the Updated Request for Proposals HY/RFO/2011-002/1 dated
   06 June 2014 for the three suppliers are attached hereto as "Annexures CM 14", "CM 15" and "CM 16", respectively.
- 4.2.5. The three suppliers duly submitted their responses to the Updated Request for Proposals sent on 06 June 2014 and the said responses were received by and stamped by DLS' registry division in the following sequence:
- 4.2.5.1. LMT's response was received on 23 June 2014 and it is attached hereto as Annexure CM17;
- 4.2.5.2. VR Laser's response was received on 25 June 2014 and it is attached hereto as Annexure CM18;
- 4.2.5.3. DCD's response was received on 25 June 2014 and it is attached hereto as Annexure CM19.

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4.2.6.	Below is a summary of the pricing received from each supplier in their
	responses.

- 4.2.6.1. <u>LMT</u> In its response, LMT quoted an amount of R 736 534.00 excl VAT for each of the 217 hulls. The supplier further indicated that "it is not possible to quote for mine protection separately as it is an integral part of the hull structure".
- 4.2.6.2. LMT further indicated that the base date for the pricing was 30 June 2014 and the escalation would be in accordance with the indices attached as an appendix to the response.
- 4.2.6.3. <u>VR Laser</u>
- 4.2.6.3.1. VR Laser's pricing in their response to the Updated Proposal consisted of four parts, namely:
- 4.2.6.3.1.1. Quotation for the fabrication of Hoefyster Platform Components only: R 568 986.96
- 4.2.6.3.2. The part of the quotation for the Armour Hull including mine protection, was further broken down into three parts namely:
- 4.2.6.3.2.1.
   Unit price on the industrialisation of Hulls: PPM units 1 5: R

   1 326 786.00;
- 4.2.6.3.2.2. Learning curve production units 4 20: R 1 232 328.00;
- 4.2.6.3.2.3.Series production units based on the DLS schedule: R 1 204986.00.
- 4.2.6.3.3. Quotation for mine protection only: R 105 316.80.

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4.2.6.4. DCD

DCD's pricing in their response to the Updated Proposal comprised of the following:

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ITEM	DESCRIPTION	PRICE
1.	12 off pre-production manufacturing hulls, excluding the pre-production mine floor sections	R 1 020 000.00
2.	205 off production hulls, excluding the productions mine floor sections	R 943 000.00
3.	12 off pre-production mine protection floor sections for the pre-production manufacturing hulls	R 278 200.00
4.	205 off production mine protection floor section the pre-production manufacturing hulls	R 257 200.00
5.	Transportation per hull	R 3 700.00
6.	Delta coating, labour and consumables	R 150 000.00 per hull
7.	Curing in high temperature oven	R 22 500.00 per hull
8.	Transportation from Vereeniging curing facility	R 9 500.00 per hull
9.	Total indicative price per hull	R 182 000.00

- 4.2.7. I pause to mention that to the best of my knowledge the procurement process for the platform hulls under the Hoefyster Contract started late in the year 2011 and the three suppliers were provided with Request For Offers under Proposal Number HY/RFO/2011-001 during February 2012 and this was before I joined Denel Land Systems. The Updated Request for Proposals HY/RFO/2011-002/1 of 06 June 2014 was therefore a continuation of the February 2012 process, hence the three suppliers were requested to provide updated proposals.
- 4.2.8. As stated above, there was a team which held a meeting on 01 April 2014 in order to consider the responses received from the three respective suppliers in response to the RFO process of February 2012. Due to the high value of the contract under discussion, it made sense to

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me that there be a cross functional team which sat in to consider the responses to the Updated Request for Proposals HY/RFO/2011-002/1 of 06 June 2014.

- 4.2.9. Following the receipt of the responses from the three suppliers to the Updated Request for Proposals of 06 June 2014, I called for a cross-functional team to be constituted in order to evaluate the updated proposals received. This was done with a view of making a final recommendation to the EXCO of Denel Land Systems on the award of the contract relating to the production of the 217 armour hulls for the Hoefyster Platform Components.
- 4.2.10. The cross-functional team consisted of the following employees within Denel Land Systems, who possessed various skills and expertise:

4.2.10.1.	Badenhorst, R:	Infantry Systems Department
4.2.10.2.	Bezuidenhout, J:	Business Excellence Department
4.2.10.3.	Drevin, M:	Infantry Systems Department
4.2.10.4.	Govender, A:	Infantry Systems Department
4.2.10.5.	Khoza, I:	Infantry Systems Department
4.2.10.6.	Lindhout, A:	Engineering Department
4.2.10.7.	Malahlela, C:	Supply Chain Department
4.2.10.8.	Rakhuduwe, R:	Supply Chain Department
4.2.10.9.	Van der Linde, B:	Infantry Systems Department

4.2.11. I further confirm that I had sought the assistance of Mr Rolland Rakhuduwe of the Supply Chain Department in compiling the evaluation sheets that were to be used in adjudicating the responses received. This evaluation sheet was also based on the email previously received from Mr Mlambo on 19 February 2014 referred to in paragraph 3.7 above and as Annexure CM6.

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- 4.2.12. A copy of the email exchanges between myself and Mr Rakhuduwe in this regard is attached hereto as **Annexure CM20**.
- 4.2.13. I can confirm that the above-mentioned cross-functional team had not previously received formal training with respect to the adjudication of the responses received from the three suppliers. I however cannot confirm whether any of the above-mentioned members of the crossfunctional team had previously sat in a bid-evaluation committee of a similar nature.
- 4.2.14. The responses of the three suppliers were evaluated by the crossfunctional team on 25 June 2014 where a list of questions for each supplier was noted down, on which clarification was required. Mr van den Heever was tasked with inviting the three suppliers to attend the meeting the next day on 26 June 2014 at different time slots, to give feedback and clarification on the questions and issues raised by the bid evaluation committee.
- 4.2.15. On 26 June the three suppliers attended feedback session at Denel Land Systems' Eagle Boardroom in the following sequence and time slots:
- 4.2.15.1. VR Laser from 08:30 am to 09:00 am;
- 4.2.15.2. DCD from 09:00 am to 09:30 am; and
- 4.2.15.3. LMT from 09:30 am to 10:00 am.
- 4.2.16. The attendance and declaration of interest register for the meeting of 26 June 2014 with the three suppliers is attached hereto as "Annexure CM 21".
- 4.2.17. The list of questions posed for each supplier on the date of 26 June 2014 are attached hereto as "Annexures CM22", "CM23" and "CM24" respectively.
- 4.2.18. I must state that no formal minutes were kept of the committee's proceedings.

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- 4.2.19. I must further state that the dates of the bid evaluation committee's attendance and declaration of interest registers referred to above seem to be incorrectly noted in that the attendees of the meeting of the 25<sup>th</sup> June appear in the form that is marked 26<sup>th</sup> June 2014, vice versa.
- 4.2.20. Following the meetings held with the three suppliers on 26 June 2014, the cross-functional team gave the said suppliers an opportunity to submit revised proposals, based on the issues raised during the meetings. The three suppliers duly submitted their revised proposals and the said proposals were received and stamped by Denel Land Systems' registry division on 27 June 2014.
- 4.2.21. The pricing contained in the revised proposals of 27 June 2014 can be summarised as follows:
- 4.2.21.1. LMT sought to explain its pricing with respect to the 217 hulls in their previously-submitted proposal by distinguishing between the interior and exterior features of each hull as follows:
- a) The unit price of the 217 hulls was R 736 534.00 each where sandblasting and priming was included;
- b) The unit price of the 217 hulls was R 763 191.02 each where sandblasting and painting of each hull with Matt Dark Earth (exterior) and Beige Green (interior) as per the RSA-MIL-SPEC 42 was included.
- 4.2.21.2. DCD no change in pricing from proposal initially received on 25 June 2014 except for indicating that the raising of performance bonds for the contract will cost R 29 600.00 for the pre-production hulls and R 674 000.00 for the production hulls.
- 4.2.21.3. VR Laser submitted an updated proposal, and there was no revision in the pricing contained in the previous proposal received by Denel Land System on 25 June 2014. The proposal contained further information related to the question and answer session held on 26 June 2014.

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- 4.2.22. The revised proposals from the three suppliers are attached hereto as "Annexures CM25", "CM26" and "CM27" respectively.
- 4.2.23. On 27 June 2014, the cross-functional team reconvened in order to do the final scoring for each of the proposals received from the three suppliers and for the ultimate purpose of recommending that a final award be made to the winning bidder.
- 4.2.24. As can be seen from the Consolidated Evaluation Sheet attached hereto as **Annexure CM28**, the evaluation criteria and weighting referred to above was applied in adjudicating over the proposals, namely:
- 4.2.24.1. Price 25%
- 4.2.24.2. Functionality 45%
- 4.2.24.3. BBBEE 30%.
- 4.2.25. The Evaluation Templates & Consolidated Evaluation Templates signed by each cross functional team member are attached hereto as "Annexure CM29.
- 4.2.26. As is apparent from the Consolidated Evaluation Sheet, VR Laser Services (Pty) Ltd received the highest score out of all the three suppliers, by obtaining a total of 65.54 % broken down as follows:
- 4.2.26.1. Price/Financial Offer of R 262 406 634.00 10.39%;
- 4.2.26.2. Functionality/Technical 50.15%;
- 4.2.26.3. BBBEE 5%
- 4.2.27. As is also apparent from the Consolidated Evaluation Sheet:
- 4.2.27.1. LMT came second in line with the scoring by receiving an overall score of 64.78%, which was 0.76% less than VR Laser Services (Pty) Ltd.
- 4.2.27.2. LMT's total financial offer was R 165 612 451.00, making it the cheapest out of the three suppliers;



- 4.2.28. Initially, VR Laser was the only supplier awarded points under the BBBEE category with the remaining two suppliers given zero points and the reasons given for this was that these two suppliers had submitted expired BBBEE certificates. DCD had however subsequently attended to submit a new BBBEE certificate and was also allocated 5 points for BBBEE.
- 4.2.29. I need to point out that, I had, on the (verbal) instruction of the Chief Executive Officer of Denel Land Systems, Mr Stephan Burger ("Mr Burger"), been providing him with regular updates on the progress that was being made by the cross-functional team in evaluating the responses to the Updated RFOs from the three suppliers.
- 4.2.30. The first update provided to Mr Burger was on 25 June 2014, wherein I informed him of the prices presented by the three suppliers on receipt of their proposals and also that a recommendation could not be made based on the information submitted. I had also in this email decided to include Mr Teubes as my direct superior. A copy of the email exchange of 25 April 2014 with Misters Burger and Teubes is attached hereto as Annexure CM30.
- 4.2.31. Mr Burger had on 26 June 2014, responded to the email referred to above, requesting to be provided with a copy of the bid evaluation committee's evaluation sheets/matrix for the three suppliers and suggested that no final recommendation be made without such being first checked by him. A copy of the email exchanges with Mr Burger are attached hereto as **Annexure CM31**.
- 4.2.32. After having viewed the bid evaluation committee's evaluation sheets/matrix for the three suppliers and upon being informed that the evaluation committee would meet on 27 June 2014 to do a final recommendation, Mr Burger had informed me that he is "prepared to defend" VR Laser Services (Pty) Ltd, presumably to be the winning bidder. Mr Burger had also indicated that he would not be defending VR Laser Services (Pty) Ltd had they not been leading in the scoring.

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- 4.2.33. Mr Burger further enquired as to whether the Patria Report of 03 March 2014 referred to above and which strongly recommended VR Laser Services (Pty) Ltd as a preferred supplier, had been considered by the bid evaluation committee.
- 4.2.34. Mr Burger also undertook to negotiate with VR Laser Services (Pty) Ltd, as the leading bidder in the evaluation, to reduce the price they had offered and that such discussions would be "outside the normal channels".
- 4.2.35. I responded to Mr Burger's email of 27 June 2014 referred to above, advising mainly:
- 4.2.35.1. The Patria Report of 03 March 2014 had been integrated into the final scoring by the bid evaluation committee;
- 4.2.35.2. The price offered by VR Laser Services (Pty) Ltd was completely over the amount budgeted for by Denel Land Systems in having the hulls procured – as stated in the email "The Maximum we can do is R1m per unit (all cost included). Base date 2014.";
- 4.2.35.3. I would schedule a meeting with the cross-functional team on the same day to do a final recommendation.
- 4.2.36. The email exchange between myself and Mr Burger which took place on 27 June 2014 is attached hereto as **Annexure CM32**.
- 4.2.37. On 30 June 2014, I received the draft submission to the EXCO of Denel Land Systems, from Mr van den Heever for my consideration and sign off. This submission contained a final recommendation for VR Laser Services (Pty) Ltd to be appointed as the supplier of 217 armour hulls for the Hoefyster Platform Components. A copy of the email from Mr van den Heever along with the draft submission, is attached hereto as **Annexure CM33.**
- 4.2.38. On the same day, I provided the draft submission to the EXCO of Denel
   Land Systems to Mr Teubes, for his consideration. Coincidentally, also on
   30 June 2014, I received an email from VR Laser Services (Pty) Ltd's Chief

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Executive Officer at the time, Mr JP Arora, attaching a revised proposal which contained a reduced price for the production of the armour hulls as follows:

QUOTATION FOR THE FABRICATION OF HOEFYSTER PLATFORM COMPONENTS ONLY					
INITIAL PRIC		REVISED PRICE			
R 568 986.9	6	R 568 986.96			
			ame as quoted)		
QUOTATION FOR ARMOUR HULL INCLUDING MINE PROTECTION					
ITEM	INITIAL F	PRICE	REVISED PRICE		
Unit price on	R 1 326	786	R 1 326 786		
industrialisation of hulls, PPM 1 I f- 5	<b>NE</b>		(Same as quoted)		
Learning curve	R 1 232	328	R 1 232 328		
production units, 4 – 20		-44	(Same as quoted)		
Series production units based on the DLS schedule	R 1 204	986	R 1 084 487		
QUOTA	ATION FOR AR PROTEC		L EXCLUDING MINE		
ITEM	INITIAL P	RICE	REVISED PRICE		
Unit price on	R 1 230	245	R 1 230 245		
industrialisation of hulls, PPM 1 – 5			(Same as quoted)		
Learning curve	R 1 135	787	R 1 135 787		
production units, 4 – 20			(Same as quoted)		
Series production R 1 108		446	R 1 001 601		
units based on the DLS schedule			2		
	QUOTATION FOR MINE PROTECTION ONLY				
INITIAL PRICE		REVISED PRICE			
R 105 316.80			R 105 316.80		
			(Same as quoted)		

A copy of the email containing the revised proposal from VR Laser Services, is attached hereto as **Annexure CM34**.

- 4.2.39. I forwarded the email received from VR Laser Services (Pty) Ltd containing the revised proposal to Mr Teubes and his immediate response was the word "Interesting"
- 4.2.40. I need to point out that the revised proposal from VR Laser Services (Pty) Ltd received on 30 June 2014, was still dated 24 June 2014 and I neither

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solicited nor requested such a proposal. I further need to point out that there were no other revised prices received from the remaining two suppliers.

- 4.2.41. Later on the same day, I also received a response from Mr Teubes regarding the draft submission to the EXCO of Denel Land Systems containing a final recommendation for VR Laser Services (Pty) Ltd to be appointed as the supplier of 217 armour hulls.
- 4.2.42. In his response, Mr Teubes recommended, amongst other things, that the reduced price contained in the revised proposal received from VR Laser Services' JP Arora earlier on that same evening, be included in the draft submission to the EXCO of Denel Land Systems (in strengthening the final recommendation for the appointment of VR Laser Services) and that such be sent to Mr Burger for his final handling.
- 4.2.43. I responded to Mr Teubes' recommendation, advising that the revised quotation could not be included in the EXCO submission to Denel Land System, as suggested by him. Mr Teubes then replied suggesting that the EXCO of Denel Land System could provide direction on the way forward but ultimately with a view that the revised proposal from VR Laser Services (Pty) Ltd would be included in the submission that would eventually be provided to the Board of Directors of Denel SOC Ltd.
- 4.2.44. A copy of the email exchanges with Mr Teubes on 30 June 2014 is attached hereto as **Annexure CM35**.
- 4.2.45. I pause to mention that, in terms of Delegation of Authority policy of Denel Land Systems and attached hereto as Annexure CM2, procurement contracts above the value of R 20 million require approval from the Group Supply Chain Manager of the Denel Group. Procurement contracts above the value of R 200 million, require the approval of the Board of Directors of Denel SOC Ltd.
- 4.2.46. The submission to the Board of Directors of Denel SOC Ltd was prepared, as recommended by Mr Teubes and I provided him with a draft of the

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same on 30 June 2014. The said email containing the draft submission to the Board of Denel SOC Ltd is attached hereto as **Annexure CM36**.

- 4.2.47. I was requested by Mr Burger to change the above-mentioned submission to the Board of Directors of Denel SOC Ltd and address it to Mr Riaz Saloojee in his capacity as the Group Chief Executive Officer of the Denel Group, instead. A copy of the email to Mr Burger dated 01 July 2014, after having revised the submission to be addressed to the Group Chief Executive Officer of the Denel Group is attached hereto as **Annexure CM37**.
- 4.2.48. The submission was ultimately signed by Mr Saloojee on 16 October 2014 and the signed submission is attached hereto as **Annexure CM38**.
- 4.2.49. As can be noted from the above-mentioned submission, reference was made to the Patria Report and the opinions expressed therein regarding VR Laser's capabilities. LMT is said to have offered a price that was "unreasonably too low" for the number of manufacturing hours and material costs associated with the fabrication of each hull.
- 4.2.50. As can also be noted from the above-mentioned submission, VR Laser Services (Pty) Ltd as the highest scoring bidder offered a price that was over the budget in place for Denel Land Systems. Denel Land Systems requested permission to negotiate the price offered by VR Laser Services (Pty) Ltd to a maximum of R 1 050 000 for each hull in order to bring it down to the budget that was in place.
- 4.2.51. The contract negotiations with VR Laser Services (Pty) Ltd which included the reduction of the price they had tendered began during November 2014. A meeting was held with VR Laser Services (Pty) Ltd on 14 November 2014 wherein Denel Land Systems negotiated mainly for:
- 4.2.51.1. A production price of R 1 000 000 per unit for each hull; and
- 4.2.51.2. Payment of a deposit of 12% by Denel Land Systems.
- 4.2.52. I can confirm that the following people were invited to the price negotiations of 14 November 2014:

- 4.2.52.1. Mr Benny Jiyane VR Laser Services (Pty) Ltd;
- 4.2.52.2. Mr Pieter van der Merwe VR Laser Services (Pty) Ltd;
- 4.2.52.3. Mr Reenen Teubes Denel Land Systems; and
- 4.2.52.4. Myself.
- 4.2.53. VR Laser Services (Pty) Ltd did not agree to the above-mentioned proposal and indicated that due to its budget having had to be cut down to the bare minimum. I received an instruction from Mr Teubes not to engage in negotiating the contractual base date any further. A copy of the Outlook invite to the meeting of 14 November 2014 as well as email trail that followed thereafter is attached hereto and marked as Annexure CM 39.

## 4.3. <u>Mail & Guardian article of 04 July 2014, on the "hidden shareholding" within</u> <u>VR Laser Services (Pty) Ltd</u>

- 4.3.1. I pause to mention that, on or about 07 July 2014, an email was forwarded to me by Mr van den Heever, which contained an article by Mail & Guardian's AmaBhungane dated 04 July 2014, on the "hidden shareholding" of the Gupta Family and Duduzane Zuma within VR Laser Services (Pty) Ltd.
- 4.3.2. I in turn, forwarded the above-mentioned article to Mr Burger, with Mr Teubes copied therein, enquiring whether the President of the Republic at the time (Mr Jacob Zuma) and his family and friends were allowed to benefit from the procurement contracts of state-owned entities.
- 4.3.3. I further stated that should it be true that VR Laser Services (Pty) Ltd has associations with Mr Jacob Zuma then VR Laser Services should have declared its interest in this regard. I also indicated that I was not prepared to have any further dealings with VR Laser if the allegations were found to be true. I then proposed that we request VR Laser Services to disclose the identities of the individuals behind their black shareholding. Mr Burger responded to my email of the same day.

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concurring with the utterances I had made therein and requesting that a meeting be held to discuss the same.

- 4.3.4. A copy of the email trails of 07 July 2014 is attached hereto as **Annexure CM40**.
- 4.3.5. On 11 July 2014, I addressed a letter to VR Laser Services (Pty) Ltd, raising the Mail & Guardian article of 04 July 2014 and advising that there may be a potential conflict of interest in the subcontracting of VR Laser Services to the Hoefyster SANDF Contract given the recent change in ownership of VR Laser (Pty) Ltd.
- 4.3.6. The letter further requested VR Laser Services to disclose the names of its new shareholders and any association with parties, which may constitute a potential conflict of interest. The letter also called upon VR Laser Services to complete a declaration of conflict of interest form, which was attached to the letter.
- 4.3.7. VR Laser Services (Pty) Ltd, through its Chief Operations Officer, Mr Madoda Jiyane, responded on the same day to the letter referred to above advising that:
- 4.3.7.1. Elgasolve (Pty) Ltd and Craysure Investment (Pty) Ltd each owned 74.1% and 25.1% in VR Laser Services (Pty) Ltd;
- 4.3.7.2. Neither of the above-mentioned companies have any conflict of interest with doing business with Denel as their shareholders/directors were private individuals who did not work for government.
- 4.3.8. A copy of the letter of 11 July 2014 to VR Laser Services and their response of the same day, are attached hereto as **Annexure CM41** and **CM42**.
- 4.3.9. Following the above-mentioned response, I directed the issue of the individuals behind the companies having a shareholding a VR Laser Services (Pty) Ltd to Mr Mlambo for further handling. A copy of the email exchange between myself and Mr Mlambo on 02 September 2014 is attached hereto as **Annexure CM43**.
- 4.3.10. Mr Mlambo, following the above-mentioned response, directed an email to VR Laser Services (Pty) Ltd's Managing Director, Mr JP Aurora,

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requesting that he disclose the individuals behind the companies which had a shareholding at VR Laser Services (Pty) Ltd.

- 4.4. Mr JP Aurora, through his email of 04 November 2014 confirmed that Elgasolve (Pty) Ltd, which had a 74.9% stake in VR Laser Services (Pty) Ltd, was owned by Mr Salim Essa.
- 4.5. The email exchange between Mr Mlambo and Mr Aurora is attached hereto as **Annexure CM44**.

## 5. THE CONCLUSION OF THE MEMORANDUM OF AGREEMENT IN THE YEAR 2015, BETWEEN DENEL LAND SYSTEMS AND VR LASER SERVICES (PTY) LTD

- 5.1. During March 2015, I was instructed by Mr Teubes to prepare a submission to the Chief Executive Officer of Denel SOC Ltd, requesting approval for Denel Land Systems to appoint a single-source supplier for the supply of Turret FCMs (Hulls) and related armour steel components, e.g. cradle, outer shield and add-on armour with respect to all its projects.
- 5.2. I received further technical information from the Programme Manager for Phase 2 of the Hoefyster Contact, Mr Martin Drevin in drawing up the requested submission, with Mr Drevin's draft motivation having focused on technical justification which warranted the sourcing of a single source supplier. Mr Drevin's email of 10 March 2015, containing his draft motivation is attached hereto as **Annexure CM45**. The justification for the single-source supplier included:
- 5.2.1. The Turret FCMs and related armour steel components were critical items, as these items were at the core of:
- 5.2.1.1. the ballistic protection offered to the Turret Crew when used operationally; and
- 5.2.1.2. the performance of the main weapon system, which in part relied on the rigidness and accuracy of the welded FCM and cradle.
- 5.2.2. Processing, bending, welding and crack-testing of armour steel were specialised processes. It was therefore recommended that the supplier chosen should have all these processes in-house. It was also highly

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recommended that a supplier was chosen with a proven track-record of manufacturing armour steel structures, e.g. hulls, delivering on time to the required quality standards.

- 5.3. From a supply chain perspective, I included in the requested draft submission an additional paragraph headed "Supply Chain Note" wherein I recommended that Denel Land Systems go out on tender/RFQ whereby the supplier will be identified through a competitive process and be appointed for a maximum period of 3 years.
- 5.4. I attended to submit the draft motivation to Mr Teubes on 12 March 2015 and the said email along with the attachment is attached hereto as Annexure CM46.
- 5.5. Mr Teubes responded to the email above on 20 March 2015 advising that he had "changed the angle" of the draft submission and requested my input on the same. When I perused the revised draft submission I noted that Mr Teubes had not only removed the Supply Chain Note heading that had been included, recommending that the single-source supplier be chosen through a competitive bidding process, he had also recommended that VR Laser (Pty) Ltd be appointed as the said supplier.
- 5.6. Mr Teubes' email of 20 March 2015 containing the revised submission is attached hereto as **Annexure CM47.**
- 5.7. I responded to Mr Teubes' email on 23 March 2015, raising the points I have noted above. In my email response, which is attached hereto as Annexure CM48, In addition to this, I also highlighted the fact that LMT should be allowed an opportunity to compete for being appointed as Denel Land Systems' single-source supplier as there was a contract with LMT for Trunnion (FCM) machining and part of the work contained in the latter contract had been included in the draft submission under discussion.
- 5.8. No further response was received regarding my email of 23 March 2015 and I was no longer updated as to the progress of the approval of the draft submission under discussion.
- 5.9. I came to be aware that a Memorandum of Agreement was eventually concluded between Denel Land Systems and VR Laser Services (Pty) Ltd



during in May 2015 wherein, VR Laser Services was appointed as a singlesource supplier for the provision of all fabricated steel services and goods such as the fabrication of hulls, fabricated structures and/or turret hulls, for a period of 10 years, during the Denel Land Systems EXCO meeting of 05 June 2015.

- 5.10. In this meeting, I had submitted a motivation for the appointment of LMT in executing the development work on the Artillery 66-486 Development Program. The submission presented to EXCO was approved but I was also informed that there was a Memorandum of Agreement that was in place with VR Laser Services (Pty) Ltd. I am however not in possession of the minutes of the Denel Land Systems EXCO meeting of 05 June 2015.
- 5.11. The appointment of VR Laser Services (Pty) Ltd as Denel Land Systems' single source supplier presented further supply chain challenges as it was in conflict with the Procurement Policy of Denel SOC Ltd which came into effect on 19 November 2014. The relevant policy is attached hereto as Annexure CM49.
- 5.12. In terms of paragraph 6.10 of the policy, titled "Intergroup and Group Procurement/Contracts", it is specifically provided that "under no circumstances shall products or services that can be procured from a group entity or division, be procured from an external supplier or non-Denel company unless there is approval by the Group Supply Chain Executive, based on sound business reasons."
- 5.13. The issue pertaining to the intergroup procurement requirements as contained in the above-stated procurement policy weighed against the single source supplier Memorandum of Agreement that was in place with VR Laser Services (Pty) Ltd was discussed at the Denel Land Systems EXCO meeting of 29 October 2015.
- 5.14. The Committee took a decision that the Memorandum of Agreement that was in place with VR Laser Services (Pty) Ltd took precedence over the procurement policy referred to above. Reasons advanced for this decision included the Committee being of the view that the Memorandum of Agreement provided for VR Laser Services (Pty) Ltd's prices to be market-related before an order could be placed on them.



- 5.15. Following this decision, I was tasked to prepare a letter to the Group Supply Chain Executive (Mr Mlambo) in order to explain the decision taken by the Denel Land Systems EXCO. A copy of the extract of the minutes of the meeting of the Denel Land Systems EXCO which took place on 29 October 2015 are attached hereto as Annexure CM50.
- 5.16. I duly attended to draft the requested letter to the Group Supply Chain Executive and emailed the said draft to the Denel Land Systems EXCO email address on 30 October 2015, which email is attached hereto as **Annexure CM51**.
- 5.17. As is apparent from the draft letter, the Group Supply Chain Executive was requested to grant his approval in the implementation of the Denel Land Systems EXCO decision of 29 October 2015, whereby the Memorandum of Agreement that was in place with VR Laser Services (Pty) Ltd took precedence over the Denel SOC Ltd procurement policy of 14 November 2014.
- 5.18. Mr Mlambo did not co-sign the letter of 29 October 2015, granting his approval to implement the Denel Land Systems EXCO decision of 29 October 2015. A copy of the letter containing Mr Mlambo rejection notes is attached hereto as Annexure CM52.

## 6. <u>THE APPOINTMENT OF VR LASER SERVICES (PTY) LTD BY DENEL LAND SYSTEMS IN</u> 2016 TO SUPPLY CRADLES, FCM OUTER SHIELDS AND ARMOUR COMPONENTS

- 6.1. During the year 2015, Denel Land Systems had placed an order to LMT for the latter to produce the thin base FCM (the AV8 Project). The order was suspended due to the inability of LMT to meet the delivery schedule for the new configuration of the thick base FCM. The intent at the time was for LMT to complete the work under phase 2 of the Hoefyster Contract.
- 6.2. However, VR Laser submitted a more acceptable proposal for the execution of that work. Consequently, the jigs and fixtures that LMT had already manufactured under the order were removed from LMT to VR Laser. The jigs were then modified by VR Laser and the order was accordingly completed.

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- 6.3. Following the above, Denel Land Systems had further entered into the Memorandum of Agreement with VR Laser Services (Pty) Ltd where the latter had been appointed as a single-source supplier, as stated above.
- 6.4. As stated above, DLS having communicated to LMT that it had the intention of placing the Hoefyster order for the FCM on LMT, I then raised the concern at the EXCO of Denel Land Systems meeting of 07 March 2016 that DLS was now placing the very same order on VR Laser without going back to LMT.
- 6.5. EXCO of Denel Land Systems resolved to seek legal advice from its Executive: Legal on the obligation on the part of Denel Land Systems to reactivate the suspended order to LMT referred to above. Pending receipt of this legal opinion, the EXCO of Denel Land Systems had conditionally approved the placement of the order with VR Laser Services (Pty) Ltd for it to produce the Cradles, FCM outer shields and armour components under Phase 2 of the Hoefyster Contract.
- 6.6. Ms Govender in her capacity as the Executive: Legal for Denel Land Systems provided a legal opinion on 08 March 2016 on the above issue, essentially advising that LMT should be afforded a right of first refusal by being allowed to submit a proposal on the Trunnion Machining Contract, despite there being a single-source supplier agreement with VR Laser Services (Pty) Ltd.
- 6.7. On 22 March 2016, I had, at the EXCO meeting of Denel Land Systems, raised the concern once more, about the apparent over-reliance by Denel Land Systems on the Memorandum of Agreement it had concluded with VR Laser Services (Pty) Ltd where this Agreement was in conflict with the supply chain policy of Denel SOC Ltd.
- 6.8. Mr Burger, in his capacity as the Chief Executive Officer of Denel Land Systems, advised that the Memorandum of Agreement was signed by the Group Chief Executive Officer of Denel SOC Ltd and should therefore supersede the supply chain policy of Denel SOC Ltd in instances where the two documents were in conflict. Mr Burger went on further to state that this was subject to the prices obtained from VR Laser Services as a result of the Memorandum of Agreement being market-related.

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- 6.9. It was further resolved at the meeting of 22 March 2016 that Denel Land Systems would approach the Group Supply Chain Executive to amend the relevant provisions of the supply chain policy in order to address the conflicts, going forward.
- 6.10. An extract of the minutes of the meeting of 07 March and 22 March 2016 as well as the legal opinion received from Ms Govender on 08 March 2016, are attached hereto as **Annexures CM53**, **54** and **55** respectively.

#### 7. MEDIA REPORTS OF STATE CAPTURE AGAINST DENEL SOC LTD

- 7.1. On or about 20 April 2016, I addressed an email to Mr Burger in his capacity as the Chief Executive Officer of Denel Land Systems, raising concerns about the viability of the partnership with VR Laser Services and the risk exposure for Denel should the said partnership continue. My email to Mr Burger was mainly due to the widespread media reports regarding state capture by the Gupta family, which by then, we had established had associations within VR Laser Services.
- 7.2. I proposed in my email above that Denel Land Systems reconsider its relationship with VR Laser Services as having the latter being its single-source supplier under the Memorandum of Agreement referred to above. I had also indicated in the email that the Memorandum of Agreement had not been concluded following a correct procurement process.
- 7.3. Mr Burger responded to my email of 20 April 2016 on the same day, expressing his surprise and disappointment with having received an email of such gravity from myself. Mr Burger seemed to also question the views that I had expressed regarding the appointment of VR Laser Services (Pty) Ltd as a single-source supplier by stating that I had been intimately involved in the process which I turned to question.
- 7.4. I wish to state that my involvement in the appointment of a single-source supplier for Denel Land Systems was limited to the draft submission that I had prepared on 12 March 2015, as indicated above, wherein I had proposed that a single-source supplier be appointed by way of a competitive bidding process.

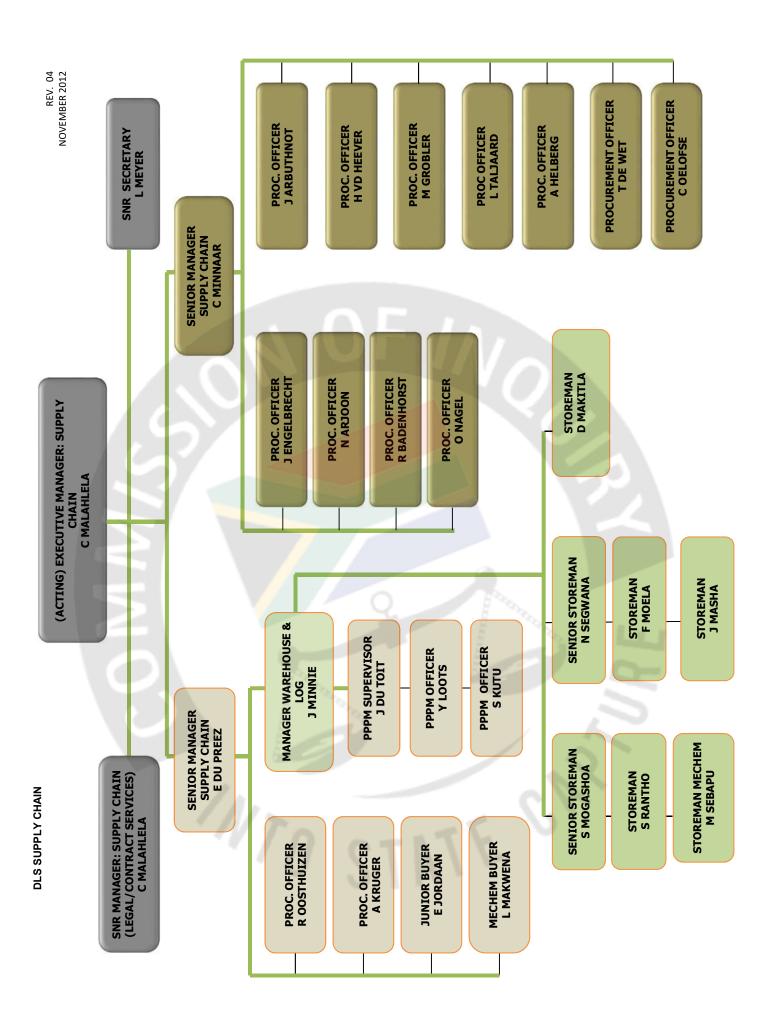
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- 7.5 Mr. Burger ended of his response of 20 April 2016 by suggesting that a discussion be held between ourselves in order to determine the way forward in the matter. The email exchange which took place between myself and Mr. Burger on 20 April 2016 is attached hereto as **Annexure CM56.**
- 7.6 I can confirm that the meeting between myself and Mr. Burger did go ahead as suggested, however there was no tangible or fruitful outcome that was achieved.

SIGNED AT <u>CENTURION</u> ON THIS THE <u>21</u> DAY OF <u>OCTOB</u> 2020. Machine CELIA MALAHLELA

## **ANNEXURE "CM1"**

INTO STATE C



### **ANNEXURE "CM2"**

	DENEL SOC LTD company policy	NUMBER 2
SUBJECT: DEL	EGATION OF AUTHORITY	EFFECTIVE DATE
	DUCTION	
2. PURPO		
	HOLDER MATTERS	
-		
5. POWE COMM	RS OF THE PERSONNEL, REMUNERAT ITTEE	ION AND TRANSFORMATION
	RS OF THE AUDIT AND RISK COMMITT	
	RS OF THE SOCIAL AND ETHICS COM	
	RS AND DUTIES OF THE GROUP EXCO	
	GATION IMPERATIVES	
11. DELEG		
	luman Resources and remuneration	
	lanning and budgeting lesearch and development	
	ales and contracts	
	rocurement	
	rovision requirements for contract losses a	and penalty assessments
	trategic marketing	and penalty deceeding ne
	countertrade	
	regular, fruitless and wasteful expenditure	
	awsuits	and the second sec
11. F	inancing	
	xternal communications	
13. S	ponsorships, support and donations	
14. T	ax administration	
15. Ir	nsurance	
	uditors and Public Officers	
	company policy	
	ignificant transactions	
	hare capital	A D
20. N	lemorandum of Incorporation	
DRAWER	APPROVED BY THE DENEL BOARD	SIGNATURE
		(Original signed by Mr Riaz Saloojee
B T ZWELIBANZI	22 NOVEMBER 2012	GROUP CHIEF EXECUTIVE OFFICER



#### **DEFINITIONS AND INTERPRETATIONS**

#### • "Accounting Authority"

The Board of Denel SOC Ltd as appointed by the Minister of Public Enterprises from time to time.

#### "Advisors and Consultants"

External persons or firm contracted to render a management consulting service to Denel or its divisions and subsidiaries. This does not include hiring of contract workers or specialised technical services.

#### • "Corporate Plan"

A Corporate Plan submitted annually in terms of Section 52 of the PFMA, which entails strategy, objectives, budget, KPI's, etc.

#### "Diversification"

Diversification involves adding products, services, and markets that are outside the traditional defence business of Denel, including non-defence but related products to Denel's portfolio.

#### "Board Reserved Matters"

Means the matters listed in clause 4 below.

#### "Executive Authority"

The Ministry in which the portfolio of Denel SOC Ltd falls and is accountable to Parliament.

#### "Executive Committee"

Executive committee of Denel as constituted by the Group Chief Executive Officer.

#### "Fruitless and Wasteful Expenditure"

Fruitless and wasteful expenditure as defined in the PFMA i.e. expenditure made in vain and would have been avoided had reasonable care been exercised.

#### • "Irregular Expenditure"

Irregular expenditure as defined in the PFMA i.e. expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.



#### "Materiality and Significance Framework (MSFW)"

The framework of acceptable levels of materiality and significance as agreed with the Minister of Public Enterprises from time to time governing significant transactions requiring Shareholder approval and/or notification.

#### • "Ownership Control"

The ability to exercise any of the following powers:

- to appoint or remove all, or the majority of the members of a company/subsidiary board of directors or equivalent governing body;
- o to appoint or remove a company/subsidiary's chief executive officer;
- to cast all, or the majority of the votes at meetings of that board of directors or equivalent governing body; or
- o to control all, or the majority of the voting rights at a general meeting of a company/subsidiary.

For Denel subsidiaries such powers vest with the Denel SOC Ltd Board as the Accounting Authority.

#### "Prescribed Officer"

Any person who exercises general executive duties and management of the whole or a significant portion of the business, or regularly participates to a material degree in the exercise of general control over the whole, or a significant portion of the business and activities of the company. In the context of Denel, this relates members of the Executive Committee of Denel and Divisions/subsidiaries.

#### "Public Officer"

A person, appointed as Denel's representative in terms of section 101 of the Income Tax Act No 58 of 1962 as amended. Responsibilities include ensuring that all tax affairs, the submission of tax returns in the prescribed form, answering any questions or providing explanations which may be required to determine the tax liability, the payment of taxes as provided in the main act as well as the fourth schedule of the said Act have been addressed.

#### "Shareholder"

In the case of Denel SOC Ltd the Department of Public Enterprises and in the case of Denel subsidiaries Shareholder means Denel SOC Ltd.

#### "Shareholder Compact"

Agreement entered into between Denel and the Shareholder pertaining to Denel's performance against set goals, targets and KPI's to meet business objectives.



#### "Shareholder Representative"

In the case of Denel SOC Ltd means the Minister of Public Enterprises and in the case of Denel subsidiaries Shareholder Representative means the Group Chief Executive Officer or his nominee.

#### • "Subsidiary"

A business unit that is incorporated and wholly owned by Denel or in which Denel has the majority shareholding or ownership control".

#### • "Tender"

A mandatory and formal process followed in advertising, adjudicating and allocating contracts or work in excess of R500k. The 500k threshold may be lowered depending on the size of the division.

#### 1. INTRODUCTION

#### 1.1 Legal requirements

The Board has the authority to lead, control, manage and conduct the business of Denel and may delegate certain powers to the various levels of management for day-to-day running of the company. The Board shall exercise these powers in accordance with the relevant provisions of the Companies Act; Public Finance Management Act and the Treasury Regulations as well as the Memorandum of Incorporation; Shareholder's Compact and any other applicable regulatory framework.

#### 1.2 Accounting Authority

For purposes of this policy, Accounting Authority means the board of Denel, which has delegated the day-to-day management of Denel to the Group Chief Executive Officer assisted by the Group Executive Committee.

Notwithstanding that subsidiaries of public entities are deemed as schedule 2 entities in terms of the PFMA, Denel has been mandated by the Department of Public Enterprises, as part of restructuring to account to the Department regarding its subsidiaries.

#### 2. PURPOSE

The purpose of this policy is to delegate some of the authority that vests with the Denel Board to the Group CEO, Executive Committee, as well as designated staff of Denel.

Powers delegated in terms of this policy take due regard of the Materiality and Significance Framework, which regulates the treatment of significant transactions requiring Shareholder approval.



#### 3. SHAREHOLDER MATTERS

Matters reserved for Shareholder notification and/or approval unless specified otherwise in the Shareholder's Compact.

#### 3.1 Matters for Shareholder Approval (DPE)

- Payment of interest from time to time on Denel's share capital or part thereof;
- Alteration of share capital including increase, reduction, subdivision and consolidation of shares;
- Modification of rights;
- Non-executive Directors minimum and maximum numbers, remuneration, etc.;
- Group CEO appointment and remuneration;
- Appointment of another director or any other person approved for that purpose by the Shareholder in a general meeting as an alternate director to act in his/her place or during his absence;
- Term of the director and lapsing thereof;
- Retirement of a director and filling of vacancies for a retiring director; and
- Establishment of any contributory or non-contributory pension, retirement, provident, medical or other fund for the benefit of and payment on behalf of the company, a gratuity or pension or allowance on retirement or other benefit to any director or exdirector or other officer or employee of the company or its holding or business unit whether or not he/she has held any other salaried office within the company, or to his widow or dependents and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance or life assurance or other benefits, subject to the provisions of the Companies Act.
- Entering into any transaction other than in the ordinary, regular and normal course of business;
- Being liable, whether contingently or otherwise and whether as surety, co-principle debtor, guarantor and/or for the liabilities not in the normal cause of business;
- Making a decision falling outside of the scope of the mandate granted in terms of the Shareholder's Compact;
- The sale or alienation of/or the whole or substantial part of a significant assets including matters specified in the Materiality and Significant Framework;
- Appointment and remuneration of Directors on the Denel Board or its entities; and
- Shareholder's Compact.

#### 3.2 Matters for Shareholder Notification/Information (DPE)

- A policy and framework for the remuneration of executives;
- · Introduction of and/or alterations to performance incentive schemes;
- The corporate/business plan entailing the strategic intent, key performance indicators and targets;
- Matters specified for notification in terms of the Materiality and Significant Framework and the Delegation of Authority;
- Any material failure to achieve contractual milestones.



#### 3.3 Matters to be reported or for notification to the Minister of Finance

- 3.3.1 The Minister of Finance furnished on 28 March 2001, the necessary approval delegating the borrowing powers from the Board to the Executive Management of Denel, in the memorandum reference M3/4/2/2 (1291/01). A public business unit authorised to borrow money:
  - Must annually, submit to the Minister of Finance a borrowing programme for the year; and
  - May not borrow money in a foreign currency above a prescribed limit, except when that public business unit is a company in which the state is not the only Shareholder.
- 3.3.2 The Denel Board is required to promptly inform the National Treasury on any new business unit it needs to establish.

#### 4. BOARD RESERVED MATTERS

To the extent that any of the following actions are not within the powers and authority delegated to the Group CEO as set out in pages 2.11 to 2.27, none of the following actions shall be undertaken by or in respect of the company or any subsidiary of the company unless the action in question is authorised by the board:

- 4.1 any determination of or amendment to the management structure of the Denel group or board authorities, formation of any committee of, or the delegation of any authority to such committee by the board, other than as expressly set out in the articles;
- 4.2 any increase or reduction in the issued share capital of the company or any subsidiary of the company;
- 4.3 any issue, conversion or allotment by the company of shares or other authorised shares, securities convertible into shares or securities of the company or any issue, conversion or allotment by any subsidiary of the company of any shares or authorised shares, securities convertible into shares or other securities of that subsidiary;
- 4.4 establishments by the company of any subsidiary or business;
- 4.5 approving or deciding the dividend policy including the declaration or distribution of any dividends by the company;
- 4.6 any material change in the business of the company, including diversification or activities outside Denel's traditional business;
- 4.7 incurring, creating or assuming by the company of any indebtedness which would cause the debt/equity ratio of the company, or of the company on a consolidated basis, to exceed 1;
- 4.8 any change to the name under which the company or any subsidiary of the company does business;
- 4.9 any change in the company's financial year;



- 4.10 any winding up or liquidation of the company or subsidiary;
- 4.11 in so far as the Act requires any such appointment to be made by the directors, appointment of the company's auditors;
- 4.12 any change or proposal to the shareholders for a change in the number of directors making up the Denel board at any time;
- 4.13 approval or amendment of the company's business plan or any annual budget or the company's strategic objectives;
- 4.14 any transfer or agreement to transfer, amend, terminate any design manufacture and service permits held by the company;
- 4.15 entering into any agreements having the effect of restricting the business or activities which the company may conduct; and
- 4.16 any other matter not delegated explicitly in this delegation of authority remains a reserved matter.

#### 5. POWERS OF THE PERSONNEL, REMUNERATION AND TRANSFORMATION COMMITTEE

Subject to the provisions of the Companies Act, as amended the Personnel, Remuneration and Transformation Committee's powers and functions are set out in the articles and its Terms of Reference.

#### 6. POWERS OF THE AUDIT AND RISK COMMITTEE

Subject to the provisions of Companies Act, together with the principles and recommendations in the King III report, the Audit and Risk Committee's powers and functions are set out in its Terms of Reference.

#### 7. POWERS OF THE SOCIAL AND ETHICS COMMITTEE

Subject to the provisions of Companies Act, together with the principles and recommendations in the King III report, the Social and Ethics Committee's powers and functions are set out in its Terms of Reference.

#### 8. POWERS AND DUTIES OF THE GROUP EXCO

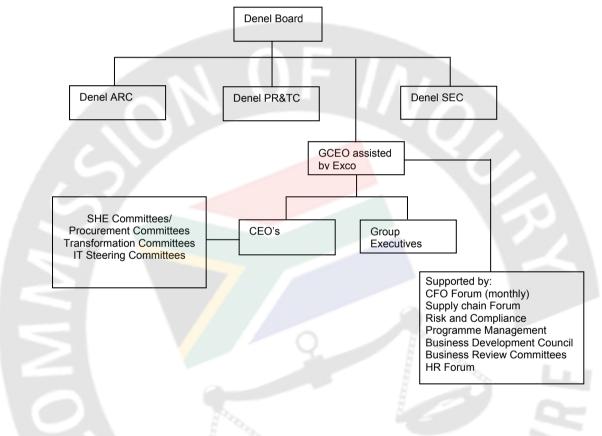
The Denel Board delegates the day-to-day running of the group to the Group CEO, assisted by the Group Executive Committee to ensure that the mandate of Denel as set out in the Shareholder's Compact is achieved.



Without derogating from the powers of the Group CEO as primarily accountable to the board for the day-to-day operations of the business, this document allows for subdelegation of powers to other levels of the organisation.

#### 9. GOVERNANCE FRAMEWORK

Denel has put in place governance structures as depicted below to assist the organisation to carry out its duties:



#### 10. DELEGATION IMPERATIVES

10.1 The context of delegation

This policy assigns accountability whilst promoting transparency in order to ensure that Denel is managed as an integrated business focussing on business development, operational excellence, transformation and financial viability. The policy also requires that delegated authority be exercised with due care by, among other things, following due processes and where appropriate, informing the next level of authority as set out in the delegation matrix.

- 10.2 Conditions for delegation of authority
- 10.2.1 The policy sets out maximum delegations and provides for sub-delegation within the division/subsidiary.

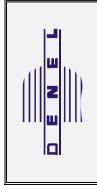


- 10.2.2 It is mandatory that any agreement creating an obligation for Denel should follow due process and be approved at the appropriate level of authority. Amendments to or transaction relating to the same agreement must be approved at the same level of the original approval.
- 10.2.3 Delegations must be in writing and nominees must have the appropriate skills and knowledge or receive appropriate guidance.
- 10.2.4 Financial authority must be exercised within the approved budgets. Unbudgeted and over expenditure must be referred to the next level of decision-making.
- 10.3 The delegation of authority levels must be fully complied with and reviewed regularly or at least every three years to ensure relevance.
- 10.4 Contracts requiring Board approval to be tabled at scheduled board meetings, otherwise at the following board meeting with accompanying documentation for ratification.
- 10.5 The effectiveness of this policy also depends on an effective system of internal control. The following processes are prerequisite for effective governance of the approval system.
- 10.5.1 All transactions and contract proposals shall be validated including assumptions and pertinent risks prior to approval.
- 10.5.2 Sales and contract proposals greater than R100m will be peer reviewed by DCO and the divisional/subsidiary executives.
- 10.5.3 Procurement processes that meet the requirements of the PPPFA must be implemented and followed. As a top threshold, transactions above R500k should go through an open Tender process. Lower thresholds will be set by divisions and subsidiaries where applicable.
- 10.5.4 A process whereby the executive committees of divisions dedicate a session to governance, with particular emphasis on internal control, at least twice year. The sessions will be facilitated by the DCO with internal and external audit in attendance.

INTO

		APPROVAL PRIMARY RESPONSIBILITY CO-RESPONSIBILITY CONSULTATION/INPUT SUPPLIED INITIATE FOR INFORMATION/RECEIVE REPORT		CEO Remarks						A GCEO and Group Executive HR & Transformation to be consulted on structural alterations affecting divisional executive structure as well as in the appointment of first line to senior manager levels to address, among others, transformation imperatives.	
C LTD OLICY		APPROVAL PRIMARY F CO-RESPO CONSULTA INITIATE FOR INFOF		GEX 0				Ŵ		U	
DENEL SOC LTD COMPANY POLICY	6	A R C C F A		GFD			1		Ś		
CON	6			GCE				-	A	0	
				DEX				CR			
				DBD				A	Ы		A
	2	CER		HS		2	A		010702		U
	20	SHAREHOLDER (DPE) DENEL BOARD OF DIRECTORS GROUP CHIEF EXECUTIVE OFFICER DENEL EXCO GROUP FINANCIAL DIRECTOR FUNCTIONAL GROUP EXECUTIVE			and remuneration	posts, appointments, s and dismissals	l Group Board	nel subsidiaries and representatives in	l Divisional Chief	f subsidiaries and	L N
	DELEGATIONS	- SHAREHOLDE - DENEL BOAR - GROUP CHIEI - DENEL EXCO - GROUP FINAN - FUNCTIONAL	0	Description	Human Resources and remuneration	Creation of new posts, appointn promotions, transfers and dismissals	Directors of Denel Group Board	<ul> <li>Directors of Denel subsidiaries</li> <li>Denel Board representatives associates</li> </ul>	<ul> <li>Subsidiary and Executive Officers</li> </ul>	Management of divisions	• GCEO
	1.	SH DBD GCE GFD GFD GEZ		No.	1.	1.1					

\* Percentages used will be based on the latest audited financial statements. Policy 2



No.	Description	нs	DBD	DEX	GCE	GFD	GEX	CEO	Remarks
	Executives below GCEO		Ē	С	A				
	Other levels of staff						6	A	Division/subsidiary staff to be handled at business unit level. DCO staff to be handled
1.2	Remuneration and benefits strategy including setting different salary base line				-		$\mathcal{N}$		
	Denel Board of Directors and Chairman	A	-						
	• GCEO	U	A	5			-		
	Executives below GCEO	ш	A		-		c	-	
	Other levels of staff						C	A	CEO at entity and GEX at group level.
1.3	Annual increases	9						L	Salary increase mandates and increase proposals to be tabled at the PR&T Committee for approval.
	Denel Board of Directors	A							
	• GCEO		A				-		
	Executives below GCEO		A		CR		-		
	Other staff	CHERTER COLORIS	A			Ň	CR	1	The salary increase mandates to be discussed and salary increase proposals to be tabled at the PR&T Committee for approval.
1.4	Interim adjustments								Adjustments to be made within the HR policy.
	Denel Board of Directors	A							
	• GCEO		A	_	3				Proposal to be tabled at the PR&T Committee
	Executives below GCEO		A		-		C		Proposal to be approved by the PR&T Committee.

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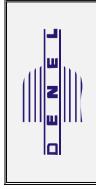
DENEL SOC LTD COMPANY POLICY

						í			-
	Description	N	UBU	UEX	GCE	GFU	GEX	CEO	Kemarks
•	Other staff				C		CR	A	Increases for first line to senior managers to be discussed with the relevant functional Group Executive and the Group Executive HR & Transformation.
-	Variable pay						$\mathcal{N}$		Variable pay is approved by the Board through the PR&T Committee and DPE will be consulted on elements of this pay before implementation.
•	• GCEO	Ē	A						
•	Executives below GCEO		A		CR		_		
•	Other staff		A					-	CEO for division/subsidiary, GEX at group.
	Separation packages other than retrenchments	9							
•	GCEO	O	A						Prior consultation with shareholder required.
•	<ul> <li>Executives below GCEO</li> </ul>		υ		A		1		Prior consultation with Denel Board required.
•	<ul> <li>Other levels of staff</li> </ul>		-				U	A	Consultation with Group Executive HR & Transformation should take place.
·	Travel and subsistence allowances	202							
	Local travel on business (out of office for more than 2 days)	STOLOT				$\mathbf{X}$			
	• GCEO	2	FI						Chairman of the Board to be informed.
•	<ul> <li>Executives below GCEO</li> </ul>				А				
-	Other employees			X	2			A	Group Executive HR & Transformation in respect of Corporate office staff and CEO's in respect of divisions and subsidiaries.
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\* Percentages used will be based on the latest audited financial statements. Policy 2

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No.	Description	HS	DBD	DEX	GCE	GFD	GEX	CEO	Remarks
1.7.2	Foreign travel on business				$\mathbf{b}$				
	• GCEO		A						Chairman of the Board to be informed.
	<ul> <li>Executives below GCEO</li> </ul>				A				
	Other employees					ш	Ē	A	The relevant Group Executive in respect of
	7								Corporate office staff and CEO's in respect of divisions and subsidiaries.
1.8	Leave of absence								
	GCEO		A						Chairman of the Board to be informed.
	Executives below GCEO				A			ń	GCEO or delegated nominee to sign.
	Other employees	0						۷	The relevant Group Executive in respect of corporate staff and CEO's in respect of divisions and subsidiaries.
2.	Planning and budgeting								
2.1	Corporate plan		А	CR				_	
2.2	Funding strategy and funding plan for the next 12 months	and the second s	A	CR	U	Y	$N_{\ell}$		Funding is subject to the PFMA restrictions on borrowings, guarantees and other commitments, etc. This includes submission of a borrowing plan to the Shareholder as may be appropriate.
2.2.1	Granting of guarantees, loans or any other form of financing to Denel subsidiaries, JVs associates, Trusts and Partnership (companies not owned 100% by Denel)	1200				6			
	<ul> <li>≤R50m</li> </ul>			CR	A	С		_	
	• >R50m		A	CR		C		_	

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No.	Description	SH	DBD	DEX	GCE	GFD	GEX	СЕО	Remarks
2.2.2	Long term external group funding	Ē	A		РК	->>	6		The borrowing powers have been delegated by the Minister of Finance to Denel Executives. A report on the funding position to be tabled at the Denel Board.
	Research and Development								
3.1	Developing new products/services			CR			U	A	Based on business case and Group Executive New Business Development to be consulted.
3.2	Selection of JV and other related partners			CR	A		CR	-	Group Executive Strategy initiates the process in consultation with Exco.
	Sales and contracts								
4.1	Sales proposals and contracts	0							
4.1.1	With a minimum of 7% net margin and normal trading terms, countertrade obligations not exceeding 60% of the value of the contract, no onerous penalty terms, technical risk is manageable and there are back- to -back agreements with subcontractors, and favourable contracting mode		2						
	• ≤R100m	CR ED FOR			ပ		ပ	A	Consult the business development executive and GCEO on proposals above R20m.
	<ul> <li>&gt;R100m - R500m</li> </ul>	6	FI	С	A	U		_	Proposal to be peer reviewed, approved by GCE after consulting with Exco and tabled to Board for information.
	• >R500m		A	Y	РК	U		_	Proposal to be peer reviewed, considered by Denel Exco and tabled to the Board for approval.

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iptionSHDBDDEXGCEGFDGEXCEOtaking work without a confirmed $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ 50m $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ 50m $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ 50m $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ 50m $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ 20m $\Box$ 20m $\Box$ 20m $\Box$ 20m $\Box$ 20m $\Box$ 20m $\Box$ 20m $\Box$ 20m $\Box$ 20m $\Box$ $\Box$ $\Box$ $\Box$ $\Box$ $\Box$										
taking work without a confirmed taking work without a confirm	Des	Description	SH	DBD	DEX	GCE	GFD	GEX	СЕО	Remarks
Image: state stat	Under order	taking work without			7	$\mathbf{x}$				To be evaluated on a case by case.
-       >	•	≤R50m			FI		С		۷	
-       -	•	>R50m		ш		A	С			
Image: Constraint of the second se	De ext	collection payment lit terms					A		-	g
マー         マー <td>•</td> <td>•R20m</td> <td></td> <td>/</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	•	•R20m		/						
A       -         O       O         N	L L	Procurement	9.						0 E	Procurement of >R1m per transaction from suppliers with BEE rating >5 (excluding transactions in the approved MPS) to be discussed with the Group Supply Chain Manager. Policy and normal tender requirements to be followed.
A       -       .         O       A       .         D       A       .         N       A       .     <	Sta ser anc	indard procurement of products and vices other than items specified in 5.2 1 5.3.								
A A R	•	sR50m				ပ		O	A	tat
A PR	•	-R50m – R200m	APR DE			A			1	Group Supply Chain Manager prior consultation on procurement above R20m.
Invite and snortlist sular and scores of the short recommendations of the to be tabled at the Boar	•	•R200m	3.17.17	A		РК				A report outlining the process followed to invite and shortlist suppliers and evaluation and scores of the shortlisted suppliers and recommendations of the Tender Committee to be tabled at the Board for approval.

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	Description	ΗS	DBD	DEX	GCE	GFD	GEX	CEO	Remarks
5.2	Master Production Schedule (MPS) items in respect of a project (mission critical items)				ii		E	۲	Pre-approved suppliers in terms of the Master Production Schedule to be subjected to a rigorous assessment in terms of price, delivery performance, quality, B-BBEE requirements, etc. at least once per annum. Group Supply Manager to be consulted on finalisation of the MPS. Both GCEO and Group Supply Chain Manager to be consulted on procurement in excess of R50m.
5.3	Specified items								
5.3.1	Consultants								
	<ul> <li><r250k(fees)< li=""> </r250k(fees)<></li></ul>							A	
	<ul> <li>&gt;R250k – R5m (Fees)</li> </ul>	9			C	A		-	
	• >R5m				А	U		-	
5.3.2	Technical advisors and distribution agreements		Ē		A		U	-	
5.3.3	Leases								All land related leases to be initiated and
	• ≤R5m			Ē	Η	υ		A	administered through Denel Properties.
	<ul> <li>&gt;R5m - ≤R30m</li> </ul>	D D			A	U			
	• >R30m	A DA	A	РК			2	_	
5.4	Capital expenditure	20							
5.4.1	Approval of capital acquisitions								The individual capital expenditure to be
	• ≤R5m				5			A	motivated prior to procurement.
	<ul> <li>&gt;R5m-R15m</li> </ul>			_	А	U	CR	_	
	• >R15m		A		PR	С		_	

\* Percentages used will be based on the latest audited financial statements. Policy 2

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DENEL SOC LTD COMPANY POLICY

					2	/			
No.	Description	SH	DBD	DEX	GCE	GFD	GEX	СЕО	Remarks
5.4.2	Capitalisation of development costs or other expenses				$\mathbf{x}$	FI		۷	
5.4.3	Write off of assets								
	• ≤R5m							A	
	• >R5m	V	Ξ	PR	π	A	1	-	
9	Provision requirements for contract losses and penalty assessments								Reviewing of requirements for provisions to be conducted by a multi-disciplinary team.
6.1	Potential contract losses								Potential loss to be peer reviewed.
	• < R10m			Ш	Η	С		۷	
	<ul> <li>&gt; R10m - R20m</li> </ul>				А	С		-	
	• >R20m	2	A	CR	PR	C		-	
6.2	Raising or payment of penalties on delayed contracts on failure to meet delivery dates								A consolidated quarterly report to be tabled at Denel Exco with management comments.
	• ≤R1m		Ε			С	/	A	
	<ul> <li>&gt;R1m - R5m</li> </ul>		Ē			A	V	-	
	<ul> <li>&gt;R5m</li> </ul>	(SEC		A		15			
7.	Strategic marketing	20					0		
7.1	Release of products for marketing	20		Ē			c	۷	Compliance with NCACC requirements must be ensured.
7.2	Advertising								
	Local advertising			~	0		C	A	To be coordinated through the group communication forum.
	International advertising						С	A	

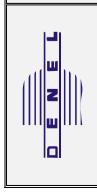
\* Percentages used will be based on the latest audited financial statements. Policy 2



No.	Description	ΒH	DBD	DEX	GCE	GFD	GEX	СЕО	Remarks
7.3	Participation in exhibitions					U	A		Plans to be finalised with business development executive.
80.	Countertrade						C		
8.1	Entering into contracts containing counter trade obligations				Ē		$\langle N \rangle$	×	Approvals to be in line with 4.1.1 and Executive Technical prior to approval. Transactions must be handled as outlined in Policy 51.
8.2	Approval of appropriate countertrade vehicle			U	A			-	All transactions involving countertrade obligations must be discussed with the Group Executive Technical prior to approval.
8.3	Signing countertrade-related agreements with the appointed government authorities in a country, in which the counter trade is due against a bank guarantee, to discharge countertrade over a designated period of time. This includes related countertrade plans and projects	9			<		U		All transactions involving countertrade obligations must be discussed with the Group Executive Technical prior to approval and sign-off by the GCEO.
9.	Irregular, fruitless and wasteful expenditure	TILLE I	2				Ą		
9.1	Conclusions on cases of irregular fruitless and wasteful expenditure	CONTRACTOR CONTRACTOR	A	РК		$\mathbf{X}$			All incidents must be investigated and concluded in terms of the policy on Prevention of Fruitless, Wasteful and Irregular expenditure and the PFMA.
9.2	Disclosures on cases of irregular, fruitless and wasteful expenditure and criminal conduct		A	РК	1				All incidents must be reported in terms of the policy on Prevention of Fruitless, Wasteful and Irregular expenditure.
10	Lawsuits			~	5				
10.1	Labour, criminal and related disputes and claims		ш		H		с	A	Group Executive HR and Transformation and Group Manager Legal Services to be notified.

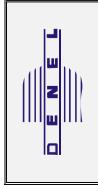
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ÖN	Description	HS	DBD	DEX	GCE	GFD	GEX	CEO	Remarks
		;		i	8		i		
10.2	Civil actions		Ē		υ		4	_	Group Manager Legal Services to be involved, depending on level to be escalated
									to Denel Exco and Board.
11.	Financing								
11.2	Raising overnight borrowing (short-term)	V					$\int$		Borrowings up to one year limited to a maximum of available bank facilities.
	• <r200m< td=""><td></td><td></td><td></td><td>C</td><td>A</td><td></td><td></td><td></td></r200m<>				C	A			
	• >R200m		Ē		A	_			
11.3	Raising long-term debt								Borrowings longer than one year both in the commercial and capital markets.
	• <r200m< td=""><td></td><td>Ē</td><td></td><td>۷</td><td>РК</td><td></td><td></td><td></td></r200m<>		Ē		۷	РК			
	• >R200m	2.	A		PR	-			
11.4	Payment instruments, guarantees, etc.								
11.4.1	Designation of officials who may:						[		
	<ul> <li>Sign or endorse cheques, drafts and promissory notes</li> </ul>		5			A	Ą		
	<ul> <li>Sign ISDA master agreement with counter parties</li> </ul>	CLORD I				A			
	<ul> <li>Sign currency arrangements outside ISDA master agreements with counter parties</li> </ul>	CONTROL OF				A			
	<ul> <li>Acceptance of silent confirmation arrangements with banks on letters of credit</li> </ul>			1	2	A			
11.4.2	Authorisation of request to Corporate Office to issue guarantees							A	

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No.	Description	SH	DBD	DEX	GCE	GFD	GEX	СЕО	Remarks
11.4.3	Issuing of guarantees								Non-routine matters occur in consultation with the Denel's legal department.
11.4.3.1	Guarantees given against a prepayment received						)		Section 66 of the PFMA.
	<ul> <li><r100m< li=""> </r100m<></li></ul>					A			Monthly reporting.
	<ul> <li>&gt;R100m</li> </ul>				A				Quarterly reporting to Board of Directors.
11.4.3.2	Guarantees to local authorities and suppliers of services to honour obligations					٨			Monthly reporting.
11.4.3.3	Product guarantees/warranties					A			In accordance with stipulations of sales contract.
11.4.3.4.1	Dealing with financial institutions					A			
	• Entering into agreements with Denel banks acting for the group, any of its divisions and subsidiaries. Negotiating and settle the terms and conditions of all agreements, mandates, indemnities, waivers, and all other documents with the banks				I	<			Relevant transactions to be initiated by Treasury Department and documents countersigned by the Head of Treasury and where applicable, relevant matters to be reported to A&R Committee.
	<ul> <li>Execute, sign, enter into, acknowledge, perfect and do all such agreements, contracts, conveyances, leases, mortgages, transfers, surrenders, assurances, deeds, powers of attorneys, acts and other things that shall be requisite or may be proper or necessary for or in relation to exercising all or any of the specific powers referred to herein</li> </ul>	Constanting of the second		2	Ξ	<			Relevant transactions to be initiated by Treasury Department and documents countersigned by the Head of Treasury and where applicable, relevant matters to be reported to A&R Committee.

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DENEL SOC LTD COMPANY POLICY

No.	Description	HS	DBD	DEX	GCE	GFD	GEX	CEO	Remarks
11.4.3.4.2	Opening, operating, closure and /or withdrawal of accounts			/	5				
	<ul> <li>Open, operate, close and withdraw banking accounts; make, draw, issue,</li> </ul>				FI	A	0		Relevant transactions to be initiated by Treasury Department and documents
	accept, indorse, execute, negotiate, discount ratire pay or satisfy any bills				_				countersigned by the Head of Treasury and
	of exchange, promissory notes, chearues draffe letters of credit circular	6					$\mathcal{H}$		reported to A&R Committee.
	notes, orders of payments, delivery of		/						
	monies, securities, goods or effects,								
	bills of lading or any other kind of							ć	
	negotiable or transferable instruments or mercantile interests;								
	Negotiate and accept loans and/or	9			Ξ	A			transactions to be i
	credit facilities and/other credit products				_				Treasury Department and documents
	ITOTH THE DATIK, ITTESPECTIVE OF THE SIZE OF SUCH Thans facilities and/or products								countensigned by the nead of theasury and where applicable relevant matters to be
	with or without the giving of security;						1	7	reported to A&R Committee.
	Enter into indemnities, guarantees and		3		Ē	A			Relevant transactions to be initiated by
	suretyships, to secure payments there		0				Į		Treasury Department and documents
	under, to cede and/or pledge any of the	200							countersigned by the Head of Treasury and where applicable relevant matters to be
	to pass mortgage bonds or deeds of	222				<	6		reported to A&R Committee.
	hypothecation over the immovable and	200							
	movable assets of the company in any				6				
	way whether it be for the obligations of				2				
	the company or for any other party;								

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\* Percentages used will be based on the latest audited financial statements. Policy 2

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No.	Description	ΗS	DBD	DEX	GCE	GFD	GEX	СЕО	Remarks
	<ul> <li>Invest money in any manner including but not limited to investing and withdrawing monies on deposits or saving accounts;</li> </ul>				Ы	A			Relevant transactions to be initiated by Treasury Department and documents countersigned by the Head of Treasury and where applicable, relevant matters to be reported to A&R Committee.
	<ul> <li>Enter into the use of debit cards, credit cards and business cash card banking facilities, service level agreements and telegraphic transfers;</li> </ul>				FI	A	$\overline{N}$		Relevant transactions to be initiated by Treasury Department and documents countersigned by the Head of Treasury and where applicable, relevant matters to be reported to A&R Committee.
	<ul> <li>Participate in any electronic service products offered by banks including but not limited to cash management services, utilisation of electronic bank transfers and participation of financial electronic data interchanges at branches of the Bank including but not limited to entering into an Electronic Banking and a Cash Management Schemes Memorandum of Agreement ("Intercompany Loan Document") or any other like agreement;</li> </ul>	9				<		A E	Relevant transactions to be initiated by Treasury Department and documents countersigned by the Head of Treasury and where applicable, relevant matters to be reported to A&R Committee.
	<ul> <li>Enter into and sign any Bank mandates and to appoint further authorised signatories on the part of the company who will have the same authority as set forth in these delegations;</li> </ul>	111111				A			Relevant transactions to be initiated by Treasury Department and documents countersigned by the Head of Treasury and where applicable, relevant matters to be reported to A&R Committee.

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No.	Description	HS	DBD	DEX	GCE	GFD	GEX	CEO	Remarks
	<ul> <li>Perform the solvency and liquidity test         <ul> <li>(as set out in section 4 of the Companies Act, 2008)and have reasonably concluded that the company will satisfy the solvency and liquidity test immediately after completing any agreement or security structure</li> </ul> </li> </ul>					A			Relevant transactions to be initiated by Treasury Department and documents countersigned by the Head of Treasury and where applicable, relevant matters to be reported to A&R Committee.
11.4.3.5	Instruction of bankers to issue guarantees								
	• <r100m< td=""><td></td><td></td><td></td><td></td><td>A</td><td></td><td></td><td>Quarterly reporting.</td></r100m<>					A			Quarterly reporting.
	• >R100m				A			C	Quarterly reporting.
11.4.3.6	Fulfilment of other guarantees including surety, customs, etc.					A	1		
11.4.3.7	Issue of guarantees on behalf of associate companies	~							
	• <r50m< td=""><td></td><td></td><td></td><td></td><td>A</td><td></td><td></td><td></td></r50m<>					A			
	• >R50m				A				
11.5	Appointment of main bankers (cheque account)		A				V		
11.6	Opening of individual bank accounts, amendments in bank account names, signatories on bank accounts, sweeping arrangements, and electronic payment arrangements on all accounts applicable to Denel SOC Ltd, and business entities where Denel has a controlling share in the said business unit			ノン	<	× ().			

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DENEL SOC LTD COMPANY POLICY

No.	Description	SH	DBD	DEX	GCE	GFD	GEX	СЕО	Remarks
11.7	Provisions				$\mathbf{y}$				Provisions report to be tabled at the A&R Committee
11.7.1	Raising provisions						Ć		
	• <r10m< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td>A</td><td></td></r10m<>							A	
	• >R10m		Ē		A	υ		-	
11.7.2	Releasing of provisions								
	• <r10m< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td>A</td><td></td></r10m<>							A	
	• >R10m				V	c		7	
11.8	Credit notes: Authorisation and designation of authorising officials							A	
12.	External communications	9							
12.1	Crisis communications and related press releases		Ы	Ы	V		C	-	GCEO, Divisional CEO and Group Communications Manager to be involved at all times.
12.2	Normal communication and press release		-		H		C	A	Group Manager Communications to be always involved
13.	Sponsorships, support and donations	ALDER REPORT				X	6		As per approved budget and in line with Government priorities, CSI Policy and Employee Ethics Policy on business courtesies and gifts. The CSI plan to be tabled at Exco at least once a year.
	• ≤R1m				5		С	A	Group Communications Manager to be consulted.
	• >R1m			ト	٩		РК	_	Group Communications Manager to be consulted.

\* Percentages used will be based on the latest audited financial statements. Policy 2

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No.	Description	HS	DBD	DEX	GCE	GFD	GEX	СЕО	Remarks
14.	Tax administration			/	)				
14.1	Annual tax returns					A	C	۷	Group annual return approved by the Group FD and subsidiaries' delegated to the CEO.
14.2	Handling of SARS queries					A		-	
14.3	Complaints regarding tax assessments								
	Litigation					A		-	
	<ul> <li>Material tax filing issues</li> </ul>					A		С	
15.	Insurance								
15.1	<ul> <li>Approval of ad hoc insurance requirements and general declarations</li> </ul>					U		A	Group Risk and Compliance Manager to be consulted.
15.2	Approval of group insurance portfolio	9	Ē		Ξ	A			Table group portfolio at A&R Committee.
16.	Auditors and Public Officers								
16.1	Approval of year-end financial statements		A	РК		-			Annual financial statements to be presented at Denel Exco before being tabled at the A&R Committee.
16.2	Appointment of internal auditors	A REAL	A	CR		_			A&R Committee to approve.
16.3	Discharge of internal auditors	200	A	CR					A&R Committee to approve.
16.4	Appointment of external auditors	E CONTRACT	A			-//			The appointment is ratified by the AGM after consulting the DPE and Auditor General in terms of the Public Audit Act.
16.5	Discharge of external auditors	Ē	A	CR	-	-			A PFMA process to be followed.
16.6	Appointment of public officer			ノ	A				Group appointment is done by GCEO.
		1							



		and Transformation to approved by PR&T consulted on financial	financial institutions to A&R Committee and	Manager to lead policy	ger to lead policy	
Remarks		Group Executive HR and Transformation to table at Exco and approved by PR&T Committee. Group FD consulted on financial impact.	Investment limits and finan be approved by the A&F Denel Board.	Risk & Compliance Manaç formulation.	Risk & Compliance Manager to lead policy formulation.	
CEO		C	U	С	С	U
GEX		10				
GFD		o	-	-	-	
GCE		CR	U			R
DEX		CR	CR	CR	CR	CR
DBD		A	A	A	A	4
SH						
D		d and cies				irregular
		reward ted polici				and
		s policies ervice, and and relat	cy it policy	policy	olicies s policy n policy	trol policies t policy policy d policies roperty polit wasteful policy
Description	Company policy	<ul> <li>Human Resources policies</li> <li>Conditions of service,</li> <li>Remuneration and reward schemes</li> <li>Transformation and related policies</li> </ul>	<ul><li>Finance policies</li><li>Accounting policy</li><li>Cash investment policy</li><li>Dividend policy</li></ul>	Risk management policy	Ethical conduct policies <ul> <li>Employee ethics policy</li> <li>Fraud prevention policy</li> </ul>	<ul> <li>Operational control policies</li> <li>Procurement policy</li> <li>Arms control policy</li> <li>Security policy</li> <li>SHEQ related policies</li> <li>Intellectual property policy</li> <li>IT policy</li> <li>Fruitless, wasteful al expenditure policy</li> </ul>
Desc	Com	Hum • Co • Re sct • Trs	Finar • Ao • Ca	Risk	Ethic Erre	Open Pr Arr S Arr S Arr S A F T C S Arr S C S Arr S C S Arr S C S C S C S C S C S C S C S C S C S

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	Description	HS	DBD	DEX	GCE	GFD	GEX	CEO	Remarks
18.	Significant transactions				$\mathbf{x}$				Application to be forwarded to the DPE and copied to National Treasury.
18.1	Establishment or participation in the establishment of a company (locally or abroad)	A	Я		-		$\sim$		Only approved by the Minister after following an application process prescribed in the (Materiality and Significance Framework (MSFW).
18.2	Establishment of offices in foreign countries (for marketing purposes)		ш	CR	A		U	-	The Minister and National Treasury must be informed of all offices established in foreign countries.
18.3	Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement	A	ЯЧ	С	РК		2		Reserved for Shareholder, refer to MSFW for detailed description.
18.4	Acquisition or disposal of a significant asset (>2% of the value of Denel's total assets) including shares in a company (>20% of the target)	A	РК		CR	υ			To be read in conjunction with the MSFW. NB Acquisition or disposal of any shares on companies domiciled abroad subject to Ministerial approval. Minister to be consulted on forced liquidations.
18.5	IP transfer i.e. technology transfer, licensing and patents / trademarks or copyrights agreements etc.		A		CR		υ		IP policy and NCAC Act requirements to be complied with.
18.6	A significant change in the nature or extent of interest in a significant partnership, unincorporated joint venture or similar arrangement	A	РК		CR	υ		-	To be read in conjunction with the MSFW. Transactions of a value >2% of Denel's total assets or >20% of the shares in the target are regarded as significant.
18.7	Commencement or cessation of a significant business activity equivalent	A	РК	く	CR	o		_	To be read in conjunction with the MSFW. Transactions of a value >2% of Denel's total assets or >20% of the shares in the target are regarded as significant.

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No.	Description	HS	DBD	DEX	GCE	GFD	GFD GEX	CEO	Remarks
18.8	Retrenchments						6		The Group Executive HR and Transformation must be consulted when retrenchments are anticipated and at least one month before the planning of the process.
	<ul> <li>≤10% total staff complement per event</li> </ul>		A		-			CR	
	<ul> <li>&gt;10% of total staff complement per event</li> </ul>	A	РК		Y			CR	
19.	Share capital	A	PR	U		-			
20.	Memorandum of Incorporation	A	РК	U	-			C	Coordinated by the Group Company Secretary.

\* Percentages used will be based on the latest audited financial statements. Policy 2

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	PAR. AS PER POLICY NO 2	DENEL BOARD	DENEL EXCO	GROUP CEO	GROUP F D	GEX	PROPOSED SUB DELEGATIONS TO DLS CEO (AS CHAIRMAN OF DLS EXCO PROCUREMENT COMMITTEE where applicable)	EXCO MEMBER/C HAIRMAN OF MANCO (where applicable)	GM MECHEM	SNR/COST CENTRE/N ODE MANAGER (REQS)	PROCURE MENT COMMITT EE	DESCRIPTION
<ul> <li>HR Creation of posts, appointments, promotions, transfers, dismissals:</li> <li>Management of subsidiaries and divisions</li> </ul>							A	<jl5 (consult<br="">with CEO)</jl5>	<jl5 (consult<br="">with CEO)</jl5>			GCE and Group Exec HR to be consulted on structural alterations and appointment at all management levels to address, among others, transformation
Remuneration and benefits strategy	1.2	3		9			OF ∢					
Annual increases Other staff	1.3	A					1/					
Interim adjustments <ul> <li>Staff below</li> <li>CEO</li> </ul>	1.4						A					
Variable pay <ul> <li>All staff</li> <li>below CEO</li> </ul>	1.5	A A	3									Variable pay is approved by the Board through the PR&T committee and DPE will be consulted on elements of this pay before implementation.
Separation packages <ul> <li>Staff below</li> <li>CEO</li> </ul>	1.6	2	5 2 2		ン		A					Consultation with Group Executive HR and Transformation should take place
Travel & subsistence allowances local and	1.7.1/2											
DLS CEO     Staff below     CEO				A			A (abroad)	A (local)	A (local)			DLS CEO to approve EXCO members' local S&T
Leave of absence	1.8			А			A					
Corporate Plan Research and Development	2.1 3	A										Dood on husings and Game Even Day Day to
Developing new products/services	3.1						A	R100k (COO)	R100k			based on busiliess case and Oroup Exectivew Dus Device to be consulted
Selection of JV and other related partners	3.2			A								Group Exec strategy initiates the process in consultation with Exco
Sales & Contracts												

# DLS SUB DELEGATIONS OF AUTHORITY

DESCRIPTION	With a minimum of 7% net margin and normal trading terms, countertrade obligations not exceeding 60% of the value of the contract, no onerous penalty terms, technical risk is manageable and there are back-to-back agreements with subcontractors, and favourable contracting mode. Peer review to take place in DLS. Consult the business development executive and GCEO on proposal above R20m Proposals to be peer reviewed approved by GCE after consulting with Exco and tabled to Board for information	To be evaluated on a case by case basis To be evaluated on a case by case basis	Procurement of >R1m per transaction from suppliers with BEE rating >5 (excluding transactions in the approved MPS) to be discussed with the Group Supply Chain Manager. Policy and normal tender requirements to be followed Group Supply Chain Manager prior consultation on procurement above R20m All purchases to be submitted to the Procurement Committee.	A report outlining the process followed to invite and shortlist suppliers and evaluation and scores of the shortlisted suppliers and recommendations of the Tender Committee to be tabled at the Board for approval. Pre-approved suppliers in terms of the Master Production Schedule to be subjected to a rigorous assessment in terms of price, delivery performance, quality, B-BBEE requirements, etc. at least once per annum. Group Supply Chain Manager to be consulted on finalisation of the MPS. Both GCEO and Group Supply Chain Manager to be consulted on procurement in excess of R50m.	To be ratified by EXCO. To follow Procurement path The individual capital expenditure to be motivated to the DLS Exco prior to procurement
PROCURE MENT COMMITT EE			<r5m< td=""><td></td><td></td></r5m<>		
SNR/COST CENTRE/N ODE MANAGER (REQS)	<r1m Business Stream Man. 10% profit</r1m 		<r5m (node/projec t man) R300k (cost centre man)</r5m 		
GM MECHEM	<r20m< td=""><td><r500k< td=""><td><r10m< td=""><td></td><td>R10k</td></r10m<></td></r500k<></td></r20m<>	<r500k< td=""><td><r10m< td=""><td></td><td>R10k</td></r10m<></td></r500k<>	<r10m< td=""><td></td><td>R10k</td></r10m<>		R10k
EXCO MEMBER/C HAIRMAN OF MANCO (where applicable)	<r20m (COO/CFO)</r20m 	<r500k (coo)<="" td=""><td><r20m (coo)<="" td=""><td></td><td>R10k</td></r20m></td></r500k>	<r20m (coo)<="" td=""><td></td><td>R10k</td></r20m>		R10k
PROPOSED SUB DELEGATIONS TO DLS CEO (AS CHAIRMAN OF DLS EXCO PROCUREMENT COMMITTEE where applicable)	=R100m	=R50m	=R50m	A <r250k(fees)< td=""><td>=R5m <r5m A</r5m </td></r250k(fees)<>	=R5m <r5m A</r5m 
GEX	U				
GROUP F D	υυ	AC		>R250k- R5m (fees)	
GROUP CEO	C >R100m- R500m	>R50m	>R50m- R200m	>R5m A	>R5m- R30m >R5m- R15m
DENEL	U			5	
DENEL BOARD	>R500m		>R200m		>R30m >R15m
PAR. AS PER POLICY NO 2	4.1.1	4.1.2	5. 5.1	5.2 5.3 5.3.1 5.3.2	5.3.3 5.4.1 5.4.2
	Sales proposals and contracts	Undertaking work without a confirmed order Delayed debtor collection payment or	terms Procurement • Standard procurement of products and services other than items specified in 5.2 and 5.3	<ul> <li>MPS items i.r.o. a project</li> <li>Specified items</li> <li>Consultants</li> <li>TA &amp; distr.</li> <li>Agreemen ts</li> </ul>	<ul> <li>Leases</li> <li>Capital</li> <li>expenditure</li> <li>Capitalisation</li> <li>of</li> <li>development</li> <li>costs or other</li> <li>expenses</li> </ul>

	PAK. AS PER POLICY NO 2	DENEL BOARD	DENEL	GROUP CEO	FD	GEX	PROPOSED SUB DELEGATIONS TO DLS CEO (AS CHAIRMAN OF DLS EXCO PROCUREMENT COMMITTEE where annlicable)	EXCO MEMBER/C HAIRMAN OF MANCO (where applicable)	GM MECHEM	SNR/COST CENTRE/N ODE MANAGER (REQS)	PROCURE MENT COMMITT EE EE	DESCRIPTION
Write off of assets	5.4.3				>R5m		=R5m	=R2m (COO)				DLS Warehouse Manager =R10k on stock adjustments Assets with no Book Value may be approved by the relevant EXCO member and must be ratified by DLS EXCO.
Provision requirements for contract losses and penalty assessments	9											Reviewing of requirements for provisions to be conducted by a multi-disciplinary team.
Potential contract losses	6.1	>R20m		>R10m- R20m	000		<r10m< td=""><td></td><td></td><td></td><td></td><td>Potential loss to be peer reviewed</td></r10m<>					Potential loss to be peer reviewed
Raising, or payment of penalties on delayed contracts or failure to meet delivery dates	6.2		>R5m		C >R1m- R5m		=R1m					A consolidated quarterly report to be tabled at Denel Exco with management comments.
Strategic Marketing Release of products for marketing	7.1			And the second second			V 4					All in compliance with NCACC requirements. To be coordinated through the group communication forum
	7.3	0			Y	A	¢					Plans to be finalised with business development executive
Countertrade –Entering into contract s containing counter	8. 8.1	$n_{\prime}$	4 K K		~		V					Approvals to be in line with 4.1.1 and Executive Technical prior to approval. Transactions must be handled as outlined in Policy 51
utade obligations. - Approval of appropriate countertrade vehicle	8.2			A								All transactions involving countertrade obligations must be discussed with the Group Technical Executive prior to approval
Signing countertrade related agreements with the appointed government authorities in a country, in which the countertrade is due against a bank guarantee, to discharge countertrade over a designated period of time. Includes related countertrade plans and	8.3			Y								All transactions involving countertrade obligations must be discussed with the Group Technical Executive prior to approval and sign-off by the GCEO
Irregular, Fruitless & Wasteful Expenditure Conclusions on cases of irregular fruitless and	9. 9.1											All incidents must be investigated and concluded in terms of policy on Prevention of FW*I expenditure on Prevention of F&W and Irreg. exp. and the PFMA.

	PAR. AS PER POLICY NO 2	DENEL BOARD	DENEL	GROUP CEO	GROUP F D	GEX	PROPOSED SUB DELEGATIONS TO DLS CEO (AS CHAIRMAN OF DLS EXCO PROCUREMENT COMMITTEE	EXCO MEMBER/C HAIRMAN OF MANCO (where applicable)	GM MECHEM	SNR/COST CENTRE/N ODE MANAGER (REQS)	PROCURE MENT COMMITT EE	DESCRIPTION
wasteful expenditure Disclosures on cases of irregular, fruitless and	9.2	A A										All incidents must be reported in terms of the policy on Prevention of F&W and irregular Exp.
wasteful expenditure and criminal conduct Lawsuits • Labour, criminal and related	10.1						A					Group Executive HR and Transformation and Group Manager Legal Services to be notified.
disputes and claims ions	10.2			9	¥		)F					Group Manager Legal Services to be involved. Depending on level to be escalated to Denel Exco and Board.
Authorisation of request to Corporate Office to issue outarantees	11.4.2		THEFT.	A			А					
Raising Provisions	11.7.1	/		>R10m		Ň	<r10m< td=""><td><r1m (cfo)<="" td=""><td></td><td></td><td></td><td>For information to GFD</td></r1m></td></r10m<>	<r1m (cfo)<="" td=""><td></td><td></td><td></td><td>For information to GFD</td></r1m>				For information to GFD
Release of provisions	11.7.2			>R10m			<r10m< td=""><td><r1m (cfo)<="" td=""><td></td><td></td><td></td><td>For information to GFD</td></r1m></td></r10m<>	<r1m (cfo)<="" td=""><td></td><td></td><td></td><td>For information to GFD</td></r1m>				For information to GFD
Credit notes: authorising and designation of authorising officials	11.8	2	D L		2		A	R500k (CFO)				
External Communications	12		1									
Crisis communications and related press releases	12.1			A								
Normal communication and press releases	12.2						A					
Sponsorships, support donations and gifts	13			>R1m			<rlm< td=""><td><r10k (mx)<="" td=""><td></td><td></td><td></td><td>As per approved budget and in line with the CSI Policy and Employee Ethics Policy on business courtesies and gifts.CSI plan to be tabled at Exco at least once a year. Group communications manager to be consulted</td></r10k></td></rlm<>	<r10k (mx)<="" td=""><td></td><td></td><td></td><td>As per approved budget and in line with the CSI Policy and Employee Ethics Policy on business courtesies and gifts.CSI plan to be tabled at Exco at least once a year. Group communications manager to be consulted</td></r10k>				As per approved budget and in line with the CSI Policy and Employee Ethics Policy on business courtesies and gifts.CSI plan to be tabled at Exco at least once a year. Group communications manager to be consulted
Approval of ad hoc insurance and general declarations	15.						Α	<r500k< td=""><td><r500k< td=""><td></td><td></td><td>Group Risk and Compliance Manager to be consulted</td></r500k<></td></r500k<>	<r500k< td=""><td></td><td></td><td>Group Risk and Compliance Manager to be consulted</td></r500k<>			Group Risk and Compliance Manager to be consulted

**ANNEXURE A** 

			Full capital cost is recovered in order			Report to be submitted to Procurement Commitee on a monthly and to Exco on a quarterly basis
)	Manager Warehouse					=R10k
	Buyer	R10k	R10k	None	R10k	
	Manager: Procurement	R50k	R50k	None	R50k	5
	Snr Manager/Specialist Procurement	R200k	R200k	None	R200k	/RE
	Reference per Denel policy no. 2	Par. 10.1	Par. 10.2	Par. 10.3	Par. 9.7	Par. 5.4.3
S	Description	Procurement submission for all capital acquisitions within budget	Project Capital Exp. (incl. in Budget)	Project Capital Exp. (not incl. in Budget)	Other Operating expenditure	Stock adjustments

W10-CPMM-070

# **PROCUREMENT SUB DELEGATIONS (per submission**

117,

- Purchases >R200k R5m to be submitted to the DLS Procurement Committee •
  - >R5m to be submitted to the EXCO Procurement Committee •
    - •
- All Procurement to adhere to the B-BBEE requirements as per par. 5 All Capital expenditure to be approved by the DLS Exco Procurement Committee •



Procurement and will be handled by

# For these issues either Service or Employee Expense (once off cases) requisitions will be used. □ Maintenance items less than R2,000.00 (the supplier will be determined by Procurement). The following items are the responsibility of line management and will not be submitted to Procurement to be involved where contracts are structured on payments >R20 000. □ Airfreight and courier cost less than R20, 000.00 (the supplier will be determined by Kitchen appliances and utensils (the supplier will be determined by Procurement). Denel (where contracts are applicable it must be submitted to Procurement). □ Legal fees (the supplier will be determined by Procurement). Stationery (the supplier will be determined by Procurement). Eunctions (the supplier will be determined by Procurement). □ S&T and Air tickets (the supplier will be determined by **EXTRACT FROM PROCUREMENT POLICY:** □ Audit fees (Denel prescribes the supplier) means of employee expense requisitions). □ City Council (levies, water, lights, etc). □ Calibration of equipment. Service of pool vehicles. Training and seminars. Biological monitoring. Snacks/groceries. Advertisements. Salary matters. Subscriptions. Telephones. Procurement). Procurement: Densecure. Medicines. • •

# **ANNEXURE "CM3"**

INTO STATE C

STAATSKOERANT, 7 DESEMBER 2011

No. 34832 3

# **GOVERNMENT NOTICE**

# NATIONAL TREASURY

No. R. 1027

7 December 2011

PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT, 2000 (ACT NO. 50F 2000)

# EXEMPTIONS FROM THE APPLICATION OF THE PREFERENTIAL PROCUREMENT REGULATIONS, 2011, PUBLISHED IN GOVERNMENT NOTICE NO. 502 OF 8 JUNE 2011

I, Pravin J. Gordhan, Minister of Finance, acting in terms of section 3 of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000), exempt the institutions specified in the first column of the Schedule below from the provisions of the Preferential Procurement Regulations, 2011, published in Government Notice R.502 of 8 June 2011, in *Government Gazette* No. 34350, as specified in the second column of the Schedule, for the duration specified in the third column of the Schedule.

Jontha-

MINISTER OF FINANCE Date: 07/12/2011

# SCHEDULE

Institutions Exempted	Provisions of Regulations to which Exemption Applies	Duration of Exemption
Public Entities listed in Schedules 2, 3B and 3D of the Public Finance Management Act, 1999 (Act No. 1 of 1999)	Regulations 2(2); 3 to 8; 10; 11(1) to (9); 11(11) to (13); 12-13	Until 7 December 2012

# **ANNEXURE "CM4"**



# Celia Malahlela

From:	Dennis Mlambo <dennism@denel.co.za></dennism@denel.co.za>
Sent:	12 December 2012 06:02 PM
То:	thinuss@denelaero.co.za;
	jan.barnard@deneldynamics.co.za; IndiraP@denel.co.za; ferdiep@otb.co.za; Cinty JC. Minnaar; beatricea@denelaviation.co.za
Cc:	Jan Wessels; mikek@denelaviation.co.za; Stephan Burger; carelw@pmp.co.za; Rentia Geldenhuys; IsmailD@denelaero.co.za; abriev@otb.co.za; abdulc@denelaviation.co.za
Subject:	Preferential Procurement Policy Framework Act (PPPFA)
Attachments:	img-Z07142314-0001.pdf
Importance:	High

#### Dear Colleagues,

I suppose most of you are aware that the PPPFA exemption that was granted to state-owned companies a year ago by Treasury expired on the 7th of December 2012, i.e. on Friday last week. The State-owned Companies Procurement Forum, of which Denel is a member, has been engaging Treasury with a view to getting the exemption extended by another year whilst under review. The main reason is that for high value tenders, above R500k, the adjudication process allocates a disproportionate weighting level to price and the unintended consequence is that companies with a poor transformation status and sometimes offers which are not commensurate with the money to be spent end up being successful in the bidding process. I hope that clarifies the rationale behind the application for exemption.

Consequently, Minister Gigaba sent all state-owned companies the attached letter to confirm that he is personally engaging the Minister of Finance to address our request for an extension. We can therefore continue to handle tenders as if the extension has been granted based on the contents of his letter. Please ensure that all relevant parties are notified of this development.

Kind regards

Dennis Mandla Mlambo Group Supply chain Executive Tel : +27 12 671 2602 Fax: +27 12 671 2696 Mobile: +27 (0)82 808 4906 E-mail: dennism@denel.co.za

INTO



#### MINISTER PUBLIC ENTERPRISES REPUBLIC OF SOUTH AFRICA

Private Bag X16, Hetheld, 0028 Tel: 012 431 1118 Fax: 012 431 1039 Private Bag X9079, Cape Town, 8000 Tel: 021 481 6378/7 Fax: 021 465 2381/461 1741

Mr Zoli Kunene Chairperson: Denel SOC Limited P.O. Box 8322 Centurion 0046

Tel: (012) 671 2791 Fax: (012) 671 2833

Dear Colleague

Re: The Preferential Procurement Policy Framework Act and the Locomotive Fleet Procurement

As you are aware, the PPPFA exemption enjoyed by Schedule 2 entitles under the PFMA expires today (7 December 2012). In essence, the expiry of the exemption will render various procurement initiatives by State Owned Companies (SOC) illegal under the PPPFA.

There are a number of unresolved issues pertaining to the extension of the exemption to State Owned Companies (SOC) from Regulations 2(2); 3 to 8; 10; 11(1) to (9); 11(11) to (13); 12 – 13 as issued in Government Notice No R1027 of 7 December 2011 of the PPPFA I believe that these issues can have a material impact on the ability of the SOC to extract optimal commercial, developmental and transformational value from strategic procurements.

Given this situation, I am personally engaging with the Minister of Finance to resolve these issues. In the meantime, the SOC should continue to procure as if the extension to the exemption is in place. In addition, no communication should take place between the SOC and National Treasury pertaining to the PPPFA until the situation has been resolved. Should any queries be directed

to the SOC from the National Treasury regarding the PPPFA, please refer the National Treasury to my office.

In this regard, I would like you to pledge your full support and cooperation to the Department as we engage with the Minister of Finance on this matter.

Yours sincerely

 $\bigcirc$ 

MALUSI GIGABA, MP MINISTER OF PUBLIC ENTERPRISES DATE: 2012 12 07

INTO ST

TE

Cc: Mr. Riaz Saloojee GCEO: Denel (SOC) Limited Tel: (012) 671 2791 Fax: (012) 671 2833

# **ANNEXURE "CM5"**

W10-CPMM-079

# **AGENDA**

REGISTRATION & COFFEE

#### LINDA MEYER

09H00 - 09H30

MC

MR ISH MOEKETSI **Senior Manager: DLS- Strategic Relations**  09H30 - 09H35

09H35 - 09H45

WELCOME

**ADV CELIA MALAHLELA Executive Manager: DLS - Supply Chain** 

# **DLS EVOLUTION: BEYOND 2013**

CURRENT DEVELOPMENT DLS

**MR STEPHAN BURGER Chief Executive Officer: DLS incorporating Mechem** 

09H45-10H15

**HUMANITARIAN OPERATIONS** 

**MR ASHLEY WILLIAMS General Manager: Mechem Operations** 

10H15 - 10H30

**DLS SUPPLY CHAIN STRATEGY** 

**ADV CELIA MALAHLELA** 10H30 - 10H45**Executive Manager: DLS - Supply Chain** 

10H45 - 11H00

**SUPPLIER QUALITY** 

**MR JOHAN BEZUIDENHOUT Executive Manager: DLS Business Excellence** 

**COFFEE BREAK** 

11H00 - 11H15

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DENEL LAND SYSTEMS

W10-CPMM-080

# **MARKET AFFAIRS**

SOE PROCUREMENT REGULATIONS & INCREASING FLEXIBILITY DR. TEBOGO MAKUBE Chief Director: DTI- Industrial Procurement 11H15 – 11H35

SA ECONOMIC GROWTH THROUGH SOE PROCUREMENT MR ETIENNE VLOK Chief Director: EDD- Economic Development and Social Dialogue

12H00 - 12H4.

11H35 - 12H00

LUNCH

**NETWORKING** 

SUPPLIER DYNAMICS

INTERACTIVE SESSION

MR DENNIS MLAMBO Group Supply Chain Executive

Dr. TEBOGO MAKUBE Chief Director: DTI - Industrial Procurement

MR ETIENNE VLOK Chief Director: EDD- Economic Development and Social Dialogue

MR GARY JOSEPHS Chief Executive Officer: South African Supplier Diversity Council

**COFFEE BREAK**.

WAY FORWARD BEYOND 2013 & CLOSING

MR REENEN TEUBES Chief Operating Officer: DLS 14H00 - 14H15

14H15 - 14H30

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**DENEL LAND SYSTEMS** 

12H45 - 14H00

# **ANNEXURE "CM6"**

MTO STATE C

# Celia Malahlela

From:	Dennis Mlambo <dennism@denel.co.za></dennism@denel.co.za>
Sent:	19 February 2014 06:13 PM
To:	chrisv@denelaviation.co.za; beatricea@denelaviation.co.za;
	thinuss@denelaero.co.za; PaulM@denelaero.co.za;
	Marius.Venter@deneldynamics.co.za; jan.barnard@deneldynamics.co.za;
	trevor.chiliza@deneldynamics.co.za; Celia Malahlela; Mafu Ntamo;
	josephs@pmp.co.za; phillipn@pmp.co.za; FERDIE PIETERSE; geraldl@denelotr.co.za;
	IndiraP@denel.co.za
Cc:	mikek@denelaviation.co.za; DeanK@denelaviation.co.za; IsmailD@denelaero.co.za; TheoK@denelaero.co.za; TsepoM@denel.co.za;
	christo.de.kock@deneldynamics.co.za; Stephan Burger; Reenen Teubes;
	phaladip@pmp.co.za; abriev@denelotr.co.za; Rentia Geldenhuys;
	RiazS@denel.co.za; Fikile Mhlontlo
Subject:	Implementation of the revised tender adjudication criteria as per the attached
•	document
Attachments:	Abridged Denel Tender Adjudication Criteria.pptx
importance:	High
- mportance.	

# Dear Colleagues,

In my recent assessment of the reasons for the slow progress in improving Denel's spend on Black-Owned and Black Women-Owned companies, as well as a result of a recent audit conducted by Delloite, it became clear that the implementation of the tender adjudication criteria as instructed vary in implementation across the Group from partial to none at all. This is viewed in a very serious light as the Denel Group will continue to have an unacceptably low level of spend on BO and BWO companies, currently around 9%. At this stage we should be beyond 20% I Naturally, I have engaged some of the senior executives in the Group with a view to address this unwarranted disregard of the instruction that was widely discussed before implementation. To be fair to all, I must hasten to add that here are a few divisions where evidence of non-compliance has not been found.

Consequently, this e-mail is intended to remind all the parties responsible for implementation that the said adjudication criteria must be implemented consistently with immediate effect. Naturally, the precondition prior to applying the transformation criteria is that the Supplier of the product and / or service must meet the minimum requirements ,and that includes delivery milestones where applicable. The application of the criteria should not result in the wholesale awarding of contracts or business to non-compliant Suppliers. In the next two months audits will be conducted in all divisions to ensure the effective implementation of the said criteria. I look forward to your unconditional support and co-operation.

Kind regards

Dennis

INTO

# W10-CPMM-083



**TENDER ADJUDICATION CRITERIA** 

The revised criteria and weightings for tender adjudication are as follows:

facture / provide the relevant 25%	the required timelines 20%	25%	
Demonstrated capability to develop / manufacture / provide the relevant product / service	Capacity to deliver product / service within the required timelines	Price / TCO	LAN CAR

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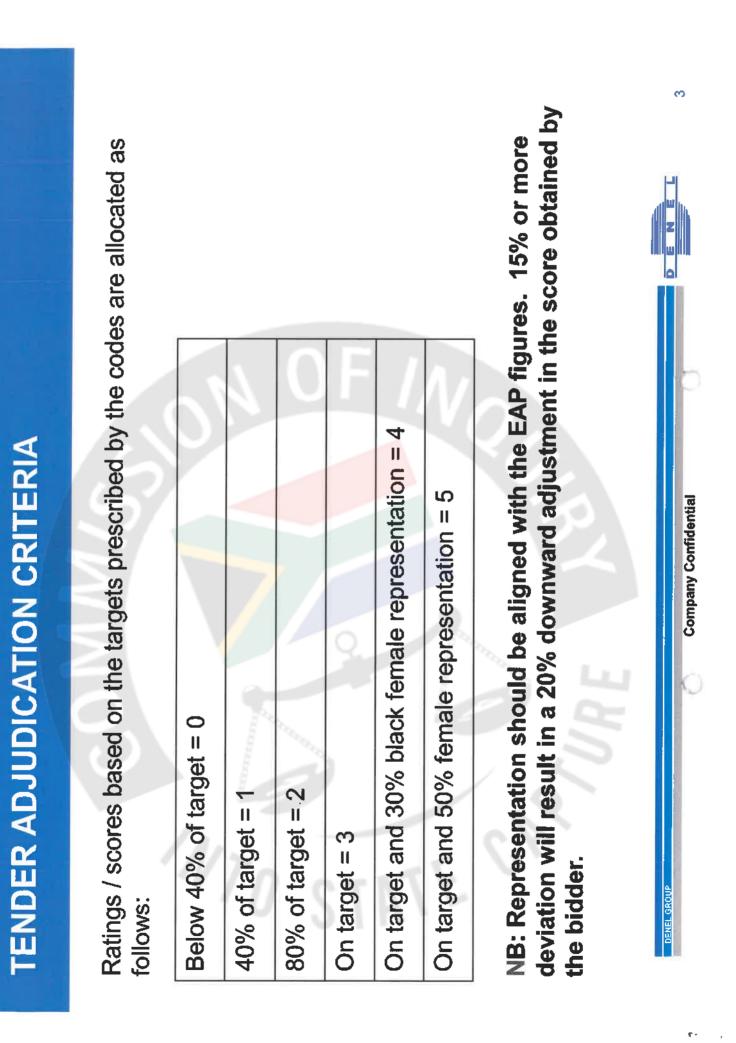
**Company Confidential** 

DENEL GROUP

**TENDER ADJUDICATION CRITERIA** 

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BBBEE LEVEL:	10%
<ul> <li>Level 9, 8 and 7 = 0 rating</li> </ul>	
<ul> <li>Level 6 = 1 rating</li> </ul>	
Level 5 = 2 rating	
<ul> <li>Level 4 = 3 rating</li> </ul>	
<ul> <li>Level 3 = 3.5 rating</li> </ul>	
Level 2 = 4 rating	
<ul> <li>Level 1 = 5 rating</li> </ul>	
EE STATUS OF SUPPLIER:	10%
<ul> <li>2.5% Weighting is allocated to the 4 distinct levels or categories:</li> </ul>	
o Top management	
<ul> <li>Senior management</li> </ul>	
<ul> <li>Middle management / professionally qualified</li> </ul>	
<ul> <li>Junior management / technically qualified</li> </ul>	
	0
Company Confidential	4



**TENDER ADJUDICATION CRITERIA** 

BLACK SHAREHOLDING	10%
• Below 25% = 0	
<ul> <li>Between 25% and 50% = 2</li> </ul>	
<ul> <li>Between 50% and 70% = 3</li> </ul>	
• Between 70% and 80% = 4	
• Above 80% = 5	

Up to a maximum 5% of total points may be granted for exceptional value adding or innovative ideas.

**Company Confidential** 

DENEL GROU

# **ANNEXURE "CM7"**



# Bonginkosi . Mthembu

Subject: Location:	Platform hull manufacturing Boardroom DLS
Start:	Tue 2014/04/01 14:00
End:	Tue 2014/04/01 15:00
Show Time As:	Tentative
Recurrence:	(none)
Meeting Status:	Not yet responded
<b>9</b> • • • • •	
Organizer:	Riaan Badenhorst
Required Attendees:	Johannes Bezuidenhout; Reenen Teubes; Celia Malahlela; Henk van den Heever; Martin
Required Attendees.	Drevin; Nols (Michael Arnoldus) Fonternel
Ontional Attendage	
Optional Attendees:	Ernest Du Preez; Avishkar Govender

Discuss manufacturing if vehicle hull

1. RSA PPM 1 Schedule



2. Patria's assessment of different RSA suppliers



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INTO ST

Patria Land Services Oy	MEMO D117051 0	Patria
Ari Aaltonen	3.3.2014	

# Hull welding TT-information week 8 2014 Denel Land Systems

# Agenda: Monday 17.2.2014

- introductions
- DLS planned layout and homework for assembly line and testing facilities
- production tour DLS, facilities etc.

## Tuesday 18.2.2014

• visit two companies to see welding capabilities

## Wednesday 19.2.2014

• Visit one company to see welding capabilities

## Thursday 20.2.2014

- conclusions
- open questions
- finalize minutes of meeting

## **General notes:**

- hull supplier is not chosen yet, therefore comprehensive information can't be delivered
  - information will go more deeply after decision and all POC's has been named, now talks as been on general level
- DLS armour hull specialist is unknown
- Safety, Health and Environment gives also restrictions for assembly line facilities
- It's not clear when DLS will made the decision of armour hull supplier

## Next steps needed for armour hull welding

- 1. To finalize the armour hull supply setup
  - a. how is doing what, all are involved or not
- 2. When setup is defined:
  - a. Define hull specialist on each party, Patria, DLS, and supplier(s)
  - b. carry out TT-info period (3-4 days) in Finland with chosen hull supplier and Denel
  - c. Continue to deepen information level with supplier(s) and DLS on South Africa
    - i. finalize training period contents and personnel needed with requirements for each role
    - ii. Jigs (Patria) → manufacturing locally
    - iii. Needed tools and machinery (DLS and supplier) for welding line

## 17.2.2014

- Production tour notes:
  - o blasting chamber height is too small
    - discussion about idea to design combined rotation/transportation device to complete blasting-painting-assyphase1

Patria Land Services Oy	MEMO D117051 0	Patria
Ari Aaltonen	3.3.2014	

- Presentation of power pack assembly process and discussion of required testing room specifications
  - needed air flow 1500liters/s
  - o Space needed
  - o exhaust extraction channels
  - o noise levels must be defined

## Visits to see welding capabilities

# 18.2.2014

- Day was started from DLS meeting room, agenda was reviewed
- Moving to the VR Laser facilities close to O.R.Tambo airport
  - VR Laser uses around 70% of imported Armox yearly
    - Background with OMC, BAE, DLS, now days hull supplier for four different OEM manufacturer
  - o Plusses:
    - + Comprehensive knowledge of armour plates
    - + Facilities and machinery are suitable for AMV hull manufacturing
    - + Welding and general quality systems are ok
    - + Traceability is on good level
  - Minuses:
    - possible information leak risks even with NDA
    - no turret ring machining capabilities
    - No surface treatment possibilities
- Moving to second possible AMV hull manufacturer → DCD protected mobility 12.00-15.30
  - Manufacturer for several armour vehicles, mainly 4x4
  - Welding quality and control is based on AWS standards
  - Plusses:
    - + Welding inspection facilities are on very good level
    - + traceability is on good level -> example seen during visit
    - + Painting workshop and blasting chambers are big enough for AMV hull
    - + Possibility to mill turret interface on hull on different DCD division
  - Minuses:
    - Bending capacity is not enough for AMV parts
    - severe risk to classified information even with NDA  $\rightarrow$  copying the structure, especially mine protection

## 19.2.2014

- Day was started from meeting room to agree days agenda
- Visit at LMT 9.00-11.30
  - has a background with Patria, designer for rear door, mine protection packages, testing and verification of mine protection
  - LMT has also own products, new mock-up of LMT 4x4
  - CASSPIR 15 pcs series
  - o Does welding inspections before and after painting

Patria Land Services Oy	MEMO D117051 0	Patria
Ari Aaltonen	3.3.2014	

- Plusses:
  - + knows Patria as a company and co-operator
  - + has designed various systems for AMV
  - + familiar of Patria's processes
  - + quality inspections are done on supplier end
- Minuses:
  - Welding quality doesn't reach other competitors, needs plan how to improve before decision can be made
  - No production space available at this moment, LMT has plans to expand to close by facilities
    - No possibilities to manufacture AMV hull plate set
      - outsourcing possible (VR Laser?)
  - Build log status is little bit unclear, all material is still available

#### Opinions

- 1. VR-Laser is capable for doing the whole hull from parts to delivery
- 2. VR-Laser information leak possibility is slight
- 3. VR-Laser references are good
- 4. DCD protected mobility has substantial risk for information leak especially for mine protection package
- DCD protected mobility has no possibility to make hull plate set due to missing machinery → Has still to outsource components
- 6. DCD protected mobility has all the necessary quality matters sorted out
- 7. DCD has possibility to machine turrets ring on their other division
- LMT has poor level of welding quality → needs to be improved if they want to make AMV hulls
- 9. LMT might still be suitable for hatch manufacturing if not chosen to hull manufacturer

Suggested setup (as a guideline, based on situation now). Situation and order might change if supplier will deliver detailed plans how to improve processes.

Hull plate set manufacturing	1.VR-Laser
Hull welding	1.VR-Laser 2. LMT 3. DCD

More or less, decision is totally on DLS responsibility. It wouldn't be beneficial to split work load to more than two suppliers. For Hull parts set, there is no hesitation to choose VR-Laser. Turret ring machining still needs to be decided, because capable machinery has not been seen during visits.

**VEHICLE HULL PRODUCTION PLAN** 

4/3/2014

Aug Sep Oct Nov Dec Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul 2015 2014 9 Quotes/Contract/Order on RSA hull supplier 2 Patria check data p. if jigs need to change3 Patria quotes/Order to manuf. jigs in RSA 11 Training welding supervisors in Finland 4 Manufacture jigs at local supplier 6 PPM 1 Welding at PATRIA7 PPM 1 Assembling at PATRIA 8 Decision on RSA hull supplier 14 Manufacture RSA PPM 1 hull 5 Install jigs at local supplier 12 Training welders in Finland 10 Supplier buy armour plate Activity Hull Datapacks complete 13 Industrialization 15 Delivery to DLS

NURE

# **ANNEXURE "CM8"**

INTO STATE S

# Bonginkosi . Mthembu

From:	Riaan Badenhorst <riaanb@dlsys.co.za></riaanb@dlsys.co.za>
FIOIII.	Ridail badelinoist < Ridailb@disys.co.za>
Sent:	Monday, 10 February 2014 13:41
То:	Celia Malahlela
Cc:	Avishkar Govender; Shamendran Pillay
Subject:	Vehicle hull
Attachments:	Hull price 26-3-2012.pdf; VR Lazer ROM kwot.tif; Kwot Hull & hatches etc 9-2-2012.pdf; MoU Platform hull.pdf; Hoefyster Quotation

Celia

As discussed. See quotes from companies below.

Quotes

LMT DCD VR Lazer

Also see MOU with LMT.

In attached Email, LMT said that we need to place an Order for all components they quoted on to achieve goal prices.

NDAs to follow

Regards Riaan

IE

INTO !

Reg No: 2006/037611/07

Victor Street Industrial Sites Boksburg East Boksburg 1460 South Africa

PO Box 229 Boksburg 1460

South Africa

www.dcd.co.za T +27 11 914 1400

F +27 11 914 1884



Our Reference D0263/1/CG/jad

26 March 2012

Denel Land Systems PO Box 7710 Pretoria 0001

# ATTENTION: MR RIAAN BADENHORST

Dear Sir

# INDICATIVE PRICE: HULLS FOR PROJECT HOEFYSTER

Your request to our Mr A Mears on 1 February 2012 for the manufacture and supply of 9 (nine) off Pre-Production Manufacturing Hulls and 243 (two hundred and forty three) off Production Hulls, Protected Mobility (a Division of DCD-DORBYL (Pty) Ltd) has pleasure in submitting the following indicative offer for your consideration:

# 1. Scope of Supply

- Vehicle Hull will be built as per drawing pack received-XX100111\_1\_10\_709055\_0.
- Materials required for individual components will be in accordance to specification attached to that drawing.
- All jigs are to be supplied by Denel.
- Welding is to be in accordance to Specification M016-Quality Levels of Steel Welding.
- No post assembly heat treatment has been specified nor post heat treatment of components after laser cutting as been allowed for.
- Allowance has been made for MPI testing of critical welds.
- Vehicle will be shotblasted to SA21/2, primed and painted in accordance to specification: M042-AMV, Surface Treatment of Welded Hull.
- Our indicative offer is based on the 'pdf' files supplied by Denel Land Systems for this
  indicative offer as no 'dxf' files were available at the time of submitting this indicative offer.

# 2. Indicative Price and Price Basis

- 2.1 For the Scope of Supply as described in Clause 1 above for:
  - 9 (Nine) Pre-Production Manufacturing Hulls, our indicative price is R955 000 per Hull.
  - 243 (Two hundred and forty three) Production Hulls, our indicative price is R896 000 per Hull.
- 2.2 The above indicative prices are delivered ex our Boksburg Works, strictly nett, and exclude Value Added Tax (VAT) and may be subject to change should the order quantities required be amended.

# 2.3 Contract Price Adjustment

The above prices in Clause 2.1 above are indicative as at a base date of 1 February 2012. 10% (Ten percent) is fixed and the balance of 90% (ninety percent) will be subject to escalation and will be adjusted according to the following formula:

Directors:

Dr Z S Magetuka (Chairman), R G King (Managing Director), V Langlois, G Pretorius, A Gordhan, C J O Rehder, D P Richards, J Venter, G M Colegate, W A S Nel, C Nkuna

#### 2.3.1 Local Currency Portion

# 2.3.1.1 South African Rand Content

Tnl	$= 0.10 Tol + 0.90 Tol \left( a \frac{b k}{b t} \right)$	$+a2\frac{b2k2}{b2t2}+a3\frac{b3k3}{b3t3}+a4\frac{b4k4}{b4t4}+a5\frac{b5k5}{b5t5}+a6\frac{b6k6}{b6t6}+a7\frac{b7k7}{b7t7}$
Where:		0212 $0313$ $0414$ $0515$ $0616$ $b'11')$
Tol =	Local Content Tender	Price (76% of the full indicative contract price above)
Tnl =	Adjusted Price	
b1t1 =	Labour	SEIFSA Index Table C3 (All hourly paid employees) ruling at 01.02.12.
b1k1 =	Labour	SEIFSA Index Table C3 (All hourly paid employees) ruling one month prior to the Contractual Delivery Date.
b2t2 =	Merchant Steel	SEIFSA Index Table E-EX (Merchant Steel Price Index, Domestic Steel Cold Rolled Steel) ruling at 01.02.12.
b2k2 =	Merchant Steel	SEIFSA Index Table E-EX (Merchant Steel Price Index, Domestic Steel Cold Rolled Steel) ruling two months prior to despatch.
b3t3 =	Foundry Scrap	SEIFSA Index Table E-2 (Good Quality Foundry Scrap)

b3k3 = Foundry Scrap SEIFSA Index Table E-2 (Good Quality Foundry Scrap) ruling two months prior to despatch.

ruling at 01.02.12.

- b4t4 = Other Material SEFISA Index Table G (Mechanical Engineering Materials) ruling at 01.02.12.
- b4k4 = Other Material SEFISA Index Table G (Mechanical Engineering Materials) ruling two months prior to despatch.
- b5t5 = Electricity, Gas, SEIFSA Index Table K (Electricity, Gas, Water) ruling Water at 01.02.12.
- b5k5 = Electricity, Gas, SEIFSA Index Table K (Electricity, Gas, Water) ruling one month prior to despatch.
- b6t6 = Road Freight SEIFSA Index Table L-2 (Road Freight Costs) ruling at 01.02.12.
- b6k6 = Road Freight SEIFSA Index Table L-2 (Road Freight Costs) ruling one month prior to despatch.
- b7t7 = Production Price SEIFSA Index Table U (Product Price Indices) ruling at base date 01.02.12.
- b7k7 = Production Price SEIFSA Index Table U (Product Price Indices) ruling two months prior to despatch.

a1	=	0.51	a5	=	0.02
a2	=	0.05	a6	=	0.04
a3	=	0.02	a7	=	0.22
a4	=	0.14			

#### 2.3.2 Foreign Currency Portion

2.3.2.1 Tof = Foreign Content Tender Price (24% of the full contract price above). Tnf = Adjusted Price

Tnf – Tof (10% (Ten percent) will be fixed and the balance of 90% (ninety percent) of the imported value, in foreign currency terms, shall be escalated at the rate of 2.5% (two and a half percent) per annum applicable on the first day of January each year starting in 2013. Base date 1 February 2012

## 2.3.2.2 Foreign Currency Exchange Rates

Country	Rate of Exchange
Kingdom of Sweden (24%)	SEK 1.00 = ZAR 1.12

#### 3. Extra Work

Any amounts quoted for the extra work and agreed to by yourselves will be subject to the same terms and condition as the original order in respect of variations in costs, exchange rates, basis of freight, insurance railage rates, harbour dues and charges, duties, surcharges and other charges of like nature.

# 4. Terms of Payment

4.1 One hundred percent of the contract value per Hull is payable progressively within 60 (sixty) days for each Hull delivered ex our Boksburg Works.

#### 4.2 Invoicing for Escalation:

- 4.2.1 The Steel and Engineering Industries Federation of South Africa (SEIFSA) indices are only published three months after the periods for which such indices apply.
- 4.2.2 To ensure that Protected Mobility is not prejudiced by this delay in publication the following invoicing and adjustment process is proposed.
- 4.2.2.1 An escalation invoice will be submitted by Protected Mobility with each delivery, such invoice based on the latest available indices publicised by SEIFSA.
- 4.2.2.2 On a quarterly basis, once final indices publicised by SEIFSA are available, Protected Mobility shall issue either an Invoice or Credit Note in order to reconcile the amount charged based on the indices available at the time of invoicing with the actual charge due based on the actual indices.
- 4.2.3 All such accounts will be payable within 60 (sixty) days of the date of invoice and presentation of required supporting documentation.
- 4.3 The ownership of goods and accessories covered by this indicative offer will at all times remain vested in Protected Mobility and will not pass to the purchaser until the full contract price for each batch or service has been paid into our nominated bank account.

## 5. Delivery, Liability and Penalties for Delay

5.1 We are most conscious of the need to meet scheduled delivery and have made a careful study before reaching the commitment. The delivery times are in accordance with our presently known workshop loading and lead times of major components and any other strategic material when deliveries are beyond our direct control.

5.2 Delivery of the Hulls will take place ex our Boksburg Works according to the schedule below based on receiving an official order for the first Hull by no later than **1 July 2014** and for the Production Hulls by no later than **1 August 2015**.

# 5.2.1 Indicative Delivery Schedule for Pre-Production Manufacturing Hulls (2015)

Quantity	Planned Date (Month End) Ex our Boksburg Works				
1	January 2015				
1	February 2015				
1	April 2015				
1	May 2015				
1	June 2015				
1	August 2015				
1	September 2015				
1	October 2015				
1	December 2015				
9	TOTAL				

# 5.2.2 Indicative Delivery Schedule for Production Hulls (2016 to 2025)

Year/ Month	J	F	М	A	М	J	J	Α	S	0	Ν	Total
2016	0	1	0	1	0	1	0	1	2	2	2	10
2017	1	2	2	2	2	2	2	2	2	2	2	21
2018	1	2	2	2	2	2	2	2	3	2	2	22
2019	1	2	2	2	2	2	2	2	2	2	3	22
2020	1	2	2	2	3	3	3	3	3	3	3	28
2021	1	2	2	2	3	3	3	3	3	3	3	28
2022	1	2	2	2	3	3	3	3	3	3	3	28
2023	1	2	2	2	3	3	3	3	3	3	3	28
2024	1	2	2	2	3	3	3	3	3	3	3	28
2025	1	2	2	2	3	3	3	3	3	3	3	28
								-		T	otal	243

- 5.3 Kindly note that our annual shut-down period is from mid December to mid January each year.
- 5.4 Please note that the above schedules are indicative only and based on the information provided to us during the meetings at DLS on 3 November 2011 and 1 February 2012. At contract negotiation stage we would mutually agree to the firm Delivery Schedule to meet your requirements.
- 5.5 We will make every effort as responsible contractors to meet delivery, but we limit the total penalties payable to a maximum of 3% (three percent) of the basic contract value of that portion of the contract subject to the delay, at a rate of 1/14% (one fourteenth percent) per working day, of the value of the outstanding goods or service.
- 5.6 We shall not able liable for any loss or damage for any delay in manufacture or delivery resulting from any causes beyond our reasonable control including but not limited to compliance with any laws, regulations, orders, acts, ordinances, instructions or priority request of Government, acts of God, fires, floods, weather, strikes, lock-outs, labour availability, embargoes, wars, riots, power shortage, delay in transportation provided there has been no lack of diligence on our part.

5.7 Neither shall we be liable for any delay due to late delivery of 'free issue' components. In particular we do not accept liability for any loss of use, loss of contracts, or any consequential damages however arising and the payment by us of penalty shall constitute our sole liability for delay.

#### 6. Warranty

- 6.1 We will make good, by repairs, or at our option, by the supply of a replacement defects which, under proper use, appear in the goods within a period of 12 (twelve) months after the goods have been delivered, or if delivery is delayed for any reason other than as a result of our defaults, within a period of 15 (fifteen) months after the goods have been notified as ready for despatch by Protected Mobility (whichever period expires the earlier) and arises solely from faulty materials or workmanship provided that defective parts have been returned to us if we shall have so required.
- 6.2 Any Warranty claims will be established within Protected Mobility in writing within 15 (fifteen) days of discovery of the defect.
- 6.3 Our liability under this condition shall be in lieu of any Warranty or condition implied by law as to the quality or fitness for any particular purpose of the goods and save as provided in this clause, we shall not be under any liability, whether in contract, delict or otherwise, in respect of or for any injury, damage or loss resulting from such defects or from any work done in connection therewith. Our liability does not extend to defects arising from operation use.
- 6.4 The above Warranty does not apply to products normally consumed in operation or which have a potential life inherently shorter than the period mentioned above.
- 6.5 The foregoing warranties shall constitute our sole liability and the sole remedy and are in lieu of all other warranties, including merchantability and fitness or suitability or any specific application or use.
- 6.6 In respect of parts or components not of our manufacture or design, we will give a guarantee equivalent to the guarantee (if any) which we may have received from the supplier of such parts or components.

## 7. Quality

- 7.1 The workmanship and finish will be of the highest standard and all materials used will be new and of the highest quality and standard available from approved suppliers in South Africa.
- 7.2 Pre-delivery inspection, testing and acceptance of each Hull will be carried out by Protected Mobility Quality Assurance personnel at our Protected Mobility Works, Boksburg, South Africa.
- 7.3 Inspectors appointed by yourselves are welcome to inspect the work at any stage during normal working hours and we shall make our own quality control information available for your perusal.
- 7.4 Protected Mobility is an approved SABS/ISO/9001:2008 accredited company and also possesses an AMC Aspects Moody certification in terms of OHSAS 18001 and ISO 14001:2004. Quality Plans will be supplied prior to commencement of the work.
- 7.5 Our price, however, does not include for costs of inspection other than for our internal requirements. Any costs incurred in respect of any additional inspection or testing would be for your account.

b

# 8. Surety Bonds/Performance Surety

Protected Mobility is a Division of DCD-DORBYL (Pty) Ltd and is the largest Heavy Engineering Group in South Africa, whose Group Policy is not to make provision for surety bonds in tendered indicative prices.

Should it be a contractual requirements to provide a surety bond or performance surety in this instance, this will be at an additional cost for your account.

#### 9. Enquiries

Should you have any queries please contact Mr Ulrich Fischer, Marketing Manager. His contact particulars are as follows:

Telephone number	(011) 914-1400
Fax number	(011) 914-1884
Cell number	078 460 0250
Email	ulrich@dcd.co.za

INTO

This indicative offer is in terms of Protected Mobility's General Conditions of Tender, Contract and Sale.

We trust our indicative offer meets with your approval and look forward to receiving your official Request for Quotation for submission of formal offer to Denel Land Systems for this work.

Yours faithfully

A MEARS

General Manager

Copies: Mr D G Leggitt Mr F S Ramage Mr N J Ndzamba Ms D R Streak Mr U Fischer Mr C J J Grundling

<u>C J O REHDER</u> Executive Director DCD-DORBYL (Pty) Ltd



# VR LASER SERVICES (Pty) Ltd

The Chief Procurement Officer Denel Land Systems P O Box 7710 Pretoria 0001 South Africa

For the Attention of Mr Ernest du Preez

# Re Quotation for the fabrication of Hoefyster Platform components

Further to the DLS RFO received from DLS ,our discussions and the various email correspondences and telephonic discussions, that followed, enclosed for your perusal, please do find the updated quotation for the Hoefyster Platform according to the data pack supplied.

# A. Quotation

The quotation costing structure is based on producing **243 complete** pre final painted hulls in South Africa at the delivery address of 368 Selbourne avenue, Lyttelton ,Pretoria. This quotation is based on the limited information supplied by DLS as result of not having a firm Hoefyster Production contract.

1. Unit price on the Industrialisation of Hulls PPM 1 to 5	R935450
2.Learning curve Production units 4-20	R880610
3.Series Production units based on 3 hulls per month	R865010

Prices excludes value added tax of 14%

Background information

# B. Hoefyster quotation updated information

1. Industrialisation effort

It is assumed that Patria will provide DLS with a fully industrialised data pack and that the Industrialisation effort will only be for the Localisation of the manufacturing of the Hulls only.

- 136 Main Reef Rd, Boksburg North, Gauteng, South Africa
- P.O. Box 5362, Boksburg 1461, South Africa
- Accounts Tel + 27 11 306 8000
- Accounts Fax + 27 11 306-8018
   Registration No. 2007/031329/07
   VAT No. 4690244837

12 April 2012

14 B

1.1 Compile process instructions for manufacturing of sub parts and assembly and welding of the Hulls according to the Patria supplied documents

**1.2** Compile total Quality requirements for the manufacturing of the hull according to the Patria data pack

1.3 Codification and qualification of Welders and Boilermakers according to the Patria requirements

1.4 Assumption, build jigs and fixtures according to the supplied Patria data pack

1.5 Design material handling equipment for sub parts and fabricated hulls

1.6 Compile pre final paint and shot blast procedures, localisation effort

1.7 Design and manufacture of inspection testing jigs

2. Industrialisation PPM 1-5 units

Assumption the detailed manufacturing and process documentation will be provided by Patria

2.1 Compile Quality in process documentation according to the DLS/Patria supplied instructions

2.2 Codification and testing of welders and boilermakers

2.3 Buy or manufacture Material Handling equipment

2.4 Material handling equipment design of identified requirements not supported by Patria

2.5 Sub parts( industrialisation to full data pack requirements)

2.6 Hull manufacturing PPM1-5 (industrialisation to full data pack requirements)

2.7 Transport of hulls to shot blast and painting

2.8 Hull preparation for shot blast and painting

2.9 Compile and review Build book requirements

2.10 Compile and review Final buy off requirements and documentation.

2.11 Transport of Hulls to DLS

3. Series Production learning curve 4-20 units

3.1 Manufacture Sub parts and assemblies

3.2 Hull fabrication and welding

3.3 Transport of hulls to shot blast and painting

3.4 Hull preparation for shot blast and painting

3.5 Complete Build book as per the requirements

3.6 Final Customer buy off

3.7 Transport of hulls to DLS

4. Series Production learning units 20 and onwards

4.1 Manufacture of Sub parts

4.2 Assembly and Hull fabrication

4.3 Transport of hulls to shot blast and painting

4.4 Hull preparation for shot blast and painting

4.5 Shot blast

4.6 Final and inspection Painting

4.7 Compile the final Build book

- 4.8 Final buy off
  - 4.9 Transport of hulls to DLS

Issues to consider

1. Maturity of the Data pack-an issue but not a significant risk, will be fully covered during industrialisation. Patria/DLS will be fully accountable for the accuracy of the data pack.

# C. The offer will include the following effort

- 1. Industrialisation of production will be on the first 5 units and all quality requirements needs to be established during this phase according to the Patria/DLS supplied documentation.
- 2. DLS will assist VRLaser to update the CAD data pack to the as build status during the industrialisation phase if and when deemed necessary by both parties.
- 3. VR laser will be responsible for the quality. Quality requirements will be agreed between both parties, a quality document control will be issued. The quality controller of VR laser will make sure that all quality requirements are met. VR laser will issue a certificate of conformance for each hull.
- 4. Jigs and fixtures that will not be supplied by Patria will be designed by VRLaser during the Industrialisation phase. These Jigs and Fixtures are considered to be suitable of producing the 243 hulls in SA.
- 5. Process instructions, routings, inspections sheets and welding instructions will be compiled during the Industrialisation phase and will be reviewed during this phase. Sign of on all QAR and process documentation will be during the Production reediness review phase.
- 6. Please note that Industrialisation is paramount for the successful series production of the hulls in South Africa.

# The Quotation includes

1. Unit Price of 5 industrialisation hulls.

2. Unit Price of Production Hulls at a rate of minimum 3 hulls per months, or as contracted.

3. Design and Manufacturing of Jigs and fixtures that will not be supplied by Patria/DLS.

4. The Industrialisation of jigs and fixtures .

5. Shot blast and painting of Hulls to the stage of pre final paint.

6. Price ex works- rand based figure. Escalation will be applied as to the escalation formula provided in per Annexure B, supplied with the RFO. The base date of the escalation will be 1 May 2012.

#### D. Payment terms and conditions

1. As listed per clause 3 of the RFO.

#### 2. SOW Industrialisation of the first 5 Hulls in SA at VRLaser

#### Fabrication and Welding only

1. Receive the as contracted CAD model and Bill of Material from DLS.

Nest the parts for laser cutting, develop bending files etc.

3. Determine the plate sizes required for optimisation of material usage, discuss with steel mills to ensure availability

4. Design manufacturing processes and work methods, jigs and fixtures and process equipment required.

5. Manufacture jigs and tooling required per work station identified that will not be supplied by Patria/DLS.

6. Pre- assemble sub parts with the Jigs, compile short works instructions, welding instructions and quality documents.

7. Design review processes and jigs, work methods, quality requirements and work flow to ensure optimum results.

8. Assemble and weld <u>first hull</u> in Main Assembly jig, compile short work instructions, quality requirements, and welding instructions.

9. Design review process, jigs and fixtures and all documents required for the Main Assembly and welding.

10. Use the updated data pack to produce hull 2 to 5.

11. Conduct Final design reviews and Production Readiness reviews on all the data to ensure that the Series production will take place without any modifications required.

#### Shot Blasting and painting of Hulls

1. Receive paint specifications, surface preparation and Quality requirements from Patria/DLS.

2. Industrialise the paint process, compile process documents and final buy off criteria.

3. Paint hull 1-5

4. Review the processes and documents after Industrialisation, and update for the series production of hulls.

#### 3. Contraction Conditions

Contracting conditions needs to be finalised before execution of the order to protect both parties and to ensure an amicable way of doing business.

1. Responsibility of design and Quality requirements remains that of Patria/DLS.

2. Any modifications to the design, Quality requirements, SOW, jigs and fixtures after the Industrialisation of Hull 1-5 will be for the account of DLS

3. Designated lines of Responsibility needs to be established and appointed to act on behalf of DLS and VRLaser as to prevent miss communication and facilitate the effective running of the Program.

4. Documentation required needs to be identified and agreed to such as, Progress reports, as build data pack requirements, Certificate of Conformance, release certificates for payments.

6. A conflict resolution mechanism needs to be agreed to upfront to ensure the smooth running of the Program.

7. Logistics support requirements need to be identified in line with the Patria/DLS requirements as to enable VRLaser to provide the documentation and spares if and whan required.

#### 4. Warranty

VRLaser will warranty the workmanship for a period of 18 months after shipment of the Hulls ex Boksburg. Patria/DLS will remain responsible for the design and design related issues pertaining to the warranty.

#### **H. Delivery Schedule**

#### **Production schedule**

As per the attached schedule based on Months after receipt of order ARO

Months ARO	6	4	5	6	7	8	9	10	11
Hulls	1-5	0 units	3units	3units	Sunits	3units	3units	3units	Follow-on

#### Shipping schedule

A detailed shipping schedule will be provided before signature of the contract.

#### I. Other issues

The delivery schedule of the hulls will be determined by the availability of materials to produce the hulls from. The scheduled will be committed to once a firm delivery schedule will be received from the Plate mill.

Standard VRLaser terms and conditions do apply.

The steel specifications will be as per the Steel producer as per the EURONORM standards. Unless otherwise specified in the material standard or otherwise agreed, plate is delivered with surface condition in accordance with EN 10 163-2, Class A, Sub-class 1, with flatness tolerance to EN 10 029, Class N, with length and width tolerances to EN 10 029, and with thickness tolerances to AccuRolITech<sup>™</sup> that conforms to the provisions of EN 10 029.

Should the need arise to refine the quotation please call Pieter Grundlingh at your convenience.

Trust that this quotation will meet and satisfy your requirement.

Best Regards,

Gary\_Bloxham VRLaser Services Chief Executive Officer E-mail <u>garyb@vrlaser.co.za</u> Bus phone +27 11 306 8000 Mobile phone Cell +27 82 495 0789

## ANNEXURE B

PRICE ESCALATION: RAND CONTENT

$$P_{1} = P_{M0} \left\{ a \cdot \left( \frac{MM_{1}}{MM_{0}} \right) + b \cdot \left( \frac{EM_{1}}{EM_{0}} \right) \right\} + b$$

$$P_{L\dot{o}} \left\{ \left[ \frac{LS_1}{LS_0} \right] \right\}$$

1

Where:

a + b =

P1 = ORDER PRICE (tariff) after adjustment

P<sub>M0</sub> = Amount of material PRICE subject to Rand escalation

P<sub>L0</sub> = Amount of labour PRICE subject to Rand escalation

MM<sub>1</sub> = SEIFSA index for Statistics SA - Production Price Index for "Mechanical Engineering Materials", (Table G), published for the month, three months prior to the contractual delivery date..

- MM<sub>0</sub> = The SEIFSA index for Statistics SA Production Price Index for "Mechanical Engineering Materials", (Table G), published for the month, three months prior to the base month.
- EM<sub>1</sub> = SEIFSA index for Statistics SA Production Price Index for "Electrical Engineering Materials", (Table G), published for the month, three months prior to the contractual delivery date.
- EM<sub>0</sub> = SEIFSA index for Statistics SA Production Price Index for "Electrical Engineering Materials", (Table G), published for the month, three months prior to the base month.
- LS<sub>1</sub> = SEIFSA index of Actual Labour Cost, "All hourly paid employees" (Table C3), published for the month, three months prior to the contractual delivery date.
- LS<sub>0</sub> = SEIFSA index of Actual Labour Cost, "All hourly paid employees" (Table C3), published for the month, three months prior to the base month.

Base month is June 2011.

W10-CPMM-109



## PROPOSAL: REQUEST FOR OFFER FOR HOEFYSTER PLATFORM COMPONENTS

PROPOSAL NUMBER:Q/1/0010ISSUE:2DATE:9 FebrualCLIENT:DLSCONTRACTOR:LMT HoleCONTACT PERSON:Dr S NeleVALIDITY:120 daysSigned on behalf of LMT Products (Pty) Ltd

INTO

Q/1/001056/2 2 9 February 2012 DLS LMT Holdings (Pty) Ltd Dr S Nell 120 days



Dr S Nell CEO



### PROPOSAL: REQUEST FOR OFFER FOR HOEFYSTER PLATFORM COMPONENTS

#### 1. Background and Scope

DLS requested ROM pricing for the Patria designed 8x8 AMV vehicle platform sub-systems, to be integrated by Denel Land Systems, for the Badger project.

LMT Products (Pty) Ltd has already received the Production Contract for 247 Trunnion Machining assemblies, part number 925-10500-5001-V-2, contract number dated 29 April 2010.

#### 2. Applicable Documents:

- 1. Denel Land Systems RFQ, HY/RFQ/2011-001, dated 28 September 2011.
- 2. Denel Land Systems Contract, 00200117, dated 29 April 2010.
- 3. E-mail from Riaan Badenhorst, 26 January 2012 01:24 PM, Subject: FW: Hoefyster Platform prices.

#### 3. Abbreviations:

- 1. DLS Denel Land Systems
- 2. ROM Rough Order of Magnitude

INTO

3. **PPM** – Pre-Production Model

#### 4. Statement of Work

4.1 Hardware according the drawings and specifications of part numbers listed in Table 1:

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Item number	Group	Product	Description	Considere LMT Exclusive Part
1	XX100112	729341	Rear Back door	*
2	XX100116	734172	Hatch Enjin Room	
3	XX100116	2x001528	Water tank	*
4	XX100121	714652	Equipment box	
5	XX100122	714567	Equipment box front right	
6	XX100123	716000	Equipment box	
7	XX100128	713337	Equipment box	
8	XX100129	624879	Equipment box	
9	XX100130	705338	NBC Hatch	
10	XX100131	702005	Service hatch	
11	XX100113	712144	Drivers hatch	
12	XX100114	727356	Rear hatch	
13	XX100117	731330	APU bin	
14	XX100117	720916	Turret gate	
15	XX100118	2x003404	Weapon mount	*
16	XX100119	715359	Enjin room hatch	
17	XX100120	716586	Commanders hatch	
18	XX100126	2x002932	Ammo rack assy	*
19	XX100126	2x004034	SV Overnight bag LH	*
20	XX100127	2x003992	MGL Bin	*
21	XX100127	2x003961	SV Overnight bag RH	*
22	XX100111	709055	Armour Hull	*

Table 1 : Part numbers and descriptions

## 5. LMT Terms and Conditions

- 5.1 Base date of Prices is June 2011.
- 5.2 Terms and Conditions as per Applicable Document 2.1.
- 5.3 **<u>ROM Prices</u>** subject to LMT Holdings Board Approval.

- 5.4 Parts marked \* in Table 1 are considered exclusive LMT Holding parts.
- 5.5 Sub-component prices are based on receiving orders for items 1-22. LMT shall review pricing should only selected items from the list in Table 1 be ordered.
- 5.6 Pricing are based on a total order quantity of 244 units distributed as follows:

Table 2 : Delivery quantity distribution:

Year 1	0
Year 2	0
Year 3	3
Year 4	0
Year 5	0
Year 6	21
Year 7	36
Year 8	36
Year 9	36
Year 10	36
Year 11	36
Year 12	36
Year 13	4

LMT shall review pricing should the order quantity and schedule change from the schedule shown in Table 2.

- 5.1 Pricing includes a 3% to 10% allowance for Warrantee claims on workmanship only (Depending on the risk and complexity of the assembly).
- 5.2 Parts are manufactured to data-pack, with the pwner of the data-pack carrying the Design Responsibility.
- 5.3 Pricing is based on a Zero percentage Pre-payment. Pricing may be adjusted should a pre-payment be offered.

#### 6 Tooling, Jigs and Fixtures

6.1 Pricing includes all tooling, jigs and fixtures required for production, EXCEPT for item 22 (XX100111, Armour hull). Pricing is based on the assumption that Patria supplies free of charge the hull production tooling for the duration of the contract.

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#### 7. Prices

- 7.1 Prices are shown in Table 3:
  - Table 3 : Price Breakdown:

Kit price for	Description	unit price
Qty:		244
XX100112	Rear Back door	R 534,558.66
XX100116	Hatch Enjin Room	R 59,994.47
XX100116	Water tank	R 93,281.87
XX100121	Equipment box	R 29,570.98
XX100122	Equipment box front right	R 39,808.43
XX100123	Equipment box	R 40,373.61
XX100128	Equipment box	R 35,995.65
XX100129	Equipment box	R 46,934.06
XX100130	NBC Hatch	R 36,054.77
XX100131	Service hatch	R 23,478.95
XX100113	Drivers hatch	R 159,523.01
XX100114	Rear hatch	R 94,096.93
XX100117	APU bin	R 100,805.21
XX100117	Turret gate	R 63,210.10
XX100118	Weapon mount	R 16,306.23
XX100119	Enjin room hatch	R 120,604.55
XX100120	Commanders hatch	R 103,813.94
XX100126	Ammo rack assy	R 26,132.04
XX100126	SV Overnight bag LH	R 23,761.66
XX100127	MGL Bin	R 17,870.98
XX100127	SV Overnight bag RH	R 23,761.66
XX100111	Armour Hull	R 1,738,693.76

7.2 The Order value from the Turret contract already received is summarised below:

#### Table 4 : Turret Pricing

	Qty	Unit Price	Total
Industrialisation	12	R 194,007.60	R 2,328,091.20
Jigs and Fixtures	1	R 737,491.92	R 737,491.92
Production	247	R 194,007.60	R 47,919,877.20
Total			R 50,985,460.32

#### 8. Schedule

- 8.1 Delivery Schedule: DLS has advised LMT (Applicable document 2.3) that the schedule defined in Applicable Document 2.1 has been postponed by 2 years. Final schedule to be confirmed.
- 8.2 Work can commence in March 2012 pending information availability and receiving an order.

\*\*\*\*\*\*

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8.3 LMT requires an order and 12 month lead time prior to the delivery of the PPM models.

#### 9. Shipping

9.1 As per Applicable Document 2.1.

#### 10. Payment, terms and Conditions

- 10.1 Warrantee, one year on workmanship.
- 10.2 As per standard LMT contract conditions.

INTO

## MEMORANDUM OF UNDERSTANDING

By and Between

#### DENEL (PTY) LTD trading as DENEL LAND SYSTEMS

A company with limited liability duly incorporated in the Republic of South Africa with Commercial Registration No. 1992/0013370/07, situated at: 368 Selbourne Avenue, Lyttelton, Pretoria, South Africa. (hereinafter, referred to as "DLS")

And

#### LMT HOLDINGS (PTY) LTD

A company with limited liability duly incorporated in the Republic of South Africa with Commercial Registration No 2004/023660/07, situated at: 286 Maggs Street, Waltloo, Pretoria, South Africa (hereinafter, referred to as "LMT")

(Collectively referred to as the "PARTIES" or each of them as the "PARTY")

CONCERNING THE MANUFACTURE OF THE PLATFORM HULL FOR THE NEW GENERATION INFANTRY COMBAT VEHICLE PRODUCTS SYSTEM FOR THE SOUTH AFRICAN ARMY

NTO

## W10-CPMM-116

#### MEMORANDUM OF UNDERSTANDING

WHEREAS, having received ARMSCOR'S Request for Offer EMFT/2003/564, DLS issued an RFO to Patria for the development, industrialisation and production of 264 (two hundred and sixty four) Infantry Combat Vehicle Platforms and associated services and equipment (the 'Product");

WHEREAS, Patria responded by submitting an offer for the supply of the Product;

WHEREAS, DLS undertook to appoint Patria and Patria accepted the appointment to deliver the Product;

WHEREAS, DLS and Patria entered into a formal agreement to this effect on 28 May 2007 (Contract No: 00200032); which agreement contained the general conditions of contract to regulate all orders placed by DLS on Patria for the abovementioned products in two phases namely:

PHASE 1 (DEVELOPEMENT); and

PHASE 2 (PRODUCTION);

WHEREAS, DLS and PATRIA entered into an MOU on 16 December 2010 with a view to considering alternative contracting models concerning PHASE 2;

WHEREAS, DLS and Patria have agreed that in terms of the above-mentioned alternative models, the manufacture of the platform hull by LMT would be a contracting model;

WHEREAS, DLS wishes to pursue this contracting model with LMT, subject, but not limited to the fulfilment of the conditions precedent contained in this MOU; and

WHEREAS, LMT is willing to accept the undertakings contained herein.

#### Now therefore,

#### 1. DLS endeavours to:

- 1.1 Place the industrialisation and production contract and derived batch orders for the Hoefyster platform hulls on LMT, subject to the following conditions precedent being fulfilled:
  - 1.1.2 The awarding of an order by Armscor to DLS for PHASE 2; and
  - 1.1.3 The Parties reaching agreement on the detailed terms and conditions (T's & C's) of the procurement contract to be entered into once ARMSCOR places the order on DLS;

- 1.1.4 The Parties reaching agreement on:
  - 1.1.4.1 Technical and performance specifications; and
  - 1.1.4.2 Manufacturing process design; and
  - 1.1.4.3 Pricing and delivery schedules.
- 1.2 Make appropriate pre-payments to LMT after respective orders have been placed. The substantive details of these pre-payments will be governed by the agreed T's & Cs as contemplated in clause 1.1.3 above

#### 2. COMMENCEMENT, DURATION AND TERMINATION

This MOU:

- a. will commence on the signature date and endure for a period of 6 (six) months, after which it will automatically expire unless terminated earlier by either PARTY by giving 30 days prior written notice to the other PARTY of its intention to terminate the MOU; or
- b. If the PFMA process does not approve the equity transaction then this MOU will terminate automatically and the sub contracting of LMT will be based on strategic, technical and commercial considerations; or.
- c. be superseded by the envisaged Procurement Contract.

#### 3. COSTS AND RISKS

The PARTIES hereto confirm that each of them shall bear their own costs and risks for their respective actions with respect to fulfilment of this MOU.

#### 4. LIABILITIES

Notwithstanding anything undertaken above, either PARTY is precluded from claiming any loss, damages, compensation or any liabilities, financial or otherwise from the other PARTY during the subsistence, or after the termination of this MOU.

#### 5. AMENDMENT

This MOU shall not be changed, altered or amended except by written instrument signed by and on behalf of the PARTIES.

#### 6. **DISPUTE RESOLUTION**

If the PARTIES are unable to resolve any dispute arising from this MOU by means of joint cooperation or discussion within one (1) week after a dispute arises or such extended time period as the PARTIES may allow in writing, then it shall be resolved by way of arbitration, in accordance with the provisions contained in clause 7 of this MOU.

#### 7. APPLICABLE LAW AND ARBITRATION

The law applicable to, interpretation of and arbitration (of disputes) relating to this MOU shall be in accordance with clauses 7.1 and 7.4 respectively of the agreement signed between the PARTIES on 29 April 2010 (Contract No:00200177).

#### 8. CONFIDENTIALITY

- 8.1 The PARTIES agree not to disclose the details of this MOU or any other matter in relation thereto to any third party at any time, except insofar as such disclosure is authorised by both PARTIES in writing, is ordered by a court of law or is otherwise essential for obtaining regulatory approval, application in judicial process or the obtaining of legal advice or is essential for financial reporting to the South African Defence Force and/or ARMSCOR, or is necessary for obtaining the Phase 2 Order for the program.
- 8.2 Notwithstanding clause 8.1, LMT is entitled to disclose the details of this MOU or any other matter in relation thereto within the LMT Group. The requirements of paragraphs
   8.1, 8.3 and 8.4 will be applicable to the LMT Group.
- 8.3 The PARTIES agree that all information shared between them is confidential in nature, will not be disseminated without the prior written consent of the other PARTY.
- 8.4 The confidentiality obligation as defined in this clause 8 shall survive also the termination of the MOU.

#### 9 GOOD FAITH

In the implementation of this MOU, the PARTIES undertake to observe the utmost good faith and they warrant that in their dealings with each other that they shall neither do anything nor refrain from doing anything which might prejudice or detract from the rights, assets or interests of the other of them.

#### 10 SEVERABILITY

In the event that any provision in this MOU be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceable provision will not be construed as to have any effect upon the remaining provisions of this MOU, provided that the effect upon the remaining provisions does not substantially change the designated interests of the PARTIES. In the event such severance substantially changes such interest, the PARTIES will endeavour to agree upon a mutually acceptable, alternative, valid and enforceable provision.

#### 11 WHOLE MOU

This MOU constitutes the entire understanding between the PARTIES as to the subject matter addressed.

### 12 INTERPRETATION

- 12.1 Words and expressions defined in any sub-clause shall, for the purpose of the clause of which that sub-clause forms part, bear the meaning assigned to such words and expressions in that sub-clause.
- 12.2 Any reference in this MOU to the singular includes the plural and vice versa.
- 12.3 Any references in this MOU to natural persons include legal persons and vice versa.

#### 13 NOTICES AND DOMICILIA

- 13.1 The PARTIES choose as their domicilia citandi et executandi their respective addresses set out in this clause for all purposes arising out of or in connection with this MOU at which addresses all processes and notices arising out of or in connection with this MOU, may validly be served upon or delivered to the PARTIES.
- 13.2 The PARTIES' respective addresses shall be -

#### **DENEL LAND SYSTEMS**

368 Selborne Avenue, Lyttelton, PO Box 7710, Pretoria, 0001, South Africa.

Facsimile number +27 12 620 3172 For Attention: Mr Reenen Teubes

LMT HOLDINGS 286 Maggs Street Waltloo Pretoria South Africa P O Box 1578 Brooklyn Square 0075

Facsimile number: +27 12 803 6848 For Attention: Dr Stefan Nell

or at such other address of which the PARTY concerned may notify the other in writing.

13.3 Any notice given in terms of this MOU shall be in writing and shall -

- 13.3.1 if delivered by hand be deemed to have been duly received by the addressee on the date of delivery;
- 13.3.2 if posted by prepaid registered post be deemed to have been received by the addressee on the tenth (10th) day following the date of such posting;
- 13.3.3 if transmitted by facsimile be deemed to have been received by the addressee on the day following the date of dispatch, unless the contrary is proved.
- 13.4 Notwithstanding anything to the contrary contained or implied in this MOU, a written notice or communication actually received by one of the PARTIES from another including by way of facsimile transmission shall be adequate written notice or communication to such PARTY.

### 14 DECLARATION OF THE PARTIES

The PARTIES record their keen interest to execute all efforts related to this MOU in accordance with the laws and regulations of the Republic of South Africa.

#### 15 SIGNATURE

This MOU is signed by the PARTIES in English in two (2) identical originals on the dates and at the places indicated opposite their respective names.

AS WITNESSES:

NAME: AS BURGER CEO OF DENEL LAND SYSTEMS On behalf of DENEL (PTY) LTD trading as DENEL LAND SYSTEMS, duly authorised thereto

SIGNED AT CENTURION ON THIS 18 DAY OF JULY 2011

On behalf of LMT HOLDINGS (PTY) LTD:

AS WITNESS:

ACT.

NAME: S NELL CEO OF LMT HOLDINGS (PTY) LTD.

SIGNED AT Waltlow ON THIS 18 DAY OF July 2011

#### Bonginkosi . Mthembu

From:	Koenie Vos <koenie@imt.co.za></koenie@imt.co.za>
Sent:	Monday, 27 February 2012 12:19
То:	'Riaan Badenhorst'
Cc:	'Reenen Teubes'; 'Pieter Knoetze'; alberta@dlsys.co.za; stefan@lmt.co.za;
	francoisg@lmt.co.za; 'Henk van den Heever'
Subject:	Hoefyster Quotation
Attachments:	Budget prices - LMT 22-2-2012.xlsx

Hallo Riaan

We have redone the total Hoefyster ROM Quotation and have the following feedback for you:

- We can meet all your goal prices as communicated to us. (Attached).
- The unit prices for the PPM's are double that of the goal prices.
- Some cross subsidation between components had to be done, we will therefore have to receive an order for all the components as listed and not only the exclusive components.
- The total contract price, with the turret hull and PPM's included, is less than R500m and means a turnover in the production period of just under R60m in 2016/17 and thereafter R71m per year for LMT. This turnover is far below the predictions as foreseen.
- Our price model as used for the first quotation unfortunately had some mistakes, including duplications.

Please inform us should you require an official requote.

Regards

#### **Koenie Vos**

Chief Operations Officer LMT Holdings (Pty) Ltd

286 Maggs Street Waltloo Pretoria South Africa 0184 Mobile: +27 (0) 82 886 8463 Tel: +27 (0) 12 803 6184 Fax: +27 (0) 12 672 7821

> PO Box 1578 Brooklyn Square South Africa 0075

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N	Description	Dout www.hov	DLS Budget	
Nr	Description	Part number	prices	
1	Drivers hatch	712144	118 019	
2	Rear hatch	727356	107 257	
3	Enjinroom hatch	715359	65 781	
4	Commanders hatch	716586	46 875	
5	Amour hull	709055	725 982	
6	Rear door	729341	395 350	
7	Hatch Enjin Room	734172	65 781	
8	Water tank	2x001528	65 963	
9	Equipment box	714652	10 589	
10	Equipment box front right	714567	23 160	
11	Equipment box	716000	23 151	
12	Equipment box	713337	14 525	
13	Equipment box	624879	12 225	
14	NBC Hatch	705338	11 989	
15	Service hatch	702005	9 108	
16	APU bin	731330	48 265	
17	Turret gate	720916	33 050	
18	Weapon mount	2x003404	5 363	
19	Ammo rack assy	2x002932	11 825	
20	SV Overnight bag LH	2x004034	12 298	
21	MGL Bin	2x003992	9 799	
22	SV Overnight bag RH	2x003961	9 426	

WTO STATE S

## Platform budget prices - LMT

# **ANNEXURE "CM9"**

## Bonginkosi . Mthembu

From: Sent: To: Subject: Attachments: Riaan Badenhorst Friday, 04 April 2014 13:49 Celia Malahlela Memo - Decision on Hull supplier - 4-4-2014 Memo - Decision on Hull supplier - 4-4-2014.docx





#### **DENEL LAND SYSTEMS**

#### **MEMORANDUM**

To: EXCO From: HULL MANUFACTURING CROSS FUNCTIONAL TEAM Date: 4 April 2014 Subject: Decision on vehicle hull supplier Rev. No.:

A cross functional team of representatives from Supply Chain, Infantry Systems and Business Excellence was constituted to make a final recommendation on the supplier that will be manufacturing the platform Hull. This has become a matter of urgency due to the fact that Patria needs to start engaging with the particular platform <u>hullmanufacturing</u> supplier in order to start with the transfer of technology and industrialization.

As part of Patria's contractual work-share, Patria has to also supply and install Welding Jigs at the RSA hull supplier. To continue with their work, they urgently need to know which supplier DLS is going to use to manufacture the hull. They want to use the same supplier to manufacture the Welding Jigs. A meeting was then held on the 4<sup>th</sup> of April 2014 to make a decision in this regard.

The team looked at the technical and commercial factors in order to make this decision. In February the Patria technical team visited 3 suppliers in order to determine the capability of each supplier identified. Patria recommended VR Laser as the most technically capable supplier visited. (For more information on the details of Patria's recommendation please refer to that attached PATRIA "*MEMO D117051\_03.3.2014".*)

During 2012, DLS obtain quotations from the following 3 hull suppliers:

LMT	R1,738,694
VR Lazer	R 865,000
DCD Dorbyl	R 895,010

The high price from LMT was negotiated. They reply that they will reach the DLS cost targets shout we place an Order on them for all high value sub-systems, which was not accepted.

Base on the information summarized above, all the members of <u>the</u> cross functional team that attended this meeting recommended VR Laser as the preferred supplier for this scope of work.

We hereby request the executive committee to make the final determination on the matter.

Commented [RB1]: Duplication with urgency comment above

Commented [RB2]: ????

Denel Land Systems A Division of Denel SOC Ltd. PO Box 7710, Pretoria, South Africa International Tel: +27 12 620 9111 Fax: +27 12 620 3466 E-mail: marketing@dlsys.co.za Web: http/www.denellandsystems.co.za



# **ANNEXURE "CM10"**



#### Celia Malahlela

From: Sent: To: Subject: Attachments:

Linda Meyer 29 April 2014 07:10 AM EXCO; EXCO Secretaries; Celia Malahlela FW: Updated Exco Submission vr laser Rev Exco Submission vr laser Rev.docx

**Kind Regards** 



DENEL LAND SYSTEMS

Linda Meyer Snr Secretary : Supply Chain

Denel Land Systems a Division of DENEL SOC Ltd. PO Box 7710, Pretoria, 0001, South Africa

Tel: +27 12 620 3074, Fax: +27 12 620 3388 Mobile: +27 (0)82 6512 512 E-mail: <u>Lindam@dlsys.co.za</u>

#### www.denellandsystems.co.za

Enjoy life today, yesterday is gone, tomorrow may never come

From: Celia Malahlela Sent: 25 April 2014 02:30 PM To: Linda Meyer Subject: FW: Updated Exco Submission vr laser Rev

E

INTO

L45655



## DENEL LAND SYSTEMS

## GROUP CHIEF EXECUTIVE OFFICER SUPPLY CHAIN APPROVAL

TO: EXCO

FROM : SUPPLY CHAIN DATE : 25 APRIL 2014

SUBJECT: PROJECT:

HOEFYSTER Platform hull structures supplier. Hoefyster program

ORDER NUMBER: SUPPLIER:

VR LASER SERVICES

#### 1. <u>OBJECTIVE</u>

ARMSCOR having recently awarded the phase 2 contract for the Production of 217 Badger vehicle systems to DLS. The objective of this submission is to obtain approval from EXCO to sign a contract with VR Lazer for the supply of 217 Hoefyster Platform Armour Hull structures and place the order for the full production.

#### 2. ACKGROUND

In 2007 DLS obtain quotations from the local industry to benchmark the prices with Patria budget prices. The quotation received were based on high value components, like the Armour hull and hatches etc to DLS (No dxf files etc) supplied by Patria at that stage. LMT, VR Laser and DCD Dorbyl were invited to participate in this process.

The transfer of Technology between DLS and Patria has already begun and various DLS departments must be trained on how to incorporate the processes and data into the DLS systems. The DLS hull supplier must form part of this training program, therefore it is important that DLS approves the hull supplier as soon as possible.

INTO

#### 3. PRICE

Total potential business to the Hull supplier is as follows:

NO	DETAIL	June 2011 Baseline Unit price (Contract RoE 1EUR=R9.8244)	Total Baseline Price x217 Units
1	Platform hull	806,647	175,042,300
	Rear door	439,277	95,323,211
2	Drivers hatch	131,132	28,455,606
3	Rear hatch	119,174	25,860,763
4	Engineroom hatch	73,090	15,860,537
5	Commanders hatch	52,083	11,302,030
6	Drivers chair	59,587	12,930,382
	TOTAL POTENTIAL CONTRACT VALUE (Jun 2011)		364,774,829

Three companies were approached and the total price for the manufacturing of the platform hull (Line 1 above) was quoted as follows;

Supplier	Amount prices per Unit	
LMT	R1,738,694.00	
VR Lazer	R 865,010.00	
DCD Dorbyl	R 896,000.00	

The values above are based on the June 2011 prices, which were use as the cost price to Armscor. DLS had to obtain quotes also from other suppliers to benchmark prices with VR Lazer. Patria buy from various suppliers and integration took place at the main supplier (Patria/DLS).

#### 5. DELIVERY RISKS

Delivery Schedule as per Annexure 12 of Patria Contract 00200318 is attached for ease of reference. Patria training course is scheduled for 17 – 23 May during the welding of the PPM hulls in Finland. Due to governance issues DLS has not yet had any discussions with any suppliers regarding the availability of their personnel required for this training. Patria has highlighted that this is the last formal training course and unfortunately it cannot be moved as Patria has already finalised all necessary preparations for the training which also coincide with the wedding schedule for the PPM hulls for DLS. If the supplier does not join the rest of the training opportunity will be towards the end of the year during the manufacturing of the 12 production models. During that time manufacturing of the Hull Welding Jigs must already be in process at the RSA hull supplier.

#### 6. <u>CONTRACTUAL CONDITIONS</u>

To be agree back to back with Armscor Contractual conditions.

L45655

#### 7. SUPPLY CHAIN COMMENT

- A cross functional team of representatives from Supply Chain, Infantry Systems and Business Excellence was constituted to make a final recommendation on the supplier that will be manufacturing the platform Hull. This has become a matter of urgency due to the fact that Patria needs to start engaging with the particular platform manufacturing supplier in order to start with the transfer of technology and industrialization. As part of Patria's contractual work-share, Patria has to also supply and install Welding Jigs at the RSA hull supplier. To continue with their work, they urgently need to know which supplier DLS is going to use to manufacture the hull. They want to use the same supplier to manufacture the Welding Jigs. A meeting was then held on the 4<sup>th</sup> of April 2014 to make a decision in this regard.
- The team looked at the technical and commercial factors in order to make this decision. In February the Patria technical team visited 3 supplier in order to determine the capability of each supplier identified. Patria recommended VR Laser as the most technically capable supplier visited. (For more information on the details of Patria's recommendation please refer to that attached PATRIA "MEMO D117051\_03.3.2014".

Base on the information summarized above, all the members of cross functional team that attended this meeting recommended VR Laser as the preferred supplier for this scope of work.

Base on the information summarized above, all the members of cross functional team that attended this meeting recommended VR Laser as the preferred supplier for the manufacturing of the platform hull.

#### 8. <u>RECOMMENDATION</u>

It is hereby recommended that Denel Land Systems EXCO to give approval to use VR Lazer as the Hoefyster Platform hull supplier. Due to the value of this transaction, DLS must seek final approval from group CEO and the board of Denel. we trust that this document gives enough information to enable DLS EXCO to give its blessings and make the recommendation as stipulated above.

INTO

W10-CPMM-132

L45655

Recommended:

FR TEUBES CHIEF OPERATING OFFICER P KNOETZE CHIEF FINANCIAL OFFICER

DATE:

OF IN

Recommended:

AS BURGER CHIEF EXECUTIVE OFFICER: DENEL LAND SYSTEMS

WTO STATE

# **ANNEXURE "CM11"**



## Bonginkosi . Mthembu

From:
Sent:
То:
Subject:
Attachments:

Linda Meyer <LindaM@dlsys.co.za> Tuesday, 29 April 2014 07:22 EXCO; EXCO Secretaries; Celia Malahlela EXCO Agenda 09 of 29 April 2014 EXCO Agenda 09 of 29 April 2014.docx





## **DENEL LAND SYSTEMS**

## A G E N D A EXCO SUBMISSION MEETING 09 27 APRIL 2014 AT 08H30 – 09H30 DLS BOARDROOM

1.	WELCOME / TEA / COFFEE
2.	APOLOGIES
3.	APPROVAL OF MINUTES
3.1	MATTERS ARISING FROM PREVIOUS MINUTES.
4.	DECLARATION OF CONFLICT OF INTEREST FOR THE MEMBERS OF THE COMMITTEE.
5.	CONDONATIONS
6.	NEW CONTRACTS
6.1	Hoefyster Platform Hull structures supplier.
7.	AMENDMENTS
8.	LATE SUBMISSIONS
9.	GENERAL

WTO STATE S

# **ANNEXURE "CM12"**



#### **Busisiwe Mqingwana**

From: Sent: To: Cc: Subject: Attachments:	Denise Govender <deniseg@dlsys.co.za> 25 April 2014 14:53 Pieter Knoetze; Reenen Teubes; Celia Malahlela Stephan Burger; Mxolisi X. Makhatini; Ashley Williams; Andre A. Du Toit; Thulani Mahlinza; Denise Govender CONFIDENTIAL RE: Urgent EXCO meeting - HULL Supplier BOARD SUBMISSION RE LMT TRANSACTION.26052011.pdf; CANCELLATION LETTER.19092012.pdf; GLMI COMMENTS N PROPOSED SHAREHOLDER AGREEMENT.03122010.pdf; SHAREHOLDERS AGREEMENT. DRAFT.pdf</deniseg@dlsys.co.za>
Importance:	High
Sensitivity:	Confidential

POSSIBLE RELEVANT DOCUMENTS IN THIS MATTER. CANT LOCATE THE LETTER THAT PIET REFERS TO THOUGH BUT LOOK AT THE BOARD SUBMISSION ATTACHED WITH REFERENCE TO THE HULL (PARAGRAPH 2.2, 4 (BULLET POINTS ON PAGE 6), )

Warm regards DENISE GOVENDER EXECUTIVE: LEGAL

DENEL SOC LTD t/a DENEL LAND SYSTEMS INCORPORATING MECHEM PO Box 7710, Pretoria, 0001, South Africa

Tel: 012 620 3300 Fax: 012 620 3560 Mobile: 082 8000 652 E-mail: deniseg@dlsys.co.za

www.denellandsystems.co.za

- COMMERCIAL IN CONFIDENCE -

-----Original Message-----From: Pieter Knoetze Sent: 25 April 2014 2:09 PM To: Reenen Teubes; Celia Malahlela Cc: Ashley Williams; Denise Govender; Mxolisi X. Makhatini; Stephan Burger; Thulani Mahlinza; Andre A. Du Toit Subject: RE: Urgent EXCO meeting - HULL Supplier

Very true. In fact I remember that we signed a letter confirming that we will put the business into LMT, as a condition to the equity deal. This was a Pamodzi requirement. We will have to get to a formal new agreement on this issue. Regards

Pieter Knoetze Chief Financial Officer Denel Land Systems a Division of DENEL (Pty) Ltd. PO Box 7710, Pretoria, 0001, South Africa

Tel: +27 12 620 3010, Fax: +27 12 620 3137 Mobile: +27 (0)82 8835 729 E-mail: pieterkn@dlsys.co.za

www.denellandsystems.co.za

-----Original Message-----From: Reenen Teubes Sent: 25 April 2014 14:03 To: Celia Malahlela Cc: Ashley Williams; Denise Govender; Mxolisi X. Makhatini; Pieter Knoetze; Stephan Burger; Thulani Mahlinza; Andre A. Du Toit Subject: Re: Urgent EXCO meeting - HULL Supplier

Hallo Celia

As an input to the meeting please check the LMT shareholders agreement and if there is any reference made to Hoefyster.

I again got an SMS now from Stefan Nel accusing us of contravening the shareholders agreement with regards to us contemplating contracting other parties on the hull manufacturing

Regards Reenen

Sent from Reenen's iPad

> On 25 Apr 2014, at 12:59, "Celia Malahlela" <celiam@dlsys.co.za> wrote:

INTO

> When: 29 April 2014 08:30-09:30 (UTC+02:00) Harare, Pretoria.

> Where: Boardroom DLS

>

>

> Note: The GMT offset above does not reflect daylight saving time adjustments.

> \*~\*~\*~\*~\*~\*~\*~\*

>

> Celia will distribute the documents soon.

>

> <meeting.ics>

#### **Company Confidential**

#### DENEL (PROPRIETARY) LIMITED

Board of Directors' meeting t be held on	o :	26 May 2011
Memorandum Number	В	6
Agenda Item Number	:	13
File Reference	22	

#### DENEL LAND SYSTEMS: LMT TRANSACTION

#### 1. PURPOSE

To notify the Denel Board of the proposed revised LMT transaction and to request approval:

- For the reduction of Denel's shareholding under the Denel Call Option from 70% to 51%;
- The conversion of the R12,75m pre-payment made to LMT by DLS to Preference Shares; and
- The exercise of the Call Option.

#### 2. BACKGROUND

#### 2.1 Rationale for the Acquisition of Equity in LMT Holdings

Denel Land Systems (DLS) operates in the landward firepower systems domain of defence equipment and systems supply and support. The strategic intent of DLS is:

- To strengthen its dominant position as the preferred lead systems integrator of landward mobility and firepower systems to the South African Army; and
- To become a sub-systems supplier in partnership with a global landward system supplier to international markets.

As a product system (level 5) supplier, DLS has extensive experience and capabilities in turrets and weapons, but has previously been in the position of integrating these subsystems on platforms provided by vehicle integration specialists as prescribed by Armscor. The acquisition of major systems requires a Lead Systems Integration (LSI) capability as Armscor contracts will now be placed as level 5 product systems. This has led to the requirement for a vehicle integration capability. To achieve the above strategic intent and retain its level 5 status, DLS would need to broaden its capabilities to include vehicle platforms. In the absence of such capability, DLS will be at the mercy of vehicle OEMs.

DLS secured a contract for the development and production of the New Generation Infantry Combat Vehicle (NG-ICV) for the SA Army, i.e. Project Hoefyster. The contract value is in excess of R8bn and currently accounts for the largest portion of DLS income. It should be noted that an order for only the development phase to the value of R1.3bn has been activated.

The acquisition of a 51% shareholding in LMT is proposed in order to provide DLS with a military vehicle manufacturing capability to position for the above opportunities.

#### **Company Confidential**

#### 2.2 Original Transaction with LMT

LMT Holdings (Pty) Ltd is the holding company of the LMT group (LMT Products, LMT Property and LMT Engineering), the members of which are engineering firms specialising in the design, development, simulation, testing and manufacturing of automotive and mechanical systems, sub-systems and components. Annexure 1 provides further information on LMT.

As part of a rigorous Project Hoefyster procurement process, LMT was identified as the preferred supplier of the turret hull. Subsequent to this, LMT approached DLS with the request that the possibility should be investigated for DLS to become more directly involved in the company, as they were experiencing short term cash flow requirements, which would have had a serious impact on the success of the development phase of the Hoefyster contract. DLS mitigated the risk by activating an order for the turret hull on risk with an associated advance payment (pre-payment) of 25% on the R51m order amounting to R12,75m. The DLS Board approved the pre-payment on condition that sufficient security (pledge over assets of LMT) was produced.

The credit limit available at the bank of LMT was already over-stretched and DLS had to look at alternative means of security in the place of a bank guarantee. Securities in line with the above transaction are as follows:

- A cession of 40% of the debtors book, valued at R4,5m (current value = R2m).
- The registration of a notarial bond on the steel stock (R5,8m) at 60% value amounting to R3,6m (current value = R2,4m).
- IP as valued by Spoor & Fisher attorneys, taken at an average value of R9,5m.

The amount available for security currently amounts to R13,9m.

This situation created the opportunity for DLS to further its strategic intent and therefore the option to acquire 70% of the shares of LMT at par value, subject to Denel Board and PFMA approval. This is an option which can only be exercised once the relevant approvals have been obtained. The Denel Board provided conditional approval to exercise the call option on 15 July 2010, subject to a legal and financial due diligence and the completion of a business plan. The due diligence was completed. The Denel Board sub-committee (DLS Board members) resolved to hold back on the exercise of the Call Option until the Hoefyster production order has been secured and the need for the resolution of certain governance issues in LMT (see Annexure 2 for an overview of the status of LMT, including governance which has now improved).

### 3. TERMS AND CONDITIONS OF THE REVISED TRANSACTION

Pamodzi Investment Holdings (Pty) Ltd ("Pamodzi"), a black owned and controlled diversified investment company, entered into negotiations with LMT and Denel with the intention of providing funding in an aggregate amount of R30m to LMT.

The R30m will be used by LMT to fund its working capital and pay long-outstanding creditors. In return for its funding, Pamodzi, through a subsidiary, Business Ventures Investments No 1513 (Pty) Ltd (SPV), will acquire 29% of the ordinary share capital in LMT at par value.

A Memorandum of Understanding (MOU) setting out the principle terms of the transaction was entered into by Pamodzi, Denel and LMT shareholders on the 8 April 2011, with the intention of entering into a definitive shareholders agreement/Memorandum of Incorporation (MOI) and funding agreements before the end of May 2011.

The salient terms and conditions of the revised transaction are as follows:

- SPV is to advance R30m funding to LMT in the form of:
  - a R10m interest bearing working capital facility at the Prime interest rate until March 2012, and thereafter at prime plus 3%;
  - a R20m subscription of LMT cumulative redeemable Preference Shares ("Preference Shares") at a fixed dividend rate of 10%.
- The shareholding of LMT post the revised transaction will be as follows:
  - SPV 29% ordinary shares.
  - Denel (in terms of the call option) 51% ordinary shares, diluted from 70%.
  - LMT Shareholders 20% ordinary shares.
- Denel's remaining period for exercising the call option is to be reduced by approximately 14 months from 25 June 2013 to 30 April 2012.
- Denel has also undertaken, subject to Denel Board and PFMA approval, to convert its pre-payment of R12.75m to LMT Preference Shares on the same terms as the SPV Preference Shares.
- Prior to the conversion of the pre-payment into Preference shares and post SPV's Preference Shares subscription:
  - Denel's pre-payment is to attract interest at the Prime interest rate.
  - Denel's existing security for the pre-payment as detailed in paragraph 3 above is to remain intact.
- Security arrangements post Denel's conversion of the pre-payment into Preference Shares is still being negotiated by the SPV and Denel. However, it has been proposed by Pamodzi that Denel's security for the pre-payment as detailed above be shared with SPV in respect of the Preference Shares and the working capital facility, thereby diluting Denel's share of the security from a 100% to 29%. This proposal has not been accepted by Denel and is being negotiated.
- Post the conversion of the pre-payment into Preference Shares, the following percentage shareholding will apply:
  - In respect of ordinary shares in which Denel is to hold 51%, the control of the company is based on the ordinary shareholding; therefore Denel will retain control of LMT.
  - In respect of Preference Shares Denel will hold 39% of the Preference Shares and SPV will hold 61% of the Preference Shares. The Preference Shares will only be entitled to vote in instances where the terms and rights of the Preference Shares are being affected.
- The shareholders agreement or MOI will contain the following additional provisions:
  - Each shareholder will be entitled to appoint a director to the board of LMT for each 14% shareholding. Therefore, Denel will be entitled to appoint 3 directors. 2 for Pamodzi and 1 for the LMT Shareholders. The voting percentage of the directors will be linked to the shareholding of the company represented. Therefore Denel directors will have 51% of the votes and will control the board.
  - Reserved matters, which are still to be finalised, and any shareholder matters requiring a special resolution will require approval of 85% of the shareholders.
  - Pre-emptive and sale protection clauses are included.

- The funding of the company will be primarily funded out of the revenue generated by the company's trading activities and, where necessary, by way of external financing and the ordinary shareholders on loan account. Future shareholder funding is to be in proportion to the shareholders' respective percentage shareholdings. If any shareholders are unable or unwilling to provide pro-rata funding, the other Shareholders who are providing the funding can require the failing shareholder to dilute their shareholding.
- Key outstanding terms that have not been agreed on as yet are as follows:
  - Security sharing arrangements post Denel's conversion of the pre-payment into Preference Shares.
  - Reserved matters for SPV shareholders.
  - Fair market value determination in the case of a deemed offer scenario i.e. when a shareholder is liquidated or there's a change in control of the shareholder, or an employee shareholder dies, the shareholder will be deemed to have offered its shares to the other shareholders at fair market value.
  - Terms of the Preference shares and working capital facility.
  - Seller warranties in favour of Denel.

The DLS Board has provided in-principle approval of the overall transaction structure with Pamodzi and LMT, as it pertains to Denel. In essence the transaction will require Denel to reduce its shareholding under the Call Option to 51% from 70% and convert its pre-payment to Preference Shares. The financial benefits are detailed below.

# 4. IMPACT OF THE TRANSACTION ON LMT AND INVESTMENT CASE

The consolidated year end balance sheet (February 2011) of LMT with and without the DLS/Pamodzi Investment is as follows:

		R'm	R'm
ASSETS	0	CURRENT	INVESTMENT DLS/PAMODZI
	NON CURRENT ASSETS	25.075	25.075
	CURRENT ASSETS	39.905	39.905
	TOTAL ASSETS	64.980	64.980
EQUITY /		1	
LIABILITIES	EQUITY	-15.442	17.305
	LIABILITIES	80.422	47.675
	NON CURRENT LIABILITIES	25.946	13.199
	CURRENT LIABILITIES	54.476	34.476
	TOTAL EQUITY / LIABILITIES	64.980	64.980

Notes: a. Financials not finally audited

b. R10m facility of Pamodzi not utilised yet.

The R20m investment from Pamodzi as well as the R12,75m conversion of the DLS prepayment to Preference Shares will increase the equity value of LMT from (R15,4m) to a positive value of R17,3m.

The R30m Pamodzi investment (R10m facility included) substantially improves the financial position of LMT and will enable the business to be sustainable over the short to medium term. LMT is budgeting for R117m in sales and R7m profit for the 2011/12 financial year, with more than 100% order cover. The projected income statement and balance sheet projections for LMT are provided below:

INCOME STATEMENT in R'000							
	2011	2012	2013	2014	2015	2016	2017
Income	48.016	<u>117.128</u>	76.883	231.367	225.000	225.000	225.000
Gross Profit	18.059	35.128	20.758	56.219	54.500	54.500	54.500
Gross Profit %	37.6%	30.0%	27.0%	24.3%	24.2%	24.2%	24.2%
Operating Cost	36.538	27.145	17.434	26.871	27.767	27.762	27.756
NPAT	-19.066	7.383	2.834	24.255	19.286	19.388	19.523
NPAT %	-39.7%	6.3%	3.7%	10 <u>.5</u> %	8.6%	8.6%	8.7%

BALANCE SI	HEET in R'000							<u> </u>
		2011	2012	2013	2014	2015	2016	2017
ASSETS	Non Current Assets	25.075	29.144	41.711	53.040	52.973	52.911	52.858
	Current Assets	39.905	35.948	35.835	52.257	54.579	55.514	61.838
	TOTAL	64.980	65.092	77.546	105.297	107.552	108.425	114.693
	Non Current Liabilities	13.199	16.713	14.878	16.716	12.332	6.750	6.750
	Current Liabilities	34.476	23.691	35.146	36.804	30.705	27.597	27.617
EQUITY		17.305	24.688	27.522	51.777	64.515	74.078	80.326
	TOTAL	64.980	65.092	77.546	105.297	107.552	108.425	114.693
Ratios:			0	-	12.00	_		
Current asset liabilities	t : current	1.16	1.52	1.02	1.42	1.78	2.01	2.24
Total Assets Liabilities	: Total	1.36	1.61	1.55	1.97	2.5	3.16	3.34
Cash Balance		-2.933	11.651	-22.054	-1.453	3.029	3.964	10.288

See Annexure 1 for a detailed income statement. LMT was unable to conduct business as originally planned in 2010/11 as a result of worsening operating capital availability. This prevented LMT from executing sales orders whilst the fixed expenses continued. The significant increase in sales and net profit in the 2013/14 financial year is a result of mainly the Hoefyster and Malaysia production start-up. This also impacts on cash requirements in 2013. The above financial projections do not include the use of the R10m Pamodzi working capital facility.

The calculated Internal Rate of Return (IRR) is 25% (12 year forecast). This is based on an assumed acquisition cost of R12,75m which is equivalent to the pre-payment amount. The key driver of the IRR is the exercise of the option to acquire 51% of LMT for R100 which entitles DLS to 51% of any ordinary dividends and 51% of proceeds on any

divestment of LMT. This is the equity sweetener to the IRR which makes the transaction viable.

In addition, in terms of Investec's valuation prepared in March 2011, which is based on very high level budgets and forecasts provided by DLS management, the value of LMT is R64m. This implies a value of R32,6m for Denel's 51% shareholding.

The strategic benefits of the transaction to Denel are as follows:

- It is of strategic interest for DLS to ensure that LMT continues to operate as a going concern due to the criticality of LMT to the Hoefyster and Malaysia programmes.
- The transaction contributes to supplier development.
- The establishment of a vehicle integration capability within Denel and potential to access other vehicle programmes.
- Significantly higher margins on the Hoefyster programme are expected due to inhouse manufacturing.

The need for Pamodzi to have certainty regarding Denel's intent to exercise the Call Option, the much improved governance environment at LMT and the awarding of the Letter of Award for the Malaysia opportunity to the value of €341m to DLS triggers the need to exercise the Call Option as soon as possible.

## 5. RISK AND MITIGATION

Both financial and legal due diligence exercises were conducted on LMT Holdings. The current status with regards to critical issues is reported in Annexure 2.

#### 6. IMPLEMENTATION PLAN

The time line for conclusion of the transaction is as follows:

Action	Time Frame
Finalise formal agreements	25 May 2011
Denel Board approval	26 May 2011
DLS Board approval of the transaction agreements and signature of agreements	29 May 2011
Investment by Pamodzi	30 May 2011
Financial and legal due diligence update, full business plan and DLS Board approval	By 30 June 2011
Regulatory approvals (PFMA / Competition Commission)	July 2011 to September 2011
Exercise Call Option	1 October 2011

## 7. RECOMMENDATION

It is recommended that the Board approves:

- The main terms and conditions of the revised LMT transaction including:
  - o Reduction of Denel's shareholding under the call option from 70% to 51%.
  - Conversion of the R12,75m pre-payment made to LMT by DLS to Preference Shares.

- The Board approves the exercise of the Call Option subject to DLS Board approval of the transaction agreements, the outcome of the updated due diligence, the full business plan and the PFMA application.
- Authorises the Denel GCEO to sign the transaction agreements

The Board is requested to note

- That an updated report will be provided at the 26 July 2011 Board meeting prior to the submission of the PFMA application.
- That the transaction and exercise of the Call Option is subject to PFMA and Competition Commission approval.

AS Burger CHIEF EXECUTIVE OFFICER: DENEL LAND SYSTEMS

J Morris GROUP EXECUTIVE: STRATEGY

F Mhlontlo acting on behalf of: MT Sadik GROUP CHIEF EXECUTIVE OFFICER

Date:

INTO

#### Annexure 1

### LMT HOLDINGS (PTY) LTD PROFILE

LMT Holdings (Pty) Ltd offers products and services in the automotive, mechanical, electrical and logistic engineering fields. It operates in both commercial and military fields and has local and international clients. These services and products include the design and development (through LMT Engineering), manufacturing (through LMT Products) and logistic support (through LMT Logistics) of systems, subsystems and components. The company was registered in 1999.

LMT has allied with major European suppliers as their South African engineering partner for key SA Army vehicle acquisition programmes and is regarded as a military vehicle designer, integrator and supplier of international standing.

LMT is specifically known for the export of ballistic and mine protection packages, as well as the sale of ballistic protected cabs to various international clients

## The supply of equipment and services is supported by:

- An experienced workforce, consisting of professional mechanical, electrical and logistic engineers, technicians and skilled artisans;
- An extensive range of design, simulation and logistic engineering software, which is used to shorten development processes by following virtual prototyping principles;
- An in-house test, validation and qualification capability, spanning durability testing, landmine testing (including human response measurement) and vehicle performance testing.
- A manufacture and integration facility which includes robotic welding and NC machining capability.

#### LMT offers the following:

- State-of-the-art Military Vehicle integration technology i.e. design, development and support for product and system solutions.
- Excellent relationships with international companies including Patria Vehicles and Mercedes-Benz Daimler AG.

The above capabilities are complementary to those of DLS.

#### Skills Breakdown

- Engineers : 28
- Production technicians : 58
- Administrative personnel : 9
- Total management : 8

Total workforce :103

## FINANCIAL PERFORMANCE

LMT has experienced a chequered financial performance in the past few years due to significant revenue growth in the years from 2007 to 2009 and a reduction of sales in 2009 and 2010. The

poor performance is attributed to the excessive growth which eroded cash resources. There was also poor management of working capital.

The LMT financial projections are as follows:

INCOME S R'000	STATEME	INT in							
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Income	29.658	112.390	171.533	74.883	48.016	117.128	76.883	231.367	225.000
Cost of Sales	16.168	52.676	109.300	47.238	29.957	82.000	56.125	175.148	170.500
Gross Profit	13.490	59.714	62.233	27.645	18.059	35.128	20.758	56.219	54.500
Gross Profit %	45.5%	53.1%	36.3%	36.9%	37.6%	30.0%	27.0%	24.3%	24.2%
Operating Cost	12.147	27.604	49.466	30.943	36.538	27.145	17,434	26.871	27.767
Cost	0.962	2.047	5.816	1.966	4.377	0.600	0.490	1.145	-0.054
NPBT	0.381	30.063	6.951	-5.264	-22.856	7,383	2.834	28.203	26.787
NPBT %	1.3%	26.7%	4.1%	-7.0%	-47.6%	6.3%	3.7%	12.2%	
Stock Adju			17.612	10.000	17.070	0.070	0.170	14.470	11.9%
Tax					-3.790	0.000	0.000	3.948	7.501
NPAT	0.381	30.063	-10.661	-15.264	-19.066	7.383	2.834	24.255	19.286
NPAT %	1.3%	26.7%	-6.2%	-20.4%	-39.7%	6.3%	3.7%	10.5%	8.6%

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The financials for the 2010/11 financial year have not yet been audited as yet.

INTO

CURRENT STATUS OF LMT

Annexure 2

I I			•		Г
		Previous	Current	With Pamodzi	_
	Financial status			Investment	
	The target to achieve a breakeven by year end was not reached				
	Current overdraft at R4,4m down from R8,5m in September 2010.				
	R20m Pamodzi Investment to pay off all old debt (plus R10m facility).				
	Order cover more than 100% for 2011/12 (R117m) and R45m for 2012/13				
	Governance issues				t
	12 Issues of non-compliance identified in due diligence.				
	Main outstanding Iseries.				
	Fiduciary requirements.				
	MLS 10 product payments at risk – R1m penalty (awaiting China payment)				_
	Repayment plan submitted to SARS based on Pamodzi investment (R7m).				
	Introduction of a proper costing system in process.				
	Hoefyster				-
	Hoefyster production order expected June 2011. The turret Hulls order on LMT will	ł			-
	then be activated.				
	Agreement formally with Armscor and Patria with respect to the local (LMT)				
	g of the vehicles.				
	MOU signed.				
	Proposal in exercising the option:				
	Finalise all outstanding issues by July 2011.				
	Biddest challende will he to obtain DEMA communition Community				1
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GILDENHUYS LESSING MALATJI INCORPORATED REG NO 1987/002114/21



GILDENHUYS LESSING MALATJI 10.1 1.1 11 12 111

03 December 2010

OUR REP Mr J H Markgraaff/Ms L von Dürckheim 01617796

DIRECT TEL NO.

(012) 428 8658 Different E-Mail

kmarkgraaff@glmi.co.za DIRECT FAX

> (012) 428 8758 YOUR REP

GLMI HOUSE HARLEQUINS OFFICE PARK 164 TOTIUS STREET **GROENKLOOF 0027** PO Box 619 PRETORIA 0001 DOCEX 4 PRETORIA E-MAIL glmt@g/mi.co.za WEB ADDRESS www.g/mi.co.za TEL +27 12 428 8600 FAX +27 12 428 8601

AURECTORS THEORE MALITY (LLB KEINER MARITY (LLB MILLER MARITY (LLB MILLER MARITY (LLB JOSS D. STUAR PROD MILLER MARITY (LLD MILLER MARITY (LLD) COMERCIAN STREET English of the second s PASARCE PRISAD/FEC Price Start PPRO Vive Art CO S LESS ALCO S LAN AULCRAVE RED

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#### ASSOCIATES

6.2

ARSOCHTES John All Deley LUM Bon of Molekine LLB District AS Vorkitzen LLB Rom Bit Cent LLB Loss Shores LLB Genum All Demonit LLM Eliment Shores LLB Control Lisen Tell LLT Control Lisen Tell LLT ROLLAN AND RESIDEN

#### CONSULTANTS

ERE STATES

MANAGOIS NOV UNKOUS

Denel (Pty) Ltd trading as Denel Land Systems 368 Selborne Avenue CENTURION PRETORIA

ATT: ADV C NAIDOO

#### Dear Christopher

## ACQUISITION OF THE LMT GROUP: COMMENTS ON PROPOSED SHAREHOLDERS AGREEMENT OF LMT HOLDINGS (PTY) LTD

- 1 The above and your email of 30 November 2010, refer.
- DLS holds an option from the existing shareholders of LMT Holdings (Pty) 2. Ltd ("LMT") to purchase a 70 % interest (shares and loan accounts) in LMT. The option agreement was signed by DLS and the current shareholders of LMT on 25 June 2010.
- 3. A shareholders agreement which is intended to regulate the relationship between the shareholders of LMT once the option has been exercised and LMT has been attached to as Annexure B to the option agreement ("the SHA"). The SHA has been signed on 25 June 2010 together with the signing of the option agreement.
- The exercise of the option is subject to the fulfilment of several suspensive 4. conditions, all of which have not yet been fulfilled. DLS has consequently not yet exercised the option.
- The legal representatives of LMT have now prepared a shareholders 5. agreement for signature by the current LMT shareholders ("the New SHA"). DLS is concerned that this New SHA may not be in line with the SHA, and that signature thereof by the current LMT shareholders may influence its (DLS') rights in terms of the option agreement.
- 6. There are two possible scenarios which may arise:
- DLS does not exercise the option, in which case the New SHA can be 6.1 signed by the current LMT shareholders. The provisions of the new agreement will have no bearing on DLS; or
  - DLS exercises the option and becomes the holder of a majority interest in LMT. In the event that the New SHA is signed by the current LMT shareholders before the exercise of the option, DLS may either -

6.2.1 subscribe to the new LMT shareholders agreement in its current form; or

-2

- 6.2.2 insist on the implementation of the SHA which was signed together with the option agreement; or
- 6.2.3 require amendments to the New SHA agreement to ensure that DLS will be sufficiently protected.
- 7. We have perused the copy of the proposed New SHA which was furnished to us, and are of the view that it is not advisable for DLS to bind itself thereto **as** contemplated in paragraph 6.2.1 above. We set out our reasons below.
- 8. First, the SHA annexed to the option agreement has already been signed by the current LMT shareholders and by DLS. Clause 3.1.11 thereof states that the effective date of the agreement is the "first day of the month following the date on which all the conditions precedent referred to in the option agreement have been fulfilled or waived, as the case may be". The SHA will therefore enter into operation automatically once the conditions precedent in the option agreement have been fulfilled and DLS has exercised the option.
- 9. If the current shareholders of LMT now sign a further agreement regulating their relationship as shareholders, such agreement cannot replace the SHA in the option agreement as DLS is not a party thereto. The New SHA will therefore be only valid inter partes for the current LMT shareholders.
- 10. The further difficulty which arises is that there are conflicting provisions in the SHA and the New SHA. The New SHA is also poorly drafted and contains incorrect references, inconsistent use of defined terms and various typing errors. We do not comment on the drafting errors herein, and only set out the most important conflicting provisions in the 2 agreements:
- 10.1 <u>Right of first refusal:</u>
- 10.1.1 The SHA states that a shareholder, who wishes to dispose of his interest (shares and loan accounts) to a *bona fide* 3<sup>rd</sup> party, must first offer the interest to the other shareholders *pro rata* to their existing shareholding. The New SHA only provides that the shares (not including loan accounts) must in such a case first be offered to the other shareholders in no specific ratio.
- 10.1.2 The period allowed for the acceptance of the offer in the SHA is 30 days, whereas the New SHA allows 60 days.
- 10.1.3 The offer in terms of the SHA must be on the same terms and conditions as the offer the disposing shareholder received from the 3<sup>rd</sup> party. The New SHA provides that the shares shall be offered for an amount "mutually agreed upon by the selling shareholder and the remaining shareholders, alternatively at a value determined by the auditors of the company".
- 10.1.4 The SHA provides that the selling shareholder may sell its interest to a *bona fide* 3<sup>rd</sup> party if the offer was not accepted by all the other shareholders within 30 days after expiry of the offer. The New SHA contains no such time limit, and the disposing shareholder therefore has an indefinite time to sell his shares to a *bona fide* 3<sup>rd</sup> party.

10.1.5 The New SHA contains a clause which states that the shareholders or the board of directors may refuse to register the name of a 3<sup>rd</sup> party as shareholder is such 3<sup>rd</sup> party has "not been approved" by the other shareholders and directors. No provision is made for how such approval must be given and whether or not there must be unanimous consent. It is further strange to require that both the shareholders and the directors must give such consent. The SHA does not have such a clause.

## 10.2 <u>Take along and come along</u>

- 10.2.1 In terms of the SHA, if a *bona fide* 3<sup>rd</sup> party buyer makes an offer for at least **70%** of the interest in the company, a shareholder who does not wish to accept the offer (*pro rata* to his shareholding) may compel the disposing shareholder to procure that the buyer also purchases the interest of such remaining shareholder on the same terms and conditions as those relating to the purchase of the disposing shareholder's interest.
- 10.2.2 The New SHA does not contain such a clause, but only has a "tag along" provision which becomes operative if a *bona fide* 3<sup>rd</sup> party offers to buy **30%** of the shares. In this event, the same offer must be made to the other shareholders *pro rata* to their shareholding.

## 10.3 Deemed offer

10.3.1 The SHA contains a deemed offer clause in terms of which the interest of a shareholder who dies, is sequestrated or becomes permanently disabled is deemed to be offered for sale to the remaining shareholders.

- 10.3.2 The New SHA does not contain such a deemed offer in the event of the permanent disability of a shareholder and also contains a different process to be followed in the case of death or insolvency than the SHA.
- 11. The above examples are just three of the areas in which conflict with each other. The question which arises in this regard is which shareholders agreement will have preference over the other one. As pointed out above, the current shareholders of LMT cannot revoke the provisions of the SHA by entering into the New SHA, since DLS is not a party to the New SHA. The LMT shareholders, however, will be bound to the provisions of <u>both</u> agreements.
- 12. This has the implication that Nell, Hodgson and Gilliomee (the current LMT shareholders) can choose to implement the provisions of the New SHA if they for example want to dispose of their shares. This can be to the detriment of DLS and Denel.
- 13. We are therefore of the view that DLS should not bind itself to the New SHA in any form if it decides to exercise the option. In order to prevent uncertainty of the status of the New SHA in the context of the provisions of the option agreement, we suggest that an additional clause be inserted into the New SHA in terms of which –
- 13.1 the arrangement between LMT and DLS relating to the option agreement is recorded; and

- 13.2 the parties agree that the New SHA will be replaced with the SHA when DLS exercises the option.
- 14. Due to the fact that the new SHA is **so** different from the SHA, it will be a lengthy exercise to amend it to such an extent that its contents will be acceptable to DLS. We are therefore of the view that DLS should not consider having the New SHA amended as contemplated in paragraph 6.2.3 above.

We trust you find the aforegoing to be of assistance. Please contact us should you have any comments or queries regarding the advice set out herein.

TEG

Kind regards

Kobus & Luise

INTO

# **ANNEXURE "CM13"**



## Bonginkosi . Mthembu

From:	Denise Govender
Sent:	Monday, 26 May 2014 09:12
То:	Celia Malahlela
Subject:	RE: REPORT TO DCO RE LMT
Attachments:	REPORT RE LMT AND DLS updated 23052014. final.docx

Sensitivity:

Confidential

#### HI

PLEASE CAN YOU INCORPORATE INTO THE ATTACHED DOC WITH AMOUNTS AND I WILL CHECK WITH PIET THANKS A LOT

#### Warm regards





DENEL LAND SYSTEMS

#### DENISE GOVENDER EXECUTIVE: LEGAL

DENEL SOC LTD t/a DENEL LAND SYSTEMS INCORPORATING MECHEM PO Box 7710, Pretoria, 0001, South Africa

Tel: 012 620 3300 Fax: 012 620 3560 Mobile: 082 8000 652 E-mail: <u>deniseg@dlsys.co.za</u>

www.denellandsystems.co.za

- COMMERCIAL IN CONFIDENCE -

From: Celia Malahlela Sent: 24 May 2014 8:31 PM To: Denise Govender Subject: RE: REPORT TO DCO RE LMT Sensitivity: Confidential

#### Dennis

The value is our budget just for the platform hull. All other machining and fabrication work not part of the platform are not included in that figure. It will move up to 300 if we add the extra below. perhaps at the time of acquisition DLS intended loading all of this in the platform contract. (this thinking will be in line with what Pieter states below.

Rear door

2	Drivers hatch
3	Rear hatch
4	Engineroom hatch
5	Commanders hatch
6	Drivers chair

I hope this helps.

Regards

From: Denise Govender Sent: 24 May 2014 08:14 PM To: Celia Malahlela Subject: Fwd: REPORT TO DCO RE LMT Sensitivity: Confidential

Hi Celia Please see Piet's comments below for your action, thanks

Warm regards

#### DENISE GOVENDER EXECUTIVE: LEGAL

DENEL SOC LTD t/a DENEL LAND SYSTEMS INCORPORATING MECHEM PO Box 7710, Pretoria, 0001, South Africa

Tel: 012 620 3300 Fax: 012 620 3560 Mobile: 082 8000 652 E-mail: <u>deniseg@dlsys.co.za</u>

www.denellandsystems.co.za

- COMMERCIAL IN CONFIDENCE -

Begin forwarded message:

From: Pieter Knoetze <<u>pieterkn@dlsys.co.za</u>> Date: 24 May 2014 at 13:15:23 SAST To: Denise Govender <<u>deniseg@dlsys.co.za</u>> Cc: Stephan Burger <<u>StephanB@dlsys.co.za</u>>, Reenen Teubes <<u>reenent@dlsys.co.za</u>> Subject: Re: REPORT TO DCO RE LMT

Hi Celia

The value on the platform looks very low. We continuously referred to a R300m minimum when we motivated to DCO. I also think that at the time of the aquistion we were thinking of doing much more work at LMT . This has since then become lower as we became aware of other opportunities.

I think we should state in the document that currently it is a big commercial risk to add anymore orders on LMT due to Quality issues , late delivery on Caspirs etc.

Their capacity is also a risk and they will not be able to do the job anymore after recent developments. Regards

Sent from my iPad Pieter Knoetze Chief Financial Officer

DENEL Land System A Division of DENEL SOC Ltd. PO Box 7710, Pretoria, 0001, South Africa

Tel: +27 12 620 3010 Mobile: +27(0)82 883 5729 E-mail: Pieterkn@dlsys.co.za

On 23 May 2014, at 10:26, "Denise Govender" < <u>deniseg@dlsys.co.za</u>> wrote:

Hi Piet My email below refers. I received an additional MOU from Celia and have updated the report. Please comment on the attached. Thanks, Denise

From: Denise Govender Sent: 23 May 2014 10:04 AM To: Pieter Knoetze Subject: RE: REPORT TO DCO RE LMT Importance: High Sensitivity: Confidential

Hi Piet

Hope that you are well on your way to recovery! I have received updated info from Celia and attach the new report. I have however not yet received yours and Stephan's comments. Once I receive these, I will finalise. Take care

Warm regards

<image001.jpg>

#### DENISE GOVENDER EXECUTIVE: LEGAL

DENEL SOC LTD t/a DENEL LAND SYSTEMS INCORPORATING MECHEM PO Box 7710, Pretoria, 0001, South Africa

Tel: 012 620 3300 Fax: 012 620 3560 Mobile: 082 8000 652 E-mail: <u>deniseg@dlsys.co.za</u>

#### www.denellandsystems.co.za

- COMMERCIAL IN CONFIDENCE -

# From: Denise Govender

Sent: 22 May 2014 4:17 PM To: Stephan Burger Cc: Pieter Knoetze; Reenen Teubes Subject: REPORT TO DCO RE LMT Importance: High Sensitivity: Confidential

#### **Dear Stephan**

Piet informed us that DCO has requested information regarding DLS's legal obligation to LMT re the placement of orders regarding the turret and platform hulls on LMT. Additionally, the value of the potential orders on LMT have been requested on the turret and platform hulls.

With exception of Piet (due to his hospitalisation), input has been received. The financial impact reflected on page 4 was information provided by Christo (with input from Harrie and Barries). Celia will confirm the correctness and further distinguish between orders already placed on LMT and possible orders that still need to be placed with a suitable subcontractor.

In the interim and as discussed, please review and revert with comments. Thanks.

Warm regards DENISE GOVENDER EXECUTIVE: LEGAL

#### From: Reenen Teubes

Sent: 22 May 2014 2:52 PM To: Denise Govender Cc: Pieter Knoetze; Celia Malahlela; Christo C. Oosthuizen; Andre A. Du Toit; Koketso Kekana

Subject: Re: URGENT: PLEASE PROVIDE INPUT TO THE ATTACHED REPORT RE LMT Sensitivity: Confidential

Hallo Denise

I agree on the contents of the paper, but Celia must please check the values of the turret and vehicle hull opportunities. I think the turret value is too low

Regards Reenen

Sent from Reenen's iPad

On 22 May 2014, at 13:24, "Denise Govender" <<u>deniseg@dlsys.co.za</u>> wrote:

Dear Colleagues As discussed, please find attached a draft report (4 pages) re info sought from DCO. Please can you review and provide input to me as soon as possible today. Apologies for the short notice. The matter is being dealt with on an urgent basis. Thanks in advance for your co-operation.

#### Warm regards

<image001.jpg>

DENISE GOVENDER EXECUTIVE: LEGAL

DENEL SOC LTD t/a DENEL LAND SYSTEMS INCORPORATING MECHEM PO Box 7710, Pretoria, 0001, South Africa

Tel: 012 620 3300 Fax: 012 620 3560 Mobile: 082 8000 652 E-mail: <u>deniseg@dlsys.co.za</u>

www.denellandsystems.co.za

- COMMERCIAL IN CONFIDENCE -

NTO ST

<REPORT RE LMT AND DLS.21052014.docx> <REPORT RE LMT AND DLS updated 23052014. final.docx>

# **ANNEXURE "CM14"**





Address:

PO Box 7710 Pretoria, 0001 South Africa

 Date:
 06 June 2014

 Tel:
 +27 12 620 3179

 Fax:
 +27 12 620 3388

 Email:
 Hendrikv@dlsys.co.za

 Ref:
 HY/RFO/2011-002/1

The Manager LMT Holdings SOC PO Box 1578 Brooklyn Square Pretoria 0020

Att: Stefan Nell

### RE: UPDATE REQUEST OF PROPOSAL NUMBER Q/1/001056/2 HOEFYSTER PLATFORM COMPONENTS

Denel Land Systems (DLS) hereby requests LMT HOLDINGS SOC to submit an urgent update of your proposal number Q/1/001056/2 received on 09 February 2012 for the Hoefyster Platform Components.

We do however require you to amend the quotation as follow when updating:

#### Armour Hull breakdown.

- a.) Price for Armour Hull excluding mine protection.
- b.) Price for mine protection only.
- c.) Prices should exclude all Jigs and Fixtures CFI which will be contracted separately.

Furthermore, please note that a technical representative of the successful bidder will be expected visit Patria in Finland on week 29 of 2014. You are therefore urged to make all necessary preparations (e.g. Visa applications etc.) should your company be successful.

Please see attached updated RFQ for new quantities and delivery schedule.

Trust in your understanding and prompt reply.

Regards

Henk van den Heever Procurement officer DENEL LAND SYSTEMS MECHEM



Address:	PO Box 7710 Pretoria, 0001
	South Africa
Date:	06 June 2014
Tel:	+27 12 620 3423
Fax:	+27 12 620 3172
Email:	riaanb@dlsys.co.za
Ref:	HY/RFO/2011-0002

LMT Engineering (Pty)Ltd PO Box 1578 Brooklyn Square Pretoria 0020

FOR ATT: Stefan Nell

Dear Stefan,

## **RE: REQUEST FOR OFFER FOR HOEFYSTER PLATFORM COMPONENTS**

#### **Backgound:**

DLS has successfully negotiated the production part of the HOEFYSTER Contract with Armscor. The total Contract scope is the delivery of 217 weapon systems, consisting of Turrets and Vehicles.

Patria, a Finnish supplier, is the designer and manufacturer of the vehicles. Part of the HOEFYSTER Contract is Transfer of Technology to South Africa to produce a total of 217 vehicles/components/sub-systems at local suppliers.

Various suppliers will be approached to submit their Offers on specific components/subsystems. It is the aim of DLS to buy on the highest possible purchasing level from a supplier.

The following process will be followed:

- a) Suppliers to submit their Offers to DLS.
- b) DLS to evaluate Offers and visit potential suppliers.
- c) DLS to audit the selected supplier's process/capability/facilities before Contract placement. (ISO 9001:2008 will be used as a guideline to evaluate business processes.)
- d) Contract/Order on supplier.



- e) The supplier to build a Pre Production Model/s, while DLS monitor the manufacturing process. (QA requirements: 100% inspection, Build History books, see document in Annexure D).
- f) A Production Readiness Review to be held before series production starts.
- 1 You are hereby requested to submit an Offer for the supply of Hoefyster Platform Components, in accordance with the required drawings/specifications.
- 2. All relevant information shall be treated as confidential.
  - a.) Data pack may only be used for quotation purposes.
  - b.) No copies of the data pack can be made and where possible to only use in access controlled area.
  - c.) All issued data packs will be returned to DLS when submitting your proposal.
- A back to back Contract will be signed with all successful suppliers. The following Terms and Conditions will also apply:
  - Warranty 30 months from delivery date to DLS.
  - Delivery address 368 Selbourne Avenue, Lyttelton, Pretoria
  - The price quoted for the work shall be a firm price with escalation according to indices stated in Annexure B, including transport, packaging and preservation cost. Denel Land Systems do not accept ROE fluctuation. The supplier must arrange forward cover if necessary.
  - Base date of prices 30 June 2014
  - The quoted price shall be exclusive of VAT, which shall be payable by Denel Land Systems in accordance with legislation at the time of invoicing.
  - No milestone payments, interest free loans or advance payments shall be made. Payments as per Order line value.
  - Payments shall be made 60 (Sixty) days after receipt of a supplier invoice.
- 4. The following documents are attached and form part of this Request for Offer. Annexure A – List of parts/assemblies – as per request for update letter Annexure B – Escalation formula – as previously supplied Annexure C – Delivery schedule – NEW SCHEDULE ATTACHED

Annexure D - Quality Industrialization guideline - as previously supplied

5. Denel Land Systems retains the right to accept or reject your Offer in full or part thereof.



- 6. Your quotation is to be valid for 120 days.
- Your Offer in response to this RFO must be send to the undersigned at:
   E-mail: <u>quotes@dlsys.co.za</u> or
   Fax nr: 012-620 3007
   The Offer must be submitted on or before 12h00 on 25<sup>th</sup> June 2014.

Best regards

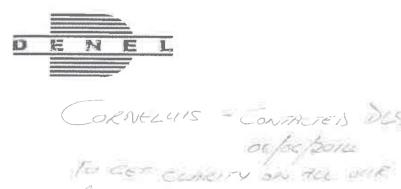
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Henk van den Heever PROCUREMENT OFFICER DLS MECHEM

INT.

# **ANNEXURE "CM15"**





Address:

Date:

Tel:

Fax:

Ref:

Email:

PO Box 7710 Pretoria, 0001 South Africa 06 June 2014 +27 12 620 3179 +27 12 620 3388 hendrikv@dlsys.co.za HY/RFO/2011-0002/1

The Marketing Manager DCD Protected Mobility A division of DCD-Dorbyl (Pty) Ltd PO Box 229 Boksburg 1460

REQUIREMENTS

Att: Ulrich Fischer

## RE: UPDATE REQUEST OF YOUR PROPOSAL NUMBER D0263/1/CG/jad FOR DLS HOEFYSTER PLATFORM HULL

CONTRITES

Denel Land Systems (DLS) hereby requests DCD PROTECTED MOBILITY to submit an urgent update of your proposal number D0263/1/CG/jad dated 26 March 2012 for the Hoefyster Platform Hull.

We do however require you to amend the quotation as follow when updating:

#### Armour Hull breakdown.

- a.) Price for Armour Hull excluding mine protection.
- b.) Price for mine protection only.
- c.) Prices should exclude all Jigs and Fixtures CFI which will be contracted separately.

Furthermore, please note that a technical representative of the successful bidder will be expected visit Patria in Finland on week 29 of 2014. You are therefore urged to make all necessary preparations (e.g. Visa applications etc.) should your company be successful.

Please see attached updated RFQ for new quantities and delivery schedule.

Trust in your understanding and prompt reply.

Regards

Henk van den Heever **Procurement officer** DENEL LAND SYSTEMS MECHEM



Address:	PO Box 7710
	Pretoria, 0001
	South Africa
Date:	06 June 2014
Tel:	+27 12 620 3179
Fax:	+27 12 620 3388
Email:	hendrikv@dlsys.co.za
Ref:	HY/RFO/2011-0002/1

The Marketing Manager DCD Protected Mobility A division of DCD-Dorbyl (Pty)Ltd PO Box 229 Boksburg 1460

## FOR ATT: Ulrich Fischer

Dear Ulrich,

## **RE: REQUEST FOR OFFER FOR HOEFYSTER PLATFORM COMPONENTS**

#### **Backgound:**

0.7

DLS has successfully negotiated the production part of the HOEFYSTER Contract with Armscor. The total Contract scope is the delivery of 217 weapon systems, consisting of Turrets and Vehicles.

Patria, a Finnish supplier, is the designer and manufacturer of the vehicles. Part of the HOEFYSTER Contract is Transfer of Technology to South Africa to produce a total of 217 vehicles/components/sub-systems at local suppliers.

Various suppliers will be approached to submit their Offers on specific components / subsystems. It is the aim of DLS to buy on the highest possible purchasing level from a supplier.

The following process will be followed:

- a) Suppliers to submit their Offers to DLS.
- b) DLS to evaluate Offers and visit potential suppliers.
- c) DLS to audit the selected supplier's process/capability/facilities before Contract placement. (ISO 9001:2008 will be used as a guideline to evaluate business processes.)
- d) Contract/Order on supplier.

Denel SOC Ltd, Reg No 1992/001337/07, Nellmapius Drive, Irene P O Box 8322, Centurion, 0046, South Africa. Tel: +27 (0)12 671 2700, Fax: +27 (0)12 671 2751

Directors: N R Kunene (Chairman), M T Sadik<sup>1</sup> (Group Chief Executive Officer), G Badela, Dr G C Cruywagen, Ms M J Janse van Rensburg; Prof T Marwala; Ms Z Mathenjwa, F Mhlontlo<sup>1</sup>, N J Motseki, M Msimang, B F Ngwenya, Prof S M Nkomo, Adv M Ntshikila, Ms B Paledi, M Ratshimbilani, Ms S Sebotsa

W10-CPMM-167



# **DENEL LAND SYSTEMS**

- e) The supplier to build a Pre Production Model/s, while DLS monitor the manufacturing process. (QA requirements: 100% inspection, Build History books, see document in Annexure D).
- f) A Production Readiness Review to be held before series production starts.
- 1. You are hereby requested to submit an Offer for the supply of Hoefyster Platform Components, in accordance with the required drawings/specifications.
- 2. All relevant information shall be treated as confidential.
  - a.) Data pack may only be used for quotation purposes.
  - b.) No copies of the data pack can be made and where possible to only use in access controlled area.
  - c.) All issued data packs will be returned to DLS when submitting your proposal.
- 3. A back to back Contract will be signed with all successful suppliers. The following Terms and Conditions will also apply:
  - Warranty 30 months from delivery date to DLS.
  - Delivery address 368 Selbourne Avenue, Lyttelton, Pretoria
  - The price quoted for the work shall be a firm price with escalation according to indices stated in Annexure B, including transport, packaging and preservation cost. Denel Land Systems do not accept ROE fluctuation. The supplier must arrange forward cover if necessary.
  - Base date of prices 30 June 2014
  - The quoted price shall be exclusive of VAT, which shall be payable by Denel Land Systems in accordance with legislation at the time of invoicing.
  - No milestone payments, interest free loans or advance payments shall be made. Payments as per Order line value.
  - Payments shall be made 60 (Sixty) days after receipt of a supplier invoice.
- The following documents are attached and form part of this Request for Offer. Annexure A – List of parts/assemblies - as per request for update letter Annexure B – Escalation formula – as previously supplied Annexure C – Delivery schedule – NEW SCHEDULE ATTACHED Annexure D – Quality Industrialization guideline – as previously supplied
- 5. Denel Land Systems retains the right to accept or reject your Offer in full or part thereof.

Denel SOC Ltd, Reg No 1992/001337/07, Nellmapius Drive, Irene P O Box 8322, Centurion, 0046, South Africa. Tel: +27 (0)12 671 2700, Fax: +27 (0)12 671 2751 Directors: N R Kunene (Chairman), M T Sadik<sup>1</sup> (Group Chief Executive Officer), G Badela, Dr G C Cruywagen, Ms M J Janse van Rensburg; Prof T Marwala; Ms Z Mathenjwa, F Mhlontlo<sup>1</sup>, N J Motseki, M Msimang, B F Ngwenya, Prof S M Nkomo, Adv M Ntshikila, Ms B Paledi, M Ratshimbilani, Ms S Sebotsa

W10-CPMM-168



## **DENEL LAND SYSTEMS**

- 6. Your quotation is to be valid for 120 days.
- Your Offer in response to this RFO must be send to the undersigned at:
   E-mail: <u>quotes@dlsys.co.za</u> or
   Fax nr: 012-620 3007
   The Offer must be submitted on or before 12h00 on 25<sup>th</sup> June 2014.

Best regards

He<del>nk √</del>an den Heever PROCUREMENT OFFICER DLS MECHEM

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12/3/2014

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# **ANNEXURE "CM16"**





Address:	PO Box 7710 Pretoria, 0001 South Africa
Date:	06 June 2014
Tel:	+27 12 620 3179
Fax:	+27 12 620 3388
Email:	hendrikv@dlsys.co.za
Ref:	HY/RFO/2011-0002/1

The Manager VR Laser Services (Pty) Ltd PO Box 229 Boksburg 1460

Att: Ian Mc Neil

## RE: UPDATE REQUEST OF YOUR PROPOSAL FOR DLS HOEFYSTER PLATFORM COMPONENTS

Denel Land Systems (DLS) hereby requests VR Laser Services to submit an urgent update of your proposal dated 12 April 2012 for the Hoefyster Platform Components.

We do however require you to amend the quotation as follow when updating:

Armour Hull breakdown.

- a.) Price for Armour Hull excluding mine protection.
- b.) Price for mine protection only.
- c.) Prices should exclude all Jigs and Fixtures CFI which will be contracted separately.

Furthermore, please note that a technical representative of the successful bidder will be expected visit Patria in Finland on week 29 of 2014. You are therefore urged to make all necessary preparations (e.g. Visa applications etc.) should your company be successful.

Please see attached updated RFQ for new quantities and delivery schedule.

Trust in your understanding and prompt reply.

Regards

Henk van den Heever Procurement officer DENEL LAND SYSTEMS MECHEM



Address:	PO Box 7710	
	Pretoria, 0001	
	South Africa	
Date:	06 June 2014	
Tel:	+27 12 620 3179	
Fax:	+27 12 620 3388	
Email:	hendrikv@dlsys.co.za	
Ref:	HY/RFO/2011-0002/1	

The Manager VR Laser Services (Pty) Ltd PO Box 229 Boksburg 1460

FOR ATT: lan Mc Neil

Dear lan,

## RE: REQUEST FOR OFFER FOR HOEFYSTER PLATFORM COMPONENTS

#### Backgound:

DLS has successfully negotiated the production part of the HOEFYSTER Contract with Armscor. The total Contract scope is the delivery of 217 weapon systems, consisting of Turrets and Vehicles.

Patria, a Finnish supplier, is the designer and manufacturer of the vehicles. Part of the HOEFYSTER Contract is Transfer of Technology to South Africa to produce a total of 217 vehicles/components/sub-systems at local suppliers.

Various suppliers will be approached to submit their Offers on specific components/subsystems. It is the aim of DLS to buy on the highest possible purchasing level from a supplier.

The following process will be followed:

- a) Suppliers to submit their Offers to DLS.
- b) DLS to evaluate Offers and visit potential suppliers.
- c) DLS to audit the selected supplier's process/capability/facilities before Contract placement. (ISO 9001:2008 will be used as a guideline to evaluate business processes.)
- d) Contract/Order on supplier.

Denel SOC Ltd, Reg No 1992/001337/07, Nellmapius Drive, Irene

Directors: N R Kunene (Chairman), M T Sadik<sup>1</sup> (Group Chief Executive Officer), G Badela, Dr G C Cruywagen, Ms M J Janse van Rensburg; Prof T Marwala; Ms Z Mathenjwa, F Mhlontlo<sup>1</sup>, N J Motseki, M Msimang, B F Ngwenya, Prof S M Nkomo, Adv M Ntshikila, Ms B Paledi, M Ratshimbilani, Ms S Sebotsa

P O Box 8322, Centurion, 0046, South Africa. Tel: +27 (0)12 671 2700, Fax: +27 (0)12 671 2751

W10-CPMM-173



## **DENEL LAND SYSTEMS**

- 6. Your quotation is to be valid for 120 days.
- Your Offer in response to this RFO must be send to the undersigned at:
   E-mail: <u>quotes@dlsys.co.za</u> or
   Fax nr: 012-620 3007
   The Offer must be submitted on or before 12h00 on 25<sup>th</sup> June 2014.

Best regards

Henk van den Heever PROCUREMENT OFFICER DLS MECHEM

NT

	Schedule for the Pre-Production Model Components/subsystems           MicroMemb         Mi M
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Project HOEFYSTER - Delivery Schedule

# **ANNEXURE "CM17"**





A Subsidiary of LMT Holdings SOC Ltd (RF)

# PROPOSAL: REQUEST FOR OFFER FOR HOEFYSTER PLATFORM COMPONENTS

PROPOSAL NUMBER:
ISSUE:
DATE:
CLIENT:
CONTRACTOR:
CONTACT PERSON:
VALIDITY:
0: I I I I I I I I I I I I I I I I I I I

Q/2/001056/2 2 23 June 2014 Denel Land Systems LMT Products (Pty) Ltd Dr S Nell 120 days

Signed on behalf of LMT Products (Pty) Ltd (pending LMT Board approval)

INTO S



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Dr S Nell CEO

RECEIVED 2014 -06- 2 3 DLS SUPPLY CHAIN 45944

### PROPOSAL: REQUEST FOR OFFER FOR HOEFYSTER PLATFORM COMPONENTS

\* Explain how you going to protect patron's

### 1. Background and scope

This proposal entails an amended price for Item 22: Armour Hull originally proposed in applicable document 2.1 as per request from Denel Land Systems in applicable documents 2.2 and 2.3.

### 2. **Applicable documents**

- 2.1 Proposal: Request for Offer for HOEFYSTER Platform Components, LMT Products Proposal Number Q/1/001056/2, Issue 2, 9 February 2012.
- 2.2 Update Request of Proposal Number Q/1/001056/2 HOEFYSTER Platform Components, Ref AV-& Thick Base, 27 May 2014 (Lef 1) A 2014 Update Request of Proposal Number Q/1/001056/2 HOEFYSTER Platform
- 2.3 Components, Ref HY/RFO/2011-002/1, 6 June 2014.
- Armour Hull, Patria drawing number P709055-01, 21 June 2007. 2.4

### LMT Company background 3.

- 3.1 LMT (www.lmt.co.za) is an engineering and manufacturing company specialising in the design, manufacture and support of armoured vehicles. More than a 1000 vehicles are operating all over the world, either supplied by LMT as complete systems, or fitted with add-on subsystems provided and supported by LMT.
- 3.2 The company is owned by Denel (51%, www.denel.co.za) and Pamodzi (29%, www.pamodzi.co.za), a 100% Black owned South African company. Denel is the largest manufacturer of defence equipment in South Africa.
- LMT is ISO9001:2008 certified (certificate is attached as Appendix A). 3.3
- 3.4 LMT has manufactured the hull and mine protection kit numerous times for Patria since 2005 and was also responsible for the design and qualification of the landmine kit.

### 4. **Deliverables**

Supply of 217 armoured hulls as per applicable document 2.4 4.1

### Schedule 5.

As per Annexure C, applicable document 2.2 5.1

### 6. Price

- 6.1 The unit price for 217 hulls (mine floor included) as per applicable document 2.4 is
- R736,534.00 (VAT excluded). July and the price reduce 5 Mind Does that were that we getting reduced It is not possible to quote for the mine protection separately as it is an integral part of the Value. 6.2 hull structure.
- The base date is 30 June 2014 and escalation will be in accordance with the indices stated 6.3 in Appendix B, applicable document 2.2 dectained free breaks Terms and conditions

### 7.

7.1 As per paragraph 3 of applicable document 2.2

### **Client Furnished Items (CFIs)** 8.

8.1 All jigs and fixtures as per applicable document 2.3

### 9. Warranty 9.1

LMT warrants that the items/equipment/services supplied under this Contract by LMT shall be free from defect of design, size, dimensions, material and workmanship for a period of 30 months from the date certification of completion of work by the client and further warrants that any item/items/equipment or part/parts found defective through faulty design, workmanship, manufacture, size, dimensions and material will be replaced or repaired free of cost. veren n

LMT shall not be liable for claims under the warranty in the event of any one or more of the following:

- i. The item has not been stored, handled and/or maintained and serviced as per normal depot storage, handling and operating conditions (to be provided during training).
- ii, The item has been altered or modified or repaired in any way except with written authorisation and in exact accordance with the written instructions of LMT.
- iii. The item has been subjected to misuse by the client or to conditions for which it was not designed.
- iv. The items are damaged at any time due to operator error or as a result of weapons used against it.

-SM-ded

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### 10. Shipping

10.1 Deliver at 368 Selbourne Avenue, Lyttleton, Pretoria

Fixtures

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Margard

abar.

Price -D Painted / up

Annexure A: ISO Certificate

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INTO

### CERTIFICATE

### ISO 9001:2008

**DEKRA** 

DEKRA Certilication GmbH hereby certilies that the company LMT HOLDINGS (PTY) LTD

Scope of certification: Design, Development, Simulation, Manufacturing, Logistics Engineering, Testing Services, Supply and Support of Specialiseo Products.

Certified location . Workshop site, 286 Maggs Street, Waltloo, 0184, Pretoria, Gauteng

has established and maintains a quality management system according to the above mentioned standard. The conformity was adduced with audit report no. CA-12-142RA.

This certificate is valid from 2012 11-15 to 2015-11-14

Certificate registration no 910031126/3

DEKRA Contination Gracht Stuttgart 2012-11-09



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### **ANNEXURE "CM18"**





**VR LASER SERVICES (Pty) Ltd** 

- 10 Haggie Road, Dunswart Ext5, Gauteng, South Africa
- P.O. Box 5362, Boksburg 1461, South Africa
- Accounts Tel + 27 11 306 8000
- Accounts Fax + 27 11 306-8018

Registration No. - 2007/031329/07

VAT No. - 4690244837

eceive m He

The Chief Procurement Officer Denel Land Systems Pretoria 0001 South Africa

24 June 2014

For the Attention of: Ms Celia Malahlela

### Re: Updated quotation for the fabrication of the Hoefyster Platform Components

Further to the DLS RFO received from Denel Land Systems ,our discussions and the various e- mail correspondences and telephonic discussions, that followed, enclosed for your perusal, please do find the updated quotation for the Hoefyster Platform according to the data pack supplied.

### A. Quotation

The quotation costing structure is based on producing **217 complete** pre final painted hulls in South Africa at the delivery address of 368 Selbourne avenue, Lyttelton ,Pretoria. This quotation is based on the limited information supplied by DLS .Pricing excludes Value Added Tax.

RECEIVED 2014 -06- 2 5 DLS SUPPLY CHAIN

- 1. Quotation for the fabrication of Hoefyster Platform Components only R568 986.96
- 2. Quotation for Armour Hull including mine protection

1.Unit price on the Industrialisation of Hulls PPM 1-5	R1 326 786
2.Learning curve Production units 4-20	R1 232 328
3.Series Production units based on the DLS schedule	R1 204 986

Directors: MJ Jiyane; EN Jiyane; IA McNeil (British); SA Essa



- 10 Haggie Road, Dunswart Ext5, Gauteng, South Africa
- P.O. Box 5362, Boksburg 1461, South Africa
- Accounts Tel + 27 11 306 8000
- Accounts Fax + 27 11 306-8018

VAT No. - 4690244837

### VR LASER SERVICES (Pty) Ltd

### 3. Quotation for Armour Hull excluding mine protection

R1 230 245
R1 135 787
R1 108 445

### 4. Quotation for the mine protection only R105 316.80

### Background information

### B. Hoefyster quotation updated information

1. Industrialisation effort

It is assumed that Patria will provide DLS with a fully industrialised data pack and that the industrialisation effort will only be for the Localisation of the manufacturing of the Hulls only.

1.1 Compile process instructions for manufacturing of sub parts and assembly and welding of the Hulls according to the Patria supplied documents

1.2 Compile total Quality requirements for the manufacturing of the hull according to the Patria data pack

1.3 Codification and qualification of Welders and Boilermakers according to the Patria requirements

- 1.4 Assumption, build jigs and fixtures according to the supplied Patria data pack
- 1.5 Design material handling equipment for sub parts and fabricated hulls
- 1.6 Compile pre final paint and shot blast procedures, localisation effort

1.7 Design and manufacture of inspection testing jigs

2. Industrialisation PPM 1-5 units

Assumption the detailed manufacturing and process documentation will be provided by Patria



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2.1 Compile Quality in process documentation according to the DLS/Patria supplied instructions

2.2 Codification and testing of welders and boilermakers

2.3 Buy or manufacture Material Handling equipment

2.4 Material handling equipment design of identified requirements not supported by Patria

2.5 Sub parts( industrialisation to full data pack requirements)

2.6 Hull manufacturing PPM1-5 (industrialisation to full data pack requirements)

2.7 Transport of hulls to shot blast and painting

2.8 Hull preparation for shot blast and painting

2.9 Compile and review Build book requirements

2.10 Compile and review Final buy off requirements and documentation.

2.11 Transport of Hulls to DLS

3. Series Production learning curve 4-20 units

3.1 Manufacture Sub parts and assemblies

3.2 Hull fabrication and welding

3.3 Transport of hulls to shot blast and painting

3.4 Hull preparation for shot blast and painting

3.5 Complete Build book as per the requirements

3.6 Final Customer buy off

3.7 Transport of hulls to DLS

4. Series Production learning units 20 and onwards

4.1 Manufacture of Sub parts

4.2 Assembly and Hull fabrication

4.3 Transport of hulls to shot blast and painting

4.4 Hull preparation for shot blast and painting

4.5 Shot blast

4.6 Final and inspection Painting

4.7 Compile the final Build book

4.8 Final buy off

4.9 Transport of hulls to DLS



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### Issues to consider

- 1. Maturity of the Data pack-an issue but not a significant risk, will be fully of the data pack covered during industrialisation. Patria/DLS will be fully accountable for the accuracy.
- C. The offer will include the following effort
  - 1. Industrialisation of production will be on the first 5 units and all quality requirements needs to be established during this phase according to the Patria/DLS supplied documentation.
  - DLS will assist VRLaser to update the CAD data pack to the as build status during the industrialisation phase if and when deemed necessary by both parties.
  - 3. VR laser will be responsible for the quality. Quality requirements will be agreed between both parties, a quality document control will be issued. The quality controller of VR laser will make sure that all quality requirements are met. VR laser will issue a certificate of conformance for each hull.
  - 4. Jigs and fixtures that will not be supplied by Patria will be designed by VRLaser during the Industrialisation phase. These Jigs and Fixtures are considered to be suitable of producing the 217 hulls in SA.
  - 5 Process instructions, routings, inspections sheets and welding instructions will be compiled during the Industrialisation phase and will be reviewed during this phase. Sign of on all QAR and process documentation will be during the Production reediness review phase.
  - Please note that Industrialisation is paramount for the successful series production of the hulls in South Africa.

### **Quotation includes**

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1. Unit Price of 5 industrialisation hulls.



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2. Unit Price of Production Hulls at a rate required by Denel Land Systems, or as contracted.

3. Design and Manufacturing of Jigs and fixtures that will not be supplied by Patria/DLS.

4. The Industrialisation of jigs and fixtures.

5. Shot blast and painting of Hulls to the stage of pre final paint.

6. Price ex works- rand based figure. Escalation will be applied as to the escalation formula provided in per Annexure B, supplied with the RFO.

The effective base date of the escalation will be 24 June 2014.

D. Payment terms and conditions As listed per clause 3 of the RFO.

SOW Industrialisation of the first 5 Hulls in SA at VRLaser

### **Fabrication and Welding only**

( )

1. Receive the as contracted CAD model and Bill of Material from DLS.

2. Nest the parts for laser cutting, develop bending files etc.

3. Determine the plate sizes required for optimisation of material usage, discuss with steel mills to ensure availability

 Design manufacturing processes and work methods, jigs and fixtures and process equipment required.

5. Manufacture jigs and tooling required per work station identified that will not be supplied by Patria/DLS.

6. Pre- assemble sub parts with the Jigs, compile short works instructions, welding instructions and quality documents.

7. Design review processes and jigs, work methods, quality requirements and work flow to ensure optimum results.

8. Assemble and weld first hull in Main Assembly jig, compile short work instructions, quality requirements, and welding instructions.



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9. Design review process, jigs and fixtures and all documents required for the Main Assembly and welding.

10. Use the updated data pack to produce hull 2 to 5.

11. Conduct Final design reviews and Production Readiness reviews on all the data to ensure that the Series production will take place without any modifications required.

Shot Blasting and painting of Hulls

1. Receive paint specifications, surface preparation and Quality requirements from Patria/DLS.

2. Industrialise the paint process, compile process documents and final buy off criteria.

3. Paint hull 1-5

4. Review the processes and documents after Industrialisation, and update for the series production of hulls.

### 4. Contracting Conditions

Contracting conditions needs to be finalised before execution of the order to protect both parties and to ensure an amicable way of doing business.

1. Responsibility of design and Quality requirements remains that of Patria/DLS.

2. Any modifications to the design, Quality requirements, SOW, jigs and fixtures after the Industrialisation of Hull1-5 will be for the account of DLS

3. Designated lines of Responsibility needs to be established and appointed to act on behalf of DLS and VRLaser as to prevent miss communication and facilitate the effective running of the Program.

4. Documentation required needs to be identified and agreed to such as, Progress reports, as build data pack requirements, Certificate of Conformance, release certificates for payments.

6. A conflict resolution mechanism needs to be agreed to upfront to ensure the smooth running of the Program.



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7. Logistics support requirements need to be identified in line with the Patria/DLS

requirements as to enable VRLaser to provide the documentation and spares if and when required.

### 4. Warranty

VRLaser will warranty the workmanship for a period of 30 months after shipment of the Hulls ex Boksburg. Patria/DLS will remain responsible for the design and design related issues pertaining to the warranty.

H. Delivery Schedule

**Production schedule** 

As per the issued Denel Land Systems letter with reference number HY/RFQ/2011-0002/1 dated 06 June 2014

Shipping schedule

A detailed shipping schedule will be provided before signature of the contract.

I. Other issues

1.1

The delivery schedule of the hulls will be determined by the availability of materials to produce the hulls from. The scheduled will be committed to once a firm delivery schedule will be received from the Plate mill.

Standard VRLaser terms and conditions do apply.

The steel specifications will be as per the Steel producer as per the EURONORM standards.

Unless otherwise specified in the material standard or otherwise agreed, plate is delivered with surface condition in accordance with EN 10 163-2, Class A, Sub-class 1, with flatness tolerance to EN 10 029, Class N, with length and width tolerances to EN 10 029, and with thickness tolerances to AccuRoiiTech<sup>TM</sup> that conforms to the provisions of EN 10 029.

Should the need arise to refine the quotation please call Pieter Grundlingh at your convenience.



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Trust that this quotation will meet and satisfy your requirement.



### **ANNEXURE "CM19"**





Our Reference D0263/3/CG/In

25 June 2014

Denel Land Systems PO Box 7710 Pretoria 0001

ATTENTION: MR HENK VAN DEN HEEVER

Dear Sir

### OFFER: HULLS FOR DLS HOEFYSTER (BADGER) HULLS

Your request for an offer, dated 06 June 2014, for the manufacture and supply of 12 (twelve) off Pre-Production Platform Hulls (excluding the Mine Protection Floor Section), 205 (two hundred and five) off Production Platform Hulls (excluding the Mine Protection Floor Section), 12 (twelve) off Pre-Production Mine Protection Floor Sections and 205 (two hundred and five) off Production Mine Protection Floor Sections, DCD Protected Mobility (a Division of DCD-GROUP (Pty) Ltd) has pleasure in submitting the following offer for your consideration:

- 1. Scope of Supply
- 1.1 DCD Protected Mobility will manufacture and supply the Hoefyster Platform Hull (Item no. 709055) in accordance with the Bill of Materials and Drawing Pack received from Denel Land Systems dated February 2012.
- 1.2 The execution of this project has been divided into an Establishment Phase and a Series Production Phase.
- 1.3 During the Establishment Phase, the Platform Hull Manufacturing capability will be created at DCD Protected Mobility's existing facilities at 22 Monteer Road, Isando. This capability will be established in accordance with the DLS Industrialisation Requirements. (DLS document no. 850/01251/0200/∇/06). The proposed Industrialisation Plan is described in Annexure 'A' of this Offer.
- 1.4 Series production of the Hoefyster Platform Hull will be performed in accordance with the proposed Manufacturing Process Flow diagram depicted in Annexure 'B'. <u>The proposed Manufacturing Process Flow will be verified and confirmed or amended during the visit to Patria in Finland in week 29.</u>
  - 1.5 Raw materials and parts will be sourced from existing suppliers of DCD Protected Mobility in accordance with the specifications and requirements indicated on the associated drawings and specification documents received in the Hoefyster Platform Hull data pack.

O Pretorius, D P

Richards,

DHE

Wens

1.6 Manufacturing of the Mine Protection Floor Sections (Item No. 709605) requires specialised internal robotic welding associated with the construction of the sandwich structure. Establishing this capability at DCD Protected Mobility has been estimated and included in the price of the "Mine Protection Floor Sections" in this Offer. Kindly note that our offer excludes the filling of cavities with polyurethane as we have been unable to find a South African source for this specific product as specified in the Partria specifications received. As discussed we will firm up our price once detail specifications in this regard are available.

Reg no. 2006/037611/07

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Intertek

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ISO 9001:2008

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Directors: R G King (Managing). V Langlois, A Gordhan, C Nkuna, L Phasha, G P J Klos Alternate Directors: G M Colegate, W A S Nel

- 1.7 The manufacture of the Platform Hull will start with the cutting of the armour steel plates, followed by the addition of the weld-on parts on the individual plates. The plates will then be tack welded into major sub-assemblies, including but not limited to the Bottom Section and Roof Section.
- 1.8 The Platform Hull will then be completely assembled by tack welding the major sub-assemblies together, before proceeding to final welding. Final welding will consist of robot welding on the long runs and manual welding with the hull installed in the hull rotator.
- 1.9 Once fully welded, the Platform Hull will be shotblasted and Surface Treatment applied in accordance with Patria specification M042.
- 1.10 We have taken note of your requirement for surface treatment of the Hull using Delta Coating in accordance with Patria specifications M024. We were unable in this short period of time to establish a local supplier for the associated products and processes. Based on the limited information received, we understand that this coating can be applied by manual spraying followed by curing in an oven. Once confirmed, the indicative as per clause 2.2 below can be finalised in order to meet the Partria specifications.
- 1.11 The DCD Group has extensive in-house facilities, including cutting, bending, drilling, welding, sandblasting, surface treatment (high capacity / high temperature ovens), painting, final machining and preservation capabilities to provide a one-stop solution for the Hoefyster Platform Hulls. Also see clause 8 below.
  - 1.12 The Platform Hulls will be transported from our works in Isando and delivered to your facility at 368 Selbourne Avenue, Lyttelton, Pretoria.
  - 1.13 Kindly note that our above prices excludes all Jigs and Fixtures that will be required for the manufacturing and assembly of the Platform Hulls and Mine Protection Floor Sections as per your request. However should you require us to quote you separately for the manufacturing of Jigs and Fixtures according to the Patria data packs, we will supply you with an offer on these Jigs and Fixtures during contract negotiations.
  - 2. Price and Price Basis
  - 2.1 For the Scope of Supply as described in Clause 1 above, our prices below are based on the drawing pack received in February 2012. We reserve the right to revise our prices below once we receive the Final Data Pack and have confirmed our manufacturing process flow based on our visit to Partria in Finland during week 29.
  - 2.1.1 12 (Twelve) off Pre-Production Manufacturing Hulls, excluding the Pre-Production Mine Floor Sections, our price is **R1 020 000 per Hull**, Ex our Isando Works.
  - 2.1.2 205 (Two hundred and five) off Production Hulls, excluding the Production Mine Floor Sections, our price is **R943 000** per Hull, Ex our Isando Works.
  - 2.1.3 12 (twelve) off Pre-Production Mine Protection Floor Sections for the Pre-Production Manufacturing Hulls, our price is **R278 200** per Floor, Ex our Isando Works.
  - 2.1.4 205 (two hundred and five) off Production Mine Protection Floor Sections for the Pre-Production Manufacturing Hulls, our price is **R257 200** per Floor, Ex our Isando Works.
  - 2.1.5 Transportation is **R3 700** per Hull, delivered to your facility at 368 Selbourne Avenue, Lyttelton, Pretoria.
  - 2.2 <u>Delta Coating</u>: Our <u>indicative price</u> for applying the Delta Coating as per clauses 1.9 and 1.10 above are as follows, per complete Hull (including the Mine Protection Floor Section):
  - 2.2.1 For the Delta coating, labour and consumables our indicative price is R150 000 per Hull.
- 2.2.2 Curing in high temperature oven, our indicative price is R22 500 per Hull.
- 2.2.3 Transportation to and from our Vereeniging curing facility, our indicative price is R9 500 per Hull.
- 2.2.4 Total indicative price per Hull is R182 000.
- 2.2.5 We will provide you with a base price for this work on receipt of detailed specifications.

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- 2.2.6 Kindly note that this indicative price is not included in our pricing in clause 2.1 above and any final agreed price for this work needs to be added to those prices.
- 2.3 The above prices are <u>fixed at base date of 30 June 2014</u>, strictly nett, exclude Value Added Tax (VAT), and are subject to escalation as set out in clause 2.4 below, and may be subject to change should the order quantities required be amended.

### 2.4 Contract Price Adjustment

- 2.4.1 We have taken note of Denel Land Systems escalation formula provided, but wish to point out that we have broken down our escalation formula into more applicable indices. The prices in Clause 2.1 above are firm as at a base date of 30 June 2014. 10% (Ten percent) is fixed and the balance of 90% (ninety percent) will be subject to escalation and will be adjusted according to the following formula.
- 2.4.2 Local Currency Portion
- 2.4 2.1 <u>South African Rand Content (Hulls and Mine Protection Floor Sections clauses 2.1.1</u> to 2.1.4)

The = 0.10 Tol+0.90 Tol 
$$\left(al\frac{blkl}{bltl} + a2\frac{b2k2}{b2t2} + a3\frac{b3k3}{b3t3} + a4\frac{b4k4}{b4t4} + a5\frac{b5k5}{b5t5} + a6\frac{b6k6}{b6t6}\right)$$

Where:

9

Tol = Local Content Tender Price for the Hulls (81% (eighty one percent) of the full contract price above) and for the Mine Protection Floor Sections (86% (eighty six percent) of the full contract price above)

Tnl =	Adjusted Price	
b1t1 =	Labour	SEIFSA Index Table C3 Actual Labour Costs (All hourly paid employees) ruling at 30.06.14.
b1k1 =	Labour	SEIFSA Index Table C3 Actual Labour Costs (All hourly paid employees) ruling one month prior to the Contractual Delivery Date.
b2t2 =	Specific Steel	SEIFSA Index Table E-EX Domestic Merchant Steel Price Index (Cold Rolled Sheets) ruling at 30.06.14.
b2k2 =	Specific Steel	SEIFSA Index Table E-EX Domestic Merchant Steel Price (Cold Rolled Sheets) ruling two months prior to despatch.
b3t3 =	Specific Steel	SEIFSA Index Table E-2 Foundry Scrap (Good Quality Foundry Scrap) ruling at 30.06.14.
b3k3 =	Specific Steel	SEIFSA Index Table E-2 Foundry Scrap (Good Quality Foundry Scrap) ruling two months prior to despatch.
b4t4 =	Contract Price Provision	SEFISA Index Table G Product Price Index (PPI) (Mechanical Engineering Materials) ruling at 30.06.14.
b4k4 =	Contract Price Provision	SEFISA Index Table G Product Price Index (PPI) (Mechanical Engineering Materials) ruling two months prior to despatch.
b5t5 =	Road Freight	SEIFSA Index Table L-2 Road Freight Costs, ruling at 30.06.14.

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b5k5 =	Road Freight			x Table L-2 Road Freight Costs, ruling one o despatch.
b6t6 =	Production Price Indices (PPI)	Index	(PPI) (	ex Table U Statistics SA Product Price Intermediate Manufactured Goods) ruling 30.06.14,
b6k6 =	Production Price Indices (PPI)	Index	(PPI) (	ex Table U Statistics SA Product Price Intermediate Manufactured Goods) ruling rior to despatch.
Weight (H	lulls):			
a1 =	0.49	a4	=	0.07
a2 =	0.06	a5	Ξ	0.04
a3 =	0.02	a6	=	0.32
Weight (N	line Protection Floor S	Sections)		
a1 =	0.54	a4	=	0.01
		-		

0.03

0.35

<u>Note:</u> SEIFSA Index Table E-2 (a3) is not applicable to the Mine Protection Section

a5

a6

### 2.4.2.2 South African Rand Content (Transportation – clause 2.1.5):

 $T2 = T1x \frac{F2}{F1}$ 

a2

a3

Ħ

=

- T2 = Revised transport rate.
- T1 = Transport rate as per clause 2 1.5.

0.07

0.00

- F2 = SEIFSA Index Table L-2 Road Freight Costs, ruling one month prior to despatch.
- F1 = SEIFSA Index Table L-2 Road Freight Costs, ruling at 30.06 14.

### 2.4.3 Foreign Currency Portion (Hulls)

- 2.4 3.1 Tof = Foreign Content Tender Price (19% (nineteen percent) of the full contract price above). Tnf = Adjusted Price
- 2.4.3.1.1 Tnf Tof 10% (Ten percent) will be fixed and the balance of 90% (ninety percent) of the imported value, in foreign currency terms, shall be escalated at a rate 2,5% (two and half percent) per annum applicable on the first day of January 2015.
- 2.4 3.1.2 During contract negotiations we need to determine the best way to mitigate foreign exchange risk on a basis that is acceptable to both Denel Land Systems and ourselves. To the extent possible we suggest Denel Land Systems establish a forward cover contract (within 10 working days of contract signature) for the foreign content portion of the contract and then convert this portion to a fixed rand price for the duration of the contract. This can be done in a consolidated manner for all foreign content from all suppliers.

Base date 30 June 2014.

2.4.3.2 Foreign Currency Exchange Rates

Country	Rate of Exchange
Kingdom of Sweden (19%)	SEK 1.00 = ZAR 1.58

- 2.4.4 Foreign Currency Portion (Mine Protection Floor Sections)
- 2.4.4.1 Tof = Foreign Content Tender Price (14% (fourteen percent) of the full contract price above). Tnf = Adjusted Price

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- 2.4.4.1.1 Tnf Tof (10% (Ten percent) will be fixed and the balance of 90% (ninety percent) of the imported value, in foreign currency terms, shall be escalated at a rate 2,5% (two and half percent) per annum applicable on the first day of January 2015.
- 2.4.4.1.2 During contract negotiations we need to determine the best way to mitigate foreign exchange risk on a basis that is acceptable to both Denel Land Systems and ourselves. To the extent possible we suggest Denel Land Systems establish a forward cover contract (within 10 working days of contract signature) for the foreign content portion of the contract and then convert this portion to a fixed rand price for the duration of the contract. This can be done in a consolidated manner for all foreign content from all suppliers.

Base date 30 June 2014.

### 2.4.4.2 Foreign Currency Exchange Rates

Country	Rate of Exchange
Kingdom of Sweden (14%)	SEK 1.00 = ZAR 1.58

2.5 The above escalation formulas for both the Local and Foreign Currency can be agreed upon during contract negotiation stage.

### 3. Extra Work

3.1 Any amounts quoted for the extra work and agreed to by yourselves will be subject to the same terms and condition as the original order in respect of variations in costs, exchange rates, basis of freight, insurance railage rates, harbour dues and charges, duties, surcharges and other charges of like nature.

### 4. Terms of Payment

4.1 One hundred percent of the contract amount payable progressively on completion and signed off of each Hull, Ex our Isando Works, following a receipt of our invoice, preliminary escalation invoice, QA documentation and delivery note submitted on or before the last Friday of each month.

### 4.2 Invoicing for Escalation.

- 4.2.1 The Steel and Engineering Industries Federation of South Africa (SEIFSA) indices are only published three months after the periods for which such indices apply.
- 4.2.2 To ensure that DCD Protected Mobility is not prejudiced by this delay in publication the following invoicing and adjustment process is proposed:
- 4.2.2.1 A preliminary escalation invoice will be submitted by DCD Protected Mobility with each delivery, such invoice based on the latest available indices publicised by SEIFSA.
  - 4.2.2.2 On a quarterly basis, once final indices publicised by SEIFSA are available, DCD Protected Mobility shall issue either an Invoice or Credit Note in order to reconcile the amount charged based on the indices available at the time of invoicing with the actual charge due based on the actual indices.
  - 4.2.3 All such accounts will be payable within 60 (sixty) days of the date of invoice and presentation of required supporting documentation
  - 4.3 The ownership of goods and accessories covered by this offer will at all times remain vested in DCD Protected Mobility and will not pass to the purchaser until the full contract price for each batch or service has been paid into our nominated bank account.

### 5. Delivery, Liability and Penalties for Delay

5.1 We are most conscious of the need to meet scheduled delivery and have made a careful study before reaching the commitment. The delivery times are in accordance with our presently known workshop loading and lead times of major components and any other strategic material when deliveries are beyond our direct control.

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5.2 Delivery of the Hulls and Mine Protection Sections will take place Ex our Isando Works according to the schedule below based on receiving an official order for the first Hull / Mine Protection Floor Sections by no later than **24 October 2014** and for the Production Hulls / Mine Protection Floor Sections by no later than **03 August 2015**.

### 5.2.1 <u>Delivery Schedule for Pre-Production Manufacturing Hulls / Mine Protection Floor</u> Sections (2015 – 2018):

Planned Date (Month End) Ex our Isando Works	Quantity Hulls	Quantity Mine Protection Floor Sections
April 2015	0	1
May 2015	0	2
June 2015	1	2
April 2016	2	2
May 2016	2	2
December 2016	2	1
February 2017	2	1
August 2017	1	1
November 2017	1	0
February 2018	1	0
TOTAL	12	12

5.2.2 Delivery Schedule for Production Hulls (2016 to 2021):

Year/ Month	J	F	M	A	M	rmoi J	J	A	s	0	N	D	Total
2016	0	0	1	2	3	3	3	3	3	0	4	4	26
2017	3	4	3	5	4	4	6	5	3	þ	4	6	47
2018	3	6	3	4	5	6	4	5	2	0	4	3	45
2019	2	3	4	3	5	2	3	5	1	1	3	4	36
2020	2	3	3	4	2	1	4	3	3	3	5	5	38
2021	3	1	1	4	2	0	2	0	0	0	0	þ	13
			-			,					- 8	Total	205

5.2.3

2.3 Delivery Schedule for Production Mine Protection Floor Sections (2016 to 2021):

Year/ Month	J	F	M	A	M	J	J	A	S	0	N	D	Total
2016	1	2	3	3	3	3	3	þ	4	4	3	4	33
2017	3	5	4	4	6	5	3	þ	4	6	3	6	49
2018	3	4	5	6	4	5	2	þ	4	3	2	3	41
2019	4	3	5	2	3	5	1	1	3	4	2	3	36
2020	3	4	2	1	4	3	3	3	5	5	3	1	37
2021	1	4	2	0	2	0	þ	0	0	0	þ	0	09
												Total	205

5.3 Please note that the above schedules are based on the information provided to us based on your RFQ received on 06 June 2014 and at contract negotiation stage we would mutually agree to the firm Delivery Schedule to meet your requirements. <u>Kindly note that should the Mine Protection Floor Sections be a Free-Issue by Denel Land Systems, these Floor Sections will be required 6 (six) working weeks, prior to our complete Hull delivery date, Ex our Works.</u>

THIS IS PROPRIETARY INFORMATION OF DCD PROTECTED MOBILITY (A DIVISION OF DCD GROUP (ATY) TO WHICH SHALL NOT BE REPORDUCED OR TRANSMITTED IN WHOLE OR IN PART WITHOUT THEIR PRIOR CONSTRUCT.

- 5.4 Kindly note that our annual shut-down period is from mid December to mid January each year.
- 5.5 We will make every effort as responsible contractors to meet delivery, but we limit the total penalties payable to a maximum of 3% (three percent) of the basic contract value of that portion of the contract subject to the delay, at a rate of 1/14% (one fourteenth percent) per working day, of the value of the outstanding goods or service.
- 5.6 We shall not able liable for any loss or damage for any delay in manufacture or delivery resulting from any causes beyond our reasonable control including but not limited to compliance with any laws, regulations, orders, acts, ordinances, instructions or priority request of Government, acts of Local or National Government, failure or delay of the part of supplier of services or bought out materials to delivery dates, acts of God, fires, explosions, sabotage, storms, floods, earthquake, lightening, weather, strikes, lock-outs, labour availability, embargoes, wars or threat of preparation for war, breaking of diplomatic relations riots, power shortage, accidents, plants and machinery breakdowns, delay in transportation provided there has been no lack of diligence on our part.
- 5.7 Neither shall we be liable for any delay due to late delivery of 'free issue' components. In particular we do not accept liability for any loss of use, loss of contracts, or any consequential damages however arising and the payment by us of penalty shall constitute our sole liability for delay.
- 5.8 Any delay resulting from such causes shall extend the delivery date by the extent thereof for such other period that may be reasonable.

### 6. Warranty

- 6.1 We will make good, by repairs, or at our option, by the supply of replacement parts any defects which, under proper use, appear in the goods within a period of 30 (thirty) months after the goods have been delivered, or if delivery is delayed for any reason other than as a result of our defaults, after the goods have been notified as ready for despatch by DCD Protected Mobility and arises solely from faulty materials or workmanship provided that defective parts have been returned to us if we shall have so required.
- 6.2 Any Warranty claims will be established within DCD Protected Mobility in writing within 15 (fifteen) days of discovery of the defect.
- 6.3 Our liability under this condition shall be in lieu of any Warranty or condition implied by law as to the quality or fitness for any particular purpose of the goods and save as provided in this clause, we shall not be under any liability, whether in contract, delict or otherwise, in respect of or for any injury, damage or loss resulting from such defects or from any work done in connection therewith. Our liability does not extend to defects arising from operation use.
  - 6.4 The above Warranty does not apply to products normally consumed in operation or which have a potential life inherently shorter than the period mentioned above.
  - 6.5 The foregoing warranties shall constitute our sole liability and the sole remedy and are in lieu of all other warranties, including merchantability and fitness or suitability or any specific application or use.
  - 6.6 In respect of parts or components not of our manufacture or design, we will give a guarantee equivalent to the guarantee (if any) which we may have received from the supplier of such parts or components.
- 6.7 Also specifically exclude from our warranty any damage caused to any item due to negligence; misuse during training and testing; or any event caused by enemy or hostile action; or lack of proper maintenance during normal use or operation.

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### 7. Quality

- 7.1 The workmanship and finish will be of the highest standard and all materials used will be new and of the highest quality and standard available from approved suppliers in South Africa.
  - 7.2 Pre-delivery inspection, testing and acceptance of each Hull / Mine Protection Floor will be carried out by DCD Protected Mobility Quality Assurance personnel during various stages per the holding points as per the QCP, at our DCD Protected Mobility, Ex our Works, Isando, South Africa. This is to be determined during contract negotiation stage.
  - 7.3 Inspectors appointed by yourselves are welcome to inspect the work at any stage during normal working hours and we shall make our own quality control information available for your perusal.
  - 7.4 DCD Protected Mobility is an approved SABS/ISO/9001:2008 accredited company and also possesses an Intertek certification in terms of BS-OHSAS 18001:2007 and BS EN ISO 14001:2004. (See Attached Annexure 'C' for detail.)
  - 7.5 Quality Plans will be supplied prior to commencement of the work Please find attached our project quality plan detailing our Quality Management System. (See Annexure 'A')
- 7.6 Our price, however, does not include for costs of inspection other than for our internal requirements. Any costs incurred in respect of any additional inspection or testing would be for your account.

### 8. Ability to Execute Work

- 8.1 DCD Protected Mobility is a SABS/ISO/9001:2008 accredited company and also possesses an Intertek Certification in terms of BS-OHSAS 18001:2007 and BS EN ISO 14001:2004. (See Annexure 'C').
- 8.2 DCD Protected Mobility is also registered as a builder and manufacturer at the South African National Road Traffic Department. (See Annexure 'D')
- 8.3 As the original equipment manufacturer of the world renowned Husky Vehicle Mounted Mine Detection System which is the only South African military vehicle to be Type Classified on a programme of record with the US Government, DCD Protected Mobility has all the experience and expertise required to manage and execute this contract. We have supplied over 1500 Husky Vehicles to countries worldwide. Our Husky two seat variant also won the US Army innovation of the year award in 2011. We are currently successfully supporting and maintaining a number of systems deployed across the globe in various theatres of conflict and training situations. See Annexure 'E' for detailed company profile.
- 8.4 We have the ability to not only build the complete Badger vehicle Hulls for Denel Land Systems, but also to do the assembly and integration of all sub-systems (excluding turrets) on this vehicle. We look forward to entering into discussion with you in this regard, at your convenience.

### 9. Sub Contracting

- 9.1 DCD Protected Mobility reserves the right to outsource any components or parts thereof, should we not have the in-house capability.
- 9.2 All subcontractors will sign a confidentiality non-disclosure agreement and be subjected to the same quality standards as per clause 7 above.

### 10. South African Government Requirements

10.1 This offer is offered under the following Arms Control Related Assumptions:

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- 10.1.1 The Customer has a valid Registration Certificate from the Directorate Conventional Arms Control (DCAC) and will maintain such during the course of this Contract execution.
- 10.1.2 The Customer will support in writing the DCD Protected Mobility Application of a Domestic Transfer Authorization in accordance with Regulation R.326 (Clauses 6 (1) (k) and Clause 8) as well as Regulation 321 (Munitions List ML 6) during the transfer of Hulls and the associated ownership change. Such obtainment of a Domestic Transfer Authorisation would not constitute a change or transfer of the Intellectual Property Rights (IPR) from DCD Protected Mobility to any other party.
- 10.1.3 DCD Protected Mobility will specify which Controlled Items in its delivery to the Customer is subject to End User Certificate Restrictions, so as for the Customer to remain in accordance therewith.
- 10.1.4 DCD Protected Mobility and the Customer will request the necessary Destruction Authorisations from DCAC in the event that Controlled Items, being delivered by DCD Protected Mobility to the Customer, would be destroyed during testing or under any other circumstances, and

### 11. Import Permits and Exchange Facilities

11.1 We have assumed that our application of any necessary Import Permits covering imported material and components and for appropriate Foreign exchange facilities will be successful.

### 12. Broad Based Black Economic Empowerment (BBBEE) / Enterprise Development

- 12.1 Attached please find the following (see Annexure 'F'):
- 12.1.1 Copy of our BBBEE Verification Certificate which expired on 23 June 2014 (Level 4).
- 12.1.2 Letter from our Head Office confirming we have completed our recertification at Level 4 and that our certificate will be issued by the verification agency within 5 (five) working days after our audited financial statements for the 2013/14 Financial Year have been signed off by our Board. This is scheduled to take place on 26 June 2014. As soon as we have this new certification we will send it to Denel Land Systems.
- 12.2 DCD Group is in the process of creating a project based Joint Venture which according to current calculations will ensure that 47.8% (forty seven point eight percent) of the economic benefit derived from this project will accrue to Black people. We are open for discussion with Denel on ways of increasing this percentage and how we could use a similar model to cooperate with Denel on other business opportunities.
- 12.3 DCD Group is committed to enterprise development and look forward to entering into discussion with Denel Land Systems as to how we could use this opportunity to ensure a stable supplier base for the future.

### 13. Surety Bonds / Performance Surety

- 13.1 DCD Protected Mobility is a division of DCD GROUP (Pty) Ltd and is the largest Heavy Engineering Group in South Africa, whose group policy is not to make provision for surety bonds in tendered prices.
- 13.2 Should it be a contractual requirement to provide a surety bond or performance surety in this instance, this will be an additional cost for your account.

### 14. Applicable Law and Jurisdiction

14.1 The contract shall be interpreted in accordance with the South African Law and any legal disputes, which may arise, will be resolved according to the conciliation and arbitration rules of the South African Law.

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### 15. Intellectual Property

15.1 All information and data provided to Denel Land System in this tender is our intellectual property and may not be used to obtain information or alternative pricing from our competitors or suppliers.

### 16. Validity

16.1 Our offer as per Clause 1 above is open for your review and acceptance until <u>24 October</u> <u>2014</u> and will be subject to review thereafter.

### 17. ENQURIES

Should you have any queries please contact Mr Cornelius Grundling, Commercial Manager. His contact particulars are as follows:

Telephone number	(011) 281-7324
Fax number	(011) 281-7302
Cell number	083 680 3650
Email	cornelius@dcd.co.za

Unless otherwise specified, this offer is in terms of Protected Mobility's General Conditions of Tender, Contract and Sale. (See Annexure 'G') and Tax Clearance Certificate. (See Annexure 'H')

We trust our offer meets with your approval and look forward that the tender be award to DCD Protected Mobility.

Yours faithfully

**C** GRUNDLING

**Commercial Manager** 

AMEARS

General Manager

Annexure 'A' Proposed Industrialisation Plan Annexure 'B' Manufacturing Process Flow Diagram Annexure 'C' SABS/ISO/9001:2008, BS-OHSAS 18001:2007 and BS EN ISO 14001:2004 Annexure 'D' Builder and Manufacturing Certificate Annexure 'E' Company Profile Annexure 'F' BBBEE Annexure 'G' DCD Protected Mobility's General Conditions of Tender, Contract and Sale Annexure 'H' Tax Certificate

Copies: Ms D Kgosi Mr G Kotzen Mr R Ndobe Mr H Pienaar Mr M Thusi Ms D Streak Mr W van Biljon

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### PROTECTED MOBILITY

### **ANNEXURE 'A'**

### Proposed Industrialisation Plan

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### **DED** PROTECTED MOBILITY

**ANNEXURE 'A'** 

### INDUSTRIALIZATION PLAN: PROJECT HOEFYSTER

DCD Protected Mobility is a BS EN ISO 14001:2004 Environmental Management Systems; BSI OHSAS 18001 Occupational Health and Safety Management Systems; and ISO 9001:2008 Quality Management System certified organisation. The scope of our Quality Management System includes the design, development, manufacture, refurbishment and servicing of route clearance, armoured utility, light patrol vehicles and related renewal parts. (See clause 7 of our offer for detail).

We have read the DLS document No. 850/01251/0200/V/06 on Industrialization Requirements for Major DLS Systems Contracts and fully understand the stated requirements and process steps for industrialization namely:

- Phase 1 : Planning for Industrialization and Contracting,
- Phase 2 : Development and Implementation of Manufacturing and Quality Processes;
- Phase 3 : Series Production.

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Please refer to Appendix A-1 for our proposed target dates for each of the phases and Appendix A-2 for the high level Gantt Chart.

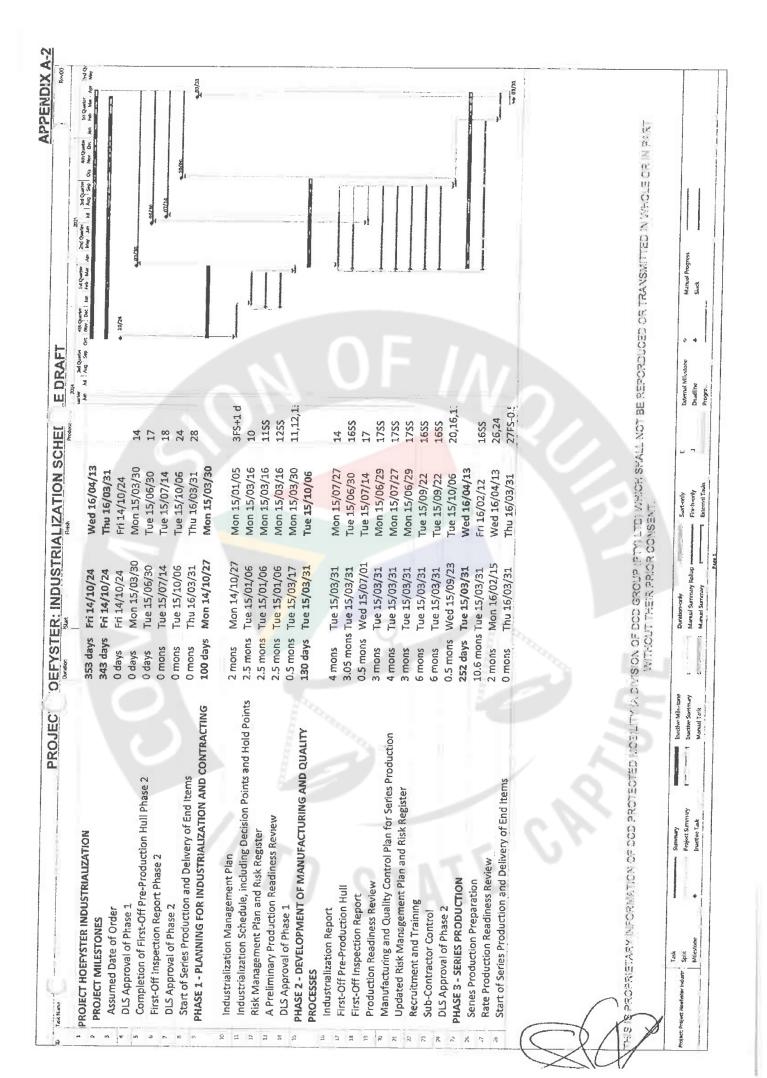
DCD Protected Mobility is committed to work with DLS to modify/tailor our quality management system as and when required and align it with the industrialization processes requirement for DLS Systems to ensure that the final required Rate Production Readiness objective on the project is achieved.

Please see our Quality Assurance Manual Appendix A-3.

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**APPENDIX A1** 

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INDUSTRIALISATION PLAN WITH TARGET DELIVERY DATES

Abbreviation

ARO – After Receipt of Order

### PROJECT HOEFYSTER

PHASE 1 - Planning for Contracting Overview

Kej	Key Deliverable(s)	Description
Proje	Project organisation	The Project will be managed in accordance with the DLS Program requirements There will be a single project manager from DCD Protected Mobility who will lead the Project Team. Regular review meetings will be scheduled to discuss, plan and monitor progress.
Res	Responsibility and Authority Matrix	While the project manager has full responsibility and accountability for the execution of the project, meeting all requirements will necessitate support from all major stakeholders inter alia Technical, Quality, etc. from both DCD PM and DLS Systems.
Stan	Standards, Procedures and Specifications	Standards and procedures established by DLS System will be utilised. Further, all standards and specifications used will be documented in the appropriate documentation.
Trair	Training Requirements Schedule	An outline and schedule of training requirements in partnership with DLS Systems.

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# PHASE 2 - Development of Manufacturing and Quality Processes

H	ltem	High Level Deliverable	Key Deliverable(s)	Description	Tarnet Date
	***	Industrialisation Report	Approved Industrialisation Report	Detailed manufacturing and quality processes for the industrialisation of the vehicles to be concluded in consultation with DLS Systems	ARO + 9 Months
	2	First-Off Pre-Production Hull	i. Components ii. Sub- Assem <mark>blies</mark> iii. Main Assembli <mark>es</mark>	Completed manufactured pre-production hull ready for DLS system first-off inspection report.	ARO + 8 Months
	m	First-Off inspection report		Documented results demonstrating conformance to specification and customer requirements for first off items.	ARO + 9 Months
	\$	Production readiness report	Production readiness checklist. Production readiness recommendation.	A detailed production readiness review will be conducted and a report developed, which will determine whether the manufacturing process design is ready for production and/or whether adequate planning has been accomplished. The level of manufacturing risk will be measured and mitigation actions that need be taken will be identified.	ARO + 8 Months
	a a	Manufacturing and Quality control plan for series production	i. QCP's ii. QA/QC Checklists iii. Works Instructions iv. Calibration iv. Calibration iv. Calibration v. Process & Product Audit reports	Manufacturing and Quality       i.       QCP's       i.       Document all controls required to demonstrating conformance to specification and customer requirements for first off and production items.         control plan for series       ii.       QA/QC Checklists       i.       Document all controls requirements for first off and production items.         production       iii.       Works       and customer requirements for first off and production items.       iii.         iv.       Calibration       iii.       Documents stating how work is to be schedule       production and traceability         iv.       Product Audit       iii.       Documents and process to be followed       ARO + 9 Monthing identification and traceability         reports       iii.       All monitoring and measuring equipment       iii.         reports       iii.       All monitoring and measuring equipment       including igs are calibrated or verified as	ARO + 9 Months

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actuning processes.	gn elements of the Patria), the interim risk o determine whether new risk management	nent and identify skills sonnel for the ARO + 11 Months for quality assurance	emonstrating cation and customer ff items. equirements for purchase orders. ARO + 11 Months
on products and manufacturing processes.	After detailed study of the design elements of the product (including the visit to Patria), the interim risk assessment will be reviewed to determine whether the risks are still relevant, and new risk management	Conduct internal skills assessment and identify skills gap. Where required, additional personnel for the manufacturing, inspection and/or quality assurance	i. Supplier Audit reports. ii. Documented results demonstrating comformance to specification and customer requirements for first off items. iii. Documented QA/QC requirements for suppliers to appear on purchase orders.
	Updated Risk Assessment Matrix. Updated Risk Register. Proposal of Risk Management Procedure	Qualified personnel recruitment completed	i. QCP's ii. QA/QC Checklists iii. Works Instructions iv. Calibration iv. Calibration schedule v. Process & Product Audit Reports
	Updated Risk Management Plan and Risk Register	Recruitment and training	Sub-Contractor Control
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## PHASE 3 - Series Production

em	nign Level Ueilverable	Key Deliverable(s)	Description	Target Date
	Rate Production Readiness Review Report	i. Manpower ii. Skills iii. Resources iv. Facilities v. Production flow	This will be in-line with the series production preparation to address the production throughput readiness as per DLS contracted delivery rate and dates.	ARO + 18 Months
N	Deliverables and Contract End Items	Hulls	As contracted.	

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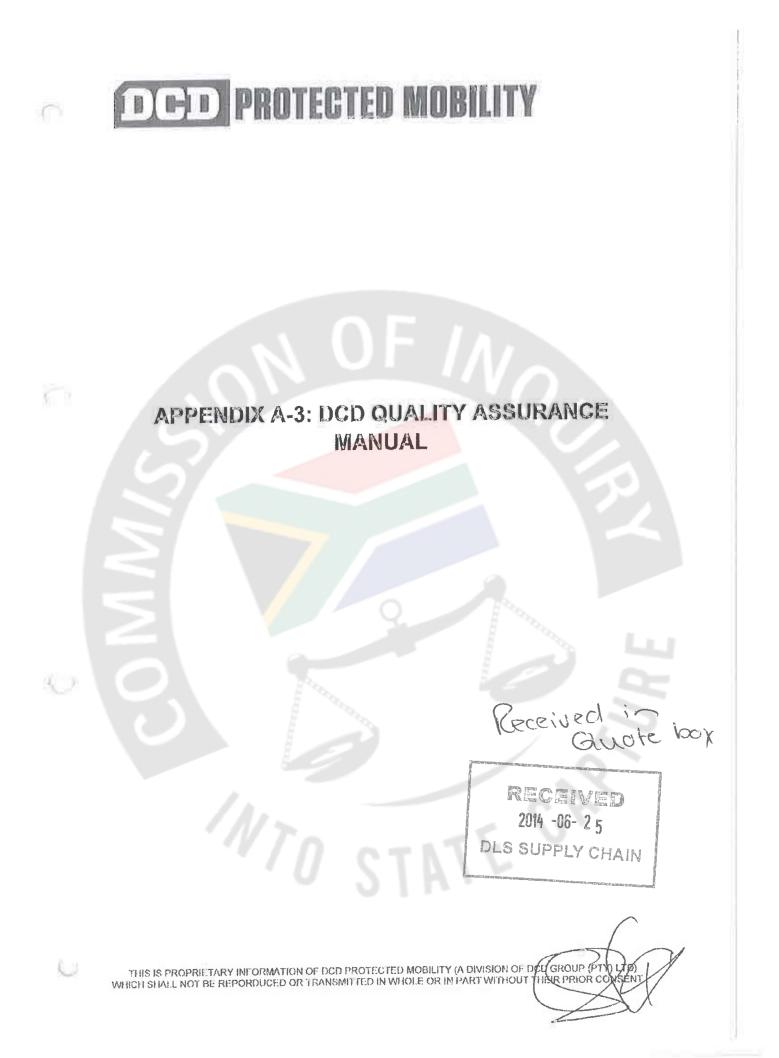
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	Industrialisation Schedule, including Decision Points and hold points	Detailed Project Plan	Work Breakdown Structure Detailed Schedule and milestones.	ARO + 5 Months
1	Risk Management Plan and Risk Register	Risk management procedure	Outline of the risk management procedure to be adopted for the project (Handling, Monitoring, Documenting)	
		Risk assessment report	To identify the risks associated with the project from external supplier's performance, in-house manufacturing and quality planning, material availability, skills, resources, manpower and facilities.	ARO + 6 Months
	Production Readiness Review Report	Configuration Management	Documented procedure for Control Of Documents / Drawings will be reviewed and updated as and when required.	
	S	Manufacturing Process Design, Verification and Validation Plan	Identify requirements for qualification of equipment, processes, procedures and personnel.	
	TA	Quality Process		
	TE	Management Plan	<ul> <li>iii. Identify process and measuring and monitoring equipment requirements</li> <li>iv Identify other required quality documentation as may be required.</li> </ul>	ARO + 5 Months
	2	Performance Management Plan	Drawing up management plan for steps necessary to develop the production line and its associated control stages in line with DLS project requirements.	
	9	Safety, Health and Compliance Plan	Safety Officer to identify risks and ensure that all SHE requirements are adhered to.	
		~711~	The Project manager will make every effort to utilize available communications technology and tools to facilitate the	
		Communication and Reporting Plan	exchange of information. The communication and reporting plan will be setup as guideline to ensure sufficient reporting	

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### PROTECTED MOBILITY

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**APPENDIX A-3** 

### A Division of DCD GROUP (Pty) Ltd

### QUALITY MANUAL

ISO 9001 Model for Quality Assurance In Design/Development, Production, Installation And Servicing

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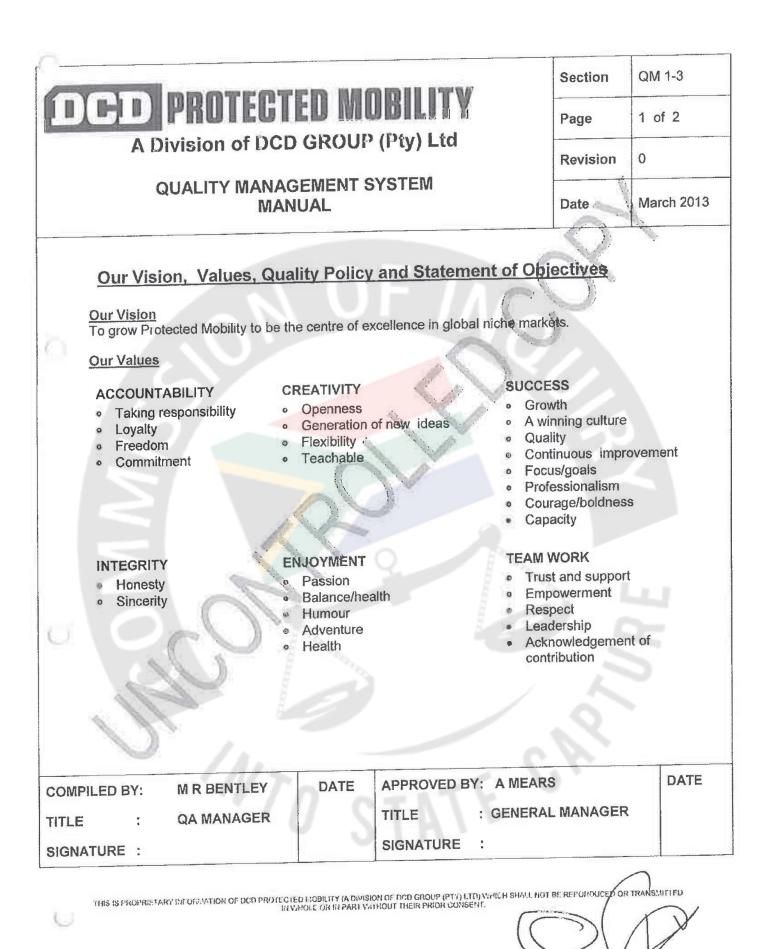


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Division of DCD GRO will provide leadership Protected Mobility.	tment and dedication to qualit OUP (Pty) Ltd have implemente to to ensure that this policy is fu	d a managemer Ily understood, i	mplemented	and maintaine	d throughout
In fulfilment of this pol	uplify and performance regul	rements of our	customers.	vve snall e	nucavour to
<ul> <li>supplied with the qu understand current ar continuously improvin customer satisfaction.</li> <li>We shall apply the eig achieve the following a</li> <li>To achieve maxim</li> <li>To establish effici- performance crite</li> <li>To ensure the cor To develop and himitian</li> <li>To foster an en advantage</li> </ul>	vality and performance requined future customer needs and s ag our processes, products an objectives - hum customer satisfaction ent processes that will ensure pria htinued growth and profitability amess the abilities of all our en vironment of continuous imp	as identified by that we will cons of Protected Mol nployees to attain rovement which	the ISO star istently achie m maximum b will ensure	ve shall e customers' exp iliable product ndard writing c ve the require penefit for all st a sustained	d quality and takeholders competitive
<ul> <li>supplied with the quinderstand current ar continuously improving customer satisfaction.</li> <li>We shall apply the eige achieve the following a chieve the chieve the following a chieve the followi</li></ul>	ality and performance requind future customer needs and a ng our processes, products an objectives - hum customer satisfaction ent processes that will ensure tria ntinued growth and profitability arness the abilities of all our en vironment of continuous imp prough mutually beneficial inter	as identified by that we will cons of Protected Mot ployees to attain rovement which dependent relation	the ISO star istently achie m maximum b will ensure	ve shall e customers' exp liable product ndard writing c ve the require penefit for all st a sustained I the stakehold	d quality and committee, to d quality and takeholders competitive ders.
<ul> <li>supplied with the quaderstand current ar continuously improving customer satisfaction.</li> <li>We shall apply the eige achieve the following of the shall apply the eige achieve the following of the stabilish efficiency of the stabilish efficien</li></ul>	vality and performance requined future customer needs and a ng our processes, products an objectives - hum customer satisfaction ent processes that will ensure tria anness the abilities of all our en vironment of continuous imp prough mutually beneficial inter- s will be measured and review veness.	as identified by that we will cons of Protected Mol ployees to attain rovement which dependent relation wed bi-annually	the ISO star istently achie oility. n maximum b will ensure onships for al to ensure its	ve shall e customers' exp liable product ndard writing c ve the require enefit for all st a sustained I the stakehold s continuing s	d quality and committee, to d quality and takeholders competitive ders.
<ul> <li>supplied with the quiunderstand current ar continuously improving customer satisfaction.</li> <li>We shall apply the eigenvector the following of the shall apply the eigenvector the statisfaction.</li> <li>We shall apply the eigenvector the following of the shall apply the eigenvector the following of the shall apply the eigenvector the eigenvector the eigenvector the eigenvector the shall apply the eigenvector the eigenvector</li></ul>	vality and performance requined future customer needs and s ag our processes, products an objectives - num customer satisfaction ent processes that will ensure tria anness the abilities of all our en vironment of continuous imp prough mutually beneficial inter s will be measured and review	as identified by that we will cons of Protected Mot ployees to attain rovement which dependent relation wed bi-annually quality policy an	the ISO star istently achie oility. n maximum b will ensure onships for al to ensure its	ve shall e customers' exp liable product ndard writing c ve the require enefit for all st a sustained I the stakehold s continuing s	d quality and committee, to d quality and takeholders competitive ders.
<ul> <li>supplied with the quaderstand current ar continuously improvin customer satisfaction.</li> <li>We shall apply the eigenvector of the following of the shall apply the eigenvector of the following of the shall apply the eigenvector of the following of the shall apply the eigenvector of the following of the shall apply the eigenvector of the following of the shall apply the eigenvector of the following of the shall apply the eigenvector of the following of the shall apply the eigenvector of the shall apply the eigenvector of the following of the shall apply the eigenvector of the following of the shall apply the eigenvector of the shall apply the eigenvector of the following of the shall apply the eigenvector of the shall apply the eig</li></ul>	vality and performance requined future customer needs and and our processes, products and solve the processes, products and solve the processes objectives - num customer satisfaction ent processes that will ensure the processes that will ensure the processes that will ensure the processes that and profitability arress the abilities of all our environment' of continuous importion mutually beneficial intervieweness.	as identified by that we will cons of Protected Mot ployees to attain rovement which dependent relation wed bi-annually quality policy an	customers. exceed our of ensuring re the ISO star istently achie bility. n maximum b will ensure onships for al to ensure its d should be e	ve shall e customers' exp liable product ndard writing c ve the required enefit for all st a sustained I the stakehold s continuing s enabled and en	d quality and committee, to d quality and takeholders competitive ders.
supplied with the qu understand current ar continuously improvin customer satisfaction. We shall apply the eig achieve the following of To achieve maxim To establish effici- performance crite To ensure the cor To develop and his To foster an en advantage To create value the The above objectives adequacy and effectiv I expect that every em contribute in attaining	uality and performance requined future customer needs and a gour processes, products an objectives - num customer satisfaction ent processes that will ensure the processes that will ensure of a non- ntinued growth and profitability arness the abilities of all our en- vironment of continuous imp prough mutually beneficial inter- s will be measured and review veness. nployee should understand the the objectives contained in this	trive to meet or atrive to meet or ad services thus as identified by that we will cons of Protected Mot ployees to attain rovement which dependent relation wed bi-annually quality policy an a policy.	the ISO star istently achie bility. n maximum b will ensure to ensure its d should be e	ve shall e customers' exp liable product ndard writing c ve the required enefit for all st a sustained I the stakehold s continuing s enabled and en	a quality and committee, to d quality and takeholders competitive ders. sustainability, mpowered to

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PROTECTED MOI	BILITY	Section	QM 1-4
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MANUAL		Date	March 2013
QUALITY MANAGE	MENT SYSTEM		с <b>,</b>
<ol> <li>Scope</li> <li><u>General</u></li> <li>This manual described the Quality Manage Management System at Protected Mobility, a</li> </ol>		2550UH5 ICOV	UTBIDIARY GIVET
the there is implementation protection	tod Mobility's UMS TAS Dep	an developed	III accordance
with the fundamentals, requirements and guideling	nt System	ants 9000, 900	and ocon.
1.2 Scope of Protected Mobility S Quality Management The scope of our Quality Management Syster refurbishing and servicing of Freight wagons, Lo Vehicles and related renewal parts	om includes, the desida. (	development, Bodies and Sp	manufacture, pecial Purpose
1.3 Permissible Exclusions None.			
2. Continuous Improvement, ISO 9000 and our I Our ISO 9000 based Quality Management Syst with both our Continuous Improvement philosop of the overall management system which impl which we meet or exceed customer expectation ISO registration	y and our Management Sympose our Quality Policy.	establishes r	procedures by
3. Our Company and Our Products Protected Mobility (A Division of DCD GROUP ( special purpose tactical wheeled vehicles and	manufacture complies wi	in internation	ally accepted
special purpose factoral wheeled vehicles and standards and specifications. Protected Mobility utility and light patrol vehicles.			
Protected Mobility as military vehicle manufactury years, but the company's history in this country of	oes back more than 100 ye	ars	
The DCD GROUP has its Head Office in Veree Isando.			
It is the company's long standing policy to conti of quality products, able to meet the challenges	nue the tradition of design, and changing requirements	manufacture of the custom	and supplying er.
	ROVED BY: A MEARS		DATE
TITLE : QA MANAGER TITL	E : GENERAL MA	ANAGER	
SIGNATURE : SIGN	ATURE :		

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		QUALITY MANA MA	AGEMEN ANUAL	NT SYSTEM	Date	March 2013
		QUA	LITY MA	NAGEMENT SYSTEM	1	
4. 4.1	General	Management Syster Requirements		E Inc	M.	ž
C	our Qua custome policies, policy.	ality Policy, establishe er expectations and s procedures, organisa The foundation for ou	s procedui satisfies ex itional struc ir QMS is f	) is that part of our overall bus es for providing products and dernal quality system require sture, requirements and respon found in our company's stated o ensure the following objective	services which ments The QM sibilities for achie values and belie	meet or excee IS includes the eving our quality
	<ul> <li>Tota</li> <li>Cont</li> <li>This Quited</li> <li>implement</li> <li>required</li> </ul>	ent, maintain and con to ensure effective ng, analysis, informal	associated tinually in operation	procedures establish and doo prove our QMS. It also iden and control of the system, a ctions necessary to achieve p	tifies the criteria nd identifies the	and a method measurement
.2.1	The pro number sequence <u>Docume</u> <u>General</u> Our QM and othe operation	cesses needed for o of product realisation es and interactions an <u>intation Requirements</u> S documentation inclu- er procedures, work in n and process contro- pur organization, the	n process e identified udes this Q structions, I. The exte	clude those identified in the es unique to our operations in <u>SOP 4.1 Key Processes an</u> uality Manual, procedures req drawings and documents whic ent of our QMS documentation and interaction of our process	. These proces <u>d Interactions</u> . uired by the ISO h we employ to e n is dependent o	9001 standard nsure effective n the size and
	Quality relative	ecords are maintaine tríevable and identifial	d and stor ble to the p	ed in safekeeping to prevent roduct involved.	deterioration or l	oss. They are
OM	ILED BY:	M R BENTLEY	DATE	APPROVED BY: A MEARS	S	DATE
UNIT		QA MANAGER	<b>V</b>	TITLE : GENERAL	L MANAGER	
TLE						



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(D)		<b>PROTEC</b>	TED I	NOBILITY		
				UP (Pty) Ltd	Page	3 of 4
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	Q	UALITY MANA MA	GEMEN	T SYSTEM	Date	March 2013
	These reco made avail	ords are safety retain	ained for a	NAGEMENT SYSTEM specified period or as per con intative for evaluation if requires	htractual require	ements and are
Ō	the guidance	ay be in the form o ce and procedures sposition of records	s necessary	y or electronic media. <u>SOP 4.2</u> y for the identification, storage,	.4 Control of Re , retrieval, prote	ecords provides ection, retention
4.2.2	referenced manual and electronic	mentation include throughout this m d associated proce media. QMS doc	anual and dures. Do umentation	ality Manual, the standard of other documents, data, forms cuments and data may be in the was developed based on the needed by employees involved	and records ic he form of both e complexity of	dentified in this hard copy and the work, the
	they primar therefore, the The proces number of	ily address. For e ne document contro ses needed for ou product realization	xample, pa bl procedur ur QMS inc processes	hich they receive the number of ragraph 4.2.3 of this manual ac a is assigned document number lude those required by the ISC unique to our operations. The	ldresses control r <u>SOP 4.2.3</u> . O 9001 standar e sequence and	d as well as a
4 2 3	Control of D All QMS de	ocuments ocuments (exoludir	ng blank fo	1 Key Processes and Interaction frms see SOP 4.2.3 Point 6.1. free and procedures necessary t	.1), are controll	ed. <u>SOP 4.2.3</u>
	b) Review c) Identify	the current revision	ary and re- n status of	approve documents	at points of use	
COMPI	LED BY:	M R BENTLEY	DATE	APPROVED BY: A MEARS		DATE
	:	QA MANAGER		TITLE : GENERAL	MANAGER	
TITLE						

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5 mV		TER BORITY	Section	QM 1-4
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		QUALITY MANAGEMENT SY	STEM	
		1 miles		
	f) Ensure that documents of	emain legible, readily identifiable and of external origin are identified and the use of obsolete documents and to app purposes.	ir distribution controlle	d n to them if
.2.4	Control of Records All pertinent and defined qua are developed and maintaine adequately performed.	lity related records which are generate of in order to demonstrate that all spec	ed by the established o cified quality requirement	Quality Syste ents have bee
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OMPILE	D BY: M R BENTLEY	DATE APPROVED BY: A ME	ARS	DATE
OMPILE	D BY: M R BENTLEY : QA MANAGER	JIN	ARS RAL MANAGER	DATE

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				Page	1 of 4
			OUP (Pty) Ltd	Revision	0
	QUALITY	MANAGEME MANUAL		Date	March 2013
		MANAG	GEMENT RESPONSIBILITY		1. Contraction of the second s
<b>5.</b> 5.1	Management Respo <u>Management Commi</u> Top Management pr	tment ovides evidence	of its commitment to the developme	int and impre	ovement of th
	Values, Quality Policy Together, these do expectations as well products and service are understood, imp training, regular comm Top Management als by regularly establis management reviews	y and Statement of couments commu- as regulatory and s. We ensure that lemented and ma- nunication and ve to demonstrates it shing quality ob (see section 5.6)	inicate the importance of meeting d legal requirements, by continuous at our Vision, Values, Quality Policy a aintained at all levels of the organiz	g or excee y improving and Statemer zation throug d improvement y Objective	ding custome our processes at of Objectives th documented ent of the QMS s), conducting
	Customer Feelin				
5.2	meet or exceed our services. Customer	customer's expectations mus	Dijectives articulate our commitment stations by continuously improving ou st be determined, understood, conve hem in order to fulfil this Mission an	rted into req	, products and uirements and
5.2	Our Quality Policy ar meet or exceed our services. Customer have processes desi- basis. We work hard to be solutions. Staying clo requirements and ex These include regul representatives, trade customers to conduct levels of our custom customer audits of our customer requirement	customer's expectations must gned to exceed the an active partner se to our customer pectations, and we ar customer visit e shows, special of the joint planning so mers' organisation in facilities. These outs and expectate OMS ensures that	tations by continuously improving ous to be determined, understood, conve	ar processes rted into req d Quality Po their world ing and unde h a multitude Marketing pur company and meeting arketing dep timately yield I agreement	and identifying and identifying erstanding their of channels Manager and to our larges s with multiple partments and d clear, explicit t or custome
0	Our Quality Policy ar meet or exceed our services. Customer have processes desi- basis. We work hard to be solutions. Staying clo requirements and ex These include regul representatives, trade customers to conduct levels of our custom customer audits of our customer requirement specification. The C	customer's expectations must gned to exceed the set to our customer pectations, and we ar customer visite shows, special of the joint planning st mers' organisation in facilities. These has and expectate DMS ensures that	tations by continuously improving ous to be determined, understood, conve- hem in order to fulfil this Mission and r with our customers, understanding ers is our primary method of determin we accomplish this objective throug its by our Business Manager and customer visits by the leadership of esssions, phone contacts in writing a in through our customer service/ m e communications and interactions u tions in the form of a contractual	ar processes rted into req d Quality Po their world ing and unde h a multitude Marketing pur company and meeting arketing dep timately yield I agreement	and identifying and identifying erstanding their of channels Manager and to our larges s with multiple partments and d clear, explicit or custome
0	Our Quality Policy ar meet or exceed our services. Customer have processes desi- basis. We work hard to be solutions. Staying clo requirements and ex These include regul representatives, trade customers to conduc levels of our custom customer audits of our customer requirement specification. The C	customer's expectations mus gned to exceed the set to our customer pectations, and we ar customer visit e shows, special of the joint planning so mers' organisation in facilities. These outs and expectations DMS ensures that ons.	tations by continuously improving ou st be determined, understood, conve- hem in order to fulfil this Mission and r with our customers, understanding ers is our primary method of determin we accomplish this objective throug its by our Business Manager and customer visits by the leadership of essions, phone contacts in writing a n through our customer service/ m e communications and interactions u tions in the form of a contractual t these requirements are fulfilled with	ar processes rted into req d Quality Po their world ing and unde h a multitude Marketing bur company and meeting bur company arketing dep timately yield agreement the aim of	, products an juirements an olicy on a dail and identifying erstanding their e of channels Manager and to our larges s with multiple partments and d clear, explicit or custome exceeding ou

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	N	ANAGEME	NT RESPONSIBILITY		3
5.3	organisation, indicates ou prescribes the method by	r commitment a which we acco	d Statement of Objectives e ind focuses on what is importa mplish this. More over, it acts and reviewing quality objectives	nt to us as an o as a compass	rganisation and
	understood at all levels overbal reinforcement.	of the organisati lity Policy and reviewed annu	ty Policy and Statement of Ob on through documented trainin Statement of Objectives is co Jafly at the Management Re bility	ng, regular com ntrolled by its i	nclusion in this
5.4	Planning				
5.4.1	and Statement of Object satisfies international req contract objectives are de this manual for more in	ives and to ma uirements for IS aveloped as app ormation Man	lity objectives are to achieve ou intain the integrity of and con O registration. At the operation ropriate to achieve customer s agement system level objection ring management reviews; or a	tinuously improvonal level, produ atisfaction, see see see see see see see see see se	ve a QMS that uct, project and section 8.2.3 of ed annually for
	For detailed information Responsibility and Author	on current or <u>ity</u>	ganisational structure and re	esponsibilities s	ee <u>SOP 5.5.1</u>
5.5 5.5.1	Top Management, while under their operations under their operations	ity its direction to e under the direct ontrol including	tion ensure the success of Protecte ion of the General Manager ha the QMS described herein. ng the integrity of our Quality N	tve primary resp The following	have the key
COMPIL			APPROVED BY: A MEARS		DATE
TITLE	: QA MANAGE	R	TITLE : GENERAL	MANAGER	
SIGNAT	JRE :		SIGNATURE :		
Tł	IS IS PROPRIETARY INFORMATION OF DCD F	ROTECTED MOBILITY (A D	IVISION OF LICO GROUP (PTY) LTO) WHICH SHALL N II WITHOUT THEIR PRIOR CONSENT	IOT BE REPORTUGED OR	BANSMITTED

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	MANAGEMENT RESPONSIBILITY		<u> </u>
	Top Management		
C	Top Management is ultimately responsible for the quality of products and s Mobility since it controls the system in which work is accomplished. Top M company-wide Strategic Planning, Quality Improvement Process Planni Quality Policy, Vision, Values and Beliefs and provision of the necessary our group-level goals and objectives. Additionally, Top Management if quality system reviews at least twice a year. <u>Management</u> Execution of the Strategic Plan, budgeting and implementation of the qua policies are the responsibility of managers throughout the organisation responsibility of Managers throughout the organisation our Quality Policy and ensuring adherence to our Values and Beliefs thro for which they are responsible. <u>Employee Responsibility</u> All employees are responsible for the quality of their work and for their part to provide products and services to our customers. Employees will ident relating to the product, process and quality system. Employees are also the improvements and the identification of measures needed to ensure the continuous improvement process. They will initiate, recommend, or pu Corrective/Preventive Action Program. (See SOP 8.5 Corrective and Preve	fanagement is ing, the devel resources for s responsible ality manageme on. This exp nsibility for imp ughout the org in the overall p tify and record re key participa e continued s rovide solution	responsible for opment of our accomplishing for conducting ent system and blicitly includes olementation of janisation units processes used any problems ants in process uccess of our
5.5.2	Management Representative		
			48 - 44.4

The Quality Assurance Manager is appointed as the ISO Management Representative. Responsibilities of this position are to ensure that a quality system is established, implemented and maintained in accordance with the ISO 9001 standard, reporting to Top Management on performance of the QMS, promoting awareness of customer requirements throughout the organisation and ensuring that the performance of the system is reviewed as a basis for improvement.

#### 5.5.3 Management Representative

The Quality Assurance Manager is appointed as the ISO Management Representative. Responsibilities of this position are to ensure that a quality system is established, implemented and maintained in accordance with the ISO 9001 standard, reporting to Top Management on performance of the QMS, promoting awareness of customer requirements throughout the organisation and ensuring that the performance of the system is reviewed as a basis for improvement.

COMPILED B	Y:	M R BENTLEY	DATE	APPROVED BY: A MEARS	DATE
TITLE	•	QA MANAGER		TITLE : GENERAL MANAGER	
SIGNATURE	:			SIGNATURE :	

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		MAM	NAGEME	ENT RESPONSIBILITY	$\sim$	2
5.5.4	We ensi organisa program publicati	ation through docume , and regular formal a	ented training and information	MS processes and their effective ng, the internal audit program, t I communications Formal comm , departmental bulletin boards,	he corrective/pi nunication is fa	reventive action cilitated through
5.6	<u>Manage</u>	ment Review				
5.6.1	suitabilit System trends a	nagement conducts r y, adequa <mark>cy and</mark> effe components are rev	ctiveness of newed to end hese include	nt review meetings twice (2) and the QMS. At this meeting a n nsure that they remain current de the Vision, Values and Belie ne QMS.	umber of Qualit and applicable	y Management with business
5 6.2	improver internal	nagement review m nent related to follow audit program, the co	v-up action rrective/pre	udes review of current perfor s from earlier management rev eventive action program, the pre- mance data, and other changes	iews, customer ventive mainter	feedback, the ance program,
9_3	the QMS resource	imum, outputs from n and its processes, in needs. Results o	nprovemen f managen	It review meetings include action t of product related to customer nent review meetings are reco nal information see <u>SOP 5.6 Mar</u>	requirements a rded and mair	nd provision of tained by the
(	1					
COMPIL	ED BY:	M R BENTLEY	DATE	APPROVED BY: A MEARS	U	DATE
TITLE	:	QA MANAGER		TITLE : GENERAL I	MANAGER	
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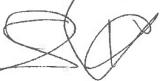
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			. m.	C.	Date	March 2013
6. F	Resource Management	RESOUR	CE MANAGEMEN	T C		
6.1	Provision of Resources Appropriate resources, in documented quality system improvement of the QMS,	m. inese ii	ICILICIE THE RECOURCE	e naccied to on	ouro implanta	ughout th ntation an
6.2 6.2 1	<u>Human Resources</u> <u>General</u> We believe that our emplo we do our best to help ther	vees are of	r most valuable ass	ets In line with	our Values a	ind Beliefs I training.
5.2.2	<u>Competence, awareness a</u> People assigned responsil skills and experience for documents are held in the	more inform	ation see perform	ance charters fo	d on educatio or key person	n, training inel, these
.2.2.a	Need Determination We determine employee tra Emerging competency ne descriptions are maintained	d for each n	osition held at Pro	strategic plann	ing process.	Position
9 <u>-</u> 2	competencies needed to e employees are evaluated competencies. Qualification Provision	and qua	lified on the bas	Mobility's prod	unte and con	diago All
.2.2.b		training the	at balances organ	isational compe	tency needs	with the
).2.2.b	development and career ne provided to all employees responsible for that specific or procedure. Individual P annual basis. We use the training needs for the fiscal	s. When a process are ersonal Devise Personal	SOP is updated trained prior to dep elopment Plans are Development Plan	l and implemen loyment of the n generated with s to determine h	ted, those e ew or change each employ	mployees d process
OMPILE	provided to all employees responsible for that specific or procedure. Individual Pl annual basis. We use the training needs for the fiscal DBY : MRBENTLEY	s. When a process are ersonal Devise Personal	SOP is updated trained prior to dep elopment Plans are Development Plan	l and implemen loyment of the n generated with s to determine h	ted, those e ew or change each employ	mployees d process
S.2.2.b COMPILE	provided to all employees responsible for that specific or procedure. Individual Pl annual basis. We use the training needs for the fiscal DBY : MRBENTLEY : QA MANAGER	s. When a process are ersonal Dev se Personal year. We ma	t SOP is updated trained prior to dep elopment Plans are Development Plan aintain records for a	and implement of the n generated with s to determine to all training receive	ted, those e ew or change each employ ooth inside an ad.	mployees d process vee on an d outside

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		RESOUR	CE MANAGEMENT		
6.2.2.c	<u>Effectiveness</u> We evaluate the effectiven evaluation and successful c through the employee perfor productivity, on-time delivery	ertification mance rev	of employees at a g view process. Ultima	given level) and longer t tely comprehensive me	erm evaluatior asures such as
0	effectiveness.				
6.2.2.d	Employee Contributions We ensure that our employed how they contribute to the ac 9000 Awareness Training	hievement	t of our quality object	ves. This is accomplish	ed through ISO
6.3	Infrastructure We identify, provide and ma workspace and associated f For additional information s OHSAS 18001 certified organ	acilities, e ee section	quipment, hardware is 7.1 and 7.5.1 of	and software and suppo this manual, in addition	orting services.
5.4	Work Environment We have identified and ma conformance and exceed cu- human and physical factors working environment is main	stomer exp under wi	pectations. Our peop hich they work are	ole are the key to our su of paramount importan	ccess, and the
Q	Regarding human factors, on We accomplish this by provid opportunities to give back to our employees in an empoy participation by structuring involving employees in contin	ing flexibili the communer vered envious a team of	ity, interesting work, a unity and perhaps mo ironment of continuc environment, utilising	a balance between work ost importantly, the total ous improvement. We	and family life, involvement of engender total
	Regarding physical factors, w safety, health and ergonomic team meetings and training. OHSAS 18001.	s. These	include adherence to	o good manufacturing pr	actices, safety
COMPILE	D BY : M R BENTLEY	DATE	APPROVED BY	: A MEARS	DATE
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ITLE	: QA MANAGER		TITLE	: GENERAL MANAG	ER

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7.1 Pla Ou con im ne pro ma spo de	PRODUCT REALISATION oduct Realisation r QMS plans for, identifies and documents our realisation process insistency with other requirements of the QMS. The QMS do plementation process includes the identification of product and custo ed to establish processes and documentation and provide resources duct, verification and validation activities and the criteria for acceptabilit vide confidence of conformity of processes and product. These elementation nual and its associated procedures. Whenever required by the custo criteria requirements are beyond the control of our established QMS veloped for that process or product in accordance with procedures do ality Planning.	evelopment, pomer quality o and facilities s ty, and records nents are add omer and/or will b, a specific q	planning and bjectives, the pecific to the necessary to ressed in this nen customer uality plan is
pro apj cor	r approach to process management involves determining what the cu cess capable of meeting these requirements, ensuring that the propriate, measuring process performance, and evaluating and improv tinues to perform as designed. The following sections describe our r ectives	inputs to the ing the proces	process are s to ensure it
Aclunc	stomer-Related Processes lieving our Mission 'to meet or exceed customer expectations' requi erstand our oustomer's requirements, consistently meet those requir tact and ample communication with our customers. These efforts itional information, see <u>SOP 7.2.2 Product Requirements</u> and <u>SOP 8.2</u>	ements and m are described	aintain close below. For
We ma Ulti rev	ermination of Requirements Related to the Product determine requirements through two primary mechanisms, either nagers negotiate contracts, or customer service employees receive and nately, requirements for most major customers are identified in contract ewed. For some customers, where no contracts exist, an order cor ure that the customer's requirements are clearly identified.	negotiate cust ts that are doc	omer orders. umented and
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2	the requir custome	ements for availability	r, delivery a ended or sj	product requirements specified nd support, product requirement pecified use, and obligations rela	s not specified	by the
7.2.2	We review recorded. provides r acceptance resolved' a met prior that releva	This includes ensure to documented states and that contract or and that we have the to making a delivery ant documents are a	requirement ring that pro- ment of requirement order requirement ability to more commitme mended an	oduct oduct requirements are defined uirement, the customer requirer irements differing from those aet defined requirements. We e nt. Where product requirement d that relevant personnel are m are <u>SOP 7.2.2 Product Requirem</u>	I; that where the nents are confi previously exp nsure that thes is are changed nade aware of the	ne customer rmed before pressed are criteria are , we ensure
7.2.3	Customer Product ir business includes v informatio	Communication formation is availab managers provide p verbal and printed in	le through roduct info formation c er application	a number of different channel rmation directly to customers on our standard product offerin ons. Second, we maintain exp	s. First, mark and/or our ag gs as well as	customized
G	which mal	ces initial contact with	the custon	d/or business managers or custoner or prospect. For additional 7.2.2 Product Requirements.	omer service, de nformation on e	epending on contract and
	satisfactio the issue, customer	n. Any employee rec	elving nega ropriate ind for examp	er feedback, including custome ative feedback from a customer ividual for resolution Customer le business, marketing and co basis.	is responsible t satisfaction is e	or resolving evaluated by
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	For additi	onal information see	SOP 8.2.1	Customer Satisfaction.		
7.3	Design ar	nd Development		$) \vdash I \wedge c$	N.	
1 1	Design an	d Development Plan	ning			
3.2	<ul> <li>des</li> <li>pression</li> <li>sch</li> <li>the</li> <li>Control of</li> <li>ass</li> <li>est</li> <li>upo</li> <li>Design and</li> </ul>	sign and development idetermined reviews ineduled verification a identified validation. the design and development lines. tates and track progra	it in structu of design a ctivities.	ocess occurs when the project I	eader ;	
1	including : • the • lega • use • othe	functional and perfor al and regulatory requ ful information or exp er necessary requirer	mance requirements v perience fro ments.	sed to define design and deve uirements as derived from custo which apply. om previous similar design and o puts, incomplete, ambiguous or	omer input. development eff	orts
	resolved, fr	or additional informat	ion, see <u>S(</u>	DP 7.2.2 Product Requirements.	oonmoung requ	
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7.3.3	Utilising SOP 7.3 Design and E have documented designed to the second seco	Developme gn calcula	tions and analysis.		ment output v	vill :
C	<ul> <li>comply with the design</li> <li>include information nee</li> <li>include or reference acc</li> <li>indicate design character</li> </ul>	ded for pro ceptance of eristics cri	oduction and service criteria.		n of the produ	ict.
	<ul> <li>be approved before issued</li> </ul>	uance.				
7.3.4	Design and Development Review					
	During the evolution of each p accordance with <u>SOP 7.3 De</u> requirements are being fulfiller remedy for each identified pr represented at the review. information see <u>SOP 4.2.4 Con</u>	roduct de esign_and d_When oblem. Design_o trol of Rec	Development The they are not, those all functions concerr r development revis	e reviews are involved in the ned with the st	intended to review mus age being re	assure that t propose a eviewed are
7.3.4	During the evolution of each p accordance with <u>SOP 7.3 De</u> requirements are being fulfiller remedy for each identified pr represented at the review.	roduct des esign and oblem. A Design o trol of Rec fication tent provid esign and	Development. The they are not, those all functions concerr r development revie cords. des direction for dete d/or development ver	e reviews are involved in the ned with the st ew results are ermining that ou erification. Rec	intended to review mus age being re recorded, fo tput meets de	assure that t propose a eviewed are or additional esign and/or
	During the evolution of each p accordance with <u>SOP 7.3 De</u> requirements are being fulfiller remedy for each identified pr represented at the review. information see <u>SOP 4.2.4 Con</u> <u>Design and/or Development Vering SOP 7.3 Design and Development development inputs through development inputs through development and retained in accordance.</u>	roduct design and d. When oblem. A Design o trol of Rea fication fication ance with s dation om design at it is su	Development. The they are not, those all functions concerr r development revie cords. des direction for dete d/or development ve SOP 4.2.4 Control of n and/or developme uitable for applicatio found in <u>SOP 7.3 I</u>	e reviews are involved in the ned with the st ew results are ermining that ou erification. Red <u>f Records</u> ent efforts is va on. Validation of Design and De	intended to a review mus age being re recorded, fo tput meets de cords of verif didated to as Guidance for velopment.	assure that it propose a eviewed are or additional esign and/or ications are
7.3.5	During the evolution of each p accordance with <u>SOP 7.3 De</u> requirements are being fulfiller remedy for each identified pr represented at the review. information see <u>SOP 4.2.4 Cop</u> <u>Design and/or Development Vering SOP 7.3 Design and Development Vering development inputs through d created and retained in accordat <u>Design and/or Development Valid</u> Product or service resulting fr performs to expectations or the design and/or development valid</u>	roduct design and d. When oblem. A Design o trol of Rea fication fication ance with s dation om design at it is su	Development. The they are not, those all functions concerr r development revie cords. des direction for dete d/or development ve SOP 4.2.4 Control of n and/or developme uitable for applicatio found in <u>SOP 7.3 I</u>	e reviews are involved in the ned with the st ew results are ermining that ou erification. Red <u>f Records</u> ent efforts is va on. Validation of Design and De	intended to a review mus age being re recorded, fo tput meets de cords of verif didated to as Guidance for velopment.	assure that t propose a eviewed are or additional esign and/or ications are ssure that it conducting
7.3.5	During the evolution of each p accordance with <u>SOP 7.3 De</u> requirements are being fulfiller remedy for each identified pr represented at the review. information see <u>SOP 4.2.4 Cop</u> <u>Design and/or Development Vering SOP 7.3 Design and Development Vering development inputs through d created and retained in accordat <u>Design and/or Development Valid</u> Product or service resulting fr performs to expectations or the design and/or development valid</u>	roduct design and d. When oblem. A Design o trol of Rea fication fication ance with s dation om design at it is su	Development. The they are not, those all functions concerr r development revie cords. des direction for dete d/or development ve SOP 4.2.4 Control of n and/or developme uitable for applicatio found in <u>SOP 7.3 I</u>	e reviews are involved in the ned with the si ew results are ermining that ou erification. Red Records ent efforts is va <u>Design and De</u> 4.2.4 Control of	intended to a review mus age being re recorded, fo tput meets de cords of verif didated to as Guidance for velopment.	assure that t propose a eviewed are or additional esign and/or ications are ssure that it conducting
7.3.5	During the evolution of each p accordance with <u>SOP 7.3 De</u> requirements are being fulfiller remedy for each identified pr represented at the review. information see <u>SOP 4.2.4 Con</u> <u>Design and/or Development Verif</u> <u>SOP 7.3 Design and Development Verif</u> <u>COP 7.3 Design and Development development inputs through d</u> created and retained in accordat <u>Design and/or Development Valid</u> Product or service resulting fr performs to expectations or th design and/or development validations are created and retained and retained and retained an	roduct des esign and oblem. A Design o trol of Rea fication fication esign and ance with dation ined in ac	Development. The they are not, those all functions concern r development revie cords. des direction for dete d/or development ve SOP 4.2.4 Control of n and/or development uitable for applicatio found in <u>SOP 7.3 I</u> cordance with <u>SOP 4</u>	e reviews are involved in the ned with the si ew results are ermining that ou erification. Red Records ent efforts is va <u>Design and De</u> 4.2.4 Control of	intended to a review mus age being re recorded, fo tput meets de ords of verif alidated to as Guidance for velopment. <u>Records</u> .	assure that t propose a eviewed are or additional esign and/or ications are ssure that it conducting Records of

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7.3.3	SOP 7.3 design a compone also inclu verificatio with appl <u>Records</u> . <u>Purchasin</u> We ensu- to our re	Design and/or Develop Design and Develop nd development chan ant parts and complete udes the determinatio on and/or validation. ( icable procedures () ng re that purchased pro quirements. We acco	pment Cha oment prov ges. Cont ed products n of treatm Changes de Change rev ducts and s mplish this	T REALISATION inges ides for the identification, documentation rol includes the assessment of the import including those that have already be nent required for each change. That the eemed ready for implementation are appried to be a substantiate of the import of the im	pact of c en delive reatment proved ir <u>SOP 4.2</u>	hanges upon red. Control may include accordance <u>4 Control of</u>
7.4.1	This man process t upon the character products, regulation We have extent of on their a follow-up	o ensure product cor effect on subsequent istics including, the ty or services, the rea is. defined and documer control to be exercised bility to supply produc actions are recorded, n see <u>SOP 7.4.1 Sup</u>	forms to n realisation upe of proc sults of su nted the su d and perio t in accord Additiona	establish the methods by which we can equirements. The type and extent of processes and their output, as well as a luct, the potential impact of the produ- pplier evaluations and past performan applier approval process, including crite dic evaluation Suppliers are evaluated ance with our requirements. The resul- lly, we maintain a record of approved ation. Where required, suppliers may b	control is considera ct on out ince, and eria for s d and sel- ts of eval suppliers	s dependent ation of other r processes, d applicable election, the ected based luations and s. For more
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7.4.2	Purchasi being pu	irchased. When app	the appropriate,	DUCT REALISATION opriate data to clearly and fully des this includes requirements for app	proval or qu	cts which are
Č,	We cond purchasir	uct an appropriate rev	iew to ens	ent, services, personnel and QMS re sure the adequacy of specified requi ement of an order. For more interest	rements cor	ntained in the n purchasing
7.4.3	Incoming	on of Purchased Products are approvide surgement of Product a	ed in acco	ordance with procedures identified eleased for production prior to verific	in <u>SOP 8.2.</u> ation.	4 Monitoring
	Assuranc All produ	e in conjunction with the	ne customi ort will be	tion of products is conducted by Pro- sr's representative at the supplier's protected Mobility's Q ected.	oremises.	
7.5 7.5.1	Control of We utilise assuring	the quality of proces	ce Provisio approach i s inputs	on to operations control. The primary that is, employees, information,	foci of this material, f	approach is acilities and
	Employee and certifi must mea facilities n fundamen evaluated Section 6. Section 7.4	cation. Work Instructi t specified requirement nust be adequate, acc tal process inputs must for continuous improv 2 of this manual addre 4 addresses material i	perform to ons and ot ons and be urate, avai st be assur ement. esses our s nputs and	he process properly through approp her important data must be current a properly identified, stored and issue lable and properly utilized. The app red and processes must be measure strategy for insuring the adequacy of Section 6.3 addresses facilities. <u>SO</u> neduling and control as outlined belo	and correct d. Equipmer ropriateness ed, controlled f our employ P 7.5.1 Job	Material nt and of these d and ees,
COMPI	LED BY:	M R BENTLEY	DATE	APPROVED BY: A MEARS		DATE
TITLE	*	QA MANAGER		TITLE : GENERAL MA	NAGER	
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7.5.1.a	instructions. In addition to fina	al product s	drawings, quality control plans a pecifications, raw material chara eps are available to process ope	cteristics and th	e required
r.u.1.b	abilities of our employees and are performed by trained, qua requirements for detailed work	the comple- lified, certific instruction	ork instructions is dependent up exity of the work process. All pro ed operators (see Section 6.2) w s. However, critical production s trol Plans or Process Control SI	duction-related hich minimises teps are identifi	processes the
7.5.1.c	Equipment All equipment used for produc with planned maintenance pro	tion and set grammes.	vice operations is suitable and is	s maintained in a	accordance
7.5.1.d	Measuring and Monitoring De We have identified and ensure meeting our measurement red Monitoring and Measuring De	the availation the the availation the second s	bility of measuring and monitorin For additional information see S	g devices capal Section 7 6, Con	ble of trol of
7.5.1 <i>.</i> e	necessary to ensure process	control. T	the appropriate measurement hese are discussed more fully in 4 Monitoring and Measurement of	n Sections 8.2.3	ng activitles 3 Monitoring
.5.1.f	meet additional customer req identified in the contract or or the authorising employee. Po	lent on its o uirements i der. Reco ost delivery	esses compliance with all technical spe ncluding preservation packaging rds of product approval are main activities are performed when a duct, these processes are contro	j, shipping and ntained and clear and if contractuation	delivery, as arly indicate ally required
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			PRODU	CT REALISATION		
7.5.2	vve de monito	efine processes in w pring as 'Special Proc	vhich the r cesses' T	and Service Provision results cannot be verified by s his includes any processes whe	tra deficiencias .	surement
<u> </u>	appare	ent only after the prod	uct is in use	e or the service has been deliver	ed.	may becor
	requirer	anon of equipment an	re-validation	ial process validation, including el; use of defined methodologies on, are carried out per quality pla	and propoduros	
.5.3	Identific identific batches All iden the Pro	tification and traceab	ty is critic to ensure batch with ility informational info	al in our industry. We iden effective traceability. Where the relevant production order nu ation is managed with our BAAN primation on identification and tra	product is mad umber and/or par	e in lots t numbers
,5.3	Identific identific batches All iden the Pro	cation and traceabili cation of the product s, we identify the lot of tification and traceab	ty is critic to ensure batch with ility informational info	the relevant production order nu ation is managed with our BAAN	product is mad umber and/or par	e in lots t numbers
.5.3	Identific identific batches All iden the Pro <u>7.5.3 Pr</u> We ide our BAA in-proce	cation and traceabili cation of the product s, we identify the lot of tification and traceab duct Data Books. Ad roduct Identification and ntify measurement an AN system. Additionates and final product is	ty is critic to ensure r batch with ility information ditional info nd Traceab rd monitorin fly, physica s suitably ic	the relevant production order nu ation is managed with our BAAN primation on identification and tra- ility.	product is mad umber and/or par N system and/or aceability is provi c, quality control p ict status. All inc	e in lots of t numbers recorded i ided in <u>SO</u>
	Identific identific batches All iden the Pro <u>7.5.3 Pr</u> We ide our BAA in-proce displaye	cation and traceabili cation of the product s, we identify the lot of tification and traceab duct Data Books. Ad roduct Identification and ntify measurement an AN system. Additional ess and final product is ad. For more informat	ty is critic to ensure r batch with ility information ditional info nd Traceab rd monitorin fly, physica s suitably ic	ation is managed with our BAAN ormation on identification and tra- ility.	product is mad umber and/or par N system and/or aceability is provi c, quality control p ict status. All inc	e in lots of t numbers recorded i ided in <u>SO</u>
	Identific identific batches All iden the Pro <u>7.5.3 Pr</u> We ide our BAA in-proce displaye <u>Custom</u> We exe protect a any cust	cation and traceabili cation of the product s, we identify the lot of tification and traceab duct Data Books. Ac <u>roduct Identification an</u> ntify measurement an AN system. Additional ess and final product is ad. For more information ar <u>Property</u> rcise care with any cu and maintain custome tomer property be lost	ty is critic to ensure r batch with ility information iditional information id monitorin ily, physica s suitably ic ion see <u>SO</u> istomer pro r property p damaged	the relevant production order nu ation is managed with our BAAN primation on identification and tra- ility.	product is mad umber and/or par system and/or aceability is provi aceability control p of status. All inclusion appropriately tra- d Traceability.	e in lots of t numbers recorded i ded in <u>SO</u> olans and oming, acked and y, verify, Should
	Identific identific batches All iden the Pro <u>7.5.3 Pr</u> We ide our BAA in-proce displaye <u>Custom</u> We exe protect a any cust	cation and traceabili cation of the product s, we identify the lot of tification and traceab duct Data Books. Ac <u>roduct Identification an</u> ntify measurement an AN system. Additional ess and final product is ad. For more information ar <u>Property</u> rcise care with any cu and maintain custome tomer property be lost	ty is critic to ensure r batch with ility information iditional information id monitorin ily, physica s suitably ic ion see <u>SO</u> istomer pro r property p damaged	ation is managed with our BAAN ormation on identification and tra- ility. Ing status using production orders I location is an indicator of produ- tentified and the current status is <u>P 7.5.3 Product Identification an</u> operty while it is under our contro- provided for use or incorporation or otherwise found to be unsuited	product is mad umber and/or par system and/or aceability is provi aceability control p of status. All inclusion appropriately tra- d Traceability.	e in lots of t numbers recorded i ded in <u>SO</u> olans and oming, acked and y, verify, Should
5.4	Identific identific batches All iden the Pro <u>7.5.3 Pr</u> We ide our BAA in-proce displaye <u>Custom</u> We exe protect a any cust	cation and traceabili cation of the product s, we identify the lot of tification and traceab duct Data Books. Ac <u>roduct Identification an</u> ntify measurement an AN system. Additional ess and final product is ad. For more information ar <u>Property</u> rcise care with any cu and maintain custome tomer property be lost	ty is critic to ensure r batch with ility information iditional information id monitorin ily, physica s suitably ic ion see <u>SO</u> istomer pro r property p damaged	ation is managed with our BAAN ormation on identification and tra- ility. Ing status using production orders I location is an indicator of produ- tentified and the current status is <u>P 7.5.3 Product Identification an</u> operty while it is under our contro- provided for use or incorporation or otherwise found to be unsuited	product is mad umber and/or par system and/or aceability is provi aceability control p of status. All inclusion appropriately tra- d Traceability.	e in lots of t numbers recorded i ded in <u>SO</u> olans and oming, acked and y, verify, Should
7.5.3 5.4 DMPIL FLE	Identific identific batches All iden the Pro <u>7.5.3 Pr</u> We ide our BAA in-proce displaye <u>Custom</u> We exe protect a any cust recorded	cation and traceabili cation of the product s, we identify the lot of tification and traceability duct Data Books. Ad roduct Identification and notify measurement an AN system. Additionate and final product is ad. For more informate and maintain custome tomer property be lost of on a corrective/prevent	ty is critic to ensure r batch with ility information iditional info nd Traceab rd monitorin fly, physica s suitably ic tion see <u>SO</u> istomer pro property p t, damaged entative act	APPROVED BY: A MEARS	product is mad umber and/or par system and/or aceability is provi aceability control p of status. All inclusion appropriately tra- d Traceability.	e in lots of t numbers recorded i ded in <u>SO</u> olans and oming, acked and y, verify, Should nce is



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7 5.5	Our product product handle Each conforr	ations. This system in t as well as in-proce d and stored in a m department ensures ning materials. All co hage during storage a	anner that controls a	ned to ensure that our products handling, storage, packaging, de uents of the final product. Com prevents damage or deterioratio are implemented to prevent mix and products shall be suitably pack for additional information see	livery and prote ponents and p n pending use king conformin	or deliver g and not
6	QA Offi docume employe conduct	e is responsible for using documented proc	onsible for ontrol, calib ising a cap ess inspect	the calibration programme which e rate and maintain measuring and able measuring instrument that has ions.	monitoring devi s been calibrate	ces. Each ad when
	method	, acceptance criteria a	ind the acti	on to be taken when results are ur	y of checks, ch isatisfactory.	eck
	and pred We dete product	rmine the measureme	ents to be m	nade and the accuracy required to dentify and select equipment that is nade and the accuracy required to lentify and select equipment that is	s capable of the	e accuracy
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7.6.a <u>Periodic Calibration</u> We have identified all measuring and monitoring devices that can affect p and adjust them at prescribed intervals against certified equipment havin to internationally or nationally known standards. Where no such standard calibration is documented.	a a known valic	l relationship
7.6.b <u>Safeguard from Adjustment</u> We ensure that measuring and monitoring devices are safeguarded from invalidate the calibration.	adjustment tha	t would
<ul> <li>6.c Protection from Damage We ensure that handling, maintenance and storage of measuring and more accuracy and fitness for use is maintained.</li> <li>6.d <u>Validity Re-Assessment</u> We re-assess and document the validity of previous inspection and test re- monitoring devices are found to be out of calibration. In addition, a co-</li> </ul>	esults when me	easuring and
request is submitted to initiate an investigation to preclude recurrence.		
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	MANAGER	
TLE : QA MANAGER TITLE : GENERAL		
THE : QA MANAGER TITLE : GENERAL GNATURE : SIGNATURE : THIS IS PROPRIETARY INFORMATION OF DCD PROTECTED MOBILITY (A DIVISION OF DCD GROUP (PTY) LTD) WHICH SHALL NOT		~

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8.	Measurement, Analysis and I	mproveme	nt E		
8.1	General We have defined, planned and processes needed to assure management system improver QMS performance audits, pro assessment of product characte the selection and use of statistic	e product ment. Thes cess contro eristics. <u>Se</u>	and QMS conformity and e activities include assessme of including statistical techniq e SOP 8.1 Statistical Techniqu	achieve continu nt of customer ues where appi	ious qualit satisfaction ropriate an
3.2	Monitoring and Measurement		1 A		
8.2.1	Customer Satisfaction Customers are the reason we expectations'. We collect, mo determine how well we are perfe	printer and e printing again	valuate information on custon nst this critical objective.	mer satisfaction	in order to
	Our objective is to be particul receiving a complaint from a accordance with procedures de the person receiving the compla resolve the problem, then the ca	customer la tailed in <u>SC</u> ant will try t	nas the responsibility for doc <u>OP 8.5 1 Corrective and Preve</u> o solve the problem immediate	umenting the contative Action.	omplaint in In addition dual canno
1	We have documented and im customer feedback. See SOP 8	plemented	our procedure for obtaining, <u>ner Satisfaction</u> for additional ir	evaluating and	l acting or
3.2.2	Internal Audit Internal audits are critical to the the effectiveness of the system, effective (ie. achieving the desir additional opportunities for impor- process effectiveness or efficient the scope, nature and source of effectiveness. The results of the	as well as red results a rovement (a icy). If the the problem	to identify opportunities for imp and/or objectives) internal audi aimed at enhancing customer system is not effective, interna n as well as possible corrective	provement. If the ts can aid in the satisfaction and audits will help actions needed	e system is identifying improving determine to achieve
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3.2.3	and freque be audite Processe The purp of the IS maintaine records of Audits and do not ha findings to Managen eliminate corrective Follow up verificatio Our inter responsib and repor <u>Monitorine</u> We apply our custor operations is, employ identified if they are improvement Measures by produce employee/	audits are conducted uency. The schedule ed and previous audit es and Interactions) is pose of these internal O 9001 standard to ed; and to identify opp of audits including corri- e co-ordinated by the ive direct responsibility o Management and a nent responsible for t detected non-confore action request. The same conducted to in results are recorded to n results are recorded to n results are recorded to n and Maasurement. <u>and Maasurement of</u> suitable methods for mers' requirements. In SOP 4.1 are docur effective (ie. achie ent. are organised into est t quality, process acc function performance	in accordar is developed t results. A evaluated audits is to determine portunities for rective action e Quality As by for the ac ppropriate of the process rmances a verify time d. is implem its for conco <u>of Processe</u> measurem As previous y foci of this terial, facilities terial, facilities we desired sentially two curacy, delities against e	b); determine whether the QMS conform whether the process has been effective for improvement. The Quality Assurance on requests. ssurance Manager and carried out by tr ctivity being audited. Auditors record aud personnel with responsibility for the proc a audited is responsible for taking timely and their causes and documenting the y and effective implementation of the p mented by <u>SOP 8.2.2 Internal Audit</u> ducting audits, ensuring their independe	ance of the set (see the set (s	the activity to SOP 4.1 Key requirements emented and per maintains resonnel who s and submit ted. ive action to ions on the d action and holudes the roludes the roludes the roludes the roludes the ding results ary to meet approach to nputs – that Processes d to ensure continuous s measured nance, and
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8.2.4	in accordance with the proce	nitor the ct dures iden niques. M	naracteristics of our product throu tified in <u>SOP 8.2.4 Monitoring ar</u> leasurement and monitoring serv	nd Measuremen	t of Produc
	conducted throughout the proc	ess. All fir	nsure quality of purchased proc hished product is tested to ensure itoring and Measuring of Product.	it conforms to s	s testing is pecification
3.2.4.a	Test and inspection records ar	e maintain tify and c	ed for a minimum of three years. onfirm that all critical parameter	These records i rs are in accor	include fina dance with
3.2.4.a 3.2.4.b	Test and inspection records ar inspection authority and iden published specifications. <u>Product Release and Delivery</u> Product is not released from the that it meets specification and	tify and contraction of the approximation of the ap	ed for a minimum of three years. onfirm that all critical parameter on area until the required inspect opriate documents have been co yee obtains necessary approval.	rs are in accor tion and tests ha	dance with ave verified
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	Evaluation with approv	a : Authorised empl ved test and inspec	oyees will e tion proced	evaluate incoming, in-process ai lures.	nd final product in	accordanc
	Segregatio	on : Non-conformin	g product v	here practical is segregated per	nding final disposi	tion.
	Dispositio accordance	n: QA Officer or with the approved	other auth test and in	norised employees will inspect spection plans identified in <u>SOF</u>	t non-conforming <u>8.2.4</u> and decide	product i to :
	• See	k customer conces	sion for del	ed product to meet specified requirery as is	uirements.	
	Disp	ect to sub-contracto ose. Disposal will k and ap <mark>proval by t</mark>	only take p	lace after approval from the Ger al or Manufacturing Manager fo	neral Manager for r other items.	spares in
	Any produc	t disposal will be in	accordanc	e with environmental controls.		
.3.a	Correction a Non-conform	nd Re-verification ning product is corr	rected and	re-verified after correction to der	nonstrate conform	nity.
.3.b	Reporting o	mance Reporting f non-conforming p he monthly Quality	roduct is de Assurance	one via a Non-Conformance Re Management Report.	port. Rectification	n costs are
	Analysis of I We collect a to identify of monitoring a action syste on custome	<u>Data</u> nd analyse approp oportunities for con ctivities, customer n, our audit proce	riate data to tinuous imp feedback, o ess and con iding confo	o determine the suitability and exprovement. This includes data gour supplier partnership process ntract reviews. We analyse the process of the supplice of the supplicement of the suppli	generated by mease the corrective/pr data to provide in	suring and eventative
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8.5	Improve	ment				
.5.2	At PRO process objective the prod efficience We acco results, a the man	es necessary of the c es the planning of the cess, the monitoring o cy and the identificatio omplish this through th analysis of process an agement review proce	ontinual im process, th f related m on/impleme ie use of ou id product p	provement is a planned activity. We provement of the QMS through the provision of resources and inform easures needed to assess process intation of actions needed to achiev ar quality policy, strategic and oper- performance data, corrective and p	establishment nation needed t effectiveness a e desired result ational objective	of to carry ou and ts audit
W, L	corrective implement recurrence Corrective	forming product, proc us improvement proc e action needed to pr at corrective action to be. We apply controls e actions are appropri	ess, we in eclude their eliminate the and follow ate to the h	services drive corrective action. vestigate and document non-conf r recurrence. Based on the result re root cause of the non-conformitie up to ensure that corrective action mpact of the problems encountered	ormities to deto s of this invest es in order to pr n is taken and is	ermine the igation, we revent the s effective
	Results opportunit	actions to ensure th action needed; recor of the Corrective/Pre ties for improvement.	r complaint at non-cor ding results ventative / This inform	on, defines and documents require (s); determining the causes of non- formities do not recur; determining (s) of action taken; and reviewing of ( Action program are summarised mation is reviewed during the Mana prrective and Preventative Action and	conformity; eva ag and implem corrective action and trended in gement Review	luating the enting the taken. to identify
	V	111.				
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8.5.3	Preventa Managen potential the impace SOP 8.5 conformit need for corrective	tive Action tive action is driven I ment Review Meeting non-conformities to p of the potential prob <u>Corrective and Preven</u> ies(including custome actions to ensure the action needed; recor	by internal We identi revent thei lems. <u>Intative Actions</u> r complain at non-conding result ventative	audits, customer feedback, em fy the preventative actions neede r occurrence. Preventative actions to action and documents requires); determining the causes of no aformities do not recur; determines s of action taken; and reviewing of Action program are summarise	ployee suggestic ed to eliminate th ons taken are ap irements for ider on-conformity; ev ining and impler of corrective actions and trended	e causes o propriate to aluating non aluating the nenting the on taken.
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21	opportuni For additi <u>Review</u> . <u>Preventat</u> Preventat Managem potential the impac <u>SOP 8.5</u> potential preventati	ties for improvement. onal information see § ive Action ive action is driven b ent Review Meeting, non-conformities to pr t of the potential probl <u>Corrective and Prev</u> non-conformities and ve actions needed; re ve actions taken.	y Internal We identif event their ems. entative A d their ca cording the	audits, customer feedback, emp y the preventative actions neede occurrence Preventative actions ction defines and documents r suses; determining and ensuring e results of action taken and rev	anagement Revie and <u>SOP 5.6 M</u> bloyee suggestio d to eliminate the ns taken are app equirements for ng the implement	w Meeting anagement anagement on and the causes of propriate to identifying antation of veness the
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# DCD PROTECTED MOBILITY

#### **ANNEXURE 'B'**

## Manufacturing Process Flow Diagram

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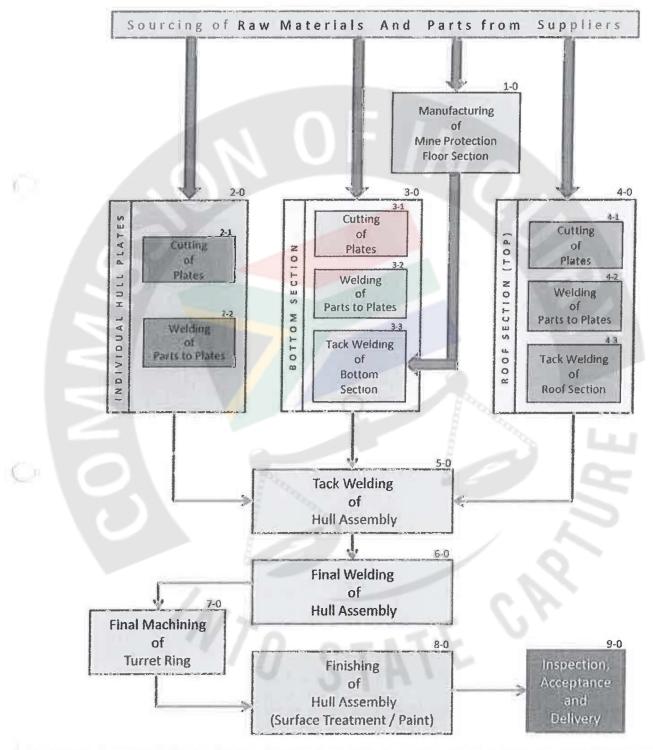


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Annexure 'B'

### PROTECTED MOBILITY

#### HOEFYSTER PLATFORM HULL MANUFACTURING PROCESS FLOW



HIS IS PROPRIETARY INFORMATION OF DCD PROTECTED MOBILITY (A DIVISION OF DCD GROUP (PTY) LTD/WHICH SHALL NOT BE REPORDUCED OR TRANSMITTED IN WHOLE OR IN PART WITHOUT THEIR PRIOR CONSENT.

# **IDCID** PROTECTED MOBILITY

# **ANNEXURE 'C'**

# SABS/ISO/9001:2008 BS OHSAS 18001:2007 and BS EN ISO 14001:2014 Certificates

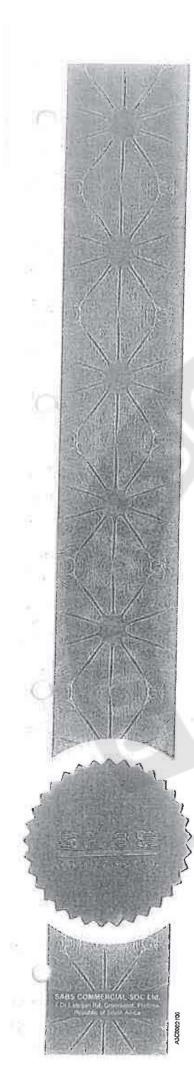
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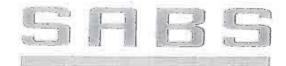
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Certificate of Registration

This is to certify that the Quality Management System of

## **DCD - PROTECTED MOBILITY** (A DIVISION OF DCD GROUP (PTY) LTD) **ISANDO**

has been assessed and found to satisfy the requirements of

#### **ISO 9001:2008 QUALITY MANAGEMENT SYSTEMS - REQUIREMENTS**

in respect of

THE DESIGN, DEVELOPMENT, MANUFACTURE, UPGRADE AND REFURBISHMENT OF SPECIAL PURPOSE ARMOURED TACTICAL WHEELED AND LAND MINE DETECTION AND ROUTE CLEARANCE VEHICLES AND RELATED RENEWAL PARTS

#### NO EXCLUSIONS

This certificate, including the schedulo which forms an integral part thereof: is issued without alteration;

- is identified by the applicable registration number; is subject to any condition or timitation contained therein;
- Is valid subject to origoing compliance with certification requirements; bears the embossed SABS Commercial see! In the absence of the
- seal, the certificate and the schedulo shell be invalid, and the cartificate may be authenticated by referring to the register of "Certified Clients" on the SABS Commercial website (www.sabs.co.za)

**Registration Number** 

Expiry Date

LS 4801

17 July 2013 Effective Date

05 September 2015

05 September 2012 Date of Original Registration

Chief Executive Officer lehlom

	Certificate of Registration	(Imtertielk	This is to certify that the Environmental Management System of:	DCD Protected Mobility (A Division of DCD GROUP (Pty) Ltd)	22 Monteer Road Isando 1609 South Africa	has been assessed and found compliant with the requirements of	BS EN ISO 14001:2004	Approval is hereby granted for registration on the proviso that the certification rules and conditions are observed at all times.	The Design, Manufacture, Service and Refurbishing of Specialised Vehicles to Suft Customer Requirements.		Issue Date: 10" May 2013 Original Issue Date: 8 <sup>th</sup> February 2007	Expiry Date: 7 <sup>th</sup> February 2016	- fune-	Authoricaed Signaturo: Richard O'Sullivan Moody International Contilination Liq (Trix) Intarcely is a UKAS accredited body under cahodulo of accredution no. 014. In the assumes of this contilication latertes natures no babby us my party other interview in and ther cahodulo of accredution no. 014. Contilioration Research: Trix and interview matures no babby us my party other interview of the cahodulo of accredution no. 014.	The conditious introllers the property of function, its whem it must be returned types request.
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0	Certificate of Registration	linte	This is to certify that the Occupational Health and Safety Management System of	DCD Protected Mobility (A Division of DCD GROUP (Pty) Ltd)	22 Monteer Road Isando 1609 South Africa	has been assessed and registered against the requirements of	BS-OHSAS 18001:2007	Approval is hereby granted for registration providing the certification rules and conditions are observed at all times.	Ceruncation Scope: The Design, Manufacture, Service and Refurbishing of Specialised Vehicles to Suit Customer Requirements.	Certificate No. 3023B	Issue Date: 10 <sup>th</sup> May 2013	Original Issue Date: 15 <sup>th</sup> February 2005 Expiry Date: 7 <sup>th</sup> February 2046		Audharisad Signature: Pichard Osaliyan Madai internetidanal Ontificaulan La (TA Intanak) ia a UrCAS accordinad body untar echodula of accreditation no, 014, artisticationes of the sentence. Iterate ecumes ne below is a protection metadular of accreditation no, 014, artisticationes of the sentence. Iterate ecumes ne below is a serient of metadular of accreditation no, 014, artisticationes defined and the sentence ecumes of the artistic for a serient of the activation of accreditation activation difference. Iterate ecumes ne station to a serient of the activation of a reconstruction of the activate upon activation contension activation activation the sentence in activation of activation of a reconstruction activation of a activation contension activation of the activation the sentence interaction activation of a reconstruction activation of activ	

# **PROTECTED MOBILITY**

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# **ANNEXURE 'D'**

# Builder and Manufacturing Certificate

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VERVAARDIGER/INVOERDER/BOUER

(Nasionale Padverkeerswet, 1996)

CERTIFICATE OF REGISTRATION FOR MANUFACTURER/IMPORTER/BUILDER (National Road Traffic Act, 1996)

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It is hereby certified that Hiermee word gesertifiseer dat

DCD GROUP (PTY) LTD F060376110030

at/te

22 MONTEER ROAD ISANDO

has been registered as geregistreer is as

Builder / Bouer

onderhewig aan die volgende voorwaardes

NOTIFICATION ON FORM NVM OF VEHICLE MODELS/ KENNISGEWING OP VORM NVM VAN VOERTUIGMODELLE

Signed Geteken 7 All Nemaulierdwe MEC responsible for Road Traffic LUR verantwoordelik vir Padverkeer Province , IGU Tena Provinsie Date Datum Issue number 2 Uitreikingsnommer Control number :49510009WKXD Beheernommer 4951 2014-04-11 09:31:50

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SERTIFIKAAT VAN REGISTRASIE VIR VERVAARDIGER/INVOERDER/BOUER (Nasionale Padverkeerswet, 1996)

It is hereby certified that Hiermee word gesertifiseer dat

DCD GROUP (PTY) LTD F060376110030

at/te

22 MONTEER ROAD ISANDO

has been registered as geregistreer is as

Manufacturer / Vervaardiger

subject to the following conditions onderhewig aan die volgende voorwaardes

NOTIFICATION ON FORM NVM OF VEHICLE MODELS/ KENNISGEWING OP VORM NVM VAN VOERTUIGMODELLE

Signed Geteken : yML Nemauhachuse at Dhanneebin MEC responsible for Road Traffic LUR verantwoordelik vir Padverkeer Province ciciter Provinsie Tit. Date Official seal Amptelike seel ] Datum NB Maria 1 Maria 1921 - 202 Issue number : 2 Uitreikingsnommer NET THEFT Y AG. Control number :49510009WKXB Beheernommer 253 4951 2014-04-11 09:30:03

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# **DED** PROTECTED MOBILITY

# **ANNEXURE 'E'**

# **Company Profile**

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# **DED** PROTECTED MOBILITY

#### **COMPANY PROFILE AND CAPABILITIES**

**DCD PROTECTED MOBILITY**, a division of DCD GROUP (Pty) Ltd, is a leading supplier of special purpose military vehicles and services to users throughout the world. **DCD PROTECTED MOBILITY's** success is based on adaptability, innovation and its successful track record for cost and schedule compliance. Its expertise, experience and reliability ensure that customer requirements are interpreted correctly and manufactured to the highest quality standards, cost effectively and within schedule. **DCD PROTECTED MOBILITY** brings technical expertise, experience and facilities to design, manufacture and support a broad range of products to meet individual customer needs.

At present we have a staff complement of 173 people. This structure is expanded or contracted on a project-by-project basis to meet the requirements of the business.

**DCD PROTECTED MOBILITY** is a fully accredited SABS ISO 9001.2008 company for the design, development, manufacture and refurbishing of special purpose military and other vehicles as well as the supply of related renewal parts. The processes used within the company are designed by well trained and qualified industrial engineers to achieve customer objectives. All products are thoroughly inspected at various stages of production to ensure conformance to technical specifications. In-house capabilities include state of the art work areas for the following:

#### Design Capabilities:

- 7 Experienced Military Vehicle Design and Development Engineers.
- 2 Product Support Engineers.
- 4 CAD Design Draughtsman.
- CAD Design 3D Software (8 CREO and 2 Advanced Work Stations).
- CAD Data Management and Document Control Software (9 Windchill Bill of Materials Seats).
- Document View and Display Software for Manufacturing and Procurement Functions (10 Windchill Light User Work Stations).
- Technical Configuration and Document Preparation. (3 Isodraw Work Stations).

#### Manufacturing Capabilities:

- Robotic welding cells facility.
- CNC Laser cutting and drilling.
- Band saw and drilling.
- Shot blast, spray painting and coating facilities.
- Vehicle brake test facility.
- Light to heavy crane capacity.
- Armoured vehicle assembly processes and assembly line.

DCD PROTECTED MOBILITY is also fully accredited with Intertek for the following:

- BS-OHSAS 18001:2007. Occupational Health & Safety.
- BS EN ISO 14001:2004. Environmental Management System.

DCD PROTECTED MOBILITY is a proud member of AMD, being the South African Aerospace, Maritime and Defence Association.

The DCD PROTECTED MOBILITY plant is an extensive engineering manufacturing facility situated in Isando, South Africa and Is currently operating a single shift within the factory. This can easily be expanded to increase production capacity should it be required. The DCD PROTECTED MOBILITY site covers 37 948 m<sup>2</sup>. Of this 22 348 m<sup>2</sup> is undercover, incorporating the state-of-the-art technology and equipment required for the manufacture of our products.

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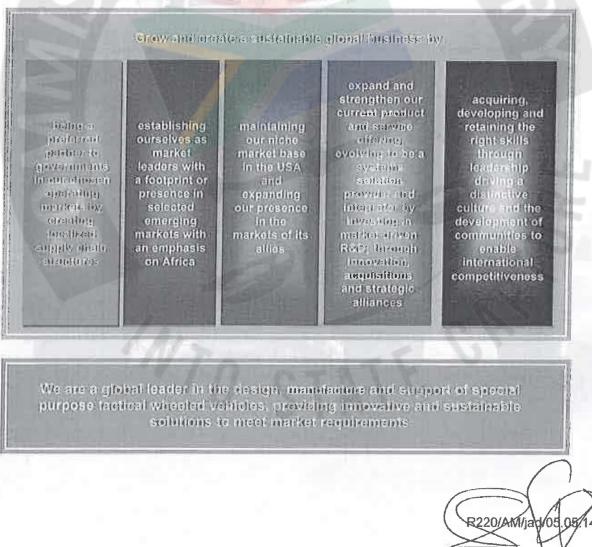
The company's significant investment in new machinery confirms our commitment of meeting the customer's precise quality requirements and specifications on all products.

The BAAN ERP operating system has been utilized for over 10 years. This system has been customised to suit our specific needs providing us with full visibility of all activities conducted in the business, supporting real time decision making and optimising our productivity and efficiency.

**DCD PROTECTED MOBILITY** owns all of the intellectual Property (IP) related to our products. As a systems house, **DCD PROTECTED MOBILITY** places a huge premium on the research and development of our own IP. In order to remain at the cutting edge of military vehicle technology, **DCD PROTECTED MOBILITY** invests a significant amount of own capital into research and development annually. We also work with carefully selected technology partners, customers and suppliers, to bring innovative integrated products that solve real world problems to the market.

The business is well capitalised with strong cash reserves, and the *DCD GROUP* is the biggest Heavy Engineering concern in Africa. *DCD PROTECTED MOBILITY* contributes a significant portion to the Groups sales and profit. The major shareholder of the group is Investec Bank Ltd which holds 46% of the shares in the company. The group's BBBEE investment partner is African Revival Investment Holdings that currently holds 37% shares in the company.

**DCD PROTECTED MOBILITY** maintains a South African Government SECRET Facility Clearance. Personnel assigned to any vehicle program are cleared, as appropriate, to handle classified information. **DCD PROTECTED MOBILITY** utilizes a variety of facility access control procedures, video cameras, alarms and safes for maintaining classified material, as well as 24 hour armed security guards as a part of their security management plan.



#### COMPANY PRODUCTS

#### Vehicle Mounted Mine Detector

**DCD PROTECTED MOBILITY** designs and manufactures the world's leading landmine detection system, which has been tested to international standards in the USA, France and South Africa. This is our flagship product and is also known as the Vehicle Mounted Mine Detector (VMMD).

Since the early 1980's this system has been successfully deployed in Africa, Middle East, Balkans and Asia. It successfully completed arduous and comprehensive testing in South Africa, at the US Army's Yuma and Aberdeen Proving Grounds and the White Sands Missile Test Range.

Working with our US based international marketing partners, Critical Solutions International, we have been successful in type classifying the VMMD System on a US Government Program of Record acquisition. The combat proven Husky vehicle, which is the core of the system, is a unique landmine detection vehicle that is blast survivable, overpass capable and field reparable.

Operations in Afghanistan and Iraq expanded the Husky's role beyond detecting and marking landmines to the detection of IED's and EFP's. The system facilitates fast and efficient route clearance creating safe passage for military personnel and civilians. What makes the Husky unique is its ability to pass over pressure fused anti-vehicle landmines without detonating them.

In the event of a detonation, the components have been engineered in a unique modular configuration and break apart in a predictable fashion, facilitating fast in-field repairs. The system clears a 3m wide path travelling at speeds between 15 and 50 km/h depending on terrain. The systems in service have collectively been subjected to thousands of detonations

With the increasing length of route clearance missions the need was identified for a vehicle that can carry two occupants, splitting tasks between the driver and operator of the detection equipment. This has prompted an evolution to a two operator variant known as the Husky 2G, which retains the majority of features and components of the current Husky MK III as well as the Niitek Ground Penetrating Radar (GPR), blowers and robotic arms have now been operationalized on Husky vehicles. The Husky 2G has received one of the highest accolades in the military world — being numbered among the US Army's top ten "Greatest Inventions".

Users of these vehicles include the US Army, US Marine Corps, JIEDDO, Canadian National Defence Force, Australian Army, South African Army, Ugandan and Kenyan Armies, as well as the Spanish and French Armed Forces. The Halo Trust is still utilizing systems acquired by the United Kingdom in Humanitarian operations.

#### Mountain Lion Armoured Utility Vehicle

Based on its success in service, and through observing the heavy MRAP vehicles restricted mobility in urban areas and arduous terrain *DCD PROTECTED MOBILITY* has developed a revolutionary new Armoured Utility Vehicle, the Mountain Lion. This versatile vehicle is capable of fulfilling multiple roles on the battlefield. Engineered for demandingly high payload while ensuring crew survivability, the Mountain Lion extends expeditionary capabilities and can be transported in a C-130 aircraft.

The Mountain Lion is also ideally suited for peacekeeping and policing operations. Its unique design incorporates a single piece v-shaped armoured hull ensuring maximum protection from blast threats. Superb ballistic protection (also from IED's and EFP's) is achieved. Enclosure of all sub-systems within the hull ensures protection of critical components. The vehicle can carry a crew of up to 2 plus 8 soldiers complete with kit.

Tactical mobility, crew comfort and improved mission endurance is achieved through the combination of a powerful 360 horse power engine coupled with a six speed automatic transmission, double wishbone fully independent suspension and intelligent damping. The Mountain Lion is equipped with the unique Four Wheel Steer System, reducing the turning circle to 12m, enhancing the Mountain Lion's mobility in close terrain and urban areas.

The vehicle is fitted with an air conditioner as well as a diesel heater allowing occupants to operate comfortably in both desert and arctic conditions. Blast attenuating seats and energy absorbing floor panels augment crew protection. A 570 amp alternator delivering 14 kW supplies power through a unique power management system to operate communication, surveillance and other electronic equipment. An AFES provides fire suppression capabilities in the crew and engine compartments, and for the fuel tank and tyres.

Use of commercial components in the Mountain Lion simplifies maintenance and logistics support. The Mountain Lion's ample load capacity allows it to fulfil command and control functions as well as route clearance and combat support roles. Easy access and egress is through pneumatic assisted side and rear doors. Water White Clear armoured windows provide excellent all round visibility. A robust ring bearing assembly easily accepts a weapons station, or turret of the customer's choice.

The Mountain Lion has been successfully tested at Gerotek and Vastrap in South Africa, the Nevada Automotive Test Center near Carson City, USA and has recently passed the arduous UAE Armed Forces Summer Trial at the first attempt. Blast testing has been concluded by the CSIR and results are well within design parameters.

#### Springbuck Armoured Personnel Carrier

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The permanent 4x4 Springbuck APC features a powerful MWM 6 litre engine and carries a driver and ten personnel. With B6 ballistic protection upgradeable to B7, the all-steel armoured v-shaped hull is designed to withstand a TM57 landmine under the hull, or two under any wheel. The standard configuration can be easily adapted to suit various applications, including an ambulance, cash-in transit, riot control or tactical patrol vehicle and, with the addition of turret-mounted weaponry, the vehicle can also be effectively used in combat.

The unit is 5883 mm long, 2363 mm wide and 2720 mm high, with a wheel base of 3562 mm and a tank range of about 600 km. The design incorporates a hydraulically assisted re-circulated ball steering system, with a left or right hand drive option, and its suspension utilises semi-elliptic leaf springs with double-acting telescopic hydraulic shock absorbers.

Weighing in at 6800 kg with a ground clearance of 357 mm (under axle), the six-cylinder three-door Springbuck MKVI has a top speed of 115 km/hour and a turning circle of 14.7 metres. With the same dimensions and turning circle as the MKVI, but weighing 7400 kg, the Springbuck MKIV is a one-door four-cylinder APC with a ground clearance of 343 mm and top speed of 110 km/hour.

DCD PROTECTED MOBILITY offers customers total life cycle support providing maintenance, repairs, logistics information, product support, training and field support for these vehicles.

There vehicles are in service in various countries in Africa and through our partnership with Mekahog Limited in Nigeria, *DCD PROTECTED MOBILITY* has successfully penetrated this market and enlarged our footprint in Africa.

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# **DCD PROTECTED MOBILITY**

# **ANNEXURE 'F'**

# **BBBEE Certificate**

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25 June 2014

#### TO WHOM IT MAY CONCERN

SUBJECT:

DCD GROUP (PTY) LTD - BBBEE SCORE CARD

It is hereby confirmed that the BBBEE certification for the financial period ending 31 March 2014 has been completed and it can be confirmed that the DCD GROUP will maintain it's Level 4 Rating.

Unfortunately the official scorecard will only be issued by AQRate, the company responsible for the verification, once the signed financial statements are submitted. The audited financial statements will be submitted to the DCD Board on 26 June 2014 for approval. The BBBEE certificate will be issued within 5 working days of the receipt of the approved financial statements.

Yours faithfully

D MARAIS GENERAL MANAGER: OPERATIONS & SYSTEMS

Directors: R G King (Managing), V Langlols, A Gordhan, C Nkuna, L Phasha, G Pretorius, D P Richards, GPJ Klos, D H Booyens Alternate directors: G M Colegate, WAS Nel

NT

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# **DGD PROTECTED MOBILITY**

# **ANNEXURE 'G'**

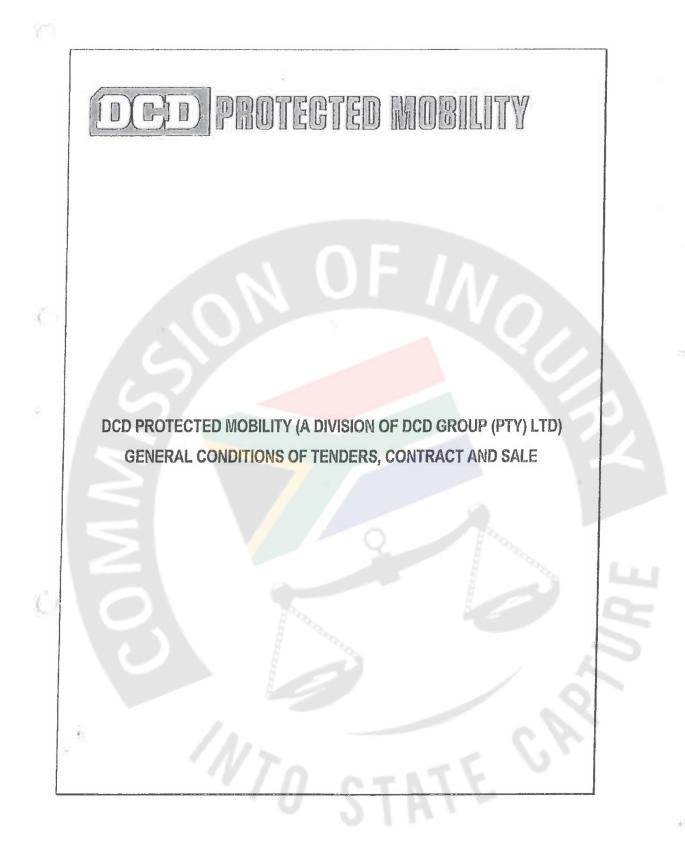
# DCD Protected Mobility's General Conditions of Tender, Contract and Sale

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#### **DCD PROTECTED MOBILITY**

#### **GENERAL CONDITIONS OF TENDERS, CONTRACT AND SALE**

#### 1. <u>INTERPRETATION</u>

1.1 The headnotes to the clauses of these General Conditions are for reference purposes only and shall in no way govern or affect the interpretation of nor modify nor amplify the terms of these General Conditions nor any clause hereof.

1.2 Unless inconsistent with the context, the words and expressions set forth below shall bear the following meanings and cognate expressions shall bear corresponding meanings:

"Acceptance of Order" the written acceptance by the Seller of the Purchaser's Order;

"Business Day"

"Contract"

any day other than a Saturday, Sunday or official public holiday in South Africa;

a binding contract coming into existence from time to time as contemplated in clause 2.1, which contract shall comprise these General Conditions read with the Seller's Tender and the Acceptance of Order (if any), together with any such other terms and conditions relating thereto as may be specifically agreed in writing between the Parties;

"Contract Price'

"General Conditions"

these General Conditions of Tenders, Contract and Sale;

the price agreed pursuant to a Contract subject to

the provisions of clause 77;

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	"Goods"	the materials, products and/or services of the Seller described in the Contract;
	"Main Agreement"	any formal written agreement entered into between the Parties governing the manufacture, supply and sale of the Goods;
	"Order"	the written order placed by the Purchaser in response to the Seller's Tender;
Ċ-	"Parties"	the Purchaser and the Seller and "Party" shall, as the context requires, be a reference to either one of them;
S M M C	"Prime Rate"	the publicly quoted basic rate of interest, compounded monthly in arrears and calculated on a 365 (three hundred and sixty five) day year irrespective of whether or not the year is a leap year, from time to time published by First National Bank (a division of FirstRand Bank Limited) as being its prime overdraft rate, as certified by any representative of that bank whose appointment and designation it will not be necessary to prove;
	"Purchaser"	the Party placing an Order with the Seller, and whose Order is accepted by the Seller in terms of clause 2;
	"Seller"	DCD Protected Mobility (a Division of DCD Group (Pty) Ltd);
Q	"SEIFSA"	the Steel and Engineering Industry Federation of Southern Africa;

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	"Tender"	the formal offer by the Seller to the Purchaser to provide the goods and/or services set out in the Tender or the Main Agreement (whichever is applicable) subject to the price, specifications and other terms stated in the said Tender or Main Agreement; and
	"VAT"	value added tax imposed in terms of the Value Added Tax Act, No. 89 of 1991 (as amended), including any similar tax which may be imposed in the place thereof from time to time.
1.3	imposing obligations on any Pa	n is a substantive provision conferring rights or arty, notwithstanding that it is only in the definition to it as if it were a substantive provision of the
1.4	Unless inconsistent with the cor	text, an expression which denotes:
1.4.1	any one gender includes the oth	ner gender;
1.4.2	a natural person includes an art	ificial person and vice versa; and
1.4.3	the singular includes the plural a	and <i>vice versa</i> .
1.5		form an integral part thereof and words and shall bear, unless the context otherwise requires, dules.
1.6	exclusively of the first and inclus	rescribed in a Contract, same shall be reckoned sively of the last day unless the last day falls on a Day, in which case the last day shall be the Day.

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- 1.7 In the event that the day for payment of any amount due in terms of a Contract should fall on a day which is not a Business Day, then the relevant date for payment shall be the preceding Business Day.
- 1.8 Where figures are referred to in numerals and in words, if there is any conflict between the two, the words shall prevail.
- 1.9 Where any term is defined within the context of any particular clause in a Contract, the term so defined, unless it is clear from the clause in question that the term so defined has limited application to the relevant clause, shall bear the same meaning as ascribed to it for all purposes in terms of thet Contract, notwithstanding that that term has not been defined in this interpretation clause.
- 1.10 The rule of construction that the Contract shall be interpreted against the Party responsible for the drafting or preparation of the Contract, shall not apply.
- 1.11 The expiration or termination of a Contract shall not affect such of the provisions of that Contract as expressly provide that they will operate after any such expiration or termination or which of necessity must continue to have effect after such expiration or termination, notwithstanding that the clauses themselves do not expressly provide for this.

#### ACCEPTANCE OF ORDER AND CONCLUSION OF A CONTRACT

- The Purchaser's Order in response to the Seller's Tender shall constitute an offer, and a binding contract shall only come into existence when the Seller accepts the Purchaser's Order by issuing an Acceptance of Order or by commencing work in response to the Order.
- Any other terms and conditions, including those forming part of an enquiry by the Purchaser or the Purchaser's Order which deviate from the terms and conditions of a Contract, shall not form part of the Contract, and shall be of no force or effect, as more fully contemplated in clauses 17.1 and 17.2.

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- 2.3 In the event that the Seller and Purchaser engage in negotiations over amendments or additions to, or deletions from a Contract, the Contract shall govern the Goods until such negotiations are finalised and the Contract amended (if at all) by agreement in writing as contemplated in clause 17.3.
- 2.4 If in a Contract there is any conflict or inconsistency between the provisions of the various documents comprising the Contract, then the provisions of those documents shall, to the extent of such conflict or inconsistency, be interpreted in the following order of preference –
- 2.4,1 firstly, the provisions of the Order as accepted pursuant to an Acceptance of Order (or by way of commencement of work in response to the Order), except to the extent subsequently modified, varied or supplemented by agreement in writing between the Parties;
- 2.4.2 secondly, the provisions of the Tender which are applicable to the Order; and
- 2.4.3 thirdly, these General Conditions.

#### 3. SCOPE OF CONTRACT

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The Seller's obligations in terms of a Contract will be to execute the Goods in accordance with such designs, instructions, itemised details, plans, drawings, programmes and specifications (the "Specifications") as form part of the Contract, and in particular the Seller will not be responsible for the adequacy of or for any costs occasioned by the inadequacy of any such Specifications or for any foundations or supporting structures or other work as may have been provided, prepared or specified by or on behalf of the Purchaser.

3.2 Any amounts quoted for additional Goods falling outside of the scope of a particular Contract shall, save to the extent otherwise agreed in writing (whether pursuant to the conclusion of a new Contract or otherwise), be subject to the same terms and conditions as the original Contract *mutatis mutandis* including without limitation in respect or variations in costs, exchange rates, basis of freight,

insurance, railage rates, harbor dues and charges, duties, surcharges and other charges of like nature.

#### 4. LIABILITY

#### 4.1 Liability for Defects

The Seller undertakes that the Goods will conform to such Specifications in respect of each Order as have been specifically agreed in writing by the Parties in terms of the relevant Contract. In the event of the Goods not being in accordance with such Specifications, the Seller shall, if the non-conformance with the Specifications arose solely from faulty materials or workmanship, and if requested to do so in writing within 15 (fifteen) days of discovery of such failure and/or defect (hereinafter referred to as "defects"), (but in any event not later than 12 (twelve) months from the date of delivery of such defective Goods to the Purchaser, or if delivery is delayed for any reason other than as a result of the Seller's default, within a period of 15 (fifteen) months after the goods have been notifled as ready for despatch by the Seller), at its option, either repair or replace the defective components of the Goods by supplying the repaired or replacement components of the Goods to the initial place of delivery, or at the further option of the Seller, to credit the Purchaser with the involved value of the defective components of the Goods in question, provided that the defective parts have been returned to the Seller. Notwithstanding anything to the contrary anywhere contained herein, the Seller shall have no liability in respect of any defects in the Goods, whether latent or patent, not notified to the Seller in writing before expiry of the aforesaid 12 (twelve) or 15 (fifteen) month periods, as the case may be.

#### 4.2 Liability for Delay

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Subject to the provisions of clauses 9 and 11, the Seller undertakes, in respect of any particular Order, to complete the Goods in accordance with the programme contained or contemplated in the Contract, and in the event that the Goods are not completed in accordance with such programme or any extensions or revisions of such programme, or if delays are caused by the discovery after delivery, of

#### Page 8

defects in the Goods as provided for in clause 4.1 above, the Seller's liability shall be limited to such penalty for late delivery as may have been specifically accepted in the relevant Contract.

Such penalty shall only be payable in the event and to the extent that the Purchaser is itself legally obliged to pay penalties in respect of such delay, and in no event shall such penalty exceed 3% (three percent) of the unescalated Contract Price of such portions of the Goods as cannot, because of the delay, be put to the intended use, at a rate of 1/14% (one fourteenth percent) per working day, of the value of the outstanding Goods, and such penalty shall constitute the Seller's sole liability and the Purchaser's sole remedy for such delay.

The Seller shall furthermore not be liable for any delay due to the late delivery of any 'free issue' or 'bought out' or other proprietary components not manufactured by the Seller.

#### 4.3 Liability for Loss, Accidents or Damage

Unless the Purchaser has agreed to insure the Goods, the Seller undertakes that the Goods will be insured during the execution thereof against such loss, accidents or damage as may occur to such Goods or to persons or property during the execution of such Goods as may be insured against in terms of the Seller's standard:

- 4.3.1 Workman's Compensation Insurance Cover;
- 4.3.2 Employers Liability Insurance Cover;
- 4.3.3 Contractors All Risks Insurance Cover;

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- 4.3.4 Contractors Public Liability Insurance Cover; and
- 4.3.5 Contractors Common Law Liability Insurance Cover;

Page 9

from time to time, but not otherwise, provided always that unless otherwise agreed in writing in each particular instance, the Seller shall not insure and shall accept no responsibility for equipment or material furnished by or on behalf of the Purchaser to the Seller for the purposes of executing the Contract. Further details in respect of such policies are available on request.

- 4.4 Notwithstanding anything to the contrary anywhere contained herein the liability of the Seller howsoever arising out of the Contract, whether in contract, delict or otherwise shall not extend beyond the obligations specifically assumed in terms of this clause 4, and the Seller:
- 4.4.1 gives no other warranties, express or implied in respect of (without limitation) workmanship, materials, fitness for purpose, merchant liability or products liability not set out herein;
- 4.4.2 in respect of "bought out" or proprietary items not of its own manufacture, gives no greater warranty and accepts no greater liability than that given or accepted by and enforceable against the supplier/manufacturer thereof;
- 4.4.3 gives no warranties in respect of Goods: (a) consumed in operation; (b) which have a potential life inherently shorter than the 12 (twelve) month period mentioned in 4.1; (c) is used other than for the intended purpose; or (d) for defects arising through fair wear and tear or neglect;
- 4.4.4 shall not be liable to the Purchaser for defects arising from operational use; and
- 4.4.5 shall in no event be liable for any loss of profits, loss of use, loss of production, loss of contracts, loss of custom or goodwill, or for any other special indirect or consequential damages or loss howsoever arising.

#### 5. QUALITY

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5.1 The workmanship and finish of the Goods will be of the highest standard and all materials used will be new and of the highest quality and standard available from approved suppliers in South Africa.

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5.2 Pre-delivery inspection, testing and acceptance of the Goods will be carried out ex works by the Seller's Quality Assurance personnel at the Seller's premises in South Africa.

5.3 Inspectors appointed by the Purchaser may on reasonable notice to the Seller inspect the Goods and works at any stage before delivery of the Goods to the Purchaser during normal working hours and the Seller shall in such instance make its quality control information available to the Purchaser for its perusal.

5.4 The Seller is a SABS/ISO/9001:2008 accredited company and also possesses an Intetek Certification in terms of BS-OHSAS 18001:2007 and BS EN ISO 14001:2004.Quality plans will be supplied to the Purchaser after the Acceptance of Order. The Seller's indicative price, however, does not include for costs of inspection by the Purchaser, other than for the Seller's internal requirements. Any costs incurred in respect of any additional inspection conducted by the Purchaser or testing required by the Purchaser would be for the Purchaser's account.

#### 6. <u>DELIVERY</u>

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Unless otherwise stipulated in the Contract, the Contract Price is based on "ex works" delivery and is exclusive of any VAT payable in terms of any applicable statute, packaging, freight and insurance during transport.

- 6.2 The risk in and to the Goods will pass to the Purchaser on delivery and claims for non delivery or for shortages or damage upon receipt of the Goods must be made by the Purchaser within the earlier of 7 (seven) days of the relevant consignment note or receipt of the Goods as the case may be, failing which the Seller shall have no liability in respect of such claims.
- 6.3 Should the Purchaser fail or refuse to take delivery of the Goods when delivery is tendered by the Seller, the Purchaser shall be liable for such costs as may be incurred by the Seller in consequence thereof.



**CONTRACT PRICE** 

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Unless otherwise specifically agreed in writing in each particular instance:

7.1 the Contract Price to be paid by the Purchaser for the Goods shall be as set out in the Contract, and is based on the cost of materials, transport, labour, exchange rates and import duties, ruling at the date of the Seller's Tender, and any variation in such costs or rates occurring between the date of Tender and the date of the completion of the Goods, shall be for the account of the Purchaser, and shall be determined in accordance with the formula included in the Contract, and if no formula is so included, in accordance with the prevailing relevant formulae, principles and indices published by SEIFSA;

the Contract Price does not include the cost of shipment. The Purchaser may request the Seller to arrange for shipment/transportation of the Goods and should the Seller agree in writing to such request, the Purchaser shall supply the Seller with all necessary information to enable the Seller to comply with all legal requirements necessary for the Goods to be imported into the Purchaser's territory whereafter the Seller shall provide the Purchaser with an official quotation on a 'Freight on Board' (Incoterms® 2010) basis at an additional cost for the Purchaser's account;

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the Contract Price does not include the cost of patterns, gauges, tools and dies,
 which shall be charged separately, and which shall in all cases remain the property of the Seller;

- 7.4 the Contract Price shall be paid free of exchange, deduction or set off as follows:
- 7.4.1 30% (thirty percent) of the total Contract Price shall be payable to the Sellerby way of electronic funds transfer within 14 (fourteen) days of date ofinvoice; and

7.4.2 the remaining 70% (seventy percent) of the total Contract Price shall be payable within 30 (thirty) days of approval by the Seller's Quality Assurance Department, Ex Works in Isando, by means of an irrevocable, indivisible and confirmed letter of credit (the confirmation fees of which shall be borne)

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by the Purchaser), opened with a reputable first class bank payable at sight established by the Purchaser as soon as possible after date of invoice in favour of the Seller, confirmed by and acceptable to the Seller and made payable into the Seller's designated account;

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notwithstanding delivery of the Goods to the Purchaser or to any third party, it is specially agreed that it is the intention of the Parties that the Goods shall not accede to any other property, whether movable or immovable, and that as far as any other goods or equipment are concerned the Goods shall, for the purpose of accession be deemed to be the principal items, and that ownership of the Goods and any items accessory thereto, shall at all times remain vested in the Seller, and shall not pass to the Purchaser until the full Contract Price has been paid. In the event of non-payment, the Purchaser hereby irrevocably authorises the Seller or its duly authorised agents to repossess the Goods wheresoever they may be found, and further at its option to detach or unmix by itself, its agents or servants, the Goods from anything to which they are attached or in which they are installed or annexed without being responsible for any damage that may be caused thereby and, may, for such purposes, by itself, its servants or agents, enter upon any land or building, vehicle or vessel or other place upon which the Goods are reasonably thought to be situated;

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payments delayed after the due date for payment shall be subject to interest charges, compounded monthly in arrears with effect from the date of delivery, at the Prime Rate plus 2% (two percent);

should any amounts be outstanding and due and payable to the Purchaser by any third party in respect of the Goods and should the Purchaser not have made payment in terms of this clause 7, the Purchaser hereby cedes *"in securitatem debiti"* all its rights, title and interest in such payment from such third party to the Seller and the Purchaser hereby undertakes to advise the third party accordingly, and to sign all and any documentation to give effect to such cession, and the Seller hereby accepts such cession; and

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if payment by the Purchaser is effected by cheque, and where the post is used

the post is used,

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the risk of loss arising from the use of a cheque or the use of the post, shall rest with the Purchaser.

#### 8. RENUNCIATION OF BENEFITS

The Purchaser hereby renounces the benefits of any other rights not expressly referred to in a Contract or not expressly agreed in writing to which it may be entitled, or which it may acquire in terms of the Moratorium Act, No. 25 of 1963 or any other similar rights under any other statute.

#### 9. FORCE MAJEURE

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For the purposes of this clause 9, force majeure means any acts of God, strikes, lock-outs, electrical blackout, accidents, plant and machinery breakdowns, labour action or unrest, civil commotion, riots, war, threat of or preparation for war, breaking off of diplomatic relations, fire, explosion, sabotage, storm, flood, earthquake, lightning, act of local or national government failure or delay on the part of supplier of services or bought out raw materials to meet delivery dates, any failure or delay to provide 'free issue' materials, specifications, or defects or changes in such specifications or any other cause or contingency beyond the control of that Party ("Force Majeure").

Neither Party shall have any claim against the other Party (the "Affected Party") for any failure of the Affected Party to carry out any of its obligations under a Contract arising from or attributable to a Force Majeure event provided that, where reasonably foreseeable, prior notice of the occurrence of the Force Majeure event is given by the Affected Party to the other Party.

9.3 The performance of the obligations of the Affected Party shall be suspended for the duration of the Force Majeure event. Upon cessation of the Force Majeure event, the relevant Contract shall again become fully operative and the Affected Party shall immediately resume its performance.

In the event that the suspension of performance continues for more than 30 (thirty) consecutive days, either Party may forthwith terminate the relevant

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Contract by written notice to the other Party.

#### 10. INFRINGEMENTS OF INTELLECTUAL PROPERTY

- 10.1 The Purchaser shall indemnify and hold harmless the Seller against all claims and expenses of whatsoever nature and description arising from the alleged or actual infringement of any letters, patent, trade marks, designs or copyright occasioned by the Seller's performance of a Contract.
- 10.2 The Seller warrants however that any designs specified by it shall not infringe any such letters, patent, trade marks, designs or copyright.
- 10.3 The Purchaser shall keep confidential and shall not use for any purpose other than the Contract itself, all drawings and designs supplied by the Seller in terms of the Contract, and the Purchaser shall indemnify the Seller against any loss suffered by the Seller as a result of the breach of this clause.

#### 11. BREACH

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Should either Party (the "Defaulting Party") commit a breach of any of the provisions of a Contract, then the other Party (the "Aggrieved Party) shall be entitled to require the Defaulting Party to remedy the breach upon 14 (fourteen) days written notice to do so.

If the Defaulting Party fails to remedy the breach within the period specified in such notice the Aggrieved Party shall be entitled to claim immediate payment and/or performance by the Defaulting Party of all of the Defaulting Party's obligations under the Contract whether or not the due date for payment and/or performance shall have arisen, in either event, without prejudice to the Aggrieved Party's right to claim damages. The aforegoing is without prejudice to such other rights as the Aggrieved Party may have at law; provided always that notwithstanding anything to the contrary contained in the Contract, the Aggrieved Party shall not be entitled to cancel the Contract for any breach by the Defaulting Party unless such breach is a material breach going to the root of the Contract and is incapable of being remedied by a payment of money or, if it is capable of

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being remedied by a payment of money, the Defaulting Party fails to pay the amount concerned within 20 (twenty) Business Days after such amount has been determined.

- 11.3 The Seller may terminate a Contract at any time by giving to the Purchaser notice of such termination if:
- 11.3.1 the Purchaser is, other than for the purposes of reconstruction or amalgamation, placed under voluntary or compulsory liquidation (whether provisional or final) or under judicial management, administration, business rescue or under receivership or under the equivalent of any of the aforegoing; or

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- 11.3.2 a final and unappeasable judgement against the Purchaser remains unsatisfied for a period of 14 (fourteen) days or more after it comes to the notice of the board of directors of the Purchaser; or
- 11.3.3 the Purchaser makes any arrangement or composition with its creditors generally or ceases to carry on business; or
- 11.3.4 the Purchaser is amalgamated with, purchase by or through any corporate reconstruction becomes a part or member of or associated with, a competitor of the Seller.

If the Purchaser, or any of its sub-contractors, agents, employees or servants gives or offers to give any person any bribe, gift, gratuity or commission as an inducement or reward (i) for doing or forbearing to do any action in relation to a Contract or any Order or any other contract with the Seller, or (ii) for showing or forbearing to show favour or disfavour to any person in relation to the Order or the Contract or to any other contract with the Seller, or (iii) commits any act of dishonesty, fraud or theft in relation to the Order and/or the Contract and/or any Goods delivered pursuant to the Contract (hereinafter (i), (ii) and (iii) shall be collectively referred to as "dishonesty"), then the Seller shall be entitled to cancel that Contract and/or the Order (including all other Contracts in force at the time) without prejudice to any other rights which the Seller may have in terms of the

Contract or at law, outstanding under the Contract upon written notice to the Purchaser. Should the Seller choose not to cancel the Contract and/or the Order outstanding under the Contract (including any other Contracts), then the Seller shall be entitled to claim all losses, costs and damages which the Seller may suffer as a result of the dishonesty of the Purchaser. The Seller shall not be obliged to pay or compensate the Purchaser for any work in progress or Goods to be supplied under any Contracts or Orders cancelled in accordance with the provisions of this clause 11.4.

Any termination pursuant to the preceding provisions of this clause 11 shall be without prejudice to any claim which any Party may have in respect of any prior breach of the terms and conditions of any of the Contracts concerned by any other Party.

#### 12. CONFIDENTIALITY

Any plan, patterns, drawings, designs or other information supplied by the Seller to the Purchaser in connection with a Contract or Tender shall remain the property of the Seller and any information derived therefrom or otherwise communicated to the Purchaser shall not, without the consent in writing of the Seller be published or disclosed to any third party or made use of by the Purchaser except for the purposes of the execution of the Contract.

#### 13. GOVERNING LAW

13.1

The entire provisions of a Contract and any Order shall be governed by and construed in accordance with the laws of the Republic of South Africa. The Parties hereby irrevocably and unconditionally consent to the non-exclusive jurisdiction of the South Gauteng High Court, Johannesburg in regard to all matters arising from a Contract, a Tender or an Order.. Notwithstanding the governing law as mentioned in clause 13.1 or any other law being applicable (if any), the provisions of a Contract and the discharge of the obligations thereunder shall at all times be subject to any applicable armaments laws of the Republic of South Africa, specifically including but not limited to, all consents, licences, li

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Page 17

permits, filings, approvals, notifications or authorisations required by, or any other requirements whatsoever of, any governmental, judicial or other authority in terms of the National Conventional Arms Control Act, No. 41 of 2002, including all regulations and schedules thereto.

#### 14. ARBITRATION

- 14.1 Any dispute between the Parties in regard to:
- 14.1.1 the interpretation of;
- 14.1.2 the effect of;
- 14.1.3 the Parties' respective rights and obligations under;
- 14.1.4 a breach of; or
- 14.1.5 any matter arising out of;
  - a Contract shall be decided by arbitration in the manner set out in this clause.
- 14.2 The said arbitration shall be held subject to the provisions of this clause:
- 14.2.1 at Johannesburg;
- 14.2.2 informally; and
- 14.2.3 otherwise in accordance with the provisions of the Arbitration Act No. 42 of 1965, as amended;

it being the intention that if possible it shall be held and concluded within 21 (twenty one) Business Days after it has been demanded.

- 14.3 The arbitrator shall be if the question in issue is:
- 14.3.1 primarily an accounting matter, an independent accountant agreed upor between

Page 18

the Parties;

- 14.3.2 primarily a legal matter, an independent attorney agreed upon between the Parties; or
- 14.3.3 any other matter, an independent attorney agreed upon between the Parties.
- 14.4 If the Parties cannot agree upon a particular arbitrator in terms of clause 14.3 within 5 (five) Business Days after the arbitration has been demanded, the nomination in terms of clauses 14.3.1, 14.3.2, and 14.3.3, as the case may be, shall be made by the President for the time being of Law Society of the Northern Provinces within 5 (five) Business Days after the Parties have so failed to agree.
- 14.5 The Parties irrevocably agree that the decision in these arbitration proceedings:
- 14.5.1 shall be binding on them,

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- 14.5.2 shall be carried into effect, and
- 14.5.3 may be made an order of any Court of competent jurisdiction.

### 15. FUTURE CONTRACTS

These General Conditions (as it may be amended from time to time by the Seller) shall also apply to any future oral or written contract for the supply of goods and/or services by the Seller to the Purchaser other than pursuant to a Contract, save to the extent that these General Conditions are in any future contracts specifically varied or excluded or are inconsistent with what is expressly agreed in any such future contract.

#### 16. <u>COSTS</u>

16.1 Each Party shall bear their own costs (including VAT) of and incidental to the negotiation, preparation, execution, implementation and delivery of a Contract.

Page 19

16.2 All legal costs, including costs as between an attorney and his own client, charges and disbursements incurred by any Party in enforcing or defending any of the provisions of a Contract and costs and disbursements incurred in tracing the defaulting Party and in collecting or endeavouring to collect all or any amounts payable by the defaulting Party hereunder or otherwise, and all collection commissions including any VAT on any such costs, charges, disbursements, commissions or fees, shall be for the account of the defaulting Party and shall be payable on demand.

#### 17. GENERAL

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A Contract shall contain the entire agreement between the Parties in regard to the subject matter thereof.

17.2 No Party shall be bound by or have any claim or right of action arising from any express or implied term, undertaking, representation, warranty, promise or the like not included or recorded in a Contract whether it induced the Contract and/or whether it was negligent or not.

17.3

No variation, amendment or consensual cancellation of a Contract or any provision or term thereof or of any agreement, bill of exchange or other document issued or executed pursuant to or in terms of a Contract and no settlement of any disputes arising under a Contract and no extension of time, waiver or relaxation or suspension of any of the provisions or terms of a Contract or of any agreement, bill of exchange or other document issued pursuant to or in terms of a Contract shall be binding or have any force and effect unless reduced to writing and signed by or on behalf of the Parties. Any such extension, waiver or relaxation or suspension which is so given or made shall be strictly construed as relating to the matter in respect whereof it was made or given.

17.4 No failure by a Party to enforce any provision of a Contract shall constitute a waiver of such provision or affect in any way a Party's right to require the performance of such provision at any time in the future, nor shall a waiver of a subsequent breach nullify the effectiveness of the provision itself.

Page 20

- 17.5 If any clause or term of a Contract should be invalid, unenforceable, defective or illegal for any reason whatsoever, then the remaining terms and provisions of the Contract shall be deemed to be severable therefrom and shall continue in full force and effect unless such invalidity, unenforceability, defect or illegality goes to the root of the Contract.
- 17.6 The Parties undertake at all times to do all such things, to perform all such acts and to take all such steps and to procure the doing of all such things, the performance of all such actions and the taking of all such steps as may be open to them and necessary for or incidental to the putting into effect or maintenance of the terms, conditions and import of any Contract.

#### As Witnesses

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1	
	For and on behalf of
2	
	being duly authorised thereto and hereby
	warranting such authority
As Witnesses	
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2	For and on behalf of
2	
	being duly authorised thereto and
	hereby warranting such authority

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# **PROTECTED MOBILITY**

# **ANNEXURE 'H'**

# **Tax Clearance**

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INTO

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6.1



South African Revenue Service

Tax Clearance Certificate Number 0071/1/2013/0002847981

# **Tax Clearance Certificate - Tender**

Enquiries 0800 00 7277

Approved Date 2013-08-01

Explry Date 2014-08-01

Trading Name	DCD GROUP PTY LTD
Legal Name	DCD GROUP PTY LTD
Identity Number/ Passport Number	
Company Registration Number	2006/037611/07
Income Tax Reference Number	9542858155
VAT/Diesel Registration Number	4080235247
PAYE Registration Number	7020764389
SDL Registration Number	L020764389
UIF Registration Number	U020764389
Tender Number	

It is hereby confirmed that, on the basis of the information at my disposal, the above-mentioned taxpayer has not contravened the provisions of Income Tax Act (1962), Value Added Tax Act (1991), Employees Tax (PAYE as contained within the IncomeTax Act 1962), Skills Development Levies Act (1999) or Unemployment Insurance Contributions Act (2002), as at date of this certificate.

This Certificate is Valid for a period of 1 (One) Year from the date of approval.

Verification of this certificate can be done at any SARS Revenue office nationwide.

Photo copies of this certificate are not valid.

SARS reserves the right to withdraw this certificate at any time should any taxes, levies or duties become due and outstanding by the above taxpayer during the one year period for which the certificate is valid.

This certificate is issued free of charge by SARS.

# **ANNEXURE "CM20"**



# Bonginkosi . Mthembu

From: Sent: To: Subject: Attachments: Rolland Rakhuduwe Monday, 30 June 2014 16:24 Celia Malahlela Copy of Consolidated Evaluation Rev 1 26062014 (2).xls Copy of Consolidated Evaluation Rev 1 26062014 (2).xls



# **CONSOLIDATED EVALUATION SHEET**

				Premiu	SUBA			R 0	R 96 794 183	R 136 303 849		
				% Premium	payane			00'0	58,45	82,30		
				Overall Ranking	Technical, BEE			2	-	3		
				Total point		100%		64,78	65,54	51,28		
				Total point for		%0		0	0	0		
				BBBEE		30%		0	ъ	ъ		
				Points for Technical		45%		39,78	50,15	41,86		
				Points for		25%		25,00	10,39	4,42		
				Comparative Offer	(111)		A N	R 165 612 451	R 165 612 451	R 165 612 451		
ARATIVE OFFER	25%	45%	30%	Financial Offer	<u>-</u>	0		R 165 612 451	R 262 406 634	R 301 916 300		
<b>BASIS FOR COMPARATIVE OFFER</b>	PRICE:	TECHNICAL:	BE	Name of Tenderer :	highest Price			LMT	VR Laser	DCD		

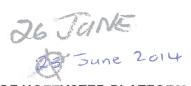
	Total BEE (Max 30)	0	5	5							
	Black Ownership	0	2	2							
	Employment Equity Black Ownership	0	0	0							
	BBEEE Score	0	3	3		1	1 1 1	ILIN	ORI	T 1 .	
1	BBBEE Scorecard Level	Expired	LEVEL 4	LEVEL 3	N	X	10 million (1990)				
-	Name of Tenderer :Ranked in same order as above	LMT	VR Laser	DCD							

LMT BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 5 contributor. In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any point for BBBEE because there is no valid certificate in place. VR submitted a valid BBBEE certificate indicating a level 4 contributor with 25.10% black women ownership. VR laser has indicated that it is now 100% black owned, however, they have not done the verification to reflect that. At this stage we cannot allocate any point for 100% black ownership because there is no updated BBBEE certificate to that effect.

DCD BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 4 contributor In their proposal they have indicated that they are currently busy finalizing a joint venture that will ensure 47% of economic benefit from this project accrued to previously disadvantaged people. DCD is currently awaiting a new BBBEE certificate on a level 4.

# **ANNEXURE "CM21"**





## EVALUATION OF HOEFYSTER PLATFORM HULL PROPOSALS

## **Declaration of Interest**

I hereby certify and make the following declaration of interest and swear that the content of this declaration is true. Furthermore, by signing this document I undertake to treat all

Name	Business Unit	Signature	Declaration of Interest
		4	(none or declare possible conflict of interest)
Celia Malahida	Supply Chain	Goverein	NONE
Rolland Rakundum	Supply Chain	Man	None
BARRIE VO LINDE	IS	A	WONSFE
Inword KHSA	ISV	Photos	Nowe
ANTON LINDHOUT	VENG.	And that	NONE.
HENK V/S HEEVER	"SC"	Hilken	Nonte
PIETER GRUNDUNGH	VRLASER	And	NONE
JAN A. M. VEIL	VR LASER	gam Mus	NONE.
J.P. Avor	V. & Lasu	da	Non
BENNY JIYANE	UR haser	V.	None.
AVISHKAR GOVENDER	15.	The second	NONE
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MARTIN PREVIN	IS	mar	None
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# **ANNEXURE "CM22"**



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Σ	MEF NG WITH VR LASER ON THURSDAY 26 CIE 2014 AT 08:30 TOT 09:00	00:60
	QUESTION	RESPONSE
<del>.</del>	B1.4: Clarity on this point.	Only additional jigs to aid in the fabrication - Include in proposal
N.	Confirm if jigs included in price	Answered in point 1 feedback.
e.	A2.3: All delivery stages to be based on DLS delivery schedule	Phases 1 & 2 will also be delivered according to DLS schedule
4	Require detail price breakdown and provide content for local mat / imported mat and labour cost) – supplier already requested via e-mail to submit the info at this meeting	Was available but will be sent to DLS with update before COB.
کا	Ownership change – how does it influence BEE status? To provide new / updated certificate?	Will be clarified with accreditation company with feedback when available.
.9	Quote inclusions: 5 – does price include paint?	Yes, will be confirmed with feedback.
7.	Does price include foam required in mine protection floor?	Yes.
ω	How do you intend to protect Patria IP	Bays will be updated with access control – VR Laser own account
<u>ю</u>	Is everything in place to start fabrication? What is still required to be put in place.	Paint process will have to be put in place once clarified. – Patria spec or Armscor spec
10.	Performance bonds – confirm if included in pricing	Not requested on RFQ by DLS – will be supplied with update.

# **ANNEXURE "CM23"**



MEETING WITH DCD ON THURSDAY 26 JUNE 2014 AT 09:00 TOT 09:30

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	QUESTION	RESPONSE
<del>.</del> .	1.6 / 1.10: Will price be adjusted down once clarified	Upgrades will be for DCD own account - see update feedback
ci.	7.1: To clarify – who will DCD be using as material supplier	SSAB South Africa – see list of subcontractors on feedback
r.	Comply to DLS escalation formula	Will amend accordingly with feedback.
4.	2.4: All Finance issues will comply to DLS conditions	Will amend accordingly with feedback.
2.	5.5: Penalty percentage will be determined based on back to back contracting conditions	Will amend accordingly with feedback.
Ö	7.6 Not acceptable – all inspection costs should be included in pricing	This is only in the case of special request where third party inspections with additional cost is involved.
7.	9.1 All subcontractors must be approved by DLS due to IP protection, Quality, etc)	Will supply list of subcontractors on feedback list for DLS approval
œ	Does price include foam required in mine protection floor?	Yes
G	How do you intend to protect Patria IP	Bays will be updated with access control – DCD own account
10.	Is everything in place to start fabrication? What is still required to be put in place.	Bigger Cranes will have to be installed – info on feedback
11.	Performance bonds – confirm if included in pricing	Not requested on RFQ by DLS - will be supplied with update.

# **ANNEXURE "CM24"**



	QUESTION	RESPONSE
<del></del>	2.2 AV-8 reference and require a schedule. Clarify difference between 2.2 and 2.3	Reference of AV-8 was made by supply chain officer therefore the ref on LMT quote.
~i	Why dramatic drop in price from previous quotations (was special discount offered?)	Provision for Trucks, Hydraulic presses and NC Machine was made in the previous proposal which was removed - reason for the drop in price.
ю.	Require detail price breakdown and provide content for local mat / imported mat and labour cost) – supplier already requested via e-mail to submit the info at this meeting	Was supplied by LMT during the meeting.
4.	9.1 Taking LMT track record into consideration, what has LMT done to improve	Patria data pack is fixed and will not have any reason to cause delay as for the previous DLS contracts.
ù.	Has industrialisation cost been included in pricing – what portion of cost? Please explain action plan	Yes.
.9	Does price include paint	Only ba <mark>se coat –</mark> will form part of updated feedback.
7.	Board approval – when expected	No definite indication – not sure.
αİ	Does price include foam required in mine protection floor?	Not Foam but polyurethane is included – newer level 4 floor was designed in 2008 and suggest that Patria must go for this lighter option.
 о	How do you intend to protect Patria IP	Will ensure that access control is implemented at all infrastructure currently in process to obtain and build - LMT own account
10.	ls everything in place to start fabrication? What is still required to be put in place?	Will have to complete the renting contracts on buildings for the additional space required.
11	Performance bonds – confirm if included in pricing	Not requested on RFQ by DLS.

# **ANNEXURE "CM25"**





# PROPOSAL: REQUEST FOR OFFER FOR HOEFYSTER PLATFORM COMPONENTS

Q/2/001056/3

PROPOSAL NUMBER: ISSUE: DATE: CLIENT: CONTRACTOR: CONTACT PERSON: VALIDITY:

C

3 28 June 2014 Denel Land Systems LMT Products (Pty) Ltd Dr S Nell 120 days

Signed on behalf of LMT Products (Pty) Ltd (pending LMT Board approval)

INTO ST

Dr S Nell CEO

RECEIVED 2014 -06- 2 7 DLS SUPPLY CHAIN

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## PROPOSAL: REQUEST FOR OFFER FOR HOEFYSTER PLATFORM COMPONENTS

## 1. Background and scope

This proposal entails an amended price for Item 22: Armour Hull originally proposed in applicable document 2.1 as per request from Denel Land Systems in applicable documents 2.2 and 2.3.

## 2. Applicable documents

- 2.1 **Proposal: Request for Offer for HOEFYSTER Platform Components**, LMT Products Proposal Number Q/1/001056/2, Issue 2, 9 February 2012.
- 2.2 Update Request of Proposal Number Q/1/001056/2 HOEFYSTER Platform Components, Ref AV-8 Thick Base, 27 May 2014
- 2.3 Update Request of Proposal Number Q/1/001056/2 HOEFYSTER Platform Components, Rcf HY/RFO/2011-002/1, 6 June 2014.
- 2.4 Armour Hull, Patria drawing number P709055-01, 21 June 2007.

## 3. LMT Company background

- 3.1 LMT (<u>www.lmt.co.za</u>) is an engineering and manufacturing company specialising in the design, manufacture and support of armoured vehicles. More than a 1000 vehicles are operating all over the world, either supplied by LMT as complete systems, or fitted with add-on subsystems provided and supported by LMT.
- 3.2 The company is owned by Denel (51%, <u>www.denel.co.za</u>) and Pamodzi (29%, <u>www.pamodzi.co.za</u>), a 100% Black owned South African company. Denel is the largest manufacturer of defence equipment in South Africa.
- 3.3 LMT is ISO9001:2008 certified (certificate is attached as Appendix A).
- 3.4 LMT has manufactured the hull and mine protection kit numerous times for Patria since 2005 and was also responsible for the design and qualification of the landmine kit.

## 4. Deliverables

4.1 Supply of 217 armoured hulls as per applicable document 2.4

## 5. Schedule

5.1 As per Annexure C, applicable document 2.2

## 6. Price

- 6.1 The unit price for 217 hulls (mine floor included) as per applicable document 2.4 is R736,534.00 (VAT excluded). This price includes sandblasting and priming of the hull (interior and exterior).
- 6.2 The unit price for 217 hulls (mine floor included) as per applicable document 2.4 is R763,191.02 (VAT excluded). This price includes sandblasting and painting of the hull with Matt Dark Earth (exterior) and Beige Green (interior) as per RSA-MIL-SPEC 42 (latest revision, tailored where applicable).
- 6.3 It is not possible to quote for the mine protection separately as it is an integral part of the hull structure.
- 6.4 The base date is 30 June 2014 and escalation will be in accordance with the indices stated in Appendix B, applicable document 2.2

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Commercial in Confidence

## 7. Terms and conditions

7.1 As per paragraph 3 of applicable document 2.2

## 8. Client Furnished Items (CFIs)

8.1 All jigs and fixtures as per applicable document 2.3

## 9. Warranty

- 9.1 LMT warrants that the items/equipment/services supplied under this Contract by LMT shall be free from defect of design, size, dimensions, material and workmanship for a period of 30 months from the date certification of completion of work by the client and further warrants that any item/items/equipment or part/parts found defective through faulty design, workmanship, manufacture, size, dimensions and material will be replaced or repaired free of cost.
- 9.2 LMT shall not be liable for claims under the warranty in the event of any one or more of the following:
  - i. The item has not been stored, handled and/or maintained and serviced as per normal depot storage, handling and operating conditions (to be provided during training).
  - ii. The item has been altered or modified or repaired in any way except with written authorisation and in exact accordance with the written instructions of LMT.
  - iii. The item has been subjected to misuse by the client or to conditions for which it was not designed.
  - iv. The items are damaged at any time due to operator error or as a result of weapons used against it.

## 10. Shipping

10.1 Deliver at 368 Selbourne Avenue, Lyttleton, Pretoria

INTO

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RECEIVED 2014 -06- 2 7 DLS SUPPLY CHAIN



# CERTIFICATE

# ISO 9001:2008

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**DEKRA** 

DEKRA Certification GmbH hereby certifies that the company LMT HOLDINGS (PTY) LTD

Scope of certification:

Design, Development, Simulation, Manufacturing, Logistics Engineering, Testing Services, Supply and Support of Specialised Products.

Certified location: Workshop site, 286 Maggs Street, Waltoo, 0184, Pretoria, Gauteng

has established and maintains a quality management system according to the above mentioned standard. The conformity was adduced with audit report no. CA-12-142RA.

This certificate is valid from 2012-11-15 to 2015-11-14

DEKRA Certification Gmbili Studigent, 2012-11-09



Certificate registration no : 910031126/3

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DEKRA Centricentian GribM " Handwerkstrebe 15 " D-70565 Stattgart " www.tekra.centification.de

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-Production Hours	æ	19 930 156.68
Project Profit	œ	51 998 733.66
Project Profit %		33%
Indirect Labour Cost	ď	35 951 908.72
Profit after indirect Labour		
absorption	ж	16 046 824.94
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Note 1: No Patria Learning Curve, costing assumes learning completed Note 2: 1000 PM & Engineering Support Hours per year for 7 years

Detail Co	C Detail Cost Calculations	Js O			Ö			2014/06/13
Site	WTL							
Product	1275-755482-03/A	2-03/A			0			
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		Total	Machine	Product	115 974.52	115 974.52	0.00	115 974.52
Labour Work Can	Work Contro	Dosoriation						
WORK	W-BENDP	Adira 280 Ton Bender	Kate Schedule 327.82 327.82	11me 6.6000 19.8125	Amount 2 163.61 6 494.93	Total 8 658.55	Overhead Co 0.00	Total with Overh
WORK	W-BOIL-1	Boilermaker, Table and Tools	327.82 327.82	41.7000 305.8000	13 670.09 100 247.36	113 917.45	0.00	113 917.45
WORK	W-GRIND	Grinding Booth	327.82 327.82	0.0000 18.7500	0.00 6 146.63	6 146.63	0.00	6 146.63
WORK	W-PAINT	Paint Booth	327.82 327.82	0.6250 48.0500	204.89 15 751.75	15 956.64	00.00	15 956.64
WORK	W-SANDB	Sand Blasting	327.82 327.82	1.2500 23.4000	409.78 7 670.99	8 080.76	0.00	8 080.76

W10-CPMM-304

Page 1 of 2

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n.				
2014/06/13		Total with Overhi 95.48	665 357.23	
201		Overhead Cc 0.00		
		Total 95.48 152 855.50	Total Cost :	
2		Amount 0.00 95.48 152 855.50	665 357.23	
		Time 0.0000 0.2913 Product	Overhead Cost : Total unit cost :	
		Rate Schedule 327.82 327.82 Labour	152 855.50 0.00	
		<b>Description</b> Angle cutter (hollow bar & tub <b>Tota</b> l	Labour Cost : Subcontract Cost :	
SU	82-03/A		396 527.21 115 974.52	
Detail Cost Calculations Site WTL	1275-755482-03/A	Work Centre W-SAW-1	Material Cost : Machine Cost :	
Detail Cos Site	Product	Labour Work Cen WORK	Materi	

.

# **ANNEXURE "CM26"**





Our Reference D0263/4/CG/In

26 June 2014

Denel Land Systema PO Box 7710 Pretoria 0001

received 2014 -06- 7 7 DLS SUPPLY CHAIN 45945

Reg no 2008/037811/07

22 Monteer Rd Isando, 1601 South Africa

PO Box 895 isando, 1600 South Africa

T +27 11 261 7300 F +27 11 281 7301

www.dcd.co.za

# Dear Sir

ATTENTION: MR HENK VAN DEN HEEVER

# CLARIFICATION : OFFER FOR DENEL LAND SYSTEMS HOEFYESTER (BADGER) **VEHICLE HULLS**

Clarification meeting with regards to our offer reference D0263/3 dated 25 June 2014 at your offices at 9am on 26 June 2014 refers.

- **4**. Clause 1.6:
- Robotic Welding Cell Upgrades 1.1
- 1.1.1 The existing robotic welding cells in bay 4 will be extended to accommodate the welding of project Hosfyster Hulls and Floor assemblies. Existing robotic welding torches will be modified and new robotic welding torches will be
- 1.1.2 installed to be able to do the internal weiding on the floors.

#### 1.2 Overhead Crane Updates

- 1.2.1 Three of our existing 5 ton overhead cranes in bay 2, bay 3 and bay 4 will be upgraded to load capacity of 8 tons.
- 1.2.2 There is no additional cost to DLS for any of the above upgrades.
- 1.2.3 The above upgrades will be completed within the first three months after contract award.

#### Filling of Floor Cavities with Polyurethane Form 1.3

Subsequent to submitting our after on 25 June 2014 we have identified a foam (AMT PU38 Two part Polyurethane rigid foam) which we believe will be suitable for this application. Our price in clauses 2.1.3 and 2.1.4 of our offer dated 25 June 2014 provides for the supply, filling and finishing of this foam in the Mine Protection Floor Sections.

#### 2. Clause 1.10 and 2.2;

We confirm that the indicative price for the supply application and curing of the Delta Coating could be reduced once the full specifications, application and curing process has been provided to us by yourselves. Our indicative pricing provided in clause 2.2 of our offer dated 26 June 2014 is the best estimate of the cost for this work based on the information available. at this stage.

#### 3. Cieuse 24:

We have revised the escalation formulas provided for the local content portion of the tender MD price as per your Annexure B. See following Annexures attached: SOUTH SHELLING

- Annexure A. South African Rand Portion Hostyster Platform Hull (Item Nr 709055 excluding item Nr 709805)
- Annexure B. South African Rand Portion Mine Protection Floor Section (Item Nr 709805)

Directore

R G King (Managing), V Langlole, A Gorchan, C Nikura, L Phasha, G P **GPJKlos** 

Alternate Directors G M Colegate W A S Net



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2014 -06- 2 7

**DLS SUPPLY CHAIN** 

Page 2

· Annexure C. South African Rand Portion Hoefyster Platform Hull (Item Nr 709055 including item Nr 709605)

#### 4. Clause 5.6:

Limitation of Liability

- Notwithstanding anything to the contrary in any Contract analog from this offer, the maximum 4.1 aggregate liability of DCD to DLS under or arising in relation to such a Contract, shall not exceed 15% (fifteen percent) of the total Contract Price.
- Neither Party shall be liable to the other, whether arising from breach of contract, delict or 4.2 olherwise for:
- 4.2.1 any indirect, punkive, consequential or exemplary damages; or
- 4.2.2 Loss of profit (including interest thereon), or on increase in Net Loss, whether constituting direct or indirect losses.

Provided that nothing contained in this clause shall restrict or limit or qualify or in any manner affect a claim or recourse that either Party has against the other to the extent provided for in. our Contract arising from this offer.

#### 6. Clause 7.6:

- We confirm that our offer includes all the costs for inspection and testing of all items, by 5.1 ourselves, to meet the requirements for us to deliver the items.
- Your inspectors are welcome to inspect the work at any stage during normal working hours. 5.2 We will make our quality control information available for their perusal, as well as provide all reasonable assistance they may require to conduct their inspections.

#### £ Clause 9:

- 6.1 Our major suppliers on any contract resulting from this offer are :
  - SSAB South Africa
  - Relv Intra Cast
  - Jojap Engineering
  - VRN Mac Steel
  - Splach Paints

#### 6.2 Percentage Outsourced Work:

- Hosfyster Platform Hull (Item Nr 709056 excluding Item Nr 709605) 9% (nine percent) 6.2.1
- Mine Protection Floor Sections (Item Nr 709605 15% (fifteen percent) 822
- Hoefyster Platform Hull (Item Nr 709055 including Item Nr 709805) 11% (eleven parcent) 6.23

#### 7. Clause 12;

We undertake to provide you with a valid BBBEE certificate within the grace period you have allowed us i.e. before 10 July 2014.

- 8. Clause 13;
- DCD shall provide a Performance Bonda within 60 (sixty) calendar days of signing of a valid 8.1 contract for this work, which shall serve as accurity for the proper execution of the work and DCD's obligation under the contract.
- 8.2 The Performance Bonds shall be established for 10% (ien percent) of the total contract base value, and be subject to progressive reduction as items are delivered to DLS.
- The additional cost for establishing this Performance Bond is R29 600 for the Pre-Production 8.3 Hulls; and R874 000 for the Performance Bond for the Preduction Hulls, excluding Value Added Tax (VAT). These prices are based at the current bank rate offered.

THIS IS FROPRIETARY INFORMATION OF DOD PROTECTED MOBILITY (A DIVISION OF DOD GROUP (PTV)/ WHICH SHALL NOT BE REPORTILCED ON TRANSMITTED IN WHICH OR IN PARTAMETHING TOPICS

## Page 3

- 9. Security of the Manufacturing Area (see Annexure D)
- 9.1 The area allocated to manufacture these items at DCD Protected Mobility's isando Facility is 6493m<sup>3</sup>.
- 9.1.1 The overall are of factory 1 building is 10 958 m².
- 9.1.2 Factory 2 building which is 6 804 m<sup>2</sup> will be utilised for storage for in-house and bought out components and parts.
- 9.2 DCD Protected Mobility's isando facility is a SECRET cleared location by Amacor, and has an access control system that allows us to control the movement of individuals onto and on the site.
- 9.2.1 The proposed manufacturing bays will be enclosed to the maximum height where visitors and unauthorised personnel will not be able to view the manufacturing activities in the mentioned manufacturing bays.
- 9.2.2 Our access control system will be expanded to ensure that entrance to fire dedicated bays will be equipped with access control technology to limit and restrict unauthorised personnel to access or view project Hoefyster manufacturing process activities.
- 9.2.3 The enclosure of the bays will also cover the following manufacturing facilities:
  - Shot blast booth 15m (length) x 6m (Wide) x 4.3m (Height)
    - Spray paint both 11m (Length) x 5m (Wide) x 4.3m (Height)
    - 2 x Robotic weiding cells
- 9.2.4 Above upgrades will be completed within 2 (two) months after contract swarded.
- 9.3 There is no additional cost for DLS relating to the implementation of these security measures.

## 10. Detail Price Breakdown

	Insported Portion		Local Portion	
	Material	Local Percentage	Labour	Material (Nechanical Engineering)
Annexare A Hoefyster Platform Huli (Item Nr 709065 excluding Hem Nr 709806)	19 %	81%	49%	51%
Annexure B Mine Protection Floor Sections (Item Nr 709805)	14%	89%	54%	46%
Annakure C Hostyster Platform Huli (Item Nr 709055 Including Item Nr 709505)	18%	82%	51%	49%

## 11. Competition:

It is not DCD 's intent to develop and manufacture 6 x 6 or 8 x 8 armoured vehicles in the class of the Badger vehicle in competition with DLS.

## 12. Level of Contracting:

Any contract arising from this offer will be concluded with DCD Group (Pty) Limited Reg No. 2006/037611/07.

13. Should you have any queries please contact Mr Comelius Grundling, Commercial Manager. His contact particulars are as follows:

i eleç	hone	number
Faxr	iumbe	r i
	umbe	
Emal	E .	

(011) 281-7324 (011) 281-7302 083 680 3850 comelius@dcd.co 2a

RECEIVED 2014 <del>,08</del>-\27 DLS S

THES IS PROPRIETARY INFORMATION OF DCU PROTECTED MOBILITY (A DIVISION OF DSU BROUP THAT) I TO) WHICH SHALL NOT BE REPORTACED OR TRANSMITTED IN WHICH: OR IN TWEI WITHOUT HISR. BRUER CONSENT

ours faithful C GRUNDLING Commercial Manager BEAR! **General Manager** Annexure 'A' Price Escalation: Rend Portion Hoefyster Platform Hull (Item Nr 709055 excluding Item Nr 709605) Price Escalation: Rand Portion Mine Protection Floor Sections (Item Nr Annexure 'B' 709605) Price Escalation: Rand Portion Hoefyster Platform Hull (Item Nr 709055 Annexure 'C' including Item Nr 709605) Annexure "D' Project Hoefyster Proposed Assembly Bays

## Copies:

Ms D Kgosi Mr G Kotzen Mr R Ndobe Mr H Pleneer Mr M Thusi Ms D Streak Mr W van Biljon

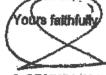
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INTO

Page 4





W10-CPMM-311

# **DCD** PROTECTED MOBILITY

# **ANNEXURE 'A'**

# Price Escalation: Rand Portion Hoefyster Platform Huli (Item Nr 709055 excluding Item Nr 709605)

INTO

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# Annexure 'A'

1

PRICE ESCALATION: RAND PORTION HOEFYSTER PLATFORM HULL (ITEM NR 709055 EXCLUDING ITME NR 709605)

$$P_{1} = P_{MO} \left\{ a \cdot \left( \frac{MM_{1}}{MM_{0}} \right) + b \cdot \left( \frac{EM_{1}}{EM_{0}} \right) \right\} +$$

$$P_{L\delta}\left\{\left[\frac{LS_{f}}{LS_{0}}\right]\right\}$$

## Where:

- a = 1
- b = 0

- RECEIVED 2014 -06- 2 7 DLS SUPPLY CHAIN
- P1 = ORDER PRICE (tariff) after adjustment
- Puo = (0.51) Amount of material PRICE subject to Rand escalation

Put = (0.49) Amount of labour PRICE subject to Rand escatetion

- MM<sub>1</sub> = SEIFSA index for Statistics SA Production Price Index for "Mechanical Engineering Materials", (Table G), published for the month, three months prior to the contractual delivery date...
- MMo = The SEIFSA index for Statistics SA Production Price Index for "Mechanical Engineering Materials", (Table G), published for the month, three months prior to the base month.
- EM<sub>1</sub> = SEIFSA index for Statistics SA Production Price Index for "Electrical Engineering Materials", (Table G), published for the month, three months prior to the contractual delivery date.
- EM<sub>8</sub> = SEIFSA index for Statistics SA Production Price Index for "Electrical Engineering Materials", (Table G), published for the month, three months prior to the base month.
- LS<sub>1</sub> = SEIF8A index of Actual Labour Cost, "All hourly paid employees" (Table C3), published for the month, three months prior to the contractual delivery date.
- LS<sub>0</sub> = SEIFSA index of Actual Labour Cost, "All hourly paid employees" (Table C3), published for the month, three months prior to the base month.

Base month is 30 June 2014.

W10-CPMM-313

# DCD PROTECTED MOBILITY

# **ANNEXURE 'B'**

# Price Escalation: Rand Portion Mine Protection Floor Sections (Item Nr 709605)

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INTO

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# Annexure 'B'

1

PRICE ESCALATION: RAND PORTION: MINE PROTECTION FLOOR SECTIONS (ITEM NR709605)

$$P_{1} = P_{M0} \left\{ a \cdot \left( \frac{MM_{1}}{MM_{0}} \right) + b \cdot \left( \frac{EM_{1}}{EM_{0}} \right) \right\} + b$$

$$P_{Lb}\left\{\left[\frac{LS_{1}}{LS_{0}}\right]\right\}$$

1

## Where:

- ,a =
- b = 0

- RECEIVED 2014 -06- 2 7 DLS SUPPLY CHAIN
- P1 CRDER PRICE (tariff) after adjustment
- P<sub>M0</sub> = (0.46) Amount of material PRICE subject to Rand escalation

PLo = (0.54) Amount of labour PRICE subject to Rand escalation

- MM<sub>1</sub> = SEIFSA index for Statistics SA Production Price Index for "Mechanical Engineeting Materials", (Table G), published for the month, three months prior to the contractual delivery date..
- MM<sub>0</sub> = The SEIFSA index for Statistics SA Production Price Index for "Mechanical Engineering Materials", (Table G), published for the month, three months prior to the base month.
- EM<sub>t</sub> = SEIFSA index for Statistics SA Production Price index for "Electrical Engineering Materials", (Table G), published for the month, threemonths prior to the contractual delivery date.
- EM<sub>9</sub> = SEIFSA Index for Statistics SA Production Price Index for "Electrical Engineering Materials", (Table G), published for the month, three months prior to the base month.
- LS<sub>1</sub> = SEIFSA index of Actual Labour Cost, "All hourly paid employees" (Table G3), published for the month, three months prior to the contractual delivery date.
- LS<sub>8</sub> = SEIFSA index of Actual Labour Cost, "All hourly paid employees" (Table C3), published for the month, three months prior to the base month.

Base month is 30 June 2014,

W10-CPMM-315

# DCD PROTECTED MOBILITY

# **ANNEXURE 'C'**

# Price Escalation: Rand Portion Hoefyster Platform Hull (Item Nr 709055 including Item Nr 709605)

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INTO



# Annexure 'C'

1

PRICE ESCALATION: RAND PORTION: HOEFYSTER PLATFORM HULL (ITEM NR 709055 INCLUDING ITEM NR 709805)

$$P_{1} = P_{M0} \left\{ B \cdot \left( \frac{MM_{1}}{MM_{0}} \right) + b \cdot \left( \frac{EM_{1}}{EM_{0}} \right) \right\} +$$

$$P_{Lb}\left\{\left[\frac{LS_{t}}{LS_{0}}\right]\right\}$$

1

## Where.

- 8 =
- b = 0

- RECEIVED 2014 -06- 27 DLS SUPPLY CHAIN
- P1 = ORDER PRICE (tariff) after adjustment
- Pine = (0.49) Amount of material PRICE subject to Rand escalation

PLo = (0.51) Amount of labour PRICE subject to Rand escalation

- MM<sub>1</sub> = SEIFSA index for Statistics SA Production Price index for "Mechanical Engineering Materials", (Table G), published for the month, three months prior to the contractual delivery date..
- MMe = The SEIFSA index for Statistics SA Production Price Index for "Mechanical Engineering Materials", (Table G), published for the month, time months prior to the base month.
- EM<sub>1</sub> = SEIFSA index for Statistics SA Production Price index for "Electrical Engineering Materials", (Table C), published for the month, three months prior to the contractual delivery date.
- EM<sub>0</sub> = SEIFSA index for Statistics SA Production Price index for "Electrical Engineering Materials", (Table G), published for the month, three months prior to the base month.
- LS<sub>1</sub> = SEIFSA index of Actual Labour Cost, "All hourly paid employaes" (Table C3), published for the month, three months prior to the contractual delivery date.
- LS<sub>0</sub> = SEIFSA index of Actual Labour Cost, "All hourly paid employees" (Table C3), published for the month, three months prior to the base month.

Base month is 30 June 2014.

W10-CPMM-317

# DCD PROTECTED MOBILITY

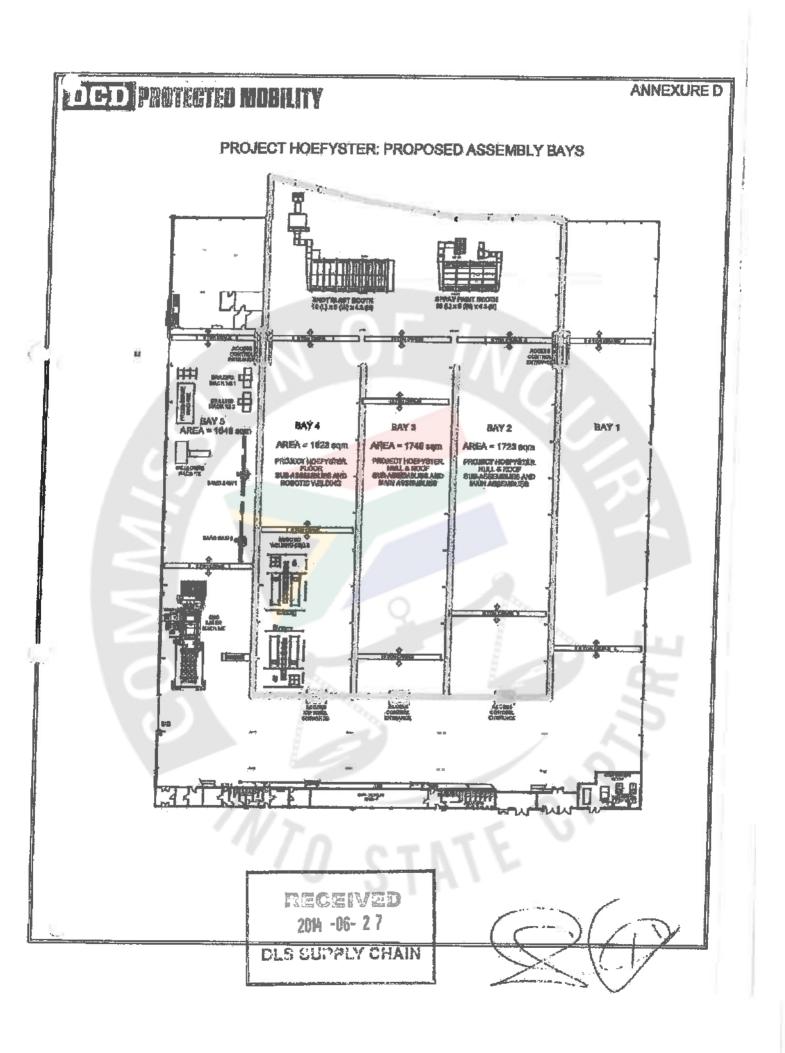
# **ANNEXURE 'D'**

# Project Hoefyster Proposed Assembly Bays

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# **ANNEXURE "CM27"**





## VR LASER SERVICES (Pty) Ltd

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- Accounts Tel + 27 11 305 8000
- Accounts Fax + 27 11 305-8018

Registration No. - 2007/081329/07

VAT No. -- 4690244837

The Chief Procurement Officer Denel Land Systems Pretoria 0001 South Africa

26 June 2014

2014 -06- 2 7

DLS SUPPLY CHAIN

or the Attention of: Ms Cella Malahleia

Re: Updated guotation for the fabrication of the Hoefyster Platform Components Updated on 26 June 2014

Further to the DLS RFO received from Denel Land Systems, our discussions and the various e- mail correspondences and telephonic discussions, that followed, enclosed for your perusal, please do find the updated quotation for the Hoefyster Platform according to the data pack supplied.

A. Quotation

P quotation costing structure is based on producing 217 complete pre final ainted hulls in South Africa at the delivery address of 368 Selbourne avenue, Lyttelton ,Pretoria. This quotation is based on the limited information supplied by DLS .Pricing excludes Value Added Tax.

1. Quotation for the fabrication of Hoefyster Platform Components only R568 986.96

# 2. Quotation for Armour Hull including mine protection

1.Unit price on the Industrialisation of Hulls PPM 1-5	R1 326 786	
2.Learning curve Production units 4-20	R1 232 328	
3.Series Production units based on the DLS schedule	R1 204 986	

Directors: MJ Jiyane; EN Jiyane; JA McNeil (British); SA Essa



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## 3. Quotation for Armour Hull excluding mine protection

	ne industrialisation of Hulis PPM 1-5	R1 230 245
1	Production units 4-20	R1 135 787
3.38ries Product	ion units based on the DLS schedule	R1 108 445

4. Quotation for the mine protection only R105 316.60

### Background Information

- B. Hoefyster quotation updated information
  - 1. Industrialisation effort

It is assumed that Patria will provide DLS with a fully industrialised data pack and that the industrialisation effort will only be for the Localisation of the manufacturing of the Hulls only.

1.1 Complie process instructions for manufacturing of sub parts and assembly and welding of the Hulls according to the Patria supplied documents

1.2 Compile total Quality requirements for the manufacturing of the hull according to the Patria data pack

1.3 Codification and qualification of Welders and Bollermakers according to the Patria requirements

1.4 Assumption, build jigs and fixtures according to the supplied Patria data pack, small sub part jigs were included in the quotation.

1.5 Design material handling equipment for sub parts and fabricated hulls

- 1.6 Compile pre final paint and shot blast procedures, localisation effort
- 1.7 Design and manufacture of inspection testing jigs
- 2. Industrialisation PPM 1-5 units

Assumption the detailed manufacturing and process documentation will be provided by Patria

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2.1 Complie Quality in process documentation according to the DLS/Patria

2.2 Codification and testing of welders and bollermakers

2.3 Buy or manufacture Material Handling equipment

2.4 Material handling equipment design of identified requirements not supported by Patria 2.5 Sub parts( industrialisation to full data pack requirements)

2.6 Hull manufacturing PPM1-5 (industrialisation to full data pack requirements)

2.7 Transport of hulls to shot blast and painting 2.8 Hull preparation for shot blast and painting

2.9 Compile and review Build book requirements

2.10 Compile and review Final buy off requirements and documentation. 2.11 Transport of Hulls to DLS

۰,

3. Series Production learning curve 4-20 units

3.1 Manufacture Sub parts and assemblies 3.2 Hull fabrication and welding

3.3 Transport of huits to shot blast and painting

3.4 Huil preparation for shot blast and painting

3.5 Complete Build book as per the requirements 3.6 Final Customer buy off

3.7 Transport of hulls to DLS

4. Series Production learning units 20 and onwards

4.1 Manufacture of Sub parts

4.2 Assembly and Hull fabrication

4.3 Transport of hulis to shot blast and painting

4.4 Hull preparation for shot blast and painting 4.5 Shot blast

4.6 Final and inspection Painting

4.7 Compile the final Build book 4.8 Final buy off

4.9 Transport of huils to DLS



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issues to consider

- Maturity of the Data pack-an issue but not a significant risk, will be fully of the data pack covered during industrialisation. Patria/DLS will be fully accountable for the accuracy.
- C. The offer will include the following effort
  - Industrialisation of production will be on the first 5 units and all quality requirements needs to be established during this phase according to the Patria/DLS supplied documentation.
  - DLS will assist VRLaser to update the CAD data pack to the as build status during the industrialisation phase if and when deemed necessary by both parties.
  - 3. VR laser will be responsible for the quality. Quality requirements will be agreed between both parties, a quality document control will be issued. The quality controller of VR laser will make sure that all quality requirements are met. VR laser will issue a certificate of conformance for each hull.
  - Jigs and focures that will not be supplied by Patria will be designed by VRLaser during the industrialisation phase. These Jigs and Fixtures are considered to be suitable of producing the 217 hulls in SA.
  - 5 Process instructions, routings, inspections sheets and welding instructions will be compiled during the industrialisation phase and will be reviewed during this phase. Sign of on all QAR and process documentation will be during the Production readiness review phase.
  - 6. Please note that industrialisation is paramount for the successful series production of the hulls in South Africa.

#### **Quotation Includes**

1. Unit Price of 5 industrialisation hulls.

2. Unit Price of Production Hulls at a rate required by Denel Land Systems, or as contracted.



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3. Design and Manufacturing of Jigs and focures that will not be supplied by Patrie/DLS.

4. The Industrialisation of jigs and fixtures.

5. Shot blast and painting of Huils to the stage of pre final paint,

Price ex works- rand based figure. Escalation will be applied as to the escalation formula provided in per Annexure B, supplied with the RFO.

Local and import content as well as the lebour contentapplicable to the escalation formula

Labour: 37% of the quoted unit pricing in A2, A3 and A4

Material imported content: 30% of the quoted unit pricing in A2, A3 and A4

Local materials including machining and painting: 33% of the quoted pricing in A2,A3 and A4.

The mine protection kit only :80% of the quoted unit pricing in A5.

The effective base date of the escalation will be 24 June 2014.

D. Payment terms and conditions

As listed per clause 3 of the RFO.

SOW Industrialisation of the first 5 Hulls in SA at VRLaser

Eabrication and Weiding only

1. Receive the as contracted CAD model and Bill of Material from DLS.

2. Nest the parts for laser cutting, develop bending files etc.

3. Determine the plate sizes required for optimisation of material usage, discuss with steel mills to ensure availability

Design manufacturing processes and work methods, jigs and fixtures and process equipment required.

Manufacture jigs and tooling required per work station identified that will not be supplied by Patria/DLS.

6. Pre- assemble sub parts with the Jigs, compile short works instructions, welding instructions and quality documents.

7. Design review processes and jigs, work methods, quality requirements and work flow to ensure optimum results.



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8. Assemble and weld first hull in Main Assembly jig, compile short work instructions, quality requirements, and welding instructions.

9. Design review process, jigs and fixtures and all documents required for the Main Assembly and welding.

10. Use the updated data pack to produce hull 2 to 5.

11. Conduct Final design reviews and Production Readiness reviews on all the data to ensure that the Series production will take place without any modifications required.

## Shot Blasting and painting of Hulls

1. Receive paint specifications, surface preparation and Quality requirements from Patria/DLS.

2. Industrialise the paint process, compile process documents and final buy off criteria.

3. Paint hull 1-5

4. Review the processes and documents after Industrialisation, and update for the series production of hulls.

#### E. Contracting Conditions

Contracting conditions needs to be finalised before execution of the order to protect both parties and to ensure an amicable way of doing business.

1. Responsibility of design and Quality requirements remains that of Patria/DLS.

2. Any modifications to the design, Quality requirements, SOW, jigs and fixtures after the industrialisation of Huil1-5 will be for the account of DLS

3. Designated lines of Responsibility needs to be established and appointed to act on behalf of DLS and VRLaser as to prevent miss communication and facilitate the effective running of the Program.

4. Documentation required needs to be identified and agreed to such as, Progress reports, as build data pack requirements, Certificate of Conformance, release certificates for payments.



VR LASER SERVICES (Pty) Ltd

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Registration No. - 2007/031329/07

VAT No. - 4690244837

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6. A conflict resolution mechanism needs to be agreed to upfront to ensure the smooth

7. Logistics support requirements need to be identified in line with the Patrie/DLS requirements as to enable VRLaser to provide the documentation and spares if and

#### F. Warranty

VRLaser will warranty the workmanship for a period of 30 months after shipment of the Hulls ex Boksburg. Patria/DLS will remain responsible for the design and design related issues pertaining to the warranty.

### H. Delivery Schedule

Production schedule

As per the issued Denei Land Systems letter with reference number HY/RFQ/2011-0002/1 dated 06 June 2014

#### Shipping achedule

A detailed shipping schedule will be provided before signature of the contract.

I. Other issues

The delivery schedule of the hulls will be determined by the availability of materials to produce the hulls from. The scheduled will be committed to once a firm delivery schedule will be received from the Plate mill.

Standard VRLaser terms and conditions do apply.

The steel specifications will be as per the Steel producer as per the EURONORM standards.

Unless otherwise specified in the material standard or otherwise agreed, plate is delivered with surface condition in accordance with EN 10 163-2, Class A, Sub-class 1, with flatness tolerance to EN 10 029, Class N, with length and width tolerances to EN 10 029, and with thickness tolerances to AccuRoliTech<sup>TM</sup> that conforms to the provisions of EN 10 029.



VR LASER SERVICES (Pty) Ltd

- 10 Haggie Road, Dunswart Ext5, Gauteng, South Africa
- P.O. Box 5362, Bolsburg 1461, South Africa
- Accounts Tel + 27 11 306 8000
- Accounts Fax + 27 11 306-8018

Registration No. - 2007/031329/07

ATE

VAT No. - 4690244837

Received 2014 -06- 2 7 DLS SUPPLY CHAIN

Should the need arise to refine the quotation please call Pieter Grundlingh at your convenience.

## Configuration Control

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The final assembly of the Hoefyster hull will be in an area with limited controlled access.

Configuration practices will be followed in maintain document integrity and IP security.

Trust that this quotation will meet and satisfy your requirement. Best regards,

NTO ST

Madoda Jiyane VRLaser Services Chief Operating Officer E-mail:Benny@vriaser.co.za Bus :+27 11 306 8000 Mobile: +27 82 651 7536

# **ANNEXURE "CM28"**



**CONSOLIDATED EVALUATION SHEET** 

OFFER	2
BASIS FOR COMPARATIVE	PRICE

PRICE: 25% TECHNICAL: 45% BEE 30%

% 04	30%

% Premium Premium payable in payable Rands			0 K	R 96,794,183	R 136,303,849	
% Premium payable		1	0.00	58.45	82.30	
Overall Ranking Price, Technical,BEE						
Total point	100%		64.78	65.54	46.28	
Total point for Preference	%0		0	0	0	
BBBEE	30%		0	5	0	
Points for Technical	45%		38.70	50.15	41.86	
Points for Financial Offer	25%		25.00	10.39	4.42	CUT IN SALES
Comparative Offer (Pm)		1	R 103,012,451	R 165,612,451	R 165,612,451	
			R 105,012,451	R 262,406,634	R 301,916,300	
Name of Tenderer · Financial Offer Ranked lowest to highest Price			LMT	VR Laser	DCD	

Mary State	0.							
Black Ownership	0	2	0					
Employment Equity	0	0	0					
BBEEE Score	0	3	0	N N			and	
BBBEE Scorecard Level	Expired	LEVEL 4	Expired			-		
Name of Tenderer :Ranked in same order as above	LMT	VR Laser	DCD					

LMT BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 5 contributor. In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any point for BBBEE because there is no valid certificate in place. VR submitted a valid BBBEE certificate indicating a level 4 contributor with 25.10% black women ownership. VR laser has indicated that it is now 100% black owned, however, they have not done the verification to reflect that. At this stage we cannot allocate any point for 100% black ownership because there is no updated BBBEE certificate to that effect.

DCD BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 4 contributor. In their proposal they have indicated that they are currently busy finalizing a joint venture that will ensure 47% of economic benefit from this project accrued to previously disadvantaged people. DCD is currently awaiting a new BBBEE certificate on a level 4.

UMN BEN HEEVER 7/06/2014

# **ANNEXURE "CM29"**



NO		DCD Weighted Score	0.08	0.03	0.03	0.12	0.13	41.86%	Yes	301 916 300 50			
aintes es for Alumon 900		D	4.00	1.67	4.00	7.20	3.00			×			
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u should only lyine in the	A Lindhour C Malaistella B Van Der Linde H Van Der Heaver Mindza R Rakhuduwe	Score Weighte	0.00	0.00	0.00	0.00	0.00						20 00 1
Please note you purposes only	A Linshour B Van Der Linde I Khôzá	Lenderer 2 Quality Threshold reached?	Yes	Yes	Yes	Yes	89) Xes			territorer 2 strent -			Date
	inhout Inhout thost	Vic Laser Services	0.00	0.00	8.0	0.00	0.00	0.00%		262 406 634 00	2		
plate	Constants	Score	0	0	0 0	0	0	5				-	8
Evaluation Templ		Quality Threshold reached?	Yes	Yes	Vec	Yes	Yes			Teedorae 1.0166 -		Contain Containe	1910 Uch
Eva		Criteria Weight (must total 45)	10%	10%	4 /0 8%	8%	5%			= 25 points			r w
	Platform Hull	Individual Quality Threshold (optional)	0	0	0	0	0			R 245 311 755 11 = 25 points			
	Procurement title: Project technical & quality weighting (%): Project price weighting (%): Dial TTY SCOPES	Technical & Quality Criteria	Relevant Capability and Experience	Previous Successful Procurement Supplier Quality Assurance	Bid/Tender to Specification	Delivery Lead Time	Supplier Current Capacity	Quality Totals (Weighted 100%) Is overall quality threshold reached?	PRICE SODRES	Tender price swinze IIIe control Prace score (interin price =)		L	Signed by members of the CFT (for file copy )

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dunc Date 21.06.201	(mean price=) R 243(311, 56311 = 25 points	Tenderer 1 price -		302 406 enu (e)	Lenterer Z pres		HIS 612,455,24	Tendene 3 pros		201.016.300.00
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Technical & Quality Griteria	Individual Quality Uniteria Threshold (weight (optional) 45)		Juality Threshold reached?	Score	Weighted Scor	Quality Threshold reached?	Score	Weighted Score	Quality Threshold reached?	Score	Weighted Score
Relevant Capability and Experience	C 10%	%	Yes	0	0.00	Yes	0.00	0.00	Yes	4.00	0.08
Previous Successful Procurement	C 10%	%	Yes	0	0.00	Yes	0.00	0.00	Yes	1.67	0.03
Supplier Quality Assurance	6 4%	9	Yes	0	00.0	Yes	0.00	0.00	Yes	4.00	0.03
sid/Tender to Specification	0 8%	9	Yes	0	0.00	Yes	0.00	0.00	Yes	7.20	0.12
Delivery Lead Time	0 8%	6 0	Yes	0	0.00	Yes	0.00	00.0	Yes	8.00	0.13
Supplier Current Capacity	0 5%	~	Yess	0	0.00	Yes	0.00	00.0	Yes	3.00	0.03
Quality Totals (Weighted 100%)					0.00%			0.00%			41.86%
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Procurement title:	rtoeryster Platform Hull	D	5		A Governder I Beznindenheutt	A Lindhauf CA	C Malativia Malativia	M Dreater			
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Technical & Quality Criteria	Individual Quality Threshold (optional)	Veight (must total 45)	Quality Threshold reached?	Score	Weighted Score	Quality Threshold reached?	Score	Weighted Score	Quality Threshold reached?	Score	Weighted Score
Relevant Capability and Experience	0	10%	Yes	0	0.00	Yes	0.00	00.0	Yes	N DR	ac c
Previous Successful Procurement	0	10%	Yes	0	0.00	Yes	0:00	0.00	80 X	1.67	0.03
Supplier Quality Assurance	0	4%	Yes	0	0.00	Yes	0.00	0.00	Yes	4.00	0.03
Bid/Tender to Specification	0	8%	Yes	0	0.00	Yes	0.00	0.00	Yes	7.20	0.12
Delivery Lead Time	0	8%	Yes	0	0.00	Yes	0:00	0.0	Yes	8.00	0.13
Supplier Current Capacity	0	5%	Yes	0	00.0	Yes	0.00	0.00	Yes	3.00	0.03
Quality Totals (Weighted 100%)					0.00%			0.00%			44 044
is overall quality threehold marchod?					Vac						
PRICE SCORES											104
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Muttion :		DCD Weighted Score	0.08	0.03	0.03	0.12	0.13	0.03	Vac	00 000 015 015 000			
n mitmice us for rifu projecti		Score	4.00	1.67	4.00	7.20	8.00	3.00		= 3 prce =			
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ate		VK Laser	0	0	0 0	5 0	0 0					200	
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	hueryster Platform Hull 45%	Individual Quality Threshold (optional)	0	0 0			0			H 243.311,796.11 = 25 points			ALL
	<sup>b</sup> rocurement title: <sup>b</sup> roject technical & quality weighting (%): <sup>b</sup> roject price weighting (%):	GUALITY SCORES Technical & Quality Criteria	Relevant Capability and Experience	Previous Successful Procurement Summilier Quality: Assurance	Bid/Tender to Specification	Delivery Lead Time	Supplier Current Capacity	Quality Totals (Weighted 100%)	la overall guality threshold reached?	Tandar proce (white file costs). Price score (mean price =)		E	Signed by members of the CFT (for file copy )

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Technical & Quality Criteria	Individual Quality Threshold (optional)	Criteria Weight (must total 45)	Quality Threshold reached?	Score	Weighted Scor	Quality Threshold reached?	Score Weighter	Veighted Score	Quality Threshold	Score	Weighted Score
Relevant Capability and Experience	0	10%	Yes	0	000		16/92		Leached r	1.10	
Previous Successful Procurement	0	10%	e >		000	Yes	0.00	00:0	Yes	4.00	0.08
Supplier Quality Assurance	0	4%	Acres 2	> 0	0.00	Yes	0.00	0:00	Yes	1.67	0.03
Bid/Tender to Specification	0	804	Vore	5	80.0	Yes	0.00	0:00	Yes	4.00	0.03
Delivery Lead Time		e 0	105		0.00	Yes	0.00	0.00	Yes	7 20	0.12
Subdier Current Councils		8%	Yes	0	0.00	Yes	0.00	0.00	Yes	8.00	0.13
Approv Current Capacity	0	5%	Yes	0	0.00	Yes	0.00	0.00	Yes	3.00	0.03
Quality Totals (Weighted 100%)					0.00%			0 2001			00.0
e overell or ality threshold reached?								0.00%			41.86%
PRICE SCORES								Kei			Yes
Tandar pirma (whole life costs) Prime score (mean price =	R.245311(795-11 = 25 politis	25 points	Tensere 1 price -		202 406 0 34 00	Tenning 2 pice =		205 612,491 36	Telitore: 3 proi =		301 a16 300 co
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Please units	A Lindhour B Van Der Leide I Khisse	Threshold reached?	Yes	Yes	Yes	Yes	Yes	Yes			Tendone 2 proc		2011
	A Govender J Bezuidenhout R Banderhost	Services Weighted Score	0.00	0.00	0.00	0.00	0.00	0.00			2012 4006 014 000		
ate		VIN Laser Services Score Weighter	0	0	0	0	0	0		1			/Léniné
Evaluation Template		Tenderer 1 Quality Threshold reached?	Yes	Yes	Yes	Yes	Yes	Yes			Tendster 1 price =	Cartin	hart hard
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	Hoeryster Platform Hull 45%	Individual Quality Threshold (optional)	0	0	0	2 6	5 0	0			R 24A 311 195 11 = 25 points		ANTHONY
	Procurement title: Project technical & quality weighting (%): Project price weighting (%):	JUALITY SCORES Technical & Quality Criteria	Relevant Capability and Experience	Previous Successful Procurement	supplier Quality Assurance It differenter in Smoothermon	Delivery Lead Time	Sumilar Durant Danati.	Quality Totals (Weighted 100%)	is overall nuality threshold reached?	PRICE SCORES	Teoriter price (whose life contai- Price score (mean price =)	E	Signed by members of the CFT (for file copy )

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GUALITY SCORES			Tenderer 1	AN LASE!	VIN LASAL DELVICES	lenderer 2	רשונ בנסמתכוצ ובנא) רום	12 (F'U) LTU	landerer 1	C	
	Individual Quality Threshold (optional)	Uniteria Weight (must total 45)	Quality Threshold reached?	Score	Weighted Score	Quality Threshold reached?	Score	Weighted Score	Quality Threshold reached?	Score	Weighted Score
Relevant Capability and Experience	0	10%	Yes	0	0.00	Yes	0.00	0000	Yes	4.00	0.08
revious successful Procurement	0	10%	Yes	0	0.00	Yes	0.00	0.00	Yes	1.67	0.03
Supplier Quality Assurance	0	4%	Yes	0	0.00	Yes	0.00	00.0	Yes	4.00	0.03
start ender to Specification	0	8%	Yes	0	0.00	Yes	00.0	0.00	Yes	7.20	0.12
Usilvery Lead Time	0	8%	Yes	0	0.00	Yes	0.00	00.00	Yes	8.00	0.13
Supplier Current Capacity	0	5%	Yes	0	0.00	Yes	0.00	00:00	Yes	3.00	0.03
Quality Totats (Weighted 100%)					0.00%			0.00%			41.86%
PRICE SCORES		1			Vac			Yes			Nee
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L			ton -	1			1				
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DCD	Section Score	4.0				1.7				4.0			7.2			8.0		3.0			
Tenderer 3	Weighted Score		2.88	1 12			0.55611	0.55611	0.55611	An a second from the formation of the second s	4	a transferra de la deservação de servicio de		72		and the second	80.	A CONTRACTOR OF 1000 INCOME.	e		
	Score (out o		4.8	2.8			1.67	1.67	1.67		4			7.2			ø		3		4100/90/20
LMT Products (Pty)	Section Score					1.3				4.0			8.0			8.0		2.5			Date 27/
	thted Scc		2.16	0.8			0 333	0.38961	0 55611	The second	4			80		and the second second second second	80		2.5		
Tenderer 1 VR Laser Service Tenderer 2	Score (out of 5)		3.6	2			4	1.17	1.67		4			8			8		2.5		
VR Laser Service	Section Score	4.9				3.3				4.0			8.0		T	8.0		5.0			
Tenderer 1 V	Weighted Score		3.6	1.28			1.332	0.9657	666.0		4			æ		and the second	8		5		
Devi	Score		9	3.2			4	2.9	e		4			80			00		5	T	) Nex
			60%	40%			33%	33%	33%		100%			100%			100%		100%	Ī	letter
	Weighting Question Weighting	10 00%				10.00%				4,00%		Contraction of the second seco	8.00%			8.00%		5 00%			H NIN
	Example Technical & Quality Criteria	Relevant Capability and Experience	Available Technical Expertise	Machinery and Equipments	4	Previous Successful Procurement	Within Budget	On time delivery	According to Specification	Supplier Quality Assurance	ISO compliance		Bid/Tender to Specification	Adherence to bid specification		Delivery Lead Time	Acceptable lead time aligned to the project	Supplier Current Capacity	Current Capacity		Signed by members of the CFT (for file copy )
			54	02			03	Q4	05		Q6			07			0.8		09		

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W10-CPMM-341

						Tenderer 1	
Example Technical & Quality Criteria	Section Weighting C	Question Weighting	Adequate/Acceptable (10% - 70%)	Better than average/Exceptional (80% - 100)	Score	Weighted Score	Section Score
Relevant Capability and Experience	1 10.00%				9		
Available Technical Expertise		60%	60%. No welding engineer. No resident metallurgist .		3.6	2.16	
Machinery and Equipments		40%	50%. Currently, the supplier does not have all the equipments. Plans to upgrade the facility in place to have all necessary machinery to execute the project.	5	5	0.8	
Previous Successful Procurement	10.00%						1.3
Within Budget		33%	30%. Previously rejected proposal as a result of budget. Requesting order amendments for additional costs.		÷	0.333	
On time delivery		33%	lines on weighted average from June 13 to June 14 of 27% late. This is based on the order lines not adjested Casspir and Ambulance that were adjusted to accommodate new schedule request. This necesitate the adjustment from 27% to 65%.	0	21.1	0.38961	
According to Specification Supplier Quality Assurance ISO Domission	4.00%	33%	completed. 2 rejection notes on the system. Defects on delivered vehilces in Sudan.Formal corrective action from Amscor on poor quality		1.67	0.55611	4.0
ISO compliance Bid/Tender to Snacification	8 0/04	%001		100% compilant	4	a	c
Adherence to bid specification		100%	Toma Contract	100% compliant	ω	ω	2
Acceptable lead time Acceptable lead time aligned to the project Supplier Current Capacity	6.00%	100%		100% compliant	ω	œ	840 2.6
Current Capacity		100%		50%. Facility still to be acquired	2.5	2.5	2
Signed by members of the CFT Name Signature		HEZ	leever 10	405/2C	\$ 20th		

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Enclude         Section Science         Science <th>In Certainical &amp; Quality Criteria         Weighting Weighting         Lossition         Refer         Han average/Exceptional         (60%         Score           In Constraint         In Constraint         In One         Weighting         Lossition         Refer         Han average/Exceptional         (60%         Score           In Constraint         In One         No         No         No         No         No         Score         Score</th> <th></th> <th></th> <th></th> <th></th> <th>1-2-2</th> <th>Tenderer 1</th> <th></th>	In Certainical & Quality Criteria         Weighting Weighting         Lossition         Refer         Han average/Exceptional         (60%         Score           In Constraint         In Constraint         In One         Weighting         Lossition         Refer         Han average/Exceptional         (60%         Score           In Constraint         In One         No         No         No         No         No         Score					1-2-2	Tenderer 1	
and Capability and Expending     100%     Infolueue     10%       Oricitation     00%     Mailable weiching on openets. Available project     0       Oricitation     00%     Mailable weiching on openets. Available project     0       Oricitation     00%     Mailable weiching on openets. Available project     0       Oricitation     00%     Mailable weiching on openets. Available project     0       Oricitation     00%     Mailable weiching on openets. Available project     0       Oricitation     00%     00%     Mailable weiching on openets. Available project     0       Dispeti     00%     00%     Mailable weiching on openets. Available project     0       Dispeti     00%     00%     Mailable weiching on openets. Available project     0       Dispeti     00%     00%     00%     Mailable     0     0       Mailable     00%     00%     00%     Mailable     0     0       Mailable     00%     00%     00%     Mailable     0     0       Mailable     00%     00%     00%     0     0     0       Mailable     00%     00%     00%     0     0     0       Mailable     00%     00%     00%     0     0     0 <t< th=""><th>and capacitity and coperience 10.00% inhouse maintenance recourses, for a data the working tragments Andiable working tragments Andiable molecular to proceed the process of the manous contrast of the manous of the manous contrast of the manous of the ma</th><th>Example Technical &amp; Quality Criteria</th><th>Section Weighting %</th><th>Question Weighting</th><th></th><th></th><th>Weighted Score</th><th></th></t<>	and capacitity and coperience 10.00% inhouse maintenance recourses, for a data the working tragments Andiable working tragments Andiable molecular to proceed the process of the manous contrast of the manous of the manous contrast of the manous of the ma	Example Technical & Quality Criteria	Section Weighting %	Question Weighting			Weighted Score	
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Image: constraint of the constr	Terry and Equipments     Book Bending mechanics     Book Bending mechanics     3.2       Terry and Equipments     40%     40%     81% No propositi repredent periodicity as a large depling.     3.2       Budget     5.0     0.0%     0.0%     0.0%     0.0%     0.0%     0.0%       Budget     0.0%     0.0%     0.0%     0.0%     0.0%     0.0%     0.0%       Ingloid     0.0%     0.0%     0.0%     0.0%     0.0%     0.0%     0.0%       Ingloid     0.0%     0.0%     0.0%     0.0%     0.0%     0.0%     0.0%     0.0%       Ingloid     0.0%	Available Technical Expertise	5	60%	100%. Inhouse maintenance resources. Available welding engineers. Available project team to execute the project. Knowledge in working with armour plate.	٥	3.6	
air Successful Productment       1000%       System process inspected pervousity as a process inspected pervousity as a process inspected pervolution of a process inspected period peri	aus       Successful Procurement       10.00%       Server process reperted previous of a server performance of a server a server performance of a server performance of a server performance of a server performance of a server a se	Machinery and Equipments		40%	80%. Bending machines, all equipments related to executing the project except for machining capability.	3.2	1.28	
Budget         Busiking         <	Budget         33%         Box modes         4           e deivery         33%         0%.Comparet ageinst previous order lines         4           e deivery         33%         0%.Comparet ageinst previous order lines         2           e for unity Assurance         0%.Comparet ageinst previous order lines         2         9           min provide         33%         delivery         3         9%.Comparet ageinst previous order lines         2           min provide         30%         100%         00% complant         4         4           min provide         80%         100% complant         8         9         4           min provide         80%         100% complant         8         8         8         8           min provide         5         0         100% complant         8	Previous Successful Procurement	10.00%					3.3
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Ingle Specification     33%     Instrume for any operation of the project     33%     Instrume for any operation of the project       Ingle Specification     100%     100%     100%     100%     100%     100%     100%       Ingle Time     8.00%     100%     100%     100%     100%     100%     100%       Ingle Time     8.00%     100%     100%     100%     100%     100%     100%       Ingle Bad Time     8.00%     100%     100%     100%     100%     100%     100%       Ingle Bad Time     8.00%     100%     100%     100%     100%     100%     100%       Ingle Bad Time     8.00%     100%     100%     100%     100%     100%     100%       Ingle Bad Time     8.00%     100%     100%     100%     100%     100%     100%       Ingle Bad Time     8.00%     100%     100%     100%     100%     100%     100%       Ingle Bad Time     5.00%     100%     100%     100%     100%     100%     10%       Ingle Bad Time     10%     10%     10%     10%     10%     10%     10%       Ingle Bad Time     10%     10%     10%     10%     10%     10%       Ingle	Ing to Specification     33%     derivered in the PV1 1314.4     3       informe     4 00%     100%     100%     100%     100%       informe     8 00%     100%     100%     100%     100%       informe     8 00%     100%     100%     100%     8       informe     8 00%     100%     100%     8     8       informe     8 00%     100%     100%     8     8       informe     9 00%     100%     100%     8     8       informe     9 00%     100%     100%     8     8       informe     9 00%     100%     100%     8     8       informe     100%     100%     100%     8     8       informe     5 00%     100%     100%     8     8       informe     6     10%     100%     8	On time delivery	turan		90%. Compared against previous order lines on weighted avearge from June 13 to June 14 0887. The storate avearge for the 147 lines	_	0 9657	
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W10-CPMM-343

Section (if y Criteria % weighting         Section (weighting weighting         Dester than average/Exceptional         (80% - 100)         Score         W           xperience         %         60%         Better than average/Exceptional         (80% - 100)         Score         W           xperience         100%         60%         Bots         Indicated stulls availability and capacity         4.8         4.8           xperience         100%         70% Limited bending and laser cutting capability Maching capability exist         2.8         1.67           xmment         100%         50%. No recent track record within DLS business. No complaint that DLS is avare of.         3.3%         50%. No recent track record within DLS business. No complaint that DLS is avare of.         1.67           e         4.00%         33%         50%. No recent track record within DLS business. No complaint that DLS is avare of.         1.67           e         3.3%         50%. No recent track record within DLS business. No complaint that DLS is avare of.         1.67           e         4.00%         100%         100% complaint         4           f         50%         90% Unavailability of Polyurithane         72           f         50%         90% complaint         7           f         50%         100%         50% complaint <td< th=""><th></th><th></th><th></th><th>TECHN</th><th>TECHNICAL SCORING SHEET - DCD GROUP (PTY)Ltd</th><th>(PTY)Ltd</th><th></th><th></th><th></th></td<>				TECHN	TECHNICAL SCORING SHEET - DCD GROUP (PTY)Ltd	(PTY)Ltd			
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by members of the CFT									

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W10-CPMM-344

**CONSOLIDATED EVALUATION SHEET** 

DFFER	25%
ASIS FOR COMPARATIVE C	PRICE-

TECHNICAL: 45% BEE 30%

Premium payable in Rands			RU	R 96,794,183	R 136,303,849	
% Premium payable			0.00	58.45	82.30	
Overall Ranking Price, Technical,BEE						
Total point	100%		64.78	65.54	46.28	
Total point for Preference	%0		0	0	0	
BBBEE	30%		0	5	0	
Points for Technical	45%		39.78	50.15	41.86	
Points for Financial Offer	25%		25.00	10.39	4.42	
Comparative Offer (Pm)			R 165,512,451	R 165,612,451	R 165,612,451	
Financial Offer (P)		-	R 165,612,451	R 262,406,634	R 301,916,300	
Name of Tenderer : Ranked lowest to highest Price			LMT	VR Laser	DCD	

Tax His							
Black Ownership	0	2	0				
Employment Equity	0	0	0				
BBEEE Score	0	3	0			No. No.	
BBBEE Scorecard Level	Expired	LEVEL 4	Expired				
Name of Tenderer :Ranked in same order as above	LMT	VR Laser	DCD				

LMT BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 5 contributor. In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any point for BBBEE because there is no valid certificate in place. VR submitted a valid BBBEE certificate indicating a level 4 contributor with 25.10% black women ownership. VR laser has indicated that it is now 100% black owned, however, they have not done the verification to reflect that. At this stage we cannot allocate any point for 100% black ownership because there is no updated BBBEE certificate to that effect.

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DCD BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 4 contributor. In their proposal they have indicated that they are currently busy finalizing a joint venture that will ensure 47% of economic benefit from this project accrued to previously disadvantaged people. DCD is currently awaiting a new BBBEE certificate on a level 4.

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Offword Diffusion (motion)         Construction (motion)         Section Score (motion)         Section Score (motio	storin pritring         Score         Mercipited Score         Secre (out of 5)         Weighted Score         Secre (out of 5)         Weighted Score           00         32         1332         36         216         48         288           00         32         1728         33         117         03965         113         056611           00         3         117         03965         1117         0339651         167         056611           00         3         167         039651         167         056611         175         056611           00         4         4         4         4         4         4         4         4           00         8         8         8         8         8         8         8         8           00         8         3         3         3         3         3         3         3         3         3				renderer 1 V	VR Laser Service	A CONTRACTOR OF		LMT Products (Pt)		Tenderer 3	DCD
60%         6         3.6         3.6         3.6         3.6         2.16         3.0         4.8         2.86           40%         32         128         2         3         1         2         8         2 </th <th>60%         6         3.6         3.6         3.6         3.6         2.66         2.86         2.86         2.86         2.86         2.86         2.86         2.86         2.86         2.86         2.12         2.86         2.12         2.86         2.12         2.86         2.12         2.86         2.12         2.86         2.12         2.86         2.11         2.86         2.11         2.86         2.11         2.86         2.11         2.86         2.11         2.86         2.11         2.86         2.11         2.86         2.11         2.86         2.66         2.11         2.66         2.11         2.66         2.11         2.66         2.16         2.66         2.16         2.66         2.16         2.66         2.16         2.66         2.16         2.66         2.16         2.66         2.66         2.16         2.66<th><u>∿                                    </u></th><th>ction sighting</th><th>Score</th><th>Weighted Score</th><th></th><th>Score (out of 5)</th><th>Weighted Score</th><th>Section Score</th><th></th><th>Weighted Score</th><th>Section Score</th></th>	60%         6         3.6         3.6         3.6         3.6         2.66         2.86         2.86         2.86         2.86         2.86         2.86         2.86         2.86         2.86         2.12         2.86         2.12         2.86         2.12         2.86         2.12         2.86         2.12         2.86         2.12         2.86         2.11         2.86         2.11         2.86         2.11         2.86         2.11         2.86         2.11         2.86         2.11         2.86         2.11         2.86         2.11         2.86         2.66         2.11         2.66         2.11         2.66         2.11         2.66         2.16         2.66         2.16         2.66         2.16         2.66         2.16         2.66         2.16         2.66         2.16         2.66         2.66         2.16         2.66 <th><u>∿                                    </u></th> <th>ction sighting</th> <th>Score</th> <th>Weighted Score</th> <th></th> <th>Score (out of 5)</th> <th>Weighted Score</th> <th>Section Score</th> <th></th> <th>Weighted Score</th> <th>Section Score</th>	<u>∿                                    </u>	ction sighting	Score	Weighted Score		Score (out of 5)	Weighted Score	Section Score		Weighted Score	Section Score
00%         6         36         216         216         285         286           40%         32         128         33         1         28         1         28           40%         32         128         33         1         28         1         28         1           33%         29         00657         1         1         0.33661         1         1         0.56611           33%         29         00657         1         117         0.33661         1         1         0.56611           33%         2         0099         1         117         0.3361         1         1         1         0.56611           100%         4         <	60%         6         3.6         3.6         3.6         2.6         4.8           40%         32         128         3.3         2.8         2.8         2.8           33%         4         1.332         3.3         1.67         1.67         1.67           33%         2         0.9965         1.17         0.38661         1.67         1.67           33%         2         0.9965         1.17         0.38661         1.67         1.67           33%         2         0.9965         4         4         4         4         4           100%         8         80         8         8         72         8           100%         8         8         8         8         72         8           100%         9         9         8 <td< th=""><th></th><th>10 00%</th><th></th><th></th><th></th><th></th><th></th><th>3.0</th><th>1</th><th>&gt;</th><th>4.0</th></td<>		10 00%						3.0	1	>	4.0
40%         32         128         2         08         2         08         13           33%         4         1.332         3.3         1.1         0.333         1.3         0.5611           33%         2         0.9657         1.17         0.33661         1.67         0.56611           33%         2         0.9665         1.17         0.33661         1.67         0.56611           33%         2         0.9665         1.17         0.33661         1.67         0.56611           30%         4         4         4         4         4         4         4           100%         8         80         8         8         8         8         8           100%         8         8         8         8         8         8         8           100%         5         5         2.5         2.5         3         3         3	40%     32     128     2     08     13       33%     4     1.332     3.3     1.67     1.67       33%     29     0.9657     117     0.33961     1.67       33%     29     0.9657     117     0.33961     1.67       33%     29     0.9657     117     0.33961     1.67       33%     29     0.9657     117     0.33961     1.67       100%     8     40     4     4     4       100%     8     80     8     8     72       100%     5     5     25     25     3		60%	9	3.6		3.6	2 16		4.8	2.88	
33%     4     1.32     3.3     1.32     1.32     1.32     1.05611       33%     2     0.6657     1.17     0.333     1.67     0.56611       33%     2     0.9667     1.17     0.33661     1.67     0.56611       33%     2     0.9667     1.67     0.56611     1.67     0.56611       33%     3     0.9667     1.67     0.56611     1.67     0.56611       100%     8     80     8     8     8     8       100%     8     80     8     8     8     8       100%     5     5     2.5     2.5     3.5     3.3	33%       4       1.332       33       1       1       0       13       1       167       167         33%       29       09657       117       0.333       1 <t< td=""><td>-</td><td>40%</td><td>3.2</td><td>1.28</td><td></td><td>2</td><td>0.8</td><td></td><td>2.8</td><td>1,12</td><td></td></t<>	-	40%	3.2	1.28		2	0.8		2.8	1,12	
33%         4         1.332         33         1         0.333         1.67         0.56611           33%         2         0.9667         117         0.33961         1         1         0.56611           33%         2         0.9667         1         1         0.33961         1         1         0.56611           33%         2         0.9699         1         1         0.33961         1         1         0           33%         2         0.9699         1         1         0.339611         1         1         0           33%         3         0.9999         4.0         4	$\begin{array}{ c c c c c c c c c c c c c c c c c c c$							ST.				
33%         4         1.332         1         0.333         1.67         0.56611           33%         29         0.9657         117         0.33961         167         0.56611           33%         29         0.9667         117         0.33961         167         0.56611           33%         29         0.999         167         0.38961         167         0.56611           100%         4         4         4         4         4         4         4           100%         8         8         8         8         8         72         72           100%         8         8         8         8         8         8         8           100%         8         10 <td< td=""><td>33%         4         1.322         1         0.333         167         167           33%         2         0.9657         117         0.3861         167         167           33%         3         0.996         167         0.3861         167         167           33%         3         0.996         40         167         0.3861         167           100%         8         80         8         8         8         72           100%         8         80         8         8         8         8           100%         5         5         25         25         3         3</td><td></td><td>10.00%</td><td></td><td></td><td>3.3</td><td></td><td></td><td>1.3</td><td></td><td></td><td>1.7</td></td<>	33%         4         1.322         1         0.333         167         167           33%         2         0.9657         117         0.3861         167         167           33%         3         0.996         167         0.3861         167         167           33%         3         0.996         40         167         0.3861         167           100%         8         80         8         8         8         72           100%         8         80         8         8         8         8           100%         5         5         25         25         3         3		10.00%			3.3			1.3			1.7
33%         29         09657         117         0.38661         167         0.56611         0.56611           33%         3         0.0999         40         46         167         0.56611         0.56611           100%         4         40         4         4         4         4         4         4           100%         8         80         8         8         8         72         72           100%         8         80         8         8         8         8         8         72         72           100%         8         80         8	33%         29         09657         117         0.3661         167         167           33%         3         0999         167         0.5611         0.5611         167         167           100%         4         4         4         4         4         4         4         4           100%         8         80         8         8         8         72         4           100%         8         80         8         8         8         72         8           100%         8         8         8         8         8         8         72         8           100%         5         5         5         25         25         3         3         3	-	33%	4	1.332		1	0.333		1.67	0.55611	
33%     3     0.999     167     0.55611     167     0.55611       100%     4     40     4     40     4     40     4       100%     8     80     8     8     72     72       100%     8     80     8     8     8     8       100%     8     80     8     8     8       100%     8     8     8     8     8       100%     5     5     25     25     3	33%         3         0.0999         167         0.56611         167         167           100%         4         4         4         4         4         4           100%         8         80         8         80         72         4           100%         8         80         8         8         72         7           100%         8         80         8         8         8         8         7           100%         8	_	33%		0.9657		1.17	0.38961		1.67	0.55611	
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100%         8         8         8         72         72           76         80         90         90         90         90         90         90         90         90         90         90         90 <td>100%     8     8     8     8     72     72       9%     100%     8     80     80     80     80       9%     100%     5     5     2.5     2.5     3       100%     5     5     2.5     2.5     2.5     3       100%     5     5     2.5     2.5     2.5     3       100%     5     5     2.5     2.5     3     3</td> <td></td> <td>00%</td> <td></td> <td></td> <td>8.0</td> <td></td> <td></td> <td>8.0</td> <td></td> <td></td> <td>7.2</td>	100%     8     8     8     8     72     72       9%     100%     8     80     80     80     80       9%     100%     5     5     2.5     2.5     3       100%     5     5     2.5     2.5     2.5     3       100%     5     5     2.5     2.5     2.5     3       100%     5     5     2.5     2.5     3     3		00%			8.0			8.0			7.2
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We     8.0     8.0     8.0     8.0     8.0       100%     5     5     5.5     2.5     2.5       100%     5     5     2.5     2.5     3	$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$											
100%     8     8     8     8     8     8       100%     5     5     2.5     2.5     2.5     3       100%     5     5     2.5     2.5     2.5     3	100%         8         8         8         8         8         8         8         8         8         8         8         8         9         100%         10		00%		A STREET, STRE	8.0		and the second and the post	8.0		and the second statements	C a
$\begin{array}{ c c c c c c c c c c c c c c c c c c c$	No.     5.0     5.0     2.5     2.5     2.5       100%     5     5     5     2.5     2.5       100%     5     5     2.5     2.5     3	Acceptable lead time aligned to the project		00	α		8	œ		œ	Ø	C determine
100% 5 5 2.5 2.5 3 	100% 5 5 2.5 2.5 3 3 		5.00%			5.0		AND THE REAL PARTY PRINT OF REAL PRINT	2.5		the Annual State and Annual State	3.0
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W10-CPMM-346

	e Section Score	3.0			4	3			4.0		8.0	8.0	2:5		
Tenderer 1	Weighted Score		2.16	.0.8		0.333	0.38961	0.55611		4	œ	ω	2.5		
	Score		3.6	2		-	11	1.67		4	8	8	2.5		
	Better than average/Exceptional (80% - 100)		C				0	F		100% compliant	100% compliant	100% compliant	50%. Facility still to be acquired		
	Adequate/Acceptable (10% - 70%)		60%. No welding engineer. No resident metallurgist .	50%. Currently, the supplier does not have all the equipments. Plans to upgrade the facility in place to have all necessary machinery to execute the project.		30%. Previously rejected proposal as a result of budget. Requesting order amendments for additional costs.	35%. Compared against previous order lines on weighted avearage from June 13 to June 14 of 27% late. This is based on the order lines not adjested. Casspir and Ambulance that were adjusted to accommodate new schedule request. This necesitate the adjustment from 27% to 65%.	50% Recorded defects on previous work completed. 2 rejection notes on the system. Defects on delivered vehilces in Sudan Formal corrective action from Amscor on poor quality		11	11	10	56		6. 2014 Madaduer
	Section Weighting Question % Weighting	10.00%	60%	40%	10 0007	33%	33%	33%	4.00%	100%	8.00%	8.00% 100%	5.00% 100%		27.06.
	Example Technical & Quality Criteria	Relevant Capability and Experience	Available Technical Expertise	Machinery and Equipments	Provins Sucressful Procurament	Within Budget	On time delivery	According to Specification	Supplier Quality Assurance	ISO compliance	Bid/Tender to Specification Adherence to bid specification	Delivery Lead Time Acceptable lead time aligned to the project	Supplier Current Capacity Current Capacity	Q L	Signed by members of the CFT Name
			ğ	02		03	Q4	Q5	A . DELANDER CONTRACTOR	06	Q7	Q8	60		

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Example Technical Solution         Solution Solution         Data Example Technical Solution         Solution Solution         Solution         Solution Solution         Solution         Solution </th <th></th> <th></th> <th></th> <th></th> <th></th> <th>Tenderer 1</th> <th></th>						Tenderer 1	
varit Capability and Experience         10.004         0.005         Immunolity and Experience         3.6	Example Technical & Quality Criteria	Section Weighting %	Question Weighting	(80% -	Score	Weighted Score	
All     Construction     Construction     Construction     Construction       Abs     Frethrind Exported     Construction     Construction     Construction     Construction       Antiper and Exported     Construction     Construction     Construction     Construction     Construction       Antiper and Exported     Construction     Construction     Construction     Construction     Construction     Construction       Antiper and Exported     Construction     Constru	Relevant Capability and Experience	10.00%					
International and Equipments         Appl.         Bending meanings and equipments         32         128         Tending meanings         32         128         Tending         32         128         Tending         32         128         133 <t< td=""><td>Available Technical Expertise</td><td>5</td><td>60%</td><td>100% Inhouse maintenance resources. Available welding engineers Available project deam to execute the project. Knowledge in working with armour plate</td><td>cc</td><td>ų.</td><td></td></t<>	Available Technical Expertise	5	60%	100% Inhouse maintenance resources. Available welding engineers Available project deam to execute the project. Knowledge in working with armour plate	cc	ų.	
Oil Successful Procriment     10.00%     New no proposal regereed provincity as a month of the purple.       n Budget     n Budget     10.00%     33%     New no proposal regereed provincity as a month of the purple.       ne delivery     33%     New no proposal regereed provincity as a month of the purple.     2.9     0.9657       ne delivery     33%     New no proposal regereed provincity as a month of the purple.     2.9     0.9657       ne delivery     33%     New no proposal regereed provincity as a month of the purple.     2.9     0.9695       ne delivery     30%     00%     100%     0.00%     100%     0.00%       ne delivery     30%     00%     100%     0.00%     0.00%     0.00%       ne delivery     30%     00%     100%     0.00%     0.00%     0.00%       ne delivery     30%     00%     0.00%     0.00%     0.00%       ne delivery     30%     0.00%     0.00%     0.00%	Machinery and Equipments		40%	80%. Beding machines, all equipments related to executing the project except for machining capability.	3.2	1 28	
Ious Successful Procuement         1000%         Dev No Proposal repeted Pervouses and         4         1322           n Budget         3%         result of exceeding the budget         2%         0.000%         1322         1332           ne delivery         3%         result of exceeding the budget         2%         0.000%							
me delivery     30%     90%     00%     29     0.6657       me delivery     30%     90%     00%     29     0.6657       ofneg lo Specification     30%     90%     00%     30%     0.6657       ofneg lo Specification     30%     90%     00%     30%     0.6657       ofneg lo Specification     4     4     4     4       ofneg lo Specification     8     00%     100%     100%     0.066       information     8     00%     100%     100%     0.066     9       information     8     00%     100%     0.00%     0.066     9       information     8     00%     100%     0.00%     0.066     9     9       information     8     00%     100%     100%     0.00%     9     9     9       information     8     00%     100%     100%     0.00%     9     9     9       information     8     00%     100%     100%     0.00%     9     9     9       information     8     00%     100%     100%     100%     0.00%     9     9     9     9       information     8     0     100%     100%	Previous Successful Procurement Within Budget	10 00%	33%	95%. No proposal rejected previously as a result of exceeding the budget	4	1 332	3.3
Circle of Dependencie (In the FY 1371.4.)     Circle of the FY 1371.4.     Circle of the FY 1371.4.       Sile Cuarity Assume     4 00%     23%     Glowered in the FY 1371.4.     3     0.000       Sine Cuarity Assume     4 00%     100% complaint.     4     4     4       Sine Cuarity Assume     8 00%     100% complaint.     8     8     8       Create to bid specification     8 00%     100% complaint     8     8     8       Classify     8 00%     100% complaint     8     8     8       Sine Cuarity     5 00%     100% complaint     5     5     9       Sine Cuarity     5 00%     100% complaint     5     5     9       Ad by members of the CFT     Event And Autoritie Lic     5     5     5       Ad by members of the CFT     Event Autoritie Lic     5     5     5       Ad by members of the CFT     Event Autoritie Lic     5     5     5       Ad by members of the CFT     Event Autoritie Lic     5     5     5       Ad by members of the CFT     Event Autoritie Lic     5     5     5	On time delivery	TTAN T	33%	90%. Compared against previous order lines on weighted avearge from June 13 to June 14.	2.9	0.9657	
Annulation     A constraint     A constraint       compliance     A constraint     A constraint       compliance     B constraint     B constraint       compliance     B constraint     B constraint       conder to Specification     B constraint     B constraint       constraint     S constraint     B constraint     B constraint       constraint     S constraint     C compliant     B constraint       constraint     S constraint     C constraint     B constraint       constraint     C constraint     C constraint     C constraint	According to Specification		33%	98%. Two rejection notes out of 147 lines delivered in the FY 13/14	e	666.0	
Complete     100%     100%     100%     100%     100%     100%     100%       ender to Specification     8 00%     8 00%     000%     8 00%     8 8     8       ender to Specification     8 00%     100%     100%     100%     8 8     8       ender to Specification     8 00%     000%     100%     100%     8     8       diar Current Capacity     5 00%     100%     100%     100%     8     8       diar Current Capacity     5 00%     00%     100%     100%     8     8       diar Current Capacity     5 00%     00%     100%     100%     8     8       iller Current Capacity     5 00%     00%     100%     100%     8     8       iller Current Capacity     5 00%     00%     100%     100%     8     8       iller Current Capacity     5 00%     00%     100%     100%     100%       iller Current Capacity     5 00%     100%     100%     100%     100%       iller Current Capacity     5 0%     100%     100%     100%     100%	Supplier Quality Assurance	4 00%			A STATE AND A STAT		4.0
Partier to Specification     8 00%     00%     00%       rence to bid specification     8 00%     100% Compliant     8       end Time     5 00%     100% compliant     8       end time     5 00%     100% compliant     8       end time     5 00%     100% compliant     8       d by members of the CFT     Multic Line Line     8     8       d by members of the CFT     Multic Line     8     8	ISO compliance		100%	100% compliant.	4	4	
Index Expedication     100%     100%     100%     000%     000%     000%     000%       Info Capacity     8     8     8     8     8     8       Info Capacity     5     00%     100%     000%     8     8       Info Capacity     5     00%     100%     100%     9     9       Info Capacity     5     00%     100%     100%     9     9       Info Capacity     5     0     10     10     9     9       Info     1     1     1     <	Bid/Tender to Specification	8 00%			Anna Anna Anna		8.0
Addition     8 00%     100% compliant     8 00%       Databased to the project     8 00% compliant     8     8       Databased to the project     5 00% compliant     6     8       Databased to the project     5 00% compliant     5     5       Databased to the project     5 00% compliant     5     5       Databased to the CFT     Edited to the compliant     5     5       Database of the CFT     Edited to the compliant     5     5       Database of the CFT     Edited to the compliant     5     5       Database of the CFT     Edited to the compliant     5     5	Adherence to bid specification		100%	100% Compliant	ω	Ø	
ery Lead Time 800% 100% compliant 80% 100% compliant 80% 100% compliant 80% compliant 80% compliant 80% compliant 80% compliant 80% compliant 85% 100% compliant 85% 100% compliant 100% 1							125
International capacity     500%     100%     60%     00%     60%     00%       all by members of the CFT     Extended     5     5     5     5       all by members of the CFT     Extended     6     5     5     5       all by members of the CFT     Extended     100%     00% compliant     5     5       all by members of the CFT     Extended     100%     100%     00% compliant     5     5       all by members of the CFT     Extended     2     0     2     0     2		8 00%	1000/	100% anmaliant	c	C	8.0
and Capacity 100% compliant 5 5 5 4 4 Martine 100% compliant 5 5 5 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		5.00%	0/.001		Ø	Q	50
ad by members of the CFT Cele Mainle ature 27 - 06 - 2014.	Current Capacity		100%	100% compliant	5	22	
ad by members of the CFT Delia Malalie sture 27.06.2014							
d by members of the CFT d by members of the CFTT d by members of the CFTT d by members of the							
Lete Maialie	Signed by members of the CFT	A A	a tula t				
2 0 6 - 2	Name	E.	2	alle			
2.30. 20	Signature						
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URF NOV							
		12		2			

W10-CPMM-348

Example Technical & Quality Criteria Relevant Capability and Experience Available Technical Experience Available Technical Experies Machinery and Equipments Previous Successful Procurement Within Budget On time delivery According to Specification According to Specification Supplier Compliance IBId/Tender to Specification Adherence to bid specification Adherence to bid specification Adherence to bid specification Current Capacity Current Capacity Current Capacity Current Capacity Current Capacity Current Capacity Signed by members of the CFT	Service         Service <t< th=""></t<>
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W10-CPMM-349

**CONSOLIDATED EVALUATION SHEET** 

OFFER	25%
BASIS FOR COMPARATIVE	PRICE.

45%	1006
TECHNICAL	BCC

4	30	
45%	30%	

% Premium Premium payable in payable			Re	R 96,794,183	R 136,303,849		
% Premium payable		ł	0.00	58.45	82.30		
Overall Ranking Price, Technical,BEE							
Total point	100%		64.78	65.54	46.28		
Total point for Preference	0%0		0	0	0		
BBBEE	30%		0	5	0		
Points for Technical	45%		39.79	50.15	41.86		
Points for Financial Offer	25%		25.00	10.39	4.42	With and	TREE IN
Comparative Offer (Pm)			R 105,612,451	R 165,612,451	R 165,612,451	7	
Financial Offer (P)			R 185,612,451	R 262,406,634	R 301,916,300		
Name of Tenderer : Ranked lowest to highest Price			LMT	VR Laser	DCD		

							1
Black Ownership	0	2	0				
Employment Equity	0	0	0				
BBEEE Score	0	3	0				
BBBEE Scorecard Level	Expired	LEVEL 4	Expired				
Name of Tenderer :Ranked in same order as above	LMT	VR Laser	DCD				

LMT BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 5 contributor. In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any point for BBBEE because there is no valid certificate in place.

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27.06.2014

VR submitted a valid BBBEE certificate indicating a level 4 contributor with 25.10% black women ownership. VR laser has indicated that it is now 100% black owned, however, they have not done the verification to reflect that. At this stage we cannot allocate any point for 100% black ownership because there is no updated BBBEE certificate to that effect.

DCD BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 4 contributor. In their proposal they have indicated that they are currently busy finalizing a joint venture that will ensure 47% of economic benefit from this project accrued to previously disadvantaged people. DCD is currently awaiting a new BBBEE certificate on a level 4.

Derio	nnn	Section Score	4.0				1.7				4.0			Z.Z			. 8.0		3.0			
Tondoror 7	c laian	Weighted Score		2.88	1 12			0.55611	0 55611	0.55611	Here are pro-	4			7.2	(7)		ø		3	2	
		Score (out of 5) Weighted Score		4.8	2.8			1.67	1.67	1.67		4			7.2			ω		e	06.	
MT Products (Pro	I LIVUUUUS (TI)	Section Score	3.0				1.3				4.0			8.0			8.0		2.5 **		Date 21.	
		Weighted Score Section Score		2.16	0.8			0.333	0.38961	0.55611	a los duine an an that there are a	4			8			8		2.5		Q
TECHNICAL EVALUATION SHEET	anlial	Score (out of 5)		3.6	2			1	1.17	1.67		4			8			8		2.5		
ECHNICAL E	IN Lasel Jervice	Section Score	-				3.3				4.0			8.0			8.0		5.0			
SOLIDATED TE		Question Weighting Score Weighted Score		3.6	1.28			1.332	0 9657	0.999	AND 1	4			Ø			8		5	Chudand	
CONSO		Score		9	3.2			4	2.9	ю		4			8			8		5	D KC	$\mathbf{I}$
ö		Question Neighting		60%	40%			33%	33%	33%		100%			100%			100%		100%	Q C	A
		Section Weighting Question % Weighting	10 00%				10.00%				<i>‱</i> 00 +		- ART-A	8.00%			8 00140		5.00%			R
		Example Technical & Quality Criteria	Relevant Capability and Experience	Available Technical Expertise	Machinery and Equipments		Previous Successful Procurement	Within Budget	On time delivery	According to Specification	Supplier Quality Assurance	ISO compliance		Bid/Tender to Specification	Adherence to bid specification		Delivery Lead Time	Acceptable lead time aligned to the project	Supplier Current Capacity	Current Capacity	Signed by members of the CFT (for file copy )	
				6	Q2	6		<b>Q</b> 3	Q4	Q5		Q6	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		07			0,8		09		



	e Section Score				*	2			4.0		8.0		8.0	2.5	
Tenderer 1	Weighted Score		2.16	0.8		0.333	0.38961	0.55611		4		×	9	2.5	
	Score		3.6	2		٣-	117	1.67		4		×	ω	2.5	
	Better than average/Exceptional (80% - 100)		C	5			0	F		100% compliant		100% compliant	100% compliant	50%. Facility still to be acquired	
	Adequate/Acceptable (10% - 70%)		60%. No welding engineer. No resident metallurgist .	50%. Currently, the supplier does not have all the equipments. Plans to upgrade the facility in place to have all necessary machinery to execute the project.		30% Previously rejected proposal as a result of budget. Requesting order amendments for additional costs.	35%.Compared against previous order lines on weighted avearage from June 13 to June 14 of 27% late. This is based on the order lines not adjested.Casspir and Ambulance that were adjusted to Ambulance that were adjusted to accommodate new schedule request. This necesitate the adjustment from 27% to 65%.	50%. Recorded detects on previous work completed. 2 rejection notes on the system. Defects on delivered vehilces in Sudan Formal corrective action from Amscor on poor quality		10		2	10	20	ndure.
	Question Weighting		60%	40%		33%	93% 89	33%		100%		%001	100%	100%	BAL
Î	Section Weighting	10 00%			10.00%		a start		4.00%		8.00%		8.00%	5.00%	
	Example Technical & Quality Criteria	Relevant Capability and Experience	Available Technical Expertise	Machinery and Equipments	Previous Successful Procurement	Within Budget	On time delivery	According to Specification	Supplier Quality Assurance	ISO compliance	Bid/Tender to Specification		Delivery Lead Time Acceptable lead time aligned to the project	Supplier Current Capacity Current Capacity	Signed by members of the CFT Name Signature
			Q1	02	1	03	04			000	<u> </u>		AL	CO CO CO	o z ō

					Tenderer 1	
Example Technical & Quality Criteria	Section Weighting %	Question Weighting	Better than average/Exceptional (80% - 100)	Score	Weighted Score	Section Score
Relevant Capability and Experience	10 00%					
			100%. Inhouse maintenance resources. Available welding engineers Available project team to execute the project Knowledge in			
Available Lechnical Expertise		60%	working with armour plate. 80% Bending machines all equipments	Q	3.6	
Machinery and Equipments		40%	related to executing the project except for machining capability.	3.2	1 28	
Previous Successful Procurement	10.00%		95%. No proposal relected previously as a			3.3
Within Budget		33%	result of exceeding the budget	4	1.332	
On time delivery	1	33%	90%. Compared against previous order lines on weighted avearge from June 13 to June 14	2.9	0.9657	
According to Specification		33%	98%. Two rejection notes out of 147 lines delivered in the FY 13/14	ę	666.0	
Supplier Quality Assurance	4.00%					4.0
ISO compliance		100%	100% compliant.	4	4	
Bid/Tender to Specification	8.00%					8.0
Adherence to bid specification		100%	100% Compliant	80	ω	
Delivery Lead Time Acceptable lead time alloned to the project	8.00%	100%	100% comuliant	α	CC CC	8.0
Supplier Current Capacity	5.00%	8/001		0	0	5.0
Current Capacity		100%	100% compliant	Q	ۍ ا	
		and a second			A	
Signed by members of the CFT	0					
Name	Y	Acc	chudy of			
Signature		X	Ş			
Date	32	0 5	7.014			
	22					

W10-CPMM-353

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Section         Section <t< th=""><th></th><th>Tenderer 1</th><th></th></t<>		Tenderer 1	
60% 60% 10,00% 10,00% 33% 4,00% 100% 8,00% 100% 5,00% 100%	Score	Weighted Score Section Score	Section Scor
60%           10%           100%           100%           33%           100%           33%           100%           100%           100%           100%           100%           30%           100%           100%           500%           100%			4.0
40% 10.00% 33% 33% 4.00% 100% 8.00% 100% 33%	4.8	2.88	
10.00%         33%           10.00%         33%           10.00%         33%           10.00%         100%           100%         100%           100%         100%           5.00%         100%	2.8	1 12	2
10 00% 33% 33% 33% 33% 100% 100% 100% 10			
33% 33% 4.00% 100% 8.00% 100% 33%			256
33%           33%           4.00%           100%           8.00%           100%           3.30%           3.30%           100%           3.00%           100%           3.00%           100%           3.00%           100%           3.00%           100%           100%           100%	s 1.67	0.55611	
33%         33%           4.00%         100%           8.00%         100%           3.00%         100%           3.00%         100%           3.00%         100%	s 1.67	0.55611	
8.00% 100% 8.00% 100% 100% 100% 100% 100% 100% 100%	5 1 67	0 55611	
8.00% 8.00% 100% 3.00% 100% 5.00% 100%			4.0
8.00% 100% 100% 100% 100% 100% 100% 100%	4	4	
8.00% 8.00% 100% 3.00% 100% 5.00% 100%			
<u>3.00%</u> <u>3.00%</u> <u>5.00%</u> <u>100%</u>		1.0	7.2
3.00% 3.00% 5.00% 100%	7.2	7.2	
3.00% 100% 5.00% 100%			
5.00% 100% 100% 100%		and the first of the second strength of the second	
5.00% 100%			.8.0
5.00%	8	:33	
100%			3.0
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W10-CPMM-354

**CONSOLIDATED EVALUATION SHEET** 

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25% BEE TECHNICAL: PRICE:

%04	30%	

% Premium Payable in payable Rands			RO	R 96,794,183	R 136,303,849		
			0.00	58.45	82.30	R. C. L.	
Overall Ranking Price, Technical,BEE							
Total point	100%		64.78	65.54	46.28		
Total point for Preference	%0		0	0	0		
BBBEE	30%		0	5	0		
Points for Technical	45%		30 78	50.15	41.86		
Points for Financial Offer	25%		25.00	10.39	4.42	ALL CAN	
Comparative Offer (Pm)			R 165,612,451	R 165,612,451	R 165,612,451		
Financial Offer (P)			R 165,612,451	R 262,406,634	R 301,916,300		
Name of Tenderer : Ranked lowest to highest Price			LMT	VR Laser	DCD		

100		h				1		
Black Ownership	0	2	0					
Employment Equity	0	0	0					
BBEEE Score	0	3	0	ALC: NO			1 1	
BBBEE Scorecard Level	Expired	LEVEL 4	Expired					
Name of Tenderer :Ranked in same	LMT	VR Laser	DCD					

LMT BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 5 contributor In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any point for BBBEE because there is no valid certificate in place.

laser has indicated that it is now 100% black owned, however, they have not done the verification to reflect that. At this stage we cannot allocate any point for 100% black ownership because there is no updated BBBEE certificate VR submitted a valid BBBEE certificate indicating a level 4 contributor with 25.10% black women ownership. VR to that effect.

DCD BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 4 contributor. In their proposal they have indicated that they are currently busy finalizing a joint venture that will ensure 47% of economic benefit from this project accrued to previously disadvantaged people. DCD is currently awaiting a new BBBEE certificate on a level 4.

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27/6/2014

who sent N/06136 Atto 24.

					Tenderer 1 V	VR Laser Service		Tenderer 2 LM	LMT Products (Pt)		Tenderer 3	DCD
<u> </u>	Example Technical & Quality Criteria	Section Weighting Question % Weighting	50	Score	Weighted Score	Section Score	Score (out of 5)	Weighted Score Section Score	Section Score		Score (out of 5) Weighted Score	Section Score
X	Relevant Capability and Experience	10 00%				4.9			3.0			4.0
A	Available Technical Expertise		60%	9	3.6		3.6	2.16		4.8	2.88	
Σ	Machinery and Equipments		40%	3.2	1.28		2	0.8		2.8	1.12	
-								and the second se				
d	Previous Successful Procurement	10.00%				3.3			1.3			1.7
5	Within Budget		33%	4	1.332		+	0 333		1.67	0.55611	
0	On time delivery		33%	2.9	0.9657		1.17	0.38961		1.67	0 55611	
A	According to Specification		33%	<b>c</b> 2	0.990		1.67	0.55611		1.67	0.55611	
S	Supplier Quality Assurance	4 00%	ł.		and the same of th	4.0			4.0			4.0
22	ISO compliance		100%	4	4		4	4		4	4	
		and the second s			and the second of the second			and the second s				4 2
-	Bid/Tender to Specification	8.00%				8.0			Ø.0			
A	Adherence to bid specification		100%	8	8		8	8		7.2	7.2	
-												
-	Definition I and Time	A ADOM	A		and the second of the second second	c a		an automation of the part of the	8.0		and the second se	8.0
-		N 00.0										
A	Acceptable lead time aligned to the project		100%	8	8		œ	8		æ	x	
S	Supplier Current Capacity	5.00%				5.0			2.5			3.0
Ū	Current Capacity		100%	5	5		2.5	2.5		3	e	
-												
N N	Signed by members of the CFT								Date 17	かってりたい		
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			74gm	K	thin							
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Example Technical         Societion (%)         Description (%)         Descriptio						Tenderer 1	
and Capability and Expensionse 10 00%, Infrase main finanting resources and inframing resources and resources	Example Technical & Quality Criteria	Section Weighting %		(80% -	Score	Weighted Score	
Noticity of the induction of the inducti	Relevant Capability and Experience	10.00%					
Image: mediation of the project recent of the pro	Available Technical Expertise	5	60%	100%. Inhouse maintenance resources. Available welding engineers. Available project team to execute the project. Knowledge in working with armour plate.	c	U V	
outs Successful Procument     10 00%     9% No properingened penously as a significant purplet     9% No properingened penously as a significant purplet       Budget     53%     9% could exceeding the budget     9% (could exceeding the budget       Budget     33%     9% could exceeding the budget     9% (could exceeding the budget       Brig to Specification     33%     9% completed interY 14/14     2,9     0.9667       Brig to Specification     33%     40%     100% completed interY 14/14     2,9     0.9667       Brig to Specification     8.00%     100% completed interY 14/14     2,9     0.9667       Brig to Specification     8.00%     100% completed     8     8     8       Brie East Time angret to the project     8.00%     100% completed     8     8     8       Brie East Time angret to the project     5.00%     100% completed     8     8     8       Brie East Time angret to the project     5.00%     100% completed     8     8     8       Brie East Time angret to the project     5.00%     100% completed     8     8     8       Brie East Time angret to the project     5.00%     100% completed     8     8     8       Brie East Time angret to the project     5.00%     100% completed     8     8       Brie East Time angret	Machinery and Equipments		40%	80%. Bending machines, all equipments related to executing the project except for machining capability.	3.2	1 28	
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dirg to Specification       33%       39%       Move relection motes out of 14 times       3       0.996         ref Quality Assumed       4.00%       100%       00%       00%       4       4       4         ontipliance       4.00%       100%       00% compliant.       4       4       4       4         ontipliance       8.00%       100%       00% compliant.       8       10<	On time delivery	Children of Section		90%. Compared against previous order lines on weighted avearge from June 13 to June 14	2.9	0.9657	
Inc Quality Assurance     4.00%     100%     100%     00%     00%     00%       Implance     8.00%     100%     00% complant     8     8     8       Inder to Specification     8.00%     00% complant     8     8     8       Inder to Specification     8.00%     100% complant     8     8     8       Inder to Specification     8.00%     100% complant     8     8     8       Inder to Specification     8.00%     100% complant     8     8     8       Inder to Specification     8.00%     100% complant     8     8     8       Inder to Specify     5.00%     100% complant     8     8     8       Inder to the project     8.00%     100% complant     8     8     8       Inder to the project     8.00%     100% complant     8     8     8       Inder to the project     8.00%     100% complant     5     8     8       Inder to the project     8.00%     100% complant     5     8     8       Inder to the project     9.0%     100% complant     5     8     8       Inder to the to	According to Specification	2		98%. Two rejection notes out of 147 lines delivered in the FY 13/14	£	0.990	
IndianceIndian	Supplier Quality Assurance	4.00%					4.0
Inder to Specification     8.00%     100% compliant     8     8       ence to bid specification     8     00% compliant     8     8       ence to bid specification     8     00% compliant     8     8       ence to bid specification     8     00% compliant     8     8       ence to bid specification     8     8     8     8       is current capacity     5.00%     100% compliant     8     8     8       is current capacity     5.00%     100% compliant     5     5     5       is current capacity     5.00%     100% compliant     5     5     5       d by members of the CFT     Anno text     Polots Mo     5     5     5       d by members of the CFT     Anno text     Polots Mo     5     5     5       d by members of the CFT     Anno text     Polots Mo     5     5     5	ISO compliance		100%	100% compliant.	4	4	
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W10-CPMM-358

	Better than average/Exceptional     (80% - 100)     Score       80% Indicated skills availability and capacity.     4.8       70% Limited bending and laser cutting capability. Maching capability exist     2.8       50%. No recent track record within DLS business. No complaint that DLS is aware of.     1.67	Weighted Score	Section Score
erience 10.00% 60% 60% 80% 80% 80% 80% 80% 80% 80% 80% 80% 8	<u></u>		
e0%         60%           ament         10.00%         33%           ament         10.00%         33%           ament         10.00%         33%	<u></u>		4.0
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33% 33% 33%	ack record within DLS business. No complaint that DLS is	0.55611	X1.1
33%	1.67		
4.00%	50%. No recent track record within DLS business. No complaint that DLS is aware of.		
1000			4.0
ISU compliance iuu % compliant	4	4	
Rid/Tender to Specification 8 00%			7.2
	y of Polyurithane 7.2	7.2	
Delivery Lead Time 8.00%			8.0
aligned to the project	8	0	
Supplier Current Capacity         5 00%           Current Capacity         100%	m	en la	3.0



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**CONSOLIDATED EVALUATION SHEET** 

DFFER	25%
COMPARATIVE (	PRICE
FOR	
BASIS	

TECHNICAL 45% BEE 30%

% Premium payable in payable Rands			RO	R 96,794,183	R 136,303,849		
% Premium payable			0.00	58.45	82.30		
Overall Ranking Price, Technical,BEE							
Total point	100%		64.78	65.54	46.28		
Total point for Preference	%0		0	0	0		
BBBEE	30%		0	5	0	P	
Points for Technical	45%		39.78	50.15	41.86		
Polnts for Financial Offer	25%		25.00	10.39	4.42	al reached	
Comparative Offer (Pm)			R 165,612,451	R 165,612,451	R 165,612,451	2	
			R 165,612,451	R 262,406,634	R 301,916,300		
Name of Tenderer : Financial Offer Ranked lowest to (P) highest Price			LMT	VR Laser	DCD		

194K								
Black Ownership	0	2	0					
Employment Equity Black Ownership	0	0	0					
BBEEE Score	0	3	0	1 1			-	
BBBEE Scorecard Level	Expired	LEVEL 4	Expired		All and a second se			
Name of Tenderer :Ranked in same order as above	LMT	VR Laser	DCD					

LMT BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 5 contributor In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any point for BBBEE because there is no valid certificate in place. VR submitted a valid BBBEE certificate indicating a level 4 contributor with 25.10% black women ownership. VR laser has indicated that it is now 100% black owned, however, they have not done the verification to reflect that. At this stage we cannot allocate any point for 100% black ownership because there is no updated BBBEE certificate to that effect.

DCD BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 4 contributor. In their proposal they have indicated that they are currently busy finalizing a joint venture that will ensure 47% of economic benefit from this project accrued to previously disadvantaged people. DCD is currently awaiting a new BBBEE certificate on a level 4.

DREUIN MARTIN

27/06/2014 トト 2

Score         Neighted Score         Section Score </th <th>Section Weighting Question Weighting Score Weighted Score</th>	Section Weighting Question Weighting Score Weighted Score
49       36       216       30       48       288         33       2       0.8       2.8       112         33       1       0       2.8       112         33       1       0.8       2.8       112         33       1       0.333       1.67       0.5611         117       0.38961       1.67       0.5611         167       0.38961       1.67       0.56611         167       0.38961       4.0       4       4         4.0       4       4       4       4       4         80       8       8       8       8       8       8         50       2.5       2.5       3       3       3       3 $\sqrt{\sqrt{4}}$ $\sqrt{4}$ $4$	
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Section Weighting Question %	Better than average/Exceptional (80% - 100)	Score	Weighted Score	e Section Score
10.00%				4.9
60%	100%. Inhouse maintenance resources. Available welding engineers. Available project team to execute the project Knowledge in working with armour plate.	ø	3.6	
40%	80%. Bending machines, all equipments related to executing the project except for machining capability.	3.2	1.28	
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33%	95%.No proposal rejected previously as a	4	1 332	c.c
33%	90%.Compared against previous order lines on weighted avearge from June 13 to June 14	2.9	0.9657	
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		60% 60% 33% 100% 100%	100%. Inhouse maintenance resources.       60%     Pariable welding engineers. Available project team to execute the project Knowledge in working with armour plate.       60%     Bending machines, all equipments resources.       working with armour plate.       80%     Bending machines, all equipments related to execute the project except for machining capability.       33%     95%. No proposal rejected previously as a result of exceeding the budget       33%     95%. Two proposal regeted previously as a result of exceeding the budget       33%     95%. Two proposal regeted previously as a result of exceeding the budget       33%     100%     Compared against previous order lines       100%     100% compliant     100% compliant       100%     100% compliant     Aut. J.       27/66/20, J. J. J. J.	Available velding empinearea fasources.     Available velding empineares Available project kowing to executing thin armout phoject Khowledge in workin to executing thin armout phoject Khowledge in a0%. Berrafing machtures, all equipments a0%. Berrafing machtures, all equipments ielated to exceeding the broject except for assis, gas who proposal rejected previously as a 33% goftwend in the FV 13/14     4       33% and the broject except for machining capability.     29 9       33% brow rejection motes out of 147 lines 33% delivered in the FV 13/14     29 9       100% for compliant     8       100% for compliant     8       100% compliant     8       20% compliant     8       20% compliant     5       27/61/2014     20.404

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		re Section Score	4.0			1.7				N. P	0.4	12				0.0	3.0						
	Tenderer 1	Weighted Score		2.88	1.12		0.55611	0 55611	0 55611	1000	4		7.2			8		9					
		Score		4.8	2.8		1.67				4		7.2			00		3					
TECHNICAL SCORING SHEET - DCD GROUP (PTY)Ltd		Better than average/Exceptional (80% - 100)		80%. Indicated skills availability and capacity.	70% Limited bending and laser cutting capability. Maching capability exist		50%. No recent track record within DLS business. No complaint that DLS is aware of.	50%. No recent track record within DLS business. No complaint that DLS is aware of	50%. No recent track record within DLS business. No complaint that DLS is aware of.		100% compliant		90%.Unavailability of Polyurithane			100% compliant		60% compliant			DREVIN	5	26/06/2017
TECHN		g Question Weighting	%	60%	40%	0	33%	33%			100%		100%		2	100%		100%			M. J.	2	S
		Section Weighting %	0.00%			10.00%				4.00%		8.00%			8 00%		5.00%						
		Example Technical & Quality Criteria	Relevant Capability and Experience	Available Technical Expertise	Machinery and Equipments	Previous Successful Procurement	Within Budget	On time delivery	According to Specification	Supplier Quality Assurance	ISO compliance	Bid/Tender to Specification	Adherence to bid specification		Delivery Lead Time	Acceptable lead time aligned to the project	Supplier Current Capacity	Current Capacity		Signed by members of the CFT	Name	Signature	Date
				Ø	02		<b>Q</b> 3	64	Q5		06		07	1		08	10	60					

W10-CPMM-364

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OFFER	25
COMPARATIVE	PRICE
FOR	
BASIS	

PRICE 25% TECHNICAL 45% BEE 30%

% Premium Premium payable in payable Rands			Re	R 96,794,183	R 136,303,849	
			0.00	58.45	82.30	
Overall Ranking Price, Technical, BEE						
Total point	100%		64.78	65.54	46.28	
Total point for Preference	%0	1	P	0	0	
BBBEE	30%		0	5	0	
Points for Technical	45%		39.70	50.15	41.86	
Points for Financial Offer	25%		25.00	10.39	4.42	Maria
Comparative Offer (Pm)		1	R 105,012,451	R 165,612,451	R 165,612,451	
Financial Offer (P)			R 105,012,451	R 262,406,634	R 301,916,300	
Name of Tenderer : Ranked lowest to hIghest Price			LMT	VR Laser	DCD	

di								
Black Ownership	0	2	0					
Employment Equity	0	0	0					
BBEEE Score	0	3	0	The second se	No. of Street, or other		1	
BBBEE Scorecard Level	Expired	LEVEL 4	Expired				~	
Name of Tenderer :Ranked in same order as above	LMT	VR Laser	DCD					

LMT BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 5 contributor. In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any point for BBBEE because there is no valid certificate in place.

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VR submitted a valid BBBEE certificate indicating a level 4 contributor with 25.10% black women ownership. VR laser has indicated that it is now 100% black owned, however, they have not done the verification to reflect that. At this stage we cannot allocate any point for 100% black ownership because there is no updated BBBEE certificate to that effect.

DCD BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 4 contributor. In their proposal they have indicated that they are currently busy finalizing a joint venture that will ensure 47% of economic benefit from this project accrued to previously disadvantaged people. DCD is currently awaiting a new BBBEE certificate on a level 4.

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Weighting (x, x, x, x, x, x, x, x, x, x, x, x, x, x	Weighting R.         Mediation         Lender         Science         Section         Section         Section         Science         Scince         Science         Science						Tenderer 1	VR Laser Service			LMI Products (Pt)		Tenderer 3	DCD
1000k         60k         6         35         49         216         30         48         288           1000k         40k         32         128         2         08         2         13         2         112           1000k         30k         4         1322         33         1         0         333         1         5         0         9         1	1000k         60k         6         36         30         49         206         49         208         112           1000k         100k		Example Technical & Quality Criteria	ction eighting	Question Weighting	Score	Weighted Score	Section Score	Score (out of	thted Scr	Section Score		Meichted Score	Saction Sec
60%         6         36         36         216         36         28         288         2           40%         32         12         23         12         23         13         16         26         112           1000%         33%         2         0.966         1         1         2         16         05611           33%         2         0.966         1         1         0.333         1         1         16         05611           33%         2         0.966         4	60%         6         36         26         26         28         288         2           40%         32         128         33         1         3         1         2         1         2           100%         33%         2         0         9         1         1         2         1         1           33%         2         0         9         1         1         0         333         1 <th></th> <th>Relevant Capability and Experience</th> <th>10.00%</th> <th></th> <th></th> <th>þ</th> <th>4.9</th> <th></th> <th></th> <th></th> <th>1</th> <th></th> <th>4.0</th>		Relevant Capability and Experience	10.00%			þ	4.9				1		4.0
40%         32         128         2         128         112           100%         33         1         33         1         1         0         1	40%         32         12%         33         1         28         1         28         1         1         1         1           100%         33%         1		Available Technical Expertise		60%	9	3.6		3.6	2.16		4.8	2.88	
100%         1.3         3.3         1.3         3.3         1.3         1.3         1.3         1.3         1.3         0.66611         0.66611           33%         2.9         09657         117         03381         1.67         0.66611         0.66611           33%         2.9         09657         117         03381         1.67         0.56611           33%         2.9         0.999         1.17         0.3381         1.67         0.56611           100%         8         8         8         8         8         8         8           600%         100%         8         8.0         8         8         8         8         8           500%         100%         8         8.0         8         3         3         3         3         3         3	100%         1	_	Machinery and Equipments		40%		1.28		2	0.8		2.8	1 12	
$\begin{array}{ c c c c c c c c c c c c c c c c c c c$	1000% $30%$ $4$ $1.32$ $3.3$ $1$ $1.67$ $0.6611$ $30%$ $2$ $0$ $9667$ $117$ $0.333$ $167$ $0.6611$ $30%$ $2$ $0$ $9667$ $117$ $0.333$ $167$ $0.5611$ $30%$ $4$	-												
3%         4         1.32         1         0.333         1         1         0.56611           3%         29         0.9667         117         0.3661         1         67         0.56611           3%         3         0.999         1         1         0.3661         1         67         0.56611           10%         4	3%         4         1.32         1         0.033         1         1         0.6611         1           3%         2         0.9667         1         1         0.3861         1         167         0.5611           3%         3         0.9667         1         1         0.3861         167         0.5611           3%         3         0.969         1         167         0.5611         167         0.5611           400         4	-	Previous Successful Procurement	10.00%				3.3			1.3			1.7
33%         2         0.966         117         0.3661         167         0.5611         167         0.5611           100%         1         1         1         1         1         1         0         167         0         167         0         1661           100%         1	30%       29       0.667       117       0.3661       167       0.5611 $30%$ 2       0.990       1       1       0.3661       1       0.5611       0.5611 $100%$ 4       4       40       4       4       4       4       4       4 $100%$ 8       80       8       8       7       7       7       7 $800%$ 100%       8       80       8       8       7       7       7       7 $800%$ 100%       8       9		Within Budget		33%	4	1.332		E.	0.333		1.67	0.55611	
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$	30%     3     0999     167     05611     167     05611       100%     4     4     4     4     4     4     4       800%     8     8     8     8     8     8     8       100%     8     8     8     8     8     8     8       100%     8     8     8     8     8     8       100%     8     8     8     8     8     8       100%     8     8     8     8     8     8       100%     8     8     8     8     8     8       100%     5     5     5     5     3     3	_	On time delivery		33%		0 9657		1.17	0 38961		1.67	0.55611	
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$		According to Specification		33%	63	0.999		1.67	0 55611		1.67	0.55611	
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	100%         4		Supplier Quality Assurance	4 00%			1	4.0		A . A	4.0		a - 1 - a - a - a - a - a - a - a - a -	40
300%     10%     8     80     80     72     72       8.00%     8     8.0     8     8     8     8       8.00%     8     8.0     8     8     8       5.00%     5     5.0     25     25     3     3	800%     100%     8     80     80     72     72       600%     100%     8     80     8     80     72     72       600%     100%     5     50     25     25     72     72       700%     5     5     5     25     25     3     3	-	ISO compliance		100%	4	4		4	4		4	4	
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	0.00%     8     80     72     72       100%     8     80     80     80     72       100%     8     80     80     80     80       500%     25     25     25     3     3		Did/Tondor to Constitution	1000 C			And the second se							
100%     8     8     72     72       800%     80     80     80     80     80       800%     8     80     80     80       500%     100%     8     80     80       500%     100%     8     80     80       500%     100%     8     80     80       500%     100%     5     5     25     3	100%     8     8     8     72     72       6.00%     8     8.0     8.0     8.0     8.0     8.0       6.00%     9     8     8     8.0     8.0     8.0       5.00%     100%     5     5.0     2.5     2.5     3.3	-	Dial render to opecification	8 00%				8.0			8.0			7.2
$100\% = 8 \\ 8 \\ 8 \\ 8 \\ 8 \\ 8 \\ 8 \\ 8 \\ 8 \\ 8$	800%     80     80     80       500%     100%     5     50       500%     100%     5     25     25		Adherence to bid specification		100%	8	ω		8	8		7.2	7.2	
8.00%     8.0     8.0     8.0     8.0     8.0       5.00%     5     5     5     25     25     3       100%     5     5     25     25     3     3	8.00%     8.0     8.0     8.0     8.0       100%     5     5     25     25     3       30%     100%     5     5     25     3     3	-												
100%     8     8     8     8       5.00%     100%     5     5.0     2.5     2.5       100%     5     5.0     2.5     3     3	100%     8     8     8     8     8       500     100%     5     5     25     3     3       100%     5     5     5     5     3     3       100%     6     5     5     5     3     3		Delivery Lead Time	8.00%			and have the manual and	8.0		in a mi water treas	8.0		3	8.0
5.00%     5.0     5.0     2.5     2.5     2.5     2.5       100%     5     5.0     2.5     2.5     2.5     2.5     2.5       Pate Action Manual Manua Manual Manual Manual Manual Manua Manu	5.00%     5     50     25     25     25       100%     5     5     25     25     3       Particle     Particle     Particle     Particle     2	_	Acceptable lead time aligned to the project		100%	00	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~		α	K		α	α	
100% 5 25 25 3 Renard Hardon Kanoland	100%     5     5     25     25     3       Pate Dort Land     Pate Dort Land     Date Dort Land     1		Supplier Current Capacity	5.00%			and the second for the second	5.0		,	2.5		>	3.0
Date	Date	-	Current Capacity		100%	5	a		2.5	2.5		3	3	
Bate Auchurt	Bate Auch hurt													
And the second of the second o	and the second s		bidned by members of the CFT									11120		
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Weighted Score Section Score		2 16	0.8	tr T	0 333	0.3805/	0.55611	4.0		0.8	8		8.0	2.5	25			
Weighte		3.6 2	2		-	17				in the second se								
Score		3					1.67		4		Ø		α		2.5			
Better than average/Exceptional (80% - 100)		C	5			0	F		100% compliant		100% compliant		100% compliant		50%. Facility still to be acquired			V
Adequate/Acceptable (10%- 70%)		60%. No welding engineer. No resident metallurgist .	50%. Currently, the supplier does not have all the equipments. Plans to upgrade the facility in place to have all necessary machinery to execute the project.		30%.Previously rejected proposal as a result of budget. Requesting order amendments for additional costs.	35%. Compared against previous order lines on weighted avearage from June 13 to June 14 of 27% late. This is based on the order lines not adjested. Casspir and Ambulance that were adjusted to accommodate new schedule request. This necesitate the adjustment from 27% to 65%.	50%. Recorded detects on previous work completed. 2 rejection notes on the system. Defects on delivered vehilces in Sudan Formal corrective action from Amscor on poor quality		1		-				<u>.</u>			herebas Devela
Question Weighting		60%	40%		33%	33%		1	100%		100%	-	100%		100%		0014 / 4	2
Section Weighting %	10.00%			10.00%		A North		4.00%		8.00%			8.00%	5.00%				Ż
Example Technical & Quality Criteria	Relevant Capability and Experience	Available Technical Expertise	Machinery and Equipments	Previous Successful Procurement	Writhin Budget	On time delivery	According to Specification	Supplier Quality Assurance	ISO compliance	Bid/Tender to Specification	Adherence to bid specification		Delivery Lead Time Acceptable lead time aligned to the project	Supplier Current Capacity	Collent Capacity	Q L	Signed by members of the CFT	Name Sinnature

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Question Weighting 60% 33% 33% 33% 100%	age/Exceptional (80%- 100) aintenance resources. g engineers: Available project the project: Khowledge in nour plate. achines, all equipments trig the project except for allity. Ing the budget an out f147 lines against previous order lines arge from June 13 to June 14 on notes out of 147 lines reveaut of 147 lines	Score 6 6 6 2.9 2 3 2	Weighted Score 3.6 1.332 1.332 0.999 0.999	Section Score 4.9 3.3 3.3 4.0
60% 40% 33% 33% 100%	1 I THE REAL PROPERTY AND A DESCRIPTION OF THE REAL PROPE		3.6 1.28 1.332 0.9657 0.999	33 3.3 4.0
60% 40% 33% 33% 100%	e maintenance resources. Ing engineers Available project time the project.Khowledge in rimedrines, all equipments cutrp the project except for ability. ability is a lequipments ading the budget d against previous order lines vearge from June 13 to June 14 e FY 13/14 e FY 13/14 nt.	3.2 3.2 3.2 3.2 4 3.2	3.6 1.28 1.332 0.9657 0.999	3.3
40% 33% 33% 100%	machine project except for cuting the project except for ability. Isaa rejected previously as a ading the budget ad against previous order lines de against previous order lines e FY 13/14 nt.	3.2 4 3.2 4 3.2	1.28 1.332 0.9657 0.999	3.3
33% 33% 33% 100%	ading the budget previously as a ading the budget order lines ad against previous order lines vearge from June 13 to June 14 cition notes out of 14/ lines e FY 13/14 of 14/ lines of the function of the lines of the line of	2.6	1.332 0.9657 0.999	3.3
33% 33% 33% 100%	sai rejected previously as a ading the budget ad against previous order lines vearge from June 13 to June 14 cition notes out of 14/ lines e FY 13/14 nit.	<b>4 5 6</b>	1.332 0.9657 0.999	3.3
33% 33% 33% 100%	ading the budget revolusivals a ading the budget order lines ad against previous order lines vearge from June 13 to June 14 cition notes out of 147 lines e FY 13/14 nt.	2.9	1.332 0.9657 0.999	40
33% 33% 100%	d against previous order lines vearge from June 13 to June 14 ction notes out of 147 lines e FY 13/14 nt.	3	0 9657 0 999 4	40
33% 100% 100%	e FY 13/14 e FY 13/14 nt.	m 4	0 999	40
100%	utu utu	4	4	4.0
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Example Technical & Quality Criteria Relevant Capability and Experience Available Technical Expertise				I enderer 1	
Refevant Capability and Experience Available Technical Expertise	Section Weighting Question % Weighting	Better than average/Exceptional (80% - 100)	Score	Weighted Score	Section Score
Available Technical Expertise	10.00%				4.0
	60%	80%. Indicated skills availability and capacity.	4.8	2.88	
Machinery and Equipments	40%	70% Limited bending and laser cutting capability. Maching capability exist	2.8	1 12	
Previous Successful Procurement	10 00%				4.4
Within Budget	33%		1.67	0.55611	
On time delivery	33%	50%. No recent track record within DLS business. No complaint that DLS is aware of	1.67	0.55611	
According to Specification		50%. No recent track record within DLS business. No complaint that DLS is aware of.	1.67	0 55611	
Supplier Quality Assurance	+.00%			and the second designed of the second designe	4.0
ISO compliance	100%	100% compliant	4	4	
Bid/Tender to Specification	0 000/				
Adherence to bid specification	0.00%	90%. Unavailability of Polyurithane	7.2	7.2	212
Delivery Lead Time	8.00%				8.0
Acceptable lead time aligned to the project	100%	100% compliant	8	:0	A*A
Supplier Current Capacity	5.00%				3.0
Current Capacity	100%	60% compliant	e	3	
Signed by members of the CFT					
Name		Action Borred have			
Signature	A MA				

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Date

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W10-CPMM-369

**CONSOLIDATED EVALUATION SHEET** 

FFER	25%	45%
<b>BASIS FOR COMPARATIVE OFFER</b>	PRICE	TECHNICAL

TECHNICAL 45 BEE 30

%	
30	
	30%

Premium payable In Rands		RO	R 96,794,183	R 136,303,849	
% Premium payable		0.00	58.45	82.30	
Overall Ranking Price, Technical,BEE					
Total point	100%	64.78	65.54	46.28	
Total point for Preference	%0	0	0	0	
BBEE	30%	0	5	0	
Points for Technical	45%	39.70	50.15	41.86	
Points for Financial Offer	25%	25.0U	10.39	4.42	- Change
Comparative Offor (Pm)		R 103,012,431	R 165,612,451	R 165,612,451	
Financial Offer (P)		R 105,012,451	R 262,406,634	R 301,916,300	
Name of Tenderer : Ranked lowest to highest Price		LMT	VR Laser	DCD	

And said	0.						
Błack Ownership	0	2	0				
Employment Equity Black Ownership	0	0	0				
BBEEE Score	0	3	0			1 N	
BBBEE Scorecard Level	Expired	LEVEL 4	Expired		and the second s	-	
Name of Tenderer :Ranked in same order as above	LMT	VR Laser	DCD				

LMT BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 5 contributor In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any point for BBBEE because there is no valid certificate in place. VR submitted a valid BBBEE certificate indicating a level 4 contributor with 25.10% black women ownership. VR laser has indicated that it is now 100% black owned, however, they have not done the verification to reflect that. At this stage we cannot allocate any point for 100% black ownership because there is no updated BBBEE certificate to that effect.

DCD BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 4 contributor. In their proposal they have indicated that they are currently busy finalizing a joint venture that will ensure 47% of economic benefit from this project accrued to previously disadvantaged people. DCD is currently awaiting a new BBBEE certificate on a level 4.

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			Tenderer 1	1 VR Laser Service	BIVICE	Tenderer 2		LMT Products (Pt)		Tenderer 3	DCD
Example Technical & Quality Criteria	Section Weighting Question % Weighting	tion hting Sco	Question Weighting Score Weighted Score	Score Section Score	ore Score (out of 5)		hted Score	Section Score		Score (out of 5) Weighted Score	Section Score
Relevant Capability and Experience	10.00%				1			3.0			4.0
Available Technical Expertise	60	60%	6 36	9		3.6	2.16		4.8	2.88	
Machinery and Equipments	40	40% 3.	1	.28		2	0.8		2.8	112	
Previous Successful Procurement	10.00%			3.3				1.3		contraction of the first of the state of the	1.8
Within Budget	33	33% 2	4 1.332	32		-	0.333		1.67	0.55611	
On time delivery	33	33% 2.	.9 0.9657	57	-	1.17	0.38961		1.67	0 55611	
According to Specification		33% 33%	3 0.999	66	-	1.67	0.55611		1.67	0.55611	
Supplier Quality Assurance	4 00%	_		4.0				4.0		State of the second	4.0
ISO compliance	100%		4 4			4	4		4	4	
	The second s		and the same of th	and the second second second			a second of a second				
Bid/ I ender to Specification	8.00%			8.0				8.0			7.2
Adherence to bid specification	100%		8			8	æ		7.2	72	
				~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~							
Delivery Lead Time	8 00%	+	and the second	8.0				8.0		Wender of the second second second	6.0
Acceptable lead time aligned to the project	100%		8			8	Ø.		80	80	
Supplier Current Capacity	5.00%			5.0				2.5			3.0
Current Capacity	100%	% 5	5		2	2	2.5		3	3	
Signed by members of the CFT	1 AAN							Date 2716/11.	1/11.		
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			20								
			200								

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	Section Score	3.0			1 2	2			4.0		D. 00	8.0	10) CN	
Tenderer 1	Weighted Score Section Score		216	0.8		0.333	0.38961	0.55611	4		8	8	2.5	
	Score		3.6	N		-	1.17	1.67	4		Ø	8	2.5	
HE EVALUATION SCONING - EMIL FRODOLIS (FIL) FID	Better than average/Exceptional (80% - 100)		C	5			0	F	100% compliant		100% compliant	100% compliant	50%. Facility still to be acquired	
	Adequate/Acceptable (10% - 70%)		60%. No welding engineer. No resident metallurgist .	50%. Currently, the supplier does not have all the equipments. Plans to upgrade the facility in place to have all necessary machinery to execute the project.		30%. Previously rejected proposal as a result of budget. Requesting order amendments for additional costs.	35%.Compared against previous order lines on weighted avearage from June 13 to June 14 of 27% late. This is based on the order lines not adjested.Casspir and Ambulance that were adjusted to accommodate new schedule request. This necesitate the adjustment from 27% to 65%.	50%. Recorded defects on previous work completed. 2 rejection notes on the system. Defects on delivered vehilces in Sudan Formal corrective action from Amscor on poor quality				1	<u>υ</u>	aversee 27/6/14
	Question Weighting		60%	40%		33%	33%	33%	6 100%		100%	100%	100%	A. A.
	Section Weighting %	10.00%			10.00%		and the second sec	6	4.00%	and the second	α.00%	8.00%	5.00%	
	Example Technical & Quality Criteria	Relevant Capability and Experience	Available Technical Expertise	Machinery and Equipments	Previous Successful Procurament	W ithin Budget	On time delivery	According to Specification	Supplier Quality Assurance ISO comoliance		bioi render to specification Adherence to bid specification	Delivery Lead Time Acceptable lead time aligned to the project	Supplier Current Capacity Current Capacity	Signed by members of the CFT Name Signature
			6	02	Same Land	03	04	Q5	S OF	SPOT STATE	07 A	Q8 A	00	07 Z 03

	TEC	INICAL B		TECHNICAL EVALUATION SCORING - VR LASER		Tenderer 1	
2	Example Technical & Quality Criteria	Section Weighting 6	Question Weighting	Better than average/Exceptional (80% - 100)	Score	Weighted Score	Section Score
	Relevant Capability and Experience	10.00%					4.9
ā	Available Technical Expertise	6	60%	100%. Inhouse maintenance resources. Available welding engineers Available project team to execute the project.Knowledge in working with armour plate.	ω	9 9	
02	Machinery and Equipments		40%	80%. Bending machines, all equipments related to executing the project except for machining capability.	3.2	1 28	
	Benitrue Succeeded Boocumente	10 0001					
03	Within Budget	92.00.01	33%	95%. No proposal rejected previously as a result of exceeding the budget	4	1 332	2.2
Q4	On time delivery		33%	90%.Compared against previous order lines on weighted avearge from June 13 to June 14	2.9	0.9657	
Q5	According to Specification		33%	98%. Two rejection notes out of 147 lines delivered in the FY 13/14	3	0.999	
06	Supplier Quality Assurance	4 00%	100%	100% compliant	P	4	4.0
	BidTender to Snortfication	2000 g					
	Adherence to bid specification	0,000	100%	100% Compliant	8	80	0.0
	Delivery Lead Time	8.00%					8.0
	Acceptable lead unite anyred to the project Supplier Current Capacity	5.00%	100%	100% compliant	80	8 A A A A A A A A A A A A A A A A A A A	5.0
	Current Capacity		100%	100% compliant	5	Q	
		Ľ,	W.R.C. Con				
	Signed by members of the CFT	-				1	
	Name	A.	N.	TOVENDER			
	Signature						
	Date	Ũ	2716/1	14			
		12	14	04			9 <b>1</b> 7

					1 N		Tenderer 1	
	Example Technical & Quality Criteria	Section Weighting %	Question Weighting	Better than averade/Excentional	(80% - 100)	Srore	Mainhad Score	Continu Contro Contro
	Relevant Capability and Experience	10.00%				000		4.0
	Available Technical Expertise		60%	80%. Indicated skills availability and capacity.		4.8	2.88	
	Machinery and Equipments		40%	70% Limited bending and laser cutting capability. Maching capability exist	Maching capability exist	2.8	112	
	Previous Successful Procurement	10.00%						C P
	Within Budget	2	33%	50%. No recent track record within DLS business. No complaint that DLS is aware of.	No complaint that DLS is	1 67	0 55611	114
	On time delivery		33%	50%. No recent track record within DLS business. No complaint that DLS is aware of	No complaint that DLS is	1 67	0 55611	
	According to Specification		-	50%. No recent track record within DLS business. No complaint that DLS is aware of.	No complaint that DLS is	1.67	0.55611	
6	Supplier Quality Assurance	4.00%						4.0
			T			4	4	
	Bid/Tender to Specification Adherence to bid specification	8,00%	100%	90% Unavailability of Polyurithane		7.2	7.2	7.2
	Delivery Lead Time Acceptable lead time aligned to the project	8.00%	100%	100%. comuliant		α	10	8.0
	Supplier Current Capacity Current Capacity	5.00%	1	60% compliant		o m	D 100	3.0
				THE AND				
	Signed by members of the CFT					1		
	Name	Q)		mennel				

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Signature Date

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W10-CPMM-374

**CONSOLIDATED EVALUATION SHEET** 

OFFER	250/
ARATIVE	
COMP	PRICE
FOR	
<b>3ASIS</b>	

TECHNICAL

25% 45% 30%

% Premium Premium payable in payable Rands				A OF	R 96,794,183	R 136,303,849	
% Premium payable				0.00	58.45	82.30	
Overall Ranking Price, Technical,BEE							
Total point	100%			64.75	65.54	46.28	
Total point for Preference	%0			2	0	0	
BBBEE	30%			0	5	0	
Points for Technical	45%			36.78	50.15	41.86	
Points for Financial Offer	25%			00.62	10.39	4.42	and a second sec
Comparative Offer (Pm)	1	1	a nor sea a	104,210,001 M	R 165,612,451	R 165,612,451	1
Financial Offer (P)			2 425 445 445 424	104/710/001 N	R 262,406,634	R 301,916,300	
Name of Tenderer 1. Ranked lowestto highest Price			ATT		VR Laser	DCD	

ľ	1	ļ	K				
Black Ownership	0	2	0				
Employment Equity	0	0	0				
BBEEE Score	0	3	0				N N
BBBEE Scorecard Level	Expired	LEVEL 4	Expired				
Name of Tenderer :Ranked in same order as above	LMT	VR Laser	DCD				

LMT BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 5 contributor. In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any point for BBBEE because there is no valid certificate in place.

laser has indicated that it is now 100% black owned, however, they have not done the verification to reflect that. At this stage we cannot allocate any point for 100% black ownership because there is no updated BBBEE certificate VR submitted a valid BBBEE certificate indicating a level 4 contributor with 25.10% black women ownership. VR to that effect.

DCD BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 4 contributor. In their proposal they have indicated that they are currently busy finalizing a joint venture that will ensure 47% of economic benefit from this project accrued to previously disadvantaged people. DCD is currently awaiting a new BBBEE certificate on a level 4.

STEPHANUS VAN DEN LINDE 27/06/2014 BREND

			Tenderer 1 VR Laser Service Tenderer 2	VR Laser Service	Tend		LMT Products (Ptv)		Tenderer 3	DCD
Example Technical & Quality Criteria	Section Weighting Question % Weighting	Score	core	Section Score	Score (out of	hted Scr	Section Score		Score (out of 5) Weinhed Score	Saction Score
Relevant Capability and Experience	10.00%					0	3.0	1		4.0
Available Technical Expertise	60%	9	3.6		3.6	2 16		4.8	2.88	
Machinery and Equipments	40%	3.2	1.28		N	0.8		2.8	1 12	
			×							
Previous Successful Procurement	10.00%			3.3			1.3			1.7
Within Budget	33%	4	1 332		1	0.333		1.67	0.55611	
On time delivery	33%	2.9	0.9657		1.17	0.38961		1.67	0.55611	
According to Specification	33%	n	0.999		1.67	0.55611		1.67	0.55611	
Supplier Quality Assurance	+ 00%		North Address of the	4.0		1	4.0		Variation of the second	40
ISO compliance	100%	4	4		4	4		4	4	
						1.11				
Bid/Tender to Specification	8.00%			8.0			8.0			7.2
Adherence to bid specification	100%	8	8		8	ω		7.2	7.2	
Delivery Lead Time	8,00%			8.0		and the second se	8.0			3.0
Acceptable lead time aligned to the project	100%	8	80		8	8		ω	80	
Supplier Current Capacity	5 00%			5.0			2.5			3.0
Current Capacity	100%	5	5		2.5	2.5		3	3	
Signed by members of the CFT (for file conv.)	non 20	DER	C LINDS				Date 2 1/06	6 / CC/4		
	X		P)							
	TT.	1	17							
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	Section Score	3.0			12				4.0		8.0		8.0		2:5					
Tenderer 1	Weighted Score		2 16	0.8		0.333	0.38961	0.55611		4		80		ΩI	25	>				
	Score		3.6	2	And the second second second second second	1	1.17	1.67	A CONTRACT OF MERICAN AND AND A DOT TO A DOT	4		8		20	2.5					
	Better than average/Exceptional (80% - 100)	a an		5	والمتركب والمتعاولة والمعارفة والمعالية والمتعارفة والمتعارفة والمتعارفة والمتعارفة والمتعاولة والمتعارفة والمتعان والمتعارفة والمتعارفة والمتعارفة والمتعارفة والمتعارفة والمتعارفة والمتعارفة والمتعارفة والمتعار		0	F	一、一、一、一、一、一、一、一、一、一、一、一、一、一、一、一、一、一、一、	100% compliant		100% compliant		100% compliant	50%. Facility still to be acquired					014
	Adequate/Acceptable (10% - 70%)	60%. No welding engineer. No resident	metallurgist .	50%. Currently, the supplier does not have all the equipments. Plans to upgrade the facility in place to have all necessary machinery to execute the project.		30%.Previously rejected proposal as a result of budget. Requesting order amendments for additional costs.	35%. Compared against previous order lines on weighted avearage from June 13 to June 14 of 27% late. This is based on the order lines not adjested. Casspir and Ambulance that were adjusted to accommodate new schedule request. This necesitate the adjustment from 27% to 65%.	50%. Recorded defects on previous work completed. 2 rejection notes on the system. Defects on delivered vehilces in Sudan. Formal corrective action from Amscor on poor quality				-			ũ				DEL LIVOS	4102/90/20 m
			60%	40%		33%	99 33% 00	33% A		100%		100%	1000/	100%	100%			È	247	
	veighting Question	%00.0L			10.00%		and the second		4.00%		8.00%		8.00%	E DD0/	0/.00.0			υ G	2	and the second s
	Example Technical & Quality Criteria Relevant Carability and Evenciona	יאובימוו המשמחווים מוח בעלבוופורב	Available Technical Expertise	Machinery and Equipments	Previous Successful Procurement	Within Budget	On time delivery	According to Specification	Supplier Quality Assurance	ISO compliance	Bid/Tender to Specification	Adherence to bid specification	Delivery Lead Time	Supplier Current Caracity	Current Capacity		al -	Signed by members of the CFT	Name	Signature
			۵1	02		03	24	Q5		06			00		09					

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And and Equipments     Cols-Minuser memorand genes       Inder Technical Expertise     Exp.       Inder Technical Experiment     Exp.	Alter of contrast Expertise     Alter of contrast Expertise     Alter of contrast Expertise       Inter and Equipments     Expertise     Expertise     Expertise       Inter and Equipments     Inter our control tre project exception     Expertise     Experiments       Inter our control     Experiments     Inter our control tre project exception     Experiments     Inter our control tre project exception       Inter our control     Experiments     Inter our control     Experiments     Inter our control     Experiments       Inter our control     Experiments     Inter our control     Experiments     Inter our control     Experiments       Inter our control     Experiments     Inter our control     Experiments     Inter our control     Experiments       Inter our control     Experiments     Inter our control     Experiments     Inter our control     Experiments       Inter our control     Experiments     Inter our control     Experiments     Inter our control     Experiments       Inter our control     Experimental control     Inter our control     Experiments     Experiments       Inter our control     Experimental control     Experimental control     Experimental control     Experimental control       Inter our control     Experimental control     Experimental control     Experind     Experimental control	Relevant Capability and Experie	ence	10.00%					4.9
Image: Non-standing and Equipments	Internation         Automation         Automa	Available Technical Expertise		5	60%	100%. Inhouse maintenance resources. Available welding engineers. Available project team to execute the project. Knowledge in working with armour plate.	ω	99 70	
Outs Successful Procuement         10.00%         bit width         bit width </td <td>Outsing Successful Procursment     10.00%     Mon     Propriet Repetition     1     1       In Budget     10.00%     33%     Box Repetide Pervouity as a successful Procursmy as a successful Procursmy as a successful Procursmy as a successful Procursment     23     9     9       In Budget     1     33%     Box Repetide Pervouity as a successful Procursmy as a successful Procursmy as a successful Procursment     23     9     9       In Budget     1     23%     Box Repetition     23%     Box Repetition     23     0       In Budget     1     23%     Box Repetition     33%     Box Repetition     23     0     0       In Budget     1     100%     100%     00%     00%     0     0     0     0       In Budget     1     00%     00%     00%     00%     0     0     0     0       In Budget     1     00%     00%     00%     00%     0     0     0     0       In Budget     1     0     00%     00%     00%     0     0     0       In Budget     1     0     00%     00%     0     0     0     0     0       In Budget     1     0     0     00%     00%     0     0</td> <td>Machinery and Equipments</td> <td></td> <td></td> <td>40%</td> <td>80%. Bending machines, all equipments related to executing the project except for machining capability.</td> <td>3.2</td> <td>1.28</td> <td></td>	Outsing Successful Procursment     10.00%     Mon     Propriet Repetition     1     1       In Budget     10.00%     33%     Box Repetide Pervouity as a successful Procursmy as a successful Procursmy as a successful Procursmy as a successful Procursment     23     9     9       In Budget     1     33%     Box Repetide Pervouity as a successful Procursmy as a successful Procursmy as a successful Procursment     23     9     9       In Budget     1     23%     Box Repetition     23%     Box Repetition     23     0       In Budget     1     23%     Box Repetition     33%     Box Repetition     23     0     0       In Budget     1     100%     100%     00%     00%     0     0     0     0       In Budget     1     00%     00%     00%     00%     0     0     0     0       In Budget     1     00%     00%     00%     00%     0     0     0     0       In Budget     1     0     00%     00%     00%     0     0     0       In Budget     1     0     00%     00%     0     0     0     0     0       In Budget     1     0     0     00%     00%     0     0	Machinery and Equipments			40%	80%. Bending machines, all equipments related to executing the project except for machining capability.	3.2	1.28	
Total Successful Procument         10.00%         PSX:NO proposal rejected previously as a longet         4         1.332           In Budget         33%         result of ecceenting the budget         3         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%         90%	Outs Successful Procument         10 00%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%         5%								
In Budget     3%     result of exceeding the budget     4     1.322       In Budget     1.322     90%. Compared against previous order three     2.9     0.6657       In Budget     1.322     90%. Compared against previous order three     2.9     0.6657       Infing to Specification     1.302     30%     90%. Compared against previous order three     2.9     0.6657       Infing to Specification     2.0     3.0%     90%. Compared three     3.0%     90%. Compared against previous order three     2.9     0.6657       Infing to Specification     2.0%     0.0%     0.0%     0.0%     0.0%     0.0%     0.0%       Infing to Specification     8     0.0%     0.0%     0.0%     0.0%     0.0%     0.0%       Infinition     3.0%     0.0%     0.0%     0.0%     0.0%     0.0%     0.0%       Infinition     8     0.0%     0.0%     0.0%     0.0%     0.0%     0.0%       Infinition     5.0.0%     0.0%     0.0%     0.0%     0.0%     0.0%       Infinition     8     0.0%     0.0%     0.0%     0.0%     0.0%       Infinition     5.0.0%     0.0%     0.0%     0.0%     0.0%     0.0%       Infinition     5.0.0%     0.0%	In Brudgett     33%     result of exceeding the burgget     4     1322       me delivery     1     33%     for solution of an interprint of a solution	Previous Successful Procureme	ent	10.00%		Horizan relected heviol isly as a			3.3
me cellerery     33%     90% Compared against previous order lines     29     0.6657       riding to Specification     33%     converged rinn     <	Include the form     Include the form </td <td>Within Budget</td> <td></td> <td></td> <td>33%</td> <td>result of exceeding the budget</td> <td>4</td> <td>1.332</td> <td></td>	Within Budget			33%	result of exceeding the budget	4	1.332	
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Inter Quality Assurance     4.00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%     00%	Condition     4.00%       compliance     4.00%       compliance     4.00%       compliance     8.00%       control of specification     8.00%       <	According to Specification		100	33%	98%. Two rejection notes out of 147 lines delivered in the FY 13/14	e	0.999	
compliance     100%     100% compliant     4       finition     8 00%     100% compliant     8     8       renoet to bid specification     8 00%     100% compliant     8     8       renoet to bid specification     8 00%     100% compliant     8     8       renoet to bid specification     8 00%     100% compliant     8     8       renoet to bid specification     8 00%     100% compliant     8     8       renoet to bid specification     8 00%     100% compliant     8     8       renoet to bid specification     8 00%     100% compliant     8     8       renoet to bid specification     8 00%     100% compliant     8     8       renoet to bid specification     8 00%     100% compliant     8     8       renoet to bid specification     8 00%     100% compliant     8     8       renoet to bid specification     8 00%     100% compliant     8     8       renoet to bid specification     9 00%     100% compliant     8     8       renoet to bid specification     9 0     100% compliant     8     8       renoet to bid specification     9 0     100% compliant     9     8       renoet to bid specification     9 0     100% compliant     9 </td <td><math display="block"> \begin{array}{c c c c c c c c c c c c c c c c c c c </math></td> <td>Supplier Quality Assurance</td> <td></td> <td>4.00%</td> <td>A LOCAL A LOCAL AND</td> <td></td> <td>And the second se</td> <td></td> <td>4.0</td>	$ \begin{array}{c c c c c c c c c c c c c c c c c c c $	Supplier Quality Assurance		4.00%	A LOCAL A LOCAL AND		And the second se		4.0
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error Lead Time     8.00%     100%     100%     100%     00%     00%     00%     00%       regulate Current Capacity     5.00%     100%     100%     00% compliant     5     5       rift Capacity     5.00%     100%     100% compliant     5     5     5       rift Capacity     5.00%     100% compliant     5     5     5       ed by members of the CT     EX     V     CE.U     CF.M       ature     2.7     0.6     Touch     5     5	$\frac{1}{12} = \frac{1}{100} + \frac{1}{100} + \frac{1}{100} + \frac{1}{1000} + \frac{1}{10000} + \frac{1}{100000} + \frac{1}{10000000000000000000000000000000000$	Adherence to bid specification			100%	100% Compliant	ω	ß	
Party Lead Time properties     8.00%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100%     100% <td>Performant Tage     8.00%     100%     100%     00% compliant     8     9       Pile Current Capacity     5.00%     100% compliant     5     5     5       All Current Capacity     5.00%     100% compliant     5     5     5       All Current Capacity     5.00%     100% compliant     5     5     5       All Data     5     7     0.0% compliant     5     5     5       All Data     All All All All All All All All All All</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	Performant Tage     8.00%     100%     100%     00% compliant     8     9       Pile Current Capacity     5.00%     100% compliant     5     5     5       All Current Capacity     5.00%     100% compliant     5     5     5       All Current Capacity     5.00%     100% compliant     5     5     5       All Data     5     7     0.0% compliant     5     5     5       All Data     All								
Marcapacity     5.00%     100% complant     5       and by members of the CF1     EV     V.V. O.E. IL L.V.F       ad by members of the CF1     EV     V.V. O.E. IL L.V.F       ad ture     2.71 c.b. 7.c.l.t	Aller Current Capacity     5.00%     100%     5.00%     100%     5.00%       and Capacity $5.00\%$ 100% $0.00\%$ $6.00\%$ $5.00\%$ and Capacity $B_{ab}$ $M_{ab}$ $B_{ab}$ $B_{ab}$ $B_{ab}$ ad by members of the CFI $B_{ab}$ $M_{ab}$ $D_{ab}$ $D_{ab}$ ad by members of the CFI $B_{ab}$ $M_{ab}$ $D_{ab}$ $B_{ab}$ $D_{ab}$ $D_{ab}$ $D_{ab}$ $B_{ab}$ $D_{ab}$ $D_{ab}$ $D_{ab}$ $B_{ab}$ $D_{ab}$ $D_{ab}$ $D_{ab}$	Delivery Lead 1 me Acceptable lead time aligned to the	e project	8.00%	100%	100% compliant	80	ço	8.0
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ed by members of the CFT BE VAN DE.U. U ature 271 ob 7 col 4	ad by members of the CFT BANAN O.E.U. U. C. BANAN O.E.U. U. C. Bature	K	-		Structure			A	
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		l			9		Tenderer 1	
	Example Technical & Quality Criteria	Section Weighting %	Question Weighting	Better than average/Exceptional	(80% - 100)	Score	Weighted Score	Section Score
	Relevant Capability and Experience	0.00%						4.0
	Available Technical Expertise		60%	80%. Indicated skills availability and capacity.		4.8	2.88	
	Machinery and Equipments		40%	70% Limited bending and laser cutting capability. Maching capability exist	aching capability exist	2.8	1 12	
	Previous Successful Procurement	10.00%						1.7
	Within Budget		33%	50%. No recent track record within DLS business. No complaint that DLS is aware of.	lo complaint that DLS is	1.67	0.55611	
	On time delivery		33%	50%. No recent track record within DLS business. No complaint that DLS is aware of.	lo complaint that DLS is	1.67	0.55611	
	According to Specification			50%. No recent track record within DLS business. No complaint that DLS is aware of.	lo complaint that DLS is	1.67	0.55611	
1	Supplier Quality Assurance	4 00%						4.0
	ISO compliance		100%	100% compliant		4	4	
	Rid/Tender to SnortBration	0.000						
	Adherence to bid specification	P/ 00°0	100%	90%.Unavailability of Polvurithane		7.2	62	7.1
li	Delivery Lead Time	8 00%						08
1	Acceptable lead time aligned to the project		100%	100% compliant		ω	:00	
	Supplier Current Capacity	5.00%	Ĩ				6	3.0
	Current Capacity		100%	60% compliant		e	e	

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25% 45% 30% TECHNICAL PRICE

Premium payable in Rands			RU	R 96,794,183	R 136,303,849	
% Premium payable			0.00	58.45	82.30	
Overall Ranking Price, Technical,BEE		N. N. N.				
Total point	100%		64.78	65.54	46.28	
Total point for Preference	%0		0	0	0	
BBBEE	30%		0	5	0	1
Points for Technical	45%		30.78	50.15	41 86	
Points for Financial Offer	25%		25.00	10.39	4.42	MARSH.
Comparative Offer (Pm)			R 165,612,451	R 165,612,451	R 165,612,451	1
Financial Offer (P)			R 165,612,451	R 262,406,634	R 301,916,300	
Name of Tenderer : Ranked lowest to highest Price			LMT	VR Laser	DCD	

	The second s							1
8	Black Ownership	0	2	0				
	Employment Equity	0	0	0				
	BBEEE Score	0	3	0				
	BBBEE Scorecard Level	Expired	LEVEL 4	Expired				
	Name of Tenderer Ranked in same: Order as above	LMT	VR Laser	DCD				

LMT BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 5 contributor. In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any noint for BRBEF because themes is no valid certificate in bace.	
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laser has indicated that it is now 100% black owned, however, they have not done the verification to reflect that. At this stage we cannot allocate any point for 100% black ownership because there is no updated BBBEE certificate VR submitted a valid BBBEE certificate indicating a level 4 contributor with 25.10% black women ownership. VR to that effect.

DCD BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 4 contributor. In their proposal they have indicated that they are currently busy finalizing a joint venture that will ensure 47% of economic benefit from this project accrued to previously disadvantaged people. DCD is currently awaiting a new BBBEE certificate on a level 4.

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2014-06-27

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ANTHONY MULLIAM NEWNE

			renderer 1	VR Laser Service	Tende	Tenderer Z LM	LMT Products (Pt)		Tenderer 3	DCD
Example Technical & Quality Criteria	Section Weighting Question % Weighting		core	Section Score	Score (out of 5)	thed Sco	Section Score		Score (out of 5) Weighted Score	Section Score
Relevant Capability and Experience	10.00%			4.9		3.0	3.0			4.0
Available Technical Expertise	60%	9	3.6		3.6	2.16		4.8	2.88	
Machinery and Equipments	40%	3.2	1 28		2	0.8		2.8	1.12	
						A CONTRACTOR OF				
Previous Successful Procurement	10.00%			3.3			1.3			1.7
Within Budget	33%	4	1.332		1	0.333		1.67	0.55611	
On time delivery	33%	2.9	0.9657		1.17	0.38961		1.67	0.55611	
	33%	e	0.999		1.67	0 55611		1.67	0.55611	
Supplier Quality Assurance	4 00%	-		4.0			4.0		A CONTRACT OF A CO	4.0
ISO compliance	100%	6 4	4		4	4		4	4	
	H					a a debuter and a debuter of the state			and the second se	
Bid/Tender to Specification	8.00%			8.0			8.0			7.2
Adherence to bid specification	100%	8	8		8	æ	6	7.2	7.2	
Dollinson I and Time			C. COMPLETE OF A STORE STORE				0 0		The second state of the second of the second	0
Jenvery Leau Time	al normal			0.0			0.0			0.0
Acceptable lead time aligned to the project	100%	00	0)		8	8		8	0)	
Supplier Current Capacity	5.00%			5.0			2.5			3.0
Current Capacity	100%	5	5		2.5	2.5		e	ę	
Signed by members of the CFT							Date 201	2014-06-27		
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ſ	Sectio	3.0				2				4.0		6.0		8.0		2.5				
Tenderer 1	Weighted Score		2.16	0.8			0 333	0.38961	0.55611		4		8		8	2.5				
	Score		3.6	2			-	117	1.67		4		8		8	2.5				
T PRODUCTS (PTY) LTD	Better than average/Exceptional (80% - 100)			5					F		100% compliant		100% compliant		100% compliant	50%. Facility still to be acquired		٢	トリシャン	
AL EVALUATION SCORING - LMT PRODUCTS (PTY) LTD	Adequate/Acceptable (10% - 70%)		60%. No welding engineer. No resident metallurgist .	50%. Currently, the supplier does not have all the equipments. Plans to upgrade the facility in place to have all necessary machinery to execute the project.		30%. Previously rejected proposal as a	result of budget. Requesting order amendments for additional costs.	35%. Compared against previous order lines on weighted avearage from June 13 to June 14 of 27% late. This is based on the order lines not adjested. Casspir and Ambulance that were adjusted to accommodate new schedule request. This necesitate the adjustment from 27% to 65%.	50%. Recorded detects on previous work completed. 2 rejection notes on the system. Defects on delivered vehilces in Sudan. Formal corrective action from Amscor on poor quality				10		10	20	2		ILLIAN RENAR &	· provide
CHNIC	Section Weighting Question % Weighting	10.00%	60%	40%	10 000/	0/ 00.01	33%	33%	33%	4.00%	100%	8.00%	100%	8.00%	100%	5.00%				monto - M
	Example Technical & Quality Criteria	Kelevalit capability and experience	Available Technical Expertise	Machinery and Equipments	Draviour Streeneful Dravinsmont		Within Budget	On time delivery	According to Specification	Supplier Quality Assurance	ISO compliance	Bid/Tender to Specification	Adherence to bid specification	Delivery Lead Time	Acceptable lead time aligned to the project	Supplier Current Capacity Current Capacity		Signed by members of the CFT	Name	Signature
			6	02		0	03	40	05		06	1111 11 11 11 11 11 11 11 11 11 11 11 1	Ω7		08	60				

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Example Technical & Quality CriteriaSection Weighting Weighting Weighting Weighting Weighting Weighting Available Technical ExperiiseSection 1000Better than average/Exceptional 1000(80%- 1000Available Technical Experiise0.000Available welding engineers. Available project Rowledge in examine area mentenance 60%100%. Inhouse maintenance resources.100%Available Technical Experiise60%Available welding engineers. Available project Bow. Bending machines. all equipments ream to execute the project except for machineng capability.Machinery and Equipments10.00%40%80%. Bending machines. all equipments ream to executing the project except for machineng capability.Machinery and Equipments10.00%33%95%. No proposal rejected previous order lines as in excluting the brodgetMithin Budget10.00%33%95%. No proposal rejected previous order lines as in excluting to SpecificationOn time delivery33%69%. Compared against previous order lines as in excluting to SpecificationSupplier Quality Assurance33%61% compliant.Bid/Tender to Specification8.00%100%. compliant.Adherence build specification8.00%100%. compliant.Bid/Tender to Specification8.00%100%. compliant.	tional (80%- Score e resources. s Available project at Knowledge in 6 all equipments ject except for 3.2 June 13 to June 14 2.9 Urt of 147 lines 3 wit of 147 lines 3 B	Weighted Score Sco	Section Score 4.9 3.3 3.0 4.0
erience 10.00% 60% 60% 60% 60% 70% 70% 70% 70% 70% 70% 70% 70% 70% 7			3.3 3.4.0
ment     10.00%       33%       33%       8.00%       8.00%       8.00%		3.6 1.28 1.332 0.9657 0.999 4	
ament     10.00%       anent     10.00%       33%       40%       33%       33%       60%       100%       8.00%       100%		1.28 1.332 0.9657 0.999 4 8	3.3
ment 10.00% 33% 33% 33% 33% 33% 33% 33% 33% 33%		1.332 0.9657 0.999 4 8	3.3 4.0
33% 33% 33% 33% 40% 10% 8.00%		1.332 0.9657 4 8	6.0
33% 33% 400% 100% 8.00%		0.9657	4.0
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d to the project	8	00	
Supplier current capacity 5.00% 100% 100% compliant Current Capacity	Q	2	0.0
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ure M. Marin			
Date 2014 - 06 - 27.			
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							Tenderer 1	
	Example Technical & Quality Criteria	Section Weighting Question % Weighting	Question Weighting	Better than average/Exceptional (80% - 100)		Score	Weighted Score	Section Score
	Relevant Capability and Experience	10.00%						4.0
	Available Technical Expertise		60%	80%. Indicated skills availability and capacity.		4.8	2.88	
	Machinery and Equipments		40%	70% Limited bending and laser cutting capability. Maching capability exist	apability exist	2.8	1.12	
	Previous Successful Procurement	10.00%						1.1
	Within Budget		33%	50%. No recent track record within DLS business. No complaint that DLS is aware of.	aint that DLS is	1.67	0.55611	
	On time delivery		33%	50%. No recent track record within DLS business. No complaint that DLS is aware of.	aint that DLS is	1.67	0 55611	
	According to Specification		33%	50%. No recent track record within DLS business. No complaint that DLS is aware of.	aint that DLS is	1.67	0.55611	
	Supplier Quality Assurance	4.00%					and the second se	4.0
	ISO compliance		100%	00% compliant		4	4	- Alia
	Bid/Tondor to Socialization	10000					R	1
	Adherence to hid specification	07 UU 70	100%	00%   Insusilability of Dohn withons		20	7 9	7.1
			TT			7.1	1 4	
	Delivery Lead Time	8.00%						0.8
E	Acceptable lead time aligned to the project		100% 1	100% compliant		00	00	0.9
1	Supplier Current Capacity	5.00%						3.0
	Current Capacity		100%	60% compliant		e	m	
	Signed by members of the CFT							
	Name	ANT	HON'Y	ANTHONY MILLIAM KENNIE KIMONIONT				
	Signature	Va	I Mad					
		í	No-11.					
	Date	SC	deint-do-do	- < 2 .				

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CONSOLIDATED EVALUATION SHEET

OFFER	
COMPARATIVE	
FOR C	
<b>BASIS</b>	

PRICE: 25% TECHNICAL: 45% BEE 30%

1	E			RU	83	49	
	% Premium Payable in payable Rands			*	R 96,794,183	R 136,303,849	
	% Premium payable			0.00	58.45	82.30	
	Overall Ranking Price, Technical,BEE						
	Total point	100%		64.78	65.54	46.28	
	Total point for Preference	%0		D	0	0	
	BBBEE	30%		0	5	0	
	Points for Technical	45%		39.78	50.15	41.86	
	Points for Financial Offer	25%		25.00	10.39	4.42	
	Comparative Offer (Pm)			R 165,812,451	R 165,612,451	R 165,612,451	
	Financial Offer (P)			R 165,612,451	R 262,406,634	R 301,916,300	
	Name of Tenderer . Ranked lowest to highest Price			LMT	VR Laser	DCD	

			K				
Black Ownership	0	2	0				
Employment Equity Black Ownership	0	0	0				
BBEEE Score	0	3	0			No. of No.	
BBBEE Scorecard Level	Expired	LEVEL 4	Expired				
Name of Tenderer :Ranked in same order as above	MT	VR Laser	DCD				

LMT BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 5 contributor. In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any point for BBBEE because there is no valid certificate in place. VR submitted a valid BBBEE certificate indicating a level 4 contributor with 25.10% black women ownership. VR laser has indicated that it is now 100% black owned, however, they have not done the verification to reflect that. At this stage we cannot allocate any point for 100% black ownership because there is no updated BBBEE certificate to that effect. DCD BBBEE certificate expired. The expired certificate indicate that they were recogniced as a level 4 contributor. In their proposal they have indicated that they are currently busy finalizing a joint venture that will ensure 47% of economic benefit from this project accrued to previously disadvantaged people. DCD is currently awaiting a new BBBEE certificate on a level 4.

27/6/2014

AJBedenhort

lenderer 3 DCD	Score (out of 5) Weighted Score Score		4.8 2.88	2.8 1.12	1.7	1.67 0.55611	1.67 0.55611	1.67 0.55611	4.0	4 4		7.1	7.2 7.2		ω		3	1.0/1		
LMT Products (Pt)	Section Score				1.3				4.0			8.U		8.0		2.5		Date 27/6/		
	Weighted Score		2.16	0.8		0.333	0.38961	0.55611		4	the second second second		8	The second state of the second s	00		2.5			
Tenderer 2	Score (out of 5)		3.6	2		1	1.17	1.67		4			8		8		2.5			
VK Laser Service	Section Score				3.3				4.0			Q.U		8.0		5.0				
I enderer 1 V	Question Weighting Score Weighted Score		3.6	1.28		1.332	0.9657	0.999		4	and a second the second		œ	The second s	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~		S			
	Score		9	3.2		4	2.9	e		4			∞		8		5		10rt	
	<b>Duestion</b> Veighting		60%	40%		33%	33%	33%		100%		de la como	100%		100%		100%		Badenhort	
	Section Weighting Question % Weighting	10.00%			10 00%				%00 F			0.00.70		8.00%		5 00%			PII Ba	()
	Example Technical & Quality Criteria	Relevant Capability and Experience	Available Technical Expertise	Machinery and Equipments	Previous Successful Procurement	Within Budget	On time delivery	According to Specification	Supplier Quality Assurance	ISO compliance	Did Transform to Constituention	Dial reliaer to opecification	Adherence to bid specification	Delivery Lead Time	Acceptable lead time aligned to the project	Supplier Current Capacity	Current Capacity	Signed by members of the CFT	(for file copy )	
			a 1	02		<b>Q</b> 3	Q4	Q5		Q6			07		28		09			

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Example Technical & Quality Criteria         %           Mrelevant Capability and Experience         %					
Relevant Capability and Experience	Section Weighting Question %	Better than average/Exceptional (80% - 100)	Score	Weighted Score	Section Score
	10.00%			- -	
Available Technical Expertise	60%	100%. Inhouse maintenance resources. Available welding engineers Available project team to execute the project. Knowledge in working with armour plate.	g	36	
Machinery and Equipments	40%	80%. Bending machines, all equipments related to executing the project except for machining capability.	3.2	1 28	
				And a start and and a second second second	Proprieta Santa Santa Proprieta
Previous Successful Procurement	10.00%	95%. No proposal relected previously as a			3.3
Within Budget	33%	result of exceeding the budget	4	1.332	
On time delivery	33%	90%. Compared against previous order lines on weighted avearge from June 13 to June 14	2.9	0.9657	
According to Specification	33%	98%. Two rejection notes out of 147 lines delivered in the FY 13/14	e	0.999	
Supplier Quality Assurance	4.00%				4.0
ISO compliance	100%	100% compliant.	4	4	_
Bid/Tender to Specification	8.00%				8.0
Adherence to bid specification	100%	100% Compliant	ω	ω	
Delivery Lead Time Acceptable lead time aligned to the project	8.00%	100% compliant	8	100	8.0
Supplier Current Capacity	5.00%				5.0
Current Capacity	100%	100% compliant	G	Q	
Signed by members of the CFT					
Name	TBadeuhart	art			
Signature Date	10 / roll	hort -			

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							lenderer 1	
	Example Technical & Quality Criteria	Section Weighting %	Question Weighting	Better than average/Exceptional	(80% - 100)	Score	Weighted Score	Section Score
	Relevant Capability and Experience	10.00%						4.0
	Available Technical Expertise		60%	80%. Indicated skills availability and capacity.		4.8	2.88	
	Machinery and Equipments		40%	70% Limited bending and laser cutting capability. Maching capability exist	Maching capability exist	2.8	1.12	
	Previous Successful Procurement	10.00%						Et
	Within Budget		33%	50%. No recent track record within DLS business. No complaint that DLS is aware of.	No complaint that DLS is	1.67	0 55611	
	On time delivery			50%. No recent track record within DLS business. No complaint that DLS is aware of	No complaint that DLS is	1.67	0 55611	
	According to Specification		-	50%. No recent track record within DLS business. No complaint that DLS is aware of.	No complaint that DLS is	1.67	0.55611	
	Supplier Quality Assurance	4.00%						4.0
	ISO compliance		100%	100% compliant		4	4	
1	Bid/Tender to Specification	8.00%						7.2
	Adherence to bid specification		100%	90%.Unavailability of Polyurithane		7.2	7.2	
	Delivered and Time						A**	RU
	Acceptable lead time aligned to the project	0/ 00.0	100%	100% compliant		Ø		2
	Supplier Current Capacity	5.00%				4		3.0
	Current Capacity		100%	60% compliant		m	3	



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## **ANNEXURE "CM30"**



Page 1 of 4

From: celiam@dlsys.co.za To: reenent@dlsys.co.za Cc: StephanB@dlsys.co.za Subject: RE: platform hull procurement status Date: Wed, 25 Jun 2014 17:44:12 +0200

Reenen

On the Confidentiality point, I have sensitised all people evaluating the proposals on the issue. The proposals were printed in supply chain and delivered to each member in a sealed envelopes. As part of the evaluation pack each member will sign a declaration of interest and a non-disclosure undertaking to that effect.

Apples vs Apples – Totally. We cannot make a decision at this stage. We need a proper breakdown from each party (this is already on the list of questions for tomorrow's meeting). There is a lot of inclusions and exclusions that don't make sense.

## Kind regards

Celia Malahlela

**Executive Manager: Supply Chain** 

**Denel Land Systems** 

a Division of DENEL SOC Ltd.

PO Box 7710, Pretoria, 0001, South Africa

Tel: +27 12 620 3088

E-mail: celiam@dlsys.co.za

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Page 2 of 4

From: Reenen Teubes Sent: 25 June 2014 05:28 PM To: Celia Malahlela Cc: Stephan Burger Subject: Re: platform hull procurement status Sensitivity: Confidential

Hallo Celia

Thank you for the update.

My request is that all this data and the proposals are handled with extreme confidentiality.

It is further clear that we need to include all the various performance parameters for successful contractual performance from the suppliers in order to make a responsible selection.

Note: just based on the headings below on the various quotes, I am not convinced that we can compare apples with apples before your clarification session with the different suppliers tomorrow.

Regards

Reenen

Sent from Reenen's iPad

On 25 Jun 2014, at 17	:18, "Celia	Malahlela"	<celiam@dlsys.co.za></celiam@dlsys.co.za>	wrote:
-----------------------	-------------	------------	-------------------------------------------	--------

Stephan/Reenen

Just to update you on the progress and the way forward on platform hull manufacturing quotes.

The prices quoted are as follows.

1. DCD					
Prices for Hull		Unit Price	Total		
	12	1,020,000.00	12,240,000.00		
	205	943,000.00	193,315,000.00		
			205,555,000.00		
Prices for Mine Protection					
	12	278,200.00	3,338,400.00		
	205	257,200.00	52,726,000.00 <b>56,064,400.00</b>		

### Page 3 of 4

Transport	217	3,700.00	802,900.00
Delta Coating	217	182,000.00	39,494,000.00 <b>40,296,900.00</b>

Grand Total for DCD

301,916,300.00

	2. VR	Laser	
Prices Including Mine			
Protec		Unit Price	Tota
	5	1,326,786.00	6,633,930.00
	15	1,232,328.00	18,484,920.00
	197	1,204,986.00	237,382,242.00
			262,501,092.00
Prices Excluding Mine		A .572.	
Protec		Unit Price	Tota
	5	1,230,245.00	6,151,225.00
	15	1,135,787.00	17,036,805.00
	197	1,108,445.00	218,363,665.00
			241,551,695.00
	3.	LMT	
		Unit Price	Tota
LMT	217	736,534.00	159,827,878.00

We could not make a recommendation today based on the information submitted. we have drafted a list of questions for each supplier to be clarified in the scheduled meeting tomorrow morning. Going through the documentations submitted we have picked up a lot of unclear conditions that have a bearing on the price, quality, specification, capability, capacity, B-BBEE status etc. We will then use the information collected in the clarification meeting to make a final recommendation. This process will ensure that we evaluate all suppliers based on the same principles/conditions and provide us with more information that some of the suppliers did not include in their proposals.

### Kind regards

Page 4 of 4

## Celia Malahlela Executive Manager: Supply Chain Denel Land Systems a Division of DENEL SOC Ltd. PO Box 7710, Pretoria, 0001, South Africa Tel: +27 12 620 3088 E-mail: celiam@dlsys.co.za www.denellandsystems.co.za



# **ANNEXURE "CM31"**



From: celiam@dlsys.co.za To: StephanB@dlsys.co.za; reenent@dlsys.co.za Subject: Consolidated Evaluation Rev 1 26062014.xls Date: Thu, 26 Jun 2014 17:37:16 +0200

Stephan/Reenen

Please find the attached as requested. The committee will meet tomorrow to do the final recommendation if they agree with the results after population of info.

### Kind regards

Celia Malahlela Executive Manager: Supply Chain Denel Land Systems a Division of DENEL SOC Ltd. PO Box 7710, Pretoria, 0001, South Africa Tel: +27 12 620 3088 E-mail: celiam@dlsys.co.za www.denellandsystems.co.za

# **ANNEXURE "CM32"**



Page 1 of 3

From: celiam@dlsys.co.za To: StephanB@dlsys.co.za Cc: reenent@dlsys.co.za Subject: RE: Consolidated Evaluation Rev 1 26062014.xls Date: Fri, 27 Jun 2014 08:28:35 +0200

Stephan

The Patria report was integrated in the technical scoring. That is one of the reason why VR Laser technical score is higher.

VR Laser price is totally over our budget. The Maximum we can do is R1m per unit (all cost included). Base date 2014.

Please note that the other big disadvantage for LMT and DCD was that we could not give them points for any BBBEE element. They have submitted letters stating that they are in the process of verification. Should they submit the new certificate within the next 14 days we have to include their points. If they do it will change the picture wrt the final total score. Please refer to the BBBEE notes on the consolidated score sheet.

I will schedule a meeting with the committee to do final recommendation this afternoon.

### **Kind regards**

Celia Malahlela Executive Manager: Supply Chain Denel Land Systems a Division of DENEL SOC Ltd. PO Box 7710, Pretoria, 0001, South Africa

Tel: +27 12 620 3088

Page 2 of 3

E-mail: celiam@dlsys.co.za

www.denellandsystems.co.za

From: Stephan Burger Sent: 27 June 2014 01:18 AM To: Celia Malahlela Cc: Stephan Burger; Reenen Teubes Subject: Re: Consolidated Evaluation Rev 1 26062014.xls Sensitivity: Confidential

Thank you Celia. Given all of that, I am prepared to defend VR. The one thing that I have not seen is the fact that Patria has strongly recommended VR as the preferred supplier. But maybe this is integrated in your scoring?

Given VR's price, but also that they are nr 1, I think we should get DCO approval, but in parallel I will discuss with them to reduce their price. I would not have done that if they were not nr 1. But as they are, it could do no harm to get the price reduced. This however I will do outside the normal channels.

Many thanks,

Stephan.

Sent from Stephan's iPhone

On 26 Jun 2014, at 7:37 PM, "Celia Malahlela" <celiam@dlsys.co.za> wrote:

Stephan/Reenen

Please find the attached as requested. The committee will meet tomorrow to do the final recommendation if they agree with the results after population of info.

### Kind regards

Page 3 of 3

## Celia Malahlela Executive Manager: Supply Chain Denel Land Systems a Division of DENEL SOC Ltd. PO Box 7710, Pretoria, 0001, South Africa Tel: +27 12 620 3088 E-mail: <u>celiam@dlsys.co.za</u> www.denellandsystems.co.za

https://admin-za-6.mimecast.com/mimecast/

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# **ANNEXURE "CM33"**



Page 1 of 1

From: hendrikv@dlsys.co.za To: celiam@dlsys.co.za Cc: CinthyM@dlsys.co.za Subject: Exco Submission Date: Mon, 30 Jun 2014 13:51:43 +0200

Hi Celia,

Hope I have captured most of the point required this morning.

Regards

### Henk van den Heever

**Procurement Officer** 

Denel Land Systems

a Division of DENEL SOC Ltd.

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Mobile: +27 (0)82 880 6752

E-Mail: hendrikv@dlsys.co.za

http://www.denellandsystems.co.za

INTO

E



Page 1 of 1

From: hendrikv@dlsys.co.za To: celiam@dlsys.co.za Cc: CinthyM@dlsys.co.za Subject: Exco Submission Date: Mon, 30 Jun 2014 13:51:43 +0200

Hi Celia,

Hope I have captured most of the point required this morning.

Regards

### Henk van den Heever

Procurement Officer

Denel Land Systems

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INTO

E



DENE	CHIEF EXECUTIVE OFFICER'S
	SUPPLY CHAIN SUBMISSION
TO: EXCO	FROM : SUPPLY CHAIN
	DATE : 30 June 2014
SUBJECT:	Industrialisation and Production of 217 Patria designed Vehicle Platform Hull's at VR Laser Services.
PROJECT:	Hoefyster
ORDER NUMBER:	L58226
SUPPLIER:	VR Laser Services (Pty) LTD

Page 1 of 6

L58226

## **INDEX**

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7.	RECOMMENDATION	6 Lu S

### 1. OBJECTIVE

To obtain approval from EXCO to Contract VR Laser Services as the HOEFYSTER Platform Hull Supplier and sign a Contract and place an Order on them for the supply of 217 Hoefyster Platform Armour Hull structures to DLS.

### 2. BACKGROUND

The Hoefyster Programme has been awarded to Denel Land Systems. Armscor signed an Agreement with DLS for the supply of New Generation Infantry Combat Systems in two phases, namely the Development Phase (Phase 1) and an Industrialisation and Production Phase (Phase 2). An order was simultaneously placed (Order number KT519111) for the Development Phase by Armscor on DLS.

Before these Contract negotiation with Armscor started, Patria supplied data packs of all the high value components, like the Armour hull and hatches etc to DLS without dxf files etc. DLS obtained quotations from the local industry to benchmark the prices with Patria budget prices using these data packs.

Three quotations were obtained for the vehicle hull from the following companies (2012):

LMT	R1,738,694
VR Laser	R 865,010
DCD Dorbyl	R 896,000

During Patria's ToT team visit to South Africa, the above 3 companies were visited and an assessment was done by Patria. According to their evaluation they proposed VR Laser as the most suitable supplier.

The 3 suppliers were once again requested to submit an updated proposal in June 2014 after which an independent evaluation committee was selected from various entities in DLS using an agreed evaluation model that determined VR Laser Services to be the suitable supplier.

### 3. SUPPLIER MOTIVATION

NTO

After DLS went through a process of evaluating the three suppliers and criteria, VR Laser Services was found to be the most suitable supplier to manufacture the HOEFYSTER Platform Hull's. This was also agreed by Patria as stated in their feedback after visiting all the suppliers identified by DLS.

EC

### 4. PRICE

	Description	Qty	Input Cost	Quoted Price/unit	Total Input Price	Total Price
1	VR Laser Services Industrialisation and Production of Hoefyster Platform Hull.	217		R1,209,247.16	Refer Note 2	R262,406,634
2	LMT Holdings SOC Industrialisation and Production of Hoefyster Platform Hull.	217		R763,191.02		R165,612,451.34
3	DCDProtected Mobility Industrialisation and Production of Hoefyster Platform Hull.	217		R1,391,319.36		R301,916,300.00

### Notes:

- 1. After lengthy discussions a set criteria was decided on by the evaluation committee to evaluate the proposals received from the various suppliers ie. Price, BBBEE status, technical and quality.
- 2. Taking the proposal prices received in consideration LMT Holdings price was found to be unrealistically low.
- 3. The following findings was made by the evaluation committee:
  - a.) Information from Patria manufacturing takes 600 hours excluding machining and painting.
  - b.) Material info from VR Laser to Fabricate Hull complete up to painting R568,986.96 compared to LMT breakdown of R396,527.21
  - c.) Calculated as follow: 600 Hrs @ R600/Hr = R360,000.00 labour part + R568,986.96 material part totals R928,986.96.

### 4.1. Budget check by financial officer:

INTO

Name:

Signature: \_\_\_\_\_

Page 4 of 6

### 5. DELIVERY

Deliveries will take place from June 2015 up to June 2021 and is in line with the Client contract requirements.

### 6. CONTRACTUAL CONDITIONS

The contractual conditions as agreed with Armscor, (based on A-STD-0020 and A-STD-61 Part 2) as tailored for Hoefyster, will be applicable. The VR Laser Services Contractual Conditions will be back-to-back to the Armscor contract conditions where possible.

### 7. RECOMMENDATION

The following is hereby recommended:

INTO

- 7.1.1 That an contract can be negotiated and an order placed on VR Laser Services for Phases 2 of the Hoefyster contract, with a total value of R262,406,634.00.
- 7.1.2 This is a ceiling amount as further negotiations with VR Laser Services will take place to obtain a price below DLS budget.

L58226

### C. MALAHLELA EXECUTIVE MANAGER: SUPPLY CHAIN

A. AFRICA EXECUTIVE MANAGER: INFANTRY SYSTEMS P. DE KLERK PROGRAM MANAGER: AV-8 MALAYSIA (SA)

FR TEUBES CHIEF OPERATING OFFICER P KNOETZE CHIEF FINANCIAL OFFICER

Approved/Rejected:

AS BURGER CHIEF EXECUTIVE OFFICER: DENEL LAND SYSTEMS

INTO

DATE: \_\_\_\_\_

Page 6 of 6



### DENEL LAND SYSTEMS

#### MEMORANDUM

To: EXCO From: HULL MANUFACTURING CROSS FUNCTIONAL TEAM Date: 4 April 2014 Subject: Decision on vehicle hull supplier Rev. No.:

A cross functional team of representatives from Supply Chain, Infantry Systems and Business Excellence was constituted to make a final recommendation on the supplier that will be manufacturing the platform Hull. This has become a matter of urgency due to the fact that Patria needs to start engaging with the particular platform hullmenufacturing supplier in order to start with needs to start engaging with the particular platform <u>nullmenutoetuning</u> supplier in order to start with the transfer of technology and industrialization. As part of Patria's contractual work-share, Patria has to also supply and install Welding Jigs at the RSA hull supplier. To continue with their work, they urgently need to know which supplier DLS is going to use to manufacture the hull. They want to use the same supplier to manufacture the Welding Jigs. A meeting was then held on the 4<sup>th</sup> of April 2014 to make a decision in this regard. Commented [RB1]: Duplication with urgency comment above The team looked at the technical and commercial factors in order to make this decision. In February the Patria technical team visited 3 suppliers in order to determine the capability of each supplier identified. Patria recommended VR Laser as the most technically capable supplier visited. (For more information on the details of Patria's recommendation please refer to that attached PATRIA "MEMO D117051\_03.3.2014".) During 2012, DLS obtain quotations from the following 3 hull suppliers: LMT VR Lazer R1,738,694 R 865,000 R 895,010 DCD Dorbyl The high price from LMT was negotiated. They reply that they will reach the DLS cost targets shout we place an Order on them for all high value sub-systems, which was not accepted. Base on the information summarized above, all the members of the cross functional team that attended this meeting recommended VR Laser as the preferred supplier for this scope of work. We hereby request the executive committee to make the final determination on the matter. Commented [RB2]: ???? Denel Land Systems A Division of Denel SOC Ltd. PO Box 7710, Pretoria, South Africa International Tcl: +27 12 620 9111 +27 12 620 3466 ~~arketing@dlsvs. TO marketing@dlsys.cp.zg http://www.denellandsystems.co.za E-mail: Web: MECHEM



Page 1 of 2

From: reenent@dlsys.co.za To: celiam@dlsys.co.za Subject: RE: HY hull supplier submission Date: Thu, 16 Oct 2014 06:58:02 +0200

Updated document

Regards

**Reenen Teubes** 

**Chief Operations Officer** 

From: Reenen Teubes Sent: 15 October 2014 11:09 PM To: Celia Malahlela Subject: HY hull supplier submission

Hallo Celia

Attached please find the updated submission in line with the latest principle agreements

E

Regards

**Reenen Teubes** 

**Chief Operations Officer** 

Denel Land Systems

a Division of DENEL (Pty) Ltd.

Page 2 of 2

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E-mail: reenent @ dlsvs.co.za

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# **ANNEXURE "CM34"**



### Bonginkosi . Mthembu

From:	Celia Malahlela <celiam@denel.co.za></celiam@denel.co.za>
Sent:	Monday, 25 March 2019 08:55
То:	Busisiwe Mqingwana
Subject:	FW: Updated quotation for the fabrication of the Hoefyster platform component
Attachments:	Hoefyster Platform Quotation - 24 June 2014.pdf

From: VRLASER SERVICES [mailto:vrlaserservices@gmail.com]
Sent: 30 June 2014 08:10 PM
To: Celia Malahlela
Subject: Updated quotation for the fabrication of the Hoefyster platform component

HI Celia,

pls find attached the updated quotation for the Hoefyster Platform components, we are submitting after doing cost saving measures at our end,

we are thankful for the opportunity and assure the quality work and Best services to deliver in time.

Regards

J P Arora CEO V R Laser Services 10 Haggie Road, Dunswart ext 5 Gauteng, South Africa Tel no +27 11 306 8000 Fax no +27 11 306 8018

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VR LASER SERVICES (Pty) Ltd

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- Accounts Tel + 27 11 306 8000
- Accounts Fax + 27 11 306-8018

Registration No. - 2007/031329/07

VAT No. - 4690244837

The Chief Procurement Officer Denel Land Systems Pretoria 0001 South Africa

24 June 2014

For the Attention of: Ms Celia Malahlela

### Re: Updated quotation for the fabrication of the Hoefyster Platform Components

Further to the DLS RFO received from Denel Land Systems ,our discussions and the various e- mail correspondences and telephonic discussions, that followed, enclosed for your perusal, please do find the updated quotation for the Hoefyster Platform according to the data pack supplied.

### A. Quotation

The quotation costing structure is based on producing **217 complete** pre final painted hulls in South Africa at the delivery address of 368 Selbourne avenue, Lyttelton ,Pretoria. This quotation is based on the limited information supplied by DLS .Pricing excludes Value Added Tax.

1. Quotation for the fabrication of Hoefyster Platform Components only

R568 986.96

### 2. Quotation for Armour Hull including mine protection

1.Unit price on the Industrialisation of Hulls PPM 1-5	R1 326 786
2.Learning curve Production units 4-20	R1 232 328
3.Series Production units based on the DLS schedule	R1 084 487

Directors: MJ Jiyane; EN Jiyane; IA McNeil (British); SA Essa



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- Accounts Fax + 27 11 306-8018

VAT No. - 4690244837

### VR LASER SERVICES (Pty) Ltd

### 3. Quotation for Armour Hull excluding mine protection

1.Unit price on the Industrialisation of Hulls PPM 1-5	R1 230 245
2.Learning curve Production units 4-20	R1 135 787
3.Series Production units based on the DLS schedule	R1 000 601

### 4. Quotation for the mine protection only R105 316.80

### Background information

### B. Hoefyster quotation updated information

1. Industrialisation effort

It is assumed that Patria will provide DLS with a fully industrialised data pack and that the Industrialisation effort will only be for the Localisation of the manufacturing of the Hulls only.

1.1 Compile process instructions for manufacturing of sub parts and assembly and welding of the Hulls according to the Patria supplied documents

1.2 Compile total Quality requirements for the manufacturing of the hull according to the Patria data pack

1.3 Codification and qualification of Welders and Boilermakers according to the Patria requirements

- 1.4 Assumption, build jigs and fixtures according to the supplied Patria data pack
- 1.5 Design material handling equipment for sub parts and fabricated hulls
- 1.6 Compile pre final paint and shot blast procedures, localisation effort

1.7 Design and manufacture of inspection testing jigs

2. Industrialisation PPM 1-5 units

Assumption the detailed manufacturing and process documentation will be provided by Patria



- 10 Haggie Road, Dunswart Ext5, Gauteng, South Africa
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- Accounts Fax + 27 11 306-8018

ATE

Registration No. - 2007/031329/07

VAT No. - 4690244837

VR LASER SERVICES (Pty) Ltd

2.1 Compile Quality in process documentation according to the DLS/Patria supplied instructions

2.2 Codification and testing of welders and boilermakers

2.3 Buy or manufacture Material Handling equipment

2.4 Material handling equipment design of identified requirements not supported by Patria

2.5 Sub parts( industrialisation to full data pack requirements)

- 2.6 Hull manufacturing PPM1-5 (industrialisation to full data pack requirements)
- 2.7 Transport of hulls to shot blast and painting
- 2.8 Hull preparation for shot blast and painting

2.9 Compile and review Build book requirements

- 2.10 Compile and review Final buy off requirements and documentation.
- 2.11 Transport of Hulls to DLS

3. Series Production learning curve 4-20 units

- 3.1 Manufacture Sub parts and assemblies
- 3.2 Hull fabrication and welding
- 3.3 Transport of hulls to shot blast and painting
- 3.4 Hull preparation for shot blast and painting

3.5 Complete Build book as per the requirements

- 3.6 Final Customer buy off
- 3.7 Transport of hulls to DLS

4. Series Production learning units 20 and onwards

4.1 Manufacture of Sub parts

- 4.2 Assembly and Hull fabrication
- 4.3 Transport of hulls to shot blast and painting
- 4.4 Hull preparation for shot blast and painting
- 4.5 Shot blast
- 4.6 Final and inspection Painting
- 4.7 Compile the final Build book
- 4.8 Final buy off
- 4.9 Transport of hulls to DLS



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- Accounts Fax + 27 11 306-8018

VAT No. - 4690244837

VR LASER SERVICES (Pty) Ltd

### Issues to consider

- Maturity of the Data pack-an issue but not a significant risk, will be fully of the data pack covered during industrialisation. Patria/DLS will be fully accountable for the accuracy.
- C. The offer will include the following effort
  - 1. Industrialisation of production will be on the first 5 units and all quality requirements needs to be established during this phase according to the Patria/DLS supplied documentation.
  - DLS will assist VRLaser to update the CAD data pack to the as build status during the industrialisation phase if and when deemed necessary by both parties.
  - VR laser will be responsible for the quality. Quality requirements will be agreed between both parties, a quality document control will be issued. The quality controller of VR laser will make sure that all quality requirements are met. VR laser will issue a certificate of conformance for each hull.
  - Jigs and fixtures that will not be supplied by Patria will be designed by VRLaser during the Industrialisation phase. These Jigs and Fixtures are considered to be suitable of producing the 217 hulls in SA.
  - 5 Process instructions, routings, inspections sheets and welding instructions will be compiled during the Industrialisation phase and will be reviewed during this phase. Sign of on all QAR and process documentation will be during the Production reediness review phase.

TE

6. Please note that Industrialisation is paramount for the successful series production of the hulls in South Africa.

### Quotation includes

1. Unit Price of 5 industrialisation hulls.



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VAT No. - 4690244837

VR LASER SERVICES (Pty) Ltd

2. Unit Price of Production Hulls at a rate required by Denel Land Systems, or as contracted.

3. Design and Manufacturing of Jigs and fixtures that will not be supplied by Patria/DLS.

4. The Industrialisation of jigs and fixtures.

5. Shot blast and painting of Hulls to the stage of pre final paint.

6. Price ex works- rand based figure. Escalation will be applied as to the escalation formula provided in per Annexure B, supplied with the RFO.

The effective base date of the escalation will be 24 June 2014.

#### D. Payment terms and conditions

As listed per clause 3 of the RFO.

### SOW Industrialisation of the first 5 Hulls in SA at VRLaser

#### Fabrication and Welding only

1. Receive the as contracted CAD model and Bill of Material from DLS.

2. Nest the parts for laser cutting, develop bending files etc.

3. Determine the plate sizes required for optimisation of material usage, discuss with steel mills to ensure availability

 Design manufacturing processes and work methods, jigs and fixtures and process equipment required.

5. Manufacture jigs and tooling required per work station identified that will not be supplied by Patria/DLS.

6. Pre- assemble sub parts with the Jigs, compile short works instructions, welding instructions and quality documents.

7. Design review processes and jigs, work methods, quality requirements and work flow to ensure optimum results.

8. Assemble and weld first hull in Main Assembly jig, compile short work instructions, quality requirements, and welding instructions.



- 10 Haggie Road, Dunswart Ext5, Gauteng, South Africa
- P.O. Box 5362, Boksburg 1461, South Africa
- Accounts Tel + 27 11 306 8000
- Accounts Fax + 27 11 306-8018

VAT No. - 4690244837

VR LASER SERVICES (Pty) Ltd

9. Design review process, jigs and fixtures and all documents required for the Main Assembly and welding.

10. Use the updated data pack to produce hull 2 to 5.

11. Conduct Final design reviews and Production Readiness reviews on all the data to ensure that the Series production will take place without any modifications required.

### Shot Blasting and painting of Hulls

1. Receive paint specifications, surface preparation and Quality requirements from Patria/DLS.

2. Industrialise the paint process, compile process documents and final buy off criteria.

3. Paint hull 1-5

4. Review the processes and documents after Industrialisation, and update for the series production of hulls.

### 4. Contracting Conditions

Contracting conditions needs to be finalised before execution of the order to protect both parties and to ensure an amicable way of doing business.

1. Responsibility of design and Quality requirements remains that of Patria/DLS.

2. Any modifications to the design, Quality requirements, SOW, jigs and fixtures after the Industrialisation of Hull1-5 will be for the account of DLS

3. Designated lines of Responsibility needs to be established and appointed to act on behalf of DLS and VRLaser as to prevent miss communication and facilitate the effective running of the Program.

4. Documentation required needs to be identified and agreed to such as, Progress reports, as build data pack requirements, Certificate of Conformance, release certificates for payments.

6. A conflict resolution mechanism needs to be agreed to upfront to ensure the smooth running of the Program.



- 10 Haggie Road, Dunswart Ext5, Gauteng, South Africa
- P.O. Box 5362, Boksburg 1461, South Africa
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VAT No. - 4690244837

VR LASER SERVICES (Pty) Ltd

7. Logistics support requirements need to be identified in line with the Patria/DLS requirements as to enable VRLaser to provide the documentation and spares if and when required.

#### 4. Warranty

VRLaser will warranty the workmanship for a period of 30 months after shipment of the Hulls ex Boksburg. Patria/DLS will remain responsible for the design and design related issues pertaining to the warranty.

### H. Delivery Schedule

### Production schedule

As per the issued Denel Land Systems letter with reference number HY/RFQ/2011-0002/1 dated 06 June 2014

### Shipping schedule

A detailed shipping schedule will be provided before signature of the contract.

I. Other issues

The delivery schedule of the hulls will be determined by the availability of materials to produce the hulls from. The scheduled will be committed to once a firm delivery schedule will be received from the Plate mill.

Standard VRLaser terms and conditions do apply.

The steel specifications will be as per the Steel producer as per the EURONORM standards.

Unless otherwise specified in the material standard or otherwise agreed, plate is delivered with surface condition in accordance with EN 10 163-2, Class A, Sub-class 1, with flatness tolerance to EN 10 029, Class N, with length and width tolerances to EN 10 029, and with thickness tolerances to AccuRoiiTech<sup>TM</sup> that conforms to the provisions of EN 10 029.

Should the need arise to refine the quotation please call Pieter Grundlingh at your convenience.



VR LASER SERVICES (Pty) Ltd

- 10 Haggie Road, Dunswart Ext5, Gauteng, South Africa
- P.O. Box 5362, Boksburg 1461, South Africa

ATE

- Accounts Tel + 27 11 306 8000
- Accounts Fax + 27 11 306-8018

Registration No. - 2007/031329/07

VAT No. - 4690244837

Trust that this quotation will meet and satisfy your requirement.

INTO ST

Best regards,

Maddda Jiyane **VRLaser Services Chief Operating Officer** E-mail:Benny@vrlaser.co.za Bus :+27 11 306 8000

Mobile: +27 82 651 7536

# **ANNEXURE "CM35"**



Page 1 of 2

From: reenent@dlsys.co.za To: celiam@dlsys.co.za Subject: Re: Board VR LASER submissions June 2014 Date: Mon, 30 Jun 2014 22:27:21 +0200

The only change is the reference to the VR price vs budget, since the new VR price is under the budget, but we will still negotiate it further

Regards Reenen

Sent from Reenen's iPad

On 30 Jun 2014, at 22:23, "Reenen Teubes" < reenent@dlsys.co.za> wrote:

Hallo Celia

No changes made.

From a governance perspective I see the sequence as follows: The team evaluated the 3 proposals and made a formal recommendation to EXCO. We have received the team's recommendation. EXCO there after includes the unsolicited proposal as part of their proposal to DCO for approval, since they believe it does not make a difference in the order of preference as recommended by the team, but only strengthens the view.

The board paper is therefore the EXCO paper for approval and I am comfortable to include it in the Board paper that you are writing on EXCO behalf.

Regards Reenen

Sent from Reenen's iPad

On 30 Jun 2014, at 21:49, "Celia Malahlela" < celiam@dlsys.co.za> wrote:

Dear Reenen

Are you happy with the content as is. I can't pick up the changes you have made to the doc. Could be because I am viewing it from iPad.

Re:VR's updated proposal. For governance reasons, We cannot include it in the evaluation as the evaluation is already concluded and signed. We can only take into consideration the prices as submitted by the closing date.

Should the board give us the mandate to negotiate, then we can use this proposal as the starting point for negotiations.

Regards

Page 2 of 2

Celia M

Sent from my iPad

On 30 Jun 2014, at 9:10 PM, "Reenen Teubes" < <u>reenent@dlsys.co.za</u>> wrote:

Thanks Celia I suggest that you update it with the latest quote info from VR and then email it to Stephan for his call and further processing

Regards Reenen

Sent from Reenen's iPad

Begin forwarded message:

From: Celia Malahlela < <u>celiam@dlsys.co.za</u>> Date: 30 June 2014 at 18:11:57 SAST To: Reenen Teubes < <u>reenent@dlsys.co.za</u>> Subject: Board VR LASER submissions June 2014

Dear Reenen

Please find the attached as discussed.

E

Regards

Celia M

INTO

Page 1 of 1

From: reenent@dlsys.co.za To: celiam@dlsys.co.za Subject: Fwd: Board VR LASER submissions June 2014 Date: Mon, 30 Jun 2014 21:10:37 +0200

Thanks Celia I suggest that you update it with the latest quote info from VR and then email it to Stephan for his call and further processing

Regards Reenen

Sent from Reenen's iPad

Begin forwarded message:

From: Celia Malahlela < <u>celiam@dlsys.co.za</u>> Date: 30 June 2014 at 18:11:57 SAST To: Reenen Teubes < <u>reenent@dlsys.co.za</u>> Subject: Board VR LASER submissions June 2014

Dear Reenen

Please find the attached as discussed.

INTO

Regards

Celia M

E



Page 1 of 2

From: reenent@dlsys.co.za To: celiam@dlsys.co.za Subject: Re: Board VR LASER submissions June 2014 Date: Mon, 30 Jun 2014 22:23:55 +0200

Hallo Celia

No changes made.

From a governance perspective I see the sequence as follows:

The team evaluated the 3 proposals and made a formal recommendation to EXCO. We have received the team's recommendation.

EXCO there after includes the unsolicited proposal as part of their proposal to DCO for approval, since they believe it does not make a difference in the order of preference as recommended by the team, but only strengthens the view.

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Should the board give us the mandate to negotiate, then we can use this proposal as the starting point for negotiations.

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Sent from my iPad

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Dear Reenen

Please find the attached as discussed.

NTO ST

ATE

Regards

Celia M

#### DENEL SOC LIMITED

DENEL Board meeting to be held on :

Memorandum Number	:
Agenda Item Number	:
File Reference	:

#### HEADING: THE MANUFACTURING OF HOEFYSTER PLATFORM HULL BY VR LASER.

#### 1. PURPOSE

The objective of this submission is to approve request;

- (a) a mandate to enter into contract negotiations for the manufacturing and supply of the HOEFYSTER platform hulls for the 217 armoured vehicles to ensure that the total contracts price fits within the DLS budget
- (b) the necessary permission for Mr Stephan Burger to sign the contract for the manufacturing and supply of the HOEFYSTER platform hulls for the 217 armoured vehicles and place the associated Purchase Order.
- 2. DISCUSSION

2.1 Background IN 2013 the board of DENEL authorised the signing of the production Contract with ARMSCOR. In order to execute the ARMSCOR contract, DENEL Land Systems now wishes to sign the Contract and accordingly place an Order for the manufacturing and supply of the armoured hull.

Initially when the contract was signed with PATRIA in 2007, 52 vehicles would have been manufactured in Finland and 212 vehicles assembled in South Africa. In order to uplift the local South African industry, different contracting models were explored as an attempt to keep the money/investment in the country. As a result of this exercise a decision was

taken to manufacture more platforms locally. Now only 16 vehicle platforms will be manufactured in Finland and the rest in South Africa. (Please refer to table 2 for the summary of the major benefits that will be derived for the new model)

In 2012 DLS obtained quotations from the local industry to benchmark the prices with PATRIA budget prices. LMT, VR Laser and DCD Dorbyl were invited to participate in this process.

Three quotations were obtained for the vehicle hull from the following companies (2012):

 LMT
 R1,738,694

 VR Laser
 R 865,010

 DCD Dorbyl
 R 896,000

As part of the contract between DLS and PATRIA, PATRIA has an obligation to transfer hull manufacturing and fabrication technology to the local supplier that will be contracted for this work. The transfer of Technology between DLS and PATRIA has already begun and various DLS departments must be trained on how to incorporate the processes and data into the DLS systems. The DLS hull supplier must form part of this training program; therefore it is supplier possible. important that DENEL approves the hulf as soon as

PATRIA training course is scheduled for 3rd week of July during the welding of the PPM hulls in Finland. PATRIA has highlighted that this is the last formal training course and unfortunately it cannot be moved as PATRIA has already finalized all necessary preparations for the training which also coincides with the wedding schedule for the PPM hulls for DLS. Should the successful supplier miss the July training, DLS will be charged separately for the supplier training. The next training opportunity will be towards the end of the year during the manufacturing of the 12 production models. During that time manufacturing of the Hull Welding Jigs must already be in process at the RSA hull supplier.

#### 2.1 MOTIVATION:

In June 2014 DLS went out on RFQ to obtain revised prices from all the suppliers that initially quoted in 2012. A cross functional team of representatives from Supply Chain, Infantry Systems and Business Excellence was constituted to evaluate the proposals

submitted and make a final recommendation on the supplier that will be manufacturing the platform Hull. The team evaluated the proposals on the following criteria technical, commercial and B-BBEE. Please refer to the evaluation sheet for more info.

In February 2014 PATRIA visited the three suppliers for facility/ capability assessment. The outcomes of this assessment were captured in the final report ref: D117051\_.3.2014 submitted to DLS. The outcomes can be summarised as follows.

1. PATRIA is of the opinion that VR-Laser is capable of manufacturing the whole hull from parts to delivery. The possibility of information leakage at VR-Laser is slight/ minimal. And lastly the references given for VR-Laser are impressive/good.

2. PATRIA is concerned about the possibility of information leakage at DCD protected mobility. PATRIA relayed the concern that DCD protected mobility has substantial risk for information leak especially for mine protection package. Furthermore, PATRIA is of the opinion that DCD protected mobility has no capability for the manufacturing of hull plate sets due to lack of machinery and would have to outsource components or buy new machinery. That said, the PATRIA team felt that DCD protected mobility has all the necessary quality requirements sorted out and has capability to machine turrets ring on their other division.

3. PATRIA is of the opinion that LMT has poor level of welding quality and it needs to be improved in order to be able to manufacture AMV hulls. However PATRIA also articulated that LMT might still be suitable for the manufacturing of other AMV components such as the Hatch.

INTO

# 2.3 PRICE & EVALUATION

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BASIS FOR COMPARATIVE OFFER PRICE: TECHNICAL: BEE	Name of Tenderer : Ranked bowest to highest Price			LMT	VRLaser	DCD
ATIVE O <del>HER</del> 29% 46% 30%	Financial Offer (P)			R 165,612,451	R 262,406,634	R 301,916,300
	Comparative Offer (Pm)			1 R 165,612,451	4 R 165,612,451	0 R 165,612,451
	Points for Financial Offer	25%	A THE LAND	25.00	10.39	442
	Points for Technical	45%		39.78	50.15	41.86
	BBBBE	30%		0	8.5	5
	Total point for Preference	9,0		0	0	0
	Total point	100%		64.78	69.04	51.28
	Overall Ranking Price, Technical,865		Contraction of the	2	N. S. M. S.	3
	% Prem lum payable			0.00	68.45	82.30
	% Premium Premium payable payable in Rands			RO	R 96,794,163	R 136,303,849

Name of Tenderer :Ranked in same order as above	BBBE Score card Level	BBHE Score	Employment Equity	Black Ownership	Total BEE (Max 30)
LMT	Expired	0	0	0	0
VRLaser	LEVEL 3	3.5	0	2	8.5
DCD	LEVEL 4	3	0	2	5
				10 AL 18	

1 of 7

#### NOTES

- 1. The committee noted that the price submitted by LMT is unreasonably too low based on the following;
  - a.) Information from PATRIA manufacturing takes 600 hours excluding machining and painting.
  - b.) Material cost for fabricating 1 unit complete hull is estimated to be +/-R550,000.00 compared to LMT breakdown of R396,527.21
  - c.) Calculated as follow: 600 Hrs @ R600/Hr = R360,000.00
  - d.) Labour part R360,000.00 + R550,000.00 material part totals +/- R910,000.00.

#### At the time of writing this submission LMT's proposal was not yet approved by the board of LMT.

- 2. The price submitted by VR Laser seems to be realistic and more acceptable, however this price exceeds DLS's current budget/input price.
- 3. LMT BBBEE certificate expired. The expired certificate indicates that they were recognized as a level 5 contributor. In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any point for BBBEE because there is no valid certificate in place.
- 4. VR Laser submitted a valid BBBEE certificate indicating a level 4 contributor with 25.10% black women ownership. VR laser has indicated that it is now 100% black owned, however, they have not done the verification to reflect that. At this stage we cannot allocate any point for 100% black ownership because there is no updated BBBEE certificate to that effect. The certificate was not yet issued at time of closing. It was however submitted before finalisation of this submission. VR Laser's score was accordingly updated with the points for B-BBEE.
- 5. DCD protected mobility BBBEE certificate expired. The expired certificate indicates that they were recognised as a level 4 contributor. In their proposal they have indicated that they are currently busy finalizing a joint venture that will ensure 47% of economic benefit from this project accrued to previously disadvantaged people. 1 of 7

The certificate was not yet issued at time of closing. It was however submitted before finalisation of this submission. DCD protected mobility's score was accordingly updated with the points for B-BBEE.

#### 3. CONCLUSION

As reflected in the evaluation matrix above VR Laser has scored the highest points, however the price offered is over the DLS input/budget price. We hereby request permission to negotiate the price in order to bring it in within the DLS budgeted figures. It should be noted that due to the constrained training schedule, the VR Laser welding team might have to be sent for the training during the negotiation process (before formal contracting).

#### 4. **RECOMMENDATIONS**

INTO

In line with the discussions articulated herein, we hereby recommend the approval of:

- (c) Enter into contract negotiations for the manufacturing and supply of the HOEFYSTER platform hulls for the 217 armoured vehicles to ensure that the total contracts price fits within the DLS budget.
- (d) The necessary permission for Mr Stephan Burger to sign the contract for the manufacturing and supply of the HOEFYSTER platform hulls for the 217 armoured vehicles and place the associated Purchase Order when the condition in a is accordingly met.

2 of 7

**RECOMMENDATION:** 

AS BURGER CEO: DENEL LAND SYSTEMS

DATE: \_\_\_\_\_

**RECOMMENDATION:** 

R SALOOJEE GROUP CEO: DENEL

DATE:

DATE:

APPROVED/REJECTED:

DENEL BOARD OF

DIRECTORS

3 of 7



## **ANNEXURE "CM36"**



Page 1 of 1

From: celiam@dlsys.co.za To: StephanB@dlsys.co.za Subject: Fwd: Board VR LASER submissions June 2014 Date: Tue, 01 Jul 2014 06:21:59 +0200

Dear Stephan

¥.

Please find the attached document for your perusal.

Regards Celia M

Sent from my iPad

Begin forwarded message:

From: Celia Malahlela < celiam@dlsys.co.za> Date: 30 June 2014 at 6:11:57 PM SAST To: Reenen Teubes < reenent@dlsys.co.za> Subject: Board VR LASER submissions June 2014

Dear Reenen

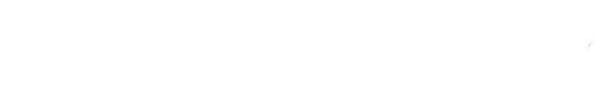
Please find the attached as discussed.

INTO

Regards

Celia M

E







#### DENEL SOC LIMITED

DENEL Board meeting to be held on :

Memorandum Number	*
Agenda Item Number	t A
File Reference	:

#### HEADING: THE MANUFACTURING OF HOEFYSTER PLATFORM HULL BY VR LASER.

#### 1. PURPOSE

а

The objective of this submission is to approve request;

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#### 2. DISCUSSION

2.1 Background IN 2013 the board of DENEL authorised the signing of the production Contract with ARMSCOR. In order to execute the ARMSCOR contract, DENEL Land Systems now wishes to sign the Contract and accordingly place an Order for the manufacturing and supply of the armoured hull.

Initially when the contract was signed with PATRIA in 2007, 52 vehicles would have been manufactured in Finland and 212 vehicles assembled in South Africa. In order to uplift the local South African industry, different contracting models were explored as an attempt to keep the money/investment in the country. As a result of this exercise a decision was

taken to manufacture more platforms locally. Now only 16 vehicle platforms will be manufactured in Finland and the rest in South Africa. (Please refer to table 2 for the summary of the major benefits that will be derived for the new model)

In 2012 DLS obtained quotations from the local industry to benchmark the prices with PATRIA budget prices. LMT, VR Laser and DCD Dorbyi were invited to participate in this process.

Three quotations were obtained for the vehicle hull from the following companies (2012):

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As part of the contract between DLS and PATRIA, PATRIA has an obligation to transfer hull manufacturing and fabrication technology to the local supplier that will be contracted for this work. The transfer of Technology between DLS and PATRIA has already begun and various DLS departments must be trained on how to incorporate the processes and data into the DLS systems. The DLS hull supplier must form part of this training program; therefore it is important that DENEL approves the hull supplier as soon as possible.

PATRIA training course is scheduled for 3rd week of July during the welding of the PPM hulls in Finland. PATRIA has highlighted that this is the last formal training course and unfortunately it cannot be moved as PATRIA has already finalized all necessary preparations for the training which also coincides with the wedding schedule for the PPM hulls for DLS. Should the successful supplier miss the July training, DLS will be charged separately for the supplier training. The next training opportunity will be towards the end of the year during the manufacturing of the 12 production models. During that time manufacturing of the Hull Welding Jigs must already be in process at the RSA hull supplier.

#### 2.1 MOTIVATION:

In June 2014 DLS went out on RFQ to obtain revised prices from all the suppliers that initially quoted in 2012. A cross functional team of representatives from Supply Chain, Infantry Systems and Business Excellence was constituted to evaluate the proposals

2 of 7

#### **Company Confidential**

submitted and make a final recommendation on the supplier that will be manufacturing the platform Hull. The team evaluated the proposals on the following criteria technical, commercial and B-BBEE. Please refer to the evaluation sheet for more info.

In February 2014 PATRIA visited the three suppliers for facility/ capability assessment. The outcomes of this assessment were captured in the final report ref: D117061\_.3.2014 submitted to DLS. The outcomes can be summarised as follows.

1. PATRIA is of the opinion that VR-Laser is capable of manufacturing the whole hull from parts to delivery. The possibility of information leakage at VR-Laser is slight/ minimal. And lastly the references given for VR-Laser are impressive/good.

2. PATRIA is concerned about the possibility of information leakage at DCD protected mobility. PATRIA relayed the concern that DCD protected mobility has substantial risk for information leak especially for mine protection package. Furthermore, PATRIA is of the opinion that DCD protected mobility has no capability for the manufacturing of hull plate sets due to lack of machinery and would have to outsource components or buy new machinery. That said, the PATRIA team felt that DCD protected mobility has all the necessary quality requirements sorted out and has capability to machine turrets ring on their other division.

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3 of 7

NTO

# 2.3 PRICE & EVALUATION

CONSOLIDATED AVAILATION SHEET

NATE:	25%	48%	30%
BASIS FOR COMPARATIVE OFFER	P R HC C:	TECHNICAL:	BEG

Overait Ranking % Prein lum Prensitim payable Price, payable in Randts Teohnical, BEE		To do the second se	1	58.45 R 98,794,183	82.30 R 136,303,849	
Overzit Ranking % Price, Technical,BEE		PERSONAL AVAILABLE	2	A STATE OF STATE	2	
Total politi	100%	No. of Lot of Lo	64.78	68.04	51,20	「「「「「」」」
Total point for Preference	40		0	0	0	No. of Concession
HOOD	%0€		0	8.5	S	
Points for Technical	45%		39.78	50.45	41.86	ALL
Points for Financial Offer	***	1	25.00	10.30	442	
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ktiel Offer (P)			R 185, 812, 451	R 262.406.634	R 301,916,300	
Name of Tenderer Rinancial Offer : Ranked (P) kowest to highest Price			1MT	VR1 seer	DCO	

Name of Tenderer Stanked in same order as above	BBBE Scorecard Lavel	ROME Score	Employment Equity	Black Ownership	Total REE (Min 30)
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VRLasor	LEVE.3	3.5	0	4	8.5
DCD	LEVE.4	8	0	12	1

1 of 7

#### **NOTES**

- The committee noted that the price submitted by LMT is unreasonably too low based on the following;
  - a.) Information from PATRIA manufacturing takes 600 hours excluding machining and painting.
  - b.) Material cost for fabricating 1 unit complete hull is estimated to be +/-R550,000.00 compared to LMT breakdown of R396,527.21
  - c.) Calculated as follow: 600 Hrs @ R600/Hr = R360,000.00
  - d.) Labour part R360,000.00 + R550,000.00 material part totals +/- R910,000.00.

At the time of writing this submission LMT's proposal was not yet approved by the board of LMT.

- 2. The price submitted by VR Laser seems to be realistic and more acceptable, however this price exceeds DLS's current budget/input price.
- 3. LMT BBBEE certificate expired. The expired certificate indicates that they were recognized as a level 5 contributor. In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any point for BBBEE because there is no valid certificate in place.
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#### 4. RECOMMENDATIONS

NTO

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**RECOMMENDATION:** 

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AS BURGER

CEO: DENEL LAND SYSTEMS

DATE: \_\_\_\_\_

**RECOMMENDATION:** 

R SALOOJEE GROUP CEO: DENEL

DATE:

APPROVED/REJECTED:

**DENEL BOARD OF** 

DIRECTORS

DATE:

3 of 7

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## **ANNEXURE "CM37"**



Page 1 of 1

From: celiam@dlsys.co.za To: StephanB@dlsys.co.za Cc: reenent@dlsys.co.za Subject: Group CEO Submission HY HULLS 010714 Date: Tue, 01 Jul 2014 22:50:11 +0200

Dear Stephan

Please find the attached as requested.

Regards

Celia M

INTO ST

ATE

DENEI	DENEL LAND SYSTEMS
	JP CHIEF EXECUTIVE OFFICER'S SUPPLY CHAIN SUBMISSION
TO: EXCO	FROM : DLS EXCO DATE : 01 JULY 2014
SUBJECT:	Industrialisation and Production of 183 Vehicle Platform Hulls at VR Laser Services.
PROJECT:	Hoefyster
ORDER NUMBER: SUPPLIER:	L58226 VR Laser Services (Pty) LTD

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### **INDEX**

1. OBJECTIVE	3
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#### 1. OBJECTIVE

To obtain approval from Denel Group Executive Officer to

- (a) enter into contract negotiations for the manufacturing and supply of the HOEFYSTER platform hulls for 183 armoured vehicles to ensure that the total contract price fits within the DLS budget and
- (b) sign the contract for the manufacturing and supply of the HOEFYSTER platform hulls for the 183 armoured vehicles and place the associated Purchase Order.

#### 2. BACKGROUND

In 2013 the board of DENEL authorised the signing of the production Contract for the 238 (Including 34 new variants/new requirement by SANDF) Badger vehicle systems with ARMSCOR. In order to execute the ARMSCOR contract, DENEL Land Systems (DLS) now wishes to sign the Contract and accordingly place an Order for the manufacturing and supply of the armoured hulls for these vehicles. 16 of these vehicles are manufactured in Finland and 217 will be manufactured in South Africa. At this stage DLS has not finalized the baselines for the 34 new variants. We therefore cannot place an order on the full 217. The intention at this stage is to place an order for only 183 platform hulls. The procurement for the new variants platform hulls will only be made once the baselines have been firmed up with frozen data-packs.

In 2012 DLS obtained quotations from the local industry to benchmark the prices with PATRIA budget prices. LMT, VR Laser and DCD Dorbyl (name changed to DCD protected mobility) were invited to participate in this process. Three quotations obtained from these 3 companies in 2012 were as follows;

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SUPPLIER	PRICE PER UNIT	
LMT	R1,738,694.00	
VR Laser	R865,010.00	
DCD Dorbyl	R896,000.00	

As part of the contract between DLS and PATRIA, PATRIA has an obligation to transfer hull manufacturing and fabrication technology to the local South African supplier that will be contracted for this work. The transfer of Technology between DLS and PATRIA has already begun and various DLS departments must be trained on how to incorporate the processes and data into the DLS systems.

PATRIA training course is scheduled for 3rd week of July during the scheduled welding of the platform hulls in Finland. PATRIA has highlighted that this is the last formal training course and unfortunately it cannot be moved as PATRIA has already finalized all necessary preparations for the training. Should the successful supplier miss the July training, DLS will be charged separately for the supplier training. The next training opportunity will be towards the end of the year during the manufacturing of the 12 production models. Ideally at that stage manufacturing of the hull welding Jigs must already be in process at the RSA hull supplier.

#### 3. MOTIVATION

In June 2014, DLS went out on RFQ to obtain revised prices from all the suppliers that initially quoted in 2012. A cross functional team of representatives from Supply Chain, Infantry Systems and Business Excellence was constituted to evaluate the proposals submitted and make a final recommendation on the supplier that will be manufacturing the platform Hull. The team evaluated the proposals on the following criteria technical, commercial and B-BBEE. The percentage split implemented in the criteria used is accordingly aligned with the mandated Denel criteria communicated throughout the group.

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In February 2014, PATRIA visited the three suppliers for facility/ capability assessment. The outcomes of this assessment were captured in the final report ref: D117051\_.3.2014 submitted to DLS. The outcomes can be summarised as follows.

- (a) PATRIA is of the opinion that VR-Laser is capable of manufacturing the whole hull from parts to delivery. The possibility of information leakage at VR-Laser is slight/ minimal. And lastly, the references given for VR-Laser are impressive/good.
- (b) PATRIA is concerned about the possibility of information leakage at DCD protected mobility. PATRIA relayed the concern that DCD protected mobility has substantial risk for information leak especially for mine protection package. Furthermore, PATRIA is of the opinion that DCD protected mobility has no capability for the manufacturing of hull plate sets due to lack of machinery and would have to outsource components or buy new machinery. That said, the PATRIA team felt that DCD protected mobility has all the necessary quality requirements in place and has the capability to machine turrets ring at one of their other division.

(c) PATRIA is of the opinion that LMT has poor level of welding quality and it needs to be improved in order to be able to manufacture AMV hulls. However PATRIA also articulated that LMT might still be suitable for the manufacturing of other AMV components such as the Hatch.

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#### 4. DISCUSSION /OTHER RELEVANT FACTS

The evaluation committee noted that the price submitted by LMT is unreasonably too low based on the following;

- (a) According to the information received from PATRIA, manufacturing takes 600 hours excluding machining and painting.
- (b) Material cost for fabricating 1 unit complete hull is estimated to be +/-R550,000.00 compared to LMT material breakdown of R396,527.21.
- (c) Calculated as follow: 600 Hrs @ R600/Hr = R360,000.00.
- (d) R360,000.00 (Labour) + R550,000.00 (material) = +/- R910,000.00.

### At the time of writing this submission LMT's proposal was not yet approved by the board of LMT.

The price submitted by VR Laser seem to be realistic and more acceptable, however this price exceeds DLS's current budget/input price. Whereas, the price offered by DCD protected mobility seem to be extremely higher than the estimated cost above.

LMT BBBEE certificate expired. The expired certificate indicates that they were recognized as a level 5 contributor. In their proposal, LMT indicated that they envisaged to be recognised as a level 4. At this stage, we cannot allocate any point for B-BBEE because there is no valid certificate in place.VR Laser submitted a valid B-BBEE certificate indicating that VR Laser is a level 4 contributor with 100% Black equity ownership and 25.10% black women ownership. DCD protected mobility submitted a valid BBBEE certificate indicating that DCD is a level 4 contributor with 44.7% Black equity ownership.

LMT has submitted the lowest price, however in DLS's experience on several contracts placed (including but not limited to the Yemen contract, various Casspir orders and Samil ambulances) we have experienced a lot of late deliveries and defects on workmanship. During the clarification meeting held on the 26 June 2014, LMT failed to provide DLS with a satisfactory answer/ response on how the company plans on ensuring that there will be no/minimal defects on the deliverables. This, coupled with the

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fact that to our knowledge there is no welding engineer or resident metallurgist, no current available proven capacity and equipment, we are of the opinion that it would be very risky to place a contract of this magnitude on a supplier that has failed to perform on several previous programmes and cannot demonstrate on how they plan on ensuring satisfactory performance going forward.

VR Laser has demonstrated the willingness to support DLS on several occasions in the past. We strongly believe that they will be willing to negotiate the prices in order to fit within our budget.

#### 5. CONCLUSION

As reflected in the evaluation matrix above VR Laser has scored the highest points, however the price offered is over the DLS input/budget price. We hereby request permission to negotiate the price in order to bring it in within the DLS budgeted figures.

DESCRIPTION	PRICE PER UNIT	TOTAL PRICE FOR 183 UNITS
REQUESTED MANDATE/	R1,000,000.00	R183,000,000.00
MAXIMUM PRICE CURRENT VR LASER PRICE	R1,209,247.00	R221,292,201.00

In order to uplift the local South African industry, different contracting models were explored as an attempt to keep the money/investment in the country. As a result of this exercise, a decision was taken to manufacture more platforms locally. As stated above, now only 16 vehicle platforms will be manufactured in Finland and the rest in South Africa. VR Laser is a 100% black owned company with more than 25% black woman equity ownership. Placing an order on VR laser will not only benefit the South African local industry but it will also benefit the previously disadvantages groups. This will also ensure full compliance with ARMSCOR 25% black equity ownership requirement on the Hoefyster programme.

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#### 6. **RECOMMENDATIONS**

In line with the discussions articulated herein, we hereby recommend the approval of:

- (a) A mandate to enter into contract negotiations for the manufacturing and supply of the HOEFYSTER platform hulls for the 183 armoured vehicles to ensure that the total contracts price fits within the DLS budget.
- (b) the necessary permission for Mr Stephan Burger to sign the contract for the manufacturing and supply of the HOEFYSTER platform hulls for the 183 armoured vehicles and place the associated Purchase Order when the condition in a is accordingly met.

#### **DLS EXCO RECOMMENDATION:**

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AS BURGER			
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RECOMMENDATION:			
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GROUP CEO: DENEL		DATE:	
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D E N E	L DENEL LAND SYSTEMS
GR	OUP CHIEF EXECUTIVE OFFICER'S SUPPLY CHAIN SUBMISSION
TO: EXCO	FROM : DLS EXCO
	DATE : 01 JULY 2014
SUBJECT:	Industrialisation and Production of 183 Vehicle Platform Hulls at VR Laser Services.
PROJECT:	Hoefyster
ORDER NUMBER:	L58226
SUPPLIER:	VR Laser Services (Pty) LTD

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SUPPLIER	PRICE PER UNIT	
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#### 4. DISCUSSION /OTHER RELEVANT FACTS

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- (b) Material cost for fabricating 1 unit complete hull is estimated to be +/-R550,000.00 compared to LMT material breakdown of R396,527.21.
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LMT has submitted the lowest price, however in DLS's experience on several contracts placed (including but not limited to the Yemen contract, various Casspir orders and Samil ambulances) we have experienced a lot of late deliveries and defects on workmanship. During the clarification meeting held on the 26 June 2014, LMT failed to provide DLS with a satisfactory answer/ response on how the company plans on ensuring that there will be no/minimal defects on the deliverables. This, coupled with the

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fact that to our knowledge there is no welding engineer or resident metallurgist, no current available proven capacity and equipment, we are of the opinion that it would be very risky to place a contract of this magnitude on a supplier that has failed to perform on several previous programmes and cannot demonstrate on how they plan on ensuring satisfactory performance going forward.

VR Laser has demonstrated the willingness to support DLS on several occasions in the past. We strongly believe that they will be willing to negotiate the prices in order to fit within our budget.

## 5. CONCLUSION

As reflected in the evaluation matrix above VR Laser has scored the highest points, however the price offered is over the DLS input/budget price. We hereby request permission to negotiate the price in order to bring it in within the DLS budgeted figures.

DESCRIPTION	PRICE PER UNIT	TOTAL PRICE FOR 183 UNITS
REQUESTED MANDATE/	R1,090,000.00	R199,470,000.00
MAXIMUM PRICE CURRENT VR LASER PRICE	R1,209,247.00	R221,292,201.00

In order to uplift the local South African industry, different contracting models were explored as an attempt to keep the money/investment in the country. As a result of this exercise, a decision was taken to manufacture more platforms locally. As stated above, now only 16 vehicle platforms will be manufactured in Finland and the rest in South Africa. VR Laser is a 100% black owned company with more than 25% black woman equity ownership. Placing an order on VR laser will not only benefit the South African local industry but it will also benefit the previously disadvantages groups. This will also ensure full compliance with ARMSCOR 25% black equity ownership requirement on the Hoefyster programme.

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# 6. **RECOMMENDATIONS**

In line with the discussions articulated herein, we hereby recommend the approval of:

- (a) A mandate to enter into contract negotiations for the manufacturing and supply of the HOEFYSTER platform hulls for the 183 armoured vehicles to ensure that the total contracts price fits within the DLS budget.
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# **DLS EXCO RECOMMENDATION:**

AS BURGER	
CEO: DENEL LAND SYSTEMS	DATE:
DLS EXCO RECOMMENDATION:	
AS BURGER	
CEO: DENEL LAND SYSTEMS	DATE:
APPROVED:	
D SAL OD IEE	
R SALOOJEE	ITL.Y
GROUP CEO: DENEL	DATE:

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# **ANNEXURE "CM38"**



	DENEL LAND SYSTEMS UP CHIEF EXECUTIVE OFFICER'S SUPPLY CHAIN SUBMISSION
TO: EXCO	FROM : DLS EXCO
	DATE : 15 OCTOBER 2014
SUBJECT:	Industrialisation and Production of 183 Vehicle Platform Hulis at VR Laser Services.
PROJECT:	Hoefyster
ORDER NUMBER:	L58226
SUPPLIER:	VR Laser Services (Pty) LTD

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# 1. OBJECTIVE

To obtain approval from Denel Group Executive Officer to

- (a) enter into contract negotiations for the manufacturing and supply of the HOEFYSTER platform hulls for 183 armoured vehicles to ensure that the total contract price fits within the DLS budget and
- (b) sign the contract for the manufacturing and supply of the HOEFYSTER platform hulls for the 183 armoured vehicles and place the associated Purchase Order.

# 2. BACKGROUND

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In 2012 DLS obtained quotations from the local industry to benchmark the prices with PATRIA budget prices. LMT, VR Laser and DCD Dorbyl (name changed to DCD protected mobility) were invited to participate in this process. Three quotations obtained from these 3 companies in 2012 were as follows;

SUPPLIER	PRICE PER UNIT
LMT	R1,738,694.00
VR Laser	R865,010.00
DCD Dorbyl	R896,000.00

As part of the contract between DLS and PATRIA, PATRIA has an obligation to transfer hull manufacturing and fabrication technology to the local South African supplier that will be contracted for this work. The transfer of Technology between DLS and PATRIA has

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already begun and various DLS departments must be trained on how to incorporate the processes and data into the DLS systems.

#### 3. ΜΟΤΙVΑΤΙΟΝ

In June 2014, DLS went out on RFQ to obtain revised prices from all the suppliers that initially quoted in 2012. The tender closing date was 25 June 2014, after which clarification sessions were held 26<sup>th</sup> June 2014 with each supplier. They all had 7 days in which to submit additional information. Any information received after this drop dead date was not considered. A cross functional team of representatives from Supply Chain, Infantry Systems and Business Excellence was constituted to evaluate the proposals submitted and make a final recommendation on the supplier that will be manufacturing the platform Hull. The team evaluated the proposals on the following criteria technical, commercial and B-BBEE. The percentage split implemented in the criteria used is accordingly aligned with the mandated Denel criteria communicated throughout the group.

In February 2014, PATRIA visited the three suppliers for facility/ capability assessment. The outcomes of this assessment were captured in the final report ref: D117051\_.3.2014 submitted to DLS. The outcomes can be summarised as follows.

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Financial Offer (P)			R 763,191	R 1,209,247	R 1,381,318		
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manufactured AMV hulls could be found at Patria., except for the one mine protection test hull.

VR Laser has demonstrated the willingness to support DLS on several occasions in the past delivering on time, quality products. VR Laser submitted an unsolicited proposal for a lower price as well as submitting a new BBBEE certificate with a new improved level from 4 to 3, but as in the case of the late BBBEE certificate of LMT this could not be considered for the evaluation. We strongly believe that they will be willing to negotiate the prices in order to fit within our budget.

#### 5. CONCLUSION

Beyond the DLS evaluation process critical questions were asked in terms of LMT's, as the design partner, involvement in the HOEFYSTER production program, which necessitated the exploring of various options to ensure a responsible and balanced subcontracting scenario for the program.

A contracting model to contract VR Laser via LMT, to get the best of both worlds in terms of engineering and production capability was extensively explored. This however proved not to be a viable option due to the complexity of the contracting structure as well as the financial viability.

In the evaluation of the various companies it was clear that due to the design accountability of LMT and complexity of the vehicle Rear internal fit and the Back door, that it was critical that they must also be the production supplier of these sub systems to reduce technical and schedule risks.

As reflected in the evaluation matrix above VR Laser has scored the highest points, however the price offered is over the DLS input/budget price. We hereby request permission to negotiate the price in order to bring it in within the DLS budgeted figures.

DESCRIPTION	PRICE PER UNIT	TOTAL PRICE FOR 183 UNITS
CURRENT VR LASER PRICE	R1,209,247.00	R221,292,201.00
REQUESTED MANDATE/ MAXIMUM PRICE	R1,050,000.00	R192,150,000.00

i,

Page 7 of 10

In order to uplift the local South African industry, different Patrla contracting models were explored as an attempt to keep the money/investment in the country. As a result of this exercise, a decision was taken to manufacture more platforms locally. As stated above, now only 16 vehicle platforms will be manufactured in Finland and the rest in South Africa. VR Laser is a 100% black owned company with more than 25% black woman equity ownership. Placing an order on VR laser will not only benefit the South African local industry but it will also benefit the previously disadvantages groups. This will also ensure full compliance with ARMSCOR 25% black equity ownership requirement on the Hoefyster programme.

# 6. RECOMMENDATIONS

In line with the discussions articulated herein, we hereby recommend the approval of:

- (a) The Group CEO of Denel approves the DLS recommended selection of the hull supplier
- (b) A mandate to enter into contract negotiations for the manufacturing and supply of the HOEFYSTER platform hulls for the 183 armoured vehicles to ensure that the total contracts price fits within the DLS budget.
- (c) the necessary permission for Mr Stephan Burger to sign the contract for the manufacturing and supply of the HOEFYSTER platform hulls for the 183 armoured vehicles and place the associated Purchase Order when the condition in a is accordingly met.
- (d) Contracting LMT as single source supplier for the vehicle rear internal fit and the back door
- (e) After the completion of the Joint Task Force design that the additional 34 vehicle hulls, rear internal fit and back doors be contracted on the same principles

## **DLS EXCO RECOMMENDATION:**

C MALAHLELA EXECUTIVE MANAGER: SUPPLY CHAIN

DATE:

Page 8 of 10

L58226

16/ 10/ 2014 สาสาร DATE: A AFRICA

EXECUTIVE MANAGER: INFANTRY SYSTEMS

1.2

FR TEUBES COO: DENEL LAND SYSTEMS

AS BURGER CEO: DENEL LAND SYSTEMS

DCO RECOMMENDATION:

IM WESSELS

Z WHLONTLO GROUP CFO: DENEL

DATE: 16.10.2014

Page 9 of 10

DATE: 16.10.2014

DATE: 16/10/2014

DATE: 16-10-2014

L58226

APPROVE / REJECT

hour

R SALOOJEE GROUP CEO: DENEL

DATE: 16.10.2014.



L58226 10

Page 10 of

# **ANNEXURE "CM39"**



Page 1 of 3

From: reenent@dlsys.co.za To: celiam@dlsys.co.za Subject: Re: DISCUSSIONS Date: Tue, 18 Nov 2014 14:32:01 +0200

Hallo Celia We have tried our luck. My call is that we accept the base date of June 2014 and do not argue it further.

Regards Reenen

Sent from Reenen's iPad

On 18 Nov 2014, at 12:44, Celia Malahlela < celiam@dlsys.co.za> wrote:

From: Pieter Van Der Merwe [mailto:pieter@vdmass.co.za] Sent: 18 November 2014 12:12 PM To: Celia Malahlela Cc: Reenen Teubes; 'Benny Jiyane'; JacquesR@Jic.co.za; JPA@jic.co.za Subject: RE: DISCUSSIONS

Good day Celia,

The VR team discussed the condition that the base date be moved to November 2014.

Sorry for the late reply but we have been working on the suggested scenario as indicated in your mail below. The problem is that such movement will necessitate VR Laser to re-evaluate the figures and discussions we had. Our offer of course was based on the current structure and base date.

Like Salim indicated, our intention is to build a long-lasting relationship with yourselves. You can rest assure that the current base date will not be frivolously utilized to gain which was given. Because our budget had to be cut down to the bare minimum, we would have to request you to stay on the June 2014 base date.

Kindly contact me should you have any further queries or if you want to schedule the next meeting.

Page 2 of 3

Regards,

Pieter vd Merwe

072 1724 098

From: Celia Malahlela [mailto:celiam@dlsvs.co.za] Sent: Friday, November 14, 2014 5:28 PM To: Pieter Van Der Merwe Cc: Reenen Teubes; Benny Jiyane; JacquesR@Jic.co.za; jp@vrlaser.co.za; Salim Essa Subject: Re: DISCUSSIONS

Pieter

We have accordingly consulted with the relevant authorities. The proposed price of R1 000 000.00/unit with the deposit of 15% was accepted on condition that we agree on November 2014 as the base date for our contract.

I hope you find the above in order. I will schedule a meeting next week to finalize Annexure 3.

Regards Celia M

Sent from my iPad

On 14 Nov 2014, at 11:07 AM, "Pieter Van Der Merwe" pieter@vdmass.co.za>>
wrote:

Good day Reenen/Celia.

Thank you for this morning's discussion. Your positive and sincere attitude is much appreciated.

We again had a discussion with our costing team. We tried our utmost best to accommodate a 12% deposit. After further deliberation we concluded that it will not be possible to go below 15%. I do not want to again elaborate on the reasons as we have properly addressed you thereon this morning.

In the light of the circumstances we would request you to confirm whether we can agree on the production price of R1 000 000-00 plus a 15% deposit. Should you agree, we suggest that a date and time be arranged for final contract settlement and

signature. As we would also like to get the ball rolling, we would humbly request you to process the formal issuing of the order and letter of intent for the remaining units. This project is number one on our priority list so we will accommodate your earliest date and time to meet for finalization.

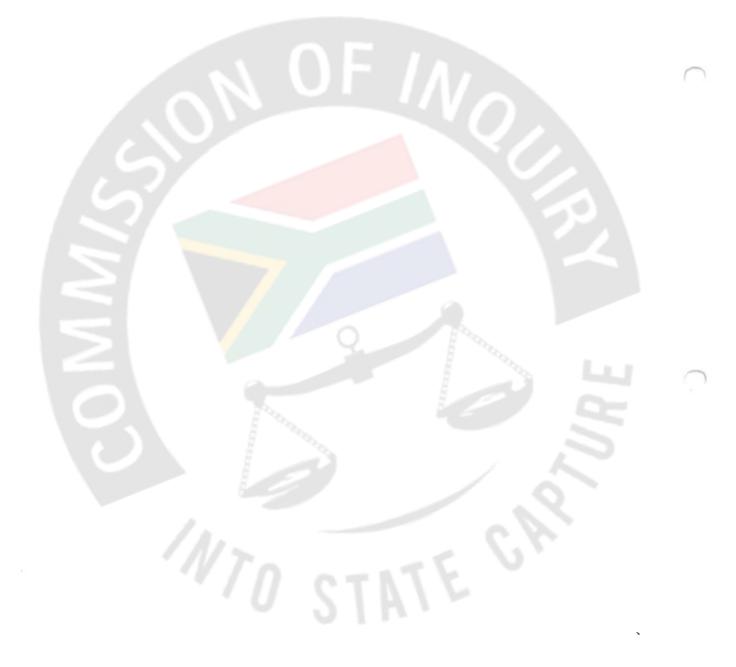
We await to hear from you.

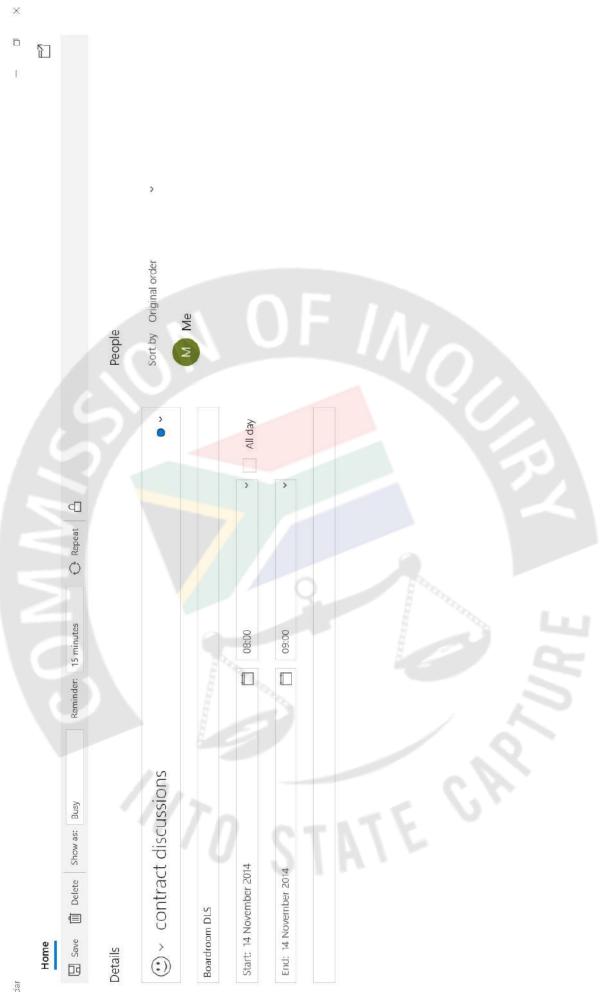
<u>Regards.</u> <u>Pieter van der Merwe</u> 072 1724 098

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Calendar

# Bonginkosi . Mthembu

Subject: Location:	contract discussions Boardroom DLS
Start: End: Show Time As:	Fri 2014/11/14 08:00 Fri 2014/11/14 09:00 Tentative
Recurrence:	(none)
Meeting Status:	Not yet responded
Organizer:	Bonginkosi . Mthembu

STATE

INTO

# **ANNEXURE "CM40"**



# Bonginkosi . Mthembu

From:	Stephan Burger
Sent:	Monday, 07 July 2014 13:45
То:	Celia Malahlela
Cc:	Stephan Burger; Reenen Teubes
Subject:	Re: VR Laser
Attachments:	image001.jpg; image002.png; image003.png

100% Celia. Our dealings need to be squeaky clean. Riaz wants to chat to me on Wednesday, and I expect it to be about the hull manufacturer. So, please let us chat tomorrow. Make an appointment with Sharon please. My diary is pretty full.

Regards, Stephan.

Sent from Stephan's iPhone

```
> On 07 Jul 2014, at 1:28 PM, "Celia Malahlela" <celiam@dlsys.co.za> wrote:
```

>

> Dear Stephan

>

> Please see the article below. Is the president and his family/friends allowed to benefit from SOE procurement contracts? If it is indeed true that the president has associations with VR Laser I believe that VR Laser should have declared their interests in that regard. I recommend that we request VR Laser to disclose the real shareholders behind their black equity shareholding. Can we please have a meeting tomorrow when you are back in the office to discuss the way forward. I cannot have any further dealings with VR Laser until this allegations have been cleared.

>

> I hope you find the above email in order Sir.

>

> > Kind regards

>

> [Description: cid:image001.png@01CF7FFA.34617EF0]

>

- > Celia Malahlela
- > Executive Manager: Supply Chain
- > Denel Land Systems
- > a Division of DENEL SOC Ltd.
- > PO Box 7710, Pretoria, 0001, South Africa
- > Tel: +27 12 620 3088
- > E-mail: celiam@dlsys.co.za<mailto:annelied@dlsys.co.za>
- > www.denellandsystems.co.za
- >
- >
- >
- > From: Henk van den Heever
- > Sent: 07 July 2014 11:31 AM
- > To: Celia Malahlela
- > Subject: FW: VR Laser

> > FYI. > > From: Heyns van der Merwe > Sent: 07 July 2014 10:10 AM > To: Pieter Steyn; Quinton (Frank) Cartwright; Herman Kock; Louis > Lubbe; Dennis Kappetijn; Avishkar Govender; Henk van den Heever > Subject: FW: VR Laser > > > Guptas and Duduzane Zuma are hidden stakeholders in a strategic locomotive subcontracting company bought while the main tender process was ongoing. > [Chairperson of Transnet's board tender committee Iqbal Sharma. > (Andrew > Brown)]<http://mg.co.za/article/2014-07-03-transnet-tender-bosss-r50-b > illion-double-game> > > Chairperson of Transnet's board > tender committee lgbal > Sharma.<http://mg.co.za/article/2014-07-03-transnet-tender-bosss-r50-b</p> > illion-double-game> The man who presided over Transnet's R50-billion > tender for locomotives has joined forces with the Gupta family and President Jacob Zuma's son, Duduzane, in a move that potentially puts them in pole position to benefit from key subcontracts. > > Igbal Sharma, chairperson of Transnet's board tender committee, entered into negotiations in December to buy a Gauteng engineering firm, VR Laser Services, that produces steel plate components for heavy vehicle bodies. > In February, a company in which Rajesh Gupta and Duduzane Zuma are partners acquired their stake in VR Laser – an interest they have endeavoured to keep hidden. > > Throughout this period, Sharma was overseeing the locomotive tender process. He tied up his acquisition of his part of VR Laser a matter of weeks before Transnet announced the main tender winners in March. > > [http://cdn.mg.co.za/crop/content/images/2014/07/03/graphic-guptatrain > 2.png/600x433] > > This week, Sharma denied owing his position at Transnet to Gupta string-pulling. He also denied any conflict of interest, claiming that VR Laser did not do – and had no intention of doing - business with Transnet. He said he had bought the property company that owns VR Laser's premises, but not VR Laser itself. > > Key visit > However, amaBhungane has established that, as Sharma was putting the finishing touches to both the tender and his acquisition of the property holding company linked to VR Laser, each of the four multinational train manufacturing companies that would later win a slice of the locomotive supply contract visited the engineering company's premises to assess the possibility of subcontracting work to VR Laser. > > The winning bidders are required by state procurement policy to source up to 60% of their locomotive components from South African subcontractors, placing VR Laser in a highly advantageous position. > > The company bills itself as "a complete one-stop fabrication facility for the manufacture of all types of vehicle hulls for any original equipment manufacturer".

>

> Sharma is a director of the Transnet board and chairs the board subcommittee that oversees the company's tender processes and approves tender recommendations.

>

> Transnet announced the main tender award on March 17. Unusually, they split the contract between four major train builders – China South Rail, Bombardier, General Electric and China North Rail.

>

> The parastatal declared the R50-billion transaction to be "South Africa's single biggest infrastructure investment initiative by a corporate".

# >

>

>

> Concerns over tender

> The Mail & Guardian reported three weeks ago that the National Union of Metalworkers of SA (Numsa) had submitted a report to the public protector, raising concerns about the way Transnet structured, adjudicated and awarded the locomotive tender.

>

> The report states that government's policy of localisation and job creation had, in the case of the Transnet locomotive tender, been abused by "the implementation of opaque and underhand business dealings to line the pockets of a selected minority business and political elite".

>

> Before his appointment to the Transnet board in December 2010, Sharma headed a unit at the department of trade and industry set up to boost imports and exports.

>

> It was in this role that he reportedly first met the Guptas, who had positioned themselves as increasingly important conduits for Indian investment in South Africa.

>

> Far from being a grey cog in the government machine, Sharma's marriage to a Bollywood actress has on occasion landed him in the gossip pages of the Indian tabloid press.

>

> He was later appointed to the Transnet board, and Business Day and the M&G reported that then public enterprises minister Malusi Gigaba tried, but failed, to have him appointed board chairperson in June 2011.

>

> It was reported that the Cabinet had vetoed Sharma's appointment on the grounds that he was too close to the Guptas.

>

> This reflected growing concern about the Guptas' perceived influence over appointments to key positions in stateowned companies, stemming in part from reports about the family's business partnership with Duduzane Zuma.

>

> Quiet appointment

> Sharma admitted to the M&G at the time that he was a friend of the Gupta family, but said he had no business associations with them.

>

> Transnet would later create a new structure, formally called the board acquisitions and disposals committee, to supervise the planned pipeline of future large-scale infrastructure spending.

>

> Sharma was quietly appointed to chair this committee.

>

> Previously, Transnet's individual subsidiaries had supervised their own procurement processes. The newly created board oversight committee, which Sharma chaired, took over the supervision of all tenders worth more than R2.5billion.

>

> Transnet invited proposals for the R50-billion locomotive tender in October last year.

>

> While it was being decided, Sharma and his business associate Salim Essa approached VR Laser and offered to purchase the company.

>

> The sale was agreed on in December for an undisclosed sum. Share registers show that it was finalised in the weeks immediately before the tender award in March.

>

> Distancing themselves

> In a move possibly designed to create distance between Sharma and the day-to-day operations of VR Laser – perhaps to ward off accusations of a direct conflict with his Transnet role – a company owned by Essa purchased VR Laser.

>

> Through his investment company Sharma bought a related company, VRLS Properties, which owns the two factory premises where VR Laser operates.

>

> Both Sharma and Essa sought to distance themselves from one another this week – but the facts suggest real proximity (see "Facts tell a story" below).

>

> Essa and Sharma were also both evasive when asked who owns VR Laser, the operational side of the business. Both claimed it was solely owned by Essa, but then Essa conceded he had inherited the previous owner's empowerment partner, Benny Jiyane, as a minority shareholder.

>

> Jiyane confirmed this, saying he had opted not to sell his 25% stake in the business.

>

> Enter the Guptas and Duduzane

> But amaBhungane has obtained a share register for VR Laser showing that Jiyane ceded his stake to Craysure Investments in February this year. Further share registers show that Craysure is 100% owned by Westdawn Investments, the Gupta-owned company that trades as JIC Mining.

>

> Duduzane Zuma partners the Guptas in Westdawn. He did not respond to questions.

>

> Like Essa and Sharma before him, Jiyane first played dumb about the Gupta-Duduzane stake.

> When challenged by the evidence, Jiyane changed his tune, saying he "intended to sell" to Craysure subject to "certain confidential conditions", which would only be realised within a year.

> Only then did Jiyane concede that he had in fact been dealing with the Guptas, saying: "I think Craysure has something to do with Sahara."

>

> Sahara, a computer supplier, is one of the better-known Gupta-owned companies.

>

> After attempts to maintain the secrecy surrounding the Gupta-Duduzane stake in VR Laser failed, Sharma lashed out at amaBhungane.

>

> Without mentioning the Guptas by name, he said: "Your continued targeting of a single family is frankly boring and tiresome."

>

> Westdawn chief executive Jacques Roux echoed Sharma: "We have become accustomed to the continuous and unfounded attacks by your newspaper on our shareholders and our business."

>

> Contradictions

> Sharma was explicit on one point, however: neither VR Laser nor the investment company that owns VRLS Properties "has done or is doing or contemplating doing business with Transnet". On both counts, he was contradicted by the testimony of sources in the know, who include VR Laser people, both past and present.

>

> VR Laser's original owners foresaw the potential of the upcoming government infrastructure spend, including locomotive procurement by Transnet, to grow the company's revenue.

>

> In a 2008 interview with Engineering News, VR Laser's then empowerment partner Jiyane was quoted as saying that VR Laser was "expecting a significant amount of business from Transnet off the back of the company's [Transnet's] refurbishment programme, which would run into a significant cash flow over the next 15 years".

>

> Jiyane, who still works at VR Laser, told amaBhungane this week that the company was a registered supplier to Transnet of precision laser-cut steel components for the upkeep of the existing locomotive fleet.

>

> Transnet later confirmed that VR Laser "has performed services" worth a total of R1-million for Transnet Engineering since 2006.

>

> Circling the subcontracts

> Jiyane also revealed that all four companies that would later win a slice of Transnet's new locomotive tender had visited VR Laser's factory between December 2013 and January, to evaluate them as potential local suppliers.

> The tenderers' bids were at that time under consideration by Transnet, presided over at the apex of the tender process by Sharma himself. Sharma had conducted sale negotiations with VR Laser's former owner in December.

> His close associate, Essa, finalised his purchase of the operational part of VR Laser in February, and Sharma tied up his acquisition of the property-owning side of the company in March.

>

> Two weeks later, Transnet announced the four companies that had won the R50-billion main tender.

>

> Transnet spokesperson Mboniso Sigonyela said that Sharma "has declared all his interests for the current year as required".

>

> Sigonyela later clarified that the company Sharma declared was in fact his investment company, and not VRLS Properties.

>

> Pressed for clarity on Transnet's disclosure policy, Sigonyela said: "Transnet requires that a director declares the legal entity which owns assets. The director only needs to declare those assets when they deal directly with Transnet.

> "We believe that there is no conflict of interest as Mr Sharma does not own shares in VR Laser."

> >

>

> Facts tell a story of documented proximity

>

> Iqbal Sharma claimed this week that "I have no direct or indirect relationship with VR Laser Services" – Salim Essa's company.

> The facts suggest otherwise:

>

>

• John van Reenen, one of VR Laser's founding co-owners, confirmed that Sharma had bought VRLS Properties and that Essa had bought the operational side, VR Laser Services. However, Van Reenen recalled that during initial purchase negotiations Sharma represented both companies. "It was always made quite clear to me that he [Sharma] had this associate [Essa], who would be taking over the steel company, and that Sharma was negotiating on Essa's behalf."

#### >

• Essa has previously been profiled as one of the "leaders" of Sharma's investment company, Issar Capital, which owns VRLS Properties. A screen grab of the Issar Capital website, taken in May last year, shows that Essa was then directly involved with Sharma in Issar Capital. Essa no longer appears on this website. Given this back story, Essa was strangely evasive about his connection with Sharma, claiming not to know who owned VRLS Properties. On being told that Issar Capital owns the property company, Essa said he had "heard of the name" and then hurriedly excused himself from the call. He did not respond to further written questions.

>

 Sharma and Essa are co-directors in another business, solar panel manufacturing company Daqo South Africa, since November 2012. Daqo is headquartered in Issar Capital's Sandton office.

>

> • They are also co-directors in a third company, National Agricultural

> Development Project, since December 2012. This company is not located

> at Issar Capital. Incidentally, the company's share register shows

> that Sharma and Essa each acquired a shareholding in National

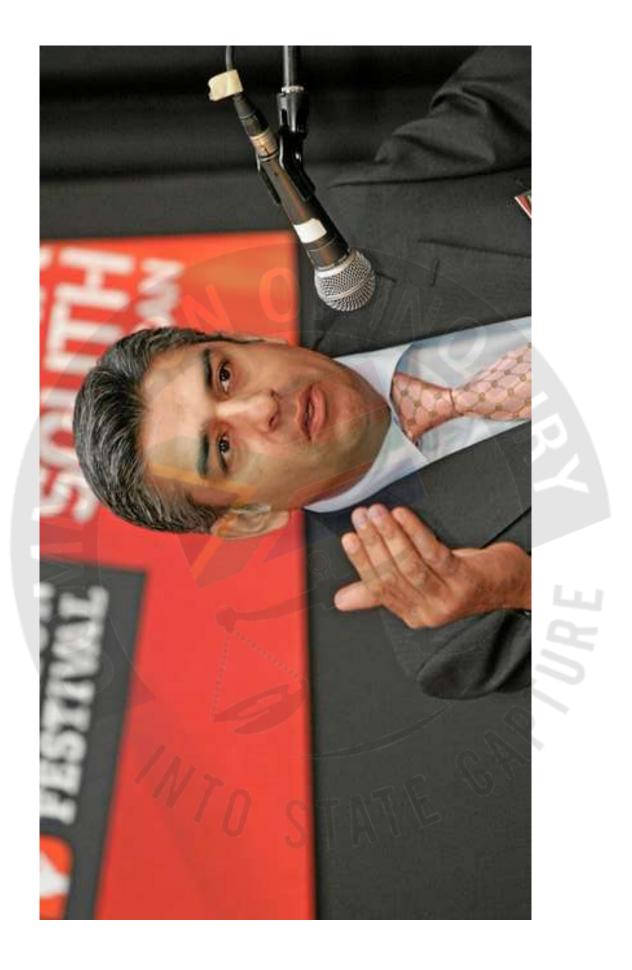
> Agricultural Development Project from Gupta-owned companies on the

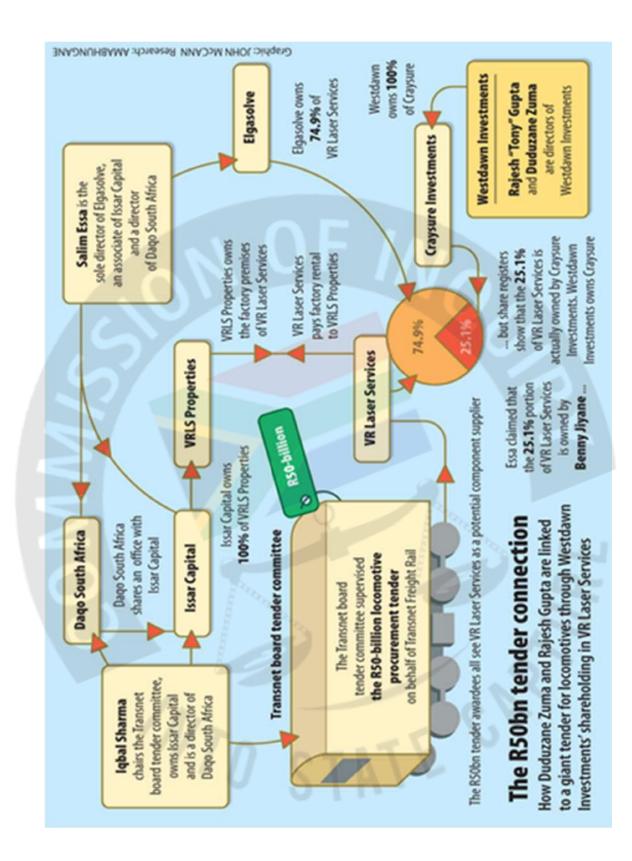
INTO

> same day in November last year. - amaBhungane reporters

>

- > <image001.jpg>
- > <image002.png>
- > <image003.png>







# **ANNEXURE "CM41"**





#### DENEL LAND SYSTEMS

Address:

PO Box 7710 Pretoria, 0001 South Africa

 Date:
 11 July 2014

 Tel:
 +27 12 620 3613

 Fax:
 +27 12 620 3388

 Email:
 Celiam@dlsys.co.za

 Your ref:
 VR08072014/02

10 Haggie Road Dunswart Ext 5 Gauteng South Africa

ATTENTION: CEO

#### ALLEGED POTENTIAL CONFLICT OF INTEREST

The article published by the Mail and Guardian Centre for Investigative Journalism on the 4<sup>th</sup> July 2014 bear reference <u>http://mg.co.za/article/2014-07-03-transnet-tender-bosss-r50-billion-double-game</u>.

The abovementioned article alleges possible conflict of interest in a transaction between Transnet as a SOC and VR Laser. Having recently been informed about the new change in ownership of VR Laser, DLS is concerned that there might be a potential conflict of interest with regards to subcontracting of Hoefyster, as a local SANDF contract.

It is very important for DLS to ensure proper governance and compliance to laws in our contracting practices, specifically pertaining to conflict of interest. DLS hereby requests VR Laser to please disclose the names of the new shareholders and accordingly disclose any association (if any) with parties that may constitute a conflict of interest with reference to the Hoefyster programme. You are further requested to complete the attached declaration of conflict of interest form, V1090/02 and return it to DLS supply chain department.

Lastly, we would like to thank you for the services that you have provided to DLS thus far. Your efforts and supports are highly appreciated.

egards 1.1 AHLELA ΜA

EXECUTIVE MANAGER: SUPPLY CHAIN DENEL LAND SYSTEMS INCORPORATING MECHEM

Denel SOC Ltd, Reg No 1992/001337/30, Nellmapius Drive, Irene P O Box 8322, Centurion, 0046, South Africa. Tel: +27 (0)12 671 2700, Fax: +27 (0)12 671 2751 Directors: Mr N R Kunene (Chairman), Mr R Saloojee<sup>1</sup> (Group Chief Executive Officer), Adv G Badela, Dr G C Cruywagen, Ms M J Janse van Rensburg, Prof T Marwala, Ms Z B Mathenjwa, Mr Z Mhlontlo<sup>1</sup>, Mr N J Motseki, Mr M Msimang, Mr B F Ngwenya, Prof S M Nkomo, Adv M S Ntshikila, Ms B Paledi, Mr M V Ratshimbilani



<sup>1</sup>Executive Director Group Company Secretary: Ms E M Africa

# **ANNEXURE "CM42"**



### DECLARATION OF CONFLICT OF **INTEREST FOR SUPPLIERS**

I MADODA JOHN JIYANE ....., representing VR LASER SERVICES (PTA) LTD in my capacity as CHIEF OPERATING OFFICER and to be contracted by Denel Land Systems (DLS), hereby declare that:

VR LASER SERVICES AND THE SHAREHOLDER & DIRECTORS does not have any conflict of interest of any nature in DLS that may materially and objectively result in a conflict of interest.

I hereby declare that the information provided herein is to the best of my knowledge true and & SHAREHOLDERS DIRECTORS has any interest which could reasonably be perceived to materially and objectively amount to a conflict of interest, the relationship between the Parties will be terminated subject to the terms and conditions of the respective contract.

Signed at JOHANNESBURG on the 11th ..... day of JULY <u>\$</u> 20.14 SIGNATURE OF THE DECLARANT



V1090/02

DENEL LAND SYSTEMS

Implemented: June 2014





VR LASER SERVICES (Pty) Ltd

- 10 Haggie Road, Dunswart Ext5, Gauteng, South Africa
- P.O. Box 5362, Boksburg 1461, South Africa
- Accounts Tel + 27 11 306 8000
- Accounts Fax + 27 11 306-8018

Registration No. - 2007/031329/07 VAT No. - 4690244837

11 July 2014

#### **RE: ALLEGED POTENTIAL CONFLICT OF INTEREST**

#### Dear Madam/Sir

Your letter dated 11 July 2014 refers.

We hereby confirm that the shareholders in VR Laser Services (Pty) Ltd are:

Elgasolve (Pty) LTD (74.9%) and Craysure Investment (Pty) LTD (25.1%) are the shareholders and neither have any involvement or conflict with doing business with Denel in any way whatsoever. All shareholders and directors are private individuals who do not work for government.

Feel free to contact me in case of any further clarification that you may require.

INTO

**Best regards** 

Madoda John Jiyane

**Chief Operating Officer** 

# **ANNEXURE "CM43"**



#### **Busisiwe Mqingwana**

From:	Dennis Mlambo <dennism@denel.co.za></dennism@denel.co.za>
Sent:	02 September 2014 11:19
То:	Celia Malahlela
Cc:	Reenen Teubes
Subject:	RE: Declaration of Interest - VR Laser Services (Pty) Ltd

Hi Celia,

Thanks for the info. Who are the individual shareholders of ElgaSolve and Craysure?

Regards

#### Dennis

From: Celia Malahlela [mailto:celiam@dlsys.co.za]
Sent: 01 September 2014 01:17 PM
To: Dennis Mlambo
Cc: Reenen Teubes
Subject: FW: Declaration of Interest - VR Laser Services (Pty) Ltd

Dennis

Please find attached the ownership details as requested.

#### Regards

From: Benny Jiyane [mailto:benny.jiyane@gmail.com]
Sent: 14 July 2014 12:47 PM
To: Celia Malahlela
Subject: Declaration of Interest - VR Laser Services (Pty) Ltd

Dear Celia,

Please find attached letter and a completed declaration form as per request.

Best regards

#### **Benny Jiyane**

Chief Operating Officer VR LASER SERVICES

PS: My apologies for replying from my Gmail address, I am currently travelling.

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#### 

INTO

# **ANNEXURE "CM44"**



#### **Busisiwe Mqingwana**

From: Sent: To: Subject:	Dennis Mlambo <dennism@denel.co.za> 02 April 2015 14:19 Pieter Van Der Merwe; 'Claire Tomsett'; 'JP'; rollandr@dlsys.co.za; CeliaM@dlsys.co.za; 'Kamal Singhala' RE: RE: Confirmation of Individual Shareholders of VR Laser Services</dennism@denel.co.za>
Follow Up Flag:	Follow up
Flag Status:	Flagged

#### Dear Mr van Der Merwe,

Thanks for your response. You have indeed interpreted my request quite well. In the light of the request, it is imperative that the claimed 100% Black shareholding in VR Laser Services be confirmed through the evidence you will submit.

#### Kind regards

Dennis Mandla Mlambo Group Supply Chain Executive Tel : +27 12 671 2602 Fax: +27 12 671 2696 Mobile: +27 (0)82 808 4906 E-mail: <u>dennism@denel.co.za</u>

From: Pieter Van Der Merwe [mailto:pieter@vdmass.co.za]
Sent: 31 March 2015 09:35 AM
To: Dennis Mlambo; 'Claire Tomsett'; 'JP'; rollandr@dlsys.co.za; CeliaM@dlsys.co.za; 'Kamal Singhala'
Subject: FW: RE: Confirmation of Individual Shareholders of VR Laser Services

Good day sir,

Further to my previous mail may I ask the following:

- 1. I note that JP already provided certain information in his mail of 4 November 2014. You however requested further details of the shareholders and the directors.
- In order to provide you with the correct details, can I assume you need the following documents/details:
   a. <u>Details of shareholders:</u>
  - i. Percentage shareholding in VR Laser as well as the details of the shareholding of the shareholders (in VR)
  - ii. Their registration number and registered address.
  - iii. Their BEE status.
  - b. Details of directors in VR and the direct shareholders:
    - i. Copies of ID's;
    - ii. Addresses.

Should you need any additional information please do not hesitate to contact me directly.

Regards,



PER: Pieter van der Merwe 10 Haggie Road Dunswart Boksburg C: 072 1724 098 Phone: (011) 306 8035 Fax: (011) 306 8018

From: Benny Jiyane [mailto:benny.jiyane@gmail.com]
Sent: Monday, March 30, 2015 3:56 PM
To: Pieter van der Merwe
Subject: Fwd: RE: Confirmation of Individual Shareholders of VR Laser Services

------ Forwarded message ------From: "Dennis Mlambo" <<u>DennisM@denel.co.za</u>> Date: 30 Mar 2015 15:42 Subject: RE: Confirmation of Individual Shareholders of VR Laser Services To: "JP Arora" <<u>JPA@vrlaser.co.za</u>> Cc: "Benny Jiyane" <<u>bennyj@vrlaser.co.za</u>>, <<u>rollandr@dlsys.co.za</u>>, <<u>CeliaM@dlsys.co.za</u>>

Dear Mr Arora,

This e-mail is a follow-up on the one below dated the 21<sup>st</sup> of November 2014. We are in the last month of our financial year and the audit process may uncover inconsistencies in Denel's interactions with its Suppliers. It is therefore imperative that all mandatory documents are submitted timeously. Failure to do so may result in any future orders being cancelled or put on hold. I trust that you will treat this request with the urgency it requires.

Kind regards

Dennis Mandla Mlambo

Group Supply Chain Executive

Tel : <u>+27 12 671 2602</u>

Fax: <u>+27 12 671 2696</u>

Mobile: <u>+27 (0)82 808 4906</u>

E-mail: dennism@denel.co.za

From: Dennis Mlambo
Sent: 21 November 2014 06:36 PM
To: 'JP Arora'
Cc: Benny Jiyane
Subject: RE: Confirmation of Individual Shareholders of VR Laser Services

Dear Mr Arora,

Thanks for your response. I would appreciate it if you could supply the following as well:

- 1. Details of the individual shareholders in Craysure Investments or Westdawn Investments.
- 2. Details of the Directors of Elgasolve and Craysure Investments.(copies of IDs as well).
- 3. The latest EE status of VR Laser Services.

Kind regards

Dennis Mandla Mlambo Group Supply Chain Executive Tel : <u>+27 12 671 2602</u>

Fax: <u>+27 12 671 2696</u>

Mobile: <u>+27 (0)82 808 4906</u>

E-mail: dennism@denel.co.za

From: JP Arora [mailto:<u>JPA@vrlaser.co.za</u>]
Sent: 04 November 2014 05:07 PM
To: Dennis Mlambo
Cc: Benny Jiyane
Subject: Confirmation of Individual Shareholders of VR Laser Services

Dear Mr Mlambo,

Please accept my sincere apology as I must have missed your earlier e-mail somehow - sorry for that it was not intentional at all.

Thank you so much for your kind words and also your support since I have been appointed in this new role.

I can confirm that there has been a change in shareholding at VR Laser Services as below:

Elgasolve (Pty) Ltd: 74.9%

Craysure Investments (Pty) Ltd: 25.1%

These two entities are now the sole shareholders in VR Laser Services.

1. Elgasolve (Pty) Ltd.

- a) Ownership: Salim Essa
- b) BBB-EE status: 100% South African black owned

c) Gender male

- 2. Craysure Investments (Pty) Ltd.
- a) Ownership:

100% shares owned by Westdawn Investments (Pty) Ltd.

b) BBB-EE - status:

Westdawn Investments (Pty) Ltd is a level 5 BEE contributor.

Westdawn is in turn owned by other corporate entities.

I attach hereto copies of the following documents:

Kind regards,

JP Arora		
Chief Executive Officer		
VR Laser Services (Pty) Ltd		
Tel <u>+27 11 306 8000</u>		
Fax <u>+27 11 306 8018</u>		
Cell <u>+27 82 557 7625</u>		
Web - <u>www.vrlaser.co.za</u>		
E mail - jpa@vrlaser.co.za		

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# **ANNEXURE "CM45"**



#### Bonginkosi . Mthembu

<b>F</b>	Martin Dravin (Martin Deduce on the
From:	Martin Drevin <martind@dlsys.co.za></martind@dlsys.co.za>
Sent:	Tuesday, 10 March 2015 11:37
То:	Celia Malahlela
Subject:	Motivation for single source supply of Hoefyster Turret armour steel fabrications and components.docx
Attachments:	Motivation for single source supply of Hoefyster Turret armour steel fabrications and components.docx
Importance:	High

Hi Celia,

Find attached a motivation for single source supply of Hoefyster Turret armour steel fabrications and components.

I will deliver a signed copy to you as well.

Regards, Martin





### **DENEL LAND SYSTEMS**

#### **MEMORANDUM**

To:Executive Manager: Supply ChainFrom:Martin DrevinDate:9 March 2015Subject:Supplier for Hoefyster turret armour steel components and fabricationsRev. No.:01

Hi Celia,

Request for Single Source supply of Turret FCMs (hulls) and related armour steel components, e.g. Cradle, Outer Shields and Add-on Armour.

The following are the reasons for this request:

- 1) The Turret FCMs and related armour steel components are critical items, as these items are at the core of:
  - a. the ballistic protection offered to the Turret Crew when used operationally
  - b. the performance of the main weapon system, which in part relies on the rigidness and accuracy of the welded FCM and cradle.
- 2) Processing, bending, welding and crack-testing of armour steel are specialised processes. It is recommended that the supplier chosen should have all these processes in house. It is also highly recommended that a supplier is chosen with a proven track-record of manufacturing armour steel structures, e.g. hulls, delivering on time to the required quality standards.
- 3) It is also recommended that the chosen supplier have an in-house machining facility or have a very close relationship with a supplier of such services, as we have in the past experienced lengthy delays and resultant schedule over-runs because of the lack thereof.
- 4) The cost of industrialisation at more than one supplier is not budgeted for. The additional cost would include additional sets of Welding Jigs, training of additional welders, and Process Qualification at the additional suppliers, which could include the cost of additional FCMs and related components.
- 5) Most of the remaining turret components are assembled onto the turret FCM, and therefore the accuracy of this fabricated component is critical. Finding out at a late stage of Turret assembly that there is a problem with the FCM could require that everything need to be stripped off to allow for rework, or scrapping and replacing of the FCM.
- 6) The Outer Shields and Add-on Armour interfaces to the Turret FCM, and by the nature of cutting, bending, and welding of armour steel, accuracy and repeatability is critical to be able to maintain interchangeability. Because of the aforementioned interfaces it is therefore also recommended to use the same manufacturer for the different components.



Having multiple suppliers will make it impossible to maintain the high levels of accuracy, repeatability, and interchangeability from turret to turret.

Regards,

Martin Drevin Programme Manager: Hoefyster Phase 2



# **ANNEXURE "CM46"**



#### Bonginkosi . Mthembu

From:

Sent: To: Subject: Attachments: Celia Malahlela <IMCEAEX-\_O=LIW+20POSTBOX\_OU=EXCHANGE+ 20ADMINISTRATIVE+20GROUP+20+28FYDIBOHF23SPDLT+29 \_CN=RECIPIENTS\_CN=CELLIA+20PAULINA+20MAMOHLALA+ 20MALAHLELA@denel.co.za> Thursday, 12 March 2015 14:58 Reenen Teubes GROUP CEO Submission GROUP CEO Submission.docx

Hi Reenen

Please find the attached document as requested.

Regards

TE

INTO ST

# **ANNEXURE "CM47"**



#### Bonginkosi . Mthembu

From: Sent: To: Subject: Attachments: Reenen Teubes <reenent@dlsys.co.za> Friday, 20 March 2015 14:26 Celia Malahlela RE: GROUP CEO Submission GROUP CEO Submission FRT.docx

Hallo Celia

I have changed the angle that we ask for approval from Riaz. Please see attached submission. Any inputs?

Regards

D



INTO S

DENEL LAND SYSTEMS

ENEL

Reenen Teubes Chief Operations Officer

From: Celia Malahlela Sent: 12 March 2015 02:58 PM To: Reenen Teubes Subject: GROUP CEO Submission

Hi Reenen

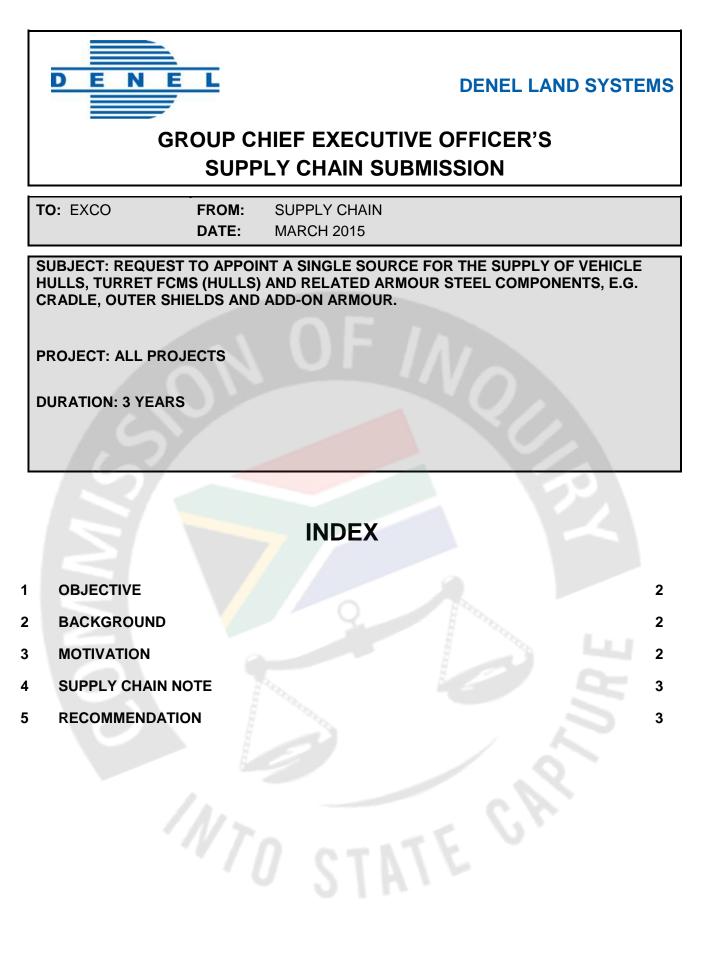
Please find the attached document as requested.

Regards

IE

V1146/00

Implementation Date: 14/10/2013



V1146/00

Implementation Date: 14/10/2013

#### 1 OBJECTIVE

To obtain approval from Denel Group Chief Executive Officer to appoint a single source supplier as a strategic supplier for the supply of fabricated structures including Vehicle hulls, Turret FCMs (hulls) and related armour steel components, e.g. Cradle, Outer Shields and Add-on Armour etc.

#### 2 BACKGROUND

DLS have embarked on a process to categorize suppliers according to their level of relationship to DLS. One of these categories are Strategic single source suppliers.

Fabricated structures eg Turret FCMs and Vehicle Hulls are at the core of the ballistic protection offered to the crew when used operationally and the performance of the, vehicle, main weapon system, which in part relies on the rigidness and accuracy of the fabricated FCM and cradle. It is the opinion of the technical project team that having multiple suppliers will make it impossible to maintain the high levels of accuracy, repeatability, and interchange-ability from fabricated structure to structure. It is also important to note that a set of jigs and fixtures is manufactured to support a specific manufacturing process. These jigs and fixture contribute significantly to the accuracy and repeatability of the cutting and welding processes. This can therefore only be supported by one supplier.

#### 3 MOTIVATION

Processing, bending, welding and crack-testing of armour steel are specialised processes. It is recommended that the supplier chosen should have all these processes in house. It is also highly recommended that a supplier is chosen with a proven track-record of manufacturing armour steel structures, e.g. hulls, delivering on time to the required quality standards.

It is also recommended that the chosen supplier have an in-house machining facility or have a very close relationship with a supplier of such services, as we have in the past experienced lengthy delays and resultant schedule over-runs because of the lack thereof. The cost of industrialisation at more than one supplier is not budgeted for. The additional cost would include additional sets of Welding Jigs, training of additional welders, and Process Qualification at the additional suppliers, which could include the cost of additional FCMs and related components.

Most of the remaining vehicle and turret components are assembled onto the hulls and therefore the accuracy of this fabricated components are critical. Finding out at a late stage

### W10-CPMM-526

V1146/00

#### Implementation Date: 14/10/2013

of vehicle and turret assembly that there is a problem with the hull could require that everything need to be stripped off to allow for rework, or scrapping and replacing of the hull, even with 100% inspection of the hulls.

The Outer Shields and Add-on Armour interfaces to the hulls, and by the nature of cutting, bending, and welding of armour steel, accuracy and repeatability is critical to be able to maintain interchangeability. Because of the aforementioned interfaces it is therefore also recommended to use the same manufacturer for the different components.

The Hulls is a key element of the vehicle system and the history has shown that strict control over the manufacturing process is key. Most defence suppliers for vehicles and turrets prefer to have this capability in house. This is however not a commercial sustainable option just for your owned products and therefore for Denel Land systems we have made the selection to contract as single source one company that can supply these fabricated structures as per our specifications and processes.

The decision for a single source strategic supplier is based on capability, capacity and the ability to deliver key components as per requirement. The price can be negotiated on a case by case basis and tested in the industry. Acceptable BBBEE levels and at least 25% black ownership for single source suppliers is non negotiable

#### RECOMMENDATION - DLS

.....

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Based on the Supply Chain process followed for the Hoefyster vehicle and the AV8 turrets hulls to date and that both these processes are or will be industrialized at VR Laser it is recommend that VR Laser is appointed as single source supplier for fabricated structures for a period of 3 years.

C MALAHLELA EXEC MANAGER: SUPPLY CHAIN

FR TEUBES CHIEF OPERATING OFFICER P KNOETZE CHIEF FINANCIAL OFFICER

)	Implementation Date: 14/10/2013
AS BURGER CHIEF EXECUTIVE OFFICER: DENEL L	LAND SYSTEMS DATE:
RECOMMENDATION - DENEL	
JWESSELS	
GROUP SUPPLY CHAIN EXECUTIVE	
JWESSELS	F MHLONTLO
GROUP OPERATIONS EXECUTIVE	GROUP CHIEF FINANCIAL OFFICE
Approved:	
Approved:	
RIAZ SALOOJEE	
GROUP CHIEF EXECUTIVE OFFICER:	DENEL DATE:

# **ANNEXURE "CM48"**



#### Bonginkosi . Mthembu

From:	Celia Malahlela <imceaexo=liw+20postbox_ou=exchange+ 20ADMINISTRATIVE+20GROUP+20+28FYDIBOHF23SPDLT+29 _CN=RECIPIENTS_CN=CELLIA+20PAULINA+20MAMOHLALA+ 20MALAHLELA@denel.co.za&gt;</imceaexo=liw+20postbox_ou=exchange+ 
Sent:	Monday, 23 March 2015 10:31
То:	Reenen Teubes
Subject:	RE: GROUP CEO Submission

#### Hi Reenen

I have gone through the document and I realised that you have taken out my recommendation and now the document has the name of the supplier specified. I don't mean to belabour the point but I am still of the opinion that should management approve this request, DLS must go out on tender/RFQ for the appointment of the single source for this scope of work. Once we have identified a supplier that meets DLS requirements through a competitive process, then we can appoint such a supplier for maximum of 3 year as a single source. The speciation and evaluation criteria must be sent to all suppliers invited before time so that each one of the suppliers know exactly how they will be evaluated and what is required from the successful company.

Furthermore I think that it will only be fair to allow LMT to compete for this work. Firstly we had a contract with them for Trunnion (FCM) machining which is part of the proposed scope of work in this request, which was later cancelled due to reasons unbeknown to me because it was before my time as the exec manager of supply chain. Secondly when we suspended the order for the AV8 FCM we wrote a letter to LMT where we stated that the intent at the time was to continue/ finish off the execution of that particular order as part of the Hoefyster FCM order. I am not saying that the work must be given to LMT, all I am saying is that LMT and other capable suppliers must be given a chance to prove themselves through a transparent, competitive and fair RFQ/tender process.

I don't think we should piggyback on the process that was followed for the platform hull. We should go out on a separate RFQ/Tender process where we invite all suppliers that we think are capable and then do such appointment. I will ask michelle to schedule a meeting to discuss further.

### Kind regards



Celia Malahlela Executive Manager: Supply Chain Denel Land Systems a Division of DENEL SOC Ltd. PO Box 7710, Pretoria, 0001, South Africa Tel: +27 12 620 3088 E-mail: celiam@dlsys.co.za www.denellandsystems.co.za

From: Reenen Teubes Sent: 20 March 2015 02:26 PM To: Celia Malahlela Subject: RE: GROUP CEO Submission

Hallo Celia

I have changed the angle that we ask for approval from Riaz. Please see attached submission. Any inputs?

Regards



DENEL LAND SYSTEMS

**Reenen Teubes** Chief Operations Officer

From: Celia Malahlela Sent: 12 March 2015 02:58 PM To: Reenen Teubes Subject: GROUP CEO Submission

Hi Reenen

Please find the attached document as requested.

Regards



TE

# **ANNEXURE "CM49"**



		DENEL SOC LTD COMPANY POLICY	NUMBER 3
SUBJECT:	GROUP	SUPPLY CHAIN	EFFECTIVE DATE 19 NOVEMBER 201
1.	INTRODU	CTION	
2.	PURPOSI	E	
3.	SCOPE		
4.	REFEREN	ICES	
5.	DEFINITIC	ONS AND ABBREVIATIONS	
6.		LEMENTS	
6.1.	DEFINING	PRODUCT / SERVICE REQUIREMENT	rs
6.2.		TING A PROCUREMENT STRATEGY	
6.3.		ONS TO TENDER	
6.4.	DELEGATION OF AUTHORITY		
6.5.	TENDER E	EVALUATION / ADJUDICATION	
6.6.	REQUEST	S FOR INFORMATION / QUOTATION /	PRODUCT
6.7.		ION OF TENDERS / QUOTES / PROPOS	
6.8.		MENT COMMITTEES	
6.9.	CONTRAC	TING OF SUPPLIERS / SERVICE PROV	/IDERS
6.10.	INTERGRO	OUP AND GROUP PROCUREMENT AN	D CONTRACTS
6.11.		IENT OF SUPPLIERS	
6.12.	RISK MAN	AGEMENT	
6.13.	PROCESS	TO ADDRESS NON-COMPLIANCE	
6.14.	IMPORT P	ERMITS	
7.	POLICY AD	MINISTRATION	
8.	REVISION	HISTORY	
DRAW	ER	APPROVED AT THE BOARD MEETING HELD ON	SIGNATURE
			(Original signed by R Saloojee)
SUPPLY C	HAIN	19 NOVEMBER 2014	GROUP CHIEF EXECUTIVE OFFICER

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#### DENEL SOC LTD COMPANY POLICY

#### 1. INTRODUCTION

This Group Procurement Policy shall serve as a guideline and directive to assist the Denel divisions in formulating their processes, procedures and work instructions to manage critical or challenging areas in Supply Chain. In the context of this policy, procurement must be seen as the key element of Supply Chain. Whilst this policy focuses primarily on the strategic and operational requirements within the Supply Chain environment, it is imperative to note that the relevant pieces of legislation and regulations are equally important in ensuring that all Supply Chain processes and activities do not contravene same.

#### 2. PURPOSE

The purpose of this procurement policy is to:

- Provide guidance and direction on how to handle the various Supply Chain activities and requirements in the group.
- Outline the minimum standards and actions that must be applied in order to acquire value for Denel.
- Assist and equip divisions within Denel with the skills and competencies to achieve the Denel Group's Supply Chain strategic objectives
- Define the transformation requirements expected of Denel's suppliers and service providers.
- Specify the key elements pertaining to the management of tenders and requests for information or quotations
- Define key requirements and elements in contracting potential suppliers / service
   providers
- Define how tender and procurement committees are to be constituted.
- Specify the relevant legislation and attendant regulations in ensuring legal compliance.
- Outline the tender evaluation process
- Define the critical steps in Supplier performance monitoring
- Emphasize the importance of risk management in Supply Chain
- Give guidance on how to address non-compliant suppliers / service providers

#### 3. SCOPE

The scope of this Procurement Policy spans the following aspects in particular:

- Supply Chain related planning.
- Key elements that must constitute procurement and sourcing processes
- Supplier performance management
- Applicable legislation and regulations
- Procurement committees or boards
- Contracting with suppliers or service providers
- Evaluation of tenders / proposals

DENEL

#### DENEL SOC LTD COMPANY POLICY

#### 4. APPLICABLE REFERENCES

- 4.1 The Constitution of RSA -Sect. 93
- 4.2 The Public Finance Management Act, No. 1 of 1999, as amended
- 4.3 The Preferential Procurement Policy Framework Act No. 5 of 2000 and relevant Regulations
- 4.4 International Trade in Arms Compliance ITAC
- 4.5 International Traffic in Arms Regulations ITAR (USA)
- 4.6 Broad-Based Black Economic Empowerment Act No. 53 of 2003 as amended
- 4.7 Delegation of Authority Policy 2
- 4.8 Enterprise and Supplier Development Policy Policy 40
- 4.9 Intergroup Pricing Policy No. 73

### 5. DEFINITIONS AND ABBREVIATIONS

- 5.1 **Tender** the term "tender" refers to a process that entails inviting potential Suppliers or Service Providers to offer a product or solution to Denel or any of its entities.
- 5.2 Supply Chain "Supply Chain" refers to the series of steps or interconnected elements that commence when a need is identified until it is satisfied through the delivery of a product or service. The term could also be used to refer to the Function within Denel that is responsible for acquiring and delivering the identified need.
- 5.3 Procurement The term "Procurement" is defined as the process of defining a need and then put measures in place to satisfy the need through either acquiring a suitable product or service to satisfy the said need.
- 5.4 Entities / Divisions In the context of this Policy, the terms "Entities or Divisions" are used to refer to any of the companies within the Denel Group that operate a fully-fledged business with a clearly defined set of core products and services.
- 5.5 **Product / Material** In the context of this Policy the terms 'product' or 'material' are used to define a substance or item that is used in the development or manufacture of a Denel Entity core product or by-product for the purpose of effecting a transaction with a Client or Customer. The two terms are used interchangeably.
- 5.6 **PPPFA** Preferential Procurement Policy Framework Act, No. 5 of 2000 and relevant Regulations
- 5.7 RFI Request For Information
- 5.8 **RFQ** Request For a Quote
- 5.9 **RFP** Request For a Product
- Pol3



#### DENEL SOC LTD COMPANY POLICY

#### 6. POLICY ELEMENTS

### 6.1 Defining Product /Service Requirements

- 6.1.1 The Denel Group divisions are responsible for defining or specifying the input materials and services that are required to design or manufacture the relevant divisions' core products and attendant services. Typically the definition of the said input materials and services would be captured in a technical specification or master production schedule (MPS). A far more detailed breakdown of a MPS is a material requirements plan (MRP). The formulation of a MPS and / or MRP must precede the procurement or sourcing process. The availability of the MPS and /or MRP facilitates the planning process and the identification of suitable or compliant suppliers.
- 6.1.2 It is the MPS that must be submitted to the office of the Group Supply Chain executive for identification of opportunities to use compliant suppliers and to seek value in the planned procurement transactions.
- 6.1.3 The final approval of the MPS may necessitate the formulation of action plans on the part of both the relevant division and the targeted potential supplier.
- 6.1.4 Denel divisions may use their discretion to formulate supporting Processes and Procedures to align with this Policy. The complexity of the development and manufacturing process would typically influence such a decision unless the Management System or Product Standard specifies the need to have a documented process.

### 6.2 Formulating a Procurement Strategy

- 6.2.1 Once the material and service requirements have been identified, the relevant Supply Chain Manager or delegated individual shall formulate a strategy or plan on where and how the various types of materials and services will be procured. This process entails a rigorous scanning of the supplier environment with a view to achieving amongst other things, good value for Denel and transformation objectives.
- 6.2.2 The plan shall be detailed enough to expedite the procurement process and also to take into account the lead times of the various requirements.
- 6.2.3 The relevant Head of the Supply Chain function or delegated responsible person shall take accountability for the approval and implementation of the said strategic procurement plan.

#### 6.3 Invitations to Tender

- 6.3.1 Upon defining all the material and service requirements, a decision must be taken on whether a sound and compliant tender process shall be followed. A number of factors such as the projected value of the transaction, number of potential suppliers, in-house or group division's capability would determine the appropriate route to take.
- 6.3.2 In instances where the value is above five hundred thousand rand (R500k) and there are many potential suppliers, an open tender process must be followed unless there are compelling good business reasons to follow a closed tender process. In the case of the latter example, approval must still be obtained from the Group Supply Chain Executive. Closed tenders are ideal if the number of potential Suppliers is well known and there is



#### DENEL SOC LTD COMPANY POLICY

documentary proof. That could also have the effect of containing advertising costs for Denel.

- 6.3.3 The management of tenders shall be in line with the PFMA, PPPFA and the relevant section of the constitution of the RSA. The following requirements, as a minimum, shall be adhered to:
  - 1) Tender documents must be transmitted to all potential tenderers simultaneously.
  - Proposals from potential suppliers must not be accessed by any SC personnel at different times.
  - 3) Proposals must be accessed at the same time and stamped accordingly and that must be in the presence of an independent person from a non-Supply Chain department.
  - 4) No correspondence must be entered into with individual tenderers without ensuring that all of them get the same information even the ones who did not request same.
  - 5) The adjudication criteria must be specified upfront in the tender documents.
  - 6) The deadline for all submissions must be specified in the tender document and late submissions shall be disgualified.
  - 7) Any member of the tender requirements definition team with a conflict or potential conflict of interest shall recuse themselves from the team.

#### 6.4 DELEGATION OF AUTHORITY

- 6.4.1 The approval of any transaction, depending on the value of the transaction shall be in accordance with the Group Delegation of Authority. See the procurement section of the DoA.
- 6.4.2 Divisions may draft customised Delegation of Authority documents to simplify and cascade approval levels in line with the group's Delegation of Authority. It is the responsibility of the Divisional CEO to ensure that there is full alignment with the group's DoA.

### 6.5 TENDER EVALUATION / ADJUDICATION COMMITTEES

- 6.5.1 Tender evaluation committees shall be constituted in such a way that, as a minimum, the following functions / roles are represented:
- 6.5.1.1 Chairperson / Team Leader This role must be assumed by a person who is an expert in the management of tenders, preferably someone with a strong Supply Chain background and leadership qualities.
- 6.5.1.2 User Community Representative A person (s) that is well versed with the product or service that is required. This may be an input material or finished product. This category may include persons who represent the user community from different functional areas or departments or divisions.
- 6.5.1.3 **Product / Service / Process Expert / Specialist** This role must typically be assumed by an expert insofar as the product and service are concerned. In some instances that could be the same person(s) who represents the user community.



6.5.1.4 Financial Practitioner – In instances where the cost of ownership or future costs are not readily discernible, it may be necessary to enlist the services of a person with financial expertise. This role is optional.

NB; Additional team members may be invited depending on the relevance of the expertise required.

# 6.6 Requests for Information / Quotations / Products

- 6.6.1 A formal request for information (RFI) may be sent out to potential suppliers of product or service provided that action may enhance the understanding of requirements on the part of the relevant Denel division. This step is typically adopted in cases wherein specifying requirements for the purpose of inviting proposals or offers from potential suppliers could lead to an unsatisfactory outcome.
- 6.6.2 A formal RFQ / product shall be sent out to potential suppliers if the internal requirements for the said service or product are clearly defined and the responsible experts or users thereof are satisfied that the potential suppliers will understand them.

NB: In all the instances specified above, the closing dates for submissions must be specified and enforced accordingly. It is equally important to specify in the RFIs / RFQs / RFPs that Denel reserves the right to cancel the request and that no participant in the process shall in any way or form be entitled to any form of

- 6.6.3 All RFQs and RFPs shall be subjected to the group's tender adjudication criteria and relevant guidelines stipulated in the PFMA, PPPFA and any other relevant legislation. Due cognisance must be paid to the importance of getting value for Denel's spend and the pursuit of transformation targets as set out in the relevant Shareholder Compact and BBBEE codes as amended.
- 6.6.4 It is imperative that transactions from fifty thousand rand and above as well as long term agreements or service level agreements or any other contracts entered into be presented to the established and permanent procurement committee for final approval.
- 6.6.5 In instances where emergency spares for repairs and maintenance purposes are required, an interim approval shall be obtained from the relevant Divisional Supply Chain Head or as per the DoA.
- 6.6.6 Depending on the pool of potential suppliers, the procurement officers must not restrict themselves to three quotes unless there is a properly motivated case in writing for doing so. In cases where only one supplier is known, based on a thorough scanning of THE Supplier environment, that must be properly motivated in writing as well.

# 6.7 Evaluation of Tenders / Proposals / Quotes

- 6.7.1 In order for Denel to acquire value for its spend and to achieve its transformation objectives, as a minimum, the following criteria and their attendant weightings shall be used:
  - 1.
     Capability and Capacity
     25%

     2.
     Ability to meet delivery milestones
     20%



- 3. Price / Total Cost of Ownership
- 4. Black Shareholding
- 5. EE status top 4 levels
- 6. BBBEE status

- 25%
- 10%
  - 10% (2,5% per level)
- 10%

NB: The first criterion, namely capability and capacity are prerequisites for considering any supplier / bidder.

# 6.8 Procurement Committees / Boards

- 6.8.1 Each division shall establish a procurement committee whose main responsibility shall be the evaluation and approval of submissions by Procurement Officers / Users / Requisitioners or delegated parties. In addition, the Procurement Committees shall verify compliance with applicable legislation and Denel Group Policies.
- 6.8.2 Procurement committees shall be constituted as follows:
- 6.8.2.1 **Chairperson** This role must be assumed by either the CEO of the Division or the Divisional Supply Chain Head. If the CEO delegates this responsibility, it must be taken up by an Executive Committee member who may not be the COO or a person responsible for Operations. This is intended to avoid a conflict of interest.
- 6.8.2.2 Committee Secretary This role must be assumed by a person well versed with sound Procurement principles and relevant legislation.
- 6.8.2.3 Financial Expert This role must be assumed by a qualified Accountant that will assist the Committee in the financial assessment of any submission.
- 6.8.2.4 Quality Specialist This role must be assumed by a person well versed with Quality, Risk and Environmental Management principles.
- 6.8.2.5 **Relevant Expert (Optional)** Depending on the nature of the product or service required, the Committee Secretary shall ensure that the person with the relevant expertise is notified and invited prior to the Committee meeting.

# 6.9 Contracting of Suppliers / Service Providers

- 6.9.1 The requirement is that only Suppliers that meet Denel's qualifying criteria be contracted for a maximum period of three years unless a longer period is properly motivated and approved as per the Denel Delegation of Authority.
- 6.9.2 The Group Procurement Standard Terms and Conditions shall be used in all cases when contracting Suppliers. The nature of the product or service determines which clauses are relevant and it shall be the responsibility of the Contract Manager to identify clauses that are relevant and delete those that are not required.
- 6.9.3 In cases where there are no Suppliers that adequately meet Denel's requirements, the contract shall clearly stipulate the pre-conditions for awarding it. An approved Action Plan shall form part of the contract.



Regular reviews of progress against the approved Plan shall be conducted and corrective 6.9.4 measures taken where necessary. Minutes or records of reviews shall be maintained as proof thereof.

### Intergroup and Group Procurement / Contracts 6.10

- Under no circumstances shall products or services that can be procured from a Group Entity 6.10.1 or Division be procured from an external Supplier or non-Denel company unless there is approval by the Group Supply Chain Executive based on sound business reasons.
- The pricing for services or products shall be formulated in line with the principles outlined in 6.10.2 the Intergroup or Transfer Pricing Policy.
- Where practical, particularly when similar products and services are used across the Group, 6.10.3 a concerted effort shall be made by all Entities to collaborate in the procurement of the said products and services. This approach will invariably lead to considerable savings and improved value for the Group.

### Management of Suppliers / Service Providers 6.11

- To achieve good performance on the part of all contracted Suppliers, it is imperative that a 6.11.1 Supplier Performance Management System or Tool be developed and implemented by all Entities to monitor and take corrective actions in instances when performance is unacceptable.
- The System / Tool shall amongst other metrics, track the following: 6.11.2
  - Product / Service Quality 1.
  - Delivery performance 2.
  - Transformation BBBEE Codes or Approved Plan 3.
  - Any other relevant metric 4.
- In instances where contracts are in place, all critical contractual requirements shall be 6.11.3 reviewed at agreed intervals with the contracted parties. The intervals may not exceed six successive months.

### 6.12 **Risk Management**

- It is mandatory to formulate and monitor Risk Mitigation Plans to address risks that could 6.12.1 disrupt operations in the Group. The Risk Mitigation Plans shall amongst other things target Sole / Single Source, Industrialised Suppliers and long-lead items.
- All Risk Mitigation Plans shall be reviewed at quarterly intervals to ensure continued 6.12.2 relevance.

### 6.13 Process to Address Non-Compliance

In instances where a Supplier is unable to address poor performance against metrics that 6.13.1 are monitored or as per the contractual requirements, the relevant Entity shall endeavour to assist the said Supplier prior to taking corrective measures or terminating the contract, if there is one in place.

DENEL	

6.13.2 Suppliers that are guilty of fronting shall be blacklisted and prevented from doing business with any of the Denel Divisions for at least 10 years.

NB: In cases where the decision to terminate the contract has been taken or is being considered, the relevant Entity shall consult the Group Supply Chain Executive for guidance and final approval. The conditions stipulated in contracts shall be adhered to at all times.

# 6.14 Import Permits

- 6.14.1 The timely acquisition of permits for importing relevant components / sub-systems or subassemblies must form part of the planning and procurement process to ensure that applications are lodged with NCACC timeously. The key considerations are compliance with ITAC and ITAR requirements as well as getting delivery of the relevant items on time.
- 6.14.2 In instances where there are difficulties being experienced in securing permits on time, the Group Risk and Compliance Manager must be approached for assistance. It is the responsibility of the relevant Supply Chain Head to ensure compliance with this process and to implement systems to maintain the process under control.

# 7. POLICY ADMINISTRATION

INTO

The policy shall be reviewed when the business process, or new standards and even legislation warrant or to address deficiencies found identified during an audit.

# 8. **REVISION HISTORY**

Date	Version	Comments	
25 August 2008	001	Comments	_
19 November 2014	002		

# **ANNEXURE "CM50"**



N N	E L
	EXTRACT OF THE M I N U T E S
Venue	Badger Boardroom
Date	29 October 2015
Time	11h00 – 12h00
Secretariat	Linda Meyer
U	
1. GENERAL	
1.1. A CONCERN V	1.1. A CONCERN WAS NOTED WITH REGARD TO PLACEMENT OF ORDERS ON VR LASER.
The predica services the Supply Ch	The predicament here is that the GSCE approved this deviation from the procurement process on the following condition "Under no circumstances shall products or services that can be procured from a Group Entity or Division be procured from an external Supplier or non-Denel company unless there is approval by the Group Supply Chain Executive based on sound business reasons." This is also in line with the Group supply chain policy and the DLS supply chain procedure.
> The above p in DLS for	The above provisions are in direct conflict with the MOU that DLS signed with VR Laser where VR Laser is the sole supplier for all complex welding and machining work in DLS for the next 10 years.
<b>RESOLUTION:</b>	
The Committe committee st stated that in reason and pi	The Committee took a decision that the MOU takes precedence over the GSCE's condition and the Group supply chain policy and the DLS supply chain procedure. The committee stated also stated that given the resend history with regards to prise and turnaround time VR was the preferred supplier with all opportunities. It was further stated that in terms of the MOU, VR laser prices must be market related and in line with the provisions of the MOA before an order can be placed on them. Due to this reason and previous experience with VR Laser, the committee felt confident that the VR Laser prices will be market related and in the tot the VR Laser prices will be market related and reasonable.
Celia Malahla	Celia Malahida was taskad to dwaft a jawar to the CCC and something the second something of the second solution

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Celia Malahlela was tasked to draft a letter to the GSCE and explain the decision taken in this regard.

W10-CPMM-542

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COMPANY CONFIDENTIAL

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# **ANNEXURE "CM51"**



W10-CPMM-545

Page 1 of 1

From: celiam@dlsys.co.za To: EXCO@dlsys.co.za Subject: Conflict between policy and signed MOU Date: Fri, 30 Oct 2015 09:08:55 +0200

Good Day

a,

Please find the attached for your final input.

Kind Regards

Celia M

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# W10-CPMM-546





# **DENEL LAND SYSTEMS**

### MEMORANDUM

To:	DENEL SUPPLY CHAIN EXECUTIVE
From:	DLS SUPPLY CHAIN EXECUTIVE
Date:	29 October 2015
Subject: Rev. No:	Conflict between policy and signed MOU

### BACKGROUND

In giving the approval for the deviation from the normal procurement process and a list of suppliers to be used for the T5 Demo, the group supply chain executive gave an instruction that DLS must first explore how Denel Vehicle Systems - Gear Ratio and LMT (Intergroup companies) will be used in the project on condition that they meet the quality, price and delivery requirements.

Furthermore, In terms of the approved Denel Supply Chain Policy and DLS supply chain procedure, DLS must first approach intergroup companies before procuring outside the group. In terms of the Denel Group Supply Chain Policy "Under no circumstances shall products or services that can be procured from a Group Entity or Division be procured from an external Supplier or non-Denel company unless there is approval by the Group Supply Chain Executive based on sound business reasons."

Having identified a need for a single source supplier for the supply of STEEL COMPONENTS AND FABRICATIONS. In May 2015 DLS signed an MOA with VR Laser for this Scope of work. VR Laser is a 100% Black owned entity. In terms of the MOA, VR laser prices must be market related and in line with the provisions of the MOA before an order can be placed on them.

Due to these contradicting positions, Supply Chain approached DLS EXCO to make a decision as to whether to honour the MOA and place the order on VR Laser or to follow the supply chain policy and procure from (intergroup) viz, DVS or LMT for this project. Given the timeframe, urgency and history EXCO has recommended that the work be done by VR Laser.

 Denei Land Systems

 A Division of Denei SOC Ltd.

 PO Box 7710, Pretoria, South Africa

 international Tel: +2712 620 9111

 Fax: +2712 620 3466

 E-mail: marketino@disvs.co.za

 Web: http/www.deneilandaystems.co.za



I hereby request permission to implement the EXCO decision in this regard.

CELIA MALAHLELA EXECUTIVE MANAGER: SUPPLY CHAIN

APPROVAL

DENISE MLAMBO GROUP SUPPLY CHAIN EXECUTIVE



# **ANNEXURE "CM52"**



W10-CPMM-550

# THIS ANNEXURE WAS NOT AVAILABLE AT THE TIME OF BUNDLING THE EXHIBIT



# **ANNEXURE "CM53"**



**DENEL LAND SYSTEMS** 



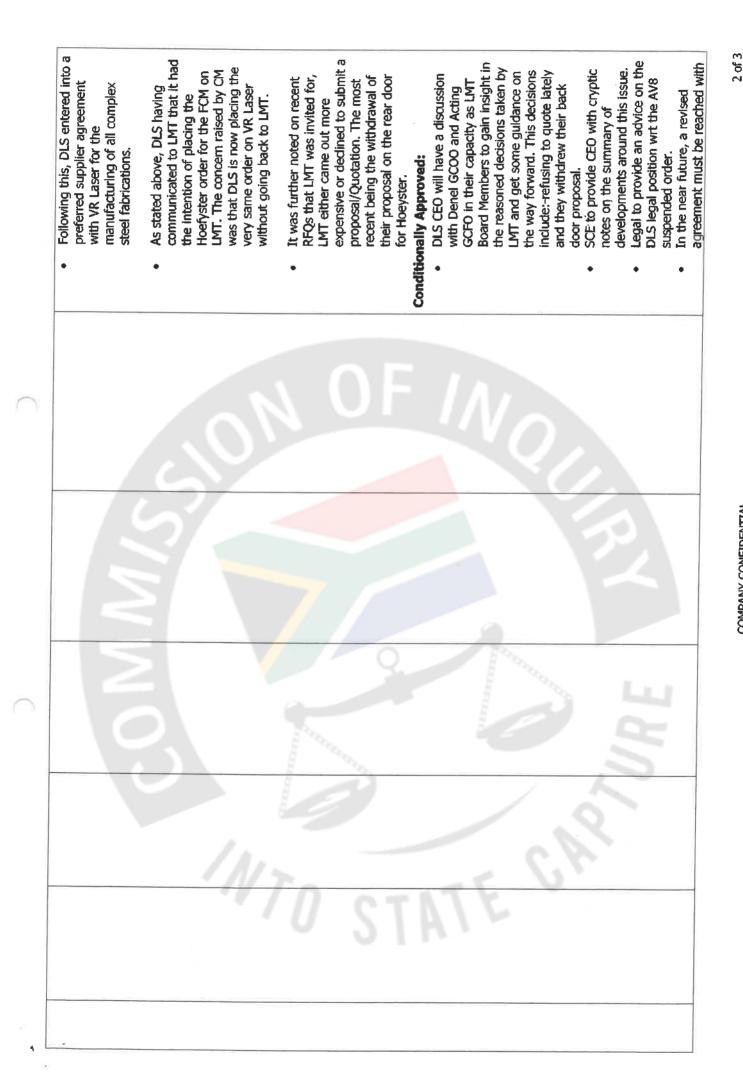
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Project     Description       Approved amount       Ccalles, FCM outer       R20 166 430.00       shields and armount       components							
be     07 March 2016       ne     11h00 - 12h00       cretariat     Marlu Nitamo       cretariat     Marlu Nitamo       n     Order no.     Supplier       k     Supplier     Description       k     Supplier     Nclass for outer       k     Supplier     Notification	Venu	Ð	DLS Boardroom				
Integration     11h00 - 12h00       Cretariat     Mafu Ntamo       Integration     Supplier       Integratin     Supplier	Date		07 March 2016				
Cretariat     Mafu Ntamo       1. GENERAL     I. GENERAL       1. GENERAL     Supplier       m     Order no.       Moder no.     Supplier       Nr Leser Services     Hoefyster Phase 2       Cradles, FCM outer     R20 166 430.00       shields and armour     R20 166 430.00	Time		11h00 - 12h00				
Image: Network and annount       Order no.       Supplier       Project       Description       Approved amount         L67255       VR Laser Services       Hoefyster Phase 2       Cradles, FCM outer       R20 166 430.00         shields and armour       components       components       Project       Description       Approved amount	Secre	stariat	Mafu Ntamo				
Image: Normal Supplier         Supplier         Project         Description         Approved amount           L67255         VR Laser Services         Hoefyster Phase 2         Cradles, FCM outer         R20 166 430.00         Approved amount           L67255         VR Laser Services         Hoefyster Phase 2         Cradles, FCM outer         R20 166 430.00         Approved amount           L67255         VR Laser Services         Hoefyster Phase 2         Cradles, FCM outer         R20 166 430.00         R20 166 430.0	1.	GENERAL	and the second				
L67255 NR Laser Services Hoefyster Phase 2 Cradles, FCM outer R20 166 430.00 shields and armour components	Item		Supplier	Project	Description	Approved amount	Pamark
	11	C 167255	VR Laser Services		Cradles, FCM outer shields and armour components	R20 166 430.00	Background: In 2015 DLS placed an order on LMT for the thin base FCM (AV8 project). This order was suspended due to inability of LMT to meet delivery schedule for the new configuration thick base FCM. The intent at the time was to complete the order deliverables (suspended) as part of the Hoefyster Phase 2 order. However, VR Laser submitted a more acceptable proposal for the execution of that work. Consequently, the jigs and fixtures that LMT had already manufactured under the order were moved from LMT to VR Laser. The jigs have since been modified by VR Laser and the order accordingly completed.



Term Agreement" which provides cancelled because Armscor had not placed the Hoefyster Phase 2 order for 30 days from date of involce schedule is fixed before this order SC to make sure that the order is Note: A contract was signed with view or opinion on all LMT orders. VR Laser on the payment terms SC to confirm if the prices quoted by VR Laser are according to the contracted Annexure A of the under Annexure 5 of the "Long CCO to ensure that the delivery Directive of 45 to 60 days after amended in line with the DCO CLO to give CEO a consolidated CCO to ensure that the delivery in line with the latest Hoefyster schedule is fixed before this **Trunnion Machining but was** LMT for Hoefyster phase 2 on DLS at the time. **Conditionally Approved:** delivery schedule. order is placed. invoice, is placed. MOA. • Fire Compartment Module-Trunnion Manufacturing 9102 Hoefyster DATE 12 VR Laser Services L62847 SECRETARIAT 1.2

3 of 3

# **ANNEXURE "CM54"**



Page 1 of 5

From: deniseg@dlsys.co.za To: celiam@dlsys.co.za; EXCO@dlsys.co.za Subject: LEGAL OPINION: LMT SUPPLY CONTRACTS Date: Tue, 08 Mar 2016 17:18:31 +0200

Dear Celia

# A. TRUNNION MACHINING CONTRACT ("PROCUREMENT CONTRACT")

I confirm your advices, that save for the Purchase Orders placed on LMT based on both the DLS 100 and then subsequently the Denel Group Procurement Terms and conditions, there are no formal contracts in place with LMT at Supply Chain.

Having regard to the above:

- 2.1 There is nothing contained in the abovementioned terms and conditions that obliges us to place orders on LMT;
- 2.2 However, there are a number of formal agreements that were put in place with LMT at the time of the acquisition of shares in LMT which included, inter alia, the following Transaction Documents:
- (i) A Framework Agreement which serves as an umbrella agreement regulating terms which are common to all the transaction agreements;
- (ii) A Share Sale Agreement in terms of which an SPV acquired a 29% interest in LMT Holdings;
- (iii) A Guarantee and Reversionary Cession;
- (iv) An Option Agreement; and
- (v) A Memorandum of Incorporation ("MOI") addressing inter alia the preference share conditions and minority protections.
- 2.3 Of relevance to the query raised at the Exco procurement meeting is the Framework Agreement ("FA") which specifically includes the trunnion machining contract referred to as the "procurement contract" in the FA.

In terms of the Framework Agreement, there are protections in place for the procurement contract to not be cancelled alternatively under specific conditions such as the consent of the SPV. These protections are set out in terms of Clauses 12.1.5 and more specifically Clause 13.4

which sets out the limitation on termination specifically that the procurement contract cannot be terminated.

At the time of the cancellation of the procurement contract (invoked in terms of Clause 7.6.1 of the procurement contract), the Framework Agreement and accompanying documents were not reviewed. It is arguable whether Dr Nel was in fact duly authorised to consent to a mutual termination of the procurement contract on behalf of the SPV. In support of his authority to cancel is that the advance payment of R12 746 350 made to LMT was returned to DLS via the loan account on 24 August 2012.

Provision is made in the Framework Agreement in terms of Clause 8.6 that "Pursuant to Denel becoming a shareholder in LMT, it undertakes to use its commercially reasonably endeavours to award future contracts to LMT to the extent permissible in law and subject to the requirements of the PFMA."

In light of paragraph 5 above, it requires that DLS, at minimum, would go out on tender for the contract and can justifiably then not place the contract on LMT if it fares adversely compared to its competitors. However, the SPV should be informed of the reasons should the order not be placed on LMT as the Framework Agreement remains in force.

In conclusion, on specifically the trunnion machining contract, LMT must be allowed to submit a proposal (right of first refusal) despite the single source agreement in place with VR Laser. LMT's framework agreement in terms of its shareholding contract will take precedence over the VRL single source agreement.

# B. SUSPENSION OF THE AV8 CONTRACT IN LIEU OF PLACEMENT OF ORDER RE HOEFYSTER

A letter was provided to LMT on 23 May 2014 by DLS stating that given its uncompetitive pricing on the FCMs for the AV8 contract, that DLS requires that the jigs and fixtures be relocated to another supplier. In addition, the letter states that "the intent of DLS is to return the jigs and fixtures back to LMT in order to complete the remaining 5 FCMs placed on order number L55605 as part of the Hoefyster project."

My understanding is that the circumstances in providing the letter to LMT was based on inter alia, an order (L55605) already having been placed on LMT for the remaining 5 FCMs for Hoefyster.

In an email received from LMT on 21 May 2014, the following was recorded by LMT to DLS:

"EXCO reviewed your request. After evaluating the costing it was found that LMT cannot reduce the price per unit.

LMT has repeatedly reminded DLS, throughout the initial structuring of the hardware proposal SOW, that the hardware costing was based on a **packaged deal**. The current pricing is determined in accordance with LMT's costing model.

If I may take the opportunity to breakdown the LMT FCM cost for the L55605 order in a short summary.

- Weld bosses R80K per FCM,
- material R110K,
- sub supplier machining R110K.
- R300k cost before labour and consumables.
- DLS only paid LMT ±R230K per FCM.

In addition - additional machining costs for the thicker base are applicable  $(\pm R45K)$  for the new design requirement, along with a 2 year steel and consumables escalations.

LMT is of the opinion that our quote is correct as sent through to DLS."

In my view, LMT needs to be given an opportunity to at least quote on the FCMs as DLS was furnished with its costing (as set out in paragraph 3 above) and still indicated that we intended to honour order L55605.

(Note: I was unable to confirm with you whether order L55605 was placed on LMT but this is my understanding from having read the letter).

Warm regards

**DENISE GOVENDER** 

- COMMERCIAL IN CONFIDENCE -

From: Celia Malahlela Sent: 07 March 2016 1:59 PM To: Stephan Burger Cc: Albert Africa ; Denise Govender Sabject: cryptic noted Re LMT

Page 4 of 5

Stephan

Cryptic notes as requested.

Contract 00200177 and its Cancellation Letter

Contract 00200177 was the procurement contract for the supply of trunnion machining on the Hoefyster contract.

This contract gave rise to, inter alia, the MOU between Denel and LMT and an Addendum to the Procurement Contract both dated 28 June 2014 respectively.

Contract 00200177 was cancelled on 19 September 2012 by mutual consent of the parties. Consequently any associated addendum is likewise terminated as the principle agreement (i.e. Contract 00200177) is no longer in force.

Advance Payment paid on this order.

According to the legal opinion sought in 2015, No legal obligation arises from either of the parties as a result of the cancellation of Contract 00200177.

L55605 - AV8 FCM related - Cradle and outer shield

Order placed on LMT – AV8 FCM for the total of ..... FCM 12, 12 Cradle set R9 698 317.70 (Date: Jan 2015)

FCM Delivered - 7(Date May 2015)

FCM Suspended - 5

Total value suspended - R1,187 888.90 (Line 291 thin base FCM machining. )

Reason for the suspension – Pricing and schedule proposed did not meet our requirements. The intent was to return the jigs and fixtures back to LMT in order to complete the remaining 5 FCMs placed on order number L55605 as part of the Hoefyster Project. (Date May 2015)

No advance Payment - R0.00

Jigs and fixtures delivered to VR. VR modified.

Page 5 of 5

# HOEFYSTER PHASE 2 FCM

DLS issued an RFQ only to VR Laser due to the agreement that DLS has with VR Laser for the complex fabrications.

# DECLINED

# **HOEFYSTER PHASE 2**

Rear Door – Proposal was about 3 times more expensive than VR. WITHDRAWN - LMT sent a letter to withdraw the proposal on the 07 March 2016.

Rear Bins AV8 - No quotation - reasons no capacity. 2015

Hatches - No quotation. (Date: March 2016)

# Kind regards

Celia Malahlela Executive Manager: Supply Chain Denel Land Systems a Division of DENEL SOC Ltd. PO Box 7710, Pretoria, 0001, South Africa Tel: +27 12 620 3088 E-mail: <u>celiami@dlsvs.co.za</u> www.denellandsystems.co.za

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# W10-CPMM-561



# **ANNEXURE "CM55"**





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# **DENEL LAND SYSTEM**

# EXTRACT OF THE M I N U T E S EXCO COMMITTEE MEETING

Venue	D	DLS Boardroom				
Date	22	22 March 2016				
Time	11	11h00 - 12h00				
Secretariat	1	Mafu Ntamo				
		Cuntum				
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Item	Order no.	Supplier	Project	Description	Approved amount	Remark
1.1	L67255	VR Laser Services	Hoefyster Phase 2	Cradies, FCM outer shields and armour components	R20 166 430.00	Conditionally Approved: <ul> <li>DLS CEO will have a discussion</li> <li>with Denei GCOO and Acting</li> </ul>

Order no. Supplier Project	L67255 VR Laser Services Hoefyster Phase 2
Description	Cradies, FCM outer shields and armour components
Approved amount	R20 166 430.00
Remark	<ul> <li>Conditionally Approved:</li> <li>DLS CEO will have a discussion with Denel GCO0 and Acting GCFO in their capacity as LMT Board Members to gain insight in the reasoned decisions taken by LMT and get some guidance on the way forward. This decisions include refusing to quote lately and they withdrew their back door proposal. Done. LMT cEO to investigate why LMT did not submit a proposal for the REAR DOOR tender and will give DLS CEO feedback.</li> <li>SCE to provide CEO with cryptic notes on the summary of the sumary of the summary of th</li></ul>

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<ul> <li>CLO to provide legal advice on the DLS legal position wrt the AV8 suspended order. Done</li> <li>CCO to ensure that the delivery schedule is fixed before this order is placed. Done</li> <li>CCO to ensure that the delivery schedule is fixed before this order is placed. Done</li> <li>CM voiced concern and sought clarity from the committee on whether SC should comply with the Procurement Policy or the Single Source agreement in cases where these two are in conflict. CEO averred that the Single Source agreement in cases where these two are in conflict. CEO averred that the Single Source agreement in cases where these two are in conflict. CEO averred that the Single Source agreement for the Single Source agreement in cases where these two are in conflict. Subject to the Single Source agreement for the Single Source agreement the conflict subject to the Single Source agreement the solut the source agreement the source agreement the source agreement for the Single Source agreement for a source agreement bolicy to address the conflict.</li> <li>CLO to provide CM with a copy of the Single Source agreement between LMT and DLS.</li> </ul>	<ul> <li>Conditionally Approved:</li> <li>SC to confirm if the prices quoted by VR Laser are according to the procession of the prices quoted by VR Laser are according to the procession of the procession of the procession of the prices of the price</li></ul>
OF IN	R32,157,390.00
	Fire Compartment Module-Trunnion Manufacturing
	Hoefyster
	VR Laser Services
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<ul> <li>MOA. Confirmed</li> <li>CCO to ensure that the delivery schedule is fixed before this order is placed. Done</li> <li>SC to make sure that the order is in line with the latest Hoefyster delivery schedule. Done.</li> <li>CLO to give CEO a consolidated view or opinion on all LMT orders. Done.</li> </ul>	Approved.		2				
	R8,789,711.73	N					
	3 X MPV Cab – 6x6 Heavy Duty Automatic Recovery Trucks.						COMPANY CONFIDENTIAL
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000	VR Laser Services	22/2/2010	DATE				
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# **ANNEXURE "CM56"**



W10-CPMM-567

Page 1 of 4

From: celiam@dlsys.co.za To: StephanB@dlsys.co.za Subject: RE: State Capture Date: Wed, 20 Apr 2016 18:03:14 +0200

Hi Stephan

Can I arrange a meeting for Friday or Monday? I would also like to invite Reenen to our discussion to give this matter context and fill you in on some additional information you might not have been aware of. I have just had a brief discussion with him and we have few suggestions on how we can resolve this issue.

Have a great evening sir, I really did not mean to ruin your day. I am merely trying to help.

Kind Regards

From: Stephan Burger Sent: 20 April 2016 05:47 PM To: Celia Malahlela Subject: Re: State Capture

Dear Celia,

I must say, I am very surprised and disappointed in having to receive an email of this gravity whist I am abroad and also given the fact that the appointment of VR was done a very long time ago. And in a time you were intimately involved in the process of the selection of VR Laser as our strategic supplier of complex fabricated components.

I also question the fact that you want to "reiterate" that the correct processes were not followed. The first time I heard you say that was very recently (in the passing), and was after the media was questioning the Gupta's involvement and painting a negative picture of Denel. However, I do agree that it is not pleasant to hear the Denel name in a negative connotation. And I am equally proud of the successes of DLS.

But I want to categorically state that I do not agree with your statement that proper processes were not followed. Surely, we did not send out an RFP for the appointment of a strategic supplier. But we did identify the most complex of complex fabricated systems and went out on open tender. And we did this twice. And this VR won by following the correct processes. Only thereafter VR was selected and motivated as a strategic supplier. The approval thereof at DCO was done by following due processes. To now say that processes were not followed just because we don't like the owners, or what is written in the papers, or that the CEO of VR is acknowledging certain connections with the Gupta family, is also a concern to me.

I am convinced that the successes DLS recently had, was amongst others, also due to VR Laser's sterling performance as a strategic supplier. The production and fabrication of the Turret hulls in Malaysia, after the technology transfer by VR, went extremely well. I am doubtful if any other current supplier could have achieved this. Also, the awarding of the long term agreement by the UN for the supply of Casspirs, was specifically awarded to DLS on the condition that VR is used for the fabrication of the hulls, given the past experiences with other suppliers of hulls. Patria also did an evaluation of SA's hull fabrication competency for the Badger hulls, and found VR to be the most competent.

Therefore Celia, what I am trying to say is that VR Laser is widely acknowledged as one of our very best suppliers, they are black owned, and I believe that proper processes were followed in their selection. We cannot now cancel their contract just because the papers paint a negative picture of their involvement with the Guptas. And the possible risks on our reputation in dealing with the VR is not something we are suppose to take a view on. This is something for DCO to consider and I will take it up with them.

So Celia, my I please request that we discuss this matter when I am back in the office on Monday. ATEC

Regards,

Stephan Burger

CEO: DENEL LANDWARD SOLUTIONS

NTO

W10-CPMM-569

Page 3 of 4

Sent from my iPhone +27 83 675 1465

On 20 Apr 2016, at 2:43 PM, Celia Malahlela <celiam@dlsys.co.za> wrote:

Hi Stephan

Having signed the preferred supplier agreement with VR Laser, Denel having been in the media with regard to its strategic alliance with VR Laser, Having read several media reports about allegations of state capture by the Gupta family, more concerns are raised about the viability of the partnership and the risks that Denel will be exposed to should Denel decide to continue its relationship with VR Laser. I am struggling to turn a blind eye to this phenomenon.

I would like to reiterate that it is my humble opinion that DLS failed to follow the correct process when appointing VR Laser as a preferred supplier for the supply of steel components and fabrications. Amongst other irregularities, there was no RFQ or tender issued for the award of this contract. In this regard, I believe that DLS should have approached the market to ensure good governance.

I would also like to bring it to your attention that the current CEO of VR Laser has acknowledged their ties with the Gupta family and the president's son (through indirect shareholding as alleged by the media) in the meeting we had yesterday 19 April 2016 at 15:00.

In light of all these facts I would like to request that DLS carefully reconsider the relationship with VR Laser as a preferred/strategic supplier. Denel is a strategic asset of this country and I am proud to be associated with it. It gives me a great pleasure to wake up each morning to serve this country. I have had the privilege of seeing you turn this division from R300m turnover to over R2b turnover in less than 5 years. We are no doubt a great company. Furthermore I have great confidence that under your great leadership we will achieve even more greater success. However, with the rate that this controversy is unfolding, I am not certain that this company will even survive long enough for my children to see it. We

# Page 4 of 4

ought to be proud of what we have accomplished, equally so we should do whatever it takes to protect this great legacy.

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# Kind regards

Celia Malablela Executive Manager: Supply Chain Denel Land Systems a Division of DENEL SOC Ltd. PO Box 7710, Pretoria, 0001, South Africa Tel: +27 12 620 3088 E-mail: celiam@dlsvs.co.za www.denellandsystems.co.za