# ANNUAL REPORT
# 2023 | 2024

ARMSCOR

Armaments Corporation of South Africa SOC Ltd

GATEWAY TO DEFENCE SOLUTIONS

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# PART A GENERAL INFORMATION

ARMSCOR
Armaments Corporation of South Africa SOC Ltd

GATEWAY TO DEFENCE SOLUTIONS

# 1.1 COMPANY DETAILS

| | |
|---|---|
| **REGISTERED NAME** | Armaments Corporation of South Africa SOC Limited |
| **PHYSICAL ADDRESS** | Corner of Delmas Drive and Nossob Street,<br>Erasmuskloof Extension 4, Pretoria |
| **POSTAL ADDRESS** | Private Bag X377<br>Pretoria 0001, South Africa |
| **CONTACT TELEPHONE NUMBER** | 012 428 1911 |
| **EMAIL ADDRESS** | Info@armscor.co.za |
| **WEBSITE ADDRESS** | www.armscor.co.za |
| **EXTERNAL AUDITOR** | Auditor-General of South Africa |
| **BANKER** | ABSA |
| **COMPANY SECRETARY** | Adv. Selaelo Portia Matsane |

**MS ANGELINA MATSIE MOTSHEKGA**
**MINISTER OF DEFENCE AND MILITARY VETERANS**

My appointment as the principle shareholder for Armscor was confirmed on 3 July 2024.

It is my pleasure to present the 2023/24 Annual Report of Armscor, which provides a retrospective view of the achievements and challenges experienced by the Corporation.

# 1.2 MINISTER OF DEFENCE AND MILITARY VETERANS REPORT

In an ever-changing and dynamic geopolitical environment, it is important for the government to ensure that its Defence Force is not only the Defence Force that South Africa needs, but also the Defence Force that the citizens want and can be proud of.

The SA Defence Review 2015 pronounces and confirms the primary goals of defence that include defending and protecting South Africa, safeguarding South Africa, support to the people of South Africa, promoting peace and stability in the region and on the African continent, and executing commitments in support of the National Developmental Agenda of Government and other ordered tasks.

The execution of these goals, as the custodians of South Africa's defence and protection, continues to be undertaken within the constraints of a declining defence budget allocation and defence capabilities that are no longer aligned with current realities, requirements and the posited level of required defence ambition by Government. The department will continue the resourced pursuit and implementation of the principles and strategic direction articulated in the SA Defence Review 2015, enabling departmental strategic direction through resourced departmental policy, strategy and planning instruments.

Armscor, as the acquisition agency for the South African Department of Defence (DOD) and other organs of state and other entities, is mandated to provide the armed forces with state-of-the art defence matériel, delivering innovative defence solutions efficiently and effectively.

Armscor manages the strategic capabilities of the DOD, producing research and vanguard technological solutions required to provide safety and security for South Arica, its citizens and the continent. It is undeniable that South Africa's investment in research and development (R&D) has been constrained in recent years. However, Armscor demonstrated through its innovative outputs that investment in R&D is critical for our country's overall development and prosperity.

During the reporting period, Armscor continued to play a critical role in working with the DOD and industry to ensure that we support government entities to be able to deliver on what they require. To this end, in support of Government's national imperatives, the DOD continued to execute ordered commitments, as directed by the Commander-In-Chief. The National Defence Force is highly dependent on a healthy and sovereign indigenous local defence industry.

South Africa's defence industry is an important national asset and a contributor to creating employment, developing scarce skills and advancing new technologies in addition to helping defend and protect the nation. A capable defence industry is a key part of overall defence capability. Armscor has developed three possible approaches towards a future Denel.

Considering the development of many local defence industry members that are financially stable without SANDF orders and that can deliver similar services to Denel, the premise of these options is that the future of Denel should have a more discrete footprint than historic Denel.

Armscor is the Africa, Aerospace and Defence (AAD) 2024 host, taking over from the SA Aerospace Maritime and Defence Industries Association (AMD), which hosted AAD 2022. Armscor is working with key partners to put together a "memorable" AAD beneficial to all invited guests and delegations as well as aiming at "producing the required return on investment (ROI) envisaged by all participants".

The DOD remains committed to supporting Armscor, as the defence industry is a national asset that has value for many departments and government agencies as well as wider society.

**MS ANGELINA MATSIE MOTSHEKGA**
**MINISTER OF DEFENCE AND MILITARY VETERANS**

**DR. PHILLIP DAVID DEXTER**
**CHAIRPERSON**

The 2023/24 financial year was the final year of the three-year term of Armscor Board, having been appointed in December 2020, and it provided an opportunity for reflection, taking stock and assessing Armscor's strategy for quality service delivery to its clients and partners and for achieving the objectives of the Shareholder. The synergies and alignment of Armscor's strategic outputs, with those of the DOD and industry stakeholders, remain focal points in the midst of a volatile economy and reduced funding of the DOD and Armscor. The volatility of the rand also had a significant impact on the cost of conducting business internationally, and its partial recovery, led to stringent measures and negotiations in finalisation of service level agreements. It is heartening to state though that Armscor remained resilient, agile and innovative in its approach to business.

# 1.3 CHAIRPERSON'S REPORT

## Governance

The Board operated within the provisions of applicable legislation by providing oversight over Armscor's strategies and operations, albeit with a reduced number of Board members, due to vacant positions occasioned by resignations and end of terms of Board members. In exercising its duty of due care and diligence, the Board reviewed its governance structures' membership and kept the communication channels with the Shareholder's representative open in respect of filling of Board vacancies with persons with the right skills and competencies. The Board, though constrained in number, remained focused and uncompromising in performing its fiduciary duties by its unrelenting commitment of ensuring that Armscor discharges its duties in accordance with the letter and spirit of Armscor Act. It is an ideal that the Board has confidence that the incoming Board will embrace and pursue.

## Acquisition and Supply Chain Management

Armscor is principally purposed to acquire such defence matériel on behalf of the DOD as may be required. The ability, agility and swiftness of Armscor's operations to enable the DOD to achieve some of its strategic roles, such as to defend the Republic of South Africa and protect its people; contribute to regional peace and security; and support regional and continental processes in support of peace and stability; were always the cornerstone of all conceptualised strategies and processes.

The current acquisition business model which is largely reliant on a few service providers and Denel in particular, which has financial and operational constraints, continues to adversely impact on the role of Armscor and the constitutional mandate of the DOD. Whilst there are other defence industry players, the many and varied defence orders placed with one service provider and the difficulty of bringing in partners to take up some of the slack, remain a constraint. Armscor continues, through the Steering Committee established for that purpose, to seek break-through interventions for unlocking, accelerating and finalising of defence orders. The Board has pushed for the realisation of economies of scale through Armscor on behalf of the DOD and customers, through the realisation of increase in production of defence matériel at lower costs.

## Research and Development

The continuous emergence and development of technology in various sectors, including defence, continue and will continue to be one of the most significant factors in the future, thus compelling Armscor to bolster its research and development capabilities and initiatives. The Board remained in support of research initiatives through partnerships with local and international entities and governments. Participation in selected international defence exhibitions and conferences by Armscor heralded its continued stance on optimisation of defence technology. Developments within cybersecurity and unmanned aerial vehicles, amongst others, remained under the radar of the Board through its Technology, Industry Support and Sustainability Committee.

## ICT Governance

The Board continued to provide oversight over the strategic goal of procurement and implementation by management of an Enterprise Resource Planning (ERP) system geared to support automation and processes within operations as part of its role of ensuring that Armscor has a structured manner of aligning its IT capability with Armscor's goals. Compliance and risk management continued to be monitored through the Audit and Risk Committee and it is envisaged that the ERP roll-out project plan will remain on par with associated milestones and timelines during the 2024/25 financial year.

## Communication, Stakeholder Management and an Ethical Stance

Management remained central to communication with the client, industry players and stakeholders and ensured that stakeholder management continued improving the respective relationships. There were instances during the reporting year that created a challenge of reputational risk but, with management and the Board coordinating their efforts, Armscor was able to clarify the decisions taken by the Board in respect of unfortunate negative media publications. The Board and Management were and are unhesitant about the importance of good ethics and values, adherence to applicable policies and legal prescripts within Armscor and the protection of legal rights of all employees without fear or favour. Employees of Armscor remain highly valuable assets of the enterprise.

International and cross-border relations were strengthened and where none existed, initiated. Despite this increased focus on opening new markets, Armscor remained at service to the SANDF, South African Air force (SAAF) and South African Navy (SAN) and communication channels remained open to deal with challenging issues.

## Shareholder

The Board wishes to extend gratitude to the Minister of Defence and Military Veterans for her guidance and support during the term in office of the Board.

## Management and Employees

Our sincere gratitude to Armscor management and employees for the service that they continue to give to the DOD, Armscor customers and the goodwill given to service providers, without whom Armscor's operations will be less efficient and effective.

## Conclusion

The Board wishes the new Board all success as this Board passes its baton with great confidence that Armscor is left in good shape and in willing and capable hands.

**DR. PHILLIP DAVID DEXTER**
**CHAIRPERSON**

**ADV. SOLOMZI PHINEAS MBADA**
**CHIEF EXECUTIVE OFFICER**

It is my privilege to present Armscor's Annual Report for the 2023/24 financial year. In line with our obligations to Parliament and the people of the Republic of South Africa, we are always humbled by the opportunity to once again report back on how Armscor performed in carrying out its mandate as outlined in the Armscor Act.

# 1.4 CHIEF EXECUTIVE OFFICER'S REPORT

In order to maintain our position as a truly South African organisation that is valued locally and globally, centre of technical excellence for defence acquisition and support services, Armscor had to keep evolving, while at the same time embracing and appreciating the constraints stemming from the environmental challenges in the country, which impacted on Armscor's operations. Despite the challenging economic times, Armscor continued to make substantial progress in execution of its mandate.

As I look at the developments since the last reporting period, I am pleased to report on what Armscor has achieved, and am more optimistic about the outlook for the future.

### Performance Review – Highlights and Challenges

Armscor remains committed in upholding solid corporate governance principles that are underpinned by the application of transparency, ethical conduct and equity. To this end, Armscor is pleased to have obtained an unqualified audit outcome by the Auditor-General of South Africa. This is attributable to continued hard work and teamwork by our employees.

### Company Performance

During the reporting period, most of the strategic goals were met in accordance with the Corporate Plan. In accordance with the service level agreement, the requirements received were executed and orders placed for the fulfilling thereof. This Corporate Plan is a roadmap towards realising Armscor's future – an Armscor that will strengthen its core and position for the future.

## PROJECT HIGHLIGHTS

### Hydrographic Capability

The envisaged date for the completion of the contract was January 2024, however due to various challenges affecting the performance of the contract i.e. COVID 19, civil unrests and flooding that ravaged the KZN province, the delivery date of the contract had to be reconsidered.

During the reporting period, the construction of the three Survey Motor Boats (SMBs) and Sea Boat has been completed. The third SMB, which is meant to be kept as reserve has been handed over to the SA Navy for commencement of the operational test and evaluation phase. The upgraded SA Navy Hydrographic Office (SANHO) has been completed and was handed over to the SA Navy.

### Multi-Mission Inshore Patrol Capability

In so far as multi-mission inshore patrol vessel (MMIPV) programme is concerned, the second of the three MMIPV named King Shaka Zulu was successfully delivered to the SA Navy. This vessel will enhance the SA Navy's capability to patrol South African shores. This initiative aims to safeguard the country against criminal activities, piracy, and terrorism to name a few.

The blessing ceremony for the third MMIPV was held in Cape Town. Plans are underway to deliver this vessel in 2024/25 financial year. The

MMIPV has had a significant impact on the SA Navy's ability to preserve the territorial integrity of South Africa's ocean borders. Armscor is dedicated to work with all stakeholders involved to ensure that this project is completed on time and within the allocated budget.

The project has been hailed as the great outcomes of successful partnerships. Armscor takes pride in providing the SA Navy with the necessary tools to execute its mandate with precision. The economic spin-offs from this project with jobs created for the local communities is acknowledged.

### Scientists Share Knowledge on Best Practices

We are encouraged by the opportunities given to our scientists to represent Armscor at both local and international level. Two of our Ergonomists served at the Ergonomics Society of South Africa (ESSA) to demonstrate Armscor's capability to contribute in shaping the future of the ergonomics industry. We trust that the experience gained from serving on the ESSA council will position industry.

One of our Senior Scientists was amongst scientists and experts who exchanged ideas and knowledge on best practices during the 2023 Organisation for the Prohibition of Chemical Weapons (OPCW) Article XI Workshop held in the Netherlands, The Hague on 20 November.

The workshop seeks to ensure international cooperation in the field of chemical activities for purposes not prohibited under the Convention. The international cooperation, as a key provision of the Convention, covers all activities for purposes not prohibited under the Convention. This includes the international exchange of scientific and technical information and chemicals and equipment for the production, processing, or use of chemicals for purposes not prohibited under the Convention.

During the reporting period, Armscor hosted 23 scientists from 13 African countries during the 13th annual Analytical Chemistry Course at its Protechnik Laboratories, under the OPCW. The programme aims to strengthen cooperation within Africa on the implementation of the Chemical Weapons Convention.

Protechnik does chemical and biological defence fieldwork for the SANDF. It provides technical support under contract to the South African Council for the Non-Proliferation of Weapons of Mass Destruction on technical aspects related to the implementation of the chemical weapons convention.

### Corporate Social Investment

Armscor will continue to ensure that it improves relationships with key stakeholders in order to enhance the organisation's image and reputation. It will also continue to build goodwill and enhance it with its stakeholders through its Corporate Social Investment (CSI) programmes.

Armscor believes in development, nation building and in improving the quality of the lives of our people – a duty and responsibility it embraces fully, as a truly South African organisation. We remain dedicated to serving the communities in which we live and work through our CSI programmes. South Africa has an acute shortage of skills in the science and engineering fields. Science and engineering disciplines are key towards the success of Armscor as the core business of the Corporation relies heavily on technology and research and development. To this end, Armscor partnered with the South African Civil Aviation Authority (CAA) for a back-to-school campaign aimed at exposing learners to unconventional careers within the defence and aviation industry. The campaign started in Limpopo province and continued in North West in February 2024. This campaign allowed both Armscor and CAA to reach out to learners from previously disadvantaged schools. Annually, Armscor awards bursaries to learners interested in studying science and engineering courses from the higher institutions of their choice. Once bursary holders complete their studies, Armscor provides them with an opportunity to work at one of its facilities for a period of twenty four months. Some of the graduates are absorbed into permanent positions at the end of their contracts either at Armscor or other companies within the South African Defence Industry (SADI).

Armscor works through non-profit organisations to identify the needs of various communities and provide assistance where possible. Armscor strives towards covering all provinces with respect to social responsibility activities within its limited financial constraints. Close attention is also paid to communities around which it has business operations and facilities in order to enhance its brand value and to strengthen relations. In total 12 projects were funded and implemented in the 2023/24 financial year. The projects are grouped into three categories: Social Relief, Human Capital Development and Socio-Economic Upliftment.

### Strategic Focus

Armscor continually reviews its strategic focus in order to align with the changing environment and to enhance corporate governance. By mapping the global defence environment and positioning Armscor within that environment, the Armscor Strategy On-time, In-time – Towards a Sustainable Future was established.

The strategy focuses on the urgency of the response of Armscor to meet the needs of its clients, especially those relating to the client's national security operations. This strategy is based on its relevance and the sustainability of the organisation, hence the focus on the commercialisation and expansion of Armscor's services to a wider client base and looking at opportunities for partnerships with other defence procurement authorities around the world. Armscor will continue to pursue commercial opportunities through government-to-government contracting, with an endeavour to generate income to alleviate budget constraints, develop and maintain long-lasting strategic relationships with key stakeholders.

## Strategic Partnerships

Strategic relationships with key stakeholders is of fundamental importance for Armscor to maintain its position as a gateway to defence and security solutions, and to be the centre of technical excellence for defence acquisition and support services.

Stakeholder engagement was vital for Armscor's sustainability during the reporting period. It formed a critical element in the organisation's dialogue and communication with key stakeholders. The past financial year afforded Armscor an opportunity to forge close and cordial working relationships with our principals and key stakeholders in the DOD. This relationship paved the way for Armscor to establish and maintain positive relationships with other key stakeholders.

Armscor continues to pursue and maintain strategic partnerships and collaborations with local and international counterparts and companies in furtherance of implementation of its strategies and possible areas of collaboration. Strategic partnerships and collaborations with state agencies and broader industry at large are key to improving the situation within the defence industry and other government departments.

During the reporting period, we strengthened our efforts on strategic partnerships locally and internationally, cognisant that they are vital in enhancing our strategic capability. A network of key strategic relationships in the defence and research technology domains is of vital importance and a fundamental principle of sustainability.

As Armscor we are pleased to express our sincere appreciation to all our stakeholders for their support throughout the year. We value the role played by our stakeholders in enabling the Corporation to deliver on its mandate. We trust that we will leverage on the relations established as we forge ahead. Armscor remains a safe harbour for the requirements of the DOD and for the privilege of serving the people under its guidance.

Over and above serving our primary client, the DOD, Armscor is also mandated to support other clients as per the Armscor Act. As Armscor, we also have a role of working with industry to ensure that we are able to support government entities in delivering on what they require. To this end, Armscor has a service level agreement with the South African Police Services (SAPS), which includes acquisition and procurement services to achieve synergy across the security cluster departments.

The SAPS Air Wing has taken delivery of two H125 light utility helicopters from Airbus as it recapitalises its rotary wing fleet. The two helicopters were officially taken into service by SAPS National Commissioner during a ceremony at Grand Central Airport in Midrand on 1 September 2023. The handover of the two aircraft assets is expected to provide crucial air support to police on the ground.

During the reporting period, the following MOUs were entered:

- MOU between Protechnik and UWC;
- MOU between Ergotech and Rhodes University; and
- MOU for business opportunities with August 26 Holding Company.

## Challenges

Armscor has not been immune to the reduced budget allocation and has for some time faced the risk of a diminishing capacity to fulfil its legislated mandate to the SANDF. Furthermore, Armscor has been experiencing increasing pressure on its financial, human and infrastructure resources due to historical financial challenges, thus impacting on its sustainability.

Despite the funding challenges, Armscor still remains committed to execute its legislative mandate with a high level of professionalism, commitment and dedication. The net financial result from operations of the Group shows a surplus of R150,9 million was realised, which was influenced by various factors as reflected in the financial report. Financial sustainability remains a key issue that management is faced with. We are proud of various cost curtailment measures that have been put in place to improve the financial position of the organisation. This in time will bear fruits.

## Africa Aerospace and Defence

As a leading partner, Armscor is working closely with key stakeholders to produce a successful AAD event. We are excited for the preparation leading to the 2024 AAD exhibition scheduled to take place in September 2024.

Armscor is positioning SADI to use AAD 2024 as a platform for both buyers and sellers to come together and conclude those crucial and mutually beneficial contracts and business relationships. Our South African defence budget might be declining but the global market presents an opportunity for local industry. It provides local industry with an international platform to showcase and market their value to a carefully curated and accredited global player network.

## Defence Industry

The SA Defence Review maps the way for the defence environment in which we are called upon to play our part in support of the mandate of the SANDF. This mandate of the SANDF is to defend and protect South Africa, to safeguard its borders and infrastructure, to promote peace and security in Africa, and to perform developmental and other tasks assigned to it. We intend to play our supportive role with patriotism, diligence and enthusiasm.

The local defence industry is vital to the execution of Armscor's mandate. The sustainability of capabilities in the defence industry is critical for Armscor to be able to deliver the required services and equipment to the SANDF. Armscor has therefore developed strategies and policies to enhance and strengthen support for the local industry.

Key to Armscor's sustainability and survival is to ensure that it plays a facilitating role in the achievement of a competitive SADI. We will work towards this in partnership with industry and all relevant role players with zeal and zest, ensuring that all that we seek to do and achieve is done on time. This is one of the ways we can create hope and stability in the defence industry environment. During the reporting period, Armscor evolved in its pursuit of operational efficiency and financial sustainability.


### Acknowledgements

A special word of thanks to our Minister of Defence and Military Veterans, Ms Thandi Modise and the Deputy Minister, Mr Thabang Makwetla, for their support and guidance.

Sincere thanks to the Parliament's Portfolio Committee on Defence and Military Veterans that has contributed to the successful execution of our work. Its oversight role is appreciated.

Thank you to the Board of Directors for their oversight role and support.

I thank the Executive Committee and employees, for their contribution to Armscor's successes.


Armscor looks forward to the new fiscal year with greater optimism and is ready to take its performance to the next level.

**ADV. SOLOMZI PHINEAS MBADA**
**CHIEF EXECUTIVE OFFICER**

# 1.5 (A) STATEMENT BY THE COMPANY SECRETARY

I certify, in terms of section 88(2)(e) of the Companies Act, that Armaments Corporation of South Africa (SOC) Limited has filed the required annual returns and notices to the Companies and Intellectual Property Commission for the year ended 31 March 2024, and that all such returns and notices are true, correct and up to date.

**ADV. SELAELO PORTIA MATSANE**
**COMPANY SECRETARY**

# 1.5 (B) STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

The Armscor Accounting Authority recognises and acknowledges its responsibility for the Group's internal control system.

Management is responsible for preparing the separate Annual Financial Statements and the Group Annual Financial Statements in accordance with South African Statements of Generally Recognised Accounting Practices (GRAP).

The directors, supported by the Audit and Risk Committee, are satisfied that management introduced and maintained adequate internal control to ensure that dependable records exist for the preparation of the financial statements, to safeguard the assets of the Group and to ensure that all transactions are duly authorised.

Against this background the directors of Armscor accept responsibility for the financial statements. The information on pages 29-37, 67-76, 116-194 was approved by the Armscor Accounting Authority on 30 August 2024.

**ADV. SOLOMZI PHINEAS MBADA**
**CHIEF EXECUTIVE OFFICER**

# 1.6 ABOUT ARMSCOR

The Armaments Corporation of South Africa SOC Limited (Armscor) is a statutory body established by an Act of Parliament to be the designated acquisition agency of the South African Department of Defence (DOD).

Armscor is a State-Owned Company (SOC) as contemplated in the Companies Act (Act No. 71 of 2008). The Executive Authority for Armscor is the Minister of Defence and Military Veterans, who represents the Shareholder. Armscor is governed and controlled by a Board of Directors, which reports to the Minister of Defence and Military Veterans.

Armscor's mandate is to efficiently and effectively provide the armed forces with state-of-the-art defence matériel to conduct safety, security and peacekeeping missions in maintaining the sovereignty of South Africa. Armscor has six decades experience in acquisition, development, enhancement, sustainment and disposal of products.

The Corporation provides turnkey defence solutions and its research and development focuses on producing cutting-edge technology products. Armscor prides itself on maintaining high-quality international standards through rigorous testing and evaluation processes on all its technology management projects.

Armscor is committed to driving creativity and innovation in collaboration with its strategic partners. The Corporation provides marketing support to the SADI.

# 1.7 STRATEGIC OVERVIEW

The vision and mission statements of Armscor are succinctly captured in Figure 1, clearly defining the intent of the Corporation.

**FIGURE 1: Armscor's Vision and Mission Statements**

**OUR VISION**

Armscor's vision is to be the strategic partner of choice for defence and security solutions.

**OUR MISSION**

Armscor's mission is to meet the defence matériel, technology requirements and management of strategic capabilities of the DOD, organs of state and other entities.

**OUR VALUES**

Armscor's values are the building blocks of the manner in which it conducts its business. Armscor believes in the highest standards and is committed to transformation, transparency and accountability. We, members of Armscor, pledge commitment to the following values:

**FIGURE 2: Armscor's Value System**

| | |
|---|---|
| LEADING BY EXAMPLE | We lead by example and are role models for excellence |
| RESULTS-DRIVEN | We go that extra mile to achieve results timeously |
| CUSTOMER FOCUS | Our customers are the reason for our existence and we therefore always endeavour to delight them by exceeding their expectations |
| CARE AND RESPECT FOR EACH OTHER | We foster diversity, value our people and their contributions and treat them equitably, fairly and with dignity, care and respect |
| EXCELLENCE | We strive for excellence in all we do |
| TEAMWORK | We take joint responsibility through teamwork |
| INTEGRITY | We adhere to the highest standards of conduct and moral behaviour, and maintain the highest level of ethics in all our actions |

# 1.8 LEGISLATIVE AND ARMSCOR'S MANDATE

The Armaments Corporation of South Africa SOC Limited (Armscor) is a statutory body, wholly owned by the state, established in terms of the Armaments Development and Production Act (Act No. 57 of 1968), and continues its existence through the Armaments Corporation of South Africa Ltd Act (Act No. 51 of 2003), as amended (called the Armscor Act). It is therefore a SOC as contemplated in the Companies Act, 2008. Furthermore, it is listed as a Schedule 2 public entity in terms of the Public Finance Management Act (Act No. 1 of 1999), as amended (the PFMA). It is further regulated by the regulations issued in terms of the PFMA and those of the Companies Act, 2008.

The objectives and mandate of Armscor are defined in the Armaments Corporation of South Africa SOC Limited Act (Act No. 51 of 2003). The objectives of Armscor are to meet:

- the defence matériel requirements of the DOD effectively, efficiently, and economically;
- the defence technology, research, development, analysis, and test and evaluation requirements of the DOD effectively, efficiently, and economically.

The functions of Armscor are defined in the Armaments Corporation of South Africa SOC Limited Act (Act No. 51 of 2003) as follows:

(1) The Corporation must:

- acquire such defence matériel on behalf of the DOD, as the DOD may require;
- manage such technology projects, as may be required by the DOD;
- maintain a programme management system in support of acquisition and technology processes;
- provide for quality assurance capability in support of:
  - the acquisition and technology processes, and
  - any other service contemplated in this section required by the DOD;
- maintain a system for tender and contract management in respect of defence matériel and, if required in a service level agreement or if requested in writing by the Secretary for Defence, the procurement of commercial matériel;
- dispose of defence matériel in consultation with the instance, which originally manufactured the matériel;
- maintain the compliance administration system for the DOD, as required by the applicable international law, the National Conventional Arms Control Act (Act No. 41 of 2002), and the Non-Proliferation of Weapons of Mass Destruction Act (Act No. 87 of 1993);
- support and maintain such strategic and essential defence industrial capabilities, resources and technologies as may be identified by the DOD;
- provide defence operational research;
- maintain the defence industrial participation programme management system;
- provide marketing support to defence-related industries, in respect of defence matériel, in consultation with the DOD, and the defence-related industries in question;
- manage facilities identified as strategic by the DOD in the service level agreement; and
- maintain such special capabilities and facilities as regarded by Armscor not to be commercially viable, but which may be required by the DOD for security or strategic reasons.

(2) The Corporation may, with the approval of the Minister of Defence and Military Veterans:

- exploit such commercial opportunities as may arise out of Armscor's duty to acquire defence matériel or to manage technology projects; and
- procure commercial matériel on behalf of any organ of state, at the request of the organ of state in question.

Subject to the National Conventional Arms Control Act (Act No. 41 of 2002), the Regulation of Foreign Military Assistance Act (Act No. 15 of 1998), and the Non-Proliferation of Weapons of Mass Destruction Act (Act No. 87 of 1993), Armscor may perform any function for or on behalf of the DOD or on behalf of any sovereign state. The Minister of Defence and Military Veterans may impose such conditions in respect of the performance of a function, as may be necessary in the national interest.

# 1.9 ARMSCOR'S CONTRIBUTION TO NATIONAL IMPERATIVES OF GOVERNMENT

## 1.9.1 National Development Plan, Vision 2030

The NDP, Vision 2030 – "Our Future – Make it work" and its related policies provide a national framework that informs the envisaged contribution by National Departments to NDP, Vision 2030 objectives. Figure 3 indicates the aspects that form the cornerstone of the NDP, Vision 2030 to which the defence portfolio, where relevant, will contribute.

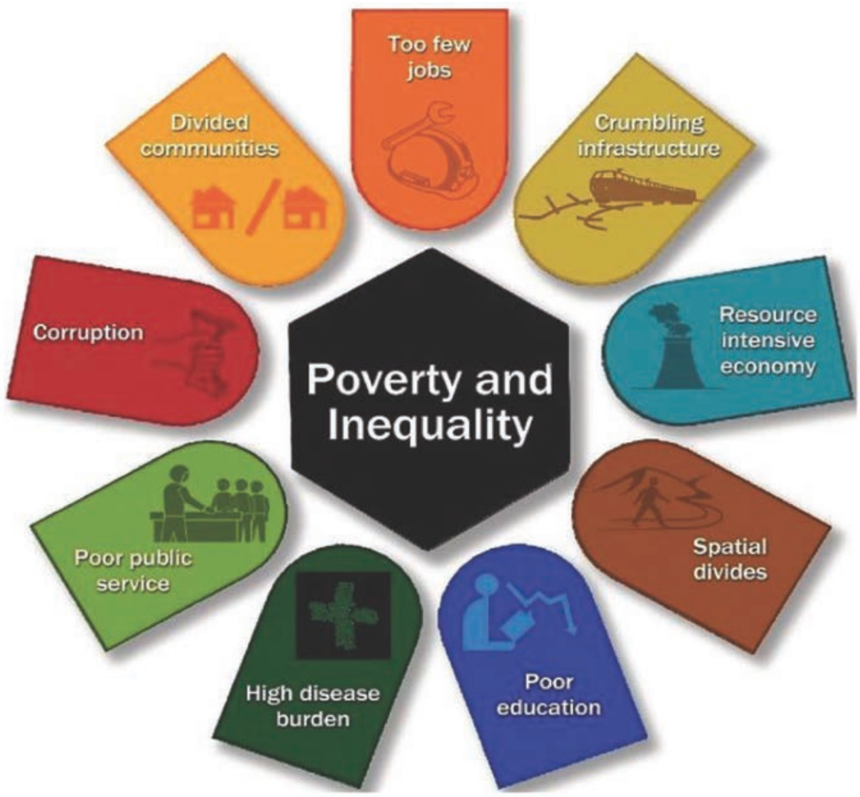
Armscor is directing its planning towards the NDP, Vision 2030. The Corporation supports Government's goals, as expressed in the NDP, Vision 2030, and will contribute to the following initiatives:

- Sharpening South Africa's innovative edge by continuing its contribution to global scientific and technological advancement.
- Implementing greater investment in research and development and better use of existing resources.
- Facilitating innovation and enhanced cooperation between public service and technology institutions.
- Committing to procurement approaches that stimulate domestic industry and job creation.
- Procuring from and supporting SMMEs, black-owned and black-managed enterprises, and female-led enterprises, the youth, and military veterans.

The Strategy is, therefore, informed by:

- a sense of urgency in delivering effective and efficient services to Armscor's clients;
- positive relations between Armscor and its stakeholders;
- providing a strategic pull towards which Armscor's employees can aspire;
- a well-founded partnership between Armscor and the industry;
- the need to meet the policy and other directives of the shareholder; and
- the drive to extract commercial value from Armscor's role as a technology and acquisition expert in Africa and beyond.

**Figure 3: Aspects that form the cornerstone of the NDP, Vision 2030**



## 1.9.2 Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs), developed to support the United Nations 2030 Agenda, are aimed at ending poverty and inequality, protecting the planet, and ensuring peace and prosperity for all. These SDGs and targets will stimulate action in areas of critical importance for humanity and the planet.

- Armscor, by virtue of its legislative mandate and inherent defence capabilities, will indirectly support SDG 16. The Corporation aims to “Promote peaceful and inclusive societies for sustainable development” and “provide access to justice for all, and build effective, accountable and inclusive institutions at all levels” into the future trajectory of defence. Armscor will also participate in the work established by Stats SA by providing statistics of the SDGs as and when required through its mandate and inherent acquisition and procurement capabilities.
- Armscor, because of its mandate, will indirectly support selected SDGs into the future trajectory of defence. Armscor supports Goal 4 by granting bursaries and donations to schools of previously disadvantaged communities, as well as Goal 5 by adhering to its Employment Equity (EE) Policy, whereby Armscor aims to grant 23 bursaries per year.
- Corporate Governance is enshrined in the King IV Report on Corporate Governance for South Africa. Armscor embraces the principles in this report and continues to strengthen its departmental role and function in the governance, risk and compliance functions through ethics and integrity.
- The implementation of the Public Service Integrity Management Framework in all government departments also informs Armscor’s Code of Conduct. The approved Armscor’s Code of Conduct demonstrates its commitment to the highest ethics and integrity aspirations. Armscor also has the mechanisms, as stated below, to facilitate ethical execution of its mandate through:
  - The Audit and Risk Committee.
  - The Risk Management Register, which also lists actions to mitigate risks.
  - Regularly conducted internal audits, of divisions and internal controls.
  - Continuous management of issues relating to corruption and fraud, ranging from awareness training to the structured reporting of incidents through the “whistle-blowing” mechanism and other established departmental channels.
  - Continuously refined organisational financial processes, systems, and policies, with the view to ensure alignment with the Public Finance Management Regulatory Framework, in order to improve service delivery.

**Figure 4: Sustainable Development Goals**

## 1.10 ARMSCOR STRATEGY

Armscor's sustainability strategy was designed to respond to changing client needs, growing demand to improve developmental impact, persistently difficult economic conditions and an increasingly competitive environment. The strategy aligns with global trends, which have seen the world reviewing their purpose and mission to increase their developmental impact.

As a state-owned company, Armscor is strategically positioned between African governments, the private sector and fellow local and international defence industry companies, with the common objective to meet the defence matériel requirements of the DOD effectively, efficiently, and economically; and the defence technology, research, development, analysis, and test and evaluation requirements of the DOD effectively, efficiently, and economically.

Developing strategic partnerships is integral to the value that Armscor delivers. Leveraging these partnerships to maximise value considerably extends the scope of Armscor's potential developmental impact.

Armscor's Strategy On-Time, In-Time: Towards a Sustainable Future, places emphasis on creating innovative pathways for a sustainable future, as well as to build, strengthen and enhance relationships.

Employees are key drivers of the strategy and are required to fully understand the gist of the strategy in order to implement it successfully and become proud brand ambassadors. Furthermore, employees are encouraged to work together to build new sustainable pathways towards sustainable defence solutions.

Due to the current economic downturn, the budget of the Corporation will be hugely impacted. The DOD's reduced budget requires Armscor to find ways of being financially viable and independent. In essence Armscor should explore new revenue streams and robustly exploit its capabilities to its current and prospective clients such as Southern Africa Development Community (SADC).

In order to move ahead exponentially, Armscor should improve on its decision making process and adopt a flexible system that will be responsive to urgent requirements from all clients. Efficient and effective delivery will contribute greatly in reaching the overall goal of moving Africa towards peace, stability and growth.

## 1.11 KEY STRATEGIC OUTPUTS

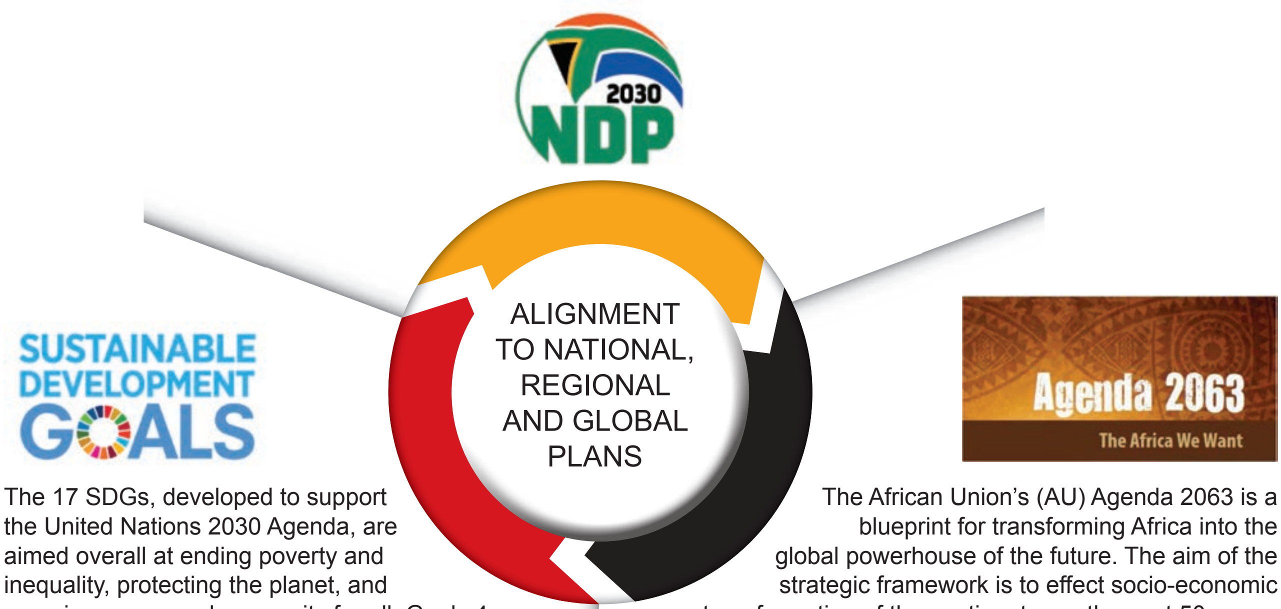
Armscor focuses on four specific strategic areas:

| Revenue Generation | Cost Management | Effective and Efficient Delivery | Stakeholder Management |
|---|---|---|---|
| Increase in net realisable revenue to ensure that Armscor generates sufficient income to meet its funding needs in the short- to medium-term. | Strategic capability maintenance, "while reducing costs", to ensure that Armscor remains sustainable to meet its funding needs in the short- to medium-term. | Reducing the turnaround time of core customer-facing and internal processes, thereby strengthening stakeholder relationships. | Developing and maintaining long-lasting, strategic relationships with key stakeholders. |

# 1.12 ARMSCOR'S CONTRIBUTION TO NDP, VISION 2030, SUSTAINABLE DEVELOPMENT GOALS (SDGs) AND AU AGENDA 2063

Armscor's mandate and strategy are linked to the objectives of South Africa's NDP, Vision 2030, which sets out an integrated strategy for accelerating economic growth, eliminating poverty and reducing inequality. Faster economic growth is both a key objective of the NDP and a necessary condition to raise the resources needed to fund the country's social and economic transformation. Armscor directs its planning towards the NDP, Vision 2030 and the Corporation supports government's goals. Priority 6 and 7 are directly supported by Armscor.

**Figure 5: NDP, Vision 2030, SDG and AU agenda 2063**




The 17 SDGs, developed to support the United Nations 2030 Agenda, are aimed overall at ending poverty and inequality, protecting the planet, and ensuring peace and prosperity for all. Goals 4, 5 and 16 are indirectly supported by Armscor.

The African Union's (AU) Agenda 2063 is a blueprint for transforming Africa into the global powerhouse of the future. The aim of the strategic framework is to effect socio-economic transformation of the continent over the next 50 years. It was adopted by the AU Summit in January 2015. The African Continental Free Trade Area Agreement (CFTA) that came into force on 30 May 2019, is a flagship project of Agenda 2063. CFTA is a treaty between consenting countries in which a free trade area is constituted that allows member countries to conduct trade with each other without tariffs or other hindrances.

# 1.13 ARMSCOR'S STAKEHOLDERS

Stakeholder engagement is a critical element of Armscor's business. Armscor's stakeholders contribute to its value-creation process, which is articulated through projects' business processes and procedures. Across the holistic end-to-end value chain, Armscor fulfills many roles: acquisition, procurement, maintenance, and technology know-how which ranges from technology services to disposal of products.

The Corporation prides itself on long standing and well established relationships with various government departments for partnering in service delivery.

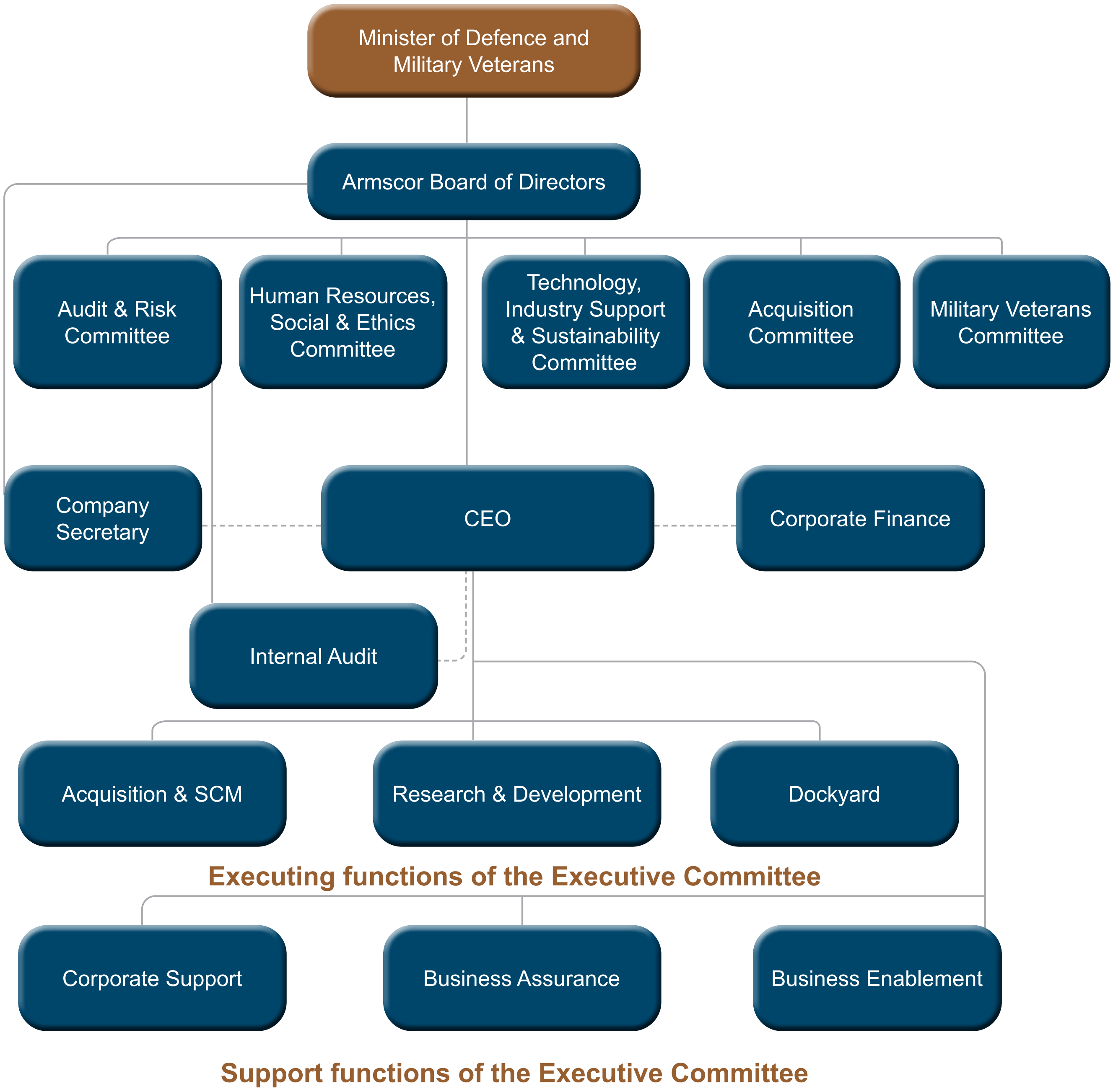
Strategic partnerships are valued and considered as a key strategic advantage. As a public entity, accountable to the public, the Corporation will ensure that its privileged position be utilised as a bridge between the private and the public sectors to drive impact.

**Table 1: Armscor's Stakeholder List**

| Stakeholder | Stakeholder expectations | How Armscor engages |
|---|---|---|
| **Regulators:**<br>• Shareholder<br>• Government Departments/SOCs<br>• Parliamentary Committees<br>• NCACC | • Delivery on mandate<br>• Governance<br>• Leadership and Strategic direction | • Shareholder's Compact<br>• Annual Report<br>• Corporate Plan<br>• Corporate Strategy<br>• AGM<br>• Portfolio Committee meetings<br>• Council on Defence and Plenary on Defence Staff Council<br>• NDIC meetings |
| **Clients:**<br>• SANDF<br>• SAPS<br>• DCS<br>• Government/Departments/Institutions | • Timeous delivery of products and services<br>• Value for money | • SLA<br>• MOAs<br>• Direct customer engagement<br>• Customer feedback and reports/presentations<br>• Stakeholder satisfaction survey<br>• Participation in industry forums and committees<br>• Social events |
| **Employees:**<br>• Internal<br>• Labour Unions | • Fair employment standards and remuneration<br>• Career prospects<br>• Communication | • Employment Equity Committee<br>• Marketing support and sustainability team<br>• Reward and recognition<br>• Training and skills development initiatives<br>• Stakeholder satisfaction survey<br>• Newsletters<br>• Intranet/Internet |
| **Defence Industry:**<br>• South African Defence Industry<br>• International Defence Industry | • Transparency and fairness<br>• Communication | • Regular board engagement with industry association board<br>• Industry forums and committees<br>• Export marketing support initiatives<br>• Stakeholder satisfaction survey<br>• International dignitaries engagements<br>• Social events |
| **Strategic Business Partners:**<br>• SOCs<br>• Research and Academic Institutions<br>• International Government Organisation | • Governance<br>• Transparency | • MOU<br>• Bilateral/collaborative engagements |
| **General Public:**<br>• Communities | • Employment opportunities<br>• Socially and environmentally responsible actions | • Employment<br>• Awareness campaigns<br>• CSI initiatives |
| **Media:**<br>• Local and international media | • Transparency<br>• Honesty<br>• Accessibility | • Media releases<br>• Media briefings<br>• Media responses |

## 1.14 ORGANISATIONAL STRUCTURE

**Figure 6: Armscor/DOD Organisational Structure**



# 1.15 BOARD MEMBERS

The Board is appointed by the Minister of Defence and Military Veterans. Ms R Matenche has been omitted from non-executive members The management and control resides with the Board of Directors, under the leadership of the non-executive Chairperson and the Deputy Chairperson. To execute its responsibilities effectively and maintain accountability, the Board established the following committees:

- Acquisition Committee
- Audit and Risk Committee
- Technology, Industry Support and Sustainability Committee
- Human Resources, Social and Ethics Committee
- Military Veterans Committee

## BOARD OF DIRECTORS

Non-Executive Members

Dr. Phillip David Dexter – Chairperson

**Gender:** Male

**Race:** White

**Academic Qualifications:**
PhD, MPhil, BA

**Areas of Expertise**
Project Management
Strategic Leadership
Financial Management
Research and Analysis
Human Resources
Change Management

**Position on Armscor Board:**
Chairperson of the Board
Member of the Military Veterans Committee

**Appointment Date:**
1 December 2020

**Directorships:**

- South African Weather Service
- African Energy Corporation
- Global Beef
- One Vision Investment
- Emerald Panther Investment
- NIH Subsidiaries
- Lighthouse Emporium Primary Co-Operative Limited
- Mpower Music and Sound Primary Co-Operative Limited
- Mpower Five Point Films Primary Co-Operative Limited
- MAARIFA Resources
- Opiconsivia Trading 255
- Africa-China Friendship Association
- Therez House Company
- African-Chinese People's Friendship Association
- Orbis Mining
- NEHAWU Investment Partners
- NEHAWU Investment – Managers
- Agrowvest NEHAWU Investment Company
- Tailspin Trading 23
- Maxshell 121 Investments
- Ivyjewel 30
- Emerald Panther Investments 7
- NEHAWU Investment Company SPV
- Boshof Solar Power (RF)

Ambassador Jeanette Thokozile Ndhlovu

**Note:** Term expired

**Gender:** Female

**Race:** African

**Academic Qualifications:**
Master of Arts Counselling Psychology
Bachelor of Arts Political Science
Bachelor of Science Public Administration
Executive Leadership Training Programme
Middle Management Course
Heads of Mission Orientation Course

**Areas of Expertise:**
Foreign Relations

**Position on Armscor Board:**

- Non-Executive Director of the Board
- Member of the Human Resources, Social and Ethics Committee
- Member of Technology, Industry Support and Sustainability Committee
- Member of the Military Veterans Committee

**Appointment Date:**
1 May 2017
(re-appointed 1 December 2020)

**Directorships:**
None

Ms Refilwe Matenche

**Note:** Resigned

**Gender:** Female

**Race:** African

**Academic Qualifications:**
CA (SA)
Bachelor of Accounting

**Areas of Expertise:**
- Financial Management
- Taxation
- Auditing
- Strategy
- Gender transformation

**Position on Armscor Board:**
- Non-Executive Director of the Board
- Chairperson of the Audit and Risk Committee
- Member of the Human Resources, Social and Ethics

**Appointment Date:**
1 December 2020

**Directorships:**
South African Institute of Chartered Accountants (SAICA)
Social Housing Regulatory Authority (SHRA)
Commission for Gender Equality (CGE - Chairperson of Audit and Risk)

Ms Fundiswa Barbara Skweyiya-Gushu

**Gender:** Female

**Race:** African

**Academic Qualifications:**
Masters in International Political Communications
Post Graduate Diploma in Government, Communication and Marketing
Fellowship on Democracy and the Rule of Law (Stanford University)

**Areas of Expertise:**
- Communications and Marketing
- Campaigning
- Research
- Project Management
- Media Relations
- Public Diplomacy
- Democracy and the Rule of Law

**Position on Armscor Board:**
- Non-Executive Director of the Board
- Member of the Audit and Risk Committee
- Member of the Technology, Industry Support and Sustainability Committee
- Chairperson of the Military Veterans Committee

**Appointment Date:**
1 December 2020

**Directorships:**
None

Mr Thimothy Mandla Sukazi

**Gender:** Male

**Race:** African

**Academic Qualifications:**
LLM (UCT), LLB (UNISA)
B. Proc. (UNISA)

**Areas of Expertise:**
- General Corporate and Commercial Law
- Mergers and Acquisitions
- Capital Markets and Securities Law
- Commercial Litigation
- Sports and Entertainment Law
- Banking and Finance Law
- Insurance Law
- Corporate Restructure
- Public and Regulatory Law
- Social Security Law
- Tax Law

**Position on Armscor Board:**
- Non-Executive Director of the Board
- Chairperson of the Acquisition Committee
- Member of the Audit and Risk Committee

**Appointment Date:**
1 December 2020

**Directorships:**
Independent Development Trust

**Ms Peta Nonceba Mashinini**

**Gender:** Female

**Race:**African

**Academic Qualifications:**
- Master's in Business Administration
- Executive Management Development Programme
- Post Graduate Diploma in Human Resources
- Project Management

**Areas of Expertise:**
- Corporate Services
- Strategy
- Human Resources
- Transformation
- Performance Management
- Operations Management
- Governance
- Ethics
- Financial Management
- Acquisition Advisory

**Position on Armscor Board:**
- Non-Executive Director of the Board
- Chairperson of the Human Resources, Social and Ethics Committee
- Member of the Acquisition Committee

**Appointment Date:**
1 December 2020

**Directorships:**
Thebe Investment Corporation

**Ex Officio Members of the Board** **Adv. Solomzi Phineas Mbada. Mr Jacobus Gerhardus Grobler**

**Adv. Selaelo Portia Matsane**

**Company Secretary**

**Gender:** Female

**Race:** African

**Academic Qualifications:**
LLB, B Juris

**Areas of Expertise:**
- Law
- Governance
- Strategic Leadership and Management

**Appointment Date:**
2 January 2023

**Position on Armscor Board:**
Company Secretary

**Directorships:**
None

## 1.16 EXECUTIVE MANAGEMENT

The main function of the office of the Chief Executive Officer (CEO) is the overall management of the Corporation. The responsibilities include, but are not limited to providing strategic direction and leadership, formulating policies, directing operations of the Corporation, and developing strategic plans to achieve the Corporation's mission and objectives.

In undertaking these responsibilities, the CEO is supported by an executive management structure, called the Executive Committee. All Business Units are represented at this level.

**Adv. Solomzi Phineas Mbada – Chief Executive Officer**

**Gender:** Male

**Race:** African

**Academic Qualifications:**
LLM, LLB, MAP, BA Hons, B Juris

**Areas of Expertise:**
- Strategic Management
- Business Restructuring
- Mediation/Negotiation
- Change Management
- Organisational Dynamics/Psychology

**Appointment Date:**
1 September 2009

**Position on Executive Committee:**
Chief Executive Officer

**Position on Armscor Board:**
Executive Director of the Board

**Directorships:**
- Armscor Defence Institutes (Pty) Ltd *(Dormant)*
- Erasmusrand Properties (Pty) Ltd *(Dormant)*
- Sportrand (Pty) Ltd *(Dormant)*
- Oospark (Pty) Ltd *(Dormant)*

**Mr Jacobus Gerhardus Grobler – Chief Financial Officer**

**Gender:** Male

**Race:** White

**Academic Qualifications:**
CA (SA), MBL , MCom (Tax)

**Areas of Expertise:**
- Financial Management
- Corporate Governance

**Appointment Date:**
1 July 1990

**Position on Executive Committee:**
Chief Financial Officer

**Position on Armscor Board:**
Executive Director of the Board

**Directorships:**
- Armscor Defence Institutes (Pty) Ltd *(Dormant)*
- Erasmusrand Properties (Pty) Ltd *(Dormant)*
- Sportrand (Pty) Ltd *(Dormant)*
- Oospark (Pty) Ltd *(Dormant)*

**Mr Meshack Phuti Teffo**

**Gender:** Male

**Race:** African

**Academic Qualifications:**
Master of Law (LLM)
Bachelor of Law
LLB
Higher Diploma in Tax Law

**Areas of Expertise:**
- Governance
- Legal/Risk and Compliance
- Strategic Leadership and Management

**Appointment Date:**
1 September 2003

**Position on Executive Committee:**
Group Executive: Acquisition and SCM

**Dr. Noel Mkhululi Mkaza**

**Gender:** Male

**Race:** African

**Academic Qualifications:**
PhD Nuclear Physics
MBA
MSc Materials Science
BSc Education
BSc Hons
Post Graduate Diploma Electrical Engineering

**Areas of Expertise:**
- Coaching
- Emotional Intelligence
- Strategic Leadership and Management
- Management in the Science and Technology Environment

**Appointment Date:**
1 June 2016

**Position on Executive Committee:**
Group Executive: Research and Development

**Adv. Ndodomzi Mvambo**

**Gender:** Male

**Race:** African

**Academic Qualifications:**
LLB
B Juris
Advanced Diploma Project Management
Management Advancement Programme (MAP)

**Areas of Expertise:**
- Labour Relations Management
- HR Management
- Projects Management and Disputes Management

**Appointment Date:**
1 January 2013

**Position on Executive Committee:**
Group Executive: Corporate Support

Ms Mmabore Evelyn Motsatsing

**Gender:** Female

**Race:** African

**Academic Qualifications:**
BSc
PG Dip (Business Management)

**Areas of Expertise:**
- Strategic Leadership and Management
- Stakeholder Management
- Business Intelligence
- Corporate Support Services
- Business Development
- Leadership Coach
- Marketing and Sales

**Appointment Date:**
1 February 2024

**Position on Executive Committee:**
Group Executive: Business Enablement

Ms Qhinaphi Sitsila

**Gender:** Female

**Race:** African

**Academic Qualifications:**
CRM Prac
Master of Business Administration (MBA)
BBA
LLB
Postgraduate Diploma in Risk Management

**Areas of Expertise:**
- Governance, Risk and Compliance
- Enterprise Risk Management
- Legal
- Strategic Leadership and Management

**Appointment Date:**
1 July 2022

**Position on Executive Committee:**
Acting Group Executive: Business Assurance

Mr Mpho Peecha

**Gender:** Male

**Race:** African

**Academic Qualifications:**
Master of Business Leadership (MBL)
B Tech Degree Engineering – Metallurgy
Executive Development Programme
Graduate Diploma in Management

**Areas of Expertise:**
- Engineering
- Corporate Compliance
- Arms Control
- Organisational Transformation

**Appointment Date:**
1 February 2007

**Position on Executive Committee:**
Executive Manager: Dockyard

# PART B PERFORMANCE INFORMATION

ARMSCOR
Armaments Corporation of South Africa SOC Ltd

GATEWAY TO DEFENCE SOLUTIONS

# 2.1 PERFORMANCE AGAINST GOALS 2023/24

### Operational Outputs for the 2023/24 Financial Year

Armscor's Corporate Plan defines two categories of performance indicators. The first category addresses performance indicators that measure the execution of Armscor's functions as defined in the Armscor Act and as agreed on in the SLA with the DOD. The second category measures the attainment of the strategic outputs of the Corporation.

### Performance against Outputs

In addition, Armscor uses an overall efficiency measure, which is the cost of acquisition. This measure reflects the ratio of operating cost incurred versus the acquisition cash flow (i.e. industry can deliver as contracted) during the reporting period based on the total forecasted acquisition activities (revised baseline).

## 2.1.1 Performance Indicator: Acquisition Cost

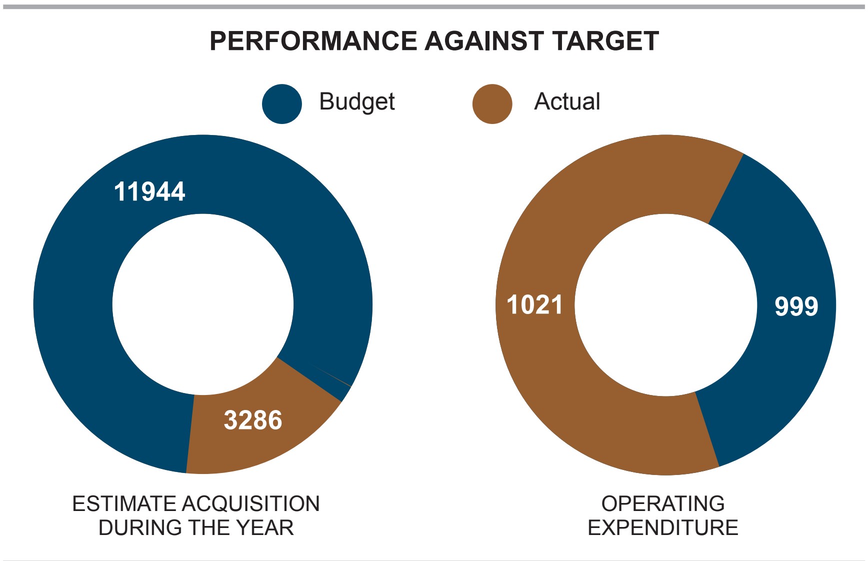
A cost of 8,36% was budgeted for the 2023/24 financial year taking into consideration the baseline for contracting and the agreed performance requirement to commit 95% thereof while contractual payments should be 95% of the committed amount.

**TABLE 2: Acquisition Cost**

| Acquisition cost | 2023/24 | 2022/23 | 2021/22 |
|---|---|---|---|
| Budgeted acquisition cost based on calculated cash flow | 8,36% | 8,53% | 8,30% |
| Acquisition cost based on actual cash flow | 31,09% | 29,00% | 23,16% |
| ***Note:*** *Budgeted figure was lower than actual expenditure due to reasons as stated in the detailed performance measurements below.* | | | |

The actual operating expenditure of R1,021.4 million furthermore represents a 2.24% increase from the budgeted operating expenditure of R999,0 million which is mainly due to additional bad debts provided for in the current financial year. The acquisition cost is still similar to previous financial years, significantly influenced by the industry's non-ability to execute the contracted work order for cash flow to take place.

**FIGURE 7: Performance against Target**



### 2.1.2 Performance Indicator: Mandated Functions (SLA)

Figure 8 summarises the SLA outputs as per the approved Corporate Plan (Tabled on 15 March 2024), with Performance against the SLA outputs presented in Table 4.

**Figure 8: Service Level Agreement Outputs**

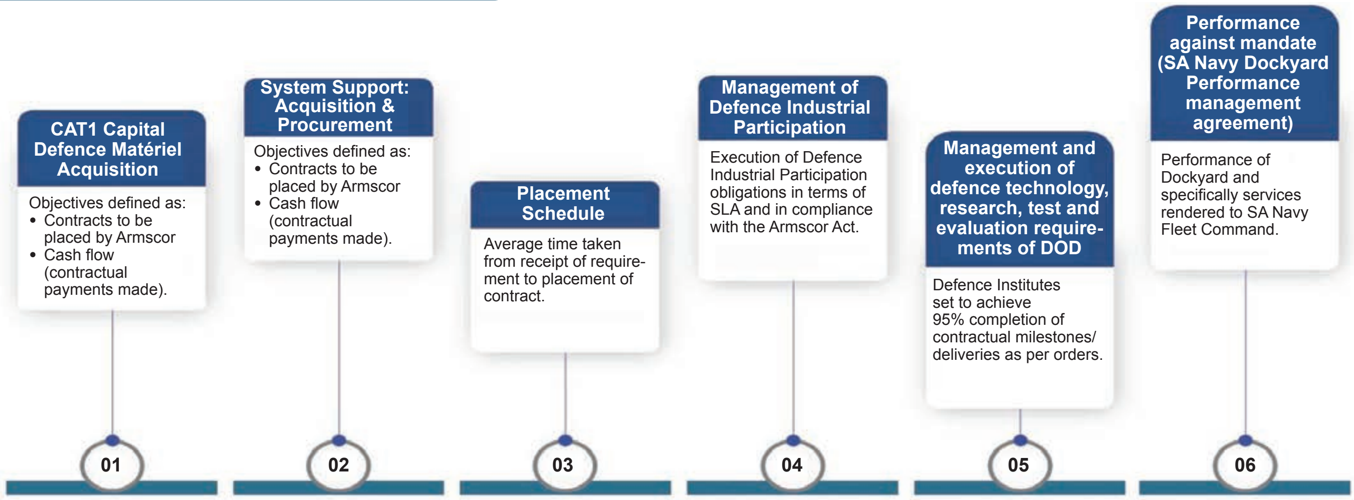



**Table 3: Summary Armscor Performance against the Service Level Agreement Outputs**

| Goal | Output Description | Sub-goal | Output Indicator |
|---|---|---|---|
| **Goal 1** | Cat 1 capital defence matériel acquisition excluding strategic defence acquisition but including technology acquisition | • Contracts to be placed by Armscor<br><br>• Cash flow (contractual payments made) | Armscor's target of 95% of commitment of funds to be measured against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD.<br><br>Armscor's target of 95% cash flow would be measured against the formally planned cash flow in terms of achieved commitments for the financial year. |
| **Goal 2** | System support: Acquisition and Procurement | • Contracts to be placed by Armscor<br><br>• Cash flow (contractual payments made) | Armscor's target of 95% of commitment of funds to be measured against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD.<br><br>Armscor's target of 95% cash flow would be measured against the formally planned cash flow in terms of achieved commitments for the financial year. |
| **Goal 3** | Placement schedule | • Average time taken | Target set to measure the average time taken from receipt of requirement to placement of contract. |
| **Goal 4** | Management of Defence Industrial Participation (DIP) | • Value of DIP credits granted | Target set to measure the execution of DIP obligations in terms of the SLA and in compliance with the Armscor Act. |
| **Goal 5** | Management and execution of defence technology, research, test and evaluation requirements of the Department of Defence | • Execution of technology requirements | The target of Armscor Defence Institutes is set to achieve 95% completion of contractual milestones/ deliveries as per orders received. |
| **Goal 6** | Performance against mandate (SA Navy/Dockyard performance management agreement) | • SA Navy Dockyard performance management in terms of SLA with SA Navy | The target set to measure the performance of the Dockyard and more specifically the services rendered to the SA Navy Fleet Command. |

**Table 4: Performance against the Goals**

### Goal 1: Category 1 capital defence matériel acquisition excluding strategic defence acquisition but including technology acquisition

| Output description (Projects) | Annual target 2023/24 | Achievement against target | Performance against output |
|---|---|---|---|
| 1.1 Percentage of DOD Capital requirements converted into orders placed.<br><br>Capital requirements will be registered upon approval of the Project Study Report by the DOD and the Functional Baseline by Armscor, and confirmation by the DOD of funds availability.<br><br>(Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid 3A requirements from the DOD.) | 95% | 97,14% | DOD requirements to the value of R254 959 035 were received.<br><br>Armscor committed R247 662 024 of the above mentioned funds resulting in an achievement of 97,14%.<br><br>***Target achieved.*** |
| 1.2 Percentage execution of contracts as measured through actual cash flow on DOD orders placed.<br><br>(Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD.) | 95% | 108,06% | The planned cash flow for the first revision was R1 478 324 208.<br><br>Armscor managed to realise cash flow to the value of R1 058 431 680 resulting in an achievement of 71,60%.<br><br>Adjustments for factors beyond Armscor's control amounted to R498 825 392. This resulted in a final achievement of 108,06%.<br><br>***Target achieved.*** |

### Goal 2: System support: Acquisition and procurement

| Output description (Operational funds) | Annual target 2023/24 | Achievement against target | Performance against output |
|---|---|---|---|
| 2.1 Percentage of DOD system support and procurement requirements converted into orders placed including:<br>• receipt of requirement;<br>• assessment and confirmation of requirement;<br>• submission of a top-level project schedule (Planning Document) to DMD within 14 working days;<br>• initiation of sourcing solution; and<br>• approval and placement of order.<br><br>(Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD.) | 95% | 97,90% | DOD requirements to the value of R2 541 709 939 were received.<br><br>Armscor committed R2 439 276 389 of the above mentioned funds resulting in an achievement of 95,97%.<br><br>Adjustments for factors beyond Armscor's control amounted to R50 186 171. This resulted in a final achievement of 97,90%.<br><br>***Target achieved.*** |
| 2.2 Percentage execution of contracts as measured through actual cash flow on DOD orders placed.<br><br>(Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD.) | 95% | 98,92% | The planned cash flow for the first revision was R3 526 236 164.<br><br>Armscor managed to realise cash flow to the value of R2 227 513 699 resulting in an achievement of 63,17%.<br><br>Adjustments for factors beyond Armscor's control amounted to R1 274 314 542. This resulted in a final achievement of 98,92%.<br><br>***Target achieved.*** |

### Goal 3: Schedule placement

| Output description | Annual target 2023/24 | Achievement against target | Performance against output |
|---|---|---|---|
| 3.1 Average time taken to convert DOD requirements into orders including:<br>• Confirmation of requirement;<br>• submission of a top-level project schedule (Planning Document) to DMD within 14 working days;<br>• completion of sourcing process; and<br>• approval and placement of order.<br>(Time taken from registration of requirement (3A) to placement of contract.) | 90 days for shortened process COTS items. | 80 days | An average of 80 days taken from receipt of requirement to placement of a contract.<br>***Target achieved.*** |
| | 120 days for non-COTS and Product Support GDA procurement. | 95 days | An average of 95 days taken from receipt of requirement to placement of a contract.<br>***Target achieved.*** |
| | 140 days for SDA acquisition programmes. | 86 days | An average of 86 days taken from receipt of requirement to placement of a contract.<br>***Target achieved.*** |

### Goal 4: Management of Defence Industrial Participation

A certain percentage of counter-performance is negotiated by Armscor with overseas suppliers on all contracts in excess of US$2 million. The management of these counter-performances is included as an output for Armscor, and the target is reflected in the following table:

| Output description | Annual target 2023/24 | Achievement against target | Performance against output |
|---|---|---|---|
| 4.1 Value of Defence Industry Participation (DIP) credits to be granted. | R50,33m | R1,85m | DIP credits to the value of R1 848 642 have been awarded during the 2023/24 financial year.<br>Due to various challenges experienced on projects Bandsman, Hotel, Leonardo and OSI Maritime, claims dropped drastically in the 2023/24 financial year. It is expected to continue to drop in the next financial year.<br>***Target not achieved.*** |

### Goal 5: Management and execution of Defence Technology, Research, Test and Evaluation requirements of the DOD

| Output description | Annual target 2023/24 | Achievement against target | Performance against outpu |
|---|---|---|---|
| 5.1 Percentage of execution of technology requirements.<br>(Armscor Research & Development to achieve contractual milestones/deliveries as per agreed Memoranda of Agreement and orders received for the financial year). | 95% | 84,5% | DOD orders to the value of R222 236 278 have been awarded during the 2023/24 financial year.<br>Amount invoiced:<br>R187 726 136 and executed during the year.<br>The performance was mainly due to:<br>• Some orders received late in March 2024.<br>• The 2022/23 financial year orders that were received late, affecting the current year's deliverables.<br>• Amendments to order delivery dates to 2024/25 financial year.<br>***Target not achieved.*** |

## Goal 6: Management and performance against dockyard mandate (South African Navy/ Dockyard performance management in terms of service level agreement with the South African Navy)

| Output description (Projects) | Annual target 2023/24 | Achievement against target | Performance against output |
|---|---|---|---|
| 6.1 Percentage of project tasking and job cards executed.<br>(Adherence to project tasking as approved in the project plan and execution of the adhoc activities).<br>6.1.1 Projects (Planned: Special projects/ Docking Essential Defects (DED)/ Refit).<br>6.1.2 ADHOC ACTIVITIES (unplanned maintenance). | 90% | 75% | Dockyard achieved an overall 75% for project tasking in line with the project plan as well as adhoc activities.<br>A further breakdown of the goal includes the following achievement:<br>• A 97% achievement for projects, which included:<br>• All SAS AMATOLA Docking and Essential defects activities were completed.<br>• All SAS ISANDLWANA refit ready to sail activities were achieved and the vessel were delivered at the contractor's facilities on 26 April 2024.<br>• SAS CHARLOTTE MAXEKE refit contracting: Appointed contractor could not meet the requirement.<br>• A 74% achievement for adhoc activities executed. Limited enablers (spares and material).<br>***Target not achieved.*** |
| 6.2 Percentage of compliance to project finance.<br>Manage project finances in accordance with approved financial authorities and cash flow plan. | 90% | 85% | Invoices amount to R1,8m could not be processed due to system failure and closure. These invoices were accrued for and will be claimed in the 2024/25 financial year. The target would have been achieved if claims for these invoices were processed.<br>***Target not achieved.*** |
| 6.3 Percentage of Ancillary Services executed.<br>(Provision of Ancillary Services as defined by SA Navy (power generation station, air supply, water supply, carnage support requirements, etc.) as per Dockyard funded business plan.) | 95% | 100% | Ancillary Services were delivered and signed off by the SA Navy.<br>***Target achieved.*** |
| 6.4 Percentage of training requests executed.<br>(Training provided in accordance with the plan and requirements submitted by the SA Navy during the reporting period.) | 100% | 100% | Training requirements requested were provided and signed off by the SA Navy.<br>***Target achieved.*** |
| 6.5 Percentage compliance with quarterly report timelines.<br>(Supply quarterly reports to Fleet Officer Flag that addresses inter-alia project performance status, financial statements, risks with mitigating plans, capabilities, facilities and ancillary services status reporting as per reporting timeline schedule.) | 100% | 100% | All quarterly reports submitted to Flag Officer Fleet on or prior to delivery date and signed off by the SA Navy.<br>***Target achieved.*** |

## 2.1.3 Performance Indicator: Strategic Outputs

Armscor focuses on four specific areas (Figure 9), a clear expression of its strategic intent and output. Table 5 summarises Armscor's performance on its strategic key area:

**Figure 9: Strategic Outputs**

**REVENUE GENERATION**

Increase in net realisable revenue to ensure that Armscor generates sufficient income to meet its funding needs in the short-to-medium term.

01

**COST MANAGEMENT**

Strategic capability maintenance, "while reducing costs", to ensure that Armscor remains sustainable to meet its funding needs in the near-to-medium term.

02

**EFFICIENT & EFFECTIVE DELIVERY**

Reducing the turnaround time of core customer-facing and internal processes, thereby strengthening stakeholder relationships.

03

**STAKEHOLDER MANAGEMENT**

Developing and maintaining long-lasting, strategic relationships with key stakeholders.

04

**Table 5: Summary of Armscor Performance against the Strategic Outputs**

| Output | Output Description | Tools | Output Indicator |
|---|---|---|---|
| **Revenue Generation** | Generate additional realisable revenue | • Leverage Strengths<br>• Commercialise IP<br>• Diversify client base | Increase in net realisable revenue to ensure that Armscor generates sufficient income to meet its funding needs in the short-to-medium term. |
| **Cost management** | Strategic maintenance and reduction of capital and Operating cost | • Implement cost containment measures | Strategic capability maintenance, "while reducing costs", to ensure that Armscor remains sustainable to meet its funding needs in the near-to-medium term. |
| **Efficient & effective delivery** | Effective Technology and IP Management, as well as Infrastructure Renewal | • Reduced turnaround times<br>• Implement ERP solution | Reducing the turnaround time of core customer-facing and internal processes, thereby strengthening stakeholder relationships. |
| **Stakeholder management** | Stakeholder Engagement Strategy and Transformation of Corporation | • Communication engagements<br>• Transformation | Developing and maintaining long-lasting, strategic relationships with key stakeholders. |

**Table 6: Performance against Armscor Strategic Outputs**

Performance against the approved Armscor Strategic Outputs are stated below.

| Strategic Output 1: Revenue Generation | | | | |
|---|---|---|---|---|
| **No.** | **Output description** | **Annual target 2023/24** | **Achievement against target** | **Performance against output** |
| 1.1 | **Generate additional realisable revenue.** | | | |
| 1.1.1 | Group Revenue (transfer payment, other income, and finance income). | R1 430,1m | R1 468,2m | A total group revenue of R1 468,2m was received.<br><br>***Target achieved.*** |
| 1.1.2 | Percentage increase in revenue from existing facilities of Armscor R&D. | R371,3m | R362,2m | Total income generated (excluding Transfer Payment): R362,2m.<br><br>***Target not achieved.*** |
| 1.1.3 | Revenue generated from the Business Enablement Business Unit. | R31,5m | R37,5m | Total revenue of R37,5m was realised.<br><br>***Target achieved.*** |

| Strategic Output 2: Cost Management | | | | |
|---|---|---|---|---|
| **No.** | **Output description** | **Annual target 2023/24** | **Achievement against target** | **Performance against output** |
| 2.1 | **Strategic maintenance and reduction of capital and operating costs.** | | | |
| 2.1.1 | Improve net financial position. | R24,3m surplus | R150,9m surplus | Surplus of R150,9m surplus was realised.<br><br>***Target achieved.*** |

| Strategic Output 3: Efficient and Effective Delivery | | | | |
|---|---|---|---|---|
| **No.** | **Output description** | **Annual target 2023/24** | **Achievement against target** | **Performance against output** |
| 3.1 | **Effective Technology and IP Management.** | | | |
| 3.1.1 | Percentage Development and Test Services:<br><br>Percentage compliance with DOD contracted work, in accordance with SLA between Armscor and DOD. | 90% | 94,2% | Orders placed:<br>Budgeted target: R1 079 063 308<br>Orders placed: R1 016 447 880<br>Achievement: 94,2%<br><br>***Target achieved.*** |
| 3.1.2 | Table IP exploitation requests received from Industry at EXCO.<br><br>(Provided that the request was received by Armscor before the beginning of Quarter 4 of the financial year.) | 80% | 0% | No IP exploitation request was received in the 2023/24 financial year.<br><br>***No opportunity to perform.*** |

| Strategic Output 3: Efficient and Effective Delivery | | | | |
|---|---|---|---|---|
| **No.** | **Output description** | **Annual target 2023/24** | **Achievement against target** | **Performance against output** |
| 3.1.3 | Maintain a complete and comprehensive IP Register, which ensures the maintenance of an unqualified audit opinion, in respect of DOD Intangible Capital Assets under Armscor's management. | 31 March 2024 | 31 March 2024 | Complete and comprehensive IP register maintained.<br><br>***Target achieved.*** |
| 3.1.4 | Commercialise one IP Technology.<br><br>(Provided that there is an Armscor owned dual-use technology that is at Technology Readiness Level 9 and can be commercialised.) | 31 March 2024 | 11 December 2023 | The approval to commercialise one IP Technology was obtained on 11 December 2023 by both EXCO and the Board.<br><br>***Target achieved.*** |
| 3.2 | **Infrastructure Renewal.** | | | |
| 3.2.1 | Renew application systems to improve effectiveness and efficiency:<br>• Implementation of the approved Digitisation plan.<br><br>Human Resources and Payroll.<br><br>Finance. | 30 September 2023<br><br>31 March 2024 | -<br><br>- | The initial go-live date of 30 September 2023, for the Enterprise Resource Planning (ERP) solution was affected due to delays in the Request for Bid (RFB) process. The schedule was revised for implementation of the modules to be in the 2024/25 financial year.<br><br>***Target not achieved.*** |
| | • Implement IT infrastructure renewal in line with Business Continuity Plan. | 30 September 2023 | - | The RFB for the UPS for IMT resulted in no qualifying bids. The RFB was cancelled and re-advertised with an initial closing date of 15 April 2024 and thereafter to 19 April 2024.<br><br>***Target not achieved.*** |
| 3.2.2 | Percentage Improve in Cybersecurity Capability:<br><br>• Percentage implementation of the annually approved Cybersecurity Capability Implementation plan. | 80% | 39,67% | Cumulative performance of 39,67% as at end of the 2023/24 financial year has been achieved for the implementation of the approved Cybersecurity Capability Implementation Plan.<br><br>***Target not achieved.*** |

| Strategic Output 4: Stakeholder Management | | | | |
|---|---|---|---|---|
| **No.** | **Output description** | **Annual target 2023/24** | **Achievement against target** | **Performance against output** |
| 4.1 | **Stakeholder Engagement Strategy.** | | | |
| 4.1.2 | Employee engagement survey (conducted every third year): Percentage implementation of identified interventions based on 2020/21 survey. | 90% | 95,86% | 95,86% of identified interventions based on 2020/21 survey have been implemented.<br><br>***Target achieved.*** |
| 4.2 | **Transformation of Corporation.** | | | |
| 4.2.1 | Achievement of approved Employment Equity Plan that is directed towards:<br><br>• Percentage improvement for female representation. | 40% | 42% | Overall, female representation totals 42%.<br><br>***Target achieved.*** |
| 4.2.2 | Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4%). | <4% | <4,88% | There were 26 (out of 532 technical positions) resignations during the reporting period.<br><br>***Target not achieved.*** |
| 4.2.3 | Skills Development Programme:<br><br>• Provision of bursaries for full-time studies (Cumulative number). | 23 | 27 | 27 students were enrolled on the Armscor Bursary Scheme as at 31 March 2024.<br><br>***Target achieved.*** |
| | • Contracting and development of graduate as interns i.e. Talent Development Programme (Cumulative number). | 30 | 34 | 34 candidates were appointed into the Talent Development Programme.<br><br>***Target achieved.*** |
| 4.2.4 | Succession Planning Development:<br><br>Percentage compliance with Succession Planning Development (key identified positions). | 80% | 83,52% | 83,52% compliance with the development plans as contracted with successors.<br><br>***Target achieved.*** |
| 4.2.5 | Total number of people with disabilities (including TDPs and learnerships). | 28 | 28 | The total number of people with disability appointed amounts to 28.<br><br>***Target achieved.*** |
| 4.2.6 | Military Veterans (MV) Preferential Procurement from Military Veterans entities. (Percentage of total procurement spend). | 2% | 0,81% | 0,81% of the total procurement spend.<br><br>***Target not achieved.*** |

# 2.2 CORE CAPABILITY FUNCTIONS

Armscor focuses on providing defence turnkey solutions, undergirded by a strong research and development capability focused on producing relevant, sustainable and technologically-advanced products to meet evolving industry needs. Its technologies have evolved from the defence sector to serve both the commercial and domestic sectors. Armscor's core functions are captured as:

CORE FUNCTIONS

ACQUISITION & SCM

RESEARCH & DEVELOPMENT

NAVAL DOCKYARD

# 2.3 OPERATIONAL REVIEW

## 2.3.1 Acquisition

The core function of Armscor is to acquire defence matériel and related services, primarily for the South African National Defence Force (SANDF) but also for other Government departments and services with permission from the Minister of Defence and Military Veterans.

The acquisition role of Armscor entails all the actions that need to be taken to satisfy the need for defence matériel or services intended for use in meeting or in support of client requirements. This includes the design, development and production of new products and products systems, upgrading of existing systems to mitigate obsolescence or to meet changed requirements, as well as the acquisition of product system support for user systems during the operational lifetime of the systems.

### a. Responsibilities of Acquisition Functions

The acquisition responsibility of Armscor can be broadly classified into two main categories being capital acquisition (funded by the Special Defence Account [SDA]) which entails projects that cater for technology development, directed systems development and the subsequent production of new defence matériel, and operating procurement and maintenance and support of existing equipment and systems (funded by the General Defence Account).

Capital equipment acquisition entails projects or programmes that are aimed at the development and production of complex systems that meet the stated capability requirements of the SANDF. During the execution of these development projects a formal risk-reduction process is followed, which eventually leads to the contracting of suitable suppliers to develop, industrialise and manufacture the products or product systems. Procurement entails the procurement of goods and services from industry in response to taskings from the respective Services and Divisions of the DOD. Product support activities entails the contracting of industry to maintain and support existing product systems of the DOD, and these activities are performed in response to taskings from the respective users within the SANDF.

### b. Performance Overview of Acquisition Function

During the reporting period, Armscor managed and executed contracts to a total order value of R18,527 billion. The total acquisition and procurement portfolio comprises of two primary components, being technology and capital acquisition contracts, which amounted to R12,869 billion, while maintenance and support contracts amounted to R5,658 billion.

### c. Status and Progress

The funding allocation for projects on the SDA (Capital Budget) has continually been decreasing over the past five years. Although the capital acquisition portfolio appears to be relatively high, the bulk of this portfolio's R10,498 billion comprises multi-year Denel orders of which the order values have been accumulating over the past number of years due to non-expenditure on those orders.

Funding for technology development was however allocated to the SDA during the reporting period, and this funding will serve to partly maintain at least the most critical capabilities in industry and ensure that some measure of renewal takes place.

## d. Risks and Concerns

The reduction of the DOD budget allocation and specifically the significant reduction in capital projects funded from the SDA, has necessitated Armscor to evaluate the impact of this continued and significant change in its operating environment. In this regard, the Acquisition and SCM Business Unit developed a new strategy during the 2021/22 financial year and a number of initiatives emanating from the strategy is currently being implemented. This is by servicing some of the security cluster departments (SAPS, BMA, Correctional services etc.) championed by the Business Enablement Business Unit.

The continued decline in the capabilities of Denel remains a concern, specifically with regards to Denel's ability to execute its contracted obligations as well as with the maintenance of the capabilities required to support and renew the Prime Mission Equipment of the SANDF for which Denel is the OEM. In this regard, Armscor has developed a number of initiatives aimed at maintaining the essential capabilities established in Denel, and furthermore to support Denel's turnaround initiatives.

## e. Opportunities

During the reporting period, Armscor has taken the lead in the exploitation of several substantial export opportunities which have the potential to provide significant stimulation to both Denel and the broader domestic defence industry. Armscor is capitalising on its good reputation in the international marketplace as a reliable, professional and capable state entity. It intends to act as an interface and main contractor to foreign defence forces and to consolidate capabilities in the domestic defence industry with the aim of providing integrated and comprehensive solutions to those potential foreign clients. In this regard, Armscor has had promising interactions and has strengthened relations with a number of potential foreign clients who have indicated an interest to work with Armscor to obtain niche defence systems from South Africa.

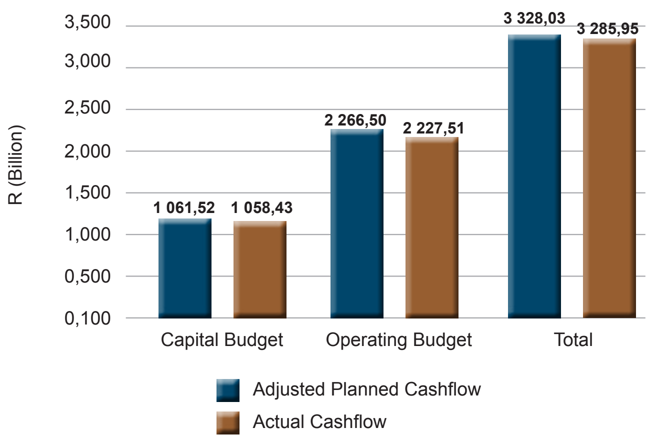
The decline in the Capital budget over the past number of years has precipitated a shift in focus away from traditional capital acquisition projects and more towards maintenance and support and the life extension of existing product systems of the SANDF. Armscor has been positioning itself to provide a more comprehensive service to the SANDF with respect to maintenance and life extension of product systems which are currently in use, as well as to develop and implement processes and mechanisms to facilitate rapid acquisition of new capabilities to meet the changing operational requirements of the SANDF. The Defence Acquisition Handbook has been upgraded by the introduction of a shortened acquisition process and Armscor has positioned itself to provide greater assistance to the DOD with regards to the utilisation of emerging technologies that have the potential to meet current operational requirements in a more efficient and cost effective manner.

## f. Financial Performance of Acquisition Function

An important objective of the Acquisition Department remains the commitment of all planned orders and full achievement of planned expenditure of DOD funds. In terms of the Service Level Agreement between Armscor and the DOD, Armscor's cash flow performance is measured against the joint Armscor/DOD cash flow planning that occurs during May/June of every year, adjusted with mutually-agreed deductions due to factors beyond Armscor's control.

A total amount of R1,773 billion which was planned during the first revision in May/June 2023 as cash flow for the 2023/24 financial year was not achieved due to factors beyond Armscor's control and is supported by agreements from the DOD. Taking this reduction of the planned cash flow target into consideration, Armscor achieved and exceeded its targets of 95% for the year. The graph in Figure 10 below reflects the planned cash flow that has been adjusted by deducting the value of orders that could not be achieved against planned payments due to factors beyond Armscor's control versus actual cash flow achieved.

**Figure 10: Achieved vs Planned Cash Flow**




The reduction in the DOD's budget allocation resulted in the respective services having to continually reprioritise their budgets in order to comply with the various priorities of meeting their constitutional mandate. This continuous re-prioritising of the allocation of the limited available funding has resulted in many requirements received by Armscor being underfunded, and in many cases funds were re-allocated subsequent to Armscor having received requirements. These factors resulted in many contracts (especially requirements funded from the DOD's operating budget) being placed later than planned or sometimes not materialising at all. These delays consequently had a negative impact on both industry's ability to deliver on planned commitments as well as on the achievement of planned cash flow at the end of the financial year.

At the end of the 2023/24 financial year R10,498 billion of the total DOD order book for the financial year comprised orders placed at Denel. The continuous loss of capacity and capability at Denel has again resulted in suboptimal performance against their contractual obligations.

In addition to the goal of achieving more than 95% of the planned cash flow by the end of the financial year, the SLA between Armscor and the DOD also set a goal of contracting more than 95% of received requirements during the financial year. During the 2023/24 financial year, Armscor managed to exceed this goal by contracting 108,06% and 98,92% of the requirements from the Capital and Operating budgets respectively. This was achieved despite significant delays in receiving requirements due to re-prioritising of the budget allocation by the DOD.

## g. Status of Significant Acquisition Projects

### General

The reduction in the Capital budget is having a significant and continuously increasing impact, not only on the local defence industry and on the maintenance of strategic and sovereign capabilities within the industry, but also on the operational readiness of the SANDF going forward.

### Maritime Systems

- **Hydrographic Capability**

This programme comprises the acquisition of a hydrographic survey vessel (HSV) with two organic survey Motor Boats (SMBs), a third fully operational inshore survey Motor Boat (SMB) kept ashore in reserve, and one sea boat, upgrading of the South African Navy Hydrographic Office (SANHO) infrastructure and the associated logistic support.

The main contractor continues to prepare the priority compartments in preparation for key sub-contractors. Key production activities on the inside of the hull include installation of piping, cable trays, flooring, electrical equipment placement (EEP) brackets, as well as equipment foundations and painting preparation. Activities on the outside hull include work being done on the stern propulsion, support brackets, bossing's, welding, speed log and gondola, as well as fabrication of the mast structure. Production progress was very slow during this reporting period.

The construction of the three SMBs and Sea Boat has been completed. The third SMB which is meant to be kept as reserve has been handed over to the SA Navy for commencement of the Operational Test and Evaluation phase. The remaining two organic SMBs are currently being kept in preservation while awaiting integration to the HSV once completed. The upgraded SANHO has been completed and was handed over to the SA Navy. The project is experiencing challenges and this has an impact on the contracted schedule, but Armscor is engaging with the contractor and sub-contractors to resolve the challenges.

- **Multi-Mission Patrol Capability**

This programme entails the acquisition of a new Multi-Mission Patrol Capability for the SA Navy, comprising three Multi-Mission Offshore Patrol Vessels (MMOPVs) and three Multi-Mission Inshore Patrol Vessels (MMIPVs). The MMIPV portion of the project is active and contracted while acquisition of the MMOPV component has been deferred.

The delivery of the first vessel took place in May 2022 and has been taken into operation by the SA Navy. The second vessel was delivered in September 2023 and has been taken into operation by the SA Navy. The construction of the third vessel has been completed and the vessel was launched in March 2024 and planned to be handed over to the SA Navy for operation in the last quarter of 2024/25 financial year. The delivery of logistic support elements is on track and are being delivered progressively with each vessel. The MMIPV project is progressing in accordance with the contracted functional performance and cost.

- **Midlife Upgrade of the SA Navy Frigates**

The aim of the programme is to address obsolescence on SA Navy Frigates and to ensure proper through-life support of the product systems. The project formally established the functional baseline (defining the operational requirement) during 2021 after completion of all combat suite and platform studies. Due to the reduction of the Capital budget, all further funding for this project has been removed, and project activities have been suspended.

- **Midlife Upgrade of the SA Navy Submarines**

This programme relates to the midlife upgrade of the current Type 209 Submarines of the SA Navy. The aim of the programme is to combat obsolescence of the platforms through replacement of identified subsystems on the vessels in order to ensure continued supportability of the submarines.

Feasibility studies have been completed and a recommended approach was defined in the Project Study Report which was subsequently submitted to, and approved by the SA Navy. The acquisition and implementation phase of the programme was due to commence after completion and acceptance of the recommendations of the Project Study Report, but due to the reduction in the DOD Capital budget, no further funds exist in the short term to continue with the project and all further activities have been suspended.

Dockyard is in the process of refitting two submarines and a frigate. With additional funding expected more vessels will be going through refits. The refits will further present an opportunity to address obsolescence for various systems. This will ensure more vessels are available for the SA Navy's operational requirements.

### Airborne Systems

- **New Generation Short Range Air-to-Air Missile**

This project entails the development of the A-Darter 5th generation short-range air-to-air missile (SRAAM) system for the South African Air Force (SAAF), which was co-funded by the Brazilian Air Force (FAB), and the subsequent manufacture thereof for the SAAF.

The development phase of the missile system was completed during August 2019 with completion of the Airworthiness Certification process by both the South African and Brazilian Air Forces. Completion of the development phase of the missile furthermore signified the end of the co-operation with the Brazilian Air Force on the development programme.

Contractually, the full complement of contracted missiles was scheduled to be delivered by October 2017. The project however experienced significant delays as a result of some technical challenges encountered by Denel, but primarily as a result of Denel's financial challenges which resulted in non-delivery of components and sub-systems by suppliers and which eventually also led to a substantial loss of experienced and critical personnel by Denel.

During the previous reporting period, Armscor launched an initiative to investigate the possible continuation of the project, and found that it might be feasible to complete the industrialisation and production of the missiles to meet the requirement of the SAAF, albeit by following a completely different and unique contracting model and with greater participation from the local defence industry, but with associated risks. Armscor was pursuing the new approach to the project and by the end of the previous reporting period, Armscor completed the development of the model to be followed and was ready to present the approach to the DOD for final approval before continuing with execution thereof. However, it was decided to continue with Denel, as their financial situation and manpower improved and in March 2024, Denel presented to Armscor with their plan to deliver on this order which includes the suppliers they are planning to work with and the technical skills they are working on getting back. This remains a high risk but Denel is working very hard to mitigate it.

## Landward Systems

- **New-Generation Infantry Combat Vehicle**

This project provides for a New Generation Infantry Combat Vehicle Products System (NGICV-PS) to replace the Ratel Infantry Combat Vehicle that has been in service since circa 1976. The project entails acquisition of of five combat variants including logistic support and ammunition.

Armscor presented the status of Project Hoefyster and recommendations to the Project Control Board (PCB) on 06 April 2023. The PCB recommended that Phase 1 (development) of Project Hoefyster be completed with delivery of 1 Battalion comprising of 88 Vehicles to the SA Army with the funding available.

Denel has committed on implementing a turnaround strategy in re-capacitating the projects to enable the project deliverables. Furthermore, Denel committed to re-costing the reduced requirement of 1 Battalion of 88 Badger vehicles in the third quarter of the 2023/2024 financial year.

During the third quarter of the financial year, from 26 September 2023 to 24 November 2023; Denel had to focus resources in response to the invitation to participate in the SA Army CTC Lohatla Exercise MADULO. The involvement was in showcasing capabilities of the Badger vehicles consisting of Section Variants, Command Variant and an Ambulance Gunners, Commanders and Drivers from 1 SAI and 8 SAI as well members from SAMHS, trained by Denel for the Exercise.

Delivery on the project thus far includes 30mm ammunition, 60mm mortar bombs and RADIATE Communication equipment to DoD Stores. There are a number of other items such as vehicle platform hulls, turret hulls, vehicle platforms with fit, 30mm canons, training simulators and goods packages that have been manufactured but remain as work in progress (WIP) awaiting integration to higher level 5 product systems.

The estimated new Phase 1 PBL completion dates (at Denel) are:

- Section Variant – 30 September 2024
- Fire Support Variant – 30 November 2024
- Command Variant -31 May 2026
- Missile Variant – 31 Sept 2025
- Mortar Variant – 30 June 2026
- All Variants ILS – 15 December 2026

The completion dates will be extended by 3-4 months to allow of Armscor QES Audits and presentation to Armscor PRC as well as BRB for Baseline acceptance. Provision for funding to conduct Landmine blast tests to finalise Phase 1 PBL and cost impact as a result of VAT and Escalation, remain key levers for project success.

Armscor intends to provide feedback recommendations to SA Army and PCB once project details pertaining to specifications are confirmed by Denel. Acceptance of the recommendations by the DoD will determine the way forward on the program including obsolescence management thereof. A resolution is expected to be achieved at the end of the second quarter of the 2024/2025 financial year.

- **Ground Based Air Defence System for the SA Army**

The Ground Based Air Defence (GBADS) project was divided into three distinct phases. The first phase of the programme, namely the Local Warning Segment (LWS), has been delivered to the end user, South African Army Air Defence Artillery Formation and is operational. Phase two of the GBADS programme entails the upgrade of the Gun Fire Control System (GFCS) of the 35mm Anti-Aircraft guns currently in service with the end user and has been successfully completed and delivered to the client. Phase two also entails the inclusion of the missile Short Range Air Defence System (SHORADS) capability, but this sub-phase still remains unfunded.

The third phase of the GBADS programme addresses the Design and Development of the Battle Management, Command and Control, Communications, Computers and Information (BMC4I) integration within the Mobile Air Defence System (MobADS) Regiment. The development of this system is currently in process and should be completed with the establishment of a product baseline by the end of August 2024.

In March 2024, Armscor approved the contracting of the production and transition phase of the project, which has three sub-phases. The first phase provides for the GBADS simulator facility and preparation of client furnished equipment vehicles, local warning radars and radios for the project which is currently funded.

The second sub-phase provides for the establishment of a final production baseline (fPBL) and the initial operational baseline (iOBL) as part of the Partial Acquisition Plan 1. This includes the commissioning and interim support for two years. Sub-phase 3 consists of the balance of the acquisition. Sub-phase 2 and 3 remain unfunded and will be activated once funding becomes available.

### Common Weapon Systems

- **New Generation Tactical Communication System**

This project addresses the acquisition of a completely new generation of a tactical communication system for the SANDF. This system will make provision for all tactical communication requirements for all arms of service and will ensure interoperability between all users.

The communication system encompasses state of the art transmission and information security techniques, whilst incorporating semi real-time data link performance characteristics as well as digital voice communication. Development, integration and qualification of the various elements of this system has been completed. Design Test and Evaluation (DT&E) has been demonstrated successfully, whilst system performance has been verified and accepted by the user during Preliminary Operational Test and Evaluation (POT&E) and Final Operational Test and Evaluation (FOT&E). Backwards compatibility with legacy systems was demonstrated and interoperability between the different services was verified.

This is the first tactical communications system in the world that will provide complete interoperability between all elements of the battlefield (Air force, Army, Navy, etc.) without making use of gateways or protocol converters.

## DEFENCE INDUSTRIAL PARTICIPATION

Defence Industrial Participation (DIP) entails the obligation incurred by a foreign supplier to reciprocate defence related business in South Africa as a result of foreign Defence Acquisition, and forms an integral part of the DOD's policy framework for the retention and development of the South African Defence Industry.

Armscor is currently managing 14 existing active DIP agreements resulting from capital acquisition projects; and one DIP agreement resulting from the procurement of pistols on behalf of the SAPS.

Under the project to supply three Inshore Patrol Vessels (IPVs), the obligor achieved over and above what was planned by huge margins for the two previous financial years. The obligor reduced the claims during this financial year and this has greatly affected the initial set target for the financial year.

Under the project for the Acquisition of a Hydrographic Survey Vessel, three of the four obligors registered DIP credits already. The non-payment of suppliers by the main contractor (SAS) as reported in the previous financial year, is still persisting this financial year. This will require that Armscor revise its targets downwards. The risk of non-performance against the total obligation and final completion dates is medium to high, as there are delays on interim milestones. The situation is unpredictable and will be monitored and assessed on a continuous basis.

For other DIP activities, Aviation Rescue and Fire Fighting Vehicles and Acquisition of Night Vision equipment, the obligors experienced various challenges and have requested freezing of activities or postponement to future dates. Based on the above, performance is far less than initially planned and there will be far less claims for at least two financial years.

**Table 7: The Status of the Four DIP Portfolios at 31 March 2024 is as follows:**

| Portfolio | Number of current contracts | Number of completed contracts | Total obligation Rm | Credits passed during current financial year Rm | Total credits passed to date Rm | Outstanding obligation Rm |
|---|---|---|---|---|---|---|
| SDPs | 0 | 8 | 15 111 | 0 | 15 111 | 0 |
| Active (SDA) | 14 | 43 | 8 010 | 0 | 7 603 | 407 |
| Police Contracts | 1 | 3 | 184 | 2 | 170 | 14 |
| Proactive | 2 | 0 | n/a | 0 | 74 | n/a |
| **Total** | **17** | **54** | **23 305** | **2** | **22 958** | **421** |
| Historic Proactive | 1 | 48 | n/a | 0 | 868 | n/a |

## 2.3.2 Research and Development

### 2.3.2.1 Protechnik Laboratories

Protechnik Laboratories, a facility of Armscor, has been a cornerstone in the field of testing laboratories for over three decades, maintaining an ISO 17025/IEC: 2017 accreditation. Recognised as a top-tier Defence Evaluation and Research Institute (DERI), Protechnik boasts state-of-the-art facilities and a team of highly skilled and educated scientists. These experts deliver specialised testing services specifically tailored for the defence industry.

At the turn of the century, the global landscape of chemical warfare underwent a significant transformation, challenging the stipulations of the Chemical Weapons Convention. This shift, marked by the emergence of new chemical warfare agents (CWAs), necessitated revisions to the toxic chemical annexes of the Convention. In response, Protechnik has intensified its research and development efforts focusing on the analysis of chemical toxins and bio-toxins to address these challenges. Recognising the evolving threats posed by CWAs, Protechnik pioneered remote testing services to adapt to the changing needs. A technology demonstrator in the field of remote chemical detection was recently developed through an integrated system based on the unmanned aerial vehicle (UAV) and chemical detector. This technology enables military personnel to detect hazardous chemicals in otherwise inaccessible areas, enhancing their operational capabilities.

Protechnik has also been at the forefront of material science, developing graphene-based nanomaterials for use in electrochemical gas sensors. These sensors have been rigorously tested against harmful gases and are part of a broader initiative to develop a remote electrochemical sensing prototype. This prototype aims to monitor toxic industrial chemicals in urban environments, contributing significantly to public safety.

In collaboration with Flamengro, another division within the Armscor R&D Department, Protechnik developed an application software, which aids in identifying toxic industrial chemicals during emergency incidents. The laboratory has also established new methods for extracting and analysing several toxic and environmental pollutants, ensuring their methods are both accurate and sensitive, particularly in identifying contaminants in food such as mycotoxins in milk, maize, and mealie-meal.

Protechnik provides quality assurance throughout the production process of respiratory protective equipment, from raw materials like adsorbents to the final products. They have innovated by producing activated carbon from orange peels, which has proven highly effective in adsorbing metal ions from contaminated wastewater. This product was found to be more effective than traditional macadamia nutshell-based activated carbon. Comparative studies conducted showed a 95% effectiveness for adsorbing copper and manganese ions, whilst only 86% was achieved from the macadamia nutshell-based activated carbon.

### 2.3.2.2 Hazmat Protective Systems

Hazmat manufactures air purifying respiratory products for the personal protective equipment (PPE) industry. Hazmat is one of a limited number of respiratory equipment suppliers with a local manufacturing capability. Most competitors import products for reselling purposes. Hazmat is the only local respirator filter manufacturer with a carbon impregnation plant.

Significant highlights, challenges and events during the reporting period include:

The carbon impregnation plant was extensively serviced by the original equipment manufacturer (OEM) to ensure the unique manufacturing capability that provides Hazmat with a competitive advantage is maintained. This enables Hazmat to supply quality impregnated carbon required for the manufacturing of most respiratory filter products.

The procurement and maintenance of critical items on the filter assembly lines was concluded. Replacement of critical equipment will continue in the new financial year.

Hazmat's main strategy and focus for the 2023/24 financial year was to recover from the consequences of the liquidation of one of its major clients during the 2022/23 financial year. Significant progress was made and two new products were developed and launched into the market to increase sales. The liquidation still had a negative impact on revenue and profitability resulting in Hazmat experiencing a relatively small net loss, as anticipated. A significant improvement was made on the previous year's financial results. If Hazmat can continue with the turnaround, profitability should again be achieved in the short- to medium-term.

Load shedding and slow economic growth (high interest rates) still impacted Hazmat sales as the demand for products from industries that make use of Hazmat's filters was lower than expected.

### 2.3.2.3 Gerotek Test Facilities

Gerotek Test Facilities' (Gerotek) primary mandate is to be a strategic test facility of the DOD for testing and evaluation of military vehicles and subsystems; and characterisation of antennae and radio systems for all arms of SANDF.

Gerotek is a multi-disciplinary test facility, providing accredited, independent test and evaluation services; product launch promotions and corporate events; advanced driver training and development programmes for the automotive, electronics, and defence industries including security forces and other local and international industries.

As a multi-disciplinary test facility, Gerotek has five income generating operations (with their own cost centres):

- Testing: Vehicle, Environmental, and Electromagnetic Compatibility (EMC), which are ISO 17025 accredited.
- Paardefontein National Antenna Testing Range (PNATR).
- Gerotek Advanced Driver Training, which is SASSETA and TETA accredited.
- Gerotek Events and Conference Services.
- Sidibane Restaurant.

Highlights during the reporting period:

- All industry and international accreditations, and SHEQ management certifications were maintained i.e. ISO 17025, ISO 14001, and ISO 45001.
- Gerotek Training assisted the Road Traffic Management Corporation (RTMC) with defensive and advanced driver training to more than 240 21st Century Cadre Traffic Law Enforcement Trainees. Advanced skills training programmes continued to be offered to the automotive, motorsport, industrial, mining, and defence and Security industries, and other state institutions.
- Gerotek Events hosted the Defence Demo Day and Security Conference, organised by Creative Space Media. This event attracted more than 500 participants from the SADI in attendance.
- Gerotek Events hosted Cars.co.za, who test drove about 65 cars, who were contenders to about 11 categories of the annual Cars.co.za Consumer Awards. No fewer than 18 brands of cars and their derivatives were driven on various Gerotek test tracks to be evaluated on different criteria of the competition for Consumer Awards.
- The demand for testing services remained subdued. However, EMC testing saw an increase in testing for home electronic appliances; which creates an opportunity for further exploring the home appliances market for testing services.

### 2.3.2.4 Technology Management, Analysis and Industrialisation Division

Technology Management, Analysis and Industrialisation (TEMANI) performs an independent, centralised coordination and management role for technology acquisition of category 1 defence matériel, facilities and services in accordance with the operational requirements of the DOD. The Division manages technology programmes in various areas to develop and maintain capabilities in South Africa, which would support the new and changing demands of the SANDF. The Division derives its mandate from the SLA between Armscor and the DOD.

### 2.3.2.5 Management of Technology Development Programmes

Technology development programmes are undertaken in various technology areas with the strategic intent to develop and maintain relevant technologies and capabilities in South Africa, which will support the new and changing demands of the SANDF.

These technology development programmes are conducted in SADI and DERIs.

Management of Technology Development Programmes include:

- Landwards Technology: Provides SA Army with scientific and engineering advice and technological solutions aimed at providing engineering knowledge to improve weapon systems in the domains of mobility, protection, and firepower.
- Aerospace Technology: Provides the SA Air Force with scientific and engineering support services in the aeronautics, airborne electronic warfare and guided weapons domains.
- Maritime Technology: Provides SA Navy with scientific and engineering support services as well as risk reduction work for the new vessels being acquired. Research and development work is being conducted in the underwater communications, underwater warfare, underwater security, above-water warfare, and maritime domain awareness.
- Electronics Technology: Provides ready technology base in electronics in order to provide scientific and engineering advice and technical solutions to all arms of services of SANDF in radar, electronic warfare, optronics, communications, command and control and information security domains.
- Support Technology: Develops and maintains sustainable capability in chemical and biological defence as well as ergonomics and body armour as part of soldier support.

### 2.3.2.6 Intellectual Property Management Division

Intellectual Property (IP) of defence matériel or technology development projects created or acquired on behalf of the DOD is managed by the Intellectual Property Management Division (IPMAD). The IP is categorised as either sovereign or strategic IP and the function to manage IP includes the following generic elements:

- IP identification.
- IP recorder and protection.
- IP valuation.
- IP contract management.
- Legislative compliance with IP laws.
- Direct and/or indirect exploitation of IP.

Strategic IP may be exploited with little consequence to the DOD but sovereign IP may only be exploited after due consideration has been given to the sovereign subsystems in the specific technology. Commercial equivalents of the sovereign sub-system are created for the commercial market.

DOD IP is exploited with the support of Armscor's Executive Committee, Technology, Industry Support and Sustainability Committee, Armscor Board of Directors, Defence Intelligence, and the User Environment. The Secretary for Defence, on behalf of the Minister of Defence and Military Veterans approves requests to exploit DOD IP.

IPMAD also manages Armscor owned IP. Armscor IP is exploited with the approval of Armscor Board of Directors.

Furthermore, IPMAD is responsible for assisting the DOD with accounting for the DOD's Intangible Assets relating to IP within Armscor. This is done by annually preparing a Financial Asset Register for all DOD's intangible assets within Armscor in accordance with Treasury's Modified Cash Standard. The register is audited annually by the Auditor-General of South Africa (AGSA). An unqualified audit for intangible assets relating to IP was obtained by the DOD for 2023/24 financial year.

### 2.3.2.7 Armour Development

Armour Development makes use of the latest available materials and methods to design and manufacture armour systems. These concepts of armour designs are tested against light, medium and heavy calibre weapons, explosives and warheads under controlled conditions. The main clients are the DOD and the SANDF. The DRDB funded research projects are guided by the requirements of the soldier in the field and addresses current and future threats.

In the development of armour protection, new milestones were achieved with the passive and reactive armour systems resulting in improved performance against warheads. A newly developed lightweight body armour system is now ready for implementation. In the project to determine critical angles on armour steels, over 8 000 shots have been fired and a comprehensive database is already available for DOD to use. It is expected that the database will be completed in the next three years and will include medium calibre ammunition.

Armour Development has received new orders for their Armour Protection Technology and Critical Angle projects. These projects are both funded through the DRDB. The Critical Angle project is executed with partnership from a Swedish company. Armour Development continues serving various local and international companies on the use of Armour Development services.

Armour Development provides ballistic testing services to these commercial clients for certification of armour systems, which further allows these companies to market their products locally and internationally. In addition, Armour Development has a wealth of knowledge in armour design and provides design reviews on armour for vehicular applications in the industry.

All the armour protection and commercial work packages milestones on Armour Development that could be used for current and future armour systems for the DOD and commercial clients were achieved, completed and delivered. There has been renewed interest in the new generation body armour package developed by Armour Development for use by the SANDF.

### 2.3.2.8 Fluid and Mechanical Engineering Group

Fluid and Mechanical Engineering Group (Flamengro) has four main capabilities, namely computational mechanics, test measurement, software development and additive manufacturing. These capabilities are offered first to its main client, the DOD, as well as to the commercial clients in the defence industry. This type of work involves development and maintenance of internal and external ballistics codes, development of new ammunition technology, weapon systems launch response, artillery range extension mechanisms, ammunition technology, and weapon mounting dynamics.

Highlights during the reporting period include:

- Flamengro is continually investing in a state-of-the-art test facility for the testing of specialist materials, sensor calibration, blast wave testing, and impact testing for armour materials. The SADI lacks material data for defence materials subjected to high strain rates. This type of work seeks to solve this problem by performing both tensile and compression test through compressed air driven impact tests. Furthermore, the facility is capable of conducting impact testing for armour materials and blast wave tests on mannequins for ergonomics purposes. A shock tube has been designed and commissioned with capabilities of conducting blast wave interaction for various projectiles.
- Completion of the 30 x 173mm medium calibre concept demonstrator for Counter Rocket Artillery and Mortar (CRAM) applications. The purpose of this DRDB funded technology was to develop a relatively cheaper and affordable medium calibre ammunition for CRAM applications whilst using existing subsystems from local defence industry role players.
- A design and commissioning of a spin-jig for a pre-fragmented 30mm projectile fuze testing has been achieved. The spin-jig is a continuation of the pre-fragmented 30mm projectile project in partnership with some local manufacturers. The 30mm projectile is used by many defence forces throughout the world. In an effort to improve this projectile, Flamengro has developed two versions of this projectile to be integrated in many weapon systems. This development has now surpassed technology readiness level 4.

In order to strengthen this capability Flamengro is continually investing in training young engineers under the Armscor Talent Development Programme for two years. The current talent pool includes two mechanical engineers.

### 2.3.2.9 Ergonomics Technologies

Ergonomics Technologies (ERGOTECH) continues to lead in the South African ergonomics industry by providing a comprehensive array of ergonomics and occupational hygiene services to the SANDF and commercial clients.

Significant highlights and events during the reporting period include:

- Upgrading of the anthropometric scanning equipment through the procurement of the BodiMe Scanatic 360 Whole Body Scanner. The new 3D scanner offers a faster setup time, improved accuracy and customisable anthropometric measurements. The scanner will be used to maintain the current SANDF anthropometric data base. The scanner is also compatible with virtual design and simulation platforms, which will allow for the virtual design and evaluation of clothing specific to the dimensions of the SANDF soldiers.
- Creating a virtual sound library to include various weapon sounds. This library will serve as a training tool for the SANDF to be used in virtual reality and simulated environments.
- Expanding the hearing protective device database. This database provides a detailed record of the attenuation properties of various hearing protective devices to ensure that the correct hearing protective device can be recommended for specific occupational environments.
- In collaboration with Flamengro, a finite element model of the lower leg was created. This model may be used to

simulate stress and strain under various conditions, such as the exposure to blast waves or the effect of footwear design on injury risk.

#### 2.3.2.10 Institute for Maritime Technology

The Institute for Maritime Technology (IMT) is a multi-disciplinary facility specialising in techno-military research and development, as well as specialised products and services.

Through the combined expertise and dedication of professional staff, IMT provides a foundation for the exploration, conceptualisation, improvement, modernisation, in-service engineering, and maintenance of systems that ensure the client accomplishes its roles and responsibilities in an optimum manner. IMT's focus is to provide utility that addresses the real needs of clients.

IMT consists of nine domains and one of them is the Maritime Domain Awareness (MDA). This domain mainly consists of developing networking systems to couple remote sensor sites to a central data server and developing the software tools to analyse and display real-time situational awareness data to several sites. IMT's MDA has successfully developed a software, which performs data collection, data packing, data storage, display, analysis and post event replay at the dedicated MDA centres.

IMT services are also available to non-SANDF clients on a selective basis. Spin-offs from techno-military activities are developed into commercial products through joint ventures with industry. An example of the application of IMT underwater acoustic expertise is the development of the Ultrasonic Broken Rail Detector (UBRD). The UBRD is designed to reliably detect breaks in continuously welded rails. The system is constantly developed and refined into the leading broken rail detector technology in the world; IMT successfully developed UBRD Version 5.

#### 2.3.2.11 Alkantpan Test Range

Alkantpan Test Range, is a ballistic test range established to test ordnance for the SANDF as a strategic facility to ensure that all the defence requirements are met. It is also open to the local and foreign defence industry for testing ordnance.

Alkantpan has maintained and hosted both local and foreign clientele during the reporting period. The tests were conducted and contributed to higher than planned/budgeted sales.

Alkantpan hosted two Denel capabilities demonstrations, which attracted foreign clients.

During the reporting period, Alkantpan received a request from an Italian client to modify a 76mm weapon stand platform to accommodate the higher elevation while firing 76mm ammunition. This was achieved and changed the range of 76mm ammunition firing from between 1 000m to 7 000m. The facility is currently able to fire to the range of between 1 000m to 25 0000m on the new stand platform configuration.

Alkantpan continues to maintain good relations with one of its clients from Singapore. This was reflected with a signing of the new five year contract.

#### 2.3.2.12 Defence Decision Support Institute

The Defence Decision Support Institute (DDSI) renders the following services to the DOD:

1. Defence capability analysis, environmental scanning, operational data analysis, operational research services, policy development and/or support, regional analysis and strategy development support.
2. Configuration and data management, logistics and systems engineering support.
3. Product systems management and stock management within the DOD.

DDSI is mainly funded through the transfer payment and Government Orders (GO) from Memoranda of Agreements (MOAs) in line with SLA.

The Division was significantly impacted by the reduction in the MOA funding emanating from the budget cuts within the DOD. Decision Support Services and Staff Support Services were rendered to the Capability Development Directorate under Chief SANDF, Military Policy Division and Chief Defence Policy Strategy and Planning Division under Chief DPSP and Directorate Products System Management under Chief Army, Army Force Structure.

During the reporting period, DDSI rendered services to, amongst others, the Defence Secretariat, Capability Development, Joint Command and Control Technology Project and Directorate Army Products System Management with SA Army.

### 2.3.3 Armscor Dockyard

Armscor Dockyard is an ISO 9001-certified organisation mandated to do third-level maintenance, repair, overhaul, and modernisation on the fleet of vessels in the SA Navy. The Dockyard must maintain its capability regarding people, buildings, equipment, training, and renewal to support the SA Navy properly. The maintenance of the Dockyard's capability is a critical component of the SA Navy maintenance philosophy, which aims to ensure increased vessel availability for planned missions.

#### Capability Management

The capability management plan has been reviewed and identified gaps in terms of skills, technology, processes and systems. These are being addressed in accordance with the plan. New capabilities, such as gasket manufacturing capabilities have been commissioned, which leads to improved turnaround times on maintenance tasks.

Major maintenance of syncrolift has been carried out. The Dockyard successfully replaced syncrolift brakes in Simon's Town to ensure safe docking operations. The procurement phase of the critical spares for Durban syncrolift has been concluded, together with a fully costed rehabilitation plan to improve the lifting capacity in Durban. Funding challenges impacted on the the implementation plan.

## Project Management

Armscor Dockyard performance is measured in accordance with the Performance Management Plan agreement signed with the SA Navy.

## Project Highlights

- SAS Charlotte Maxeke (Refit)

The vessel preparation phase has advanced with the installation phase fast approaching. This phase allowed the Dockyard to use newer surface preparation technologies such as sponge blasting. This environmentally friendly blasting technology will be further extended to other platforms. Excellent ultra-high-pressure blasting skills were demonstrated, adding to the Dockyard's effort to maintain the required skills for the maritime sector.

- Infrastructure Upkeep

The Dockyard also provides auxiliary services such as shore supply, docking operations, electricity production, and mobile equipment supply for projects in accordance with the MOA between SA Navy and Armscor Dockyard. The divisions provided 100% of ancillary services to the SA Navy. Power generation has taken a strain due to Eskom's load shedding disruptions. Strategic interventions to increase equipment availability to support vessel repair activities are advancing. Great progress has been achieved, as most roof defects were addressed within this reporting period.

- Frigates

Dockyard is in the process of refitting two submarines and a frigate. With additional funding expected more vessels will be going through refits. The refits will further present an opportunity to address obsolescence for various systems. This will ensure more vessels are available for the SA Navy's operational requirements.

# 2.4 SUPPORT FUNCTIONS

SUPPORTING FUNCTIONS

BUSINESS ASSURANCE

BUSINESS ENABLEMENT

CORPORATE SUPPORT

CORPORATE FINANCE

## 2.4.1 Business Assurance

### Quality

The Corporation strives to acquire and deliver products and services of high quality to all its clients, whilst ensuring that its operations are carried out in a manner that does not compromise the safety and wellness of its employees, and that due care is exercised to ensure minimal damage to the environment.

This is achieved through the establishment and maintenance of the Quality, Safety, Health and Environment (SHE) Management Systems that are certified under different schemes of the International Organisation for Standardisation (ISO) Management System standards.

Furthermore, in order to ensure the integrity of its Acquisition and Supply Chain Management Process, a dedicated team of Quality Professionals is appointed to provide the following quality assurance services:

- Ensure that the process to appoint service providers and suppliers is conducted in accordance with treasury regulations, and is fair, transparent and equitable.
- Monitor supplier quality performance against applicable technical standards and contractual conditions to ensure timeous delivery of defect free products to the client and/ or end user.

### Quality Management System

The Corporation has established a Quality Management System that conforms to the requirements of the ISO 9001:2015 standard (Requirements for Quality Management System). During the reporting period, the organisation has maintained its certification under ISO 9001:2015, following successful completion of the annual surveillance audits conducted across all its facilities.

Furthermore, in order to keep the international recognition and competitive edge, Armscor laboratories and testing facilities are further certified or accredited to other international standards. Alkantpan Test Range is accredited in accordance with ISO/IEC 17020:2012 for the inspection of explosive facilities, equipment and processes. Gerotek Test Facility is accredited for electrical, mechanical, physical, performance and electromagnetic compatibility (EMC) testing in accordance with ISO/IEC 17025:2005. Protechnik Laboratory is also accredited in accordance with ISO/IEC 17025:2005, but for chemical and physical analysis.

### Supplier Quality Management

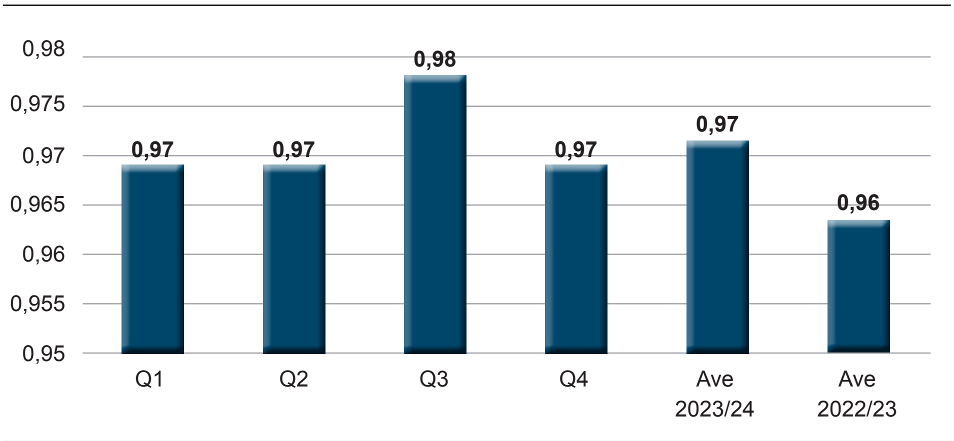
The Supplier Quality Management function is performed by a dedicated team of Armscor Quality Representatives assigned to each Acquisition Project and or Product System Support Order. The team ensures that quality is carefully designed into the build process, thus into the product itself, and not checked only at the end of the product development process.

The performance of suppliers is monitored through an in-house developed tool called ACQI (Armscor Contractor Quality Index), which takes into consideration factors relating to the following:

- Inspection Release Certificate and Rejection Notes issued.
- Deviations/Concessions permit issued.
- Corrective Action Requests issued.

During the reporting period, a large percentage of suppliers have performed well, and achieved an average ACQI rating of 97%, which amounts to a 1% improvement when compared with previous financial years reflected in Figure 11.

**Figure 11: Armscor Contractor Quality Index**




### Third Party/Government Quality Assurance

As a subset or component of the Supplier Quality Management function, the Corporation provides a product quality assurance service on a second party or third party basis. The DOD remains the primary client for second-party quality assurance, with this service being extended to other organs of the state, such as SAPS and the Department of Correctional Service (DCS), as and when needed. Governments of all countries and private entities receive third-party/Government Quality Assurance (GQA) services at a fee to contribute to both the sustainability of the Corporation, and continual skills enhancement of the quality team.

GQA services are rendered by a team of Quality Representatives with the requisite technical knowledge and skill on military products and systems. GQA clientele consists of both local and overseas clients. The GQA revenue generated during the reporting period is approximately R4,5 million and above the annual target of R3 million.

### Safety, Health and Environment

Armscor's Top Management is committed to the management of SHE in the workplace. As a result, a Compliance Risk and Management Committee (CRMC) to monitor and review SHE related incidents and non-conformances on a quarterly basis was established. In order to ensure that an acceptable level of compliance to SHE requirements is achieved, the Corporate SHE Division conducts regular assessments on a quarterly basis at all Armscor sites and ensures that corrective measures are implemented to address any non-conformances that may arise. Furthermore, SHE awareness and training sessions are conducted in accordance with each site's training needs to reduce or prevent SHE related incidents or accidents.

Armscor's Certification to ISO 14001:2015 Environmental Management System (EMS) standard at its Gerotek and Alkantpan test facilities remain valid, following successful completion of the annual surveillance audits by the certification bodies.

The Gerotek Test Facility is also certified to the ISO 45001:2018 Safety Management System standard and has successfully completed an annual surveillance audit to maintain its ISO certification status.

### Corporate Compliance

Corporate Compliance consists of the following divisions: Legal Services, Arms Control Compliance, Transformation, Governance, and Risk and Compliance.

### Legal Services

During the reporting period, Legal Services provided support to internal stakeholders ranging from furnishing of formal legal opinions, drafting of various agreements, negotiations of agreements, management of litigation, including settlement of disputes and the provision of general legal advice.

### Litigation

The following litigation matters are in the Director's Report:

- Beverly Securities;
- Quaker Peace Centre;
- Patria Land OY;
- Steradian Energy (Pty) Ltd;
- Aqua Marine Boats and Accessories;
- Duma Healthcare (Pty) Ltd; and
- Gauteng Department of Health.

### Arms Control Mandate

The main objective of the Arms Control Division is to implement a compliance administration system through development, implementation and maintenance of processes and procedures that are necessary for the execution of arms control compliance function throughout the acquisition process where controlled items are involved. The function is aligned to the National Conventional Arms Control Committee Act, Act No. 41 of 2002, Non-proliferation Act, Act No. 87 of 1993, Firearms Control Act, Act No. 60 of 2000, Explosives Act, Act No. 26 of 1956 and requirements of supplier countries.

### Status for End-User Certificates/Undertakings

There were 51 applications received for the issuing of end user certificates/undertakings for the reporting period. Of this number 48 applications have been finalised and three applications were referred back by Arms Control Division and never concluded.

During the reporting period, the Arms Control process has been successfully executed across all registered facilities of Armscor for the reporting period. There were delays experienced from the suppliers due to the late issuing of export licenses, particularly to Germany. These incidents were dealt with on a case-by-case basis in collaboration with Armscor Project Managers and foreign suppliers.

### Governance, Risk and Compliance

- **Risk Governance**

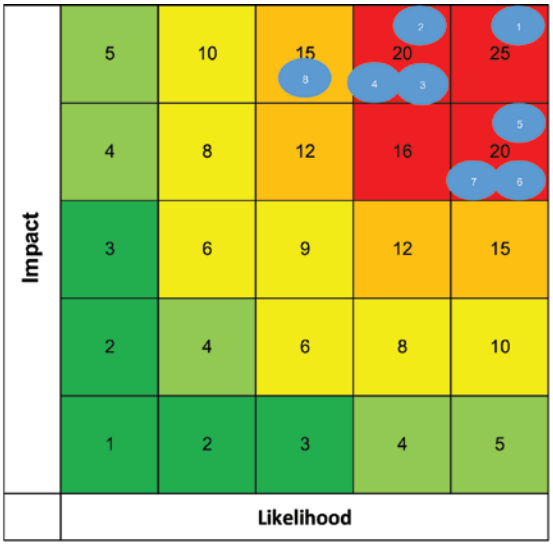
The Armscor Board of Directors has promoted a 'risk-matured or risk-intelligent' culture and set the risk management tone through the approval of the Risk Management Policy and Framework. The Board, in discharging its risk management responsibilities, is supported by the Audit and Risk Committee whose main responsibilities are to ensure that Armscor has implemented an effective Risk Management Strategy that will enhance Armscor's ability to achieve its strategic outputs.

- **Corporate Strategic Risk Register**

In fulfilling its governance oversight responsibility, the Board identified seven strategic risks which could threaten the achievement of Armscor's strategic outputs and performance targets.

The heat map in Figure 12 presents a summary of the Corporate Strategic Risk profile:

**Figure 12: Risk Ratings**




| |
|---|
| **PRIORITY 1 RISK:**<br>• Very High Risk Area.<br>• Risk is at Risk Bearing Capacity |
| **Risk 1:** Obsolete ICT business applications<br>**Risk 2:** Financial sustainability of Armscor<br>**Risk 3:** Cyber and Information Security Risk<br>**Risk 4:** Loss of industry capabilities and Security of Supply<br>**Risk 5:** Incomplete and fragmented business continuity management<br>**Risk 6:** Vulnerability to counter intelligence threats<br>**Risk 7:** Reputational risk by association with the SOE's and other critical stakeholders. |
| **PRIORITY 2 RISK:**<br>• High Risk Area<br>• Risk is at the RBC Tolerance level |
| **Risk 8:** Non-compliance with Armscor's policies |

**Table 8: Corporate Strategic Risks**

| No. | Corporate risk | Mitigating actions |
|---|---|---|
| 1. | Obsolete ICT business applications. | a) Implement revised digitisation strategy.<br>b) Decommission legacy systems. |
| 2. | Financial sustainability of Armscor. | a) Motivate for additional funding from National Treasury, in collaboration with the DOD.<br>b) Implement business related strategies. |
| 3. | Cyber and information security risks. | a) Implement the Cyber Maturity plan.<br>b) Implement the POPIA Plan.<br>c) Conduct Information Security Risk Assessment. |
| 4. | Loss of industry capabilities and security of supply. | a) Periodically engage industry and contractors through assessment of capabilities. |
| 5. | Incomplete and fragmented business continuity management. | a) Review and update integrated Business Continuity Plan. |
| 6. | Vulnerability to counter intelligence threats. | a) Engage Chief Defence Counter Intelligence about the delays in the adjudication process and inform EXCO of the outcome. Continuously submit files that are ready for evaluation to the panel for consideration.<br>b) Monitor the Limited Access Authority process of dual/foreign citizens.<br>c) Implement information security awareness sessions. |
| 7. | Reputational risk by association with the SOEs and other critical stakeholders. | a) Implement the Marketing and Communications strategy.<br>b) Implement a proactive media monitoring tool.<br>c) Develop a centralised stakeholder database. |

- **Fraud and Corruption**

Fraud Risk Management remains an organisational responsibility. Armscor's Fraud Prevention Plan provides strategies in preventing, detecting and reporting fraudulent activities. Through the plan, Armscor demonstrates its commitment to fight against fraud and corruption through the promotion of the highest ethical standards, openness and accountability. Armscor has an anonymous whistleblowing mechanism that sets out the detailed procedure which must be followed to report any incident of fraud and corruption.

- **Conflict of Interest**

Armscor is committed to doing business in an honest and ethical manner. It recognises a need to ensure that all business relationships are founded on professional principles and relationships are maintained independently. A framework for the prevention of conflict of interest as far as reasonably possible has been developed. Where conflict is unavoidable, guidelines on how to deal with the conflict in an ethical and responsible manner have been provided.

- **Code of Conduct**

Armscor is committed to discharging its legislative mandate in an ethical organisational climate that ensures that its business is run fairly and justly. The Code of Conduct provides a guideline to decision making and commits Armscor and its employees to a certain acceptable behaviour.

## Transformation: Broad-Based Black Economic Empowerment

The Transformation Division monitors compliance to the prescripts of the Broad-Based Black Economic Empowerment (B-BBEE), preferential procurement and the Defence Sector Code by entities doing business with Armscor. It also seeks to ensure that Armscor meets its B-BBEE targets. The report below depicts an analysis of procurement and B-BBEE spend per Business Unit and or Department.

## B-BBEE Spending Report

NOTE: Actual spend based on B-BBEE recognition levels up to 135%.
If a supplier has a level 1 B-BBEE status, the B-BBEE recognition level is 135%.

**Table 9: Acquisition**

| Procurement Spend | B-BBEE Spend | B-BBEE Procurement Spend on Recognition Levels % | Target % |
|---|---|---|---|
| **R2 674 012 974** | **R2 494 585 307** | **93,29%** | **80%** |

| Enterprise Classification | Amount Paid | B-BBEE Spend | B-BBEE Actual % | B-BBEE Target% |
|---|---|---|---|---|
| Above R35m turnover | R1 117 726 209 | R1 244 726 703 | 46,55% | 0,00% |
| QSEs | R195 139 345 | R240 453 401 | 8,99% | 15% |
| EMEs | R226 609 585 | R294 524 491 | 11,01% | 15% |
| Specialised above R50m | R604 737 421 | R722 602 365 | 27,02% | 0,00% |
| Non-Compliant | R537 522 067 | 0,00 | 0,00% | 0,00% |
| BOE >51% | R830 515 641 | R766 752 149 | 28,67% | 40% |
| BWOE >30% | R718 383 592 | R356 477 211 | 13,33% | 12% |
| BOE >25% | R1 344 360 579 | R988 060 520 | 36,95% | 0,00% |
| Foreign | R575 340 927 | 0,00 | 0,00% | 0,00% |
| Military Veterans | R16 091 562 | R19 329 050 | 0,72% | 2% |
| Youth | R9 714 622 | R13 114 740 | 0,49% | 2% |

| Indicators | Description | Target | Achieved |
|---|---|---|---|
| **Supplier Development** | Annual value of all supplier development contributions made by the measured entity as a percentage of the target. | 0,2% of annual turnover | Nil |
| **Enterprise Development** | Annual value of enterprise development contributions and sector specific programmes made by the measured entity as a percentage of the target. | 0,1% of annual turnover | Nil |

During the reporting period, Acquisition met the target for B-BBEE procurement spend on recognition levels and black women owned suppliers. However, the following targets were not met; Procurement from Qualifying Small Enterprises (QSEs), Exempted Micro Enterprises (EMEs), Black owned suppliers, Military Veterans and Youth.

There was no spend on Enterprise and Supplier Development.

**Table 10: Dockyard**

| Procurement Spend | | B-BBEE Spend | B-BBEE Procurement Spend on Recognition Levels % | Target % |
|---|---|---|---|---|
| R150 024 243 | | R176 164 156 | 117,42% | 80% |
| **Enterprise Classification** | **Amount Paid** | **B-BBEE Spend** | **B-BBEE Actual %** | **B-BBEE Target %** |
| Above R35m turnover | R122 986 209 | R153 712 228 | 102,46% | 0,00% |
| QSEs | R5 173 961 | R6 819 820 | 4,55% | 15% |
| EMEs | R21 236 311 | R228 614 200 | 19,07% | 15% |
| Specialised above R50m | R698 599 | 0,00 | 0,00% | 0,00% |
| Non-Compliant | R1 801 922 | 0,00 | 0,00% | 0,00% |
| BOE >51% | R147 822 422 | R176 087 027 | 117,37% | 40% |
| BWOE >30% | R133 348 253 | R69 582 209 | 46,38% | 12% |
| BOE >25% | R149 995 587 | R177 375 023 | 118,23% | 0,00% |
| Military Veterans | R723 045 | R976 111 | 0,65% | 2% |
| Youth | R3 567 993 | R4 816 790 | 3,21% | 2% |

| Indicators | Description | Target | Achieved |
|---|---|---|---|
| **Supplier Development** | Annual value of all supplier development contributions made by the measured entity as a percentage of the target. | 0,2% of annual turnover | Nil |
| **Enterprise Development** | Annual value of enterprise development contributions and sector specific programmes made by the measured entity as a percentage of the target. | 0,1% of annual turnover | Nil |

During the reporting period, the Dockyard met the target for B-BBEE procurement spend on Recognition levels, EMEs, black owned suppliers, black women owned suppliers and youth. Procurement from QSEs and Military Veterans targets were not met.

There was no spend on Enterprise and Supplier Development.

**Table 11: Operating Budget**

| Procurement Spend | | B-BBEE Spend | B-BBEE Procurement Spend on Recognition Levels % | Target % |
|---|---|---|---|---|
| R191 031 182 | | R165 743 135 | 86,76% | 80% |
| **Enterprise Classification** | **Amount Paid** | **B-BBEE Spend** | **B-BBEE Actual %** | **B-BBEE Target %** |
| Above R35m turnover | R111 506 368 | R96 518 812 | 50,53% | 0,00% |
| QSEs | R24 290 209 | R32 139 454 | 16,82% | 15% |
| EMEs | R27 713 256 | R36 663 630 | 19,19% | 15% |
| Specialised above R50m | 0 | 0 | 0,00% | 0,00% |
| Non-Compliant | R34 708 575 | 0,00 | 0,00% | 0,00% |
| BOE >51% | R89 586 344 | R79 393 022 | 41,56% | 40% |
| BWOE >30% | R59 109 298 | R36 787 820 | 19,26% | 12% |
| BOE >25% | R90 456 544 | R79 767 843 | 41,76% | 0,00% |
| Military Veterans | R1 784 169 | R2 408 628 | 1,26% | 2% |
| Youth | R4 569 684 | R6 167 935 | 3,23% | 2% |

| Indicators | Description | Target | Achieved |
|---|---|---|---|
| **Supplier Development** | Annual value of all supplier development contributions made by the measured entity as a percentage of the target. | 0,2% of annual turnover | R2 148 682 |
| **Enterprise Development** | Annual value of enterprise development contributions and sector specific programmes made by the measured entity as a percentage of the target. | 0,1% of annual turnover | R4 505 199 |

During the reporting period, the following targets were met on the Operating budget: Procurement spend on Recognition levels, QSEs, EMEs, black owned suppliers, black women owned suppliers and youth. Procurement on Military Veterans target was not met.

**Table 12: Research and Development**

| Procurement Spend | B-BBEE Spend | B-BBEE Procurement Spend on Recognition Levels % | Target % |
|---|---|---|---|
| R133 566 984 | R133 009 127 | 99,58% | 80% |

| Enterprise Classification | Amount Paid | B-BBEE Spend | B-BBEE Actual % | B-BBEE Target % |
|---|---|---|---|---|
| Above R35m turnover | R11 304 915 | R11 156 545 | 8,35% | 0,00% |
| QSEs | R16 572 039 | R20 986 687 | 15,71% | 15% |
| EMEs | R43 809 641 | R55 395 584 | 41,47% | 15% |
| Specialised above R50m | R35 551 706 | R37 575 005 | 28,13% | 0,00% |
| Non-Compliant | R22 462 155 | R22 462 155 | 0,00% | 0,00% |
| BOE > 51% | R40 861 546 | R54 082 672 | 40,49% | 40% |
| BWOE > 30% | R21 996 478 | R29 140 673 | 21,82% | 12% |
| BOE > 25% | R53 649 513 | R71 219 808 | 53,32% | 0,00% |
| Military Veterans | R2 185 717 | R2 918 097 | 2,18% | 2% |
| Youth | R10 011 010 | R12 686 432 | 9,50% | 2% |
| Foreign | R720 979 | 0,00 | 0,00% | 0,00% |

| Indicators | Description | Target | Achieved |
|---|---|---|---|
| **Supplier Development** | Annual value of all supplier development contributions made by the measured entity as a percentage of the target. | 0,2% of annual turnover | Nil |
| **Enterprise Development** | Annual value of enterprise development contributions and sector specific programmes made by the measured entity as a percentage of the target. | 0,1% of annual turnover | Nil |

During the reporting period, R&D met the following targets: procurement from EMEs, Military Veterans, youth, and procurement spend on Recognition levels, QSEs, black owned suppliers and black women owned suppliers.

### Enterprise and Supplier Development Including Military Veterans

- **Internet Service Provider Programme**

The Enterprise and Supplier Development (ESD) programme commenced in April 2022. The objective of the programme is to assist small black companies with data so that business opportunities can be accessed online. Armscor has paid an amount of R2 049 990 as at the end of March 2024.

- **Incubation for Military Veterans Programme**

The ESD programme commenced in May 2022. The objective of the programme is to create and develop capacity and expertise for military veterans so that their businesses become sustainable.

Armscor has paid an amount of R4 603 891 as at the end of March 2024.

## 2.4.2 Business Enablement

The strategic priorities and goals can only be realised by working with the stakeholders in a collaborative and constructive manner. Stakeholder management remains one of Armscor's strategic outputs, with the Corporation having formally adopted a stakeholder engagement strategy that provides for structured and constructive engagements with varied stakeholders.

Armscor values all its stakeholders and views them as critical in the sustainability of the Corporation. A strong relationship with each stakeholder enables Armscor to deliver on its mandate. The Corporation strives to build, maintain and strengthen relationships with all stakeholders, including the provision of ongoing support to SADI, communities and other industries.

Armscor has adopted an integrated approach in engaging with stakeholders, utilising multiple platforms to reach the target audience. These platforms include social media, print, advertising, events and website, amongst others.

### Employees

Engagement with internal stakeholders is driven through the Internal Communications function, seeking to establish cordial relations and effective two-way communication flow. During the reporting period, Armscor engaged employees through various campaigns and initiatives inclusive of information broadcasts, events and meetings.

### Customers

Engagements with customers are done through many formats, including contract and service level meetings, industry exhibitions and conferences, electronic channels and engagement with divisional and group executives, as well as the CEO. There has been ongoing focus in ensuring that service levels are maintained and projects are delivered. The Corporation continues to engage with customers outside of formal meetings to showcase its service offerings and to continuously discern any concerns in order to improve responsiveness to customer needs.

### Media

The media remains a key stakeholder that enables Armscor to engage with the broader community of its stakeholders. The Corporation continues to enjoy a healthy relation with the media. The social media profile is growing with a notable increase in page visits, engagements and followers on all its corporate social media platforms.

### Strategic Partners

Having effective relationships with strategic partners is crucial to delivering the kind of projects Armscor is responsible for. This enables the organisation to deliver to the DOD and brings benefits to the industry as well.

Armscor has continued working with strategic industry partners to deliver projects to its customers.

### Defence Industry

The Armscor Act makes provision that Armscor may execute its functions as provided in the Act on behalf of any organ of state, or sovereign state subject to Ministerial approval and in line with the relevant national and international regulations. To that end, Armscor has extended its services (beyond its primary client, the SANDF) to other state security entities to bring about synergies, standardisation and benefits of economies of scale, which such entities may not acquire on an individual basis.

The Business Enablement function is primarily responsible for marketing the Corporation, its products and services to targeted markets in an endeavour to generate income for the Corporation and support the sustainability of the SADI.

Business Enablement is therefore responsible for the following:

- Market Armscor and SADI's capabilities to targeted markets.
- Identify, pursue and realise business from marketing and business development initiatives.
- Support growth, development and transformation of SADI.
- Build, maintain and enhance stakeholder relationships.
- Manage and leverage:
  - Disposal of defence matériel.
  - Logistic freight services.
  - Travel management services.

### Marketing and Business Development

Business Development and Marketing efforts are informed by Armscor's strategic output of Revenue Generation. This specific focus area is in accordance with the stipulated strategic output of increasing net realisable revenue to ensure that Armscor generates sufficient income to meet its funding needs in the short-to-medium term. During the reporting period, business development efforts have continued to focus on state owned entities where Armscor could provide technical advisory, procurement and acquisition services. Through various engagements, Armscor seeks to forge stronger relationships by exploring new revenue generation opportunities in order to support sustainability efforts and exploit its concentrated capabilities.

Through these efforts, the Corporation continually strive to be more efficient and responsive to the needs of clients by being externally focused with the explicit aim of improving the financial sustainability of the Corporation and that of the local defence industry (SADI). Below is a summary of the activities conducted during the reporting period.

- **South African Police Services**

During the reporting period, Armscor sustained its relationship with SAPS. This is part of the concentrated efforts aimed at growing the business portfolio. Through those efforts new requirements that aim to bolster the safety and security capabilities of the SAPS have been unlocked. Additionally, in managing stakeholder relations several engagements were undertaken to reaffirm Armscor's commitment to the client, to identify potential areas of improvement and to ensure that Armscor remains responsive to the needs of the client. To that end, factors that relate to enhancing the efficiency of the business processes and capacitation of the Business Development Division become critical.

- **Border Management Authority**

The Border Management Authority (BMA) was formally established on 1 April 2023 as a Schedule 3A Public Entity in terms of the BMA Act (Act No. 2 of 2020). The Authority may operate through coordination with other organs of state to ensure efficiency to meet its mandate of Border Management at South African ports of entry and peripheral areas. During the reporting period, focus has been concentrated in assisting BMA with various capabilities required to fulfil its mandate. These include providing technical advisory as well as acquisition services. This portfolio is projected to increase as the BMA is fully capacitated.

- **August 26 Holding Company**

Marketing engagement with August 26 culminated in a signing of a Memorandum of Understanding (MOU) between Armscor and August 26 in December 2023. August 26 Holding Company (Pty) Ltd is an investment company that is 100% owned by the Ministry of Defence and Veteran's Affairs on behalf of the Namibian government. Several business opportunities will be explored during the coming years.

- **Government-to-Government Engagements**

The business development efforts herein are focused in gaining access within defined regional and international markets through strategic partnership. During the reporting period, efforts were geared towards defining areas of cooperation based on defence requirements and industry capabilities. Various platforms, either through direct engagement or through facilitation by the Directorate Foreign Relation or industry participation in forums such as SAAMDEC, provided an avenue through which potential business opportunities could be explored.

- **Industry Marketing Support**

Armscor provides an integrated defence industry marketing support service to SADI. The support includes facilitation of SADI's participation at local and international exhibitions; the management of requests for the utilisation of SANDF equipment, personnel and facilities for marketing exposure of SADI; as well as marketing the Corporation, its products and services through effective marketing communication channels in order to build and enhance the Corporation's brand and reputation. All these efforts are aimed at identifying and pursuing business opportunities for the benefit of the Corporation and SADI.

- **Defence Equipment Personnel Support**

Armscor provides marketing and matériel aid support to SADI by facilitating the use of SANDF equipment, personnel and facilities through Defence Equipment Personnel Support (DEPS). DEPS supports the strategic marketing initiatives of SADI in line with government policies. During the reporting period, the number of requests continued to increase from eight requests in the previous year to 25 requests in the current year. This is reflective of the state of the improvement in defence exports in South Africa. However, payments to the DOD decreased from the previous year. DEPS also supported various SADI companies with their marketing export activities to countries in Africa, Middle East and South East Asia.

- **Defence Marketing Support Events**

It is deemed important that SADI increases its exports to sustain its market share and survival in the competitive international defence environment. International exhibitions are recognised as one of the best channels to promote South African products and services to the international defence community. Showcasing South Africa's capabilities at international shows and exhibitions increases the potential to increase exports. SADI contributes to South Africa's economy through the development and maintenance of high-level scientific, engineering, technological and technical skills and jobs, as well as advanced design, development and manufacturing processes.

Armscor participated in the following key events during the reporting period as part of marketing its offerings and SADI products and services:

- **Symposium of the South African Ballistic Organisation**

Armscor participated at the Symposium of the South African Ballistic Organisation (SABO) which took place between 9 and 11 May 2023 at the CSIR ICC in Pretoria, Gauteng.

Armscor formed part of the planning committee at this event, which afforded the organisation with branding and marketing opportunities and contribution to the body of knowledge shared within the industry.

- **2023 Junior Command and Staff Course (Armscor Orientation)**

Armscor hosted the Junior Command and Staff Course at Gerotek on 7 June 2023. This year-long formal training programme is aimed at Senior Officers of the SA Army and those of its strategic partners. The 312 strong cohort included SA Army officers and international fellow learners from Botswana, India, Namibia, Pakistan, Tanzania and

Zambia. This orientation provided an opportunity to expose and experience the Armscor value proposition to potential future decision-makers and to orientate them on industries supporting the defence force. The course was introduced to Armscor service, facilities and capabilities, through presentations and practical demonstrations.

- **Private Public Partnership Event**

Armscor's commitment to strengthening the SADI was further shown in its participation at the Private Public Partnership Event hosted at CSIR by DefenceWeb. Armscor as a silver sponsor was afforded an opportunity to exhibit its services and capabilities. Armscor also sent delegates to attend and represent the Corporation.

The event sponsorship secured Armscor brand exposure on the event website, direct email shots sent to targeted prospects from DefenceWeb's subscriber base, a speaking platform and access to stakeholders.

- **Military Information and Communication Symposium of South Africa 2023**

In a continuous stakeholder drive to support the DOD, Armscor participated in the Military Information and Communications Symposium of South Africa (MICSSA). Armscor was an overall partner and platinum sponsor of the five-day Conference, Exhibition and Golf Day. MICSSA included a Youth Development Programme (YDP) element. Six schools from different parts of Pretoria were hosted with ten leaners from each school attending on 22 and 23 August 2023. Armscor's YDP team presented the bursary opportunities and conducted practical science experiments with the learners.

**Figure 13: Armscor attends International Trade Shows and Exhibitions for Several Reasons**

Armscor attends International Trade Shows and Exhibitions for several reasons, including:


- **International Shows**

Armscor participation as the acquisition agency of the DOD at DSEI 2023 is linked to the Revenue Generation and Stakeholder Management strategic outputs. In pursuit of an increase in net realisable revenue, the demand is on the organisation to "develop and maintain long lasting, strategic relationships with key stakeholders".

The rationale for the attendance of Armscor was to be part of the Republic of South Africa (RSA) Trade delegation to showcase Armscor's business capabilities under the mandate of the dtic, whilst promoting the country to potential clients. Armscor attends international trade shows and exhibitions to mainly market Armscor's capabilities, maintain and enhance the organisations' brand image and reputation, identify strategic collaborative opportunities with other countries and several other reasons as stated in Figure 13.

- **International Defence Industry Fair 2023**

The International Defence Industry Fair (IDEF 23) is the 16th International Defence Industry Fair, under the auspices of the Presidency of the Republic of Türkiye and hosted by the Republic of Türkiye Ministry of National Defence at TÜYAP Fair Convention and Congress Centre in İstanbul.

IDEF is among the most prestigious defence industry exhibitions in the world, exhibiting new products and technologies, and attended by senior state and private sector officials from all geographies around the world. Armscor participated under the DTIC-funded National Pavilion as an exhibitor. The objective of this participation was to promote its capabilities, enhance the Corporation's brand and reputation, and to explore strategic collaboration opportunities with other countries. In addition, it is in alignment with its industry support mandate. Armscor continued its efforts to assist the SADI in identifying business opportunities.

In a continued effort to position AAD as a global event, Armscor as lead partner headed the marketing campaign of showcasing at top Defence, Aerospace and Security international exhibitions.

- **Defence and Security Equipment International**

The Defence and Security Equipment International (DSEI) expo, the most significant and largest iteration of the show in its 24-year history was held from 12 – 15 September 2023 in the United Kingdom, London, under the theme of 'Achieving an Integrated Force'. The theme was aimed at demonstrating the pertinent relevance of integrating across the five operational domains of air, cyber, and electromagnetic activities (CEMA), land, sea, and space.

Armscor was one of 11 South African companies operating in the aerospace, maritime and defence industries invited to showcase at the DTIC National Pavilion. DSEI was identified as a platform to market South African defence products, find new markets, and grow the amount and value of sector exports. This presented a unique opportunity for Armscor to engage decision-makers and specialists; and establish and strengthen relationships with government departments, businesses and armed forces throughout the world. Armscor's participation allowed the Corporation to attract potential buyers, distributors and agents, gather trade leads, as well as trade and investment market intelligence.

## Defence Foreign Liaison

Armscor, through its Foreign Liaison activities, supports Government's foreign policy directives by hosting international delegations with the purpose of promoting diplomacy and trade. Engagements were held with the Italian Defence and Commercial Attaché Office to discuss the challenges experienced by Italian company, Messina with releasing its equipment that was used to transport DOD equipment returning from peace operations with the United Nations.

Armscor attended the coordinating meeting in preparation for the bilateral engagements with Algeria, Congo Brazzaville, Ethiopia, Lesotho, Namibia and Senegal.

Significant diplomatic engagements and collaborative efforts between Armscor and various international partners, reflecting South Africa's commitment to fostering robust defence relationships globally took place during the reporting period. These endeavours underscore the pivotal role of Armscor in facilitating strategic partnerships and enhancing defence capabilities both regionally and internationally.

Key highlights include:

- Courtesy visit by New Republic of Korea Ambassador to South Africa:
  On 14 February 2024, His Excellency Yang Dong-han, the newly appointed South Korean Ambassador to South Africa, paid a courtesy visit to the CEO of Armscor. The meeting underscored the importance of strengthening bilateral relations between Armscor and South Korea, emphasising mutual cooperation in defence-related endeavours.
- Memorandum of Understanding with South Korea:
  Efforts are underway to finalise an MOU between Armscor and the Defence Acquisition Programme Administration (DAPA) of the Republic of Korea. This MOU aims to enhance collaboration in the field of the defence industry, reflecting a commitment to shared objectives and technological advancements.
- Testing Assistance for South Korea:
  Armscor has been approached by the Republic of Korea to assist in testing its new generation missile. Foreign Liaison is actively coordinating with Alkantpan and Vastrap to fulfil this requirement, highlighting Armscor's role as a facilitator in bolstering defence capabilities.
- Engagement with Niger:
  The Niger Air Force has sought assistance from Armscor and Defence Foreign Relations (DFR) for the maintenance, repair, and overhaul of its C-130H aircraft. Collaborative efforts are underway to engage with DENEL Aeronautics, with Niger expressing interest in visiting DENEL's workshops in South Africa, reflecting a commitment to enhancing aerospace capabilities.
- Hosting of Ugandan Defence Forces:
  Armscor, in collaboration with the DOD hosted a study tour for senior members of the Ugandan Defence Force from 11 – 15 March 2024. This engagement included interactions with the SADI, showcasing Armscor's role as a key stakeholder in facilitating knowledge exchange and fostering international cooperation.

## AB Logistics

AB Logistics is a Division in Business Enablement and consists of a shipping and travel company which provides clearing and freight forwarding as well as travel management services to Armscor, MOD, DOD, the Defence Industry and commercial clients both domestically and globally.

Armscor continues to provide comprehensive logistics management services to SANDF, SADI and foreign defence forces with regards to military sensitive commodities and hazardous cargo. This is in support of the acquisition supply chain requirements during import and export process, rendering air, sea, rail, road freight and chartering distribution networks globally to all stakeholders.

The Division is a registered and accredited customs clearing agent with the South African Revenue Services (SARS). AB Logistics is proud to have remained a registered transporter of hazardous materials, weapons and ammunition cargo in terms of the Explosives Act. In terms of the South African Arms Control Regime, AB Logistics is registered with the NCACC, the South African Council for the Non-proliferation of Weapons of Mass Destruction and Civil Aviation Authority as a Regulated Agent.

AB Logistics is a member of:
- the International Federation of Freight Forwarders (FIATA);
- the South African Association of Freight Forwarders (SAAFF);
- the Road Freight Association (RFA); and
- South African Maritime Safety Authority (SAMSA).

AB Logistics maintained its position as a registered transporter of hazardous materials, weapons and ammunition. Armscor continues to support the SANDF in its joint military exercises with other countries, as well as transporting SANDF equipment for its peacekeeping missions and operations into Africa. AB Logistics was instrumental in transporting SANDF's equipment and personnel to Richards Bay during the Armed Forces Day and deployment of soldiers and military equipment during the OP Vikela Project to Mozambique. Several defence related equipment was transported to the Alkantpan ballistic testing facility in the Northern Cape for testing during the reporting period.

AB Logistics Travel offers a diversified range of travel arrangement support, including air travel, land travel, car rental, busses, VISA applications and accommodation, and other related services. AB Logistics Travel is a registered member of the International Air Transport Association.

AB Logistics endeavours to increase its financial contribution to the Corporation in the coming years.

## Corporate Communication Division

Stakeholder management remains one of Armscor's strategic outputs. The Corporation strives to build, maintain and strengthen relationships with all its stakeholders. These include providing ongoing support to SADI, communities and other industries.

During the reporting period, a number of initiatives were completed in an attempt to position and enhance the image of the Corporation as a good corporate citizen.

## Marketing and Advertising

Advertisements, advertorials and marketing material promoting the Armscor brand, capabilities, products and services continues – this is an endeavour to create a positive association and raise the profile of the Corporation. Armscor adopted a more targeted advertising and marketing approach to ensure presence and positioning in relevant publications and media platforms, to maximise on budget and garner return on investment. Some of the publications in which the Armscor corporate brand and its R&D facilities featured included South African Freight News Magazine, African Mining News Magazine, Africa OSH Magazine and Road Ahead Magazine focusing on AB Logistics, Gerotek and Hazmat; Ultimate Defence Magazine, Smoke on Go Magazine and African Union Magazine profiling the core business of Armscor (Acquisition, R&D and Naval Dockyard); Maritime Enterprise Magazine, Ship Year Magazine and Cape Business News Magazine honing in on the Naval Dockyard and IMT; and a significant inclusion of Armscor capabilities in the AMD Coffee Table Book.

## Events and Engagements

- **Armscor IMT Capability Demonstration Event**

IMT held a Capability Demonstration Event to showcase its various technology domains to the main client, the SA Navy Senior Officers. The event was well received by the highest attending Senior Officer, the Fleet Officer Flag noting his high impression of the well branded and marketed event.

- **SAS King Shaka Zulu Vessel Handover Ceremony**

Armscor attended the handover ceremony of the second multi-mission inshore patrol vessel P1572 which was officially named the SAS King Shaka Zulu. The Armscor CEO and Armscor Board led by the Chairperson were in attendance at the event that saw the royal Zulu family led by His Majesty King Misuzulu kaZwelithini also in attendance. Armscor CEO highlighted how this was another successful partnership between the SA Navy, Damen Shipyards (the contracted manufacturer) and Armscor in ensuring the on-time delivery of the vessel.

- **SAAF Museum Air Show**

Armscor's Learning and Organisational Development Division participated in the South African Air Force Museum Air Show, which took place from 5 – 6 May 2023 at the Air Force Mobile Deployment formerly known as Air Force Base Swartkop. This event is held annually to expose learners to vast career opportunities in the defence industry.

- **Corporate Social Investment**

Armscor as a socially responsible Corporation that supports the communities in which it operates. The focus is on education to assist learners from previously disadvantaged communities to improve their performance and results in Science, Technology, Engineering and Mathematics (STEM) subjects and social upliftment initiatives. Corporate Communication continues to implement the Corporate Social Investment (CSI) in line with the established best practice.

The CSI funding criteria is divided into two components namely Human Capital Development Programme and Socio-Economic Upliftment Programme.

Armscor strives towards covering all provinces with respect to social responsibility activities within its limited financial constraints. Close attention is also paid to communities around which it has business operations and facilities in order to enhance its brand value and to strengthen relations. Armscor currently has a strong CSI footprint in all provinces.

Despite the limited resources at its disposal, Armscor through its CSI activity will continue to support programmes aimed at uplifting deserving communities.

**Table 13: Corporate Social Investment Projects**

| Province | CSI Activity |
|---|---|
| **Limpopo** | A learner enhancement and social relief project was supported by donating towards the purchase of sanitary towels, career expo and educational programmes. |
| **North West** | Armscor supported a learner enhancement project at Bothlale Primary School in Letlhakane village by donating school shoes and socks to 277 learners. |
| **Gauteng** | Armscor supported the STEM Dynamics learner enhancement programme by purchasing school bags, maths handbooks and study guides, science study guides, and notebooks for maths and science. |
| | Armscor supported the social relief and learner enhancement programmes by assisting the community and learners with the items required such as blankets, school shoes, socks, stationery, scientific calculators, food parcels, and dignity packs. |
| | A learner enhancement programme was supported by donating towards the purchase of school uniforms. |
| | Armscor supported social relief by donating towards the skills development training in 4IR for community development. |
| **Northern Cape** | Armscor provided support to the social relief project by providing for the feeding scheme for 12 months. |
| **Free State** | Armscor supported the learner enhancement project that is geared towards improving the leadership and academic abilities of young learners who do maths and science subjects in Grades 11 and 12. |
| | Armscor provided social relief support to the Association with People with Disabilities, donating towards the purchasing of nappies. |
| **Eastern Cape** | Armscor supported the social relief programme with the purchasing of medical supplies. |

## 2.4.3 Corporate Support

As a service Corporation, Armscor's people are its backbone and the need to maintain capabilities has increasingly become the main area of challenge from the point of view of human capital management.

This is in line with Armscor's strategy to consistently improve organisational effectiveness and customer service through effective ICT systems. Personnel security, information security and physical security, within Armscor and the Defence Related Industry, forms part of the overall security governance. Maintenance of the infrastructure and operational procurement activities required by the Corporation is the responsibility of this Business Unit.

Corporate Support expertise encompasses:

- Transformation
- Learning and Development
- Succession Planning
- ICT Operations
- Enterprise Architecture and Information Management
- Information Security
- Business Support Centre
- Finance, Contract Administration and Governance
- Maintenance of the infrastructure and operational procurement activities
- Security functions

### Information and Communication Technology

### Enterprise Resource Planning

Armscor has embarked on the implementation of the Enterprise Resource Planning (ERP) system. This is part of the digitisation journey to automate Armscor's business processes with the aim of improving efficiency. A service provider was appointed to assist with the implementation of the ERP system and contracting has been concluded.

The ERP will focus on implementing the following modules: Human Resources (HR) and Payroll, Supply Chain Management (SCM) and Finance. The project planning phase has been completed and the project team is currently busy with the analysis phase of the project. This will be followed by the implementation phase, which is planned to run until March 2025.

The ERP system will replace a number of legacy application systems, which have become obsolete and continue to pose a challenge towards Armscor's operational efficiency.

# PART C HUMAN CAPITAL MANAGEMENT

ARMSCOR
Armaments Corporation of South Africa SOC Ltd

GATEWAY TO DEFENCE SOLUTIONS

Armscor recognises that achieving its mandate and executing its strategy successfully depends on having the right people with the right skills in the right positions at all times. The company's Human Resources function plays a vital leadership role in developing, implementing, and administering sound HR policies, procedures, and programmes that support Armscor's statutory objectives. The main goal is to ensure HR efforts are responsive to the Corporation's evolving needs.

Armscor's approach to people management balances "soft" elements focused on shaping the corporate culture to align employee values, beliefs, and behaviours with organisational goals, as well as "hard" elements grounded in quantitative analysis to ensure optimal workforce levels and skills at all times.

Key HR priorities include identifying the core competencies required to achieve corporate goals, mapping associated skills and behavioural requirements, pinpointing key and critical positions, assessing successor readiness levels, and closing identified skill gaps. Central to these efforts is positioning Armscor as a high-performing Corporation by promoting a culture of performance management, improving skills through employee development initiatives, and ensuring an organisational structure fit for purpose.

To that end, Armscor is currently undertaking an organisational review project to ensure the corporate structure properly aligns with the company's strategy, business model, and operating plan going forward. Developing human capital alongside optimising organisational design will enable Armscor to effectively execute its mandate both now and in the future.

## Staff Profile and Employment Equity

Armscor is committed to recruit and retain a competent workforce that is truly representative of all sections of society. This goal is achieved while the Corporation manages its personnel cost. Table 14 demonstrates the Armscor staff profile for the 2023/24 financial year, inclusive of employees on the Talent Development Programme (TDP) and fixed term contract employees. The total staff complement at the end of the financial year was 1 350.

**Table 14: Staff Profile as at 31 March 2024**

| Staff Profile at 31 March 2024 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Occupational Category** | **AM** | **AF** | **CM** | **CF** | **IM** | **IF** | **WM** | **WF** | **Total Male** | **Total Female** | **Grand Total** |
| Top Management | 4 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 5 | 1 | 6 |
| Senior Management | 27 | 20 | 5 | 0 | 4 | 0 | 16 | 1 | 52 | 21 | 73 |
| Middle Management | 140 | 116 | 27 | 8 | 14 | 4 | 56 | 22 | 237 | 150 | 387 |
| Skilled | 164 | 176 | 121 | 43 | 5 | 11 | 10 | 31 | 300 | 261 | 561 |
| Semi-Skilled | 55 | 16 | 68 | 9 | 1 | 0 | 7 | 0 | 131 | 25 | 156 |
| Unskilled | 25 | 46 | 8 | 1 | 0 | 0 | 0 | 0 | 33 | 47 | 80 |
| TDPs | 13 | 28 | 0 | 0 | 1 | 0 | 1 | 0 | 15 | 28 | 43 |
| Fixed Term Contractors | 11 | 10 | 5 | 17 | 0 | 0 | 1 | 0 | 17 | 27 | 44 |
| **Grand Total** | **439** | **413** | **234** | **78** | **25** | **15** | **92** | **54** | **790** | **560** | **1 350** |
| **% Representation** | **89,19** | | | | | | **10,81** | | **58,52** | **41,48** | |

The core of Armscor's business is centered within the following occupations: Science, Engineering, Technical and Technical Support (SETTS). The total number of employees within this category is currently 48,67% as demonstrated in Table 15.

**Table 15: Staff Profile by Function as at 31 March 2024**

| Function | Un-skilled | Semi-Skilled | Skilled | Middle Management | Senior Management | Top Management | TOTAL | % of Staff compliment | Technical Category. % |
|---|---|---|---|---|---|---|---|---|---|
| | Occupational Category | | | | | | | | |
| **Engineering** | 0 | 0 | 6 | 99 | 34 | 0 | 139 | 10,30 | 48,67 |
| **Science** | 0 | 0 | 7 | 30 | 5 | 1 | 43 | 3,19 | |
| **Technical** | 0 | 1 | 223 | 99 | 7 | 0 | 330 | 24,44 | |
| **Technical Support** | 0 | 117 | 28 | 0 | 0 | 0 | 145 | 10,74 | |
| **Finance** | 0 | 0 | 49 | 21 | 4 | 1 | 75 | 5,56 | 51,33 |
| **IT** | 0 | 0 | 25 | 23 | 2 | 0 | 50 | 3,70 | |
| **Professional Support** | 0 | 0 | 31 | 103 | 21 | 4 | 159 | 11,78 | |
| **Support** | 101 | 44 | 242 | 20 | 0 | 0 | 409 | 30,30 | |
| **TOTALS** | **101** | **164** | **611** | **395** | **73** | **6** | **1 350** | **100,00** | **100,00** |

## Turnover Rate

The corporate target for controllable staff turnover in technical positions, excluding retirement, should be less than or equal to 4,5%. For the 2023/24 financial year, the staff turnover in the technical functions are:

- Science: 2,33%
- Engineering: 0%
- Technical: 1,21%

As indicated above, the Corporation's technical functions' turnover rate is significantly lower than in the 2022/23 financial year. This report covers Voluntary Turnover Rate (the rate at which employees enter and voluntarily leave a company in a given financial year).

**Table 16: Terminations (Excluding Retirement, Death, VSPs and Contracts Expired) during the 2023/24 Financial Year.**

| Function | Un-skilled | Semi-Skilled | Skilled | Middle Manage-ment | Senior Manage-ment | Top Manage-ment | Total Termina-tions | Number of Employees (Permanent only) | Turnover Rate per Function |
|---|---|---|---|---|---|---|---|---|---|
| | Occupational Category | | | | | | | | |
| Engineering | 0 | 0 | 0 | 5 | 0 | 0 | 5 | 139 | 3,59 |
| Science | 0 | 0 | 0 | 3 | 0 | 0 | 3 | 43 | 6,98 |
| Technical | 0 | 0 | 12 | 6 | 0 | 0 | 18 | 330 | 5,46 |
| Technical Support | 0 | 7 | 0 | 0 | 0 | 0 | 7 | 145 | 4,83 |
| Finance | 0 | 0 | 5 | 1 | 0 | 0 | 6 | 75 | 8 |
| IT | 0 | 0 | 6 | 4 | 1 | 0 | 11 | 50 | 22 |
| Professional Support | 0 | 0 | 0 | 6 | 1 | 0 | 7 | 159 | 4,40 |
| Support | 0 | 0 | 12 | 0 | 0 | 0 | 12 | 409 | 2,93 |
| **TOTALS** | **0** | **7** | **35** | **25** | **2** | **0** | **69** | **1 350** | |

## Learning and Development

Armscor is committed to developing the workforce as a critical enabler for achieving its strategic outputs. By investing significantly in employee growth, the Corporation aims to cultivate a sustainable talent pipeline of highly skilled, competent, and engaged professionals at all levels of the Corporation. Beyond enhancing performance in current roles, the development initiatives prepare employees to embrace new and emerging responsibilities in the future.

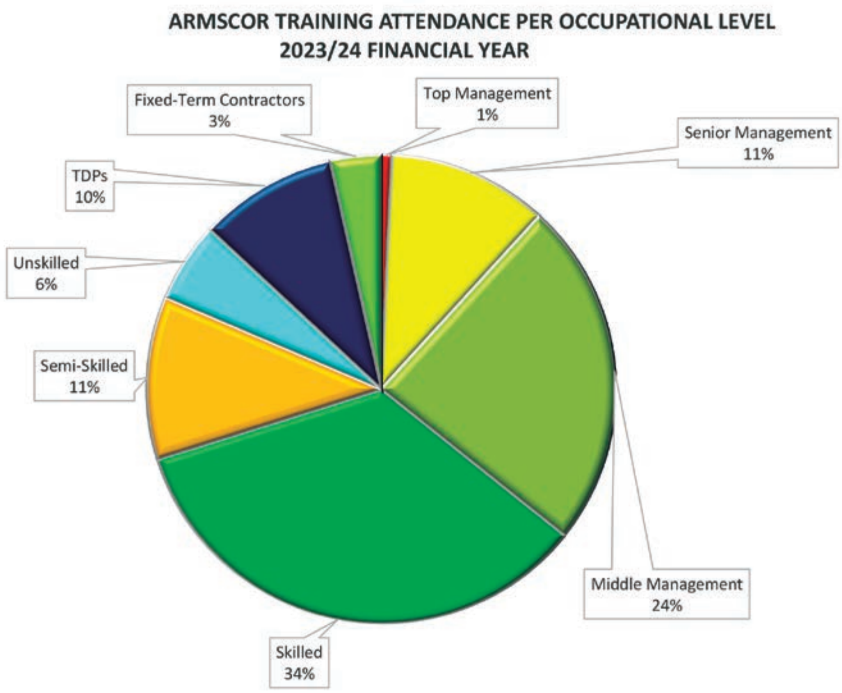
Armscor employs a multi-faceted approach to facilitating continuous learning and building vital organisational capabilities. Key talent development channels include specialised short courses, mandatory compliance trainings, high-impact coaching and mentorship opportunities, participatory seminars, and industry conferences. Through this holistic strategy, the Corporation empowers its employees to expand their knowledge, hone essential skills, and adopt the mindsets needed for enduring success.

The talent development efforts represent an investment in Armscor's most vital resource – human capital. By purposefully equipping employees with the tools for professional growth, Armscor strengthens individual proficiencies while fortifying organisational capacity. This comprehensive commitment to learning cultivates an agile, future-ready workforce prepared to optimise performance and innovation in service of Armscor's mission.

### Training Attendance

The overall training attendance, per occupational level, during the 2023/24 financial year is reflected in Figure 14:

**Figure 14: Percentage Training Attendance per Occupational Level**




The overall training attendance rate is a huge success given the investment that the Corporation has been putting in place over the years. This is a confirmation that Armscor values its human resources, hence the overall investment on skills development initiatives.

### Youth Development

### External Armscor Bursary Scheme

To attract promising young talent to Armscor, the company offers external bursaries for students pursuing studies aligned with critical and scarce skills requirements. In the 2023 academic year, a corporate target of 23 was set and exceeded by 38 students who received bursary funding in disciplines mapped to Armscor's future human capital needs. This strategic bursary programme builds a robust pipeline of future recruits with the specialised capabilities to power the business.

### Graduate Programme

Armscor's Graduate Development Programme provides meaningful work experiences to passionate graduates entering the workforce in addition to exposing them to the innovative opportunities available at Armscor and across the defense industry. The programme serves as a succession planning initiative. In 2023, a corporate target of 28 was set and exceed by 34 graduates who participated, embedded within different Business Units to gain well-rounded exposure. Of this cohort, 23 participants are set to move into professional roles.

## Youth Development Programmes

Recognising that the future workforce is taking shape today, Armscor is committed to inspiring interest in STEM fields and defence careers among learners through proactive youth engagement. The team conducts interactive career exhibitions year-round aimed at encouraging learners, especially those from disadvantaged backgrounds, to pursue studies in science, technology, engineering and mathematics. By exposing young minds to the compelling opportunities available, the aim is to empower the next generation with the skills to actively participate in the mainstream economy and industry.

**Table 17: Youth Development Programmes 2023**

| Dates | Description | Province |
|---|---|---|
| 18 – 19 May 2023 | Disability Summit and Career Expo 2023 | GP – Nasrec Expo Centre in Johannesburg |
| 1 June 2023 | Gauteng City Region Academy Bursary Awards (GCRA) | GP – Soweto |
| 16 June 2023 | Department of Defence Tongaat Hindu Unity Career Expo | KZN – Tongaat |
| 19 – 23 June 2023 | Department of Defence (DOD) and African Aerospace and Defence (AAD) Youth Celebration Week (YCW) 2023 | NW – Potchefstroom |
| 26 – 28 July 2023 | Nzalo Career Expo | North West |
| 2 – 4 August 2023 | Nzalo Career Expo | Mpumalanga |
| 15 – 18 August 2023 | Sacaa Roadshow | GP – Johannesburg |
| 21 – 25 August 2023 | Sacaa Roadshow | FS – Kroonstad |
| 20 – 25 August 2023 | The Military Information & Communication Symposium of South Africa (Micssa) | GP – Pretoria |
| 8 – 9 September 2023 | Durban Virginia Air Show | KZN – Durban |
| 18 November 2023 | The SA Army Career Expo and Capability Demonstration Career Expo Day | Northern Cape |
| 1 December 2023 | Department of Defence Mitchell's Plain Festival and Career Expo | CT – Mitchell's Plain |

# PART D CORPORATE GOVERNANCE

ARMSCOR
Armaments Corporation of South Africa SOC Ltd

GATEWAY TO DEFENCE SOLUTIONS

Good corporate governance is built on effective and responsible leadership. It is characterised by the ethical values of responsibility, accountability, fairness and transparency. Every aspect of Armscor's business rests on the foundation of ethical values. Good governance is part of Armscor's DNA, and the Corporation strives for the highest standards. A strong governance framework improves decision-making, facilitates access to capital, reduces risk and contributes to adding value. Better corporate governance leads to transparency and better disclosure, thus providing the opportunity to establish relationships with all stakeholders on fair and more productive terms.

Armscor upholds the highest possible corporate governance standards by ensuring adherence to all relevant legislative requirements (Armscor Act, PFMA, Companies Act, etc.). This includes good governance codes, such as King IV while recognising that corporate governance goes beyond a set of frameworks, principles, policies and rules. The Board is committed to maintaining a high standard of corporate governance practices within Armscor.

## 4.1 GOVERNANCE FRAMEWORK

### Key Legislation

- Armscor Act
- Public Finance Management Act
- Companies Act

### Policies and Procedures in Place

- Defence Sector Charter
- Code of Ethics
- Delegation of Authority
- Policy on Conflict of Interest
- Board and Committees Terms of Reference
- Gift and Hospitality Policy
- Whistleblowing Policy
- Whistleblowing Hotline

### Governance Principles

- King IV Report on Corporate Governance
- Corporate Governance Development Framework

## 4.2 DIRECTOR'S REPORT

### Introduction

This is the Director's Report for the period of 2023 – 2024 and relates to the performance of the Corporation for the reporting period.

### Background

This report is therefore presented in terms of the relevant provisions of the PFMA and Companies Act. It provides an overview on the performance of Armscor, measured against performance targets that the Corporation had set itself for the reporting period.

### Nature of Business

Armscor's mandate is contained in the Armscor Act. Briefly, this is to meet the defence matériel requirements of the DOD effectively, efficiently and economically; and the defence technology, research, development, analysis, test and evaluation requirements of the DOD effectively, efficiently and economically.

The Corporation must adhere to accepted corporate governance principles, best business practices and Generally Recognised Accounting Practice within a framework of established norms and standards that reflect fairness, equity, transparency, economy, efficiency, accountability and lawfulness.

The functions of Armscor are to:

- acquire defence matériel for the DOD;
- manage technology projects for the DOD;
- establish programme management systems in support of acquisition and technology projects;
- establish a tender evaluation and contract management system with regard to defence matériel or if agreed in a Service Level Agreement, for commercial matériel, and dispose of defence matériel;
- establish a compliance administration system with regard to arms control;
- support and maintenance of strategic and essential defence industrial capabilities, resources and technologies; and
- provide marketing support and maintain special capabilities/facilities for strategic or security reasons, as required by the DOD, even if those capabilities/facilities are not commercially viable.

Armscor may, with the approval of the Minister of Defence and Military Veterans (the Minister), exploit such commercial opportunities that may arise out of the Corporation's duty to acquire defence matériel or to manage technology projects; procure commercial matériel on behalf of any organ of state at the request of the organ of state in question; and subject to the National Conventional Arms Control Act (Act No. 41 of 2002), the Regulation of Foreign Military Assistance Act (Act No. 15 of 1998), and the Non-Proliferation of Weapons of Mass Destruction Act (Act No. 87 of 1993), perform any function, which the Corporation may perform for or on behalf of the Department in terms of this Act for or on behalf of any sovereign state.

The Minister may impose such conditions in respect of the performance of the said functions as may be necessary in the national interest.

### Share Capital

The Government of the Republic of South Africa is the sole shareholder of the Corporation. No new shares were issued during the reporting period.

### Organisational Structure

The organisational structure of the Corporation appears on page 22 of this report.

### Communication with the Executive Authority

The Executive Authority for Armscor is the Minister, who represents the Shareholder. Communication with the Executive Authority is channelled primarily through the office of the Chairperson. In addition, there are further engagements between the Minister and the Chief Executive Officer. Regular reporting was undertaken in terms of the Shareholder's Compact, and additional ad hoc reports were also submitted for consideration by the Minister.

### Director's Profile

The Directors of the Corporation and their brief curricula vitae appear on pages 23-25 of this report.

## 4.2.1 CORPORATE GOVERNANCE

Armscor is a statutory body, established in terms of the Armscor Act. It is also a State Owned Company as contemplated in the Companies Act. Furthermore, it is listed as a Schedule 2 Public Entity in terms of the PFMA, as amended. It is further regulated by the regulations issued in terms of the PFMA and those of the companies. Armscor also subscribes to good corporate governance principles contained in the King IV Report on Good Corporate Governance for South Africa 2016, and Protocol on Corporate Governance in the Public Sector 2007.

The Corporation services the requirements of the DOD or other clients in terms of a service level agreement. The service level agreement is based on the Shareholder Compact, which is focused on the functions of the Corporation, specific measurable objectives and milestones, a specific system to monitor the delivery of service, provide for the maintenance of the Corporation's capabilities over the long term, and provide for the terms and conditions applicable to the service to be rendered by the Corporation.

### The Shareholder

The Government of the Republic of South Africa, represented by the Minister, is the shareholder representative of the Corporation. The shareholder relationship is managed, amongst others, through the Armscor Act, the PFMA, the Companies Act, the Shareholder Compact and the Corporate Plan. The Shareholder Compact sets out the deliverables agreed between the Corporation and the Minister. It is supported by a Corporate Plan, which ensures that the Corporation's targets, measures and outputs are clearly articulated to enhance the Board's accountability.

The Memorandum of Incorporation expressly states under Article 3.4. that Armscor is not required to hold any shareholder's meetings other than those specifically required by the Companies Act.

In accordance with the Shareholder's Compact, the Minister must meet the Board of Directors at least once a year. During the reporting period, the Minister held a meeting with the Board on 17 July 2023.

### Compliance with Legislation

The Companies Act requires companies to file annual returns within 30 business days after the anniversary date of their incorporation. Annual returns for the reporting financial year were filed with Companies and Intellectual Property Commission for the following:

a. Armaments Corporation of South Africa – Registration number 1968/008611/30
b. Sportsrand – Registration number 1991/004629/07
c. Armscor Defence Institutes – Registration number 1990/003885/07
d. Erasmusrand Eiendomme (Pty) Ltd – Registration number 1991/04626/07
e. Oospark – Registration number 1991/004627/07

Armscor further complied with legislation by renewing its defensive names registration in respect of the following:

a. Armscor – Registration number 1341169DN
b. AB Logistics Pretoria – Registration number 1340328DN
c. AB Logistics Travel – Registration number 1340329DN
d. Alkantpan Test Range – Registration number 1340331DN
e. AB Logistics Durban – Registration number 1340345DN
f. Ergonomics Technologies – Registration 1340342DN
g. Ergotech – Registration number 1340343DN
h. Hazmat Protective Systems – Registration number 1340341DN
i. Gerotek Test Facilities – Registration number 1340344DN
j. Institute for Maritime Technology – Registration number 1340340DN
k. Protechnik Laboratories – Registration number 1338208DN
l. Flamengro – Registration number 1338203DN
m. Armour Development – Registration number 1340428DN
n. Defence Decision Support Institute – Registration number 1340427DN
o. Armscor Research and Development – Registration number 1339491DN

## 4.2.2 BOARD OF DIRECTORS

The Board of Directors was appointed in terms of Section 6(1) of the Armscor Act and must consist of nine non-executive members and two executive members, namely the Chief Executive Officer and the Chief Financial Officer. At the beginning of the reporting period, the Board had six non-executive directors and two ex-officio members, i.e., the Chief Executive Officer and Chief Financial Officer. One non-executive member of the Board resigned and provided the Minister with 30 days' notice being the month of May 2023. The three years term of office of the Board terminated on 30 November 2023 and the Minister extended the term from 1 December 2023 until 29 February 2024 for four non-executive directors except for one, who had already served two terms as a Board member of Armscor. The Minister further extended the Board's term of office from 1 March 2024 until 30 June 2024.

The integrity of governance with the Board in as far as its constitution and quorum requirements for Board meetings was not compromised during the reporting period. Section 9(5) of the Armscor Act provides that the quorum for any meeting of the Board is the majority of the members in office at the time. The Armscor Act further provides that no decision of the Board or act performed under the authority of the Board is invalid merely by reason of a vacancy on the Board, or by reason of the fact that any person who was not entitled to sit as a member when the decision was taken or the act was authorised, if the decision was taken or act was authorised by the required majority of members present at the time and entitled to sit as members.

The Board of Directors continues to provide ethical leadership to the Corporation and accordingly oversees the management of the strategic direction of the Corporation and the application of its assets in a fair and transparent manner.

During the reporting period, the Board executed its roles in accordance with the Board Charter. Board roles included:

- Managing and controlling the affairs of the Corporation as set out in Section 6(1) of the Armscor Act.
- Performing the functions of the accounting authority for the Corporation as contemplated in Section 6(2) of the Armscor Act and Section 49(a) of the PFMA.
- Providing effective leadership and control in terms of approving the Corporation's strategy and ensuring control over its operational implementation. The Board as the accounting authority takes responsibility for both its success and failure.
- Ensuring that the Corporation continues to operate as a viable and sustainable going concern by exercising effective control and leadership on material decisions having an impact on the Corporation.
- Providing oversight on human, operational and financial resources available within the Corporation to achieve its objective.
- Playing a key role in setting, reviewing and monitoring compliance with the Corporation's values.
- Representing and serving the shareholder's interests by overseeing and appraising the strategies, policies and performance of the Corporation.
- Ensuring that the shareholder is kept informed of the Corporation's performance and any major developments.

## Board Meetings

The meetings of the Board of Directors are governed by the Board's Charter, which makes provision for further meetings of the Board to take place as and when the Board deems it appropriate and are convened by the Chairperson.

At each meeting, the members of the Board are required to declare any interest they may have in respect of any matter to be decided on at that meeting. The declaration of interest is handled as stipulated in the Board Charter. During the reporting period, one member declared interest in a matter serving before the Board and was excused during the discussion of the item. Management is required to ensure that all relevant information has been placed before the Board to enable the Board to make decisions that serve the interests of the Corporation.

Members of the Board have unrestricted access to the Company Secretary, who is required by law to provide them with guidance with regard to the proper discharge of their responsibilities within governance policies and prescripts and to certify in the Annual Report that the Corporation has complied with the Companies Act in terms of filing of annual returns.

During the reporting period, the Corporation held five Board meetings, and eight Special Board meetings. Table 18 and 19 below shows the meetings of the Board respectively.

**Table 18: Board of Directors and Attendance of Meetings**

| Board of Directors and Attendance of Meetings | | | | | |
|---|---|---|---|---|---|
| **Board Member** | **26/4/2023** | **31/7/2023** | **30/10/2023** | **30/1/2024** | **27/2/2024** |
| Dr. P.D. Dexter (Chairperson) | P | P | P | P | P |
| Amb. J.T. Ndhlovu* | P | P | A | | |
| Ms B.F. Skweyiya-Gushu | P | P | P | P | P |
| Ms R. Matenche** | A | | | | |
| Ms P.N. Mashinini | P | P | P | P | P |
| Mr T.M. Sukazi | A | P | P | A | P |
| Adv. S.P. Mbada (CEO) | P | P | P | P | P |
| Mr J.G. Grobler (CFO) | P | P | P | A | A |

Key: P – Present A – Absent with apology * Amb. J.T. Ndhlovu – Term ended on 30/11/2023 ** Ms R. Matenche – Resigned on 27/5/2023

**Table 19: Special Board of Directors and Attendance of Meetings**

| Board Member | 31/5/2023 | 30/6/2023 | 5/7/2023 | 14/7/2023 | 17/7/2023 | 4/9/2023 | 28/9/2023 | 28/11/2023 |
|---|---|---|---|---|---|---|---|---|
| Dr. P.D. Dexter (Chairperson) | P | P | P | P | P | P | P | P |
| Amb. J.T. Ndhlovu* | P | P | P | P | P | P | A | A |
| Ms B.F. Skweyiya-Gushu | P | P | P | P | P | P | P | P |
| Ms P.N. Mashinini | P | P | P | P | P | P | P | P |
| Mr T.M. Sukazi | A | P | P | A | P | P | A | A |
| Adv. S.P. Mbada (CEO) | P | P | P | P | P | P | P | P |
| Mr J.G. Grobler (CFO) | P | P | P | P | P | P | A | P |

Key: P – Present A – Absent with apology * Amb J.T. Ndhlovu – Term ended on 30/11/2023

## Board Engagements with the Portfolio Committee on Defence and Military Veterans

As prescribed in the Shareholder's Compact, the Board of Directors as the accounting authority for the Corporation shall present the Corporation's Annual Report, Financial Statements and Corporate Plan for the reporting period to the Minister as a representative of the Shareholder. The Minister tables the reports in the National Assembly. Before these reports are tabled at the National Assembly, the Board presents the reports to the Portfolio Committee on Defence and Military Veterans (PCDMV). Table 20 provides information about the Board engagements with the PCDMV.

**Table 20: Portfolio Committee on Defence and Military Veterans and Attendance of Meetings**

| Board Member | 19/4/2023 | 10/5/2023 | 21/2/2024 | 28/2/2024 |
|---|---|---|---|---|
| Dr. P.D. Dexter (Chairperson) | A | P | A | A |
| Amb. J.T. Ndhlovu* | A | P | | |
| Ms B.F. Skweyiya-Gushu | P | P | A | P |
| Ms R. Matenche** | A | | | |
| Ms P.N. Mashinini | P | P | P | P |
| Mr T.M. Sukazi | A | A | A | A |
| Adv. S.P. Mbada (CEO) | A | P | P | P |
| Mr J.G. Grobler (CFO) | A | P | P | A |

Key: P – Present A – Absent with apology * Amb. J.T. Ndhlovu – Term ended on 30/11/2023
** Ms R. Matenche – Resigned on 27/5/2023

## Disqualification of Directors

None of Armscor's Board members are disqualified from serving as directors on any of the grounds contained in either the Armscor Act 2003 / Companies Act 2008 / PFMA 1999 and its regulations.

## Board Remuneration

Non-executive directors are remunerated on the basis of Board and Board committee meetings attendance and preparation. The fees are based on the determination by the Minister of Defence and Military Veterans in consultation with the Minister of Finance. The remuneration fees of members of the Board and Board Committees were reviewed and then approved by the Minister in March 2023 for implementation with effect from 1 April 2023.

## 4.2.3 BOARD COMMITTEES

To promote independent judgement and effective discharge of its duties, the Board of Armscor established five Board Committees appropriate to provide oversight over the execution of the mandate of Armscor. The Committee's delegation of powers are recorded in the various terms of reference, which are annually reviewed by committees and approved by the Board. The committees consider submissions from management on critical strategic issues affecting the Corporation and report on their work at each Board meeting.

The Chairperson of the Board, as stipulated in the Board Charter, is responsible for ensuring the integrity and effectiveness of the Board and its committees. As such, the Chairperson of the Board may reconstitute Board Committees in order to ensure that the committees function effectively and efficiently. Board Committee memberships are determined through the applications of the following principles: skills, experience, continuity and demographic representation.

### Audit and Risk Committee

**Table 21: Audit and Risk Committee Meetings**

| Members | 17/4/2023 | 28/7/2023 | 08/8/2023 (Continuation Meeting of 28/7/2023) | 24/8/2023 |
|---|---|---|---|---|
| Mr T.M. Sukazi | P | P | A | A |
| Ms B.F. Skweyiya-Gushu | P | P | P | P |
| Ms P.N. Mashinini* | | P | P | P |
| Mr D. Mathebula** | P | | | |

Key: P – Present A – Absent with apology
* Ms P.N. Mashinini – Appointed as a Member of Audit and Risk Committee on 30/6/2023
** Mr D. Mathebula – Independent Non-Executive Audit and Risk Committee Member, Resigned 30/4/2023

**Table 22: Special Audit and Risk Committee Meetings**

| Special Audit and Risk Committee and Attendance of Meetings | | |
|---|---|---|
| Members | 29/5/2023 | 26/2/2024 |
| Mr T.M. Sukazi | P | P |
| Ms B.F. Skweyiya-Gushu | P | P |
| Ms P.N. Mashinini* | | P |

Key: P – Present A – Absent with apology
* Ms P.N. Mashinini – Appointed as a Member of Audit and Risk Committee on 30/6/2023

## Technology, Industry Support and Sustainability Committee

The Technology, Industry Support and Sustainability Committee consists of a minimum of three non-executive directors and two executive directors (being the Chief Executive Officer and the Chief Financial Officer).

The main role and responsibilities of the Committee as outlined in the Committee's Terms of Reference is to advise the Board on the following:

- The appropriate policy framework for research and development, intellectual property management and industry support.
- The existence or acquisition and management of intellectual property within the approved policy framework and how such intellectual property may be exploited to the best advantage of the DOD in line with the Armscor Strategy.
- The development of channels of communication between Armscor, the defence industry and any other role players to facilitate the effectiveness of Armscor's market positioning.
- The appropriate policies, strategies and business cases on sweating of assets, entering new markets and undertaking government-to-government trade for Armscor's benefit and sustainability.

**Table 23: Technology, Industry Support and Sustainability Committee Meetings**

| Members | 12/7/2023 | 19/10/2023 | 13/2/2023 |
|---|---|---|---|
| Amb. J.T. Ndhlovu* | P | A | |
| Ms B.F. Skweyiya-Gushu** | P | P | P |
| Mr T.M. Sukazi*** | P | A | A |
| Adv. S.P. Mbada (CEO) | A | A | P |
| Mr J.G. Grobler (CFO) | P | P | A |

Key: P – Present A – Absent with apology
* Amb. J.T. Ndhlovu – Term ended on 30/11/2023
** Ms B.F. Skweyiya-Gushu – Appointed Chairperson of the TISS Committee on 30/6/2023
*** Mr T.M. Sukazi – Appointed as a Member of TISS Committee on 30/6/2023

**Table 24: Special Technology, Industry Support and Sustainability Committee Meetings**

| Members | 08/9/2023 |
|---|---|
| Amb. J.T. Ndhlovu | P |
| Mr T.M. Sukazi | P |
| Adv. S.P. Mbada (CEO) | A |
| Mr J.G. Grobler (CFO) | P |

Key: P – Present A – Absent with apology

## Acquisition Committee

The Acquisition Committee consists of a minimum of three non-executive directors and two executive directors (being the Chief Executive Officer and the Chief Financial Officer).

The acquisition of defence matériel requirements of the DOD is one of the main objectives of the Corporation as set out in Section 3(1)(a) of the Armscor Act. As such, the role of the Committee is to assist the Board with the balancing of power and the effective discharge of its responsibilities by:

- Overseeing the development of acquisition policies, rules and procedures for approval by the Board.
- Considering and making recommendations to the Board on the requirements of the DOD or other clients to the Board.
- Deciding on the strategic nature and implications of acquisition projects and whether such projects should be disposed of by the Committee or are of such a nature that they require consideration by the Board.
- Considering and disposing of acquisition and procurement submissions within the approved limits.

During the reporting period, the Committee had the following scheduled meetings and special meetings:

**Table 25: Acquisition Committee Meetings**

| Members | 18/4/2023 | 20/7/2023 | 13/10/2023 (no quorum) | 23/11/2023 (continuation of 13/10/2023) | 15/2/2024 |
|---|---|---|---|---|---|
| Mr T.M. Sukazi (Chairperson) | P | P | P | P | P |
| Ms P.N. Mashinini | P | P | P | P | P |
| Amb. J.T. Ndhlovu* | P | P | A | A | |
| Adv. S.P. Mbada (CEO) | P | P | A | A | P |
| Mr J.G. Grobler (CFO) | P | P | A | P | A |

Key: P – Present A – Absent with apology
* Amb. J.T. Ndhlovu – Term ended on 30/11/2023

**Table 26: Special Acquisition Committee Meetings**

| Members | 27/6/2023 |
|---|---|
| Mr T.M. Sukazi (Chairperson) | P |
| Ms P.N. Mashinini | P |
| Amb. J.T. Ndhlovu | P |
| Adv. S.P. Mbada (CEO) | P |
| Mr J.G. Grobler (CFO) | P |

Key: P – Present A – Absent with apology

## Human Resources, Social and Ethics Committee

The Human Resources, Social and Ethics Committee consists of a minimum of three non-executive directors and two executive directors (being the Chief Executive Officer and the Chief Financial Officer).

The role of the Committee is to assist the Board with the balancing of power and the effective discharge of responsibilities by:

- Advising the Board on the formulation, implementation, monitoring and review of the Corporation's human resources practices, polices and strategies.
- Advising the Board on all matters relating to conditions of service, remuneration, reward and retention strategies.
- Overseeing and providing direction to management on behalf of the Board to ensure that the Corporation conducts its human resource affairs fairly, effectively and efficiently.
- Monitoring the Corporation's activities relating to its social impact taking into consideration all relevant legislation, legal requirements and codes of best practice.
- Ensuring that the Corporation's ethics management process is managed effectively and efficiently.

**Table 27: Human Resources, Social and Ethics Committee Meetings**

| Human Resource, Social and Ethics Committee and Attendance of Meetings | | | | |
|---|---|---|---|---|
| **Members** | **11/4/2023** | **10/7/2023** | **9/10/2023** | **12/2/2024** |
| Ms P.N. Mashinini | P | P | P | P |
| Amb. J.T. Ndhlovu* | P | P | A | |
| Ms R. Matenche** | P | | | |
| Ms F.B. Skweyiya-Gushu*** | | P | P | P |
| Adv. S.P. Mbada (CEO) | P | P | A | P |
| Mr J.G. Grobler (CFO) | P | P | P | A |

Key: P – Present
* Amb. J.T. Ndhlovu – Term ended on 30/11/2023 ** Ms R. Matenche – Resigned on 27 May 2023
*** Ms F.B. Skweyiya-Gushu – Appointed as a Member of HRSE Committee on 30/6/2023

**Table 28: Special Human Resources, Social and Ethics Committee Meetings**

| Special Human Resource, Social and Ethics Committee and Attendance of Meetings | | | |
|---|---|---|---|
| **Members** | **07/9/2023** | **23/11/2023** | **23/2/2024** |
| Ms P.N. Mashinini | P | P | P |
| Amb. J.T. Ndhlovu* | P | A | A |
| Ms F.B. Skweyiya-Gushu | P | P | P |
| Adv. S.P. Mbada (CEO) | P | A | A |
| Mr J.G. Grobler (CFO) | P | P | P |

Key: P – Present A – Absent with apology
* Amb. J.T. Ndhlovu – Term ended on 30/11/2023

## Military Veterans Committee

The Board Committee on Military Veterans was established by the Board on 19 March 2021 in order to have a coordinated approach of providing services to Military Veterans. The following members were nominated to represent the Board in this Committee:

- Ms F.B. Skweyiya-Gushu
- Amb. J.T. Ndhlovu
- Dr. P.D. Dexter
- Adv. S.P. Mbada
- Mr J.G. Grobler

The Committee consists of a minimum of three non-executive directors and two executive directors (being the Chief Executive Officer and the Chief Financial Officer). The role of the Committee is to assist the Board with the balancing of power and the effective discharge of responsibilities by advising the Board on:

- Implementing, monitoring and reviewing the Corporation's implementation of the Broad-Based Black Economic Empowerment Defence Sector Code.
- Overseeing and providing direction to management on behalf of the Board to ensure that the Corporation implements the Defence Sector Code as it relates to Military Veterans fairly, effectively and efficiently.
- Monitoring the Corporation's activities relating to its social impact on Military Veterans taking into consideration all relevant legislation, legal requirements and codes of best practice.
- Engaging with the Defence Sector Charter Council established in terms of the Defence Sector Code on the empowerment of Military Veterans through the Defence Industry Skills Development Fund.

During the reporting period, the Committee held four Committee meetings as depicted in Table 29.

**Table 29: Military Veterans Committee Meetings**

| Military Veterans Committee and Attendance of Meetings | | | | |
|---|---|---|---|---|
| **Members** | **11/4/2023** | **10/7/2023** | **9/10/2023** | **12/2/2024** |
| Dr. P.D. Dexter | P | P | P | P |
| Amb. J.T. Ndhlovu* | P | P | A | |
| Ms B.F. Skweyiya-Gushu** | P | P | P | P |
| Mr P.J. Hlasa*** | | | P | P |
| Ms E. Motloung**** | | | P | P |
| Adv. S.P. Mbada (CEO) | P | P | A | P |
| Mr J.G. Grobler (CFO) | P | P | P | A |

Key: P – Present A – Absent with apology
* Amb. J.T. Ndhlovu – Term ended on 30/11/2023
** Ms B.F. Skweyiya-Gushu – Appointed Chairperson of the Milvet Committee on 13/2/2024
*** Mr P.J. Hlasa – Independent Non-Executive Milvet Committee Member since 1/11/2023
**** Ms E. Motloung – Independent Non-Executive Milvet Committee Member since 1/11/2023

## 4.3 FINANCIAL REPORTING

The Directors are required by the Companies Act to produce financial statements which fairly represent the state of affairs of the Corporation as at the end of the financial year. This includes the profit and loss for that financial year in conformity with South African Generally Recognised Accounting Practice (SA GRAP) and the Companies Act.

The Financial Statements set out in this report have been prepared by management in accordance with SA GRAP and the Companies Act and are based on appropriate accounting policies supported by reasonable and prudent judgements and estimates.

The Directors are of the opinion that the financial statements fairly represent the financial position of the Corporation as at 31 March 2024; the results of their operations and cash flows for the year then ended.

The Board has reviewed the Group's financial budgets for the period 1 April 2024 to 31 March 2025 and is satisfied that adequate resources exist to sustain the Corporation's operations. Armscor is, furthermore, in discussion with the DOD to ensure proper funding for the required functions to be performed. The Directors, therefore, have no reason to believe that Armscor will not remain a going concern in the foreseeable future.

### Dividends

No dividends were declared or paid to the Shareholder during the reporting period.

### Post-Balance Sheet Events

As reflected in this report and financial statements, no material facts or significant circumstances, which affect the financial position of this Corporation or group have arisen between the date of the balance sheet and the production date of this report.

## 4.4 LITIGATION

In relation to special defence acquisition done for the DOD, the following were instituted against Armscor:

### Beverly Securities

The claim instituted by Beverly Securities Ltd and Beverly Securities Inc in the Civil Court of Lisbon is for commission in the amount of €192 million against Armscor for services allegedly rendered by the plaintiffs. The matter is related to the acquisition of 50 Oryx helicopters in kit form during the 1980s. The existence of an agency agreement wherein Armscor appointed the plaintiffs to assist as intermediary in establishing a clandestine Portuguese channel is in dispute. The matter was before Court on 13 – 23 September 2023. The matter was adjourned for preparation of the heads of argument, which were submitted and filed at the end of November 2023. Judgment is expected before the end of 2024.

### Quaker Peace Centre

The plaintiff in this matter is the Quaker Peace Centre, a non-profit and public benefit organisation. The plaintiff claims that it sues in its own interest and in the public interest as contemplated in the Constitution of the Republic of South Africa, 1996.

The matter involves the procurement agreement entered into with BAE in respect of the Hawk and Gripen aircrafts. The relief sought by the plaintiff is an order directing the defendants (Government of the Republic of South Africa and Armscor respectively) to take steps that may be necessary to impugn the validity of the Procurement Agreement and the Loan Agreement, or alternatively to declare the Procurement Agreement and the Loan Agreement invalid.

Alternatively, an order is sought directing the defendants to tender the return of the aircraft acquired to the third defendant (seller) against repayment of all amounts paid to the third defendant. Armscor and the relevant government departments are defending the matter and have filed pleas in the defence of the matter. The plaintiff has not proceeded to apply for a court date.

### Patria Land OY

In this matter the first and second defendants are Denel and Armscor respectively. The plaintiff claims that Denel and/or Armscor did not accept work delivered in accordance with an agreement entered into between Denel and the plaintiff and furthermore demand payment of a number of invoices issued to Denel. The plaintiff further claims that Armscor and Denel have entered into a stipulatio alteri for the benefit of Patria in terms of which Armscor would be liable for the invoices issued by Patria to Denel.

Armscor is defending the matter and filed an exception. The plaintiff filed the amended particulars of claim. In the amended particulars of claim, the plaintiff has included an additional claim in respect of goods packages that were not included in the initial claim. The claim amounted to Euro 17 562 575,82 plus ZAR 258 168,19. Armscor responded and filed its plea. Armscor has paid all invoices that are payable in terms of the conditions of the contract. The plaintiff has not approached the court for a trial date.

### Steradian Energy (Pty) Ltd

The plaintiff in this matter is Steradian Energy (PTY) Ltd, who has previously submitted a bid in respect of the acquisition of new Mobile and Tactical Power Generation Product System.

Steradian claims that their tender was accepted by Armscor by a written or partially written oral contract. As a result of the cancellation of the tender, Steradian claims that it suffered damages amounting to approximately R381 900 000.

Armscor is defending the matter. Armscor has filed a notice of exception. The plaintiff further amended the particulars of the claim and Armscor has filed further exception to the amended particulars of claim. The plaintiff's attorneys have withdrawn on several occasions as attorneys of record and has to date not approached the court for a trial date.

### Aqua Marine Boats and Accessories

During 2016, Armscor placed a three-year order of KT545653 with Aqua Marine Boats and Accessories t/a 2000 Pretoria Yamaha, with a provision to repair Yamaha outboard engines from 2016/17 to 2018/19 to the total value of R959 998,00. The contractor repaired 26 Yamaha Outboard engines and an amount of R175 438,00 was paid to the contractor for services rendered. However, the contractor failed to deliver the Yamaha Outboard engines to the SA Army depot as contracted. Armscor was later made aware that the contractor was under liquidation and that 19 engines are in the possession of a third party.

The matter was also reported to the Military Police who were requested to consider the attachment of the engines as it should be regarded as stolen property. The Military Police did not proceed with the attachment of the assets as a result of insufficient proof of ownership of the engines. The third party submitted a settlement proposal to be paid of R500 000 for the release of the engines. Armscor approached the third party regarding its settlement proposal, however, they subsequently declined to negotiate the settlement offer further. The matter was reported to the Special Investigating Unit (SIU) for investigation. The SIU has referred the matter back to the Military Police to provide a formal report prior to SIU proceeding with the investigation.

### Duma Healthcare (Pty) Ltd

The plaintiff is Duma Healthcare (Pty) Ltd, a local company who has submitted a bid for the Procurement of General Hospital Equipment for SAMHS. An order was placed in respect of the tender. Armscor is cited as the defendant. The claim amounts to R7 415 624,00 for alleged breach of contract. Armscor is disputing this claim as in terms of the contract conditions, time was of the essence in the delivery of all items. Duma Healthcare failed to perform in accordance with the delivery conditions. A plea was filed by Armscor. The plaintiff has appointed new attorneys of record and they have served Armscor with a notice of an arbitration process. Armscor is not amenable to the arbitration as given the costs incurred to date.

In relation to operational matters, the following litigation was instituted by Armscor:

### Gauteng Department of Health

The Gauteng Department of Health (GDoH) contracted Armscor through its division Protechnik Laboratories for the supply and delivery of hand sanitisers and surface disinfectants. This contract was as a result of a quotation issued by Armscor for the supply of the hand sanitisers and surface disinfectants (9 600 L of each) amounting to R29 193 557,76 dated 17 July 2020. Subsequently, a purchase order was issued to Armscor to the total amount of R30 730 080. Protechnik made deliveries as required in the order amounting to R5 608 852,83 (including VAT) of which R4 041 829,73 was paid under the invoices that were submitted. Armscor's claim is for the balance of R1 567 023,10.

The defendant provided Armscor with a deed of settlement: Payment of R1 567 023,10 with interest was made from the date of order and cost of party and party. The Deed of Settlement was made an order of Court. Armscor has instructed its attorneys to execute the order as the Department has not paid.

## 4.5 REPORT OF THE CHAIRPERSON OF AUDIT AND RISK COMMITTEE

The report on the activities of the Audit and Risk Committee has been prepared as prescribed by the PFMA, read together with the provisions of National Treasury Regulations, and in line with King IV. The Audit and Risk Committee was constituted as a Committee of the Board to fulfil statutory duties in terms of Section 51(1)(a)(ii), Section 76 and Section 77 of the PFMA, read together with National Treasury Regulation 27 and Section 94(7) of the Companies Act, as well as all other duties assigned to it by the Board.

### Audit and Risk Committee Terms of Reference

The Committee reviewed its Terms of Reference to comply with changes in legislation, business circumstances, corporate governance principles, King IV and applicable best practices and such were approved by the Board of Directors. The Committee confirms that it has complied with its Terms of Reference and other statutory obligations during the reporting period.

The Committee assists the Board in fulfilling its oversight responsibilities with regard to the evaluation of the adequacy and efficiency of accounting policies, internal controls, financial and corporate reporting processes, risk management and compliance. The Committee further assesses the effectiveness of internal auditors and the independence and effectiveness of the external auditors.

### Composition and Number of Meetings

The Committee must consist of at least three independent non-executive members who are appointed by the Board of Directors. During the reporting period, the membership of the Committee comprised three non-executive members of the Board. The Chairperson of the Committee, Ms Refilwe Matenche, resigned as a non-executive member of the Board by providing the Minister with the statutory notice of a calendar month from 1 – 31 May 2023. Her appointment and membership of the Committee as the Chairperson of the Committee ceased ipso facto with her resignation as a Board member. Mr Timothy Sukazi was then appointed as Chairperson of the Committee.

The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of financial and sustainability reporting, internal financial controls, external audit and internal audit processes, corporate law, risk management, information technology and corporate governance. The Committee further has a right to co-opt a suitable external individual to enhance the capacity and capability of the Committee.

During the 2023/24 financial year, the Committee consisted of the following members:

1. Mr T.M. Sukazi (Chairperson)
2. Ms F.B. Skweyiya-Gushu (Non-Executive member)
3. Ms P.N. Mashinini (Non-Executive member)
4. Mr D. Mathebula (Independent Non-Executive Member) – Resigned 30/4/2023

The following officials and persons attend all meetings of the Committee by permanent invitation:

a. Chief Executive Officer
b. Chief Financial Officer
c. Chief Risk Officer or any person performing the risk function
d. Chief Audit Executive
e. Chief Information and Technology Officer
f. Acting GE: Business Assurance
g. Executive Manager: Supply Chain Management
h. Company Secretary
i. Representative from external auditors (Auditor-General of South Africa)

The external auditors attend the Committee meetings and have unrestricted access to all Committee meetings. The external auditors and internal auditors are afforded an opportunity to meet with the Committee in the absence of management quarterly or as and when the need arises.

The committee held four meetings and two special meetings during the reporting period.

## Activities of the Committee for the 2023/24 financial year

The main activities undertaken by the Committee during the reporting period are summarised below:

During the 2023/24 financial year, the Committee:

a. Considered the 2023/24 financial year draft annual financial statements with management and assurance providers, and approved them for submission to AGSA for audit purposes.
b. Considered and concurred that the adoption of the going concern premise in preparation of the 2023/24 financial year annual financial statements was appropriate.
c. Considered and recommended the 2022/23 financial year annual report to the Board.
d. Considered and recommended to the Board the 2022/23 financial year fourth quarterly performance information and financial reports, and the first to the third quarterly performance information and financial reports for 2023/24 financial year.
e. Reviewed, deliberated and approved the external audit annual plan, audit fee and related scope of work for the financial year ended 31 March 2024.
f. Reviewed significant accounting practices, judgments and estimates adopted by Armscor in the application of the applicable financial reporting standards and found such to be appropriate.
g. Reviewed the report of AGSA concerning the effectiveness of Armscor's internal control environment and ICT Governance.
h. Considered with management the quality and effectiveness of AGSA's process, areas of concern and the improvement plans being developed to mitigate identified risks. Monitored progress on 2023/24 financial year audit action plans.

The Committee ensures that an effective internal audit function is in place and that the roles and functions of internal audit are sufficiently clarified and co-ordinated so as to provide an objective overview of the operational effectiveness of Armscor's system of internal control, risk management, governance and reporting.

During 2023/24 financial year, the Committee:

a. Reviewed and approved the internal audit charter.
b. Reviewed the objectives and the operations of the internal audit function and the adequacy of available resources.
c. Reviewed and approved the 2023/24 financial year internal audit plan and the rolling three-year plan.
d. Considered Internal Audit's quarterly reports relating to the effectiveness of Armscor's internal control environment, systems and processes together with the adequacy and appropriateness of the related management's corrective action plans.
e. Considered the effectiveness of the internal audit function.
f. Considered Hotline Reports and the progress in addressing reported incidents.
g. Received no complaints relating to the accounting practices and internal audit of Armscor, and the content or auditing of its financial statements, the internal financial controls of Armscor or other related matters.

The Committee, after considering, analysing, reviewing and debating information provided by management, internal and external auditors, concluded that the internal controls have been effective in all material aspects throughout the 2023/24 financial year.

The Committee has to provide oversight over financial reporting made by Armscor by contributing to the objectivity and credibility of such financial reports. The Committee examined and reviewed the annual financial statements for the financial year ended 31 March 2024, and the accompanying reports, prior to approval by the Board and publication.

The Committee further reviewed the quarterly financial reports and reviewed and discussed with management the Armscor group's conformance with any financial progress against the approved budget for the 2023/24 financial year.

The Board remains responsible for the risk management policy of Armscor and delegated to the Committee the responsibility to oversee the risk philosophy, strategy, and risk management reports and to review the adequacy and overall effectiveness of Armscor's risk management process, the integrity of the risk control systems, and compliance with selected risk policies and the overall risk profile of Armscor. The Committee considers quarterly risk register reports on the mitigation of strategic and operational risks and considered the material risks within Armscor to ensure that new and emerging risks were identified, monitored and addressed.

The Committee is satisfied that the following areas have been appropriately addressed:

a. Financial reporting risks
b. Internal financial controls
c. Fraud risk related to financial reporting
d. IT risks related to financial reporting

During the reporting period, the Committee considered and recommended the following to the Board:

a. The 2022/23 financial year's fourth quarter, first to the third quarter 2023/24 financial year ICT Governance reports.
b. The 2022/23 financial year's fourth quarter, first to the third quarter 2023/24 financial year Corporate Strategic Risk Register reports.
c. Quarterly risk management strategy reports.
d. Quarterly fraud risk register reports.
e. Quarterly operational risk dashboard reports.
f. Quarterly risk appetite emerging risk reports.

The Committee is satisfied that the mitigation actions for the identified risks have been effective.

The Committee monitors Armscor's compliance with laws and regulations by reviewing the effectiveness of the systems for monitoring compliance with laws and regulations and the results of management's investigation and follow-ups, including disciplinary actions on any fraudulent acts or accounting irregularities.

During the reporting period, the Committee considered:

a. The 2022/23 financial year's fourth quarter, and 2023/24 financial year's first to third quarterly litigation reports.
b. The 2022/23 financial year's fourth quarter, 2023/24 financial year's first to third quarterly regulatory universe reports.
c. Quarterly reports on irregular, fruitless and wasteful expenditure.

Other Matters

The Committee approved the Group Annual Financial Statements based on the process and assurances obtained.

On behalf of the Audit and Risk Committee,

**MR TIMOTHY M. SUKAZI**
**CHAIRPERSON: AUDIT AND RISK COMMITTEE**

PART E

# PFMA COMPLIANCE REPORT

ARMSCOR
Armaments Corporation of South Africa SOC Ltd

GATEWAY TO DEFENCE SOLUTIONS

## 5.1 Information on Irregular, Fruitless and Wasteful, Unauthorised Expenditure and Material Losses

**Table 30: Reporting of Procurement by Other Means**

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 1 | To supply and delivery of the rotary motion control equipment | AEROTECH INC. UNITED KINGDOM (UK) | DI020283 | Aerotech Inc. UK is the Original Equipment Manufacturer (OEM) of the rotary motion control equipment. | R198 564,33 | 30-Mar-23 | 03-Apr-23 | 01-Oct-24 |
| 2 | To provide SANREN services and internet connectivity for a period of 36 months | TENET | DI020259 | TENET is the only entity that operates the SANREN and is the sole supplier. | R454 680,00 | 12-Apr-23 | 12-Apr-23 | 10-Apr-26 |
| 3 | Encapsulation of Subconn Connectors | CSIR | DI020324 | CSIR is the only entity that can perform the specialised service. | R49 086,60 | 29-Mar-23 | 29-Mar-23 | 12-May-23 |
| 4 | Calibration of two (2) National Instruments (NI) data acquisition cards | Test Dynamics Defence (Pty) Ltd | DI020322 | Test Dynamics Defence (Pty) Ltd is the only authorised distributor of NI products in South Africa. | R49 040,00 | 20-Apr-23 | 20-Apr-23 | 28-Jul-23 |
| 5 | Procurement of the Body Composition Tracking System : BodPod GS-X:A-661-230-040 | Cosmed Srl | ET004488 | Cosmed Srl is the original equipment manufacturer. Previous price negotiations with local distributor failed. | R1 325 054,27 | 14-Dec-22 | 14-Mar-23 | Amended to 180 days after placement of order |
| 6 | To conduct an annual service maintenance interval of two (2) Yanmar 6LY2A-STP in-board engines | Seascape Marine Services (Pty) Ltd | DI020350 | Seascape Marine Services (Pty) Ltd is the sole distributor for all Yanmar Marine Engines in South Africa for commercial application. | R264 231,20 | 01-Jun-23 | 15-Jun-23 | 15-Jun-23 |
| 7 | The renewal of the Ship Air Defence Model (SADM) software license for a period of 15 months | BAE Systems Australia Limited | DI020307 | BAE Systems Australia Ltd is the developer (Original Equipment Manufacturer) of the SADM software tool as well as the sole supplier with no local representation in South Africa. | R715 930,09 | 02-Jun-23 | 02-Jun-23 | 30-Sep-24 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 8 | To conduct Pressure Hull Penetration Enlargement on the South African Navy (SAN) SAS CHARLOTTE MAXEKE S102 Heroine-class Submarine | Cutino Brothers Engineering (Pty) Ltd | DI020343 | Cutino Brothers Engineering (Pty) Ltd is the sole supplier of the Pressure Hull Penetration Enlargement on submarines. | R380 530,00 | 23-Jun-23 | 07-Jul-23 | 30-Nov-23 |
| 9 | To manufacture and supply harnesses and canister assembly for the Beach Barrier System | Govolt (Pty) Ltd | DI020316 | Govolt (Pty) Ltd is the sole supplier who developed the jigs and fixtures for the harnesses and canister assembly with the original system since inception of the Beach Barrier Systems. | R854 116,00 | 28-Jun-23 | 15-Jul-23 | 15-Mar-24 |
| 10 | To manufacture and supply printed circuit boards (PCB) for the Beach Barrier System | Circor Solutions CC | DI020317 | Circor Solutions CC is the sole supplier who developed the jigs and fixtures for the PCB with the original system since inception of the Beach Barrier Systems. | R854 924,00 | 28-Jun-23 | 15-Jul-23 | 15-Mar-24 |
| 11 | Annual renewal of ArcGIS software for a period of 12 months | ESRI South Africa (Pty) Ltd | DI020391 | ESRI South Africa (Pty) Ltd is the sole distributor of the ArcGIS products. | R264 850,63 | 28-Jun-23 | 15-Jul-23 | 30-Jun-24 |
| 12 | Plastic Components | Paramount Safety Products CC | HAZ-RFQ 449 | Amendment of purchase order PO/06392 to add one item to existing order. Order amended is less than 15% of the original PO. | R404 098,50 | 13-Jun-23 | 15-Jun-23 | 31-Dec-23 |
| 13 | Single & Double Half Mask (Green) | Paramount Safety Products CC | HAZ-RFQ 452 | Paramount Safety Products cc is the developer (Original Equipment Manufacturer) of the single & double half mask in South Africa. | R260 631,40 | 11-May-23 | 12-May-23 | 30-May-23 |
| 14 | Purchasing of two high speed cameras | ECM Technologies Pty Ltd | RA0171/22 | ECM Technologies is the sole supplier of the high speed cameras in South Africa. | R2 138 826,00 | 15-May-23 | 15-May-23 | 17-Jul-23 |
| 15 | Purchase of 60mm and 81mm Mortar Systems | Denel Land Systems | RA0001/23 | Denel Land Systems is the sole manufacturer and supplier of 60mm and 81mm Mortar Systems in South Africa. | R288 373,40 | 11-Apr-23 | 11-Apr-23 | 11-Feb-24 |
| 16 | Purchase of Toyota Fortuner 2.4 GD-6 RB 6MT-H42 | Toyota South Africa Motors | RA0023/23 | Toyota South Africa Motors is the sole manufacturer of Toyota Fortuners in South Africa. | R587 123,30 | 24-May-23 | 24-May-23 | 15-Dec-23 |
| 17 | Purchase of Kubota EK 6090 4x4 Pro | Qalabotjha Trading and Projects T/A New Leaf SA | RA0024/23 | New Leaf SA is the sole supplier of the Kubota EK 6090 4x4 Pro in South Africa. | R773 164,42 | 02-Jun-23 | 02-Jun-23 | 31-Jul-23 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 18 | To repair malfunction fume hoods at the Containment Laboratory | X-Link CC | PO021915 | Containment Laboratory is a specialised area with a high level of safety requirements. The functioning fume hoods enable extraction of toxic fumes, correct temperature conditions, maintain stability of the volatile chemicals and the negative pressure created in the Containment Laboratory to ensure that all the fumes possibly released are channelled towards the fume hoods which has a carbon bed to trap the toxic fumes, and not release them into the environment. All these parameters are crucial and should continuously be running to ensure that safety, health and environmental risks are eliminated. | R6 720,00 | 24-May-23 | 24-May-23 | 25-May-23 |
| 19 | To purchase biomedical products for the Protechnik Laboratories Biomedical Domain | Inqaba Biotechnical Industries (Pty) Ltd | PO021947 | Inqaba is the only local commercial oligonucleotide manufacturer available in South Africa. Their oligonucleotide production includes, but is not limited to primers and probes with various modifications. Inqaba also supplies day-to-day biomedical products used in the Biomedical Laboratory which include the TreffLab and Scharlabu Lab products. | R26 227,31 | 15-Jun-23 | 15-Jun-23 | 26-Jun-23 |
| 20 | To repair an Electrochemical Gas Sensor Testing Station System | X-Link CC | PO021948 | X-Link Systems CC offers the combined expertise to assist with specialised and customised construction of equipment, electrical powering and electronic interfaces to give readable output using LabView System whereby a combination of mechanical, electrical and software programming is required, respectively. Therefore, the upgrade and maintenance of such equipment can only be done by X-link Systems CC. | R28 270,00 | 19-Jun-23 | 19-Jun-23 | 14-Jul-23 |
| 21 | Maintenance and repair contract of critical Laboratory equipment | Chemetrix Export (Pty) Ltd | PO021951 | Chemetrix Export (Pty) Ltd is the accredited sole supplier sourced by OEM Agilent Technologies International Sarl for Agilent equipment. This will make it possible to attend to instruments (troubleshooting) immediately, and there will be no delays from internal processes leading to the maintenance and repairs of critical equipment. Equipment damage will be limited, and this in turn will lead to less costly replacement of parts and repairs and less downtime. | R187 076,16 | 09-Jun-23 | 09-Jun-23 | 28-Jul-23 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 22 | Maintenance and repair contract of critical laboratory equipment | Chemetrix Export (Pty) Ltd | PO021961 | Chemetrix Export (Pty) Ltd is the sole accredited supplier sourced by OEM Agilent Technologies International Sarl for Agilent equipment. This will make it possible to attend to instruments (troubleshooting) immediately, and there will be no delays from internal processes leading to the maintenance and repairs of critical equipment. Equipment damage will be limited, and this in turn will lead to less costly replacement of parts and repairs and less downtime. | R93 223,17 | 26-Jun-23 | 26-Jun-23 | 28-Jul-23 |
| 23 | Procurement of 200 half inch push on Rubber pipe connector with three quarters male threads | Tshiamiso Trading 25 cc | RR70848 | Our building has been experiencing water leaks in the offices due to corroded pipe joints on the inlets and outlets of the FCUs. 2 000 new pipes joints as well as all the old corroded pipe joints need to be replaced urgently to prevent the damages caused by the water leaks in the building. | R211 200,00 | 15-May-23 | 15-May-23 | 16-Aug-23 |
| 24 | Renewal of Trueconf software licenses | Secure Meetings UAB | RR84119 | The current TrueConf software licenses expired on 9 May 2023. The initial purchase and implementation of the TrueConf software licenses came with the requirement conditions to have the software license renewed annually to ensure that no service disruptions are experienced. | R17 811,90 | 25-May-23 | 25-May-23 | 12-Oct-23 |
| 25 | Multifunctional printers for the SCM Compliance, Performance, Monitoring and Reporting Division | Konica Minolta SA | KB423935 | Problems were experienced with the contractor from the inception of the contract where the delivery took longer than contracted. The quality of the printouts were of low quality and the supply of the toner cartridges was unsatisfactory. The contractor was put on terms and eventually contracted on 30 June 2023. Due to the urgency of this requirement, Minolta was approached to fulfil the requirement through procurement by other means as a “Single Source”. | R445 999,32 | 18-Jul-23 | TBC | 31-Jul-27 |
| 26 | Single & Double Half Mask (Green) | Paramount Safety Products CC | HAZ-RFQ 456 | Paramount Safety Products CC is the developer (Original Equipment Manufacturer) of the single & double half mask in South Africa. | R365 700,00 | 19-Jul-23 | 20-Jul-23 | 20-Sep-23 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 27 | To participate in ILC 23-085 | INSPEC International Ltd | PO021989 | INSPEC International Ltd periodically provides a Proficiency Test service for various tests of different respiratory protection equipment. From an Internet search analysis, it was established that INSPEC International Ltd is the only facility in the world that currently provides this service. | GBP480,00 | 24-Jul-23 | 24-Jul-23 | 24-Aug-23 |
| 28 | Purchasing of standard | Merck Life (Pty) Ltd | PO021990 | Merck (Pty) Ltd is the sole supplier for GC-MC Suprasolvent in South Africa. | R43 150,00 | 25-Jul-23 | 05-Jul-23 | 15-Aug-23 |
| 29 | To replace and validate BIBO for MCBDL | ALPA (Pty) Ltd | PO021991 | ALPA is the only local commercial company available in South Africa that supplies CAMAG air filter products for Biosafety Level 3 (BSL-3) facilities. | R16 801,50 | 25-Jul-23 | 05-Jul-23 | 25-Aug-23 |
| 30 | Continuation of work | AccTech System (Pty) Ltd | KA913259 | Sage ERP 300 is used by the R&D Department, Armscor Medical Benefit Fund, Armscor defined contribution pension fund and Armscor Provident Fund as the financial transaction recording and business reporting system. These systems are process-specific software and were sourced and selected to assist business as the Armscor system in use cannot provide the required functionality. | R126 543,60 | 27-Jul-23 | 01-Aug-23 | 31-Jul-23 |
| 31 | PaySpace | Business Connection (Pty) Ltd | KB423933 | The current paySpace software licenses expired on 31 July 2023. The sourcing process for an ERP solution provider is still currently under evaluation. | R570 466,19 | 11-Jul-23 | 01-Aug-23 | 31-Jul-24 |
| 32 | APN and ISP services | MTN South Africa | KB423937 | No service provider has been appointed/ approved to date following the various RFB processes carried out. Approval is still to be obtained for the cancellation of the latest RFB owing to the service providers not complying with the bid request. The ISP services are required for the Right Fax service, external email service, and web hosting and internet access services. The APN services are required for national remote access to Armscor's network for roaming users. Without these two services Armscor will not be able to meet day-to-day operational business requirements. | R166 201,50 | 10-Aug-23 | 01-Sep-23 | Month-to-month |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 33 | Opening of a safe | Masterkey Locksmiths cc t/a Masterkey | DV111163 | The Director of Technology Development was on leave and upon his return to the office he could not gain access to the safe, both the key and combination lock did not work. This meant that the Director could not gain access to his equipment and documents store. | R4 086,95 | 17-Jul-23 | 17-Jul-23 | 17-Jul-23 |
| 34 | Open combination lock on strong room door and supply and fit new lock | Masterkey Locksmiths cc t/a Masterkey | RR78338 | Defence Intelligence conducted a CI investigation regarding the weapon safe situated at Block 3 Level 0. The officer in charge of the combination lock has since retired from the SANDF and a request was submitted to Defence Intelligence for opening the weapon safe to conduct an audit due to safety and security concerns. | R8 604,35 | 25-Jul-23 | 25-Jul-23 | 25-Jul-23 |
| 35 | Renewal of Guardian software licences | Lucidview (Pty) Ltd | KA913268 | Lucidview (Pty) Ltd has been supporting and maintaining the Guardian software licenses for ten years. The cost of replacing the Guardian devices with new devices will exceed the renewal cost as Network Engineers will need new configuration and training. | R391 981,96 | 24-Aug-23 | 01-Sep-23 | 31-Aug-24 |
| 36 | Plastic Components for Hazmat Canister Filter products | Paramount Safety Products CC | HAZ-RFQ 455 | Paramount Safety Products cc is the developer (Original Equipment Manufacturer) of the screw adaptor plastic injection moulded components. | R274 620,00 | 15-Aug-23 | 15-Aug-23 | 15-Aug-23 |
| 37 | Single & Double Half Mask (Green) | Paramount Safety Products CC | HAZ-RFQ 463 | Paramount Safety Products cc is the developer (Original Equipment Manufacturer) of the single & double half mask in South Africa. | R377 407,00 | 29-Aug-23 | 30-Aug-23 | 15-Nov-23 |
| 38 | Procurement of Filtration Media | Freudenberg Filtration Technologies | HAZ-RFQ 462 | Freudenberg Filtration Technologies is the developer of filter material (Original Equipment Manufacturer) of Hazmat's cartridge and canister product range. | R46 680,80 | 29-Aug-23 | 30-Aug-23 | 15-Sep-23 |
| 39 | Procurement of a handheld chemical detector (E14374000 Chemprox) | Environics OY | PO021992 | The OEM of ChemProX chemical detector which will be integrated with an unmanned aerial vehicle (UAV) for remote chemical detection. | EURO 28 517,00 | 20-Jul-23 | 20-Jul-23 | 30-Oct-23 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 40 | To integrate an Ion Generator to an existing Labview programme | X-Link CC | PO022010 | X-Link Systems CC supplied Protechnik Laboratory with custom-made equipment as per national and international test specification. This also includes automation of equipment and interfacing various equipment to create sustainable scientific systems. | R7 750,00 | 15-Aug-23 | 15-Aug-23 | 30-Sep-23 |
| 41 | Procurement of Taqman Microbe Detection Assay | LTC (Pty) Ltd t/a Thermofisher Scientific | PO022011 | Thermo Fisher Scientific ((LTC Tech South Africa (Pty) Ltd)) is the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine and Ion Chef), Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and StepOne Plus instrument also supplies consumables for these instruments. | R50 758,20 | 15-Aug-23 | 15-Aug-23 | 30-Oct-23 |
| 42 | Procurement of MGB Probe | LTC (Pty) Ltd t/a Thermofisher Scientific | PO022013 | Thermo Fisher Scientific ((LTC Tech South Africa (Pty) Ltd)) is the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine and Ion Chef), Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and StepOne Plus instrument also supplies consumables for these instruments. | R47 183,14 | 15-Aug-23 | 15-Aug-23 | 30-Oct-23 |
| 43 | Calibration and service of Drager X-AM 800 Detector System | Dräger South Africa (Pty) Ltd | PO022014 | Dräger is a German-based company with Dräger South Africa (Pty) Ltd as the sole distributor of their products in South Africa (such as the multi-sensor detector). | R2 820,00 | 15-Aug-23 | 15-Aug-23 | 30-Sep-23 |
| 44 | Annual fees and product certification | SABS (Pty) Ltd | PO022038 | All respiratory protection products must comply with the relevant compulsory South African National Standards (SANS). The SABS is the official South African supplier of these standards. | R202 407,00 | 23-Aug-23 | 23-Aug-23 | 30-Mar-24 |
| 45 | Procurement of calibration gasses | NMISA (Pty) Ltd | PO022049 | NMISA is the only facility that can perform airflow calibrations that are recognised by the Proficiency Test bodies. | R31 132,82 | 31-Aug-23 | 31-Aug-23 | 22-Sep-23 |
| 46 | Servicing of Evoqua Ultra Clear TWF WF UF | Promolab (Pty) Ltd | PO022054 | Promolab (Pty) Ltd is the sole distributor of the Evoqua water system. | R89 531,10 | 28-Aug-23 | 28-Aug-23 | 15-Sep-23 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 47 | Maintenance of 8130 CertiTester | AMS Laboratory Technology (Pty) Ltd | PO022057 | AMSLT is the local agent for TSI Incorporated based in the United States of America. The current equipment in service are the TSI CertiTest for particle penetration test for filters, the Laser Photometer for mask leakage tests and the nanoparticle detector. Furthermore, additional SDL Atlas equipment such as the Martindale Abrasion Tester, Crockmeter, Pneumatic Dumbbell Cutter and an Auto-buster were procured from AMSLT. Currently, AMSLT is the only supplier of these spare parts and they can assist with the technical support of all the equipment. | R407 502,50 | 05-Sep-23 | 05-Sep-23 | 06-Oct-23 |
| 48 | Maintenance and repair of SMPS equipment | AMS Laboratory Technology (Pty) Ltd | PO022058 | AMSLT is the local agent for TSI Incorporated based in the United States of America. The current equipment in service are the TSI CertiTest for particle penetration test for filters, the Laser Photometer for mask leakage tests and the nanoparticle detector. Furthermore, additional SDL Atlas equipment such as the Martindale Abrasion Tester, Crockmeter, Pneumatic Dumbbell Cutter and an Auto-buster were procured from AMSLT. Currently, AMSLT is the only supplier of these spare parts and they can assist with the technical support of all the equipment. | R349 411,00 | 05-Sep-23 | 05-Sep-23 | 06-Oct-23 |
| 49 | Replacement of a card reader that is faulty at Block F Access Control System | Fifty One 49 (Pty) Ltd | PO022042 | An urgent sourcing to repair a faulty card reader for Access Control System at Block F Protechnik Laboratories. | R4 715,38 | 23-Aug-23 | 23-Aug-23 | 23-Aug-23 |
| 50 | To purchase day-to-day biomedical products (oligonucleotide) for the Protechnik Laboratories | Inqaba Biotechnical Industries (Pty) Ltd | PO022053 | Inqaba is the only local commercial oligonucleotide manufacturer available in South Africa. Inqaba is also a sole supplier of TreffLab and Scharlabu Lab products. | R21 234,10 | 12-Sep-23 | 12-Sep-23 | 30-Oct-23 |
| 51 | To purchase day-to-day biomedical products (oligonucleotide) for the Protechnik Laboratories | LTC (Pty) Ltd t/a Thermofisher Scientific | PO022052 | Thermo Fisher Scientific ((LTC Tech South Africa (Pty) Ltd)) is the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine and Ion Chef), Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and StepOne Plus instruments also supplies consumables for these instruments. | R13 326,10 | 12-Sep-23 | 12-Sep-23 | 30-Nov-23 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 52 | Procurement of the CALERA physiological strain measuring system | GreenTEG AG | ET004534 | Sole supplier motivation: greenTEG AG is the developer, manufacturer and the sole distributor of CALERA (OEM). | CHF 30 743,30 | 08-Sep-23 | 08-Sep-23 | 20-Oct-23 |
| 53 | Procurement of spinning adhesive (hot melt glue) | The Filter Design Company (Foreign Suppler) | HAZ-RFQ 460 | The filter Design Company Ltd is the developer of hot melt spinning adhesive, which comply with compulsory specifications required. | R195 593,92 GBP8,197,60 | 14-Sep-23 | 15-Sep-23 | 15-Dec-23 |
| 54 | Customised dividers | Zippy Calendars | KA913270 | Previous suppliers have been unable to supply good quality of work and failed to deliver the stock on time. Considering that these boards are required for EXCO and Board submissions, delivery time and quality is of essence. Due to the urgency of the requirement, Zipper Calendars was approached as a single source. | R104 940,00 | 15-Sep-23 | 15-Sep-23 | 20-Oct-23 |
| 55 | To supply and deliver a three phase transformer | Accutronics (Pty) Ltd | DI020416 | Accutronics (Pty) Ltd is the sole supplier of TDK Lambda products for the OEM TDK Lambda Ltd in the South African region. | R26 838,00 | 15-Sep-23 | 15-Sep-23 | 13-Oct-23 |
| 56 | Purchasing of Suprasolv | Merck Life (Pty) Ltd | PO022078 | Merck (Pty) Ltd is the sole supplier for GC-MC Suprasolv in South Africa. | R5 401,14 | 19-Sep-23 | 19-Sep-23 | 17-Nov-23 |
| 57 | Purchasing of reference standards | SABS (Pty) Ltd | PO022080 | The SABS is the official South African supplier of test and specification standards. | R3 942,50 | 22-Sep-23 | 22-Sep-23 | 06-Oct-23 |
| 58 | Deployment and connection of the front entrance decontamination shower structure coupled with the tented changing room to the CB Mobile BSL3 Laboratory will be explained and demonstrated | TF Design (Pty) Ltd | PO022085 | TF Design (Pty) Ltd is the original equipment manufacturer for the Mobile Chemical Biological Defence Laboratory (MCBDL). | R45 700,00 | 27-Sep-23 | 27-Sep-23 | 13-Oct-23 |
| 59 | Service and maintenance of Hazmat carbon impregnation | TF Design (Pty) Ltd | HAZ-RFQ 459 | TF Design (Pty) Ltd is the developer (Original Equipment Manufacturer) of Hazmat's carbon impregnation system. | R389 646,44 | 29-Sep-23 | 02-Oct-23 | 30-Nov-23 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 60 | To participate in ILC 23-106 | INSPEC International Ltd | PO022094 | INSPEC International Ltd periodically provides a proficiency test service for various tests of different respiratory protection equipment. From an Internet search analysis, it was established that INSPEC International Ltd is the only facility in the world that currently provides this service. | GBP480,00 | 06-Oct-23 | 06-Oct-23 | 30-Oct-23 |
| 61 | To programme the high voltage unit integrating to Labview | X-Link CC | PO022103 | X-Link Systems CC supplied Protechnik Laboratory with custom-made equipment as per national and international test specifications. This includes automation of equipment and interfacing various equipment to create a sustainable scientific system. | R10 870,00 | 09-Oct-23 | 09-Oct-23 | 17-Nov-23 |
| 62 | Tax practitioner services | Erifin FMS (Pty) Ltd | RR70663 | The handover of the Armscor SARS profile to finance is at an advanced stage which requires a tax practitioner with Armscor tax matters to finalise the handover and requires face to face adhoc interaction with SARS. Ceiling amount of R1 000 000,00 applies. | R1 000 000,00 | 05-Oct-23 | 05-Oct-23 | 04-Oct-23 |
| 63 | To programme the high voltage unit integrating to Labview | X-Link CC | PO022103 | X-Link Systems CC supplied Protechnik Laboratory with custom-made equipment as per national and international test specifications. This includes automation of equipment and interfacing various equipment to create a sustainable scientific system. | R10 870,00 | 09-Oct-23 | 09-Oct-23 | 17-Nov-23 |
| 64 | To participate in ILC 23107 | INSPEC International Ltd | PO022107 | INSPEC International Ltd periodically provides a Proficiency Test service for various tests of different respiratory protection equipment. From an Internet search analysis, it was established that INSPEC International Ltd is the only facility in the world that currently provides this service. | GBP480,00 | 11-Oct-23 | 11-Oct-23 | 31-Oct-23 |
| 65 | To purchase calibrating gas | NMISA (Pty) Ltd | PO022109 | NMISA is the only facility that can perform airflow calibrations that are recognised by the proficiency test bodies. | R20 666,41 | 11-Oct-23 | 11-Oct-23 | 30-Nov-23 |
| 66 | Customise test head for breathing resistance test station | X-Link CC | PO022110 | X-Link Systems CC supplied Protechnik Laboratory with custom-made equipment as per national and international test specification. This includes automation of equipment and interfacing various equipment to create a sustainable scientific system. | R25 280,00 | 11-Oct-23 | 11-Oct-23 | 30-Nov-23 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 67 | Purchasing of reference standards | SABS (Pty) Ltd | PO0220121 | The SABS is the official South African supplier of test and specification standards. | R4 882,50 | 18-Oct-23 | 18-Oct-23 | 31-Oct-23 |
| 68 | Procurement of the CALERA physiological strain measuring system | GreenTEG AG | ET004534 | Single source supplier motivation: GreenTeg AG is the developer, manufacturer and sole distributor for the CALERA system. | 25 979.00 USD (R485 807,30) | 17-Oct-23 | 17-Oct-23 | 28-Nov-23 |
| 69 | Appointment of structural consulting engineer to support the refurbishment of Erasmus castle | ATI Africa Consulting Engineers (Pty) Ltd | KB423946 | ATI Consulting Engineers are the architects of the proposed maintenance plan and therefore becomes the ideal candidate for managing this project. The degree of specialisation applicable in this project and the heritage regulation requirements have also been taken into consideration when appointing ATI. | R256 521,74 | 19-Oct-23 | TBC | TBC |
| 70 | Maintenance services of passenger lifts at HQ for period | Munaca Technologies | KB423947 | Continuity of maintenance after new installation. Munaca is a sole distributor of Hyundai passenger lifts in South Africa. | R2 596 600,00 | 07-Sep-23 | 08-Sep-23 | 07-Sep-25 |
| 71 | To supply and deliver a transducer amplifier emulator | TLC Engineering (Pty) Ltd | DI020450 | TLC Engineering developed the UBRD alarm terminal software/ hardware. | R120 000,00 | 02-Nov-23 | 02-Nov-23 | 24-Nov-23 |
| 72 | Maintenance and repair of NMR equipment | Chemetrix Export (Pty) Ltd | PO022128 | Chemetrix Export (Pty) Ltd is the sole accredited supplier sourced by OEM Agilent Technologies International Sarl for Agilent equipment. | R107 027,20 | 25-Oct-23 | 25-Oct-23 | 30-Nov-23 |
| 73 | Renewal of Teamcentre software licenses | Siemens Industry Software SA (Pty) Ltd | KA913276 | Failure to renew the Teamcentre software license will result in software failing to operate after the expiry date which will have a negative impact on the organisation. | R375 870,60 | 02-Nov-23 | 02-Nov-23 | 31-Oct-24 |
| 74 | Maintenance and repair of Oven Shroud (G1530-61630 220v) | Chemetrix Export (Pty) Ltd | PO022151 | Chemetrix Export (Pty) Ltd is the sole accredited supplier sourced by OEM Agilent Technologies International Sarl for Agilent equipment. | R38 715,61 | 08-Nov-23 | 08-Nov-23 | 09-Nov-23 |
| 75 | Maintenance and repair of inlet fan assembly (G3430-60590) | Chemetrix Export (Pty) Ltd | PO022152 | Chemetrix Export (Pty) Ltd is the sole accredited supplier sourced by OEM Agilent Technologies International Sarl for Agilent equipment. | R9 032,71 | 08-Nov-23 | 08-Nov-23 | 09-Nov-23 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 76 | Procurement of consumables for Quant Studio Pro 6 | LTC (Pty) Ltd t/a Thermofisher Scientific | PO022154 | Thermofisher Scientific ((LTC Tech South Africa (Pty) Ltd)) is the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine and Ion Chef), Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and StepOne Plus instrument also supplies consumables for these instruments. | R2 782,00 | 08-Nov-23 | 08-Nov-23 | 31-Jan-24 |
| 77 | To supply and deliver a transducer amplifier emulator | TLC Engineering (Pty) Ltd | DI020450 | TLC Engineering has developed the UBRD alarm terminal software/hardware. | R120 000,00 | 02-Nov-23 | 02-Nov-23 | 24-Nov-23 |
| 78 | Calibration of IMT Reson TC4040 reference hydrophone | National Physical Laboratory | DI020462 | NPL (UK) is the company recommended by the National Metrology Institute of South Africa (NMISA) that can co-ordinate the interlaboratory comparison experiments and is involved in the maintenance of the international underwater acoustic calibration standards. | R68 459,97 | 13-Nov-23 | 13-Nov-23 | 29-Mar-24 |
| 79 | Renewal of ARIS connect software subscription licenses | Software AG South Africa (Pty) Ltd | KA913278 | The current available software subscription licenses are maintained by Software AG South Africa (Pty) Ltd who is the OEM of the ARIS tool. | R246 041,03 | 13-Nov-23 | 07-Dec-23 | 06-Dec-24 |
| 80 | Participation in ILC-23-118 | INSPEC International Ltd | PO022162 | INSPEC International Ltd periodically provides a proficiency test service for various tests of different respiratory protection equipment. From an Internet search analysis, it was established that INSPEC International Ltd is the only facility in the world that currently provides this service. | GBP480,00 | 15-Nov-23 | 15-Nov-23 | 04-Dec-23 |
| 81 | Establish an interface between flow systems and Labview system | X-Link CC | PO022165 | X-Link Systems CC supplied Protechnik Laboratory with custom-made equipment as per national and international test specification, this includes automation of equipment and interfacing various equipment to create sustainable scientific systems. | R174,41 | 15-Nov-23 | 15-Nov-23 | 12-Dec-23 |
| 82 | To supply and deliver a transducer amplifier emulator | TLC Engineering (Pty) Ltd | DI020450 | TLC Engineering has developed the UBRD alarm terminal software/hardware. | R120 000,00 | 02-Nov-23 | 02-Nov-23 | 24-Nov-23 |
| 83 | Calibration of IMT Reson TC4040 reference hydrophone | National Physical Laboratory | DI020462 | NPL (UK) is the company recommended by the National Metrology Institute of South Africa (NMISA) that can co-ordinate the interlaboratory comparison experiments and is involved in the maintenance of the international underwater acoustic calibration standards. | R68 459,97 | 13-Nov-23 | 13-Nov-23 | 29-Mar-24 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 84 | Land/Near Shore annual subscription GNS receivers | C AND C TECHNOLO-GIES (SA) PTY LTD | DI020481 | C AND C TECHNOLOGIES (PTY) LTD is the sole authorised reseller in South Africa of the software. | R52 480,00 | 20-Nov-23 | 20-Nov-23 | 22-Nov-24 |
| 85 | To supply and deliver an NI PXI-6289 data acquisition card | Test Dynamics Defence (Pty) Ltd | DI020505 | Test Dynamics Defence (Pty) Ltd is the sole supplier and appointed agent of the Original Equipment Manufacturer in South Africa. | R123 340,00 | 27-Nov-23 | 28-Nov-23 | 23-Feb-24 |
| 86 | Procurement of the CALERA physiological strain measuring system | GreenTEG AG | ET004534 | GreenTEG AG is the developer, manufacturer and the sole distributor of CALERA (OEM). | CHF 30 743,30 | 08-Sep-23 | 08-Sep-23 | 20-Oct-23 |
| 87 | Procurement of an eye tracking system | BIOPAC Systems, Inc. | ET004526 | BIOPAC Systems, Inc. is the sole distributor for Argus products in South Africa. | R485 807,30 | 17-Oct-23 | 17-Oct-23 | 28-Nov-23 |
| 88 | Procurement of annual accreditation fees for financial year 2023/24 | South African National Accreditation System | RA 0053/23 | SANAS is the sole supplier of the audit services in South Africa. | R35 911,00 | 03-Aug-23 | 03-Aug-23 | 31-Mar-24 |
| 89 | Procurement of M82 primers | Rheinmetall Denel Munition | RA 0087/24 | Rheinmetall Denel Munitions is the sole supplier of M82 primers in South Africa. | R195 000,00 | 23-Oct-23 | 23-Oct-23 | 30-Nov-23 |
| 90 | Procurement of radiosondes, balloons and Imet-3400 ground station | Diel (Pty) Ltd | RA 0050/23 | Diel (Pty) Ltd is the sole supplier of the IMA radiosondes, Pawn metrology balloons and Imet-3400 antenna/receiver system. | R533 630,00 | 08-Nov-23 | 08-Nov-23 | 09-Nov-23 |
| 91 | Procurement for supply and installation of a Free Flow air conditioner in the VW Crafter duty bus | SA Van Conversions (Pty) Ltd | RA 0066/23 | SA Van Conversions (Pty) Ltd is the Original Equipment Manufacturer (OEM) of the VW Crafter duty bus which is equipped with specialised installation tools, and has specialists who can install the free flow air conditioner system (cooling and heating). Sole Source Supplier. | R114 000,00 | 19-Oct-23 | 19-Oct-23 | 14-Dec-23 |
| 92 | Calibration of the screening audiometer at Alkantpan Test Range Clinic | Amtronix (Pty) Ltd | RA 0093/23 | Amtronix (Pty) Ltd is the sole sourced supplier of the Tremetrics A300 audio meters, Propanels audio booth and African Management Software System product line of this equipment. | R24 590,00 | 01-Nov-23 | 01-Nov-23 | 09-Nov-23 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 93 | Urgent procurement process – Repair burst pipe inside bathroom wall at no 7 Romeo street, Prieska, 8940 | Setshabelo Trading 708 CC | RA 0052/23 | Three telephonic quotations were requested and obtained from the following suppliers: Setshabelo Trading 708 CC, ABW Industries (Pty) Ltd and Jew Trading (Pty) Ltd. After verifying pricing and tax compliance verification status, Setshabelo Trading 708 CC was the preferred supplier. | R13 043,48 | 10-Jul-23 | 10-Jul-23 | 19-Jul-23 |
| 94 | Urgent procurement of 20m² river sand for German test at Alkantpan Test Range | NR Engineering BK | RA 0086/23 | Three telephonic quotations were requested and obtained from the following suppliers: NR Engineering BK, Setshabelo Trading 708 CC and Six40Eleven (Pty) Ltd. After verifying pricing and tax compliance verification status, NR Engineering BK was the preferred supplier. | R84 800,00 | 13-Oct-23 | 13-Oct-23 | 18-Oct-23 |
| 95 | Procurement of consumables for Quant Studio Pro 6 | LTC (Pty) Ltd t/a Thermofisher Scientific | PO022175 | Thermofisher Scientific ((LTC Tech South Africa (Pty) Ltd)) is the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and StepOne Plus instruments. They also supply consumables for these instruments. | R7 687,00 | 22-Nov-23 | 23-Nov-23 | 21-Dec-23 |
| 96 | Forklift maintenance (load tests and services of three forklifts at the Thaba Tshwane disposal Centre) | The Forkman cc | KA 913279 | Forklift maintenance: Strip and quote. | R22 412,00 | 16-Nov-23 | 16-Nov-23 | 08-Dec-23 |
| 97 | Customised test head for breathing resistance test station | X-Link CC | PO022180 | X-Link Systems CC supplied Protechnik Laboratory with custom-made equipment as per national and international test specification. This includes automation of equipment and interfacing various equipment to create a sustainable scientific system. | R9 740,00 | 05-Dec-23 | 31-Jan-24 | 31-Jan-24 |
| 98 | To purchase day-to-day biomedical products (oligonucleotide) for Protechnik Laboratories | Inqaba Biotechnical Industries (Pty) Ltd | PO022182 | Inqaba is the only local commercial oligonucleotide manufacturer available in South Africa. Inqaba is also the sole supplier of TreffLab and Scharlabu Lab products. | R13 746,05 | 05-Dec-23 | 31-Jan-24 | 31-Oct-24 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 99 | Single & Double Half Mask (Green) | Paramount Safety Products CC | HAZ-RFQ 472 | Paramount Safety Products cc is the developer and Original Equipment Manufacturer of the single & double half mask in South Africa. | R258 543,00 | 30-Nov-23 | 01-Dec-23 | 28-Feb-24 |
| 100 | Renewal of SVR-BASIC_MAInt VOAYGER sever maintenance license | VOYAGER SEARCH USA | DI020441 | VOYAGER SEARCH USA is the developer and Original Equipment Manufacturer of the Voyager Search Software. | R69 433,13 | 20-Nov-23 | 20-Nov-23 | 31-Oct-26 |
| 101 | To supply and deliver an NI Data Acquisition Module | Test Dynamics Defence (Pty) Ltd | DI020522 | Test Dynamics Defence (Pty) Ltd is the sole supplier and appointed agent of the Original Equipment Manufacturer in South Africa. | R48 790,00 | 18-Dec-23 | 18-Dec-23 | 15-Mar-24 |
| 102 | Hasselblad frankling machine cartridge | Hasler Business System (Pty) Ltd | KA913282 | Hasler Business System (Pty) Ltd are the sole suppliers of the Neopost/Quadient range of office automation products and all associated consumables for Southern Africa. | R3 890,00 | 12-Jan-24 | 12-Jan-24 | 16-Feb-24 |
| 103 | The calibration service of Sea-Bird Scientific SBE 19P CTD and auxiliary sensors | Sea Technology Services (Pty) Ltd | DI020475 | Sea Technology Services (Pty) Ltd holds the exclusive authorisation as the representative as well as technical services for Sea-Bird Scientific, Inc. in South Africa. | R95 220,00 | 18-Jan-24 | 18-Jan-24 | 12-Apr-24 |
| 104 | Characterisation of the samples for BET surface area technique | CSIR | PO022201 | A collaboration with CSIR was initiated to use their equipment in order to produce polymer films and characterise the samples using different specialised techniques to assess their various properties. | R12 075,00 | 22-Jan-24 | 22-Jan-24 | 29-Feb-24 |
| 105 | Procurement of international standards and online applications for research purposes | SABS (Pty) Ltd | SCM00949 | Standards are only available from ISO and SABS (sole source). | R21 728,00 | 18-Jan-23 | 18-Jan-23 | 18-Jan-23 |
| 106 | To conduct engineering simulation and analysis work with the ANSYS software on the submarine emergency ballast blow system | Qfinsoft (Pty) Ltd | DI020510 | Qfinsoft (Pty) Ltd is the only Channel Partner for ANSYS software products and technical support in South Africa. | R130 080,00 | 24-Jan-24 | 24-Jan-24 | 08-Mar-24 |
| 107 | ESRI server software maintenance renewals for a period of 3 years | ESRI South Africa (Pty) Ltd | DI020516 | ESRI South Africa (Pty) Ltd is the sole distributor of the ESRI family of products. | R828 970,89 | 25-Jan-24 | 25-Jan-24 | 31-Dec-26 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 108 | To conduct UBRD V5 RX field hardware and firmware enhancement | IOSYS CC | DI020452 | IOSYS CC developed the UBRD software/ firmware and is the only entity that can conduct modifications, upgrades, new developments and problem-solving involving the firmware. | R844 000,00 | 25-Jan-24 | 25-Jan-24 | 31-Dec-24 |
| 109 | To conduct UBRD server hardware and software enhancement | TLC Engineering Solutions (Pty) Ltd | DI020453 | TLC Engineering Solutions (Pty) Ltd is the sole supplier in South Africa of the alarm terminal and communication gateways. | R826 460,00 | 25-Jan-24 | 25-Jan-24 | 28-Jun-24 |
| 110 | To repair rooftop air conditioner | Khanya Aircons & Projects | PO022140 | To repair a rooftop air conditioner that supplies Analytical Laboratories. | R22 600,00 | 23-Jan-24 | 23-Jan-24 | 23-Jan-24 |
| 111 | Renewal of open membership subscription for a period of 12 months | Real IRM Solutions | KA913285 | Subscription renewal of membership is done exclusively with Real IRM Solutions as an exclusive representative of the Open Group in South Africa. | R298 035,52 | 05-Feb-24 | 16-Feb-24 | 15-Feb-25 |
| 112 | To procure consumables for Dionex Instruments | Anatech Instruments | PO022230 | The Dionex instrument spare parts and its related consumables are supplied by Anatech Instruments (Pty) Ltd, which is the only agency in South Africa. | R130 196,25 | 15-Feb-24 | 15-Feb-24 | 15-Mar-24 |
| 113 | To procure reagents and consumables for Ionchef and S5 sequencing instrument | Thermofisher Scientific | PO022233 | Thermofisher Scientific ((LTC Tech South Africa (Pty) Ltd)) is the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and StepOne Plus instrument. They also supply consumables for these instruments. | R129 182,00 | 19-Feb-24 | 19-Feb-24 | 28-Mar-24 |
| 114 | Calibration of flow rate | NMISA (Pty) Ltd | PO022240 | NMISA is the only facility that can perform airflow calibrations that are recognised by the proficiency test bodies. | R7 470,00 | 19-Feb-24 | 19-Feb-24 | 27-Mar-24 |
| 115 | Purchasing of 60mm M6 and 81mm M8 mortar components for Alkantpan Test Range | Denel Land Systems | RA 0095/23 | Denel Land Systems is the sole manufacturer of 60mm M6 and 81mm M8 mortar components in South Africa. | R782 720,00 | 07-Feb-24 | 07-Feb-24 | 07-Dec-24 |
| 116 | Environmental testing of 120mm HE and illuminating bombs | Rheinmetall Denel Munition | RA 0107/23 | Rheinmetall Denel Munitions is the only company in South Africa with equipment and personnel competent to conduct the environmental testing of 120mm HE and illuminating bombs in South Africa. | R2 040 000,00 | 12-Feb-24 | 12-Feb-24 | 29-Feb-24 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 117 | Repairs of the climatic walk-in chambers | XTEMP (Pty) Ltd | GT-INF-057 | Changes needed to be made to the software but Gerotek does not have administrative rights to the software and lacks knowledge to rectify the problem. Verbal approval was obtained on 22 May 2023 to proceed with the urgent procurement. XTEMP is the OEM for the chambers and also an agent for the software. They are the only company that can assist Gerotek with changes to the software. | R7 484,78 | 23-May-23 | 26-May-23 | 26-May-23 |
| 118 | Assessment, recommendation and repairs of electrical faults at the technical workshops | RP Electrical and Tools Construction (Pty) Ltd | US-GER-002 | Verbal approval was obtained to proceed with urgent procurement on 24 January 2024. The electrical service providers were contacted to do the assessment and RP Electrical and Tools Construction responded to the request. The assessment identified that the switchgear in the generator was not working and that was the cause of the sudden power failure. | R19 550,00 | 24-Jan-24 | 24-Jan-24 | 25-Jan-24 |
| 119 | The continuation of manufacturing and purchasing of an amended body armour system prototype for the SANDF soldiers – male and female population | Sirdicks (Pty) Ltd | ET004552 | Sirdicks (Pty) Ltd previously designed body armour for ERGOTECH. This is a continuation of work of design changes. | R102 350,00 | 14-Feb-24 | 14-Feb-24 | 14-May-24 |
| 120 | The maintenance and servicing of required equipment and accessories as well as the provision of consumables and training on the C-200 Schiller Ergospirometry Schiller machine | Tecmed (Pty) Ltd | ET004563 | Tecmed (Pty) Ltd is the only official representative of Schiller products in the South African market. This means only Tecmed (Pty) Ltd can sell and maintain any products associated with Schiller AG machines, such as the C-200 Ergospirometry. | R15 967,16 | 23-Feb-24 | 23-Feb-24 | 17-May-24 |
| 121 | Replacement of a faulty synthetic fan motor | Airflow Lab Systems (Pty) Ltd | PO022244 | To replace a faulty synthetic fan motor at Containment Laboratory (urgent sourcing). | R39 090,00 | 19-Feb-24 | 19-Feb-24 | 29-Mar-24 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 122 | To procure sequencing consumables | LTC (Pty) Ltd t/a Thermofisher Scientific | PO022252 | Thermofisher Scientific ((LTC Tech South Africa (Pty) Ltd)) is the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and StepOne Plus instruments. They also supply consumables for these instruments. | R103 136,00 | 29-Feb-24 | 29-Feb-24 | 28-Mar-24 |
| 123 | Participation in ILC-24-028 | INSPEC International Ltd | PO022257 | INSPEC International Ltd periodically provides a proficiency test service for various tests of different respiratory protection equipment. From an Internet search analysis, it was established that INSPEC International Ltd is the only facility in the world that currently provides this service. | GBP500,00 | 03-Mar-24 | 03-Mar-24 | 26-Apr-24 |
| 124 | Maintenance of LC-QTDF system | Chemetrix Export (Pty) Ltd | PO022258 | Chemetrix Export (Pty) Ltd is the sole accredited supplier sourced by OEM Agilent Technologies International Sarl for Agilent equipment. | R19 299,85 | 05-Mar-24 | 05-Mar-24 | 30-Apr-24 |
| 125 | Repair of a faulty GC-MS (EI) | Chemetrix Export (Pty) Ltd | PO022261 | Chemetrix Export (Pty) Ltd is the sole accredited supplier sourced by OEM Agilent Technologies International Sarl for Agilent equipment. | R4 669,20 | 16-April-24 | 03-Jun-24 | 30-June-24 |
| 126 | Repairs of the Gerotek Test Facility's 20 ton overhead crane | Tshwane Crane and Engineering | US-GER-001 | A client's freight that was already loaded in a truck could not be offloaded as the crane had stopped working. This affected testing as the forklift is unable to carry heavy loads, therefore the incident posed immediate risk in fulfilment of Gerotek business commitments as the client's needs could not be fulfilled. The incident was reported to management and verbal approval was obtained on 4 December 2023.Tshwane Cranes were called immediately to conduct an investigation and they identified that the control pendant electrical cable needed replacement. The repair work was done on the crane. | R10 902,00 | 04-Dec-23 | 04-Dec-23 | 08-Dec-23 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 127 | Evaluation, repairs and calibration of the R&S ESU-EMI test receiver | Protea electronics | SSM/ GER- 2024-01 | Gerotek make use of specialised equipment for electromagnetic compatibility (EMC) testing to service its clients in the automotive, electronics and gaming industry based on their test requirements on an on-going basis. It is a revenue generating instrument. This instrument is required by SANS/IEC standards to comply with the test parameters and profile respectively as recommended by the specifications.<br><br>Gerotek, as an accredited laboratory to the ISO17025 Laboratory Management System needs to continuously demonstrate competence and compliance. The evaluation, repair and calibration of this test instrument is essential to the accreditation and as a result only Protea Electronics is currently a sole agent of ROHDE & SCCHWARZ Middle East and Africa test and measurement equipment in South Africa. | R276 435,93 | 28-Feb-24 | 29-Feb-24 | 30-Apr-24 |
| 128 | Maintenance and support renewal of the Crystal reports server for a period of 12 months | Decision Inc. (Pty) Ltd | RR73061 | Decision Inc. is the only service provider that can maintain and support the current version of Crystal reports that is running on Armscor's network infrastructure. | R103 123,00 | 19-Feb-24 | 01-Apr-24 | 31-Mar-25 |
| 129 | Maintenance and support renewal of the TN 3270 Plus for a period of 12 months | SDI USA Inc | RR72977 | SDI USA Inc is the sole owner of TN3270 Plus software and its copyright. | $2 179,00 | 06-Oct-23 | 06-Oct-23 | 05-Oct-24 |
| 130 | Procurement of Technostat Material T150-15 | Hollingsworth & Vose | HAZ-RFQ 476 | Hollingsworth & Vose is the developer (Original Equipment Manufacturer) of the Technostat Material T150-15. | GBP 7220 (R170 553,01) | 22-Feb-24 | 22-Feb-24 | 30-Jun-24 |
| 131 | Single & Double Half Mask (Green) | Paramount Safety Products CC | HAZ-RFQ 484 | Paramount Safety Products cc is the developer (Original Equipment Manufacturer) of the single & double half mask in South Africa. | R555 726,00 | 07-Mar-24 | 07-Mar-24 | 31-Jul-24 |
| 132 | To purchase day-to-day biomedical products (Treff and Scharlab) for Protechnik Laboratories | Inqaba Biotechnical Industries (Pty) Ltd | PO022261 | Inqaba is the only local commercial oligonucleotide manufacturer available in South Africa. Inqaba is also the sole supplier of TreffLab and Scharlab products. | R123 625,21 | 14-Mar-24 | 14-Mar-24 | 30-Apr-24 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 133 | Renewal of Aris software licenses | Software AG South Africa (Pty) Ltd | KA913287 | Software AG South Africa (Pty) Ltd is the OEM for Aris software licenses. | R439 940,94 | 08-Mar-24 | 29-Mar-24 | 28-Mar-25 |
| 134 | Ship Air Defence Model (SADM) software license for a period of 12 months | BAE Systems Australia Limited | DI020525 | BAE Systems Australia Limited is the sole supplier and Original Equipment Manufacturer (OEM) of the Ship Air Defence Model (SADM) software. | R599 929,41 | 25-Mar-24 | 25-Mar-24 | 24-Mar-25 |
| 135 | Procurement of an Agilent Gas Chromatograph System with 150 Vial Autosampler | Chemetrix Export (Pty) Ltd | PO022219 | Chemetrix Export (Pty) Ltd is the sole accredited supplier sourced by OEM Agilent Technologies International Sarl for Agilent equipment. | R2 259 961,46 | 22-Mar-24 | 22-Mar-24 | 15-May-24 |
| 136 | Purchasing of an Advion Expression-L Compact Mass Spectrometer and accessories | Bruno Steiner Lab Consultancy cc | PO022247 | Bruno Steiner Lab Consultancy CC is the sole authorised distributor in South Africa by Advion-Intercim USA for Advion-Intercim CMS-L system and consumables. | R2 110 505,00 | 04-Feb-24 | 04-Feb-24 | 05-Jul-24 |
| 137 | Procurement of weapon spares and components of R4/ R5 rifle (BUMBER RUBBER) | Denel Land System Incorporating Mechem t/a Denel SOC Limited | KT548753 | The sole source for the procurement of Bumper Rubbers for the R4/R5 rifles is the DLS, who are the Original Equipment Manufacturer (OEM) and the owners of spares and accessories data pack for this weapon. DLS is the only authority to supply these spare parts to the requirements of the SANDF. | R3 398 592,50 | 17-Oct-23 | 17-Oct-23 | 30-Nov-24 |
| 138 | Rework of ammunition (Shell 155mm; M1A3 HE to SHELL 155mm; M1a6 HE) for the 2023/2024 financial year | Rheinmetall Denel Munitions (Pty) Ltd | KT545959 | Rheinmetall Denel Munitions (RDM) is the Original Equipment Manufacturer of the 155mm at the disposal of the SANDF that must be reworked to M1A6 configuration. Also, RDM is the System Design Authority and custodian of intellectual property for these 155mm shells. RDM has the capability to perform the required rework in order for these 155mm shells to comply with United Nations requirements for ammunition deployment in peace keeping initiatives within Africa. | R34 782 400,00 | 20-Jul-23 | 21-Aug-23 | 15-Dec-23 |
| 139 | Procurement of Round, Ball, 9X19mm and Round, Ball, 5.56X45mm, Full Metal Jacket (FMJ) | Denel SOC Ltd t/a PMP | KT467368 | They are the only local supplier of 9x19mm and 5.56x45mm ammunition with the P-head stamp for the SAPS. | R38 756 879,00 | 06-Oct-23 | 06-Oct-23 | 31-Mar-2024 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for the Procurement by Other Means | Value of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|
| 140 | Urgent procurement of B-Vehicle batteries for the SA Army | AZTEC COMPONENTS (PTY) LTD | KT548754 | Urgent deployment of extra vehicle which needed batteries for the training session at Lohatla training base. | R1 470 000,00 | 14-Sep-23 | 15-Sep-23 | 18-Sep-23 |
| 141 | Upkeep and maintenance of SA Navy Product System: Guns and Ammunition: 76mm Medium Gun Weapon (MWG). 35mm Dual Purpose Gun (DPG), 20mm and Saluting Sub System | Denel Land System | KT467363 | OEM of the equipment. | R16 061 922,97 | 10-Jul-23 | 10-Jul-23 | 31-Jun-25 |
| 142 | Maintenance and repair of ALJABA Product Systems | Kynos Special Vehicles | KT545955 | The Aljaba Product Systems range of vehicles was procured through Kynos Special Vehicles which is the only accredited supplier in South Africa. Kynos Special Vehicles has been maintaining the Aljaba Product Systems for 29 years and are in the best position to determine not only the maintenance and repair of the Product Systems, but also the obsolete items.<br>Kynos Special Vehicles is operating as the OEM for the Aljaba Product Systems and managed the product specifications in accordance with the Data Pack during the operating phase of the Aljaba range of vehicles. They are responsible for the management of product baselines and configuration control resides with them. | R2 608 595,00 | 07-Aug-23 | 07-Aug-23 | 15-Mar-27 |
| 143 | A-vehicle fleet support at 2nd Line Facility Bloemfontein for the 2023/24 to 2025/26 financial years | Reutech Solutions | KT545957 | Reutech Solutions is the supplier and data pack holder for the Olifant Gun Control equipment (GCE), as well as the Integrated Fire Control System (IFCS) for the Rooikat. They are in possession of the correct test equipment to do functional tests and acceptance of repaired spares.<br>Reutech Solutions is Armscor's appointed main contractor for the Olifant Tank and designed, manufactured and integrated all the modifications. Reutech is currently the only company with the necessary experience and knowledge to supply the service.<br>Reutech Solutions executed the same type of work in the 2022/23 FY for a different requirement number. | R2 608 595,00 | 25-Jul-23 | 25-Jul-23 | 15-Feb-26 |

**Table 31: Reporting of Expansions and Variations of Contracts**

| No. | Project Description | Name of Supplier | Contract Number | Reason for Expansion and Variation of Contract | Original Contract Value | Value of Contract Expansion or Variation of Contract | Value of Previous Contract Expansion or Variation of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | RA0024/22 Vehicle and Machinery servicing and maintenance | Corline 162 cc | RA0024/22 | Increase in the order value to accommodate additional operational repairs on machinery and vehicles. | R869 500,00 | R130 425,00 | N/A | 22-Jul-22 | 22-Jul-22 | 22-Jul-23 |
| 2 | Purchasing of meat and frozen food products | Prieska Slagtery (Pty) Ltd | RA 0193/21 | New contract not in place. | R873 429,56 | R131 014,43 | N/A | 07-Mar-22 | 01-Apr-22 | On completion of ceiling amount |
| 3 | Provisioning of C-Band Circular Polarised Space Satellite Segment (bandwidth) | Terrace Projects | KT545180 KT545318 | The client requested that order KT545180 be amended to extend it by nine months as they are still finalising the new requirement. They made funds available in a different series code which necessitated that the amendment be implemented through the replacement order KT545318. | R13 316 400,00 | R8 507 700,00 | R8 507 700,00 | 08-Dec-17 | 01-May-23 | 31-Feb-24 |
| 4 | Appointment of a service provider for tax practitioner services | Erifin FMS | KB423887 | Completion of the work is dependent on SARS. | R434 782,61 | R500 000,00 | N/A | 08-Jun-22 | 08-Jun-22 | 30-Sep-23 |
| 5 | Bulk SMS and MMS service for six months contract period | The Apprentice (Pty) Ltd | DV106917 | The initial contract was placed for six months in anticipation of the RFB process to be completed for the appointment of an Internet service provider (ISP). However, the process was cancelled and a new process will commence. The extension is valid for another six months. | R10 279,62 | R10 279,62 | N/A | 03-Mar-23 | 03-Mar-23 | 10-Feb-24 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for Expansion and Variation of Contract | Original Contract Value | Value of Contract Expansion or Variation of Contract | Value of Previous Contract Expansion or Variation of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|---|---|
| 6 | Digitisation and archival services for a period of five years | Metrofile (Pty) Ltd | KB423885 | To increase the value of the order with R2 200 000,00. The estimate for digitising was ±R23 840 000. However, during the digitisation process, when the boxes were opened, it was found that some images were printed on both sides, a factor that added to the estimated number of images. | R11 303 565,59 | R2 200 000,00 | N/A | 01-Jun-22 | 01-Jun-22 | 31-May-27 |
| 7 | Declaratory order in respect of the intellectual property rights from Publicly financed Research and Development Act 51 of 2008 | Kisch Africa Incorporated | IP-MAD2023/21 | Additional work conducted by contractor. | R395 000,00 | R59 250,00 | N/A | 02-Nov-23 | 02-May-23 | 15-Nov-23 |
| 8 | Upgrade of GV5 MKII gun | Denel Land Systems | RA0100/21 | This requirement relates to a capital acquisition project. The project provides for the repair and upgrade of a GV5 MKII gun with serial number 20001. The expansion makes provision for the re-industrialisation and upgrade of the evaluation gearbox. | R1 584 919,32 | R586 450,08 | N/A | 22-Nov-22 | 01-Nov-22 | 29-Feb-24 |
| 9 | Upgrade of GV5 MKII gun | Denel Land Systems | RA0100/22 | This requirement relates to a capital acquisition project. The project provides for the repair and upgrade of a GV5 MKII gun with serial number 20254. The expansion makes provision for the re-industrialisation and upgrade of the evaluation gearbox. | R1 795 816,00 | R500 000,00 | N/A | 10-Feb-23 | 10-Feb-23 | 31-Oct-23 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for Expansion and Variation of Contract | Original Contract Value | Value of Contract Expansion or Variation of Contract | Value of Previous Contract Expansion or Variation of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|---|---|
| 10 | Procurement of Carl Gustaf Weapon System | SAAB Dynamics AB | KP467330 | Additional items supplied in the existing order, i.e. storage solution for item 4 and upgraded sighting systems for weapons systems procured in KP467237 of 2 April 2019. Also, the order was amended in order to save on delivery and letter of credit costs. | R8 255 943,19 | R1 722 479,19 | N/A | 09-Feb-23 | 09-Feb-23 | 22 months after the date of receipt of the relevant EUC and export approvals, whichever comes last. |
| 11 | Renovation of CAPDEV office for the Cybersecurity Department | Pat and Jul t/a Go Green Facilities Management | CYBSEC 07/2023 | Additional requirements appeared as work on the project progressed. The requirement for glass doors, ceiling replacement and installation became more apparent towards completion of the project. | R1 393 820,00 | R479 185,00 | N/A | 13-Nov-23 | 13-Nov-23 | 14-Dec-23 |
| 12 | Reconditioning and pressure testing of the fire equipment on an adhoc basis for a period of three years | Transfire Pty Ltd | QTF- SHEQ-021 | At least 12 extinguishers had to be used subsequently to the placement of the order, hence additional service is required to bring extinguishers to compliance. The amendment further seeks provision for travel and labour costs for additional work. | R26 823,46 | R4 022,70 | N/A | 20-Feb-24 | 21-Feb-24 | 17-Oct-25 |
| 13 | Maintenance/ service contract of Agilent equipment for a period of 36 months | Chemetrix Export (Pty) Ltd | PO020833 | The funds on the current order with Chemetrix Export (Pty) Ltd have been exhausted. A requirement to repair and maintain certain critical Agilent equipment under this contract for urgent use. | R2 911 824,00 | R436 773,60 | N/A | 12-Oct-21 | 12-Oct-21 | 12-Sep-24 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for Expansion and Variation of Contract | Original Contract Value | Value of Contract Expansion or Variation of Contract | Value of Previous Contract Expansion or Variation of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|---|---|
| 14 | Software assurance renewal | 4Sight Systems (Pty) Ltd | KA913245 | Formally Acctech Systems (Pty) Ltd now trading as 4Sight Systems (Pty) Ltd is the sole supplier for the Sage ERP software assurance programme. | R440 812,76 | R480 312,48 | N/A | 23-Feb-23 | 23-Feb-23 | 22-Feb-25 |
| 15 | Procurement of Carl Gustaf weapon system | SAAB Dynamics AB | KP467330 | Additional items of supply in the existing order, i.e. storage solution for item 4 and upgraded sighting systems for weapons systems procured in KP467237 of 2 April 2019.<br>Also, the order was amended in order to save on delivery and letter of credit costs. | R8 255 943,19 | R1 722 479,19 | N/A | 09-Feb-23 | 09-Feb-23 | 22 months after the date of receipt of the relevant EUC and export approvals, whichever comes last. |
| 16 | A-vehicle fleet support at 2nd Line Facility Bloemfontein for the 2023/2024 to 2025/26 financial years | Reutech Solutions | KT545957 | The Aljaba Product Systems range of vehicles was procured through Kynos Special Vehicles, which is the only accredited supplier in South Africa. Kynos Special Vehicles has been maintaining the Aljaba Product Systems for 29 years and are in the best position to determine not only the maintenance and repair of the Product Systems, but also the obsolete items. Kynos Special Vehicles is operating as the OEM for the Aljaba Product Systems and managed the product specifications in accordance with the Data Pack during the operating phase of the Aljaba range of vehicles. They are responsible for the management of product baselines and configuration control resides with them. | R2 608 595,00 | R867 595,00 | N/A | 25-Jul-23 | 25-Jul-23 | 15-Feb-26 |

| No. | Project Description | Name of Supplier | Contract Number | Reason for Expansion and Variation of Contract | Original Contract Value | Value of Contract Expansion or Variation of Contract | Value of Previous Contract Expansion or Variation of Contract | Award Date | Contract Start Date | Contract Expiry |
|---|---|---|---|---|---|---|---|---|---|---|
| 17 | Cut, make and trim of camouflage jackets | Zenzeleni Clothing | KT548584 | A fire outbreak resulted in reduced stock levels of combat dress because soldiers had to assist in containing the fire. As a result, 502 jackets were ordered on expansion to cover for members affected and the MSDS (Military Skills Development System) intake, curbing upcoming Prosper with the SAPS mainly on popular sizes, is issued at two sets per person. The Army Training Exercise attracts Vukuhlome in excess of 20 000 soldiers annually, who establish camp for at least four weeks annually to showcase military capabilities. | R693 000,00 | R202 055,00 | N/A | 13-Dec-23 | 13-Dec-23 | 31-May-24 |
| 18 | Cut, make and trim of camouflage shirts | Zenzeleni Clothing | KT548585 | 1 900 short and long sleeve shirts were ordered on expansion to cover for members affected and the MSDS (Military Skills Development System) intake, curbing upcoming Prosper with the SAPS mainly on popular sizes, is issued at two sets per person. 300 units are to cater for those directly involved in the incident and the balance of the combat dress is provisioned for MSDS intake and buffer stock on collaborative operations with the SAPS, including all other unforeseen incidental disasters of this nature. | R75 087,60 | R172 917,45 | N/A | 13-Dec-23 | 13-Dec-23 | 31-May-24 |

**Table 32: Irregular Expenditure**

| Irregular expenditure reconciliation | 2023/24 R'000 | 2022/23 R'000 |
|---|---|---|
| Opening balance | 46 888 | 17 456 |
| Add: Confirmed expenditure | 3 715 | 29 432 |
| Less: Condoned expenditure | - | - |
| Less: Expenditure not condoned and removed | - | - |
| Less: Expenditure recoverable | - | - |
| Less: Expenditure not recovered and written off | | |
| **CLOSING BALANCE** | **50 603** | **46 888** |

**Reconciling notes to the annual financial disclosure**

| Description | 2023/24 R'000 | 2022/23 R'000 |
|---|---|---|
| Irregular expenditure that was under assessment in 2021/22 | - | - |
| Irregular expenditure that relates to 2022/23 and identified in 2023/24 | - | 1 931 |
| Irregular expenditure for the current year | 3 715 | 27 501 |
| Less : Irregular expenditure not recovered and written off | - | - |
| **CLOSING BALANCE** | **3 715** | **29 432** |

**a) Details of current and previous years irregular expenditure ( under assessment, determination and investigation)**

| Description | 2023/24 R'000 | 2022/23 R'000 |
|---|---|---|
| Irregular expenditure under assessment | - | - |
| Irregular expenditure under determination | - | - |
| Irregular expenditure under investigation | 770 | - |
| **CLOSING BALANCE** | **770** | **-** |

**d) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure Description**

| Description | 2023/24 R'000 | 2022/23 R'000 |
|---|---|---|
| One criminal case involving three officials for procurement related fraud. The case is in process with Military Police and Director Public Prosecution Provincial | - | 1 380 |
| **CLOSING BALANCE** | **-** | **1 380** |

Table 33: Fruitless And Wasteful Expenditure

| Fruitless expenditure reconciliation | 2023/24 R'000 | 2022/23 R'000 |
|---|---|---|
| Opening balance | 13 214 | 13 408 |
| Add: Confirmed expenditure | 45 | 401 |
| Less: Expenditure recoverable | - | - |
| Less: Expenditure not recovered and written off | - | (594) |
| **CLOSING BALANCE** | **13 259** | **13 214** |

### Reconciling notes to the annual financial disclosure

| Description | 2023/24 R'000 | 2022/23 R'000 |
|---|---|---|
| Fruitless expenditure that was under assessment in 2022/23 | - | - |
| Fruitless expenditure that relates to 2022/23 and identified in 2023/24 | - | 48 |
| Fruitless expenditure for the current year | 45 | 353 |
| Less : Fruitless expenditure not recovered and written off | - | (594) |
| **CLOSING BALANCE** | **45** | **(194)** |

### a) Details of current and previous years fruitless expenditure ( under assessment, determination and investigatio

| Description | 2023/24 R'000 | 2022/23 R'000 |
|---|---|---|
| Fruitless expenditure under assessment | | - |
| Fruitless expenditure under determination | - | |
| Fruitless expenditure under investigation | 45 | 48 |
| **CLOSING BALANCE** | **45** | **48** |

### b) Details of current and previous years fruitless expenditure written off

| Description | 2023/24 R'000 | 2022/23 R'000 |
|---|---|---|
| Fruitless expenditure written off | - | 594 |
| **CLOSING BALANCE** | **-** | **594** |

The investigations for the three matters concluded that officials involved could not be found negligent nor liable fo The losses were subsequently written off.

### c) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless expenditure

| Description | 2023/24 R'000 | 2022/23 R'000 |
|---|---|---|
| Disciplinary action taken against three officials for losses suffered by the company. Two of the resigned from the company. The disciplinary matter for one official is in progress. | - | 47 |
| **CLOSING BALANCE** | **-** | **47** |

### e) Details of current and previous year of fruitless expenditure where Armscor is involved in an inter-institutional arrangement

As part of the entity's mandate for the procurement and maintenance of DOD asses, the entity incurred costs for i were not delivered. The supplier subsequently went into liquidation. The legal process for recovery of the assets a paid is in process. The fruitless expenditure was incurred in previous years.

**Table 34: Payment of Supplier Invoices**

## INFORMATION ON PAYMENT OF SUPPLIER'S INVOICES

| Description | Number of Invoices | Value | |
|---|---|---|---|
| | | R'000 | |
| Valid invoices received | 116 416 | 5 039 712 | |
| Invoices paid within 30 days or agreed period | 114 307 | 4 693 494 | |
| Invoices paid after 30 days or agreed period | 1 884 | 320 839 | Note 1 |
| Invoices older than 30 days or agreed period (unpaid and without dispute) | 24 | 3 262 | Note 2 |
| Invoices older than 30 days or agreed period (unpaid and in dispute) | 201 | 22 117 | Note 3 |

Reasons for late and or non-payment of Invoices, Including reason that the invoices are in dispute where applicable

1. Late payments due to delay in submission of required documentation by suppliers , whilst other invoices were paid as per agreed periods with suppliers.

2. The invoices were paid late due to unavailability of systems from power issues experienced towards the end of the financial year.

3. The invoices remain unpaid due to the non-resolution of issues raised and outstanding documents.

PART F

# ANNUAL FINANCIAL REPORT

ARMSCOR
Armaments Corporation of South Africa SOC Ltd

GATEWAY TO DEFENCE SOLUTIONS

# Report of the auditor-general to Parliament on the Armaments Corporation of South Africa SOC Limited

## Report on the audit of the consolidated financial statements

### Opinion

1. I have audited the consolidated financial statements of the Armaments Corporation of South Africa SOC Ltd (Armscor) set out on pages 118 to 193, which comprise the consolidated statement of financial position as at 31 March 2024, consolidated statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the consolidated financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2024, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act of South Africa 71 of 2008 (Companies Act).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated financial statements section of my report.

4. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards) (IESBA code)* as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### Restatement of corresponding figures

7. As disclosed in note 47 to the financial statements, the corresponding figures for 31 March 2023 were restated as a result of errors in the financial statements of the entity at, and for the year ended, 31 March 2024.

### Responsibilities of the accounting authority for the consolidated financial statements

8. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the GRAP and the requirements of the PFMA and Companies Act; and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the consolidated financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Responsibilities of the auditor-general for the audit of the consolidated financial statements

10. My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

11. A further description of my responsibilities for the audit of the consolidated financial statements is included in the annexure to this auditor's report. This description, which is located on page 114, forms part of our auditor's report.

## Report on the audit of the annual performance report

12. In accordance with the Public Audit Act 25 of 2004 (PM) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

13. I selected the following objectives presented in the annual performance report for the year ended 31 March 2024 for auditing. I selected objectives that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

| Objective | Page numbers | Purpose |
|---|---|---|
| **Goal 1: category 1 capital defence matériel acquisition, excluding strategic defence acquisition, but including technology acquisition** | 31 | To measure the actual commitment of funds against the formally planned value of commitments, which is based on capital defence matériel acquisition, excluding strategic defence acquisition, including technology acquisition requirements received and confirmed as valid requirements from the Department of Defence (DoD). |
| **Goal 2: system support: acquisition and procurement** | 31 | To measure the actual commitment of funds against the formally planned value of commitments, which is based on system support acquisition and procurement requirements received and confirmed as valid requirements from the DoD. |
| **Goal 6: management and performance against dockyard mandate (South African Navy/ Dockyard performance management in terms of service level agreement with the South African Navy)** | 33 | To measure the Armscor dockyard's performance in terms of SLA with the South African Navy |

14. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

15. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
    - all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
    - the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable

16. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

17. I did not identify any material findings on the reported performance information for goal 1: capital defence matériel acquisition, excluding strategic defence acquisition, including technology acquisition and goal 2: system support acquisition and procurement.

18. The material findings on the reported performance information for the selected objectives are as follows:

### Goal 6: management and performance against dockyard mandate (South African Navy/ Dockyard Performance Management in terms of service level agreement with the South African Navy)

#### Percentage of project tasking and job cards executed

19. An achievement of 75% was reported against a target of 90%. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the underachievement on the target was more than reported.

### Other matters

20. I draw attention to the matters below.

#### Achievement of planned targets

21. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or underachievements. This information should be considered in the context of the material findings on the reported performance information.

22. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on page 33.

### Goal 6: Management and performance against Dockyard Mandate (South African Navy/ Dockyard performance management in terms of Service Level Agreement with the South African Navy)

*Targets achieved: 60%*
*Budget spent: Budget allocation not available*

| Key indicator not achieved | Planned target | Reported achievement |
|---|---|---|
| 6.1 Percentage of project tasking and job cards executed<br>(Adherence to project tasking as approved in the project plan and execution of the adhoc activities) | 90% | 75% |

#### Material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for goal 6: management and performance against dockyard mandate (South African Navy/Dockyard performance management in terms of service level agreement with the South African Navy). Management did not correct all of the misstatements and I reported material findings in this regard.

## Report on compliance with legislation

24. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.

25. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

26. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

27. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

## Annual financial statements

28. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of the cash flow statement, financial instruments and cash and cash equivalents identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

## Procurement and contract management

29. Some goods, works or services were procured without following a procurement process that is fair, equitable, transparent, and competitive, as required by section 51(1)(a)(iii) of the PFMA. This was mainly due to awarding quotations in instances where fewer than three quotations were obtained, and the reasons for obtaining fewer than the minimum number of quotations were not justified, recorded, or approved by a delegated official.

## Other information in the annual report

30. The accounting authority is responsible for the other information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information referred to does not include the consolidated financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

31. My opinion on the consolidated financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

32. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

33. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Internal control deficiencies

34. I considered internal control relevant to my audit of the consolidated financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

35. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

36. Management did not exercise sufficient oversight responsibility over financial and performance reporting. This was mainly due to insufficient reviews by management and system-imposed limitations linked to the legacy systems used to compile the financial statements, resulting in material adjustments and non-compliance. Additionally, there was an inability to implement adequate monitoring controls for performance planning, management, and reporting, leading to material misstatements in the annual performance report.

37. Management did not properly review and monitor compliance to prevent non-compliance with procurement legislation and material adjustments to the financial statements.

Auditor-General

Pretoria
31 July 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

# Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

## Auditor-general's responsibility for the audit

### Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated financial statements and the procedures performed on reported performance information for selected objectives and on the entity's compliance with selected requirements in key legislation.

### Financial statements

In addition to my responsibility for the audit of the consolidated financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and determine whether the consolidated financial
- statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

### Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

| Legislation | Sections or regulations |
|---|---|
| Public Finance Management Act 1 of 1999 | Section 50(3); 50(3)(a); 50(3)(b); 51(1)(a)(ii);<br>Section 51(1)(a)(iii); 51(1)(b)(i); 51(1)(b)(ii);<br>Section 51(1)(e)(iii); 52(b); 54(2)(c); 54(2)(d);<br>Section 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b);<br>Section 57(d); 66(3)(a) |
| Treasury Regulations, 2005 | Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1;<br>Regulation 29.2.2; 29.3.1; 31.2.5; 31.2.7(a);<br>Regulation 33.1.1; 33.1.3 |
| Companies Act 71 of 2008 | Section 30(3)(b)(i); 33(1)(a); 45(2); 45(3)(a)(ii);<br>Section 45(3)(b)(i); 45(3)(b)(ii); 45(4); 46(1)(a);<br>Section 46(1)(b); 46(1)(c); 72(4)(a); 75(6); 86(1);<br>Section 86(4); 88(2)(d); 112(2)(a); 129(7) |
| Companies Act Regulations, 2011 | Regulation 30(2); 43(2)(a) |
| Construction Industry Development Board Act 38 of 2000 | Section 18(1) |
| Construction Industry Development Board Regulations, 2004 | Regulation 17; 25(7A) |
| Second amendment National Treasury Instruction No. 5 of 2020/21 | Paragraph 1 |
| Erratum National Treasury Instruction No. 5 of 2020/21 | Paragraph 2 |
| National Treasury Instruction No. 4 of 2015/16 | Paragraph 3.4 |
| National Treasury Instruction No. 5 of 2020/21 | Paragraph 4.8; 4.9; 5.3 |
| National Treasury SCM Instruction No.03 of 2021/22 | Paragraph 4.2 |
| National Treasury SCM Instruction No. 11 of 2020/21 | Paragraph 3.1; 3.4(b); 3.9 |
| Preferential Procurement Policy Framework Act 5 of 2000 | Section 1; 2.1(a); 2.1(f) |
| Preferential Procurement Regulations, 2022 | Paragraph 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4 |
| Preferential Procurement Regulations, 2017 | Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2;<br>Regulation 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5;<br>Regulation 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2;<br>Regulation 11.1; 11.2 |
| Prevention and Combating of Corrupt Activities Act 12 of 2004 | Section 34(1) |
| Armaments Corporation of South Africa Act 51 of 2003 | Section 6(1) |

# Group: Five Year Review (Unaudited)

| STATEMENT OF FINANCIAL POSITION | 2024 | 2023 (Restated) | 2022 (Restated) | 2021 | 2020 (Restated) |
|---|---|---|---|---|---|
| **NET ASSETS** | | | | | |
| Property, plant and equipment | 1 176 083 | 1 203 159 | 1 225 755 | 1 690 390 | 1 731 296 |
| Investment property | 33 100 | 28 400 | 25 000 | 50 730 | 47 270 |
| Intangible assets | 36 314 | 27 771 | 28 293 | 21 677 | 18 639 |
| Heritage assets | 12 746 | 12 746 | 12 746 | 13 829 | 13 829 |
| Other non-current assets | 9 565 | 6 235 | - | - | - |
| Other non-current liabilities | ( 14 920) | ( 14 954) | ( 18 764) | ( 27 204) | ( 65 161) |
| Net current assets | 1 694 869 | 883 354 | 357 702 | 593 685 | 768 235 |
| Financial instruments | 200 489 | 847 351 | 1 236 517 | 883 226 | 556 973 |
| Post-retirement employee benefit obligation | ( 347 123) | ( 343 810) | ( 364 817) | ( 304 173) | ( 273 189) |
| **NET ASSETS** | **2 801 123** | **2 650 252** | **2 502 432** | **2 922 160** | **2 797 892** |

## STATEMENT OF FINANCIAL PERFORMANCE

| REVENUE | | | | | |
|---|---|---|---|---|---|
| Sale of goods and services | 404 626 | 291 698 | 268 810 | 301 812 | 389 585 |
| Government grants (including deferred income recognised) | 1 216 572 | 1 260 698 | 1 256 832 | 1 113 324 | 1 175 762 |
| Interest income | 167 634 | 126 312 | 86 188 | 89 169 | 104 677 |
| Rental income | 59 851 | 59 089 | 62 722 | 71 421 | 68 045 |
| Other income | 24 142 | 21 956 | 21 026 | 15 091 | 21 996 |
| | **1 872 825** | **1 759 753** | **1 695 578** | **1 590 817** | **1 760 065** |
| **TOTAL SURPLUS/(DEFICIT) FOR THE YEAR** | **150 871** | **148 633** | **4 604** | **124 267** | **179 545** |

# Value-Added Statement – 31 March 2024 (Unaudited)

| | March 2024 R'000 | % | March 2023 R'000 | % |
|---|---|---|---|---|
| **NET ASSETS** | | | | |
| Revenue | 1 872 825 | | 1 759 753 | |
| Sales of goods and services | 404 626 | | 291 695 | |
| Government grant (Including deferred income recognised) | 1 216 572 | | 1 260 698 | |
| Rental income | 59 851 | | 59 089 | |
| Other income | 21 129 | | 18 692 | |
| Interest received | 167 634 | | 126 312 | |
| Dividends received | 3 013 | | 3 264 | |
| Less: Paid to suppliers for materials and services | –549 815 | | –482 490 | |
| **TOTAL VALUE ADDED** | **1 323 010** | 100% | **1 277 263** | 100% |
| **DISTRIBUTED AS FOLLOWS** | | | | |
| To emplyoyees as salaries, wages and other benefits | 1 060 367 | 80% | 1 020 670 | 80% |
| To governments as taxation (see below) | 17 594 | 1% | 16 097 | 1% |
| TOTAL VALUE ADDED DISTRIBUTED | 1 077 961 | | 1 036 767 | |
| Portion of value added reinvested to sustain and expand the business | 245 049 | 19% | 240 496 | 18% |
| [Surplus/(deficit) plus depreciation] | | | | |
| TOTAL VALUE ADDED DISTRIBUTED AND REINVESTED | **1 323 010** | **100%** | **1 277 263** | 100% |
| TAXATION | | | | |
| Paid in taxes to governments | 17 594 | | 16 097 | |
| Income tax (received)/paid | 276 | | 1 058 | |
| Rates and taxes to local authorities (note 1) | 17 317 | | 15 039 | |
| Collected on behalf of, and paid over to government | 334 623 | | 387 938 | |
| • Employees taxation deducted from remuneration paid | 262 805 | | 248 542 | |
| • Unemployment Insurance Fund | 2 903 | | 2 925 | |
| • Net value added taxation (VAT | 68 915 | | 122 230 | |

Note1

| | March 2024 | March 2023 |
|---|---|---|
| UIF | 2 902 763 | 2 924 995 |
| Municipal rates | 14 414 426 | 12 136 578 |
| | **17 317 190** | **15 061 573** |

# Statement of Financial Position as at 31 March 2024

| | Note(s) | 2024 R'000 | 2023 Restated R'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Inventories | 4 | 20,708 | 15,812 |
| Financial Instruments | 16 | 450,000 | 211,443 |
| Current tax receivable | 5 | 22 | 95 |
| Receivables from exchange transactions | 6 | 489,376 | 428,229 |
| Receivables from non-exchange transactions | 7 | 155,960 | 69,495 |
| VAT receivable | | 3,683 | 21,974 |
| Cash and cash equivalents | 8 | 1,085,442 | 666,522 |
| | | **2,205,191** | **1,413,570** |
| **Non-Current Assets** | | | |
| Investment property | 9 | 33,100 | 28,400 |
| Property, plant and equipment | 12 | 1,176,083 | 1,203,159 |
| Intangible assets | 13 | 36,314 | 27,771 |
| Heritage assets | 14 | 12,746 | 12,746 |
| Investments in joint ventures | 15 | 9,565 | 6,235 |
| Financial Instruments | 16 | 200,489 | 847,351 |
| | | **1,468,297** | **2,125,662** |
| **Total Assets** | | **3,673,488** | **3,539,232** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Payables from exchange transactions | 17 | 148,293 | 201,735 |
| Payables from non-exchange transactions | 18 | 236,946 | 183,744 |
| Employee benefit obligation | 21 | 28,860 | 26,867 |
| Deferred income | 19 | 32,321 | 36,893 |
| Provisions | 20 | 92,762 | 107,844 |
| | | **539,182** | **557,083** |
| **Non-Current Liabilities** | | | |
| Employee benefit obligation | 21 | 318,263 | 316,943 |
| Deferred income | 19 | 7,450 | 8,862 |
| Deferred tax | 22 | 7,470 | 6,092 |
| | | **333,183** | **331,897** |
| **Total Liabilities** | | **872,365** | **888,980** |
| **Net Assets** | | **2,801,123** | **2,650,252** |
| Share capital / contributed capital | 23 | 75,000 | 75,000 |
| Reserves | | | |
| Revaluation reserve | 24 | 1,210,694 | 1,223,788 |
| Other NDR | 25 | 402,469 | 395,268 |
| Accumulated surplus | | 1,112,960 | 956,196 |
| **Total Net Assets** | | **2,801,123** | **2,650,252** |

# Statement of Financial Performance

| | Note(s) | 2024 R'000 | 2023 Restated R'000 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Sale of goods | | 41,895 | 29,548 |
| Rendering of services | | 362,731 | 262,150 |
| Deferred income recognised | | 6,265 | 19,056 |
| Rental income | | 59,851 | 59,089 |
| Other income | | 21,129 | 18,692 |
| Interest received | 27 | 167,634 | 126,312 |
| Dividends received | 27 | 3,013 | 3,264 |
| **Total revenue from exchange transactions** | | **662,518** | **518,111** |
| **Revenue from non-exchange transactions** | | | |
| **Transfer revenue** | | | |
| Government grants & subsidies | 28 | 1,210,307 | 1,241,642 |
| **Total revenue** | 26 | **1,872,825** | **1,759,753** |
| **Expenditure** | | | |
| Employee related costs | 29 | (1,060,367) | (1,020,670) |
| Depreciation and amortisation | | (94,178) | (92,029) |
| Finance costs | | (39,834) | (38,456) |
| Lease rentals on operating lease | 30 | (3,244) | (3,209) |
| Debt Impairment | 31 | (93,413) | (43,960) |
| Cost of sales | 32 | (150,924) | (115,770) |
| General Expenses | 33 | (295,701) | (268,724) |
| **Total expenditure** | | **(1,737,661)** | **(1,582,818)** |
| **Operating surplus** | | 135,164 | 176,935 |
| Gain (loss) on disposal of assets and liabilities | | 3,366 | (36,980) |
| Profit of foreign exchange transactions | | 5,244 | 266 |
| Fair value adjustments | 34 | 3,161 | 2,736 |
| Impairment loss | | - | (4) |
| Share of surpluses from associates joint venture | | 5,329 | 6,235 |
| Inventories losses/write-downs | | 337 | (721) |
| | | **17,437** | **(28,468)** |
| **Surplus before taxation** | | **152,601** | **148,467** |
| Taxation | 36 | 1,730 | (166) |
| **Surplus for the year** | | **150,871** | **148,633** |

# Statement of Changes in Net Assets

| | Share capital / contributed capital R'000 | Revaluation reserve R'000 | Other NDR R'000 | Total reserves R'000 | Accumulated surplus / deficit R'000 | Total net assets R'000 |
|---|---|---|---|---|---|---|
| Opening balance as previously reported | 75,000 | 1,241,540 | 400,025 | 1,641,565 | 785,867 | 2,502,432 |
| Adjustments | | | | | | |
| Prior year adjustments 47 | - | - | - | - | (813) | (813) |
| **Balance at 01 April 2022 as restated** | **75,000** | **1,241,540** | **400,025** | **1,641,565** | **785,054** | **2,501,619** |
| Changes in net assets | | | | | | |
| Surplus for the year | - | - | - | - | 148,633 | 148,633 |
| Transfer from/(to) surplus/deficit | - | (17,752) | (4,757) | (22,509) | 22,509 | - |
| Total changes | - | (17,752) | (4,757) | (22,509) | 171,142 | 148,633 |
| **Restated Balance at 01 April 2023** | **75,000** | **1,223,788** | **395,268** | **1,619,056** | **956,196** | **2,650,252** |
| Changes in net assets | | | | | | |
| Surplus for the year | - | - | - | - | 150,871 | 150,871 |
| Transfer from/(to) surplus/deficit | - | (13,094) | 7,201 | (5,893) | 5,893 | - |
| Total changes | - | (13,094) | 7,201 | (5,893) | 156,764 | 150,871 |
| **Balance at 31 March 2024** | **75,000** | **1,210,694** | **402,469** | **1,613,163** | **1,112,960** | **2,801,123** |
| Note(s) | 23 | 24 | 25 | | | |

# Cash Flow Statement

| | Note(s) | 2024 R'000 | 2023 Restated R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Sale of goods and services | | 297,075 | 52,895 |
| Grants | | 1,210,307 | 1,241,642 |
| Interest income | | 94,292 | 92,759 |
| Other receipts | | 21,129 | 18,692 |
| | | 1,622,803 | 1,405,988 |
| **Payments** | | | |
| Employee costs | | (1,174,721) | (1,057,764) |
| Suppliers | | (366,640) | (220,867) |
| Taxes on surpluses | | (279) | (894) |
| | | (1,541,640) | (1,279,525) |
| **Net cash flows from operating activities** | 37 | **81,163** | **126,463** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 12 | (57,423) | (103,354) |
| Proceeds from sale of property, plant and equipment | 12 | - | 682 |
| Purchase of other intangible assets | 13 | (18,147) | (5,952) |
| Proceeds from sale of financial assets | | 410,314 | 179,756 |
| Dividends or similar distributions received | | 3,013 | 3,264 |
| **Net cash flows from investing activities** | | **337,757** | **74,396** |
| **Cash flows from financing activities** | | | |
| Net cash flows from financing activities | | - | - |
| **Net increase/(decrease) in cash and cash equivalents** | | **418,920** | **200,859** |
| Cash and cash equivalents at the beginning of the year | | 666,522 | 465,663 |
| **Cash and cash equivalents at the end of the year** | 8 | **1,085,442** | **666,522** |

# Statement of Comparison of Budget and Actual Amounts

## Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|---|
| | '000 | '000 | '000 | '000 | '000 | % | |
| **Statement of Financial Performance** | | | | | | | |
| **Revenue** | | | | | | | |
| **Revenue from exchange transactions** | | | | | | | |
| Sale of goods | 13,892 | - | **13,892** | 41,895 | **28,003** | **202 %** | 1.1 |
| Rendering of services | 367,435 | - | **367,435** | 362,731 | **(4,704)** | **(1)%** | |
| Deferred income recognised | 1,900 | - | **1,900** | 6,265 | **4,365** | **230 %** | 1.2 |
| Rental income | 65,906 | - | **65,906** | 59,851 | **(6,055)** | **(9)%** | 1.3 |
| Other income | 28,997 | - | **28,997** | 21,129 | **(7,868)** | **(27)%** | 1.4 |
| Interest received | 82,404 | - | **82,404** | 167,634 | **85,230** | **103 %** | 1.5 |
| Dividends or similar distributions received | - | - | **-** | 3,013 | **3,013** | **100 %** | 1.6 |
| **Total revenue from exchange transactions** | **560,534** | **-** | **560,534** | **662,518** | **101,984** | **18 %** | |
| **Revenue from non-exchange transactions** | | | | | | | |
| **Transfer revenue** | | | | | | | |
| Government grants & subsidies | 1,250,829 | - | **1,250,829** | 1,210,307 | **(40,522)** | **(3)%** | |
| **Total revenue** | **1,811,363** | **-** | **1,811,363** | **1,872,825** | **61,442** | **3 %** | |
| **Expenditure** | | | | | | | |
| Employee related costs | (1,167,534) | - | **(1,167,534)** | (1,060,367) | **107,167** | **(9)%** | |
| Depreciation and amortisation | (108,558) | - | **(108,558)** | (94,178) | **14,380** | **(13)%** | 2.1 |
| Finance costs | - | - | **-** | (39,834) | **(39,834)** | **100 %** | 2.2 |
| Lease rentals on operating leases | (4,268) | - | **(4,268)** | (3,244) | **1,024** | **(24)%** | 2.3 |
| Debt impairment | (167) | - | **(167)** | (93,413) | **(93,246)** | **55,836 %** | 2.4 |
| Cost of sales | (130,194) | - | **(130,194)** | (150,924) | **(20,730)** | **16 %** | 2.5 |
| General expenses | (376,405) | - | **(376,405)** | (295,701) | **80,704** | **(21)%** | 2.6 |

# Statement of Comparison of Budget and Actual Amounts

## Budget on Accrual Basis

| | Approved budget '000 | Adjustments '000 | Final Budget '000 | Actual amounts on comparable basis '000 | Difference between final budget and actual '000 | Difference between final budget and actual % | Reference |
|---|---|---|---|---|---|---|---|
| **Total expenditure** | **(1,787,126)** | **-** | **(1,787,126)** | **(1,737,661)** | **49,465** | **(3)%** | |
| **Operating surplus** | **24,237** | - | **24,237** | **135,164** | **110,927** | **458 %** | |
| Gain on disposal of assets and liabilities | 15 | - | **15** | 3,366 | **3,351** | **22,340 %** | 3.1 |
| Gain on foreign exchange transactions | 44 | - | **44** | 5,244 | **5,200** | **11,818 %** | 3.2 |
| Fair value adjustments | - | - | - | 3,161 | **3,161** | **100 %** | 3.3 |
| Share of surpluses or deficits from associates or joint ventures accounted for using the equity method | - | - | - | 5,329 | **5,329** | **100 %** | 3.4 |
| Inventories losses/write-downs | - | - | - | 337 | **337** | **100 %** | 3.5 |
| | **59** | **-** | **59** | **17,437** | **17,378** | **29,454 %** | |
| **Surplus before taxation** | **24,296** | **-** | **24,296** | **152,601** | **128,305** | **528 %** | |
| Taxation | - | - | - | 1,730 | **1,730** | **100 %** | 4 |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **24,296** | **-** | **24,296** | **150,871** | **126,575** | **521 %** | |

## Statement of Comparison of Budget and Actual Amounts

The budget represented above is the approved final budget that has been prepared on the accrual basis.

The following segments are reported on the above budget; Armscor Corporate, Research & Development and Dockyard.

Variances above 10% are explained below:

### 1. Total Revenue

1.1 Higher sales were generated from freight and sustainability initiatives than was budgeted for.

1.2 Higher than estimated conditional funding received in prior years was utilised towards the capitalisation of the submarine repair group, assets and maintenance expenditure.

1.3 Lower rental income due the impact of discounting of rent related receivables and the impact of intercompany rentals being eliminated for statutory reporting purposes.

1.4 Lower other income as some of the income generated was classified as sales for statutory reporting purposes compared to budget. Also included in the actual figure is an adjustment for discounting of receivables in line with accounting standards.

1.5 The interest rate hike cycle has positively impacted the interest income received from invested funds. Higher income was realised than planned for in the budget. Also included in the actual figure is an adjustment for the discounting for the receivables that impact the interest income in terms of standards of GRAP.

1.6 Dividends received relate to the Armscor Medical Benefit Fund, which is not included in the operational budget of Armscor.

### 2. Operating Expenditure

2.1 Depreciation was less than budget as some of the planned acquisition of assets were either deferred or delayed later in the year.

2.2 Finance costs relating to actuarial valuation of the long term employee obligations are disclosed separately as required by the accounting standards. Otherwise finance costs are not included in the budget as they cannot be predetermined.

2.3 Intercompany lease costs are included in the budget for management reporting and eliminated for statutory reporting purposes.

2.4 The company aims to collect all debts due to the entity and thus minimal debt provision is allowed for in the budget. The variance indicates higher provision raised for debts considered doubtful, most of which are related to related party debtors.

2.5 Higher costs of sales related to higher sales generated than was budgeted for.

2.6 Measures to contain operational costs to mitigate against revenue pressures continue to be implemented. Cost savings were realised for consulting costs, training and printing costs.

### 3. Operating surplus

3.1 The actuals reflect the net effect of replaced assets as part of the head office building improvement projects, which were not included in the budget.

3.2 Impact of the currency fluctuations transaction resulting in higher exchange rate gains than was budgeted for.

3.3 Not included in the budget as it cannot be predetermined.

3.4 Not included in the budget as it cannot be predetermined.

3.5 Not included in the budget as it cannot be predetermined.

# Statement of Comparison of Budget and Actual Amounts

## 4. Taxation

The Armscor Medical Benefit Fund is taxed at 45% (2023: 45%) for the year and is not included in the operational budget. Armscor is exempted from income tax in terms of Section 10(1)(t)(v) of the Income Tax Act no.58, as amended.

# Significant Accounting Policies

## 1. Presentation of Consolidated Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999) and the Companies Act of South Africa (Act 71 of 2008). The financial statements comply with all Standards of GRAP, there are no deviations or departures from the Standards of GRAP.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, except for some financial instruments and land and buildings which are measured at fair value and incorporate the principal accounting policies set out below. They are presented in South African Rands and all values are rounded to the nearest thousand unless otherwise indicated.

Expenditure in the statement of financial performance is classified and presented based on the nature of expenses, as this provides reliable and more relevant information of the group.

### Mandate

Armscor receives its mandate for the period under review from the Armaments Corporation of South Africa, Limited Act (Act No 51 of 2003) and the Armaments Corporation of South Africa, Limited amendment Act (Act No 16 of 2005), which came into effect from 8 May 2006 by proclamation 20 published in Government Gazette 28779 of 5 May 2006 in terms of which the Corporation is empowered to meet:

- the defence matériel requirements of the Department of Defence (DOD) effectively, efficiently and economically; and
- the defence technology, research, development, analysis, test and evaluation requirements of the DOD effectively, efficiently and economically.

These Acts furthermore provide that Armscor must adhere to accepted corporate governance principles, best business practices and Standards of Generally Recognised Accounting Practices within a framework of established norms and standards that reflect fairness, equity, transparency, economy, efficiency, accountability and lawfulness.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

### 1.1 Financial policy

Activities are financed as follows:

**a) Armscor's operating funds**

Armscor's operating funds which are appropriated by Parliament and obtained via the defence budget, together with the interest earned thereon and contribution generated from sales, are utilised to finance operating expenditure, the acquisition of fixed assets and expenditure for the creation and maintenance of facilities and services.

**b) Operating capital and fixed capital of the Group**

Operating capital and fixed capital requirements of the Group are financed from own income generated as well as additional funding received from the DOD if required.

**c) Procurement of armaments**

Armaments purchases and maintenance are financed by means of withdrawals from the Special Defence Account in terms of the Defence Special Account Act (Act No 6 of 1974, as amended) and the General Defence Account. Strategic Defence Packages are financed wholly or partially by means of drawdowns against credit facilities supplied by National Treasury.

# Significant Accounting Policies

### 1.2 Accounting policy

The Corporation's year end is the same as its subsidiaries except for the joint venture which has a February year end. The principal accounting policies adopted by the Group are set out below. These accounting policies are consistent with the previous period.

### 1.3 Going concern assumption

These financial statements have been prepared on the basis that the entity will continue to operate as a going concern for the foreseeable future.

### 1.4 Consolidation

#### Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the entity presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated financial statements from the transfer date or acquisition date as defined in the Standards of GRAP. For details of the controlled entities consolidated in the financial statements refer to note 40.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date, except for the joint venture which has a February year end.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

#### Jointly controlled entities

Investments in jointly controlled entities are proportionately consolidated from the date on which the entity has the power to exercise joint control, up to the date on which the power to exercise joint control ceases.

The entity's share of assets, liabilities, revenue, expenses and cash flows of jointly controlled entities are combined on a line by line basis with similar items in the consolidated annual financial statements or the entity include separate line items for its share of the assets, liabilities, revenue and expenses of the jointly controlled entity in its consolidated annual financial statements. The entity's proportionate share of inter-entity balances and transactions, and resulting surpluses and deficits between the entity and jointly controlled entities are eliminated on consolidation.

An interest in a jointly controlled entity is accounted for using the equity method. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the entity's share of net assets of the jointly entity, less any impairment losses. Surpluses and deficits on transactions between the entity and a joint venture are eliminated to the extent of the entity's interest therein.

# Significant Accounting Policies

### 1.5 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

#### a) Trade receivables / Held to maturity investments and/or loans and receivables

The entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### b) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using a variety of techniques.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

#### c) Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact on estimations and then require a material adjustment to the carrying value of goodwill and tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The Group assesses whether there are any indicators of impairment for all non- financial assets at each reporting date.

#### d) Provisions

Provisions were raised and management determined the best estimate of future events, based on the information available. Additional disclosure of these estimates of provisions are included in note 20.

# Significant Accounting Policies

## 1.5 Significant judgements and sources of estimation uncertainty (continued)

### e) Employee benefits

The present value of the employee benefit obligation depends on a number of factors that are determined on an actuarial basis and management's best estimate using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of employee benefit obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employee benefit obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related employee benefit liability. If there is no market in corporate bonds, the yields from the zero-coupon government bond yield curve of appropriate term is used.

Other key assumptions for employee benefit obligations are based on current market conditions. Additional information is disclosed in note 21.

### f) Effective interest rate

The entity used the prime interest rate to discount future cash flows, taking into account the best estimate of future events, based on the information available.

## 1.6 Investment property

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.
Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

An investment property shall be derecognised on disposal (including disposal through a non-exchange transaction) or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

### Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

The entity separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 9).

## 1.7 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

# Significant Accounting Policies

## 1.7 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

### a) Land and buildings

Land is stated at fair value and is not depreciated. Buildings are stated at fair value less accumulated depreciation and accumulated impairment. Depreciation is calculated on a straight line basis over the useful life of the buildings.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised directly to revaluation surplus in net assets. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is recognised in surplus or deficit to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in surplus or deficit reduces the amount accumulated in the revaluation surplus in net assets.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.
Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

### b) Plant and equipment

Plant and equipment includes plant, machinery, equipment, office equipment, furniture, computers, vehicles and vessels.
Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment. The cost of replacing part of such plant and equipment is capitalised when that cost is incurred and the recognition criteria is met. Depreciation is calculated on a straight line basis over the expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Buildings | Straight line | 3 - 70 years |
| Plant and machinery | Straight line | 2 - 32 years |
| Furniture, fixtures and computers | Straight line | 2 - 25 years |
| Motor vehicles and vessels | Straight line | 5 - 15 years |

# Significant Accounting Policies

### 1.7 Property, plant and equipment (continued)

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 12).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

### 1.8 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.The amortisation charge for each period is recognised in surplus or deficit.

Gains or losses arising from derecognising of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of financial performance when the asset is derecognised.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

# Significant Accounting Policies

### 1.8 Intangible assets (continued)

| Item | Depreciation method | Average useful life |
|---|---|---|
| Patents, trademarks and other rights | Straight line | 5 - 15 years |
| Computer software | Straight line | 2 - 8 years |

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

The entity's intangible assets all have finite lives.

### 1.9 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 14).

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Heritage assets are initially measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

# Significant Accounting Policies

### 1.10 Investments in joint ventures

A joint venture is a binding arrangement whereby the entity and other parties are committed to undertake an activity that is subject to joint control, that is the agreed sharing of control over an activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement in which parties have joint control with rights to the net assets of the arrangement.

Surpluses or deficits resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The entity's share of surpluses or deficits, resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

The investment in a joint venture is accounted for under the equity method in the entity's financial statements. Under the equity method, on initial recognition the investment in the joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the entity's share of the profit or loss of the joint venture after the date of acquisition. Distributions received from the joint venture reduce the carrying amount of the investment.

The most recent available financial statements of the joint venture is used in applying the equity method. When the financial statements of the joint venture used in applying the equity method are different from that used by the entity, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the entity's financial statements.

If the entity's share of losses of the joint venture equals or exceeds its interest in the joint venture, the entity discontinues recognising its share of further losses and will carry the investment in the joint venture at zero. When the joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The entity will discontinue the use of the equity method from the date when its investment ceases to be a joint venture as follows:
- If the investment becomes a subsidiary, the entity shall account for its investment in accordance with GRAP 6.
- If the retained interest in the former joint venture is a financial asset, the entity measures the retained interest at fair value. The entity recognises in surplus or deficit any difference between:
  - the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture;
  - the carrying amount of the investment at the date the equity method was discontinued.
- When the entity discontinues the use of the equity method, the entity accounts for all amounts previously recognised in surplus or deficit in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

The entity recognises a dividend or similar distribution in surplus or deficit in its separate financial statements when its right to receive the dividend or similar distribution is established.

### 1.11 Insurance and risk management

The insurance and risk management policies adopted by Armscor are aimed at obtaining sufficient cover at the minimum cost to protect its asset base, earning capacity and legal obligations against unacceptable losses.

All fixed assets are insured at current replacement value. Risks are identified and insured while paying specific attention to the specialised nature of the entity's various activities and exposures. Self-insurance has been instituted where the cost to benefit relationship exceeds the risk and the incidence of losses is of a minor and infrequent nature. Self-insured risks are reviewed annually to ensure cover is adequate.

# Significant Accounting Policies

## 1.12 Financial instruments

### Recognition

Financial instruments are initially recognised on the statement of financial position when the entity becomes party to the contractual provisions of the instrument. A financial asset and a financial liability is initially recognised at its fair value plus, in the case of a financial asset or a financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of a financial asset or a financial liability. Subsequent measurement for each category is specified in the sections below.

A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in the fair value of the financial assets or financial liabilities are recorded.

### Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a entity of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

The resulting difference between the carrying value on the derecognition of the financial instrument and the amount received or paid is taken to surplus or deficit.

### Financial assets

The entity categorises its financial assets in the following categories: loans and receivables, investments fair valued through surplus or deficit and cash and cash equivalents. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

### 1.12.1 Loans and receivables

After initial recognition, such assets are carried at amortised cost, using the effective interest rate method, less accumulated impairment. Gains and losses are recognised in surplus or deficit when the loans and receivables are derecognised or impaired, and through the amortisation process.

The entity has classified the following financial assets as loans and receivables:

### a) Trade and other receivables

Trade and other receivables comprise all trade and non-trade debtors. Short-duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

### b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, short-term deposits, funds held in trust accounts and investment instruments, all of which are readily convertible to cash, available for use by the Group unless otherwise stated and are subject to an insignificant risk of change in value.

### c) Other loans

Other loans comprise of employee loans. These loans are interest bearing over periods that vary between one and six months.

### 1.12.2 Investments

Investments in financial instruments are classified and measured as follows:

| Investment | Classification | Carrying value |
|---|---|---|
| Government and other bonds | At fair value through Investment income | Fair value |
| Shares - Listed | At fair value through Investment income | Fair value |
| Derivative instruments | At fair value through Investment income | Fair value |
| Deposits and banking institutions | At fair value through Investment income | Fair value |
| International investments | At fair value through Investment income | Fair value |

# Significant Accounting Policies

### 1.12 Financial instruments (continued)

Subsequent to initial recognition, all financial instruments classified at fair value through investment income are measured at fair value with changes in their fair value recognised in the surplus or deficit.

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs.

### Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### Financial liabilities

Financial liabilities consist of trade and other payables. After initial recognition, financial liabilities are recognised at amortised cost, using the effective interest rate method, finance costs on financial liabilities at amortised cost are expensed in surplus or deficit in the period in which they are incurred using the effective interest rate method. In addition, gains and losses on these financial liabilities are recognised in surplus or deficit when the liability is derecognised.

### Financial guarantee contracts

Financial guarantee contracts issued by the entity are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when it becomes due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially at fair value.

Financial guarantees are derecognised when the obligation is extinguished, expire or transferred. The entity currently does not recognise any financial guarantee contracts as, in the opinion of the directors; the possibility of loss arising from these guarantees is remote.

### Impairment of financial assets

The entity assesses at each statement of financial position date whether objective evidence exists that a financial asset or a group of financial assets are impaired.

### Financial assets carried at amortised cost

The entity assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If there is objective evidence that an impairment loss has been incurred on a financial asset, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets original effective interest rate. The amount of the impairment shall be recognised in the statement of financial performance.

When a receivable is uncollectible, it is written off against the related impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of financial performance.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

For certain categories of loans and receivables, provisions for impairment are recognised based on the following considerations:

# Significant Accounting Policies

### a) Trade and other receivables

### 1.12 Financial instruments (continued)

For trade and other receivables, a provision for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. Indicators of impairment include long overdue accounts, significant financial difficulties of the debtors and defaults in payments.

### 1.13 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

#### Recognition

The entity recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The entity initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

# Significant Accounting Policies

## 1.14 Tax

### Current tax assets and liabilities

Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the reporting date, and any adjustment of tax payable for the previous year.

### Deferred tax assets and liabilities

Deferred taxation is provided using the financial position liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax is recognised in the surplus or deficit except to the extent that it relates to a transaction that is recorded directly in net assets, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the surplus or deficit, except to the extent that it relates to items previously charged or credited directly to net assets.

## 1.15 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue from exchange transactions in statement of financial performance.

### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

## 1.16 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Inventories are stated at the lower of cost and net realisable value. Raw materials are calculated using the first in, first out method, except in the case of Hazmat Protective Systems where it is calculated at weighted average. Write downs to net realisable value and inventory losses are expensed in the period in which the write down or losses occur.

Finished goods and work in progress are stated at actual cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Subsequently inventories are measured at the lower of cost and net realisable value.

# Significant Accounting Policies

### 1.16 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.17 Foreign currency conversion

#### Transactions and balances

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period, foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in surplus or deficit in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

### 1.18 Impairment of assets

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

#### Identification

When the carrying amount of an asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

# Significant Accounting Policies

### 1.18 Impairment of assets (continued)

#### Value in use

Value in use of an asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

A reversal of an impairment loss for an asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

At initial recognition, the entity designates an asset as non-cash-generating or as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

### 1.19 Non-distributable reserves

All reserves are considered to be non-distributable. The full share capital and reserves are required for the total net capital requirement of the Group. Cash is therefore retained to meet future commitments, and is consequently not available for the distribution of dividends.

#### a) Capital and building maintenance reserve

The reserve was established for comprehensive upgrading and replacement of obsolete capital equipment and maintenance of major building systems.

#### b) Computer upgrading reserve

The purpose of this reserve is for the upgrading and replacement of obsolete, outdated computer technology.

#### c) Marketing promotion reserve

The reserve was established to supplement the financing of exhibition costs in order to promote the local defence industry which is part of Armscor's mandate, but which is not provided for via the transfer payment from the Department of Defence.

#### d) Internal insurance reserve

Self-insurance has been instituted where the cost-to-benefit relationship exceeds the risk and the incidence of losses is of a minor and infrequent nature. Self-insured risks are reviewed annually to ensure cover is adequate and an amount is held in an internal insurance fund to cover these risks.

# Significant Accounting Policies

### 1.19 Non-distributable reserves (continued)

#### e) Revaluation reserve

The revaluation surplus in equity is related to land and buildings and is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

#### f) Post-retirement medical reserve

The reserve was established to ring-fence funds to ensure adequate cover for Armscor's post-retirement medical obligation

### 1.20 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### 1.21 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

#### a) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- the expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### b) Post-employment benefits: Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The entity contributes towards and operates the Armscor Defined Contribution Pension Fund and the Armscor Provident Fund, which offer benefits based on the contributions of and on behalf of every member, as well as on investment yields.

#### c) Post-employment benefits - Defined benefit plan

The group provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the qualifying employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The cost of providing benefits under the defined benefits plan is determined using the projected unit credit actuarial valuation method.

# Significant Accounting Policies

### 1.21 Employee benefits (continued)

Actuarial gains and losses during the valuation period, arising from experience adjustments and changes in actuarial assumptions, are recognised immediately in the statement of financial performance.

The entity discloses relevant information relating to the post-retirement medical obligation in the notes to the financial statements (see note 21).

### d) Other long-term employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

The entitlement to other long-term employee benefits is based on the service period provided by qualifying employee and the completion of certain minimum service period milestones. The expected costs of these benefits are accrued over the period of employment. Management carry out valuations of these obligations. The cost of providing benefits is determined using the projected unit credit valuation method.

The entity discloses relevant information relating to the other long-term employee benefits obligation in the notes to the financial statements (see note 21).

### 1.22 Provisions and contingencies

Provisions are recognised when:
- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

The Group has the following provisions at year end:

### a) Performance remuneration

The payment of performance remuneration is subject to the Groups' achievement of set performance criteria. The Group uses the Balanced Scorecard method for evaluating individual performance. Performance remuneration is based proportionally on the individual performance as measured and expressed by the individual's performance score and also on Group department's performance as measured and expressed by their calculated performance score.

### b) Provision for leave

Provision is calculated on leave days outstanding at end of year multiplied by remuneration rate based on the applicable remuneration package of each employee.

# Significant Accounting Policies

## 1.22 Provisions and contingencies (continued)

### c) Contingencies

Contingent assets are disclosed when there is a possible asset, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group's control. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

Contingent liabilities are disclosed when there is a possible obligation that arises from the past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group's control, or it is not possible that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised, but reflected in a separate note to the financial statements.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

## 1.23 Commitments

Capital commitments relates to contractual arrangement or an approval by management in a manner that raises a valid expectation that the Group will discharge its responsibilities thereby incurring future capital expenditure that will result in the outflow of cash and an inflow of capital assets. Capital commitments are differentiated between commitments for property, plant and equipment and for intangible assets.

Commitments are measured at fair value after taking into account accruals and payments and disclosed in note 44.

## 1.24 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

# Significant Accounting Policies

### 1.24 Revenue from exchange transactions (continued)

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

### 1.25 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where Armscor received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Apart from services in kind, which are not recognised, an inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue from non-exchange transactions are disclosed in note 26 and 28.

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

### 1.26 Cost of sales

The related cost of providing goods and services recognised as revenue in the current period is included in cost of sales. Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

### 1.27 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

# Significant Accounting Policies

## 1.27 Accounting by principals and agents (continued)

### Identification

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

### Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

### Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

### Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

### Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal- agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

## 1.28 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

# Significant Accounting Policies

### 1.29 Fruitless and wasteful expenditure (continued)

The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.30 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.

### 1.31 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Armscor's activities are reported in the following segments: Corporate, Dockyard and Research & Development (R&D).

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment.

### 1.32 Budget information

The approved budget covers the fiscal period from 1 April to 31 March, and is prepared on zero-based budgeting basis.

The budget for the economic entity includes all the entities approved budgets under its control, except for the Armscor Medical Benefit Fund.

The financial statements and the budget are on the same basis of accounting and are classified and presented based on the nature of the expenses, therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. Material deviations are explained in the relevant notes to the annual financial statements.

### 1.33 Related parties

A related party is an individual as well as their close family members, and /or entities are related party if one part has the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Disclosure is made on Information about the nature of transactions and related outstanding balances with related parties.

# Significant Accounting Policies

### 1.33 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Management is regarded as a related party and comprise of the Board of Directors and Executive Committee Members.

### 1.34 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.35 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for:

(a) sale;

(b) distribution at no charge or for a nominal charge; or

(c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

(a) is used in the production or supply of agricultural produce;

(b) is expected to bear produce for more than one period; and

(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or development and, where applicable, the amount attributed to the asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

# Significant Accounting Policies

### 1.35 Living and non-living resources (continued)

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by an entity, or the number of production or similar units expected to be obtained from the asset by an entity.

### Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the financial statements.

A living resource is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Where the entity is required in terms of legislation or similar means to manage a living resource, but it does not meet the definition of an asset because control of the resource cannot be demonstrated, relevant information are disclosed in the notes to the financial statements.

•

Where the entity holds a living resource that meets the definition of an asset, but which does not meet the recognition criteria, relevant information are disclosed in the notes to the financial statements. When the information about the cost or fair value of the living resource becomes available, the entity recognise, from that date, the living resource and apply the measurement principles.

### 1.36 Change in accounting policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Armscor shall change an accounting policy only if the change:
- is required by a standard of GRAP; or
- results in the financial statements providing reliable and more relevant information about the effects of the transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

Refer to note 47 for changes in accounting policies.

# Notes to the Consolidated Financial Statements

| | 2024<br>R'000 | 2023<br>R'000 |
|---|---|---|

## 2. Reporting Framework

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations and directives issued by the International Accounting Standards Board (IASB).

In terms of these standards (GRAP), in the absence of a standard or pronouncement comprising the GRAP financial reporting frameworks that specifically applies to a transaction, other event or condition, management should apply judgement and may consider the following pronouncements, in descending order, in developing an accounting policy for such a transaction, event or condition.

- Standards of GRAP (Generally Recognised Accounting Practices) that have been issued, but are not yet effective;
- IPSAS (International Public Sector Accounting Standards); and
- IFRS (International Financial Reporting Standards).

## 3. New standards and interpretations

### 3.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

| Standard/ Interpretation: | Effective date: Years beginning on or after |
|---|---|
| Amendments to GRAP 1 on Presentation of Financial Statements | 1 April 2023 |
| IGRAP 21 on The Effect of Past Decisions on Materiality | 1 April 2023 |
| Improvements to Standards of GRAP (2020) | 1 April 2023 |
| GRAP 25 on Employee Benefits (and IGRAP 7) | 1 April 2023 |

## 4. Inventories

| | 2024 | 2023 |
|---|---|---|
| Raw materials, components | 2,559 | 3,657 |
| Work in progress | 8,508 | 2,601 |
| Finished goods | 1,474 | 1,212 |
| Consumables | 5,854 | 6,323 |
| Consumable stores | 2,313 | 2,019 |
| | **20,708** | **15,812** |

The amount of inventory reversal during the year is R337 thousand (2023: R721 thousand write-down), arising from the increase in the replacement costs of inventories. Inventories utilised and expensed to general expenses during the year is R33 200 thousand (2023: R28 797 thousand).

## 5. Current tax receivable

| 2024 | Outstanding at beginning of the year R'000 | Normal income tax for the current year R'000 | Income tax paid during the year R'000 | Prior year adjustment R'000 | Penalties and interest levied by SARS R'000 | Income tax receivable at the end of the year R'000 |
|---|---|---|---|---|---|---|
| Current tax receivable | (95) | 352 | (276) | - | (3) | (22) |

# Notes to the Consolidated Financial Statements

## 5. Current tax receivable (continued)

| 2023 | Outstanding at beginning of the year R'000 | Normal income tax for the current year R'000 | Income tax paid during the year R'000 | Prior year adjustment R'000 | Penalties and interest levied by SARS R'000 | Income tax receivable at the end of the year R'000 |
|---|---|---|---|---|---|---|
| Current tax receivable | 9 | 789 | (1,058) | 158 | 7 | (95) |

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| **6. Receivables from exchange transactions** | | |
| Trade debtors | 283,415 | 338,102 |
| Prepayments | 54,830 | 7,384 |
| Deposits | 1,616 | 1,653 |
| Other receivables | 6,582 | 1,263 |
| Interest receivable | 120,664 | 59,409 |
| Other debtors | 21,865 | 18,531 |
| Other related party debtors | 404 | 1,887 |
| | **489,376** | **428,229** |

### Trade receivables past due but not impaired

Management has made an assessment and they concluded that there are no other indications of impairment.
The ageing of amounts past due but not impaired is as follows:

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Current | 110,723 | 130,700 |
| 31 - 60 days | 16,255 | 30,907 |
| 61 - 90 days | 3,338 | 12,267 |
| 91 - 120 days | 29,548 | 31,414 |
| 121 days and older | 123,551 | 132,814 |
| | **283,415** | **338,102** |

### Trade and other receivables impaired

During the year-ended, 31 March 2024 trade and other receivables of R102 556 thousand (2023: R57 681 thousand) were impaired and provided for.

### Reconciliation of provision for impairment of trade and other receivables

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Opening balance | 176,187 | 127,565 |
| Provision for impairment | 102,556 | 57,681 |
| Amount recovered during the year | (9,847) | (9,048) |
| Impairment losses reversed | (43) | - |
| Amounts written off as uncollectable | (63) | (11) |
| | **268,790** | **176,187** |

An amount of R 43 thousand (2023: Nil thousand) was reversed during the year.

## 7. Receivables from non-exchange transactions

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Other receivables from non-exchange transactions | 155,960 | 69,495 |

The recevables relate to amounts owed by principals for work undertaken as an agent. Also refer to note 45 for further information.

# Notes to the Consolidated Financial Statements

| | 2024<br>R'000 | 2023<br>R'000 |
|---|---|---|
| **8. Cash and cash equivalents** | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | - | 121 |
| Bank balances | 145,158 | 121,876 |
| Short-term deposits | 940,284 | 544,525 |
| | **1,085,442** | **666,522** |

Included in cash and short-term deposits is an amount of R7 943 thousand (2023: R8 382 thousand) in respect of cash allocated to the insurance reserve and R56 094 thousand (2023: R51 709 thousand) in respect of Dockyard's post retirement medical benefits as per note 21.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

Cash reserves are earmarked for upgrading of systems, capital expenditure approved but not yet contracted and other maintenance requirements.

# Notes to the Consolidated Financial Statements

Figures in Rand thousand

## 9. Investment property

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 33,100 | - | 33,100 | 28,400 | - | 28,400 |

### Reconciliation of investment property - 2024

| | Opening balance | Fair value adjustments | Total |
|---|---|---|---|
| Investment property | 28,400 | 4,700 | 33,100 |

### Reconciliation of investment property - 2023

| | Opening balance | Fair value adjustments | total |
|---|---|---|---|
| Investment property | 25,000 | 3,400 | 28,400 |

The fair value was determined by an independent sworn appraiser using current market values on 31 March 2024. The appraiser holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The land was fair valued using the Comparative Sales Method (Market Approach).

Expenditure incurred relating to land amounted to R Nil (2023: R Nil). No revenue is generated from the investment property, however Armscor is actively looking at ways to sweat the property.

Investment property is revalued independently on an annual basis.

# Notes to the Consolidated Financial Statements

## 9. Investment property (continued)

The following assumptions were applied by the valuator:
- The property is developable,
- No onerous conditions exist on the title deeds,
- No special assumptions were made.

## 10. Non-living resources

### Entity as custodian

The nature of the entity's custodial responsibility, including the legislation or similar means that establishes the custodial responsibility over the resources, are as follows: Armscor has a number of boreholes systems situated in some of the properties it owns.

### Nature and types of non-living resources for which the entity is responsible

Borehole water: Boreholes existing at various divisions, including R&D and Armscor Corporate, properties. These boreholes are mainly used for purposes of irrigation in around the properties.

### Liabilities and/or contingent liabilities that arise from the non-living resources

Boreholes water: There is no liability arising from this non-living resource.

## 11. Living resources

### Living resources not recognised

The entity did not recognise the following living resources, due to the definition and/or recognition criteria not being met:

### Wild game animals

The nature and type are as follows: In one of the Armscor's property situated in the Alkantpan Test Range, a number of game (wild animals) are found in around the property. The game naturally existed in the greater area where the property is situated and they were never specifically acquired or obtained by other non-exchanged transaction means by Armscor.

In and around the property, the game can move freely to adjacent land/farms and is not fenced off by means of proper game fencing which will restrict movement of the game. The game in the property cannot be tagged, and have unrestricted access to the property and adjacent land/farms.

Armscor does not intervene in the physical condition of the game, or restrict the movement of the game and also does not have the ability to direct the use of the game in around the property area. Therefore, the entity does not control the game.

Game worth R Nil thousand (2023: R2 365 thousand) was culled during the year.

# Notes to the Consolidated Financial Statements

Figures in Rand thousand

## 12. Property, plant and equipment

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 264,101 | - | 264,101 | 264,101 | - | 264,101 |
| Buildings | 858,967 | (73,315) | 785,652 | 843,043 | (37,574) | 805,469 |
| Plant and machinery | 242,938 | (188,045) | 54,893 | 224,442 | (169,139) | 55,303 |
| Office equipment, furniture and computers | 226,843 | (176,038) | 50,805 | 220,514 | (166,641) | 53,873 |
| Vehicles and vessels | 102,579 | (85,695) | 16,884 | 99,816 | (79,760) | 20,056 |
| Capital assets under development | 3,748 | - | 3,748 | 4,357 | - | 4,357 |
| Total | **1,699,176** | **(523,093)** | **1,176,083** | **1,656,273** | **(453,114)** | **1,203,159** |

### Reconciliation of property, plant and equipment - 2024

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|---|---|---|---|---|---|---|
| Land | 264,101 | - | - | - | - | 264,101 |
| Buildings | 805,469 | 15,922 | - | - | (35,740) | 785,651 |
| Plant and machinery | 55,303 | 18,692 | (13) | 609 | (19,698) | 54,893 |
| Office equipment, furniture and computers | 53,873 | 17,985 | (192) | 1,564 | (22,425) | 50,805 |
| Vehicles and vessels | 20,056 | 4,824 | (77) | (1,176) | (6,745) | 16,882 |
| Capital assets under development | 4,357 | - | - | (609) | - | 3,748 |
| | **1,203,159** | **57,423** | **(282)** | **388** | **(84,608)** | **1,176,080** |

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

Figures in Rand thousand

## 12. Property, plant and equipment (continued)

### Reconciliation of property, plant and equipment - 2023

| | Opening balance | Additions | Disposals | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|
| Land | 264,101 | - | - | - | - | 264,101 |
| Buildings | 844,070 | 44,812 | (37,242) | (46,171) | - | 805,469 |
| Plant and machinery | 59,026 | 14,309 | (3) | (18,028) | (1) | 55,303 |
| Office equipment, furniture and computers | 39,274 | 32,951 | (3,011) | (15,341) | - | 53,873 |
| Vehicles and vessels | 19,171 | 7,038 | (41) | (6,109) | (3) | 20,056 |
| Capital assets under development | 113 | 4,244 | - | - | - | 4,357 |
| | **1,225,755** | **103,354** | **(40,297)** | **(85,649)** | **(4)** | **1,203,159** |

### a) Depreciation rates

| | | |
|---|---|---|
| Buildings | Straight-line | 3 - 70 years |
| Plant and machinery | Straight-line | 2 - 32 years |
| Office equipment, furniture and computers | Straight-line | 2 - 25 years |
| Vehicles and vessels | Straight-line | 5 - 15 years |

### Revaluations

The effective date of the revaluations was 31 March 2022. Revaluations were performed by independent valuer, who holds a recognised and relevant professional qualification and has recent experience in the location and category of the land and buildings being valued and who is not connected to the entity.

Land and buildings are re-valued independently every three years.

The valuations were performed using the Income Capitalisation Approach, Market Approach, Discounted Cash Flow and the Accrued Depreciated Replacement Cost Method.

### Contractual commitments

Contractual commitments for acquisition of property, plant and equipments amounts to R89 458 thousand (2023: R67 095 thousand).

### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

| | 2024 | 2023 |
|---|---|---|
| Contracted services | 14,393 | 11,573 |
| General expenses | 9,815 | 2,660 |
| | **24,208** | **14,233** |

# Notes to the Consolidated Financial Statements

## 12. Property, plant and equipment (continued)

### Other matters

Included in the Group's value of plant, machinery and equipment are assets at contractors with a cost of R2 817 thousand (2023: R2 850 thousand) that are fully depreciated. These assets are no longer in use and are kept for strategic purposes.

Land and buildings were fair valued for the first time on 31 March 2013. Had these assets not been fair valued their carrying values would have been as follows:

Land : R10 935 thousand (2023: R10 935 thousand)

Buildings : R93 850 thousand (2023: R96 954 thousand)

Included in buildings are:

IMT building erected on leasehold premises with a net book value of R70 900 thousand (2023: R71 300 thousand). The leasehold premises comprises a portion in extent 1,4475 ha of Erf 3779 in Simon's Town which is leased from the Department of Public Works.

The Paardefontein building erected on land owned by the State with a net book value of R3 100 thousand (2023: R2 300 thousand). The premises comprise of a portion in extent 51,3902 ha of portion 6 and 7 of the farm Paardefontein 282, registration division JR, City of Tshwane Metropolitan Municipality, which is registered in the name of the State.

Alkantpan water pipeline runs from Prieska to Copperton, which is approximately 70 kilometers. The pipeline, runs through farms of which the division has servitude on. The pipeline is owned and controlled by Alkantpan and its value is included in the valuation of Alkantpan property. It provides water to Alkantpan Test Range, Mine, Farms and Copperton Town.

### Change in estimates:

The group reassesses the useful lives and residual values of items of property, plant and equipment at the end of each reporting period, in line with the accounting policy and GRAP 17 Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

Based on the latest available and reliable information there was a change in the estimated useful life of some assets, which resulted in a decrease in depreciation of R4 355 thousand (2023: R5 670 thousand decrease).

The group is unable to estimate the impact of the change in estimate for future periods due to impracticality as a result of the financial system limitations.

# Notes to the Consolidated Financial Statements

Figures in Rand thousand

## 13. Intangible assets

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Patents, trademarks and other rights | 18,400 | (9,786) | 8,614 | 17,776 | (5,619) | 12,157 |
| Computer software | 20,755 | (16,373) | 4,382 | 14,975 | (11,276) | 3,699 |
| Intangible assets under development | 23,318 | - | 23,318 | 11,915 | - | 11,915 |
| **Total** | **62,473** | **(26,159)** | **36,314** | **44,666** | **(16,895)** | **27,771** |

### Reconciliation of intangible assets - 2024

| | Opening balance | Additions | Internally generated | Disposals | Amortisation | Total |
|---|---|---|---|---|---|---|
| Patents, trademarks and other rights | 12,157 | - | 624 | - | (4,167) | 8,614 |
| Computer software | 3,699 | 6,120 | - | (34) | (5,403) | 4,382 |
| Intangible assets under development | 11,915 | 8,964 | 2,439 | - | - | 23,318 |
| | **27,771** | **15,084** | **3,063** | **(34)** | **(9,570)** | **36,314** |

### Reconciliation of intangible assets - 2023

| | Opening balance | Additions | Internally generated | Disposals | Amortisation | Total |
|---|---|---|---|---|---|---|
| Patents, trademarks and other rights | 16,094 | - | 207 | - | (4,144) | 12,157 |
| Computer software | 4,697 | 1,332 | - | (95) | (2,235) | 3,699 |
| Intangible assets under development | 7,502 | 3,889 | 524 | - | - | 11,915 |
| | **28,293** | **5,221** | **731** | **(95)** | **(6,379)** | **27,771** |

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 13. Intangible assets (continued)

### Intangible assets in the process of being constructed or developed:

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Cumulative expenditure recognised in the carrying value of Intangible assets | | |
| Patents, trademarks and other rights | 624 | 207 |
| Ultrasonic Broken Railway Detection development | 2,439 | 524 |
| Computer software | 15,084 | 5,221 |
| | **18,147** | **5,952** |

### Amortisation rates

| | |
|---|---|
| Patents, trademarks and other rights | Straight line 5 - 15 years |
| Computer software | Straight line 2 - 8 years |

### Contractual commitments

Contractual commitments for acquisition of intangible assets amounts to R77 120 thousand (2023 : R10 470 thousand).

### Other matters

### Change in estimates:

The group reassesses the useful lives and residual values of items of intangible assets at the end of each reporting period, in line with the accounting policy and GRAP 31 Intangible Assets. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

Based on the latest available and reliable information there was a change in the estimated useful life of some assets, which resulted in a decrease in amortisation of R317 thousand (2023: R26 thousand decrease).

The group is unable to estimate the impact of the change in estimate for future periods due to impracticality as a result of the financial system limitations.

## 14. Heritage assets

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Historical buildings | 12,746 | - | 12,746 | 12,746 | - | 12,746 |

### Reconciliation of heritage assets 2024

| | Opening balance | Total |
|---|---|---|
| Historical buildings | 12,746 | 12,746 |

### Reconciliation of heritage assets 2023

| | Opening balance | Total |
|---|---|---|
| Historical buildings | 12,746 | 12,746 |

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 14. Heritage assets (continued)

### Fair value of heritage assets (measured at cost less accumulated impairment losses)

Heritage assets were fair valued for the first time on 31 March 2013. Had these assets not been fair valued their carrying values would have been as follows:

Land : R1 727 thousand (2023: R1 727 thousand)

Buildings : R35 352 thousand (2023: R35 778 thousand)

## 15. Interests in other entities

### Investments in controlled entities

| Name | Jurisdiction | Determination of ownership interest | % ownership interest 2024 | % ownership interest 2023 | Carrying amount 2024 | Carrying amount 2023 |
|---|---|---|---|---|---|---|
| Armscor Defence Institutes SOC Ltd | South Africa | Subsidiary | 100.00 % | 100.00 % | - | - |
| Oospark SOC Ltd | South Africa | Subsidiary | 100.00 % | 100.00 % | - | - |
| Sportrand SOC Ltd | South Africa | Subsidiary | 100.00 % | 100.00 % | - | - |
| Erasmusrand Eiendomme SOC Ltd | South Africa | Subsidiary | 100.00 % | 100.00 % | - | - |
| | | | | | - | - |

The carrying amounts of controlled entities are shown net of impairment losses.

All these entities are fully owned by Armscor for strategic business purposes but are dormant since 1 April 2013 and have not traded during the period.

Armscor has the power to govern the financial and operating policies of all these entities so as to obtain benefits from their activities

### Investments in joint ventures

| Name | Jurisdiction | Determination of ownership interest | % ownership interest 2024 | % ownership interest 2023 | Carrying amount 2024 | Carrying amount 2023 |
|---|---|---|---|---|---|---|
| African Aerospace and Defence | South Africa | Joint Venture | 33.33 % | 33.33 % | 9,565 | 6,235 |
| | | | | | 9,565 | 6,235 |
| | | | | | **9,565** | **6,235** |

The carrying amounts of joint ventures are shown net of impairment losses.

As Armscor owns 33.33% joint control in the Joint Venture, Armscor has significant influence in the Joint Venture.

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 15. Interests in other entities (continued)

### Interests in joint arrangements and associates

### Material joint arrangements

**Africa Aerospace and Defence**

| | |
|---|---|
| Name of the joint arrangement or associate: | Africa Aerospace and Defence (AAD) |
| Nature of the entity's relationship with the joint arrangement or associate: | Armscor entered into a joint control partnership/arrangement on 30 August 1999 with the South African Aerospace Maritime and Defence Industries (AMD) and the Commercial Aviation Association of Southern Africa (CAASA) whereby each party holds an equal interest of 33.33% in the partnership. The partnership's main business is the hosting of the Africa Aerospace and Defence exhibition which takes place bi-annually. |
| Domicile and legal form of the joint arrangement or associate: | South Africa |
| Proportion of ownership interest or participating share held by the entity: | 33.33% |
| Proportion of voting rights held: | 33.33% |
| The investment in the joint venture or associate is measured using: | Equity Method |

### Summarised financial information for the joint venture

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Current assets | 3,563 | 4,786 |
| Non-current assets | 26 | - |
| Current liabilities | 259 | 1,141 |
| Revenue | 6,796 | 17,965 |
| Expenditure | (1,467) | (12,146) |
| Surplus or (deficit) | 5,329 | 5,819 |

The reporting period of Africa Aerospace and Defence (AAD) is from 1 March to 28 February annually. There are no significant unadjusted transactions or events occurring between 28 February and 31 March.

The total unrecognised share of losses in AAD for the reporting period amounts to R Nil thousand (2023 : R Nil thousand).

The total cumulative unrecognised share of losses in AAD amounts to R Nil thousand (2023 : R Nil thousand).

# Notes to the Consolidated Financial Statements

## 16. Financial instruments

### Financial risk management

Introduction

The Group's financial instruments consist of cash and cash equivalents, accounts receivable, investments and accounts payable, which arise directly from its operations.

The principle market risks to which the Group is exposed through financial instruments are:
- Foreign exchange transactions
- Interest rates
- Credit risk
- Liquidity risk
- Investment risk

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Fair Value R'000 | Carrying Value R'000 | Fair Value R'000 | Carrying Value R'000 |
| **Assets** | | | | |
| **Loans and receivables** | **1,574,818** | **1,574,818** | **1,094,751** | **1,094,751** |
| Trade and other receivables | 489,376 | 489,376 | 428,229 | 428,229 |
| Cash and cash equivalents | 1,021,405 | 1,021,405 | 606,431 | 606,431 |
| Cash allocated to insurance reserve | 7,943 | 7,943 | 8,382 | 8,382 |
| Cash allocated to Dockyard post-retirement benefit | 56,094 | 56,094 | 51,709 | 51,709 |
| **At fair value** | **650,489** | **636,043** | **1,058,794** | **1,045,542** |
| Government and other bonds | 58,065 | 62,273 | 57,890 | 59,392 |
| Shares - listed | 60,976 | 58,246 | 67,606 | 61,435 |
| Deposits at banking institutions | 481,697 | 479,907 | 897,389 | 897,389 |
| International investments | 49,751 | 35,617 | 35,909 | 27,326 |
| | 2,225,307 | 2,210,861 | 2,153,545 | 2,140,293 |
| **Liabilities** | | | | |
| Trade and other payables | (385,239) | (385,239) | (385,479) | (385,479) |
| | **1,840,068** | **1,825,622** | **1,768,066** | **1,754,814** |

Included in the fair value presented above R201 707 thousand (2023 : R198 642 thousand) relates to the Medical Benefit Fund.

### Interest rate management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investments. In the ordinary course of business, the Group receives cash through the transfer payment to fund its operations as well as to fund working capital and capital expenditure requirements. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risk.

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 16. Financial instruments (continued)

### Credit risk management

The entity only deposits cash surpluses with major banks of high quality credit standing.

Trade receivables comprise a widespread customer base. The granting of credit is controlled by well-established criteria, which are reviewed and updated on an ongoing basis.

At year end, the entity did not consider there to be any significant concentration of credit risk which has not been insured or adequately provided for. With respect to credit risk arising from the other financial assets of the entity, the entity's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

### Liquidity risk

The entity's objective is to maintain a balance between continuity of funding and flexibility through the use of call accounts.

The Group maintains a sufficient level of liquidity to be able to meet all its obligations. The Group has no overdraft facility but has other facilities which include guarantees and letters of credit.

### Capital management

Capital includes equity attributable to the equity holders. The primary objective of the entity's capital management is to ensure that it maintains strong credit ratings and healthy capital ratios in order to support its buiness. The entity manages its capital structure and makes adjustments to it in the light of changes in economic conditions. No changes were made in the objective, policies or processes for the year ended 31 March 2024. The entity does not have use of capiltal from outside providers other than trade and other payables and have sufficient cash and cash equivalents to cover its net debt.

| | 2024 | 2023 |
|---|---|---|
| Trade and other payables | (385,239) | (385,480) |
| Cash and cash equivalents | 1,085,442 | 666,522 |
| | 700,203 | 281,042 |

### Interest rate risk

The entity's exposure to the risk in market interest rates relates primarily to interest received on call accounts and fixed deposits.

Interest rate risk (sensitivity analysis)

The following table demonstrates the sensitivity to a change in interest rates with all other variables held constant.

| | Increase/decrease in basis points | Increase/decrease in surplus for the year and equity |
|---|---|---|
| 2024 | +/- 50 | +/- 8,0 million |
| | +/- 25 | +/- 4,0 million |
| 2023 | +/- 50 | +/- 7,8 million |
| | +/- 25 | +/- 3,9 million |

### Investment risk

Investments in equities are valued at fair value and therefore susceptible to market fluctuations.

Investments are managed with the aim of maximising the Group's returns while limiting risk to acceptable levels.

Continuous monitoring takes place to ensure that appropriate assets are held where the liabilities are dependent upon the performance of the investment portfolio and that a suitable match of assets exists for all liabilities.

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 16. Financial instruments (continued)

### Foreign currency risk

Foreign currency risk is the risk that the value of an instrument will fluctuate in South African Rand due to changes in foreign exchange rates.

The entity is exposed to both foreign currency risks on investments that are denominated in a currency other than the respective functional currency of the entity and transactional currency exposures. The currency giving rise to the risk is primarily US dollar (USD).

These investments are monitored to ensure that the exposure to foreign currency risk is maintained within internal diversification guidelines.

## 17. Payables from exchange transactions

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Trade payables | 45,996 | 30,055 |
| Payments received in advanced - contract in process | 34,647 | 87,820 |
| Other payables | 21,559 | 12,676 |
| Accrued expense | 46,047 | 71,143 |
| Deposits received | 44 | 41 |
| | **148,293** | **201,735** |

### Aging of trade payables

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Current | 45,891 | 23,785 |
| 31 - 60 days | - | 4,049 |
| 61 days and older | 105 | 2,221 |
| | **45,996** | **30,055** |

## 18. Payables from non-exchange transactions

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Taxes payable | 25,029 | 19,166 |
| Other payables from non-exchange transactions | 6,449 | 6,476 |
| Prepayments received for projects | 9,172 | 13,848 |
| Stock sales prepayment | 196,296 | 144,254 |
| | **236,946** | **183,744** |

## 19. Deferred income

### Movement during the year

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Balance at the beginning of the year - Grants | 27,437 | 44,113 |
| Balance at the beginning of the year - Other deferred income | 18,318 | 15,497 |
| Additions during the year - Other deferred income | 39,596 | 35,555 |
| Utilised and other movements during the year - Grants | (6,331) | (16,676) |
| Utilised and other movements during the year - Other deferred income | (39,249) | (32,734) |
| | **39,771** | **45,755** |

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Non-current liabilities | 7,450 | 8,862 |
| Current liabilities | 32,321 | 36,893 |
| | **39,771** | **45,755** |

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 19. Deferred income (continued)

Grants relates cash and assets received from Department of Defence in relation to specific projects. The grant portion spent on capital acquisition is realised over the useful lives of the underlying assets and recognised as deferred income recognised in the statement of financial performance.

Deferred income relates to cash received from the Department of Defence for services to be rendered by Armscor. The deferred income realised is recognised as revenue from rendering of services in the statement of financial performance.

The recognition of the income needs to be aligned with the incurring of the expenditure, or the fulfillment of the conditions of receipt.

## 20. Provisions

### Reconciliation of provisions - 2024

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| Provision for leave | 43,058 | 45,248 | (44,321) | (1,489) | 42,496 |
| Provision for performance bonus | 64,786 | 50,266 | (47,105) | (17,681) | 50,266 |
| | **107,844** | **95,514** | **(91,426)** | **(19,170)** | **92,762** |

### Reconciliation of provisions - 2023

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| Provision for leave | 43,520 | 42,281 | (40,590) | (2,153) | 43,058 |
| Provision for performance bonus | 46,728 | 64,969 | (46,266) | (645) | 64,786 |
| | **90,248** | **107,250** | **(86,856)** | **(2,798)** | **107,844** |

Performance remuneration is discretionary and for the 2023/24 financial year will be paid upon the completion of the performance evaluation process, subject to approval by the Board of directors.

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 21. Employee benefit obligations

### 21.1 Defined Contribution Pension Fund and Provident Fund

The entity contributes towards and operates the Armscor Defined Contribution Pension Fund and Provident Fund, which offer benefits based on the contributions by and made on behalf of every member as well as investment yields. At the time of establishment of the Armscor Defined Contribution Pension Fund, Armscor guaranteed pensioners that were transferred from the previous pension fund to the current pension fund to receive a pension at least equal to the pension received in terms of the previous fund. Armscor's liability in this regard for the remaining 1 member is R Nil (2023 : R Nil) as the pensioners account in the pension fund is sufficiently funded.

| | | |
|---|---|---|
| The amount of contributions to the above scheme | 72,831 | 68,946 |

### 21.1.1 Government Employees Pension Fund - Dockyard

The Group contributes towards the Government Employees Pension Fund, which offer benefits based on the contributions by and made on behalf of every member as well as investment yields.

| | | |
|---|---|---|
| The amount of contributions to the above scheme | 18,435 | 17,439 |

### 2.2 Post-retirement medical benefits

The GRAP 25 valuation of the Group's post employment benefits was carried out at 31 March 2024.

Armscor does not have any further obligation for post-retirement medical benefits towards those members who accepted the buy-out settlement offered in previous years, except for the monthly allowances being paid to active members while remaining in Armscor's service.

The detail for the amount of employee benefit obligation as per the Statement of Financial Position is depicted in 21.2 and below.

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| Present value of unfunded obligations | 263,950 | 260,954 | 284,106 | 250,894 | 218,976 |
| Net obligation | 263,950 | 260,954 | 284,106 | 250,894 | 218,976 |
| **Net liability in statement of financial position** | **263,950** | **260,954** | **284,106** | **250,894** | **218,976** |

The liability amount reflect the Group post-retirement medical benefit.

| | 2024 | 2023 |
|---|---|---|
| Current portion of obligation | 15,926 | 14,749 |
| Non-current portion of obligation | 248,024 | 246,205 |
| | **263,950** | **260,954** |

### 21.2.1 Post retirement medical benefits (excluding Armscor and Dockyard personnel transferred from the SA Navy)

The entity currently provides post retirement health care benefits to its retirees. The entitlement to post-retirement health care benefits is based on the qualifying employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Valuations of these obligations are carried out by independent qualified actuaries.

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 21. Employee benefit obligations (continued)

Based on the latest projection performed at 31 March 2024 the present value of the obligation is R111 880 thousand (2023: R108 568 thousand). Based on the latest projections, the value of the obligation for 31 March 2025 is R121 078 thousand. Based on the projection performed at 31 March 2024 financial assets held aside specifically for this purpose are sufficient to cover the liability. The financial assets held aside are R202 453 thousand (2023: R198 689 thousand).

### Reconciliation of the present value of the funded obligations (Group – excluding Dockyard)

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Opening balance | 108,568 | 106,562 |
| Current service cost | 865 | 1,039 |
| Interest cost | 12,728 | 11,748 |
| Expected employer benefit payments | (6,731) | (6,036) |
| Actuarial (gain)/loss | (3,550) | (4,745) |
| Expected closing balance | **111,880** | **108,568** |

### Reconciliation of the net liability in the statement of financial position and amounts recognised in surplus/deficit

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Opening balance | 108,568 | 106,562 |
| Expense recognised in employee remuneration costs | 10,043 | 8,042 |
| Employer benefit payments | (6,731) | (6,036) |
| | **111,880** | **108,568** |

### Net benefit expense (recognised in employee remuneration costs)

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Current service cost | 865 | 1,039 |
| Actuarial (gain)/loss recognised | (3,550) | (4,745) |
| | **(2,685)** | **(3,706)** |

### The main actuarial assumptions are:

| | 2024 | 2023 |
|---|---|---|
| Discount rate | 14.5% | 12.0% |
| Health care cost inflation | 10.4% | 8.5% |
| CPI inflation | 8.4% | 6.5% |
| Average retirement age | 63 | 63 |

The value of the liability is particularly sensitive to the assumed rate of health care cost inflation. A one percentage change in the assumed rate would have the following effects for the benefit obligation and the aggregate service cost and interest cost:

| Sensitivity results from previous valuation | -1% | Base | +1% |
|---|---|---|---|
| Healthcare inflation | 101,800 | 111,880 | 123,668 |
| Service cost plus interest cost (next financial year) | 15,026 | 16,630 | 18,517 |

| Sensitivity results from previous valuation | -1% | Base | +1% |
|---|---|---|---|
| Heathcare inflation | 97,888 | 108,568 | 121,242 |
| Service cost plus interest cost (next financial year) | 12,153 | 13,593 | 15,315 |

### 21.2.2 Post retirement medical benefits for Armscor and Dockyard personnel transferred from the SA Navy

The Group also provides post-retirement health care benefits to the Dockyard retirees. The entitlement to post retirement healthcare benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Valuations of these obligations are carried out by independent qualified actuaries.

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 21. Employee benefit obligations (continued)

The GRAP 25 valuation of the Dockyard's post-employment benefits was carried out on 31 March 2024. This actuarial valuation of the employer's liability as at 31 March 2024 arises as a result of post-employment healthcare benefits enjoyed by former SA Naval Dockyard employees. Based on the projection performed at 31 March 2024 the accrued liability exceeds the funds held aside specifically for this purpose. The funds held aside is R123 200 thousand (2023: R110 473 thousand).

The funds held aside specifically for this purpose at 31 March 2024 is not sufficient to cover the accrued liability and is summarised below:

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Present value of the unfunded obligation | 152,070 | 152,387 |
| Net obligation | 152,070 | 152,387 |
| Less: Funds held aside | (123,200) | (110,473) |
| **Net liability/(assets) as at 31 March** | **28,870** | **41,914** |
| A projection of results of the valuation as at 31 March 2024 to 31 March 2025 is set out below: | | |
| Accrued liability as at 31 March | 152,070 | 152,387 |
| Interest cost | 21,432 | 17,824 |
| Service cost | 589 | 624 |
| Expected employer benefit payments | (9,710) | (8,954) |
| **Projected accrued liability for the next financial year** | **164,381** | **161,881** |
| **Actuarial assumptions for Dockyard** | | |
| **Reconciliation of present value of the unfunded obligation** | | |
| Opening balance | 152,387 | 177,544 |
| Current service cost | 624 | 708 |
| Interest cost | 17,824 | 19,275 |
| Actuarial loss | (9,811) | (35,942) |
| Expected employer benefit payments | (8,954) | (9,198) |
| **Closing balance** | **152,070** | **152,387** |
| **Reconciliation of the present value of the unfunded obligation with the liability recognised in the Statement of financial position** | | |
| Present value of unfunded obligation | 152,070 | 152,387 |
| **Net benefit expense (recognised in employee remuneration)** | | |
| Current service cost | 624 | 708 |
| Actuarial gain/(loss) | (9,811) | (35,942) |
| | **(9,187)** | **(35,234)** |
| **The main actuarial assumptions are:** | | |
| Discount rate | 14.5% | 12.0% |
| Health care cost inflation | 10.4% | 8.5% |
| CPI inflation | 8.4% | 6.5% |
| Average retirement age | 63 | 63 |

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 21. Employee benefit obligations (continued)

The value of the liability is particularly sensitive to the assumed rate of healthcare cost inflation. A one percentage change in the assumed rate would have the following effects for the Group:

| Sensitivity on defined benefit obligation | -1% | Base | +1% |
|---|---|---|---|
| Healthcare inflation | 136,515 | 152,070 | 170,752 |
| Service cost plus interest cost (next financial year) | 19,656 | 22,021 | 24,867 |

| Sensitivity results from previous valuation | -1% | Base | +1% |
|---|---|---|---|
| Healthcare inflation | 135,722 | 152,387 | 172,633 |
| Service cost plus interest cost (next financial year) | 16,326 | 18,448 | 21,033 |

### Summary of defined medical benefit expense for all funds

| Defined medical benefit expense (post-retirement) included in employee cost: | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Current service cost | 1,489 | 1,747 |
| Interest cost | 30,552 | 31,022 |
| Actuarial gain | (13,361) | (40,687) |
| | **18,680** | **(7,918)** |

# Notes to the Consolidated Financial Statements

| | 2024<br>R'000 | 2023<br>R'000 |
|---|---|---|

## 21. Employee benefit obligations (continued)

### 21.3 Other long-term employee benefits

Armscor offers eligible employees long service awards for attaining certain service.

There are two types of awards given by the entity: Long service leave and Long service cash awards

Long service leave award:

The Group provides employees with five (5) additional leave days per year after having completed ten (10) consecutive years of service. Employees annual leave entitlement is increased with these days whereby an employee qualifies for five (5) additional working days leave per year.

Long service cash award:

The Group expresses its appreciation for employees' loyal and faithful uninterrupted long service with the Group in accordance with the following predetermined rules, as set out below.

| Years of services | Cash benefit |
|---|---|
| 5 years' of service | R900 |
| 10 years' of service | R1 800 |
| 15 years' of service | R2 700 |
| 20 years' of service | R3 600 |
| 25 years' of service | R4 500 |
| 30 years' of service | R5 400 |
| 35 to 45 years' of service | R6 000 |

The GRAP 25 valuation of the obligation was carried out on the 31 March 2024 using the Projected Unit Credit method.

At the reporting date, the Group had 1349 (2023: 1374) employees entitled to the long service benefits.

Based on the latest projection performed at 31 March 2024 the present value of the combined obligation amounts to R83 173 thousand (2023: R82 855 thousand). Based on the latest projections, the value of the obligation for 31 March 2025 is R87 278 thousand. There are no plan assets for this liability.

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| **Reconciliation of the present value of the obligations** | | |
| Opening balance | 82,856 | 80,711 |
| Current service cost | 6,822 | 7,429 |
| Interest cost | 9,282 | 7,435 |
| Expected employer benefit payments | (8,849) | (8,136) |
| Actuarial (gain)/loss | (6,937) | (4,583) |
| **Total obligation** | **83,174** | **82,856** |
| **Reconciliation of the net liability in the statement of financial position and amounts recognised in surplus/deficit** | | |
| Opening balance | 82,856 | 80,712 |
| Expense recognised in employee remuneration costs | 318 | 2,144 |
| | **83,174** | **82,856** |
| Current portion of obligation | 12,934 | 12,118 |
| Non-current portion of obligation | 70,240 | 70,738 |
| **Total obligation** | **83,174** | **82,856** |

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| **21. Employee benefit obligations (continued)** | | |
| **Net benefit expense (recognised in employee related costs)** | | |
| Current service cost | 6,822 | 7,429 |
| Interest cost | 9,282 | 7,434 |
| Actuarial (gain)/loss recognised | (6,973) | (4,583) |
| | **9,131** | **10,280** |
| **The main assumptions are:** | | |
| Discount rate | 12.30% | 11.10% |
| CPI inflation | 7.60% | 6.80% |
| Average remaining years of services | 8 | 9 |

The value of the liability is particularly sensitive to the assumed discount rate, average annual staff turnover rate and the future salary inflation rate. Quantitative sensitivity analysis for significant assumptions on the obligation as at 31 March 2022 results when assumptions are increased or decreased are as shown below:

| Sensitivity on other long-term employee benefit obligation | -1% | Base | +1% |
|---|---|---|---|
| Discount rate | 87,460 | 83,173 | 79,275 |
| Future salary inflation | 79,898 | 83,173 | 86,720 |

| Sensitivity results from previous valuation | -1% | Base | +1% |
|---|---|---|---|
| Discount rate | 87,266 | 82,855 | 78,852 |
| Future salary inflation | 79,493 | 82,855 | 86,502 |

## 22. Deferred tax

### Deferred tax liability

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Deferred taxation | (7,470) | (6,092) |

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

### Reconciliation of deferred tax liability

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| At beginning of year | (6,092) | (7,048) |
| Current year movement on fair value adjustment | (1,378) | 956 |
| | **(7,470)** | **(6,092)** |

## 23. Share capital / contributed capital

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| **Authorised** | | |
| 1 000 000 000 Ordinary shares of R1 each | 1,000,000 | 1,000,000 |
| **Issued** | | |
| Ordinary | 75,000 | 75,000 |

Share Capital is under the control of the Executive Authority.

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 24. Revaluation reserve

The revaluation reserves relates to the revaluation surplus relating to the revalued land and buildings (refer to note 9, 12 and 14).

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Opening balance | 1,223,788 | 1,241,540 |
| Release to accumulated surplus | (13,094) | (17,752) |
| | **1,210,694** | **1,223,788** |

## 25. Other non-distributable reserves

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Post-retirement Medical Reserve | 67,192 | 58,763 |
| Marketing Promotion Reserve | 9,000 | 1,539 |
| Computer Services Upgrade Reserve | 103,070 | 106,389 |
| Internal Insurance Reserve | 7,943 | 8,382 |
| Property and Building Reserve | 215,264 | 220,195 |
| | **402,469** | **395,268** |

## 26. Revenue

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Sale of goods | 41,895 | 29,548 |
| Rendering of services | 362,731 | 262,150 |
| Deferred income recognised | 6,265 | 19,056 |
| Rental income | 59,851 | 59,089 |
| Other income | 21,129 | 18,692 |
| Interest received (Refer to note 27) | 167,634 | 126,312 |
| Dividends received (Refer to note 27) | 3,013 | 3,264 |
| Government grants (Refer to note 28) | 1,210,307 | 1,241,642 |
| | **1,872,825** | **1,759,753** |

**The amount included in revenue arising from exchanges of goods or services are as follows:**

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Sale of goods | 41,895 | 29,548 |
| Rendering of services | 362,731 | 262,150 |
| Deferred income recognised | 6,265 | 19,056 |
| Rental income | 59,851 | 59,089 |
| Other income | 21,129 | 18,692 |
| Interest received | 167,634 | 126,312 |
| Dividends or similar distributions received | 3,013 | 3,264 |
| | **662,518** | **518,111** |

**The amount included in revenue arising from non-exchange transactions is as follows:**

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Government grants | 1,210,307 | 1,241,642 |

Revenue for the group comprise of a government grant, sale of own manufactured goods, revenue from facilitating sale of defence equipment for government and entities, services rendered to the DOD utilising secondary grants received, income from leasing of own properties and interest income from investment of cash on hand.

# Notes to the Consolidated Financial Statements

| | 2024<br>R'000 | 2023<br>R'000 |
|---|---|---|
| **27. Investment revenue** | | |
| **Dividend revenue** | | |
| Dividend received | 3,013 | 3,264 |
| **Interest revenue** | | |
| Interest received - Investments | 3,015 | 3,065 |
| Interest received - Financial institutions | 152,517 | 106,217 |
| Interest charged on trade and other receivables | 12,086 | 17,027 |
| Interest received - other | 16 | 3 |
| | **167,634** | **126,312** |
| | **170,647** | **129,576** |

Dividend income is recognised on the date the Armscor Medical Benefit Fund's right to receive payment is established.

## 28. Government grants & subsidies

| | 2024<br>R'000 | 2023<br>R'000 |
|---|---|---|
| **Operating grants** | | |
| Government grant - Department of Defence (DOD) | 1,210,307 | 1,241,642 |

### Conditional and Unconditional - Government grant

Armscor's operating funds are appropriated by Parliament and are obtained via the defence budget and recognised as a grant via revenue (transfer payment) as and when received and together with interest earned thereon are utilised to finance operating expenditure, the acquisition of fixed assets and expenditure for the creation of facilities and services.

Secondary grants received, based on Memorandum of Agreements with the DOD, for specific services are recognised as revenue as and when the conditions of receipt thereof has been fulfilled and are included in sale of goods and services.

### Nature and type of services in-kind are as follows:

In terms of the Dockyard transfer agreement for the Naval Dockyard in Simon's Town, the Dockyard division, in its role of servicing the SA Navy, occupies a building owned by the SA Navy at no cost and has access to the use of the SA Navy's docking facilities at a valued gross market rental amount of R19 770 thousand per annum. The valuation was done at 31 March 2022 by an independent valuer, who holds a recognised and relevant professional qualification and who is not connected to the entity. The valuaiton is done independently every three years.

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| **29. Employee related costs** | | |
| Salaries and wages | 800,475 | 757,368 |
| Bonus | 50,266 | 64,744 |
| Employer contributions | 138,431 | 123,802 |
| Leave pay provision charge | 35,688 | 35,812 |
| Other short term employee related costs | 28,805 | 19,585 |
| 13th cheques | 60,763 | 57,537 |
| Less: Employee costs included in other expenses | (62,236) | (42,258) |
| | **1,052,192** | **1,016,590** |
| **Remuneration of non-executive directors** | | |
| Annual Remuneration | 8,175 | 4,079 |

The note has been restated to account for significant transactions in mapped format. Refer to note 40 for remuneration of non-executive directors.

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| **30. Lease rentals on operating leases** | | |
| **Premises** | | |
| Contractual amounts | 577 | 437 |
| Contingent amounts | 631 | 986 |
| **Motor vehicles** | | |
| Contractual amounts | 147 | 31 |
| **Equipment** | | |
| Contractual amounts | 1,866 | 1,663 |
| Contingent amounts | 23 | 92 |
| | **3,244** | **3,209** |
| **31. Impairment losses recognised** | | |
| | (4,279) | 8,687 |
| Debt impairment | | |
| Bad debts on receivables from exchange | 97,692 | 35,273 |
| | **93,413** | **43,960** |
| **32. Cost of sales** | | |
| Cost of goods sold | 36,540 | 22,994 |
| Cost of rendering services | 114,384 | 92,777 |
| | **150,924** | **115,770** |

# Notes to the Consolidated Financial Statements

| | 2024<br>R'000 | 2023<br>R'000 |
|---|---|---|

## 33. General expenses

| | | |
|---|---|---|
| Advertising | 7,538 | 10,965 |
| Auditors remuneration (Refer to note 35) | 8,035 | 7,414 |
| Consulting and professional fees | 66,302 | 67,454 |
| Fines and penalties | (740) | 7 |
| Other operating expenses | 75,484 | 64,485 |
| Computer services | 39,136 | 13,177 |
| Postage and communication | 3,072 | 3,643 |
| Printing and stationery | 5,956 | 6,582 |
| Repairs and maintenance | 24,442 | 21,003 |
| Subsistence and travel | 25,818 | 31,266 |
| Electricity | 40,219 | 39,650 |
| Movement in insurance reserve | 439 | 3,080 |
| | **295,701** | **268,726** |

## 34. Fair value adjustments

| | | |
|---|---|---|
| Investment property | 4,700 | 3,500 |
| Property, plant and equipment | - | (100) |
| Other financial assets | (1,539) | (664) |
| | **3,161** | **2,736** |

## 35. Auditor's remuneration

| | | |
|---|---|---|
| Fees | 7,989 | 7,328 |
| Expenses | 46 | 86 |
| | **8,035** | **7,414** |

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 36. Taxation

### Major components of the tax expense (income)

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| **Current** | | |
| Local income tax - current period | 352 | 790 |
| **Deferred** | | |
| Current year movement on fair value adjustment | 1,378 | (956) |
| | **1,730** | **(166)** |

### Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Accounting surplus before income tax | 3,517 | 4,559 |
| Tax at the applicable tax rate of 45% (2023: 45%) | 1,577 | 2,052 |
| **Tax effect of adjustments on taxable income** | | |
| Non-taxable income | (2,891) | (2,596) |
| Non-deductible expenditure | 1,314 | 544 |
| Net capital gain | 352 | 790 |
| | **352** | **790** |

The prior year tax rate reconciliation have been retstated to align to the final signed annual financial statements for the Medical Benefit Fund.

Reconciliation of income tax rate:

| | 2024 | 2023 |
|---|---|---|
| Current year's charge as a percentage of income before taxation | 49 % | (4)% |
| Non-taxable income | 82 % | 57 % |
| Capital gains tax | (49)% | 4 % |
| Non-deductible expenditure | (37)% | (12)% |
| | **45 %** | **45 %** |

# Notes to the Consolidated Financial Statements

| | 2024<br>R'000 | 2023<br>R'000 |
|---|---|---|

### 37. Cash generated from operations

| | | |
|---|---|---|
| Surplus before taxation | 152,601 | 148,467 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 94,178 | 92,029 |
| Loss on disposal of assets | 148 | 39,582 |
| Assets written off | (560) | 852 |
| Gain on foreign exchange transactions | (5,244) | (266) |
| Share in movement of investment in joint venture | (3,330) | (6,235) |
| Fair value adjustments | (3,161) | (2,736) |
| Dividends received | (3,013) | (3,264) |
| Finance costs | 39,834 | 38,456 |
| Bad debts recovered | 93,413 | 43,960 |
| Movements in retirement benefit assets and liabilities | (36,521) | (59,463) |
| Movements in provisions | (15,082) | 17,596 |
| Gain on disposal of investment | (3,548) | (2,697) |
| Normal taxation | (279) | (894) |
| **Changes in working capital:** | | |
| Inventories | (4,559) | (2,373) |
| Receivables from exchange transactions | (149,316) | (267,427) |
| Receivables from non-exchange transactions | (86,465) | (68,953) |
| Payables from exchange transactions | (53,442) | 57,166 |
| VAT receivable | 18,291 | (18,506) |
| Payables from non-exchange transactions | 53,202 | 135,024 |
| Deferred income | (5,984) | (13,855) |
| | **81,163** | **126,463** |

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 38. Operating lease commitments - Group as lessee and lessor

### Lessee disclosure

The Group has entered into operational leases on certain motor vehicles and items of machinery and equipment. Certain of the leases have expired and are running on a month to month basis. There are no restrictions placed upon the lessee by entering into these leases. The lease charges paid under operating leases for the year is R 2 614 thousand (2023: R3 209 thousand) of which R Nil (2023: R Nil) relates to contingent rentals on operating leases.

Additionally, interdivisional lease charges, amounting to R23 627 thousand (2023: R24 281 thousand), for occupation of the floor space is charged for the administration of the building for maintenance of the Armscor Head Office.

Future minimum rentals payable under non-cancellable operating leases as at 31 March 2024 are as follows:

### Minimum lease payments due

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| - within one year | 420 | 409 |
| - in second to fifth year inclusive | 241 | - |
| | **661** | **409** |

### Lessor disclosure

a) The Group entered into a operating lease with the DPWI relating to Armscor Head Office, with regards to office space and parking. The lease commenced on 1 June 2021 for a period of 60 months. There is a fixed escalation of 6.5% per year on the minimum lease installment. The minimal lease installments are payable monthly in advance.

b) The Group entered into operating leases relating to R&D facilities, with regards to office space and parking. One lease commenced on 1 June 2019 for a period of 119 months with a fixed escalation of 8% per year on the minimum lease installment. Another lease for a period of 10 years expiring in 2031 with a fixed escalation of CPI plus 2% per year on the minimum lease installment. The minimal lease installments are payable monthly in advance.

c) The Group entered into a operating lease relating to the Armscor Head Office, with regards to the rental of adverting space. The lease commenced on 1 December 2020 for a period of 119 months. There is a fixed escalation of 7.5% per year on the minimum lease installment. The minimal lease installments are payable monthly in advance.

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2024 are as follows:

### Minimum lease payments due

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| - within one year | 62,975 | 59,508 |
| - in second to fifth year inclusive | 83,243 | 143,370 |
| - later than five years | 2,434 | 4,377 |
| | **148,652** | **207,255** |

## 39. Contingencies

Guarantees

Bank guarantees have been issued for Armscor in favour of a local contractor amounting to R161 thousand (2023: R161 thousand) for an advance payment received.

Bank guarantees have been issued on behalf of Armscor in favour of the South African Revenue Services: Customs and Excise and other creditors amounting to R7 276 thousand (2023: R7 276 thousand) with regard to local guarantees.

Alkantpan

At 31 March 2024 the Group had a contingent liability in respect of rehabilitation of the test range at Alkantpan.

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 39. Contingencies (continued)

In terms of the National Environmental Management Act (Act 107 of 1998), section 28 (1) which came into effect on 29 January 1999, Alkantpan must take reasonable steps to avoid, stop or minimize degradation of the environment. Certain options were investigated which included a project to acquire the best estimate for the cost of Alkantpan rehabilitating the land. The rehabilitation project estimated the cost based on two options, option 1 which envolves the return of Alkantpan to the approved sustainable end state at the closure of operations, option 2 envolves the clearing and fencing of the testing area. As no intention currently exist to cease activities at Alkantpan because Alkantpan is regarded as a strategic facility which is partially funded by the Department of Defence, Alkantpan has elected to manage the range in compliance with the Act and to continue with its day to day clearing actions, thus estimating the contigent liability to be R162 487 thousand.

A steering committee was formed between Alkantpan and the Department of Tourism, Environment and Conservation of which the first meeting took place on 5 September 2006. It was confirmed at this meeting that the committee is to guide and advise Alkantpan on the environmental way forward and to ensure legislative compliance to the Act.

Meetings are scheduled to monitor the process and provide feedback on the progress. In terms of the last meeting held, no new issues or risks were reported at the meeting held and it was reported that the current measures in place are sufficient to manage the range in compliance with the Act.

The cost incurred for rehabilitating the site during the period under review was an amount of R Nil (2023: R Nil). The estimated costs to fully rehabilitate the test range cannot be reliably estimated at this stage and further discussions are still underway.

## 40. Related parties

The Armaments Corporation of South Africa SOC Ltd ("ARMSCOR") is a statutory body, wholly owned by the State, established in terms of the Armaments Development and Production Act (Act No 57 of 1968), and continues its existence through the Armaments Corporation of South Africa Ltd Act (Act No 51 of 2003).

Armscor operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties.

To execute its mandate, Armscor received a transfer payment of R1 257 610 thousand (2023: R1 287 894 thousand) from the State through the Department of Defence (DOD) as well as secondary transfer payments (in terms of separated Memorandum of Agreements) for services rendered to the DOD.

Armscor does not disclose the value of transactions with other public sector entities as the transactions were concluded within normal operating procedures and on terms that are no more or no less favourable than the terms it would use to conclude transactions with another entity or person.

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| **Dormant subsidiaries (At 100% Holdings)** | | |
| Armscor Defence Institutes SOC Ltd (loan to) | 4,000 | 4,000 |
| Erasmusrand Eiendomme SOC Ltd (loan from) | 1 | 1 |
| Oospark SOC Ltd (loan from) | 1 | 1 |
| Sportrand SOC Ltd (loan from) | 1 | 1 |

Armscor is a 33,33% partner in Africa Aerospace and Defence, refer to note 15 for disclosure.

| | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|
| | 2024 R'000 | 2023 R'000 | 2024 R'000 | 2023 R'000 |
| Department of Defence | 359,476 | 354,107 | 45,931 | 15,053 |
| Major national public entities (Schedule 2 and 3 public entities) | 3,605 | 3,551 | 7,141 | 21,813 |
| National Government | 246,440 | 149,081 | 190,875 | 141,351 |

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 40. Related parties (continued)

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. For the year ended 31 March 2024, the Group has a provision for doubtful debts of R333 947 thousand (2023: R153 252 thousand) relating to amounts owed by related parties.

### Reconciliation of transfer payments received from the DOD

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| - Primary transfer payment recognised in comprehensive income | 1,210,307 | 1,241,642 |
| - Secondary transfer payment received | 47,303 | 46,252 |
| - Funds received for Dockyard transferred to deferred income due to outstanding conditions | - | - |
| - Deferred Income recognised as transfer payment | - | - |
| **Total transfer payments allocated by the Department of Defence** | **1,257,610** | **1,287,894** |

Assets and stock transferred to the Dockyard with an effective date of 1 April 2010 have been fair valued at R16 327 thousand (2023: R16 024 thousand) and accounted for as deferred income, with the purpose of recognising it in line with the utilisation of the assets and stock.

The prior year reconciliation of transfer payment received from the DOD has been restated accordingly.

### Retirement benefits

Details of the Armscor post retirement benefits are disclosed in note 21.

### Other long-term employee benefits

Details of the Armscor other long-term employees benefits are disclosed in note 21.

### Directors

Directors' interests in related parties: No interests in related parties have been declared by Armscor's Directors. Two of Armscor's Executive Directors and two Armscor Executive Committee Members are ex-officio directors of the Armscor Defence Institutes' Board of Directors at 31 March 2023. One Armscor Executive Director is also ex-officio director on the Boards of Erasmusrand Eiendomme SOC Ltd, Sportrand SOC Ltd and Oospark SOC Ltd. These companies are dormant.

### Key management personnel

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals who are members of the Armscor Executive Committee and the Board of Directors are regarded as key management.

Information on the remuneration of all key management personnel is disclosed below:

# Notes to the Consolidated Financial Statements

| | 2024<br>R'000 | 2023<br>R'000 |
|---|---|---|

## 40. Related parties (continued)

### Remuneration of key management personnel

### Executive Directors

### 2024

| | Basic salary | Other short-term employee benefits | Allowances | Retirement and other contributions | Total |
|---|---|---|---|---|---|
| | | 1 | 2 | 3 | |
| **Name** | | | | | |
| Mr JG Grobler | 2,765 | 677 | 130 | 462 | 4,034 |
| Adv SP Mbada | 3,568 | 1,070 | 211 | 547 | 5,396 |
| | **6,333** | **1,747** | **341** | **1,009** | **9,430** |

### 2023

| | Basic salary | Other short-term employee benefits | Allowances | Retirement and other contributions | Total |
|---|---|---|---|---|---|
| | | 1 | 2 | 3 | |
| Name | | | | | |
| Mr JG Grobler | 2,591 | 606 | 128 | 422 | 3,747 |
| Adv SP Mbada | 3,341 | 1,210 | 209 | 508 | 5,268 |
| | 5,932 | 1,816 | 337 | 930 | 9,015 |

### Non-Executive Directors

### 2024

| | | Fees for Board and Committee remuneration | Total |
|---|---|---|---|
| **Name** | | | |
| Amb. JT Ndhlovu | 16 | 454 | 454 |
| Dr. PD Dexter | | 3,165 | 3,165 |
| Ms R Matenche | 8 | 31 | 31 |
| Ms F Skweyiya-Gushu | | 2,056 | 2,056 |
| Mr TM Sukazi | | 676 | 676 |
| Ms PN Mashinini | | 1,733 | 1,733 |
| | | **8,115** | **8,115** |

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 40. Related parties (continued)

### 2023

| Name | | Fees for Board and Committee remuneration | Total |
|---|---|---|---|
| Amb. JT Ndhlovu | | 265 | 265 |
| Mr MS Motimele | 6 | 61 | 61 |
| Dr PD Dexter | | 1,436 | 1,436 |
| Dr. RC Lubisi | 7 | 267 | 267 |
| Ms R Matenche | 8 | 383 | 383 |
| Ms F Skweyiya-Gushu | | 934 | 934 |
| Mr TM Sukazi | | 174 | 174 |
| Ms PN Mashinini | | 475 | 475 |
| | | 3,995 | 3,995 |

### Non-Executive Audit Committee Member, not member of Board of Directors - 2024

| | | Fees for and Committee remuneration | Total |
|---|---|---|---|
| Mr DW Matebula | 14 | 25 | 25 |

### Non-Executive MILVET Committee Members, not members of the Board of Directors

| | | Fees for and Committee remuneration | Total |
|---|---|---|---|
| PJ Hlasa | 5 | 19 | 19 |
| E Motloung | 5 | 16 | 16 |
| | | 35 | 35 |

### Non-Executive Audit Committee Member, not member of Board of Directors - 2023

| | | Fees for and Committee remuneration | Total |
|---|---|---|---|
| Mr DW Matebula | 14 | 84 | 84 |

### Executive committee members

### 2024

| Name | | Basic salary | Other short-term employee benefits | Allowances | Retirement and other contributions | Total |
|---|---|---|---|---|---|---|
| Mr HM Peecha | 13 | 1,543 | 291 | 247 | 350 | 2,431 |
| Adv. N Mvambo | | 2,441 | 477 | 18 | 407 | 3,343 |
| Dr. N Mkaza | | 2,776 | 547 | 18 | 431 | 3,772 |
| Ms ME Motsatsing | 15 | 453 | - | 3 | 54 | 510 |
| Mr MP Teffo | | 2,636 | 516 | 140 | 428 | 3,720 |
| Ms SA Tire | 12 | 1,384 | 192 | 10 | 228 | 1,814 |
| Ms Q Sitsila | | 1,661 | 210 | 260 | 302 | 2,433 |
| | | **12,894** | **2,233** | **696** | **2,200** | **18,023** |

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 40. Related parties (continued)

### 2023

| Name | | Basic salary | Other short-term employee benefits | Allowances | Retirement and other contributions | Total |
|---|---|---|---|---|---|---|
| Dr. N Mkaza | | 2,606 | 571 | 18 | 397 | 3,592 |
| Adv. N Mvambo | | 2,292 | 450 | 18 | 371 | 3,131 |
| Adv. NB Senne | 9 | 1,546 | 2,556 | 83 | 232 | 4,417 |
| Dr. HL Jansen van Rensburg | 10 | 945 | 3,238 | 55 | 168 | 4,406 |
| Mr MP Teffo | | 2,469 | 565 | 135 | 403 | 3,572 |
| Ms SA Tire | 11 | 1,040 | 40 | 8 | 168 | 1,256 |
| Ms Q Sitsila | 12 | 910 | 50 | 143 | 162 | 1,265 |
| Mr HM Peecha | 13 | 1,075 | 190 | 218 | 232 | 1,715 |
| | | 12,883 | 7,663 | 678 | 2,133 | 23,357 |

Notes:

1. Other benefits include bonus (13th cheque), performance related payments and leave capitalisation.
2. Allowances include sums paid by way of expense allowances, i.e. motor, cell phone, acting allowance and resettlement allowance as well as other long-term service benefits.
3. Retirement and other contributions include contributions made to Armscor retirement funds, medical aid, unemployment and funeral scheme.
4. No emoluments are paid to Armscor Defence Institutes ex-officio Directors: Mr JG Grobler and Adv SP Mbada.
5. Mr PJ Hlasa and Mr E Motloung were appointed as independent members of the Military Veterans Committee effective 01 October 2023.
6. Mr MS Motimele's term came to an end effective 30 April 2022.
7. Dr. RC Lubisi resigned as a member of the Board of Directors effective 31 March 2023.
8. Ms R Matenche resigned as a member of the board of directors effective 27 May 2023.
9. Adv NB Senne resigned from Armscor effective 30 November 2022.
10. Dr HL Jansen van Rensburg retired from Armscor effective 31 July 2022.
11. Ms SA Tire was appointed to the executive committee from 1 August 2022 until 31 Janaury 2024.
12. Ms Q Sitsila was appointed acting Group Executive: Business Assurance from 1 September 2022.
13. Mr HM Peecha was appointed acting Executive Manager: Dockyard from 1 June 2022 and officially appointed on 1 January 2024.
14. Mr DW Matebula was appointed as an independent member of the Audit Committee with effect from 1 May 2021. Mr DW Matebula resigned as an independent member effective 30 August 2023.
15. Ms ME Motsatsing was appointed as Group Executive: Business Enablement from 01 February 2024.
16. Amb Ndlovhu's term came to an end effective 30 November 2023.

# Notes to the Consolidated Financial Statements

| | 2024<br>R'000 | 2023<br>R'000 |
|---|---|---|

## 41. Change in estimate

### Property, plant and equipment

During the year, the entity reviewed the estimated useful lives of its assets based on new information on the consumption and experience of the assets. As a result the expected useful lives of plant and machinery was increased to 32 years, 25 years for office equipment, furniture and computers, and by up to 4 years for intangible assets. This resulted in a decrease in depreciation of R4 355 thousand (2023: R5 670 thousand decrease) and a decrease in amortisation of R317 thousand (2023: R26 thousand).

The effect to future years cannot be determined as it is not practical due to system limitations.

## 42. Irregular and Fruitless and wasteful expenditure

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| Irregular expenditure | 3,715 | 29,432 |
| Fruitless and wasteful expenditure | 45 | 401 |
| **Closing balance** | **3,760** | **29,833** |

### Criminal or disciplinary steps taken as a result of losses, irregular and fruitless and wasteful expenditure.

### 2023/24

Disciplinary action was taken against an official with regards to non compliance to procurement processes. The official resigned prior to the conclusion of the disciplinary process.

### 2022/23

A criminal case against officials with regards to fraudulent procurement processes that were under assessment in 2021/2022 year is in process with the Military Police and Director Public Prosecution Provincial.

Disciplinary action was taken against six officials for irregular and fruitless expenditure incurred due non compliance to procurement regulations and losses suffered by the company. Three of the officials were dismissed whilst two resigned from the company. These matters were under assessment in the 2021/2022 year.

# Notes to the Consolidated Financial Statements

## 43. Segment information

### General information

### Identification of segments

The entity activities are very broad, and are undertaken in a wide range of different geographical areas with different socioeconomic characteristics. To enable efficient and effective delivery on the strategy, the Executive Management structure sub-divided the group into three categories, namely: Armscor Corporate, Dockyard and Research & Development. In establishing the segments to report on, management organised the financial information according to the three existing structures. Management uses these same segments for determining service level agreement objectives.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The Medical Benefit Fund does not meet the definition of a segment, however the Fund is consolidated as part of the Group as it is deemed not to meet the requirements of a planned asset in terms of GRAP 25.

Measurement basis for inter-segment transactions:

Reported segments are measured based on management reporting for purposes of making decisions about allocating resources to the segment and assessing its performance.

The segments were structured such that the totals of revenues, reported surplus/(deficit), assets, liabilities and other material items corresponds to figures recognised in the Annual Financial Statements, except for inter-divisional transaction and balance eliminations. Therefore, a reconciliation of the segment figures to the Annual Financial Statements is not necessary.

### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

| Reportable segment | Goods and/or services |
|---|---|
| Armscor Corporate | Armscor renders acquisition management to the DOD and the SANDF throughout the life cycle of a product. |
| Dockyard | Management of the Armscor Dockyard as a strategic facility of the SA Navy to be available for service provision to the DOD. |
| Research and Development | Manages the research, test and evaluation strategic facilities of Armscor and manufacture respiratory equipment, which has the DOD as its primary client. |

# Notes to the Consolidated Financial Statements

Figures in Rand thousand

## 43. Segment information (continued)

### Segment surplus or deficit, assets and liabilities

**2024**

| | Armscor Corporate R'000 | Dockyard R'000 | Research and Development R'000 | Eliminations R'000 | Total R'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Revenue from non-exchange transactions | 815,524 | 274,683 | 120,099 | 1 | 1,210,307 |
| Revenue from exchange transactions | 185,594 | 117,132 | 342,917 | (154,979) | 490,664 |
| Deferred income recognised | - | 6,265 | - | - | 6,265 |
| Interest revenue | 149,197 | 7,273 | 23,854 | (19,039) | 161,285 |
| Fair value adjustment | 4,700 | - | - | - | 4,700 |
| Share of surplus of joint venture | - | - | - | 5,329 | 5,329 |
| **Total segment revenue** | **1,155,015** | **405,353** | **486,870** | **(168,688)** | **1,878,550** |
| **Entity's revenue** | | | | | **1,878,550** |
| **Expenditure** | | | | | |
| Salaries and wages | 628,047 | 209,558 | 222,695 | 67 | 1,060,367 |
| Other expenses | 238,567 | 175,750 | 240,275 | (173,097) | 481,495 |
| Depreciation and amortisation | 51,848 | 11,643 | 30,690 | (3) | 94,178 |
| Impairment losses reversed/(recognised) | 97,692 | 16 | (4,295) | - | 93,413 |
| **Total segment expenditure** | **1,016,154** | **396,967** | **489,365** | **(173,033)** | **1,729,453** |
| Medical benefit fund total revenue | | | | | 11,372 |
| Medical benefit fund total expenditure | | | | | (9,598) |
| **Entity's surplus (deficit) for the period** | | | | | **150,871** |

# Notes to the Consolidated Financial Statements

Figures in Rand thousand

## 43. Segment information (continued)

| | Armscor Corporate R'000 | Dockyard R'000 | Research and Development R'000 | Eliminations R'000 | Total R'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets | 2,132,372 | 60,066 | 91,538 | (80,759) | 2,203,217 |
| Non-current assets | 833,999 | 28,464 | 436,459 | (40,679) | 1,258,243 |
| Investment in joint venture | 100 | - | - | 9,465 | 9,565 |
| **Total segment assets** | **2,966,471** | **88,530** | **527,997** | **(111,973)** | **3,471,025** |
| Medical benefit fund assets | | | | | **202,463** |
| **Total assets as per Statement of financial position** | | | | | **3,673,488** |
| **Liabilities** | | | | | |
| Current liabilities | 419,118 | 45,329 | 171,833 | (97,766) | 538,514 |
| Non-current liabilities | 126,458 | 170,024 | 58,091 | (28,860) | 325,713 |
| **Total segment liabilities** | **545,576** | **215,353** | **229,924** | **(126,626)** | **864,227** |
| Medical benefit fund liabilities | | | | | **8,138** |
| **Total liabilities as per Statement of financial position** | | | | | **872,365** |

| | Armscor Corporate R'000 | Dockyard R'000 | Research and Development R'000 |
|---|---|---|---|
| **Other information** | | | |
| Capital expenditure (excluding additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts) | 35,001 | 11,982 | 28,589 |

Capital expenditure consists of additions of property, plant and equipment and intangible assets.

# Notes to the Consolidated Financial Statements

Figures in Rand thousand

### 43. Segment information (continued)

### Segment surplus or deficit, assets and liabilities 2023

| | Armscor Corporate R'000 | Dockyard R'000 | Research and Development R'000 | Eliminations R'000 | Total R'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Revenue from non-exchange transactions | 849,307 | 267,146 | 125,189 | - | 1,241,642 |
| Revenue from exchange transactions | 151,249 | 7,841 | 260,952 | (89,969) | 330,073 |
| Deferred income recognised | 652 | 18,404 | - | - | 19,056 |
| Interest revenue | 103,287 | 4,478 | 14,095 | (1,828) | 120,032 |
| Fair value adjustment | 3,500 | - | (100) | - | 3,400 |
| Share of surplus of joint venture | - | - | - | 6,235 | 6,235 |
| **Total segment revenue** | **1,107,995** | **297,869** | **400,136** | **(85,562)** | **1,720,438** |
| **Entity's revenue** | | | | | **1,720,438** |
| **Expenditure** | | | | | |
| Salaries and wages | 608,476 | 182,841 | 229,274 | 79 | 1,020,670 |
| Other expenses | 254,537 | 62,713 | 192,906 | (90,286) | 419,870 |
| Depreciation and amortisation | 53,511 | 11,466 | 27,050 | 2 | 92,029 |
| Impairment losses reversed/(recognised) | 35,273 | - | 8,687 | - | 43,960 |
| **Total segment expenditure** | **951,797** | **257,020** | **457,917** | **(90,205)** | **1,576,529** |
| **Total segmental surplus/(deficit)** | | | | | **143,909** |
| Medical benefit fund total revenue | | | | | 11,576 |
| Medical benefit fund total expenditure | | | | | (6,852) |
| **Entity's surplus (deficit) for the period** | | | | | **148,633** |

# Notes to the Consolidated Financial Statements

Figures in Rand thousand

## 43. Segment information (continued)

| | Armscor Corporate R'000 | Dockyard R'000 | Research and Development R'000 | Eliminations R'000 | Total R'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets | 1,378,064 | 58,017 | 104,177 | (128,026) | 1,412,232 |
| Non-current assets | 1,496,337 | 28,127 | 438,690 | (41,079) | 1,922,075 |
| Investment in joint venture | 100 | - | - | 6,135 | 6,235 |
| **Total segment assets** | **2,874,501** | **86,144** | **542,867** | **(162,970)** | **3,340,542** |
| Medical benefit fund assets | | | | | 198,689 |
| **Total assets as per Statement of financial position** | | | | | **3,539,231** |
| **Liabilities** | | | | | |
| Current liabilities | 471,076 | 50,361 | 182,620 | (147,021) | 557,036 |
| Non-current liabilities | 122,003 | 170,992 | 59,677 | (26,867) | 325,805 |
| **Total segment liabilities** | **593,079** | **221,353** | **242,297** | **(173,888)** | **882,841** |
| Medical benefit fund liabilities | | | | | 6,139 |
| **Total liabilities as per Statement of financial position** | | | | | **888,980** |

| | Armscor Corporate R'000 | Dockyard R'000 | Research and Development R'000 |
|---|---|---|---|
| **Other information** | | | |
| Capital expenditure (excluding additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts) | 75,801 | 6,517 | 26,281 |

Capital expenditure consists of additions of property, plant and equipment and intangible assets.

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 44. Capital commitments

| | | |
|---|---|---|
| **Authorised capital expenditure** | | |
| **Capital expenditure approved but not yet contracted** | | |
| Property, plant and equipment | 89,458 | 67,095 |
| Intangible assets | 77,120 | 10,470 |
| | **166,578** | **77,565** |

The committed expenditure relates to plant and equipment and computer software, and will be financed with cash reserves and funds internally generated.

## 45. Accounting by principals and agents

### Details of the arrangment(s) is|are as follows:

### Transactions with the DOD

Armscor receives its mandate from the Armaments Corporation of South Africa, Limited Act (Act No 51 of 2003) and the Armaments Corporation of South Africa, Limited amendment Act (Act No 16 of 2005), in terms of which the Corporation is empowered to meet: 1) the defence matériel requirements of the DOD effectively, efficiently and economically; and 2) the defence technology, research, development, analysis, test and evaluation requirements of the DOD effectively, efficiently and economically.

To execute its mandate, Armscor received a Government grant from the State through the Department of Defence (DOD) as well as secondary grant (in terms of separate Memorandum of Agreements) for services rendered to the DOD.

The secondary grants received, based on Memorandum of Agreements (MOA) with the DOD, for specific services are recognised as revenue as and when the conditions of receipt thereof has been fulfilled and are included in sale of goods and services.

In return for the grants received, Armscor contracts with third parties as an agent acting on behalf/for the benefit of the DOD.

### South African Police Service (SAPS)

A Service Level Agreement (SLA) was signed between the South African Police Service (SAPS) and Armscor for the acquisition, procurement, disposal and maintenance services.

The services that Armscor is providing to SAPS are the services which Armscor provides on the basis of the Armscor Act. Thus the Armscor Act grants the relevant powers to Armscor to determine the terms and conditions of the transactions undertaken on behalf of SAPS.

In terms of the SLA Armscor is entitled to a service fee which is determined by the value added by Armscor and will be determined on a project by project basis.

# Notes to the Consolidated Financial Statements

| | 2024<br>R'000 | 2023<br>R'000 |
|---|---|---|

## 45. Accounting by principals and agents (continued)

### Entity as agent

### Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The amount of liabilities that were incurred on behalf of the DOD and recognised in the Armscor's own financial statements is R5 455 thousand (2023: R2 938 thousand). The amount of liabilities that were incurred on behalf of SAPS and recognised in the Armscor's own financial statements is R191 412 tousand (2023 : R141 351 thousand).

Assets of R155 642 thousand (2023 : R 69 495 thousand) held on behalf of SAPS have been recognised in the Armscor's own financial statements.

### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R9 146 thousand (2023 : R2 197 thousand) relating to the SAPS programme.

### Additional information

### Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

### Amount of expenses paid on behalf of the principal during the reporting period

| | 2024 | 2023 |
|---|---|---|
| Expenses incurred on behalf of SAPS | 192,768 | 82,725 |

### Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

### Reconciliation of the carrying amount of receivables

| | 2024 | 2023 |
|---|---|---|
| **Receivable received on behalf of SAPS** | | |
| Opening balance | 69,495 | - |
| Receivable received on behalf of SAPS | 86,147 | 69,495 |
| | **155,642** | **69,495** |
| **All principal arrangements** | | |
| Opening balance | 69,495 | - |
| Cash received on behalf of the principals | 86,147 | 69,495 |
| | **155,642** | **69,495** |

### Reconciliation of the carrying amount of SAPS

| | 2024 | 2023 |
|---|---|---|
| **Payable incurred on behalf of SAPS** | | |
| Opening balance | 141,351 | 1,474 |
| Cash paid on behalf of SAPS | 50,061 | 139,877 |
| | **191,412** | **141,351** |
| **Payable incurred on behalf of the DOD** | | |
| Opening balance | 2,938 | 3,207 |
| Cash held on behalf of the DOD | 7,989 | 1,932 |
| Amounts transferred to the DOD | (5,472) | (2,201) |
| | **5,455** | **2,938** |

# Notes to the Consolidated Financial Statements

## 45. Accounting by principals and agents (continued)

| | 2024 R'000 | 2023 R'000 |
|---|---|---|
| **All principal arrangements** | | |
| Opening balance | 144,289 | 4,681 |
| Cash paid/held on behalf of the principal | 58,050 | 141,809 |
| Amounts transferred to the principal | (5,472) | (2,201) |
| | **196,867** | **144,289** |

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 46. Entity Financial Statement

Entity financial statements have not been prepared as they are similar to Group financial statements. The only difference relates to the inclusion of a Joint Venture transaction, which amounts to R9 565 thousand (2023: R6 235 thousand).

| Reconciliation of entity profits/(deficits) to Group profit/(deficit) | | |
|---|---|---|
| Entity surplus/(deficit) after tax | 145,542 | 142,398 |
| Joint Venture transaction | 5,329 | 6,235 |
| **Group surplus/(deficit)** | **150,871** | **148,633** |

| Financial position differences: | Entity | Group |
|---|---|---|
| Investment in Joint Venture | 100.00 | 9,565 |
| Equity | 2,791,658 | 2,801,123 |

## 47. Restatements

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

### Prior period errors

During the current year, the entity identified expenditure that was previously understated relating to travel costs for which supporting documentation was not provided by the travel agency.

During the current year, the entity identified sale of goods, cost of sales and service revenue that were incorrectly recorded in the current financial year instead of the prior financial year when delivery was completed.

Financial instruments maturing within 12 months from the reporting date was incorrectly classified and accounted as non-current assets instead of current assets.

The errors have been corrected by restating each of the affected financial statement line items for prior periods

### Change in accounting policy

GRAP 25 on Employee Benefits was revised, resulting in a change in the presentation of finance costs (or income) related to valuation of defined benefit obligations. As a result of this change in accounting policy, the related finance costs are presented separately instead of as part of employee costs in the consolidated financial statements for the current and prior financial year. The effect of the change in the policy in the consolidated financial statements is reflected below.

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 47. Restatements (continued)

### 47.1 The detailed impact of the restatements of the 2023 year

### Statement of financial performance (2023)

| | Note | As previously reported | Adjustment | Change in accounting policy | Restated |
|---|---|---|---|---|---|
| **Revenue from exchange transactions** | | - | - | - | - |
| Sale of goods | | 23,914 | 5,634 | - | 29,548 |
| Rendering of services | | 252,460 | 9,690 | - | 262,150 |
| Other income | | 18,338 | 354 | - | 18,692 |
| **Total revenue from exchange transactions** | | **502,433** | **15,678** | **-** | **518,111** |
| **Revenue from non-exchange transactions** | | - | - | - | - |
| **Transfer revenue** | | - | - | - | - |
| Government grants | | 1,250,531 | (8,889) | - | 1,241,642 |
| **Total revenue** | | **1,752,964** | **6,789** | **-** | **1,759,753** |
| **Expenditure** | | - | - | - | - |
| Employee related costs | | (1,059,126) | - | 38,456 | (1,020,670) |
| Finance Costs | | - | - | (38,456) | (38,456) |
| Cost of Sales | | (110,414) | (5,356) | - | (115,770) |
| General Expenses | | (247,943) | (20,781) | - | (268,724) |
| **Total expenditure** | | **(1,556,681)** | **(26,137)** | **-** | **(1,582,818)** |
| **Operating surplus** | | **196,283** | **(19,348)** | **-** | **176,935** |
| **Surplus before tax** | | **167,815** | **(19,348)** | **-** | **148,467** |
| **Surplus for the year** | | **167,981** | **(19,348)** | **-** | **148,633** |

### Statement of financial position (2023)

| | Note | As previously reported | Adjustment | Re-classification | Restated |
|---|---|---|---|---|---|
| **Current Assets** | | **1,196,888** | **5,239** | **211,443** | **1,413,570** |
| Financial instruments | | - | - | 211,443 | 211,443 |
| Receivables from exchange transactions | | 423,430 | 4,799 | - | 428,229 |
| VAT receivable | | 21,155 | 819 | - | 21,974 |
| Cash and cash equivalents | | 666,901 | (379) | - | 666,522 |
| **Non-Current Assets** | | **2,337,105** | **-** | **(211,443)** | **2,125,662** |
| Financial instruments | | 1,058,794 | - | (211,443) | 847,351 |
| **Total Assets** | | **3,533,993** | **5,239** | **-** | **3,539,232** |
| **Current liabilities** | | **531,683** | **25,400** | **-** | **557,083** |
| Payables from exchange transactions | | 181,613 | 20,112 | - | 201,725 |
| Payables from non-exchange transactions | | 184,281 | (537) | - | 183,744 |
| Deferred income | | 31,078 | 5,815 | - | 36,893 |
| **Total liabilities** | | **863,580** | **25,400** | **-** | **888,980** |
| Accumulated surplus | | 976,357 | (20,161) | - | 956,196 |
| **Net Assets** | | **2,670,413** | **(20,161)** | **-** | **2,650,252** |

# Notes to the Consolidated Financial Statements

| | 2024 R'000 | 2023 R'000 |
|---|---|---|

## 47. Restatements (continued)

### Cash Flow Statement

| | As previously reported | Adjustment | Restated |
|---|---|---|---|
| **Cash flows from operating activities** | - | - | - |
| **Receipts** | **1,398,183** | **7,805** | **1,405,988** |
| Sale of goods and services | 19,528 | 33,367 | 52,895 |
| Grants | 1,250,531 | (8,889) | 1,241,642 |
| Interest income | 109,786 | (17,027) | 92,759 |
| Other receipts | 18,338 | 354 | 18,692 |
| **Payments** | **(1,271,341)** | **(8,184)** | **(1,279,525)** |
| Employee costs | (1,104,092) | 46,328 | (1,057,764) |
| Suppliers | (166,355) | (54,512) | (220,867) |
| **Net cash flows from operating activities** | **126,842** | **(379)** | **126,463** |

### Statement of change in net assets

| | Accumulated Surplus | Total Net Assets |
|---|---|---|
| Opening balance as previously reported | 785,867 | 2,502,432 |
| Correction of error | (813) | (813) |
| Balance at 01 April 2022 as restated | 785,054 | 2,501,619 |
| Surplus for the year | 148,633 | 148,633 |
| Total changes | 171,142 | 148,633 |
| **Balance at 31 March 2023** | **956,196** | **2,650,252** |

## Supplementary Information (Unaudited)

### 1. Custom Schedule

Government grant for operating expenditure is obtained to undertake acquisition actions. In accordance with Armscor's mandate, acquisition was undertaken on behalf of the following organisations:

| | 2024<br>R'000 | 2023<br>R'000 | 2022<br>R'000 | 2021<br>R'000 | 2020<br>R'000 |
|---|---|---|---|---|---|
| **Total Value of Acquisition Activities** | | | | | |
| Department of Defence | | | | | |
| - Special Defence Account | 1,910,814 | 1,684,668 | 2,687,289 | 2,879,000 | 3,989,000 |
| - General Defence Account | 1,374,846 | 1,524,883 | 1,389,563 | 1,801,000 | 1,801,000 |
| Other | 126,234 | 172,429 | 6,153 | 35,500 | 46,000 |
| | **3,411,894** | **3,381,980** | **4,083,005** | **4,715,500** | **5,836,000** |

### 2. SDA committed orders

Armscor enters into contracts with suppliers for acquisition related projects in the execution of its mandate, and as an agent of the Department of Defence. The contracts are settled utilising funds from the Special Defence Account, which is the primary financing tool for the acquisition of defence matériel.

The allocation of funds by the National Treasury to the Special Defence Account continues to decline at a level that puts the ability to fund existing and committed programmes at risk. The Department of Defence is, however, in discussion with the National Treasury for additional funding. Armscor does not place any order for the acquisition of defence matériel without confirmation from the Department of Defence that the necessary funding is available, and is also further reviewing options available in order to minimise the risk for Armscor and the Department of Defence on a continuous basis.

* See Note

* The supplementary information presented does not form part of the financial statements and is unaudited

# PART G ACRONYMS AND ABBREVIATIONS

ARMSCOR
Armaments Corporation of South Africa SOC Ltd

GATEWAY TO DEFENCE SOLUTIONS

## 7.1 List of Acronyms and Abbreviations

| | |
|---|---|
| AAD | Africa, Aerospace and Defence |
| Armscor | Armaments Corporation of South Africa SOC (Ltd) |
| AGSA | Auditor-General of South Africa |
| AGM | Annual General Meeting |
| AU | African Union |
| AMD | Aerospace Maritime and Defence Industries Association |
| ATNS | Air Traffic and Navigation Services |
| B-BBEE | Broad-Based Black Economic Empowerment |
| BOE | Black Owned Enterprise |
| BWOE | Black Women Owned Enterprise |
| CAE | Chief Audit Executive |
| CFO | Chief Financial Officer |
| CEO | Chief Executive Officer |
| COTS | Commercial off-the-shelf |
| COVID-19 | Coronavirus Disease 2019 |
| CSI | Corporate Social Investment |
| CSIR | Council for Science and Industrial Research |
| CWC | Chemical Weapons Convention |
| DCS | Department of Correctional Services |
| DSUP | Defence Engineering and Science University Programme |
| DERIs | Defence Evaluation and Research Institutes |
| DEPS | Defence Equipment Personnel Support |
| DEFTED | Defence Transformative Enterprise Development |
| DDSI | Defence Decision Support Institute |
| DED | Docking and Essential Defects |
| DIF | Defence Industry Fund |
| DIP | Defence Industrial Participation |
| DOD | Department of Defence |
| DPE | Department of Public Enterprise |
| DMD | Defence Matériel Division |
| DPME | Department of Planning, Monitoring and Evaluation |
| DPWI | Department of Public Works and Infrastructure |
| DR | Doctor |
| DRBD | Defence Research and Development Board |
| DSCC | Defence Sector Charter Council |
| dtic | Department of Trade, Industry and Competition |
| ERGOTECH | Ergonomics Technologies |
| EE | Employment Equity |
| ERP | Enterprise Resource Planning |
| EXCO | Executive Committee |
| Etc. | Et cetera |
| FA | Financial Authority |
| Flamengro | Fluid and Mechanical Engineering Group |
| GBADS | Ground Based Defence System |
| GRAP | Generally Recognised Accounting Practice |
| GQA | Government Quality Assurance |
| GDA | General Defence Accounts |
| HR | Human Resources |
| HQ | Head Office |
| HSV | Hydrographic Survey Vessel |
| IP | Intellectual Property |
| i.e | id est |
| ICT | Information and Communication Technology |
| IT | Information Technology |
| ITSCM | Information Technology Service Continuity Management |
| ISPPIA | International Standard of Professional Practice in Internal Audit |
| IMT | Institute for Maritime Technology |
| IPMAD | Intellectual Property Management Division |
| ISO | International Organisation for Standardisation |
| ITSCM | Information Technology Service Continuity Management |
| KW | Kilowatts |
| MMIPV | Multi-Mission Inshore Patrol Vessel |
| MMOPV | Multi-Mission Offshore Patrol Vessel |
| MOU | Memorandum of Understanding |
| MoA | Memorandum of Agreement |

# ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| **MTSF** | Medium-Term Strategic Framework |
| **MTEF** | Medium-Term Expenditure Framework |
| **MRO** | Maintenance, Repair and Overhaul |
| **NCACC** | National Conventional Armaments Control Committee |
| **NDP** | National Development Plan, Vision 2030 |
| **NDIC** | National Defence Industry Council |
| **No.** | Number |
| **OEM** | Original Equipment Manufacture |
| **OPCW** | Organisation for the Prohibition of Chemical Weapons |
| **OPDEF** | Operational Defect |
| **PFMA** | Public Finance Management Act (Act No. 1 of 1999) |
| **PME** | Prime Mission Equipment |
| **PPGI** | Public-Private Growth Initiative |
| **QAIP** | Quality Assurance and Improvement Programme |
| **R&D** | Research and Development |
| **Ret.** | Retired |
| **RFB** | Request for Bid |
| **RISDP** | Regional Indicative Strategic Development Plan |
| **RPE** | Respiratory Protective Equipment |
| **RSA** | Republic of South Africa |
| **SA** | South Africa |
| **SAAF** | South African Air Force |
| **SHE** | Safety, Health and Environment |
| **SHEQ** | Safety, Health and Environment and Quality |
| **STEM** | Science, Technology, Engineering and Mathematics |
| **SADC** | Southern African Development Community |
| **SADI** | South African Defence Industry |
| **SAMHS** | South African Military Health Services |
| **SAPS** | South African Police Services |
| **SANDF** | South African National Defence Force |
| **SANHO** | South African Navy Hydrographic Office |
| **SCM** | Supply Chain Management |
| **SDA** | Special Defence Account |
| **SDG** | Sustainable Development Goal |
| **SDIP** | Service Delivery Improvement Plan |
| **SDP** | Strategic Defence Packages |
| **SIU** | Special Investigating Unit |
| **SLA** | Service Level Agreement |
| **SMMEs** | Small, Medium, and Micro-sized Enterprises |
| **SOC** | State Owned Company |
| **SONA** | State of the Nation Address |
| **SPs** | Strategic Plans |
| **TDPs** | Talent Development Programmes |
| **TEMANI** | Technology Management, Analysis and Industrialisation |
| **UAV** | Unmanned Aerial Vehicle |
| **UN** | United Nations |
| **URBD** | Ultrasonic Broken Rail Detector |
| **VS** | Versus |
| **YTD** | Year to date |
| **YDP** | Youth Development Programme |

## Notes

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