

## **BEELD ARTICLE RESPONSE TO THE EDITOR**

I refer to the article that appeared in the Beeld newspaper of 22 February 2006 entitled 'Ondersoek gelas na Krygkor-geld' by Ms Erika Gibson.

The said article alleges that there is a possibility that Armscor is receiving irregular payments of millions of rands in rental. Armscor has a standing rental contract with the Department of Public Works (DPW). As staff increases and movement of personnel takes place within the Department of Defence (DOD), more office space is needed by the DOD within the Armscor Building. The DOD decided that as their need for space increases, they will negotiate extra space with Armscor and pay rent directly to Armscor. This was a more sensible route to take in light of the fact that DOD's need for space is continuous. The second and more cumbersome alternative would be to change the contract the DPW has with Armscor every time there is a need for extra office space. Clearly, this is not the most desirable alternative.

Armscor wishes to state categorically that absolutely no discrepancy exists with regard to renting of accommodation in the Armscor Building. Both the DOD and the DPW are lessees with separate rental contracts. There is no duplication of payments. In fact, this would not be possible with Armscor's proven financial management system.

There are rumours that the rental money paid to Armscor is used to benefit Armscor Pension Fund members. The rental paid to Armscor is used to augment the transfer payment that Armscor is receiving from the DOD. Particulars of Armscor's activities, which include issues relating to the Armscor Building and other premises, are contained in the public reports which are tabled in Parliament annually and are discussed in detail by the Portfolio Committee on Defence. These reports are also audited by the Auditor-General and no unfavourable reports have yet been issued. Neither has there been any negative comment from the Select Committee on Public Accounts (SCOPA).

Armscor prides itself of sound financial management controls and systems that would not allow individuals to get their hands in the public purse. We are prepared to avail our financial reports for public scrutiny so that any member of the public or the media can determine whether there may be individuals within Armscor who might be guilty of the alleged misconduct. Armscor has always, and will always put the interests of the South African National Defence Force (SANDF) and the DOD first. We will not be deliberately involved in any activities that would bring our shareholder into disrepute.

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