

# dpe

DEPARTMENT OF PUBLIC ENTERPRISES  
**ANNUAL REPORT**  
2009/2010



**public enterprises**

Department:  
Public Enterprises  
**REPUBLIC OF SOUTH AFRICA**



DEPARTMENT OF PUBLIC ENTERPRISES  
**ANNUAL REPORT**

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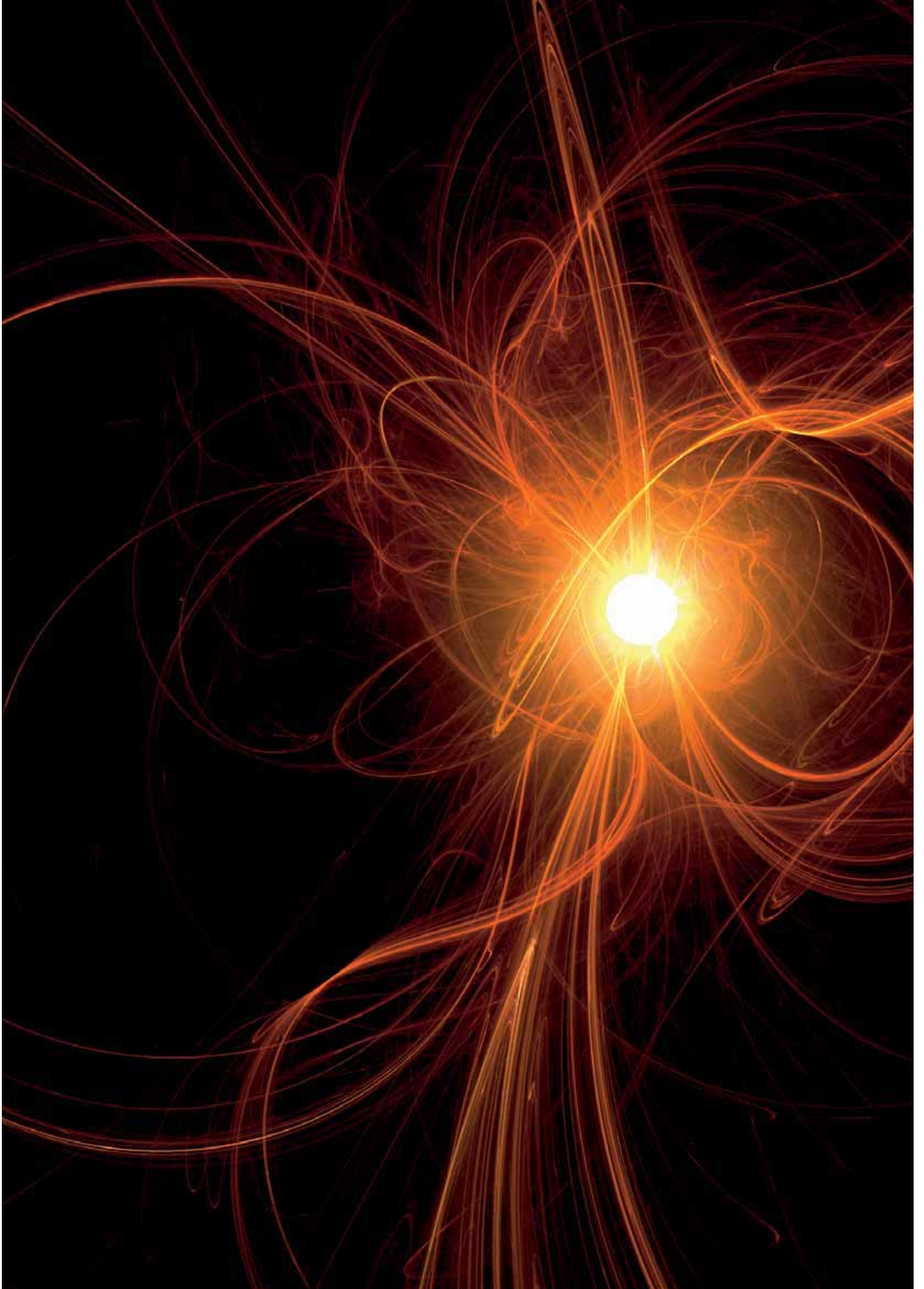
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2009/2010









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## MINISTER'S FOREWORD

The tabling of this Annual Report provides an opportunity for us to reflect on the work which was undertaken in the past year, to acknowledge the successes, and to critically assess any areas where we could have done better.

Our active involvement in monitoring key areas in each of the SOE, including governance, performance and Board appointments, ensures that we can identify any potential problems early and can act swiftly to mitigate these. We have continued to improve our oversight management of these enterprises, through the Isibuko Dashboard, a performance monitoring tool developed by the Department.

The year under review has brought with it some interesting opportunities and challenges for the Department and the State-Owned Enterprises (SOE) reporting to it. Some of our SOE are undertaking the biggest infrastructure investment programmes this country has ever seen - Transnet and Eskom are together investing in excess of R450bn in critical infrastructure which will ensure that our country is able to meet its economic growth objectives.

Strengthening the Boards of our SOE, and their adherence to corporate governance principles, remains one of our top priorities as a Department. In order to strengthen Boards an active process of Board appraisal has been applied, including Board self-appraisal and in some instances independent evaluation. Rotation of Board members has been guided by this process as well as by a thorough assessment of the required skill sets for each SOE Board. A comprehensive process of identifying possible Board candidates for nomination against the criteria established for each Board ensures that appropriately skilled and capacitated Board member are selected. An important principle of corporate governance is that CEOs must clearly understand that they are accountable to Boards. Boards must exercise their prerogative to hold CEOs and other senior managers in the SOE accountable. If this is adhered to, then we will be on the road to restoring good corporate governance in our SOE. This is in line with the PFMA and applicable law and corporate governance practice.

It is the Department's goal to ensure the implementation of proper governance systems within each SOE, using the applicable legal and regulatory instruments, including the PFMA and the SOE founding legislation. Part of the governance process for SOE is to create alignment by each SOE to government's objectives and in this context to formulate the strategic intent for each SOE as a way of providing guidance to the Board as to the mandate they should assume.

Vacancies in key leadership positions in some of our SOE remained one of our biggest challenges during the period - I am confident the vacancies at Transnet will be resolved in the near term. I would like to congratulate those who have been appointed at SAA and Eskom, and to thank those who have been appointed in an acting capacity at Transnet for keeping the operations running smoothly.

We have also had to make some tough decisions in the last year, and the issue of the Pebble Bed Modular Reactor has been one of them. Due to other pressing fiscal needs, and the failure of the company to secure an investor or partner, the State, as the majority investor, must review all options available. A restructuring has already commenced, and a final decision is due to be taken by Cabinet soon.

There has been enormous focus in the past year on the security of electricity supply for our country, the long term energy mix for power generation and a sustainable funding methodology to enable it. The inter-ministerial committee on energy has been applying its mind to issues in this arena, and the soon to be completed 2010 Integrated Resource



Plan should define the role to be played by Eskom and the private sector in the provision of electricity going forward. A notable achievement is that in spite of a constrained electricity supply system, Eskom has avoided any load shedding since 2008, which is a key performance indicator specified in its shareholder compact, and ensured that from a national grid perspective, an adequate and reliable supply of electricity was maintained throughout the recent 2010 FIFA World Cup.

The role that our SOE should play in the economy has come up as an issue requiring further engagement and assessment. The independent review being undertaken through the Presidency will ensure that as the State we have a more coherent view of the role of these enterprises in our economy, and are better able to direct them to achieve these objectives. The issue of remuneration of Executive and Non-Executive Directors has come under the spotlight both locally and internationally, and given many local stakeholders' concerns about this issue, we established a Remuneration Advisory Panel, to determine the appropriateness of existing Remuneration models and Guidelines. It is chaired by Ms Barbara Masekela and comprises of a wide range of renowned sector specialists. Their recommendations are due shortly. These will be critical in ensuring that we have a rational and consistent Remuneration model that protects the interests of the SOE, employees of SOE, the state and the state's national assets.

We look forward to engaging with all our stakeholders in the year ahead, as we work towards delivering on Government's objectives of economic growth and development, and the creation of decent jobs for our people. We particularly look forward to continued robust engagement with Parliament, and with the portfolio and select committees on public enterprises, who have always provided active oversight over the Department and its portfolio.

I would like to extend my thanks to the DPE team. Led by extremely capable management, they have done tremendous work in the past year, often under quite strenuous circumstances. I would like to thank the outgoing acting DG, advocate Sandra Coetzee for her hard work and commitment, and to wish her well in her future endeavours, and to thank Dr Andrew Shaw for his willingness to hold the fort while the appointment of a DG is finalised.

I would like to thank the Deputy Minister, Enoch Godongwana, for his unwavering support and commitment to the task we have in leading the Department. He has provided invaluable insight and leadership, particularly in the areas of policy and labour.

Thank you.



**BARBARA HOGAN**  
Minister of Public Enterprises





## DIRECTOR-GENERAL'S REPORT

The role of State Owned Enterprises (SOE) in fulfilling Government's broader developmental objectives has been a topical discussion in recent years. The SOE in the DPE portfolio were originally intended to be sold off. Revising its strategy, Government took the decision in the late 1990s that these SOE should be retained. It is timely, therefore, that a review of these enterprises should be undertaken. We look forward to the outcomes of the SOE review processes which are currently underway, as we believe these will assist Government to better utilise its resources for the benefit of the economy.

The SOE falling under this Department, particularly those involved in key network infrastructure areas, are a vital catalyst for the growth and development of our economy. It is therefore imperative that they are adequately equipped to undertake these massive, unprecedented investments and that adequate capacity is provided as a lead to demand growth so as not to constrain the country's growth objectives.

The investment programmes by Eskom and Transnet are already showing results, not only in increased capacity, but also in job creation and skills development, and while much more still needs to be done in the years ahead, we are confident that we are on track to achieving our objectives.

The implementation of these investment programmes has brought to the fore the enormous challenges we face as we go forward, including that of finding adequate funding for them. Eskom alone needs to raise an estimated additional R115bn over the next three years to fund its build programme after revenue from its electricity sales and debt already secured are taken into account. Additionally, the introduction of Independent Power Producers (IPPs) into the electricity generation sector is of paramount importance to ensure our future security of electricity supply.

The 2009/10 financial year also provided an opportunity for us as a Department to develop a synchronised logical planning, monitoring and evaluation process, which would allow us to, among other things, strengthen our risk management framework for the detection, monitoring and mitigation of shareholder risks. In this regard, we continue to refine the *Isibuko* Dashboard, which is proving to be an invaluable tool in assisting us to monitor the performance of the SOE in our stable.

In the 2010/11 financial year, we will continue to improve on our shareholder oversight responsibilities, and we will also intensify our efforts to monitor trends in the financial and operational performance of the SOE, their capital investment programmes (where relevant), their governance practices, as well as their socio-economic impact.

Building capacity within the Department remains one of our biggest challenges. Not only are we competing with the private sector, but we are also competing with the SOE for the same set of skills, and we have therefore had to find innovative ways of attracting and retaining key staff.

I would like to thank the Minister and the Deputy-Minister for their support and guidance, as well as the entire DPE team for all the effort put into making the 2009/10 financial year a success.

A handwritten signature in black ink, appearing to read 'A. Shaw', is written over a light grey rectangular background.

**DR ANDREW SHAW**  
Acting Director-General



## GENERAL INFORMATION

### SUBMISSION OF THE ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

I have the honour of submitting the 2009/10 Annual Report of the Department of Public Enterprises in terms of the Public Finance Management Act, 1999.



**Dr Andrew Shaw: Acting Accounting Officer**

## STRATEGIC OVERVIEW

### INTRODUCTION

State Owned Enterprises (SOE) play a strategic role in the South African economy through driving investment in economic infrastructure and in intermediate and advanced manufacturing capabilities. The Department of Public Enterprises (DPE) is the shareholder ministry responsible, on behalf of Government, for ensuring that the SOE reporting to it, operate efficiently and effectively, and deliver on their respective mandates. The Department's primary objective is to ensure that the State's shareholdings in these enterprises are financially sustainable and deliver on Government's strategic objectives in owning the enterprises.

The SOE falling within the Department's portfolio are: Alexkor, Broadband Infraco, Denel, Eskom, the Pebble Bed Modular Reactor, South African Airways, South African Express, South African Forestry Company Limited and Transnet.

Between 1976 and 1994, investment by the public sector in infrastructure decreased from 16% to around 5% of Gross Domestic Product. It stayed at this level until 2004 when the first large investment programmes were announced by Eskom and Transnet. The under-investment in infrastructure resulted in both a constraint on growth by users of the infrastructure (who are concerned about the adequacy of supply to meet their needs should they make new investments) as well as the decline in investment and output by the supplier sectors to the infrastructure build programmes. Consequently, the Department is engaging with the challenge of funding a build programme that can rehabilitate key infrastructure and overcome the backlog as well as revitalise the supplier industries necessary to support the build programme.

The following sections of this strategic overview will discuss the funding challenge, the process of revitalising supplier industries and the Department's overarching shareholder management methodology in this historical context. This will be followed by a high-level overview of the SOE that fall under the Department's ambit.

### THE FUNDING CHALLENGE

There are a range of sources of funding for infrastructure development, chief amongst these being the tariff, shareholder equity and debt.

#### The Tariff

The tariff (or price) is the fundamental means through which investment is rationed towards any sector of a market economy and the delivery of a service is sustained.





The tariff needs to cover the direct operational costs of providing a service, the costs of the fixed equipment that is used for providing the service (known as the depreciation cost) as well as providing a return on the capital employed so as to incentivise investment in additional capacity in the sector.

Massive additions to capacity in infrastructure sectors (which tend to be very capital intensive) require significant up-front payments. The capital to pay for the equipment is paid back over many years through the depreciation and return on capital. The funding for the significant up-front payments thus needs to come from the shareholder (in the form of an injection of capital) or through debt.

### **Shareholder Capital and Debt**

Over time, an appropriate tariff (through providing a return on capital) provides a surplus of funds on a company's balance sheet that can be used to make new investments. In the case of electricity this surplus of funds was not accumulated. Government has attempted to fill this gap through providing a R60 billion rand sub-ordinated loan to Eskom as well as up to R176 billion in guarantees. However, even with this input, at the present tariff level, Eskom needs to raise close to R200bn over the next seven years to plug the funding gap for its build programme.

Consequently, the SOE have approached the mainstream debt market as well as previously untapped sources of funding, which include multi-lateral finance institutions such as the World Bank, African Development Bank (AfDB) and the European Investment Bank (EIB). However, in the context of the global financial crisis, there is a limited quantity of debt on the market. Hence, there is a need to turn to innovative sources of capital and debt including:

- Public Private Partnerships, or direct private investment in infrastructure provide an option for capital funding not available from public funds as well as a means of enhancing service delivery by employing private-sector entities to operate the facilities and promote competition in a sector historically dominated by a single public sector entity.
- Large international suppliers are able to offer funding for their equipment. This often comes in the form of “Export Credit Finance” and is often relatively cheap (although it is not rand denominated). A drawback of this finance is that it is designed to promote overseas manufacturers (and thus marginalise South African industry from participating in the manufacture of equipment) for the build programme.
- A major source of funding that needs to be explored could come from the SOE customer base. It is common practice around the world for large customers to invest in rolling stock (in the case of rail) or in power stations (in electricity). This gives the customers security of supply which provides them with confidence to invest further in their core business.

If South Africa is to meet the challenges of funding the build programme to adequately support economic growth, we need to move beyond “business as usual” and build innovative new partnerships with the private sector.

### **THE COMPETITIVE SUPPLIER DEVELOPMENT PROGRAMME**

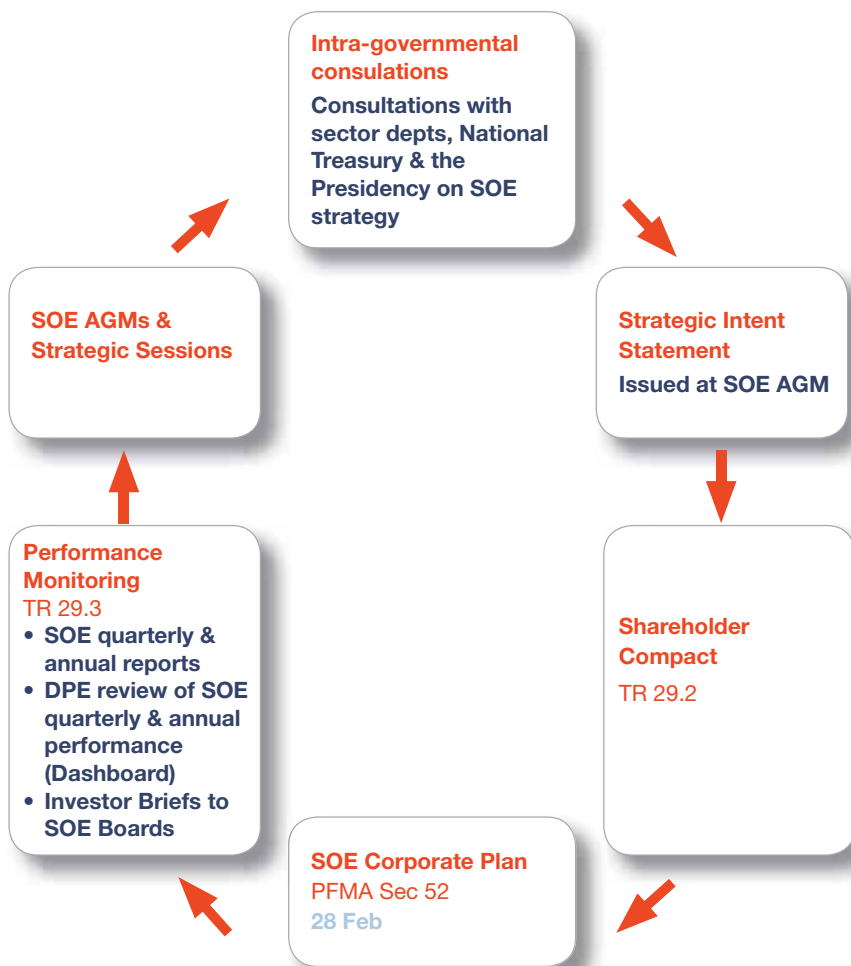
Extremely limited investment in fixed infrastructure in South Africa between 1984 and 2004 also created a key challenge. Given limited national demand during this period, supplier industries relating to infrastructure were particularly badly affected. This has created a reliance on imports which is not sustainable (given South Africa's balance of payments constraint). It has also created a security of supply threat, particularly when global markets are overheating. The Competitive Supplier Development Programme (CSDP) has the objective of leveraging SOE procurement to promote investment in plant, skills and technologies in the SOE supplier base. This is achieved through providing medium to long-term procurement plans so as to give the supplier community visibility of SOE requirements so that they can be positioned to meet these requirements. Linked to this long-term planning, is a process of structuring procurements to build partnership style relationships with suppliers, that is to provide suppliers with stability of demand over a five to ten year period to incentivise them to invest to meet SOE requirements. The global and national supplier community then partner to make the best propositions to SOE around the development of the relevant supply chain to meet an SOE requirement. This has the impact of increasing employment, increasing the value delivered by national industry and increasing the skills profile of the supplier base. It also increases the security of supply and the competitiveness of the national supplier community to meet the needs of the SOE.

The programme has already delivered results: Eskom has leveraged well over a billion rand of investment in SOE supplier industries in the engineering sector and has facilitated the training by its suppliers of over five thousand artisans. Transnet is in the process of finalising a transaction which will significantly increase national locomotive manufacturing capabilities.

A key constraint to leveraging investment in the supplier industries is the long-term predictability of the investment programmes. The “Fleet Procurement” element of the Industrial Policy Action Plan attempts to address this through enabling ten to fifteen year relationships with key suppliers as part of a fleet renewal process. The Department and Transnet, together with the Department of Trade and Industry, have put together a task team to pilot a fleet procurement for locomotives.

**OVERARCHING SHAREHOLDER MANAGEMENT: LOGICAL PLANNING, MONITORING AND EVALUATION PROCESS**

The department has developed a logical planning, monitoring and evaluation process, an annual chronological cycle of tasks and events that links national strategic priorities to SOE delivery and ensures effective shareholder oversight management and achievement of desired strategic outcomes and objectives by the SOE.



**Strategic Intent Statement**

The primary tool to communicate the State’s expectations of the SOE strategy is contained in a Strategic Intent Statement for each SOE. The Strategic Intent Statement is prepared annually and contains the SOE strategic purpose. To ensure clarity and transparency of objectives for the SOE and a precise articulation of the trade-offs between policy, regulatory, customer and financial interests, the Department of Public Enterprises consults with sector departments, National Treasury and the Presidency to determine the strategy for the State as a shareholder in the SOE. Such consultation entails an assessment of the interaction between the policy and regulatory environment



with the financial and operational goals of the SOE to ensure shareholder value optimisation and achievement of wider socio-economic objectives.

Strategic Intent Statements will be issued by the Minister to each SOE at the Annual General Meeting every year.

### **Shareholder Compact**

In terms of National Treasury Regulation 29.2, the Minister and the SOE Board must conclude a shareholder compact annually. The shareholder's compact must document the mandated key performance measures and indicators to be attained by the SOE in delivering the desired outcomes and objectives as agreed between the SOE Board and the Minister.

### **Corporate Plan**

The SOE corporate plan demonstrates the SOE Board's understanding of its shareholder's goals, the SOE business and of how the SOE will achieve the shareholder's objectives. The SOE corporate plan contains the implementation details to attain the strategic intent and key performance measures and indicators contained in the shareholder compact. It reflects how the SOE has interpreted its mandate and how it plans to apply its resources in meeting its strategic intent in an effective, efficient, economical and equitable manner over the planning period. SOE are required to submit their corporate plans and budgets annually to the Minister and National Treasury at least one month before the start of their respective financial years in terms of Section 52 of the Public Finance Management Act 1 of 1999 (PFMA). The SOE corporate plan for the subsequent year must contain the implementation details to attain the key performance measures and indicators outlined in the shareholder compact and the desired outcomes and objectives outlined in the strategic intent statement.

The Department assesses the SOE corporate plans to determine whether the strategies and financial plans are consistent, coherent and aligned with government objectives. This includes an assessment of the degree of sensitivity to assumptions in the forecasts to assess the level of financial support and borrowing required as well as the timing thereof.

### **Performance Monitoring and Evaluation**

The Department has an obligation to review the performance of SOE. In terms of Treasury Regulation 29.3, procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action must be established. This includes setting up reporting systems allowing regular monitoring and assessment of SOE performance. To review performance effectively, the Department must first ensure that it has access to accurate and relevant information on a timely basis to enable continuous performance evaluation and, when necessary, communicate its concerns to the SOE. The Department monitors the SOE performance on a quarterly and annual basis. Quarterly and annual reports are analysed to determine whether SOE performance is on track with the corporate plans, whether strategic objectives have been met and to highlight any emerging risks. This includes an assessment of financial and non-financial results against key performance indicators that have been established in the process of defining SOE objectives and targets.

An electronic business intelligence dashboard system known as *Isibuko* has been implemented to allow for timely reporting by SOE, to monitor trends in financial and operational performance, capital investment programme, environmental impact assessments, socio-economic, governance, skills development, competitive supplier development programme and property disposals and to enhance detection, mitigation





and monitoring of enterprise and cross-cutting shareholder risks on an ongoing basis. The performance measures in *Isibuko* are closely aligned to those found in each respective shareholder compact. Ongoing monitoring ensures early identification of problems and opportunities. It allows the Department to react promptly on underperformance or on significant changes in the SOEs environment that may impact its performance. It also allows focusing on priorities.

The SOE must submit its quarterly report to the Department within six weeks after the end of the quarter (or another period as agreed in the shareholder compact). The Department analyses the quarterly reports and submit memoranda upon receipt of the quarterly reports from the SOE. The SOE quarterly performance is reviewed at an Investment Committee meeting attended by the Minister.

It is envisaged that the Minister will issue Investor Briefs to the SOE Boards on a quarterly basis on emerging SOE performance trends and, in particular, highlight the need for corrective action in the event of any deviation from the agreed key performance areas and indicators. A response to the Investor Brief will be required from the Board within a month indicating measures to address highlighted concerns or mitigate emerging risks. If no response is received, this will be indicated at the AGM.

## MINISTERIAL VISITS ABROAD

COUNTRY	DATE	PURPOSE
Angola	19 to 21 August 2009	Minister accompanied the President on a State Visit to Angola.
China & South Korea	4 to 13 September 2009	Deputy Minister visited China to investigate and assess viable funding options for the SOEs' investment programmes.

## PORTFOLIO OVERVIEW

### ALEXKOR

Alexkor's distinctive competencies are its quality of diamonds and its unique land and marine mineral resources. However, the company has been subject to a number of business constraints, resulting in ever decreasing financial performance over the years. The company showed some improvements in financial performance in the past year, driven by improvements in carat production and carat price, coupled with reductions in expenses and provisions for the post-retirement medical aid.

Significant progress has been made in the implementation of the Deed of Settlement signed with the Richtersveld community. All Alexkor, State and Northern Cape Provincial land has been transferred, except for the township erven. Subdivision and zoning of the township has been conducted and the general plan was approved. Transfer of the township will be effected soon. The upgrade of the township civil and electrical engineering services to municipal standards has commenced and is expected to be completed in July 2011. Alexkor's agricultural and maricultural assets have been transferred to the community. Transfer of the land mining rights to the community is also imminent. The transfer of the land mining rights to the community paves the way for the development of a more viable mining venture and a redirection of Alexkor's strategy.


### BROADBAND INFRACO

As at December 2009, Broadband Infraco had deployed an additional 6 700 km of fibre optic cable in the current financial year to make the total cable deployed and commissioned to 11 700 km since inception, providing nationwide coverage of broadband services. To date, the National Long Distance fibre optic network is adequately funded and operational.

On 19 October 2009, the Independent Communications Authority of South Africa (ICASA) awarded the Individual Electronic Communications Network Services (I-ECNS) license to Broadband Infraco. The award of the I-ECNS license by ICASA, will enable Broadband Infraco's network to carry large quantities of broadband capacity between Points of Presence (PoPs) to all major cities and towns in Southern Africa, extending to the borders of South Africa's neighbouring countries, namely Namibia, Botswana, Zimbabwe, Mozambique, Lesotho and Swaziland. Broadband Infraco will also establish PoPs in a large number of underdeveloped areas over the next seven years to help bring affordable communications to marginalised communities.

Indications are that international broadband costs had declined by 63%, whilst national long-distance wholesale prices had come down by 74% by 2009. Infraco has also enabled Neotel's offering into the market, which has contributed to bringing down costs.

On 8 April 2009, Infraco signed the Construction and Maintenance Agreement (C&MA) for the West Africa Cable System (WACS) project. WACS is a high capacity marine cable system that will link countries in Southern Africa, Western Africa and Europe. The manufacturing of the cable started in December 2009 and is scheduled for completion in September 2010. The installation of the



terminal equipment and the testing of the cable will mark the completion of the project, which is scheduled to be ready for service in the third quarter of 2011.

### **DENEL**

A key pillar of Denel's turnaround strategy is to enter into equity partnerships with foreign Original Equipment Manufacturers (OEMs). The rationale for this is that foreign equity partners provide access to markets, capital and technical skills. Due to the shrinking local defence budget, Denel has to earn export revenue to be sustainable but this is extremely difficult without a partner who has a global footprint. However, despite these difficult circumstances Denel has made significant progress in its turnaround. Within the Denel stable, Land Systems, Pretoria Metal Pressings and Mechem remain profitable. There are currently two entities, Denel SAAB Aerostructures and Denel Dynamics in the Denel group of companies that are driving losses in the business. Equity negotiations are at an advanced stage in Denel Dynamics, which requires a government decision with regards to its future. The future of this company is currently being discussed at Ministerial level with the aim of putting this business on a sustainable path.

### **ESKOM**

Eskom's build programme, together with the introduction of Independent Power Producers (IPPs), will be critical in ensuring that South Africa's electricity needs are met, such that as a country our growth and developmental objectives can be met. The investment by Eskom includes, among other things, the building of new generation capacity, the return to service of previously mothballed, coal-fired power stations and the expansion of the national transmission network.

The build programme not only provides a firm base for the future expansion of the growth of the South African economy, but will also feed through significant benefits to the nation. The impact of the build programme will also continue to support regional economic development.

The capital expenditure for Eskom's three largest new build projects (Medupi, Khusile and Ingula) ranks among the world's largest construction projects and will represent the most ambitious infrastructure investment South Africa has ever undertaken. These projects will come on line between 2012 and 2017. The completion of these projects is critical, as they will contribute substantially towards the achievement of South Africa's electricity supply; macroeconomic growth targets as well economic development objectives.

South Africa's commitment at Copenhagen to actions that would result in a 34% emission reduction below business as usual by 2020, and 42% by 2025 will see South Africa's emissions peak between 2020 and 2025, stabilise for 10 years and then decline in absolute terms. With this in mind, there is an increasing focus on the introduction of Renewable Energy into South Africa's energy generation mix. Eskom will undertake significant investments in Concentrated Solar Power and Wind Energy over the next few years amongst others and is continuing to develop its Underground Coal Gasification technology, which has shown promising results thus far.

### **PEBBLE BED MODULAR REACTOR (PBMR)**

Due to current fiscal constraints and the fact that PBMR has failed to secure an investor or partner, Government, as the majority investor is reviewing all available options to optimise the value of the investment made in PBMR to date. A task team has been established to work on this, and will ensure that valuable nuclear skills, expertise and technology developed by the company are not lost to South Africa and are retained for application in a possible future nuclear power generation programme. A final

decision on the way forward for the company is expected later this year. The successful rationalisation of PBMR, and the way forward for the company, will be one of our key areas of focus this year.

### **SOUTH AFRICAN AIRWAYS (SAA) AND SOUTH AFRICAN EXPRESS (SAX)**

Conditions in the aviation industry are very challenging. This is as a result of high oil prices, followed by a financial crises which led to reduction in demand for air travel. Despite these factors our two State owned airlines managed to improve their overall performances.

A number of steps have been taken to ensure that progress is maintained. A new Board and Chief Executive Officer has been appointed for SAA. SAA has made good operational progress and its financial performance is positive under current difficult circumstances. A Shareholder's Compact has been concluded with the new SAA Board. SAA will focus on improving its operational performance and financial sustainability going forward in order to make suitable arrangements for financing of the Airbus transaction (a legacy contract originally signed in 2002).

SA Express continues to achieve sustainable growth and has implemented the first phase of its African Strategy which is to establish a joint venture airline Congo Express at the secondary hub of Lubumbashi in the Democratic Republic of Congo. The airline also undertook a successful rebranding exercise. In addition, the Board is fast-tracking the replacement of the Chief Executive who has since been appointed to South African Airways.

### **SOUTH AFRICAN FORESTRY COMPANY LIMITED (SAFCOL)**

In 1997, a Cabinet decision was taken to privatise SAFCOL. This decision was confirmed in 2007 after four of SAFCOL's subsidiaries were privatised.

SAFCOL is ideally suited to promote rural development in the regions in which it operates; therefore a review of this strategy is required and will be undertaken by the Department. SAFCOL is contributing to Government's rural development objectives in the regions in which Komatiland Forests (KLF) operate whilst the land claims process is being resolved. SAFCOL has not been dependent on the fiscus for the past few years but has been negatively impacted by fires in 2007 and 2008 as well as the current economic downturn, given that the residential construction sector is its biggest market. The 2009/10 financial year is projected to be a loss-making year for SAFCOL and will result in recourse to the debt market in order to support ongoing initiatives.

As the current mandate is to privatise SAFCOL, the Department is working closely with the departments of Land Reform and Rural Development and Forestry on an appropriate and possible alternative model. The matter will then be taken to Cabinet for a final decision.

### **TRANSNET**

Inefficient rail, road and pipelines infrastructure form an impediment to growth. Transnet's approximately R93,4 billion investment spend (over five years) will go towards revitalising and extending its infrastructure, expanding ports and modernising freight facilities. It is expected that this investment programme will be sustained well beyond five years, in order to meet the demands of a growing economy. To date, Transnet has already spent in excess of R70bn.

The economic impact study of Transnet's build programme, which was recently undertaken by the Department, shows that the impact of this investment on the economy is likely to be a significant contributor to growth. The macroeconomic impact that Transnet's operations and capital investment will have on the broader economy is just over R115.4bn, which will be added to the national economy by 2018.





In Transnet, sustainability remains a key focus. A much stronger and operationally focused shareholder compact for 2010/11 has been finalised between the Transnet Board and the Shareholder. This new compact forms the basis for Transnet's "quantum leap" corporate plan for the coming financial year. In view of this renewed focus on operational performance and efficiency improvements, the Department is reviewing current Board skills and will soon strengthen the Board in specific areas of logistics, supply chain, finance and legal skills to enable achievement of the 2010/11 shareholder compact targets and the corporate plan. In the new financial year the Department plans to introduce private sector participation in rail through operating concessions on the branch lines network. The successful implementation of the branch lines strategy will result in a viable secondary network that can feed the core network with freight flows.

## Programme Performance

### VOTED FUNDS

2009/10					
Programme	Adjusted Appropriation	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation
	R'000	R'000	R'000	R'000	%
1. Administration	90 502	90 502	86 999	3 503	96.1%
2. Energy and Broadband Enterprises	1 959 192	1 959 965	1 958 790	1 175	99.9%
3. Legal, Governance, Risk and Transactions	147 379	147 379	145 793	1 586	98.9%
4. Manufacturing Enterprises	199 335	199 003	198 068	935	99.5%
5. Transport Enterprises	1 568 730	1 568 659	1 568 656	3	100.0%
6. Joint Project Facility	26 022	25 652	24 986	666	97.4%
<b>TOTAL</b>	<b>3 991 160</b>	<b>3 991 160</b>	<b>3 983 292</b>	<b>7 868</b>	<b>99.8%</b>
Responsible Minister	Minister of Public Enterprises				
Administering Department	Department of Public Enterprises				
Accounting Officer	Director-General of Public Enterprises				



## AIM OF VOTE

The aim of the Department of Public Enterprises is to provide effective shareholder management of State Owned Enterprises that report to the Department and support and promote economic efficiency and competitiveness for a better life for all South Africans.

## KEY MEASURABLE OBJECTIVES, ACHIEVEMENTS AND PROGRAMMES

### SELECTED PERFORMANCE INDICATORS:

The table below reflects the Selected Performance Indicators for the department for the year under review

	PROGRAMME NAME(S)	Achieved	
		2009/10	2009/10
<b>Number of shareholder compacts signed</b>	Energy & Broadband Enterprises; Legal, Governance, Risk and Transactions; Manufacturing Enterprises; Transport Enterprises	9	6*
<b>Number of new corporate plans reviewed</b>	Energy & Broadband Enterprises; Legal, Governance, Risk and Transactions; Manufacturing Enterprises; Transport Enterprises	9	9
<b>Number of quarterly financial reviews</b>	Energy & Broadband Enterprises; Legal, Governance, Risk and Transactions; Manufacturing Enterprises; Transport Enterprises	36	27**
<b>Number of projects each year</b>	Joint Project Facility	8	12***
<p><b>Variances</b></p> <p><b>#2009/10 amendment to Selected Performance Indicators published in 2009 Estimates of National Expenditure (ENE):</b> The amendment to the 2009/10 figures published in the ENE for that year is as a result of South African Express Airways having been transferred to the DPE post publication.</p> <p><b>*Shareholder compacts:</b></p> <p><b>Denel</b> was not signed due to identified governance concerns which have subsequently been addressed. This has been resubmitted to the Minister for signature.</p> <p><b>PBMR</b> was not signed as a result of a shareholders agreement not being finalised, but a set of KPIs was agreed and reported on.</p> <p><b>Alexkor</b> was not signed as intergovernmental consultations continued on the definition of role and form of Alexkor post-PSJV. 2008/09 shareholder compact remained effective with main objectives listed below:</p> <ul style="list-style-type: none"> <li>• continue operation as a going concern and improvement of financial and operating ratios</li> <li>• to give effect to the provisions of the Deed of Settlement and Unanimous Resolution</li> </ul> <p><b>**Quarterly Financial Reviews:</b></p> <p>All quarterly financial reviews were completed for the first three quarters for the period under review. The 4th quarter reviews are incorporated into the SOE final financial statements at the end of the financial year</p> <p><b>***Increase in Projects Joint Projects Facility</b> – additional projects emerged during the period under review which is reported on in the programme overview</p>			

## ACHIEVEMENTS

In addition to the above, the following projects and events are reported:

- Logical planning, monitoring and evaluation framework guidelines and reporting calendar developed
- A quantitative capital structure decision-making framework which enables consistent assessment of the capital requirements of the SOE has been developed
- The IMC on Energy was established to develop a coherent strategy for energy requirements going forward
- Infracore awarded ECNS licence
- National Corridor Performance Management project initiated
- Transnet economic impact study completed
- CSDP dashboard developed.

## OVERVIEW OF THE SERVICE DELIVERY ENVIRONMENT FOR 2009/10

The Department of Public Enterprises does not deliver any services.

## OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT FOR 2009/10

The Director-General resigned during the period under review. An Acting Director-General was appointed from within the department to caretake this post until a new Director-General is appointed. The department has initiated a recruitment process to fill this post.

## STRATEGIC OVERVIEW AND KEY POLICY DEVELOPMENTS FOR THE 2009/10 FINANCIAL YEAR

There were no major policy developments relating to the Department of Public Enterprises during 2009. However, an Inter-Ministerial Committee was established to finalise a consistent government policy regarding the management of State Owned Enterprises into the future. The Department's work on the shareholder management model will form a key input into the deliberations of this Committee.

## POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

No major policy or legislative changes occurred during the period under review that affected the operations of the department.

## DEPARTMENTAL REVENUE, EXPENDITURE AND TRANSFER PAYMENTS

Departmental revenue and expenditure are detailed in the Accounting Officer's Report under: Spending trends.

## TRANSFER PAYMENTS

### ALEXKOR

An amount of R129.1 million was allocated and transferred to Alexkor, which consisted of R29.1 million for the development of the township and R100 million for the establishment and capitalisation of the Pooling and Sharing Joint Venture (PSJV). The entity provides quarterly financial and performance reports to the department in terms of Section 38(1)(j) of the PFMA and Treasury Regulation 8.4.1.

### DENEL

An amount of R191.9 million was allocated to Denel for the payment of an indemnity granted to Denel/Saab Aerostructures. Denel reports to the department on a monthly and quarterly basis on financial and strategy implementation progress in terms of Section 38(1)(j) of the PFMA and Treasury Regulation 8.4.1.

### BROADBAND INFRACO

An amount of R208.5 million was allocated and transferred to Broadband Infraco for the expansion of South Africa's ICT infrastructure. The entity reports quarterly to the department in terms of Section 38(1)(j) of the PFMA and Treasury Regulation 8.4.1.

### PEBBLE BED MODULAR REACTOR (PBMR)

An amount of R1.7 billion was allocated and transferred to the PBMR for designing, building and prototyping the PBMR technology. The entity reports monthly and quarterly to the department and National Treasury in terms of Section 38(1)(j) of the PFMA and Treasury Regulation 8.4.1 on financial and operational matters.





## SOUTH AFRICAN AIRWAYS (SAA)

An amount of R1.549 billion was transferred to South African Airways for conversion of a guaranteed subordinated loan into equity to reduce SAA's debt. The entity reports quarterly to the department in terms of Section 38(1)(j) of the PFMA and Treasury Regulation 8.4.1.

ENTITY	TOTAL BUDGET (Rand)	EXPENDITURE (Rand)	REMAINING BUDGET (Rand)	% OF TOTAL BUDGET USED
Alexkor	129,090,000	129,090,000	-	100.00
Denel	191,866,000	191,865,684	316	100.00
Broadband Infracore	208,530,000	208,530,000	-	100.00
Pebble Bed Modular Reactor	1,737,750,000	1,737,750,000	-	100.00
South African Airways	1,549,080,000	1,549,080,000	-	100.00

## ASSET MANAGEMENT PLAN

The Department does not have any fixed capital assets to maintain therefore no capital investment and asset management plan has been developed.

## ASSET MANAGEMENT

The Department does not control any fixed and/or significant movable assets. The Department's movable asset management report is detailed under Section 11 of the Accounting Officer's Report.

## PROGRAMME PERFORMANCE

The activities of the Department of Public Enterprises are organised in the following Programmes:

- Programme 1: Administration
- Programme 2: Energy and Broadband Enterprises
- Programme 3: Legal, Governance, Risk and Transactions
- Programme 4: Manufacturing Enterprises
- Programme 5: Transport Enterprises
- Programme 6: Joint Project Facility

The purpose of these programmes is reported per programme below.

## PROGRAMME 1: ADMINISTRATION

### PURPOSE

Provides overarching management and key supporting functions and processes in order for the department to achieve its strategic objectives. The programme consists of the Ministry, the Office of the Director-General (which includes the Office of the Chief Investment and Portfolio Manager) as well as Corporate Services with its sub programmes: human resources, information technology, financial management, facility management, secretariat, knowledge centre, internal audit and communications, as well as property management.

During the year, the programme aimed to achieve the following measurable objectives:

### OFFICE OF THE CHIEF INVESTMENT AND PORTFOLIO MANAGER

Applies a portfolio approach to the management and shareholder investment of all SOE falling under the purview of the DPE and provides a specialist advisory role in SOE transactions to ensure efficient structuring to drive shareholder value across the SOE portfolio.

## OBJECTIVES AND MEASURES

- Synchronised logical planning, monitoring & evaluation process
- SOE performance monitoring and shareholder risk management
- DPE capital structure framework
- Portfolio equity interest & contingent liability exposure management
- Investment policy and sources of capital funding
- Economic & regulatory cohesion for network infrastructure
- Specialist transaction input and advice
- Richtersveld Deed of Settlement implementation
- Redirection of Alexkor's commercial focus & sustainability.

DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
CIPM	Synchronised logical planning, monitoring and evaluation process	Logical Planning, Monitoring and Evaluation framework guideline and Logical Planning, Monitoring and Evaluation calendar  Guidelines for SOE corporate plan contents and format	<ul style="list-style-type: none"> <li>• Develop a Logical Planning, Monitoring and Evaluation framework guideline and Logical Planning, Monitoring and Evaluation calendar</li> <li>• Develop Guidelines for SOE corporate plan contents and format</li> </ul>	<ul style="list-style-type: none"> <li>• Logical Planning, Monitoring and Evaluation Framework Guidelines and Logical Planning, Monitoring and Evaluation Calendar developed</li> <li>• Guidelines for SOE corporate plan contents and format developed</li> </ul>
	SOE performance monitoring and shareholder risk management	<i>Isibuko</i> Dashboard and reporting and risk management framework for detection, monitoring and mitigation of cross-cutting shareholder risks	<ul style="list-style-type: none"> <li>• Fully populated <i>Isibuko</i> Dashboard and reporting</li> <li>• Benchmarking – industry, sector and national economy</li> <li>• DPE Board Meetings and Portfolio Level Assessment</li> <li>• Investor briefs to board on performance assessments</li> <li>• Risk management framework for detection, monitoring and mitigation of cross-cutting shareholder risks</li> </ul>	<ul style="list-style-type: none"> <li>• SOE Dashboard enhancements to integrated infrastructure, CSDP, ESDA, property disposals, subsidiaries, guarantees, shares, economic indicators, correlations and sensitivities between SOE performance indicators and economic and other variables</li> <li>• DPE Board meetings held as scheduled. Reports covering financial, operational, capital investment, capitalisation, socio-economic and risk at SOE and portfolio level presented. SOE and portfolio performance reporting using Dashboard</li> <li>• Workshop held to identify and prioritise shareholder risks</li> </ul>

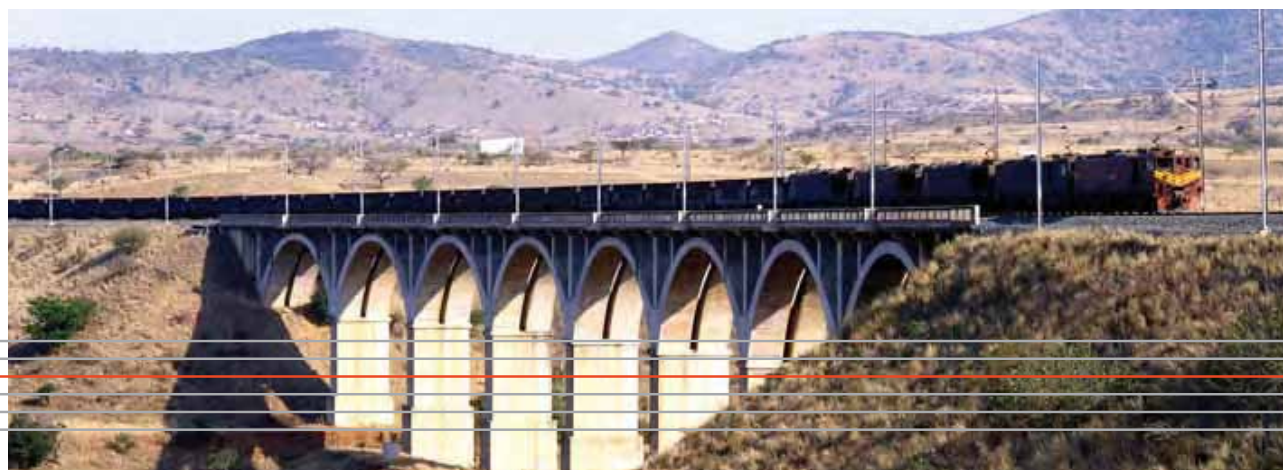
DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
	Capital structure framework	Capitalisation and dividend policy	<ul style="list-style-type: none"> <li>Develop quantitative capital structure framework</li> <li>Capital structure framework assessment for all SOE</li> </ul>	<ul style="list-style-type: none"> <li>Developed a quantitative capital structure decision making framework comprising a process and methodology that enables consistent assessment of the capital requirements of each SOE</li> <li>SAA, Transnet and Denel capital evaluation completed</li> <li>Model utilised in SAFCOL dividend and Eskom funding assessments</li> <li>National Treasury developing similar capital structure framework for all SOE, DPE and NT exploring synergies between approaches to ensure uniform framework with no duplication of effort</li> </ul>
	Portfolio equity interest and contingent liability exposure management	<ul style="list-style-type: none"> <li>Guidelines on share</li> <li>Subscriptions, shareholder loans and guarantees</li> <li>Shareholder minutes with up-to-date share subscription, shareholder loan and guarantee information</li> </ul>	<ul style="list-style-type: none"> <li>Develop guideline on share subscriptions, shareholder loans and guarantees</li> <li>Establish share, shareholder loans and guarantee office</li> <li>SOE MTEF applications (SOE in the economy, national funding priorities and measures to improve financial health)</li> </ul>	<ul style="list-style-type: none"> <li>Developed Guarantee and share office guidelines outlining a framework for issuing government guarantees, adequate monitoring and reporting of government guarantees, shareholder agreements, shareholder loans and share subscriptions and provide administrative practices for effective management of these instruments</li> <li>SOE MTEF applications submitted for Alexkor, PBMR and Denel</li> </ul>

“ Our lives begin to end the day we become silent about things that matter! ”

- Martin Luther King Jr



DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
	Investment Policy and sources of capital funding	Report on capital funding sources available and partnering options	Study of infrastructure funding required by SOE	Study undertaken of the different possibilities for facilitating infrastructure funding required by SOE with research into the funding models considered to be most appropriate and an information pack which includes a description of each funding model including example applications and perspective on the advantages and disadvantages of each in the SOE
	Economic and regulatory cohesion for network infrastructure	Report on economic and regulatory cohesion for network infrastructure	Study of the regulatory frameworks employed for infrastructure investment in order to determine the most appropriate approach and key interventions required for an efficient level of infrastructure investment by SOE to be attained	Not completed. Call for proposals to service providers issued. Service provider still to be appointed
	Specialist Transaction input and advice	Assessment, commentary and guidance to LGRT and SOE teams as and when required	Transaction advice and input on financial, legal and governance issues relating to SOE	Transactions executed: SAA Airbus A320 purchase agreement; WACS; Denel Airbus Military A400M transport aircraft; SAX; Eskom funding (World Bank and African Development Bank); Aviation Portfolio restructuring Assessment and guidance provided to LGT and SOE Teams as and when required



DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
ALEXKOR	Richtersveld Deed of Settlement implementation	<ul style="list-style-type: none"> <li>Title deed transferred</li> <li>Formally established Alexander Bay township</li> <li>RMC land mining rights</li> <li>Alexkor 10 year lease agreement</li> </ul>	Facilitate efficient implementation of Richtersveld Deed of Settlement <ul style="list-style-type: none"> <li>Transfer of land to Richtersveld community</li> <li>Formally established Alexander Bay township</li> <li>Transfer of Alexkor land mining rights to Richtersveld Mining Company</li> <li>Finalisation of Alexkor 10 year lease agreement</li> </ul>	<ul style="list-style-type: none"> <li>Alexkor and the State have transferred all land under the Richtersveld Settlement to the Community with the exception of the establishment of the township of Alexander Bay</li> <li>Sustainability review of the Alexander Bay engineering services infrastructure designs completed. Tender documents prepared for infrastructure upgrade. MTEF application made for funding shortfall</li> <li>Alexkor EMP amendments and mining rights conversion application submitted to DME submitted, awaiting approval</li> </ul>
	Redirection of Alexkor's commercial focus and sustainability	Alexkor strategic intent statement	Develop Alexkor strategic intent statement	<ul style="list-style-type: none"> <li>Intergovernmental consultations to develop new Alexkor strategic intent statement</li> </ul>
<p><b>Variiances</b></p> <p>Work on application of the capital structure evaluation model to each of the SOE to calculate ideal capital structure ranges for each of the SOE was delayed because of the assignment to assess Eskom's funding requirements.</p> <p>Economic and regulatory cohesion for network infrastructure project: Delays due to the appointment of the suitable service provider.</p> <p>Alexander Bay Township infrastructure upgrade delayed in order to undertake a sustainability review of the engineering services infrastructure designs to incorporate sustainable infrastructure technologies around energy, sanitation and water provision that are appropriate to the location, climate, needs and capacity of the Richtersveld Local Municipality. Sustainability review was completed and infrastructure upgrade proceeding on basis of review.</p> <p>Alexkor submitted application for conversion of mining rights to the Department of Mineral Resources in February 2009. Alexkor received verbal confirmation in December 2009 that the applications for the conversion and cession of the old order mining rights have been approved by DMR. Awaiting formal confirmation.</p> <p>Alexkor 2009/10 shareholder compact not signed as intergovernmental consultations continued on the definition of role and form of Alexkor post-PSJV. 2008/09 shareholder compact remained effective with main objectives:</p> <ul style="list-style-type: none"> <li>Continue operation as a going concern and improve financial and operating ratios</li> <li>Give effect to the provisions of the Deed of Settlement and Unanimous Resolution.</li> </ul>				

The sub-directorates **Finance, Corporate Services, Information Management and Communications** are responsible for the provision of administrative support services which enables the department to deliver on its organisational objectives in an environment where employees within the DPE are both motivated and empowered.

### **ACHIEVEMENTS DURING THE YEAR**

Sound financial management and a transparent and equitable procurement environment, adherence to prescribed processes and timeous submission of all relevant documentation to National Treasury.

A user friendly, reliable and secure IT environment as well as ensuring that the department conforms to minimum industry standards.

Ongoing management of initiatives intended to attract and retain critical skills in the department as well as focused training, development and scarce skills creation, e.g. the DPE Graduate Programme.

The ongoing retention of institutional memory in the department as well as the continuation of the project dealing with fully automated work flow systems.

Ongoing evaluation of critical enterprise risk management processes.

An enabling communications environment in which both internal and external communication has been effective. Initiation of a reputation analysis study for the department.

## **PROGRAMME 2: ENERGY AND BROADBAND ENTERPRISES**

### **PURPOSE**

The Energy and Broadband Enterprises Programme aims to align the corporate strategies of Eskom, Broadband Infracore and Pebble Bed Modular Reactor (PBMR) with Government's strategic intent, as well as to monitor the SOE financial and operational performance.

### **MEASURABLE OBJECTIVES**

During the year, the programme aimed to achieve the following measurable objectives:

- Continuously ensure the alignment of shareholder strategic intent in relation to State Owned Enterprises role in achieving sector and government objectives by reviewing the enterprises strategies and mandate with changes in sectoral policy and by evaluating business plans annually.
- Promote the alignment of State Owned Enterprises corporate strategies with government's strategic intent by evaluating corporate plans annually and advising Boards on material deviations.
- Monitor and benchmark the implementation of corporate plans and shareholder compacts with reference to financial and operational trends and targets by assessing shareholder and enterprise risks at least quarterly and advising boards on areas of concern.
- Monitor Eskom's generation adequacy by annually examining its maintenance and operational practices, distribution efficiency and the reserve margin.
- Ensure the delivery of new energy generation capacity by monitoring Eskom's capacity expansion programme through regular updates and interaction with Eskom and by engaging with stakeholders in the energy sector.





- Create an enabling policy and regulatory environment for the State Owned Enterprises by engaging with the Department of Energy and the National Electricity Regulator of South Africa in relation to new policies and regulations affecting Eskom.
- Monitor the implementation of the competitive supplier development programme to leverage off Eskom's capital expenditure in the development of local supplier industries by evaluating reports received from Eskom quarterly.
- Ensure that the west coast submarine cable system is ready for service in 2011 by monitoring the expansion of South Africa's ICT infrastructure and Broadband Infraco's participation in the west coast submarine cable system consortium.
- Contribute towards the reduction of broadband prices by:
  - monitoring Broadband Infraco's price reports annually interacting with the industry and;
  - monitoring Broadband Infraco's corporate plans.

DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
<b>ICT Broadband Sector</b>	Oversight of Broadband Infraco	Annual Reports, Corporate Plan	Annual Assessment	Annual Assessment completed as planned
		Shareholder Compact with Broadband Infraco	Conclusion by end of April each year	Shareholder Compact to be concluded in June 2010
		Achievement of MTEF targets by Broadband Infraco	<ul style="list-style-type: none"> <li>• Monthly, quarterly and annual monitoring</li> <li>• Assessment of PFMA Section 54 Applications</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly, quarterly and annual monitoring completed as planned</li> <li>• Applications were assessed as planned</li> </ul>
	Special Programmes	Assessment of Infraco's impact on Broadband pricing in South Africa	Analyse Infraco's impact on pricing and produce a report	Analysis of industry results on South African Broadband pricing completed

MULTI-STAKEHOLDER INITIATIVES					
Sub-programme	Output	DPE Role	Measure / Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
<b>ICT Broadband Sector</b>	Expand South Africa's ICT infrastructure to enhance the ICT capacity and lower costs	Monitor the capital programmes, operations, financials and risk management for expansion	Completion of planned capital programmes and rollout of the National Long-Distance Network	Quarterly assessment	Quarterly assessment completed as planned
	Complete construction of the SA-Europe submarine cable	Monitoring of the construction of West African Cable System (WACS) project	The project will be monitored according to project definition, schedule performance index and cost performance index	To be completed by mid 2011	Ongoing

DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
<b>Energy</b>	Oversight of Eskom	Annual Reports, Corporate Plan	Annual Assessment	Annual Assessment completed as planned
		Shareholder Compact with Eskom	Conclusion by end of April each year	Signed in July 2009
		Achievement of MTEF targets by Eskom	<ul style="list-style-type: none"> <li>Monthly, quarterly and annual monitoring</li> <li>Assessment of PFMA Section 54 Applications</li> </ul>	<ul style="list-style-type: none"> <li>Monthly, quarterly and annual monitoring completed as planned</li> <li>Applications were assessed as planned</li> </ul>
	Monitoring Eskom's capacity expansion programme	Timeous delivery of new capacity	Capacity delivery as per plan	<ul style="list-style-type: none"> <li>Procurement and delivery of new build tracked on a quarterly basis</li> <li>Interventions made to prevent delays</li> <li>Funding with African Development Bank loan of €1.8bn</li> <li>Facilitate in ensuring that Eskom secures additional funding for the committed Build Programme programme</li> </ul>

MULTI-STAKEHOLDER INITIATIVES					
Sub-programme	Output	DPE Role	Measure / Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
<b>Energy</b>	Contribute to improving the electricity distribution infrastructure in South Africa	Facilitate Eskom's assistance to smaller municipalities and regional electricity distributors	Report of assistance provided to smaller municipalities and regional electricity distributors	Assist smaller municipalities with infrastructure, maintenance and refurbishment	Report of assistance provided to municipalities
Ongoing and is addressed through the Inter-Ministerial Committee (IMC) on energy process					

DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
<b>Nuclear</b>	Oversight of PBMR	Corporate Plan	Annual Assessment	<ul style="list-style-type: none"> <li>Annual Assessment completed as planned</li> <li>PBMR business model review currently underway</li> </ul>
		Shareholder Compact with PBMR	Conclusion by end of April each year	Ongoing - DPE legal team and PBMR
		Achievement of MTEF targets by PBMR	<ul style="list-style-type: none"> <li>Monthly, quarterly and annual monitoring</li> <li>Assessment of PFMA Section 54 Applications</li> </ul>	Assessment completed as planned

MULTI-STAKEHOLDER INITIATIVES					
Sub-programme	Output	DPE Role	Measure / Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
<b>Nuclear</b>	PBMR's Rationalisation	Monitor and facilitate the implementation of rationalisation plan	Monitor the rationalisation of PBMR with the intention of preserving critical skills and intellectual property	Facilitate intergovernmental oversight committee meetings on PBMR to ensure preservation of skills and IP	Monthly meetings being held and progress on the restructuring is being monitored

## PROGRAMME 3: LEGAL, GOVERNANCE, RISK AND TRANSACTIONS

### PURPOSE

To provide effective and sound legal advice to the Department that highlights and manages potential legal risks; and to develop effective corporate governance frameworks that will promote transparency and good corporate governance by SOE.

### MEASURABLE OBJECTIVES

Legal and Litigation services provides legal services for all commercial transactions involving the department including but not limited to unbundling, shareholder support and the establishment of State Owned Enterprises.

Governance develops corporate governance and shareholder management frameworks to improve adherence to good corporate governance principles in State Owned Enterprises.

### OUTCOMES

- Transfer of Telkom shares (previously held in Diabo Trust) to intended beneficiaries
- Finalise winding up of Aventura
- Establishing frameworks to contribute to the corporate governance of strategic State Owned Enterprises over the MTEF period
- Implementing shareholder guidelines on remuneration of SOE Board and annual SOE governance audit
- Provide an integrated service to the department that is output driven and will ensure adequate legal risk management adherence to corporate governance controls and systems
- Developing a legal, regulatory and governance compliance framework
- Monitoring of SOE adherence to corporate governance principles.
- Development of Shareholder management practices:
  - Owner's manual
  - Board code of conduct
  - Generic shareholders agreements and founding documents.
- Governance advice and support to internal SOE teams on:
  - Annual General Meetings
  - Board inductions
  - Board appointments
  - Shareholder compacts.

MULTI-STAKEHOLDER INITIATIVES					
Sub-programme	Output	DPE Role	Measure / Indicator of DPE Role	Actual Performance against Target	
				Targets	Actual
<b>Legal and Litigation</b>	Transfer of Telkom shares (previously held in Diabo Trust) to intended beneficiaries	Member of Cabinet-approved Steering Committee to pay out beneficiaries and deregister the Trust	Successful winding up and deregistration of Trust	<ul style="list-style-type: none"> <li>• Transfer Trust assets to Government</li> <li>• File for deregistration of Trust</li> <li>• Trace and payout beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiated, after protracted discussions and delays, agreed with Trustees to accept indemnity stipulated in clause 23 of the Trustee deed. Trustees agreed to transfer Trust assets</li> <li>• Service provider appointed. Over-seeing service provider to warehouse shares for Trust beneficiaries</li> <li>• Reached agreement with Steering Committee on the procedure, entity and process that should be followed to trace outstanding beneficiaries</li> </ul>
	Winding up of Aventura	Prepare company and ensure winding up of Aventura	Successful winding up of Aventura	<ul style="list-style-type: none"> <li>• Transfer remaining Plettenberg Bay property</li> <li>• Conduct due diligence on all properties registered in Aventura name</li> <li>• Obtain finalisation of Annual Financial statements 2004 – 2008</li> <li>• Realisation of assets and liabilities</li> <li>• Registration of special resolution</li> </ul>	<ul style="list-style-type: none"> <li>• Received and submitted Audited annual financial statements from Aventura from 2004 – 2008</li> <li>• Appointed service providers to conduct a due diligence on Aventura properties and assist in preparing the company for winding up</li> <li>• Prepared consent and certificate from Minister of Public Enterprises to Ministers of Public Works and Finance to transfer Plettenberg Bay to Forever Resorts</li> </ul>



MULTI-STAKEHOLDER INITIATIVES					
Sub-programme	Output	DPE Role	Measure / Indicator of DPE Role	Actual Performance against Target	
				Targets	Actual
<b>Legal and Litigation</b>	Eskom Guarantee	Request from and execute Eskom guarantee with concurrence of Minister of Finance	Executed Guarantees	Drafting and conclusion of Eskom Guarantee to support the Capital expenditure programme	Negotiated, prepared and advised Minister on the Eskom Guarantee Framework Agreement and the Eskom Guarantee which were approved and executed by Minister, Eskom and the Minister of Finance
	Establishment of Regional Electricity Distributors (REDs)	Support Department of Energy and provide legal input on the establishment of REDs	Establishment of Regional Electricity Distributors (REDs)	Provision of input on the Bill by the Department	Provided input on proposed Constitutional amendments to facilitate establishment of REDs which is currently under review by Department of Energy
	Eskom AfDB (African Development Bank) Loan and Guarantee	Support Eskom in obtaining loan and request from and execute Eskom guarantee with concurrence of Minister of Finance	Executed Guarantees	Drafting and conclusion of African Development Bank Loan and Guarantee to support the Capital expenditure programme	Negotiated with Eskom AfDB Loan and Guarantee, which was signed by Minister and Minister of Finance
	Legal support on Broadband Infraco	Input into Department of Communications licensing process for Infraco and support Infraco license application	Issuing of license to Infraco	<ul style="list-style-type: none"> <li>Interaction with ICASA</li> <li>Obtain approval from Minister</li> </ul>	<ul style="list-style-type: none"> <li>Supported Infraco, extensively interacted with ICASA and advised Minister and Department on the issue of the ECNS license to Infraco</li> <li>Advised Minister on the Ministerial Directions from Minister of Communications relating to the granting of an ECS license for Infraco</li> </ul>

MULTI-STAKEHOLDER INITIATIVES					
Sub-programme	Output	DPE Role	Measure / Indicator of DPE Role	Actual Performance against Target	
				Targets	Actual
<b>Legal and Litigation</b>	Compliance with Ports Act	Provide legal support to Transnet and Department of Transport on implementation of Ports Act	<ul style="list-style-type: none"> <li>Review validity of Port Regulations vs. port limits</li> <li>Review of Ports Act</li> </ul>	<ul style="list-style-type: none"> <li>Resolve port limits issue in sustainable manner</li> <li>Recommended date for conversion process and corporatisation of Transnet National Ports Authority</li> </ul>	<ul style="list-style-type: none"> <li>Resolution of port limits issue following legal opinion</li> <li>Obtained senior counsel advice and prepared and drafted proposed amendments of the corporatisation clause (chapter 2) of the National Ports Act, 2005</li> <li>The amendments to the Ports Act are currently under consideration by the Department of Transport</li> </ul>
	Claim for R2.2 Billion by Umthunzi against Government and Transnet	Second Respondent	Defending matter in court during trial	Receive trial date and brief counsel to prepare defence for court	Umthunzi and Transnet settled the matter out of court
	Alexkor	Second Respondent	Successful defence or settlement of court action	Successful settlement of court action	Matter in abeyance
	Londoloza Parhapur (new summons issued in March 2009)	Second Respondent	Successful defence or settlement of court action	<ul style="list-style-type: none"> <li>Receive and review plaintiffs' amended particulars of claim</li> <li>The plaintiff amended the particulars of claim</li> </ul>	Plaintiffs requested to amend their particulars of claim but failed to meet high court rules deadlines and subsequently requested an extension to the prescribed deadlines
	PBMR	Party to the agreement	Signed and concluded agreements adequately protecting Government's legal rights and mitigating legal risks	Signed and concluded agreements adequately protecting Government's legal rights and mitigating legal risks	<ul style="list-style-type: none"> <li>Preliminary inputs and comments on draft agreements provided</li> <li>Transaction preceded by restructuring of PBMR</li> </ul>

DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
Legal and Litigation	Equity Alliance	Successful defence or settlement of court action	<ul style="list-style-type: none"> <li>The plaintiff amending the particulars of claim</li> <li>File a plea after the amended particulars of claim</li> </ul>	The Department filed a notice of intention to defend
	Debt Recovery	Assist the Department in debt recovery	<ul style="list-style-type: none"> <li>Tracing debtor</li> <li>Letter of demand</li> <li>Obtain acknowledgment of debt</li> <li>Instructions to State Attorneys to issue summons</li> <li>Obtain judgment if the debt is not paid</li> </ul>	2 matters were dealt with and both debts were successfully recovered
	In-house	<ul style="list-style-type: none"> <li>Enactment of legislation into law</li> <li>Successful resolution of the legal action</li> </ul>	Provide responsive and sound legal advice to internal clients	<ul style="list-style-type: none"> <li>Assisted HR with the review of the performance management system</li> <li>Drafted and vetted 69 agreements</li> <li>Managed proceedings instituted by/against the department</li> </ul>
	Section 54 PFMA applications	SOE adherence to PFMA	Recommendation to Minister and response to SOE on application in line with applicable law and transaction guidelines	20 applications approved, 3 applications returned to SOE for incomplete information
	Owner's Expectation Manual	Clear statement of Government's shareholder expectations and strategic intent to ensure achievement of government strategic objectives	Submit manual for Minister's and Cabinet approval	Manual drafted



DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
Governance	Governance Audit	<ul style="list-style-type: none"> <li>Implementation of shareholder governance audit process</li> <li>Report to Cabinet on all SOE</li> </ul>	Governance process and application audit of SOE	<ul style="list-style-type: none"> <li>Ensured supply of information on SOE subsidiaries as part of the governance audit</li> <li>Advised Minister on composition of SOE Boards and terms of Board members</li> <li>Reviewed and advised on SOE governance systems on dashboard</li> </ul>
	Director's and Board Induction	Ensure that Non-executive directors aware of shareholder expectations – to exercise duties in accordance with shareholder expectations, governments policies and applicable legislation	Conduct Board inductions of all new SOE Board members	Conducted SAA Board Induction
	Review Board Remuneration	Board remunerated in accordance with competencies and SOE profile	Review Board remuneration guidelines from service provider	<ul style="list-style-type: none"> <li>Finalised and submitted updated remuneration guidelines</li> <li>Prepared TORs and appointed service provider to support and provide secretariat services to the Remuneration Panel</li> <li>Remuneration Guidelines updated and submitted to Minister for approval</li> </ul>





DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
Governance	Government Shareholder Management Model	Develop SOE legislative and regulatory frameworks to provide for the legislative environment within which the SOE operate	<ul style="list-style-type: none"> <li>Legislative Review</li> <li>Develop SOE legislative and regulatory frameworks to provide the legislative environment within which the SOE operate</li> <li>Implement Companies Act</li> <li>Corporate governance tools (e.g. standard Memorandum of incorporation) for all SOE</li> <li>Provide support to the Inter-Ministerial Oversight Committee</li> </ul>	<ul style="list-style-type: none"> <li>Prepared TORs and appointed a service provider to provide a legislative comparison between the Companies Act (both old and new) and the PFMA</li> <li>Approval of TORs for the Oversight Committee</li> <li>Drafted and submitted to Minister Board database framework</li> </ul>
	SOE, AGMs and Board Appointments	Successful exercise of shareholder rights and communication of shareholder expectations and alignment of Government's strategic intent with SOE corporate and Board mandate	Advise Minister on SOEs annual performance and adherence to corporate governance and legislative compliance	Assisted SOE teams with advising Minister on AGMs and Board appointments
	Board Performance Evaluation	Adherence to corporate governance principles	<ul style="list-style-type: none"> <li>Review Board Performance</li> <li>Submit guidelines and Evaluation questionnaires for Minister's approval</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed and advised on SOE Board assessments for (SAX, Safcol, Denel, SAA and Infracore)</li> <li>Prepared and submitted SOE CEO appointment Guidelines to Minister</li> <li>Prepared and submitted SOE Board performance evaluation questionnaire</li> </ul>

“ We need to think of the future and the planet we are going to leave to our children and their children. ”

- Kofi Annan

## PROGRAMME 4: MANUFACTURING ENTERPRISES

### PURPOSE

To align and timeously monitor the corporate strategies and performance of Denel and the South African Forestry Company Limited against Government's strategic intent and performance targets.

### OBJECTIVES AND MEASURES

- Ensure that Denel and SAFCOL achieve their targets by the end of the MTEF period by monitoring and annually assessing their financial and operational performance against targets set in the shareholder compact
- Assist in returning Denel to profitability by 2011/12 by:
  - Monitoring their performance and implementation of key strategic interventions
  - Facilitating the achievement of a target of 60 percent to 70 percent of domestic defence spend directed towards the local industry.
- Improve the efficiency and effectiveness of the defence industry in South Africa by further managing the strategic alignment of the Department of Defence and the Department of Public Enterprises
- Support the development of the advanced manufacturing sector, defence related or otherwise, by aligning Denel's strategy to key industrial development policies
- Establish a clear role for SAFCOL within South Africa's forestry sector in light of the Land Claims Process.

DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
Defence	Enable Denel's Strategic Role in the provision of Defence Capabilities	Submission of follow up Denel End-State cabinet memorandum to win political support for Denel's Future State	Progress on implementation of Denel Future State, especially in areas requiring buy-in from DoD	Process is underway to align Denel's capabilities with the DoD's strategic requirements. This is contingent upon the DoD finalising its Military Strategy
		Securing long-term orders and funding thereof (incl. for Non-Recurring Costs) to retain critical mass and capabilities within strategic and sovereign Business Units (BU)	<ul style="list-style-type: none"> <li>• Retention of strategic and sovereign capabilities in areas agreed to with DoD</li> <li>• Programme delivery to SANDF on agreed programs and contracts</li> </ul>	Not much improvement, but Denel continued to perform within the international benchmark of 85% success rate securing for long-term orders
	Enable Denel's Strategic Economic role in promoting advanced manufacturing	Strategic review of each Denel Business Unit with an emphasis on maximising industry impact, share of value add done locally strengthening domestic supply chains and aligning Denel's business strategies to relevant advanced manufacturing sector development strategies (e.g. TSAPRO, Aerospace strategy etc.)	<ul style="list-style-type: none"> <li>• Concepts and scoping of initiatives to improve Denel's industrial impact and deepening of local supply chains</li> <li>• Begin fulfilling pre-requisites and detailed implementation plans for priority initiatives</li> </ul>	Not achieved. Going concern challenges facing Denel made it difficult for the SOE to leverage its capability for industrial impact. However, Denel continued to strive to achieve over 50% local content

DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
Defence		Implementation of a procurement organisational certification as a means to align procurement with CSDP objectives	<ul style="list-style-type: none"> <li>Finalise proposal with CIPS</li> <li>Obtain buy-in from SOE and raise requisite funding</li> <li>Implement project as per proposal</li> </ul>	Not achieved. Funding was not secured for this project
	Enabling Denel's Business Sustainability	Resolution of Denel's liquidity issues (e.g. rolling over of existing guarantees etc.)	Roll over of existing guarantees and securing new guarantees to meet funding shortfall for the current financial year	<ul style="list-style-type: none"> <li>The R1.3 billion government guarantee was rolled over to March 2011</li> <li>Further R550 million government guarantee was approved. The guarantee expires in July 2010</li> </ul>
		Resolution of Denel's going concern status and long-term solvency issues	On time submission of recapitalisation application to National Treasury	No recapitalisation made available to Denel. Government guarantees provided to protect solvency
		Implementation of Denel SAAB Aerostructures (DSA) turnaround	Visible improvement in Denel SAAB Aerostructures financial and operational performance	Not achieved. The delays in the A400M programme had a material impact on the financial condition of the business
		Oversee conclusion and execution of equity transaction in Denel Dynamics Missiles	<ul style="list-style-type: none"> <li>Strategic due diligence of proposed transaction</li> <li>Review of PFMA application</li> </ul>	<ul style="list-style-type: none"> <li>Strategic due diligences were done on Pretoria Metal Pressings and Denel Dynamics Missiles</li> <li>The PFMA application for Denel Dynamics Missiles equity transaction with a global missiles company was processed and approval was granted subject to certain conditions being met</li> <li>Intragovernmental consultations to find a workable solution to the definition of National Strategic Capability</li> </ul>
		Oversee consolidation within the landward sector	<ul style="list-style-type: none"> <li>Position paper and implementation plan for achieving landward consolidation</li> <li>Implementation of proposed consolidation strategy</li> </ul>	<ul style="list-style-type: none"> <li>Difficulties experienced in reaching consensus with industry players on this proposal</li> <li>Denel is going public for a request for information (RFI) which will then be followed by a request for proposals (RFP)</li> </ul>

DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
Denel		Development of new business/growth strategy for Denel	Alignment on Roles and Responsibilities in marketing Denel capabilities and products	Not achieved. No framework was agreed with Denel
		<ul style="list-style-type: none"> <li>Improved performance monitoring of Denel's BU with an emphasis on               <ul style="list-style-type: none"> <li>Outcomes and expenditure of on-going R&amp;D projects</li> <li>Performance on key programmes and contracts</li> <li>Training and skills development and succession planning</li> </ul> </li> </ul>	Agreed set of KPIs aligned to Strategic Intent Statement and shareholder compact	KPIs were agreed with Denel and were included in the 2010/11 Shareholders Compact
	Enabling Denel's Business Efficiency	<ul style="list-style-type: none"> <li>Improved performance monitoring of Denel's BU with an emphasis on               <ul style="list-style-type: none"> <li>Tracking and external benchmarking of key efficiency ratios</li> </ul> </li> </ul>	Year on year improvement in profit margins (gross, operating and net)	Not achieved. Declining local orders and the general economic slowdown hampered financial performance
	Enabling Denel's Developmental Contribution	Improved performance monitoring of Denel's BU with an emphasis on components of the BEE scorecard	Year on year improvement in BEE rating of Denel Business Units	Achieved. Denel set itself a B-BBEE rating of 5 in this financial year
	Assessment of Board Strength	<ul style="list-style-type: none"> <li>Develop framework for Denel Board Composition analysis</li> <li>Collect necessary data and information</li> <li>Perform assessment of current board</li> <li>Make recommendations regarding board composition (retirees, additions and replacement)</li> <li>Compile memorandum to DG</li> </ul>	Assessment of the suitability of Denel Board composition, identifying any weakness or gaps and making recommendations on corrective action	Achieved. A process is underway to strengthen the Board
	Shareholder's Compact 2008/09	<ul style="list-style-type: none"> <li>Strategic Intent Statement and KPIs</li> <li>Closure on compact</li> </ul>	Memorandum: Input to Compact; Board signature	Shareholder's compact signed by Minister and the Denel Board
	Annual Report Assessment	<ul style="list-style-type: none"> <li>Analysis of Group:               <ul style="list-style-type: none"> <li>Financial performance</li> <li>Strategy implementation</li> <li>Operations</li> </ul> </li> </ul>	Memorandum: Aide Memoire for AGM	Memorandum signed by Minister



DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
Denel	SOE 5 year review	<ul style="list-style-type: none"> <li>Analysis of Denel 5 year performance:               <ul style="list-style-type: none"> <li>Financial performance</li> <li>Strategy implementation</li> <li>Operations</li> </ul> </li> </ul>	Memorandum: 5 year review of Denel's performance	Publication process has not yet begun
	Monthly Report	<ul style="list-style-type: none"> <li>Analysis of Group:               <ul style="list-style-type: none"> <li>Financial performance</li> <li>Strategy implementation</li> <li>Operations</li> </ul> </li> </ul>	Monthly report memo	Monthly reports were assessed
	Quarterly Report (Q1,2,3,4)	<ul style="list-style-type: none"> <li>Analysis of Group and divisions:               <ul style="list-style-type: none"> <li>Financial performance</li> <li>Strategy implementation</li> <li>Operations</li> <li>1 page Investor Brief to Board</li> </ul> </li> </ul>	Investor report (note as a quarter report and monthly report are often combined)	Quarters 1, 2, 3 were assessed and memoranda submitted to Minister
	DPE Board Presentation	Presentation to DPE Board on Denel quarterly performance, results and analysis	Presentation to the DPE Investment Committee	Completed and up to date at end of 3rd quarter of 2009/10
	Dashboard	Populate and update data and analysis	Updated dashboard	Completed and up to date at end of 3rd quarter of 2009/10
	AGM	<ul style="list-style-type: none"> <li>Annual review:               <ul style="list-style-type: none"> <li>Input into AGM agenda</li> <li>Review board composition</li> <li>Review of:                   <ul style="list-style-type: none"> <li>Financial performance</li> <li>Strategy implementation</li> <li>Operations</li> </ul> </li> </ul> </li> </ul>	Memorandum	Completed
	Corporate Plan	<ul style="list-style-type: none"> <li>Analysis of:               <ul style="list-style-type: none"> <li>Financial forecasts</li> <li>Strategy plan</li> </ul> </li> </ul>	Memorandum on Corporate Plan	Corporate Plan for 2010/11 financial year analysed
	Input into assessment of PFMA section 54 applications	Economic/business assessment	Section 54 (2) memo	<ul style="list-style-type: none"> <li>The following PFMA Section 54 (2) applications were assessed:               <ul style="list-style-type: none"> <li>MBDA equity transaction</li> </ul> </li> </ul>
	DSA Indemnity Agreement	<ul style="list-style-type: none"> <li>Audit Submitted Claim</li> <li>Make payment against audited claim</li> </ul>	Claim and accompanying memorandum	All claims were audited and treasury cabinet memo finalised
	Referrals from Minister and DG	Drafting of briefing and letter	Decision or briefing memo as required	Completed as required
Parliamentary questions	Draft/review response	Answer to parliamentary question	Completed as required	

DPE OVERSIGHT				
Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
<b>Denel</b>	Review of Cab Memos	<ul style="list-style-type: none"> <li>Research topic</li> <li>Write-up memo</li> </ul>	Decision or briefing memo, as required	Not required during the period under review
<ul style="list-style-type: none"> <li>Reasons for variance: Definition of Denel's strategic role and business sustainability is contingent upon the DoD finalising its Military Strategy</li> </ul>				

Sub-programme	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
<b>Forestry</b>	Oversight: SAFCOL	Corporate plan	Annual Assessment	Finalised
		Shareholder Compact with SAFCOL	Conclusion by end of April each year	Finalised
		Achievements of MTEF targets by SAFCOL	<ul style="list-style-type: none"> <li>Monthly, quarterly and annual monitoring</li> <li>Assessment of PFMA Section 54 applications</li> </ul>	<ul style="list-style-type: none"> <li>SAFCOL met its net profit targets set in its 2008/09 corporate plan</li> <li>Application for Fibre Project rejected</li> </ul>
Reasons for Variance between Target and Actual				
<i>Not applicable.</i>				

## PROGRAMME 5: TRANSPORT ENTERPRISES

### PURPOSE

**Transport** provides oversight for Transnet's capital expansion programme and its transformation into a focused freight transport company and the effective operation of its business units namely: Freight Rail, Rail Engineering, Pipelines, Port Terminals and National Ports Authority.

**Aviation** monitors SAA's transformation into a commercially successful national carrier that will contribute to the development of trade and tourism domestically and the rest of Africa, as well as oversee the establishment of South African Express as a regional carrier with a focus on the African market.

### OBJECTIVES AND MEASURES

- Ensure that the corporate strategies of the State Owned Enterprises are aligned with Government's strategic intent by reviewing these strategies when necessary, and evaluating business plans annually.
- Ensure that corporate strategies and shareholder compacts are implemented as intended by benchmarking and monitoring the financial, operational and infrastructure trends and targets at least quarterly, and by assessing shareholder and enterprise risks.
- Engage with the Department of Transport and other relevant national departments on broader transport related matters.
- Develop the National Corridor Performance Measurement (NCPM) tool. The NCPM is a government wide web based tool that aims to quantify the operational efficiency of freight corridors for the purpose of ensuring that the industry can compete within the global marketplace.

- Strengthen private sector participation in ports and rail over the medium term through:
  - Introducing a private operator for the Ngqura container terminal
  - Ensuring access to rail branch lines by private operators.
- Develop a long-term strategy for improving the efficiency and performance of investments by State Owned Enterprises in transport enterprises by:
  - Monitoring progress of the South African Airways restructuring and turnaround strategy by assessing profit margins against targets
  - Applying the national corridor performance measurement tools and indicators.

Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
Transport	Oversight: Transnet	Corporate Plan	Annual assessment	Assessment completed during August 2009
		Shareholder Compacts with Transnet	Conclusion before Annual General Meeting	The 2009/10 Shareholder Compact 2009/10 was signed at the AGM in August 2009
		Achievement of MTEF target by Transnet	<ul style="list-style-type: none"> <li>• Quarterly and annual monitoring</li> <li>• Assessments of PFMA Section 54 application</li> </ul>	<ul style="list-style-type: none"> <li>• Monitored on a quarterly and annual basis</li> <li>• There were no Section 54 applications during the year</li> </ul>
	Oversee private sector participation in Ngqura container terminal	Agreed process for private sector participation and execution of transaction	<ul style="list-style-type: none"> <li>• Agree framework with key stakeholders</li> <li>• Initiate and monitor transaction process</li> </ul>	Proposed framework forwarded to Department of Transport (DoT) for consideration. Transnet Board requested to follow up on transaction structure. The transaction process will be undertaken by Transnet National Ports Authority (TNPA)
	Private sector participation in rail through ensuring access to branch lines by private operators	<ul style="list-style-type: none"> <li>• Establishment of institutional structure framework for concessions</li> <li>• New operators on the branch line network</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor establishment of institution (branch line entity)</li> <li>• Identify initial set of concessions on the network</li> </ul>	Draft branch lines strategy finalised by DPE, DoT and Transnet. Branch lines entity established within Transnet Freight Rail (TFR) including appointment of management structure. Potential concessions categorised in phases, and initial list of concessions agreed by DPE, DoT and Transnet

 **You must be the change you wish to see in the world.**   
*- Mahatma Gandhi*

Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
<b>Transport</b>	Develop national corridor performance measurement tools and indicators	<ul style="list-style-type: none"> <li>IT system in place</li> <li>Agreed indicators</li> <li>Population and monitoring of system data</li> <li>Business intelligence outputs</li> </ul>	System development and agreed indicators	<ul style="list-style-type: none"> <li>NCPM IT system implementation on the different corridors:</li> <li>Orex (Sishen-Saldanha Corridor)</li> <li>Coal Link (Richards Bay Corridor)</li> <li>Cape Town/Gauteng Corridor</li> </ul>
	Analyse and assess Transnet's role and influence in the economy	Develop baseline study of Transnet's impact on the economy	<ul style="list-style-type: none"> <li>Undertake baseline study</li> <li>Quantify positive externalities</li> </ul>	Assessment completed during March 2010
	Monitor rollout of Transnet's capex programme	Monitor compliance to budget	Annual assessment	An assessment of the progress on the capital expenditure projects is undertaken on a quarterly basis
	Implementation of Competitive Supplier Development Programme (CSDP)	Leverage of Transnet capital expenditure in the development of local supplier industries	Identification of CSDP opportunities in Transnet	<ul style="list-style-type: none"> <li>Assessment completed during September 2009</li> <li>Workshops held during November 2009 and February 2010 to develop a framework and policy for supplier development for large capital project</li> </ul>
<b>Aviation</b>	Oversight SAA And SAX	Corporate Plan	Annual assessment	Review completed
		Shareholder Compacts with SAA and SAX	Conclusion before Annual General Meeting	Signed between the SOE and the Minister
		Achievement of MTEF target by SAA and SAX	<ul style="list-style-type: none"> <li>Monthly (SAA only), quarterly and annual monitoring</li> <li>Assessment of PFMA Section 54 application</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly reviews completed</li> <li>Assessments completed</li> </ul>
	Further development and implementation of Africa Aviation Strategy	Enhance African Aviation Strategy developed in consultation with key stakeholders	Implementation of the Africa Aviation Strategy by SAA and SAX	<ul style="list-style-type: none"> <li>SAA launched three new routes</li> <li>SAX implemented its first phase of its African hub strategy through a joint venture airline, Congo Express in the Democratic Republic of Congo</li> </ul>
	Review SAA & SAX route network particularly intercontinental and Africa	Agree business plans	Assessment of the business plans	It was reviewed as part of the Corporate Plan review
	Develop a strategic scenario planning model for SAA	Scenario planning model	Financial model developed & used for scenario planning and forecasting	Not carried out due to reprioritisation of the limited available funds



Sub-programme	Output	Measure / Indicator	Actual Performance against Target	
			Target	Actual
Aviation	Ring-fencing of selected SAA business unit and pursue strategic equity investments	Development of an independent business focus and new strategic alignment	Work with SAA to develop business plan for selected business focus units and assess capital requirements	Process to create Voyager as a profit centre initiated
	Assess options for establishing South Africa Airways Technical (SAAT) as a multi-airline focused African maintenance	Feasibility study	Assessment of feasibility of SAAT as a refocused maintenance facility with outside equity investment	SAA has appointed consultants to advise on establishing SAA technical as a multi-airline focused African maintenance hub

## PROGRAMME 6: JOINT PROJECT FACILITY

### PURPOSE

Leverage the assets, activities and/or capabilities of the State Owned Enterprises to the benefit of the State Owned Enterprises and the economy as a whole.

### OBJECTIVES AND MEASURES:

- Address concerns about the long-term security of electric power generation by introducing a 20 year power infrastructure build programme to develop the long-term sustainability of the national power industry.
- Improve competitiveness by implementing the competitive supplier development programme by the second quarter of 2010. The programme will re-establish local manufacturing and supplier industries to support SOE infrastructure build and maintenance plans, thus increasing the value added from national suppliers without an increase in procurement costs.

### JPF PROJECTS

JPF Projects comprise the following:

**The South African Power Project** – Aims to leverage Eskom’s build programme to enhance South Africa’s manufacturing technology and skills base by developing a detailed industrial strategy. A Renewables Project has been launched to scope the sector’s potential, explore strategic bilateral relationships and develop an Industrial Policy Position Paper.

**The Competitive Supplier Development Programme** is responsible for finding innovative ways to leverage SOE procurement to build local world-class manufacturing capabilities, both to supply the SOE with capital goods in their build programmes and to gain access to the global value chains of the SOEs first tier multi-national suppliers. This project also coordinates supplier industry support measures across government, involving DTI, DST and UNIDO. Another key component of this project is creating world-class procurement practices in the SOE, through training and certification.

**Human Resources and Capacity Building** focuses on ensuring that there are sufficient skills in South Africa to meet the requirements of the SOE infrastructure build programmes by identifying long-term skills requirements and exploring ways to maximise training infrastructure within with SOE and their suppliers to develop the necessary skilled artisans, technicians and engineers.

DPE and the SOE are working together with the Department of Labour (DoL) and the Department of Higher Education and Training (DHET) to facilitate SETA-funded workplace placements with SOE suppliers for FET College graduates, to enable them to meet the requirements for obtaining artisan trade certificates.

A Solar Water Heater (SWH) Skills Development Programme initiated in response to the electricity crisis early in 2008 aims to augment SWH plumbing installation and maintenance skills. The annual Management Learning Programme aims to assist government officials as well as SOE Managers to deal with complex issues surrounding the management and performance of State enterprises.

**The Africa Project** has two components. The first aims to contribute to the development of electricity and rail infrastructure projects across Africa, especially in SADC. The second focuses on joint supplier development initiatives in targeted African countries to facilitate participation in SOE build and maintenance programmes and leverage access to the global value chains of multinational original equipment. This is being achieved through the supplier benchmarking and supplier programme undertaken as part of the CSDP.

**The Property Project** is focused on optimising the value and developmental impacts of non-core SOE properties. The project has established a SOE Non-Core Property Disposal Policy and set of Broad-Based Black Economic Empowerment guidelines to guide the disposals.

**Information Communication Technology / Marine Cable** seeks to utilise SOE ICT infrastructure to the advantage of the SOE and the country as a whole. JPF has been providing strategic support to Infraco's participation in the West Africa Cable System (WACS).

**The Aerostructures Project** builds upon current initiatives as well as demand and supply side studies to develop an Aerospace Strategy for South Africa to grow our technologies and skills base in this sector.

**Technology and Innovation** is aimed at providing a framework for SOE for technology management to develop long-term potential commercialisation opportunities.

**Environmental Issues** develops proposals to ensure that the government policy balances the needs of environmental conservation with the need to develop infrastructure rapidly.

**Autumn School** is an annual event for the Portfolio and NCOP Select Committees as an opportunity to have a dialogue with industry experts around key issues facing government and the SOE.

JPF OVERSIGHT				
Sub-programme	Outputs	Output Performance Measures/Service Delivery Indicators	Actual Performance against Target	
			Target	Actual
<b>Competitive Supplier Development Programme (CSDP)</b>	Re-establish local manufacturing and supplier industries to support SOE infrastructure build and maintenance plan through benchmarking gap analysis and support to upgrade equipment and skills	<ul style="list-style-type: none"> <li>• Monitor implementation of Supplier Development Plans</li> <li>• Ensure supplier benchmarking and supplier development</li> <li>• Align SOE procurement to CSDP</li> <li>• Extend CSDP as part of response to economic crisis</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly monitoring of CSDP on Dashboard</li> <li>• Database of benchmarked suppliers, gap analysis and support to upgrade equipment and skills</li> <li>• CSDP process flow. Review current SOE procurement methodology and hold workshop with SOE</li> <li>• Union and other stakeholder engagement on leveraging procurement. Definition of government policy intent on leveraging procurement. Agreement with private sector on CSDP</li> </ul>	<ul style="list-style-type: none"> <li>• CSDP Dashboard developed</li> <li>• 54 foundry and steel construction firms benchmarked &amp; training undertaken, 125 opportunities identified and 15 agencies &amp; programmes linked to suppliers</li> <li>• Draft transactional policy and key elements of programmatic policy developed</li> <li>• DPE position on supplier development incorporated into industrial policy</li> <li>• Position paper on leveraging procurement across government developed and stakeholder engagement undertaken</li> <li>• Locomotive fleet procurement process launched</li> <li>• Engagements with private sector companies initiated - indicative support for the proposal</li> </ul>

JPF OVERSIGHT				
Sub-programme	Outputs	Output Performance Measures/Service Delivery Indicators	Actual Performance against Target	
			Target	Actual
Reasons for major variances				
CSDP Dashboard has not yet been populated due to the necessity of SOE data extraction from SAP systems for reconfiguration into DPE's required reporting format and SOE confirmation of understanding of requirements. CSDP process flow has not yet been workshopped with the SOE because procurement took place towards the end of the year and the report has not yet been completed.				

Sub-programme	Outputs	Output Performance Measures/Service Delivery Indicators	Actual Performance against Target	
			Target	Actual
<b>The South African Power Project</b>	Maximise benefits of energy infrastructure spend to the South African economy	Finalisation of procurement strategy for nuclear fleet	<ul style="list-style-type: none"> <li>• Nuclear education programme</li> <li>• Clear statement of national vision</li> <li>• Procurement strategy defined</li> <li>• Eskom procurement process launched</li> <li>• Renewables and Industrial Policy development</li> </ul>	<ul style="list-style-type: none"> <li>• Nuclear education course completed for review</li> <li>• IMC nuclear work programme input provided</li> <li>• Eskom study expanded to include a range of procurement issues pertinent to Government</li> <li>• Renewables and Industrial Policy recommendations (Phase I) completed and received Ministerial support, Phase 2 launched. Engagements established with UK and Germany</li> </ul>
Reasons for major variances				
National vision for nuclear is contingent on consensus across Government. Eskom procurement is contingent on funding strategy, which is undefined. It should be noted that the development of a funding strategy for mass procurement of renewable energies and associated equipment was delivered additional to the business plan.				
<b>Africa Regional Supplier Development Programme</b>	Regional suppliers integrated into South African & global supply chains	Recruitment of country team leaders, installation of monitoring platform and benchmarked suppliers linked to demand	<ul style="list-style-type: none"> <li>• Establishment of five Sub contracting Partnership Exchanges (SPX) in Southern Africa</li> <li>• Establish contact in other African countries, to begin training in 2009/2010</li> </ul>	<ul style="list-style-type: none"> <li>• Agreements with four out of five SPX host institutions established (Kenya, Uganda, Tanzania, Zambia)</li> <li>• SPX unified methodology linking benchmarking, profiling and matchmaking initiated (including draft manual and Management Information System)</li> <li>• Investor Survey has started in Uganda, Tanzania, Zambia and Kenya</li> </ul>
Reasons for major variances				
Mozambique agreement with identified host institution pending. Extension to other African countries will only commence once SADC SPX network is operational.				

Sub-programme	Outputs	Output Performance Measures/Service Delivery Indicators	Actual Performance against Target	
			Target	Actual
<b>Africa</b>  <b>Regional Electricity Generation and Rail Corridor Capacity</b>	<ul style="list-style-type: none"> <li>Facilitation of development of regional electricity generation (Moamba, Mmamabula, Moatize and Mphanda Nkuwa) and rail corridor capacity</li> <li>Rail corridor work plan developed in line with intergovernmental consensus</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate intergovernmental consensus and assist in the finalisation of: <ul style="list-style-type: none"> <li>PPA for power generation projects</li> <li>Facilitation of consensus on corridor work plan</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Intergovernmental consensus on rail and power projects and signed PPA</li> <li>Consensus on corridor work plan</li> </ul>	Intergovernmental negotiations in Mozambique and Botswana
Reasons for major variances  Lack of certainty on Eskom's funding model hampered intergovernmental negotiations in the region with regard to PPA. Limited success of regional rail corridors due to lack of commitment by regional counterparts. Expansion of Africa programme suspended with departure of Project Manager – project responsibility relocated to Energy and Transport teams.				
<b>Human Resources &amp; Capacity Building</b>	Sufficient skilled people to support SOE in build & maintenance programmes	<ul style="list-style-type: none"> <li>SOE internal skills requirements: Establish skills development needs and initiate interventions to support internal requirements</li> <li>Skills dashboard developed as a repository to monitor learner enrolments, completions and placements by SOE and their suppliers</li> <li>Provide support to SOE and suppliers to ensure placement of trainee artisans</li> <li>Reports of studies conducted to identify gaps in the Further Education and Training (FET) programmes against the electrical and welding artisan trades qualifications available and curricula augmented</li> <li>Workplace experiential guidelines developed and approved by the relevant regulatory body</li> </ul>	<ul style="list-style-type: none"> <li>Develop skills dashboard to monitor learner enrolments, completions and placements by SOE and suppliers</li> <li>Support SOE and suppliers to access Services Sector Education &amp; Training Authority (SETA) grants for placements</li> <li>Conduct study to identify gaps in the FET programmes against the electrical and welding artisan trades qualifications and curricula augmented</li> <li>Develop workplace experiential guidelines for artisan trades. Guidelines approved</li> </ul>	<ul style="list-style-type: none"> <li>Skills dashboard completed and SOE reports submitted and monitored quarterly</li> <li>Participated in multi-stakeholder artisan programmes to support learner placement by SOE and suppliers</li> <li>Reports on analysis of FET programmes against the electrical &amp; welding trades qualifications completed</li> <li>Terms of reference completed to develop workplace experiential guidelines</li> </ul>
Reasons for major variances  Gap analysis for FET welding and electrical trade qualifications' alignment to industry needs to be completed but further work to augment curricula not completed in time due to DoHET approval process which delayed procurement. Workplace learning guides yet to be commissioned.				



Sub-programme	Outputs	Output Performance Measures/Service Delivery Indicators	Actual Performance against Target	
			Target	Actual
<b>Solar Water Heater (SWH) Skills Development Programme</b>	SWH skills development for accelerated SWH geyser installation and maintenance	Facilitation of SWH skills training	<ul style="list-style-type: none"> <li>• Plumbing &amp; Services Industries enrol learners to attain SWH certification</li> <li>• Acquire funds from DoL and SETA</li> <li>• Monitoring and evaluation framework in place</li> </ul>	<ul style="list-style-type: none"> <li>• National SWH installers Training Plan completed (qualification, registration and training centre readiness)</li> <li>• Material development finalised including visual and audio aides for illiterate learners</li> <li>• Identified 3,000 installers for top up training (1,000 trained to date) and 10,000 for top-up and certification (training to commence following SETA approval)</li> <li>• Participation in establishment of SWH installer registration and quality assurance board</li> <li>• Slow uptake of training initiatives due to weak SETA–industry relations and lack of SETA training centre quality assurance</li> <li>• Received funding for training for 580 learners from Eskom and CETA</li> <li>• Identified means to streamline Eskom Rebate process to improve SWH uptake</li> <li>• Detailed input for IMC prepared (Energy Efficiency, Demand Side Management and Renewable Energy)</li> </ul>
<b>Management Learning Programme (MLP)</b>	Management Learning Programme offered at a Higher Education Institution	A post graduate MLP hosted at a tertiary institution	Tertiary Institution and SOE Reader	DPE-UCT MOU concluded, course content developed and draft Reader completed
<b>Autumn School</b>	Learning experience for Portfolio Committee	Annual Autumn School	DPE to host & Portfolio and NCOP Select Committee to attend Autumn School	Autumn school held in August 2009
Reasons for major variances				
MLP Programme launch delayed to next financial year to allow for adequate marketing to secure sufficient student numbers.				

Sub-programme	Outputs	Output Performance Measures/Service Delivery Indicators	Actual Performance against Target	
			Target	Actual
<b>Aerostructures</b>	Leverage a long-term fleet procurement plan and technology base to optimise development of the national aerospace industry	Strategic and operational viability of Aerostructure business and global repositioning of South African Manufacturing	Oversight of Turnaround Plan for Denel-Saab Aerostructures business	<ul style="list-style-type: none"> <li>• A strategic framework for joint operations has been developed</li> <li>• Framework for joint business plan between DSA and Aerosud developed</li> <li>• Completed first draft financial models for selected DSA/Aerosud scenarios</li> <li>• Initial funding requirement for DSA completed</li> </ul>
<b>Technology and Innovation Programme</b>	SOE Technology Management Frameworks	<ul style="list-style-type: none"> <li>• Framework for assessment of SOE innovation performance</li> <li>• Framework for strategy formulation to manage innovation and technology in SOE</li> </ul>	<ul style="list-style-type: none"> <li>• Framework of SOE performance</li> <li>• Framework for management of innovation and technology in SOE</li> </ul>	Framework for assessment of SOE innovation performance developed
Reasons for major variances				
Technology and Innovation – Framework for strategy formulation to manage innovation and technology in SOE not achieved due to other priority projects.				
<b>ICT/Marine Cable</b>	Utilise SOE ICT infrastructure to benefit SOE and South Africa more broadly	Shareholders Agreement/ Construction & maintenance Agreement (C&MA) Suppliers Contract	Successful participation of Infracore in Marine Cable	Final version of Agreement completed WACS supply contract in force
<b>Property Project</b>	<ul style="list-style-type: none"> <li>• SOE value optimisation and developmental impacts through property disposals and contribution to transformation of the property sector</li> <li>• Use SOE non-core property disposals to assist with B-BBEE &amp; urban development</li> <li>• Disposal and development of strategically located property</li> </ul>	<ul style="list-style-type: none"> <li>• Non-core property disposals</li> <li>• Successful facilitation of key Integrated Developments</li> </ul>	<ul style="list-style-type: none"> <li>• SOE to dispose of non-core properties</li> <li>• Conclusion of process to develop Key Integrated Projects</li> <li>• Property Project Assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Property dashboard developed and refined to monitor disposals</li> <li>• Approval for Monitoring and facilitation of key state transactions and facilitation undertaken with relevant stakeholders</li> <li>• Government Shared Servitude Utilisation TOR developed and project launched. Alexkor transfers: town planning information gathering and consolidation</li> <li>• SOE consensus on Key Integrated Projects obtained</li> <li>• Transnet's second non-core property list granted</li> </ul>
Reasons for major variances				
A review of property for development process has been requested by the Minister which has halted the Key Integrated Developments. Delays in resolving certain state property transactions remain which are beyond DPE's ambit of control. Property Project Assessment and close out has not occurred due to the submission of Transnet's second non-core list.				

Sub-programme	Outputs	Output Performance Measures/Service Delivery Indicators	Actual Performance against Target	
			Target	Actual
<b>Environmental Issues</b>	Cohesive & integrated environmental & infrastructure plans	<ul style="list-style-type: none"> <li>Streamlined EIA applications for Strategically Important Developments</li> <li>Monitor Transnet's and Eskom's EIA on Dashboard</li> <li>Monitor SOE Fund</li> <li>Comment on DEA's Climate Change Policy Framework</li> </ul>	<ul style="list-style-type: none"> <li>Signed DPE-DEA-Eskom MOU</li> <li>Dashboard for monitoring of EIA for SID</li> <li>DPE position incorporated into DEA's Framework</li> </ul>	<ul style="list-style-type: none"> <li>DPE-DEA-Eskom MOU signed</li> <li>Dashboard developed and refined for improved monitoring of EIA for Strategically Important Developments (SID)</li> <li>Fund monitored on a quarterly basis and quarterly SOE contributions facilitated</li> <li>Completed DPE position paper on Climate Change and participation on intergovernmental forum</li> </ul>

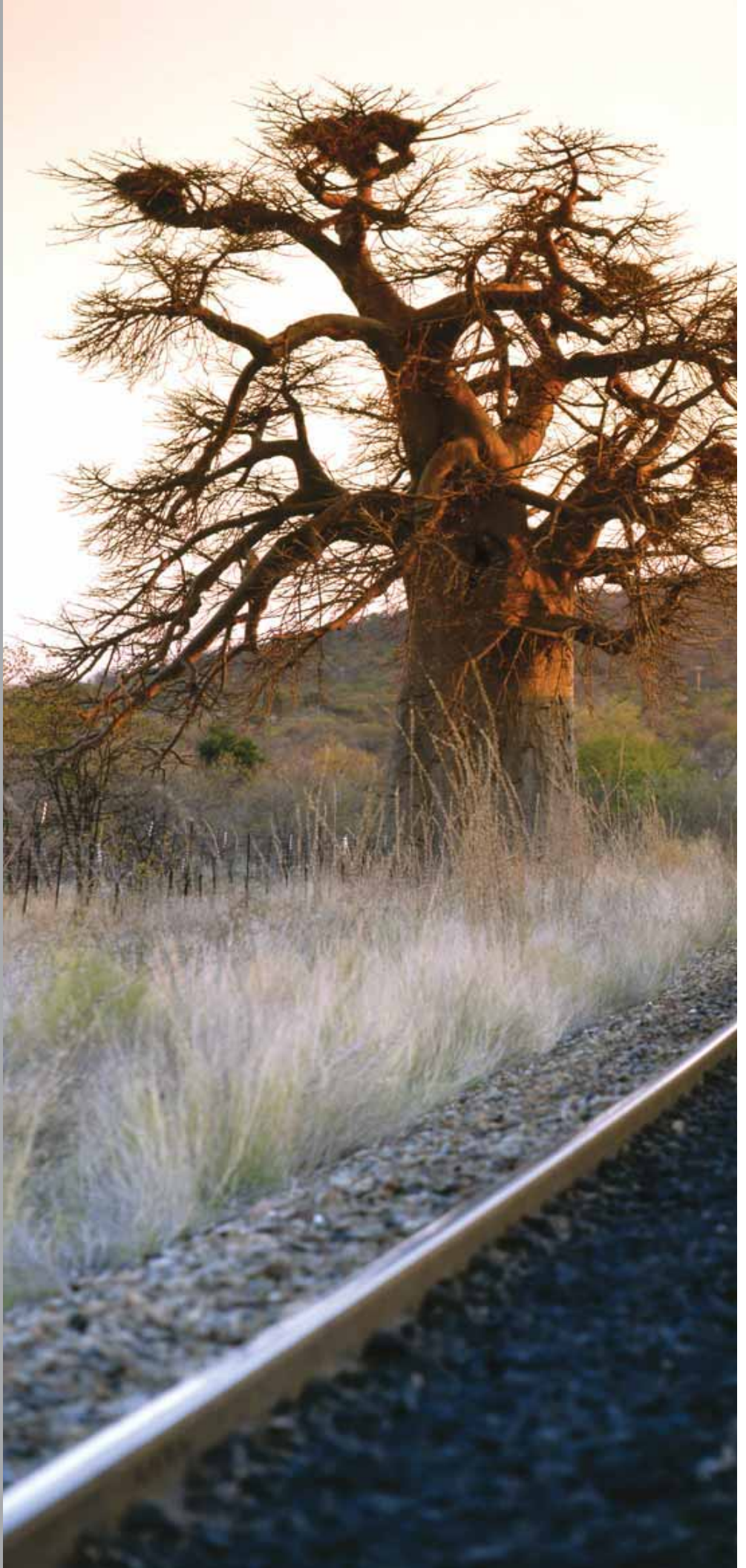


“ Without goals, and plans to reach them, you are like a ship that has set sail with no destination. ”

- Fizhugh Dodson  
(American Psychologist and Minister)



# financial statements





# ANNUAL FINANCIAL STATEMENTS FOR THE DEPARTMENT OF PUBLIC ENTERPRISES

For the year ended 31 March 2010

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## INTRODUCTION

We are pleased to present our report for the financial year ended 31 March 2010 in terms of the Public Finance Management Act, 1 of 1999 section 38 (1)a, 76 (4)d and 77, and Treasury regulations 3.1.11.

## MEMBERSHIP AND ATTENDANCE

The Audit Committee consists of the members listed below. All the Audit Committee members are independent, which is in line with the industry corporate governance practice. During the year under review, the Audit Committee held four (4) meetings as per the approved terms of reference.

NAME OF MEMBER		NUMBER OF MEETINGS ATTENDED
Zienzile Musamirapamwe	(Chairperson)	4/4
Mattie Joubert		3/4
Ndumi Medupe		3/4
Jerry Sithole		2/4

## AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee confirms that it has complied with its responsibilities arising from section 38(1) (a) of the Public Financial Management Act (PFMA) and Treasury Regulation 3.1.13.

The Audit Committee has regulated its affairs in compliance with its approved charter, which is reviewed on an annual basis and has discharged all its responsibilities as contained therein.

## THE EFFECTIVENESS OF INTERNAL CONTROL

The review of the effectiveness of the system of internal control by the Audit Committee is informed by the reports submitted by Internal Audit and management, who are responsible for the development and maintenance of the internal control system.

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the management letter of the Auditor-General, it was noted that no significant or material non compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the period under review was efficient and effective.

The internal control environment has been continuously improving as evidenced by the willingness by management to timeously address the control weaknesses identified by the auditors.

## RISK MANAGEMENT

The Audit Committee has an oversight responsibility over DPE internal risk management processes. The Committee continues to monitor the embedment of Enterprise Risk Management policy and framework through risk reports submitted by management. The DPE risk profile is monitored on a quarterly basis. Risk management continues to be a permanent agenda item for the Audit Committee to ensure effective risk management oversight.

The appointment of the Risk and Compliance Officer in the last quarter of the financial year will assist the Audit Committee in exercising an effective oversight on the Departments overall level of compliance with legislative requirements.

The Audit Committee reviewed the Departments Fraud and Anti-Corruption strategy, which was adopted by management during the financial year. The Audit Committee has an oversight role on fraud prevention strategies and on the management of whistle blowing logs. The whistle blowing reports are reviewed on a quarterly basis by the Committee, which ensures that appropriate risk mitigating action is taken.

**THE QUALITY OF MANAGEMENT AND MONTHLY / QUARTERLY REPORTS SUBMITTED IN TERMS OF THE PFMA AND THE DIVISION OF REVENUE ACT**

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the Department during the year under review.

**EVALUATION OF FINANCIAL STATEMENTS**

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer
- reviewed the Auditor-General's management letter and management's response thereto.

The Audit Committee concurs with the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

We would like to report that the Audit Committee has noted an improved control and risk management culture as evidenced by the continuous detection, monitoring and mitigation of shareholder risks through the Isibuko Dashboard. Further, risk and control are an integral part of the management performance contract thus ensuring a robust risk management process.

**Internal Audit**

The Audit Committee is satisfied that the Internal Audit function is operating effectively and that it has addressed the risks pertinent to the Department in its audit. The change in the administrative reporting line from Head: Corporate Services to the Director-General will further improve the independence of the Audit function.

Auditor-General South Africa

The Audit Committee during its quarterly meetings met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

	
_____	_____
<b>Chairperson of the Audit Committee</b>	<b>Date</b>

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Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa

## 1. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

The Department of Public Enterprises provides shareholder management of nine State Owned Enterprises (SOE): Alexkor, Broadband Infraco, Denel, Eskom, Pebble Bed Modular Reactor, the South African Forestry Company, South African Airways, South African Express Airways and Transnet.

The table below reflects the Selected Performance Indicators for the Department for the year under review.

	Programme Name(s)	2009/10 Amended#	Achieved
<b>Number of shareholder compacts signed</b>	Energy & Broadband Enterprises; Legal, Governance, Risk and Transactions; Manufacturing Enterprises; Transport Enterprises	9	6*
<b>Number of new corporate plans reviewed</b>	Energy & Broadband Enterprises; Legal, Governance, Risk and Transactions; Manufacturing Enterprises; Transport Enterprises	9	9
<b>Number of quarterly financial reviews</b>	Energy & Broadband Enterprises; Legal, Governance, Risk and Transactions; Manufacturing Enterprises; Transport Enterprises	36	27**
<b>Number of projects each year</b>	Joint Project Facility	8	12***

### Variations

#### #2009/10 amendment to Selected Performance Indicators published in 2009 Estimates of National Expenditure (ENE)

The amendment to the 2009/10 figures published in the ENE for 2009 is as a result of South African Express Airways having been transferred to the DPE post publication.

#### \*Shareholder compacts

Denel was not signed due to identified governance concerns which have subsequently been addressed and thus re-submitted to the Minister for signature.

**PBMR** was not signed as a result of a shareholder agreement not being finalised, but a set of KPIs was agreed and reported on.

**Alexkor** was not signed as intergovernmental consultations continued on the definition of role and form of Alexkor post-PSJV.

The 2008/09 shareholder compact remained effective with main objectives to:

- continue operation as a going concern and improvement of financial and operating ratios
- give effect to the provisions of the Deed of Settlement and Unanimous Resolution.

#### \*\*Quarterly Financial Reviews

All quarterly financial reviews were completed for the first three quarters for the period under review. The 4<sup>th</sup> quarter reviews are incorporated into the SOE final financial statements at the end of the financial year.

#### \*\*\*Increase in Projects Joint Projects Facility

Additional projects emerged during the period under review which is reported on in the programme overview

One of the Department's key activities is to monitor the performance and operational stability of the State Owned Enterprises (SOE) reporting to it, to promote efficiency and investment in strategically important sectors of the economy.

To this end, the Department has adopted a logical planning, monitoring and evaluation framework to manage its activities. The logical planning, monitoring and evaluation process is an annual chronological cycle of tasks and events that links national strategic priorities to SOE delivery and ensures effective shareholder oversight management and achievement of desired strategic outcomes and objectives by the SOE. This process includes the following:

- **Strategic Intent Statements:** Strategic Intent Statements will be issued by the Minister to each SOE at the Annual General Meeting every year.
- **Shareholder Compacts:** The Minister and the SOE Board must conclude a shareholder compact annually. The shareholder's compact documents the mandated key performance measures and indicators to be attained by the SOE in delivering the desired outcomes and objectives as agreed between the SOE Board and the Minister.
- **Corporate Plans:** The Department assesses the SOE corporate plans to determine whether the strategies and financial plans are consistent, coherent and aligned with government objectives. This includes an assessment of the degree of sensitivity to assumptions in the forecasts to assess the level of financial support and borrowing required as well as the timing thereof.
- **Performance Monitoring and Evaluation:** The Department analyses the SOE quarterly reports. The Minister issues investor briefs to the SOE Boards on a quarterly basis on emerging SOE performance trends and, in particular, highlighting the need for corrective action in the event of any deviation from the agreed key performance areas and indicators.

## INVESTMENTS IN KEY INFRASTRUCTURE, PROCUREMENT PROCESSES AND CAPACITY BUILDING

Eskom and Transnet are responsible for large investments in key economic infrastructure in the electricity and transport logistics sectors. More than R300 billion has been budgeted for Eskom to invest in upgrading electricity infrastructure over the next five years. This includes constructing new coal-fired power stations and refurbishing those that have been mothballed. Transnet's capital expenditure budget amounts to approximately R93.4 billion over the next five years.

The Competitive Supplier Development Programme (CSDP), launched in 2007, aims to ensure that the large infrastructure investment programmes have an optimal impact on investment in skills, technology and plant in the relevant SOE supply chain. Both Eskom and Transnet have initiated major policy initiatives to integrate supplier development concerns into the procurement process and have launched major procurement capability building programmes. Thus far, the two enterprises have been able to leverage well over a billion rand in investment by suppliers in key areas of manufacturing as well as ensuring that extensive skills development programmes are integrated into the build programme. These skills development initiatives are further enhanced by the Department's Employment and Skills Development Agency (ESDA) that has the aim of building partnerships with sector education and training authorities, further education training colleges, SOE and their supplier networks to facilitate work placements for artisan trainees. In addition, a supplier benchmarking programme has been launched to facilitate a process of targeted competitiveness improvements in the supplier base.

The Industrial Policy Action Plan's fleet procurement programme has the objective of enabling a long-term procurement of key operational equipment essential to infrastructure services so as to both enhance the quality of infrastructure provision and systematically develop the associated national supply chain. Transnet has launched a process to explore a locomotive fleet procurement in order to pilot this programme.

## KEY POLICY DEVELOPMENTS

There were no major policy developments relating to the Department of Public Enterprises during the financial year under review. However, an Inter-Ministerial Committee (IMC) was established to finalise a consistent government policy regarding the management of State Owned Enterprises into the future. The Department's work on the shareholder management model will form a key input into the deliberations of this committee.

## **SOCCER WORLD CUP CLOTHING AND TICKETS**

The Department did not purchase any tickets or apparel for the 2010 FIFA World Cup. However, in support of the “Football Fridays” campaign, which was also fully supported by government, the Department purchased decorative items for the main reception areas as well as the Minister’s and Deputy Minister’s reception areas and other items related to this event. A total amount of R4 694 was disbursed from Programme 1: Communications: Advertising, Gifts and Promotional items budget.

## **LITIGATION**

### **1. Judgment handed down / Settlement / Resolution**

#### ***Umthunzi Telecoms vs Government of RSA and Transnet***

Umthunzi Telecoms issued summons against Government and Transnet seeking an order directing Government and Transnet to deliver shares in MTN to Umthunzi, alternatively, an order directing Transnet and Government to pay damages to Umthunzi in an amount equal to the aggregate market value of the MTN shares at the date of judgement, less the initial and additional purchase price which Umthunzi is required to pay in terms of the Agreement.

In September 2009, the matter was settled out of court between Transnet and Umthunzi. The Plaintiff claimed damages of R1billion. A settlement agreement provides that Transnet will pay an amount of R60 million being in full and final settlement of the dispute. Furthermore, Umthunzi agreed to bear half of legal costs incurred by Government (the costs of two Counsels). The Department is still awaiting final figures from the office of the State Attorney.

#### ***Steinhoff Southern Cape Ltd and Another vs The Minister of Agriculture, Forestry and Fisheries***

On 22 September 2009, the plaintiff issued summons against the Minister of Agriculture, Forestry and Fisheries. The claim is based on the decision of MTO Forestry (Pty) Ltd not to supply logs to the plaintiff after the termination of the sawlog supply agreement between the two parties. No relief is sought against SAFCOL, the Department and any other Government Department cited in this matter. SAFCOL, the Department and other Government Departments were merely cited in case they have interest in the matter. The Department instructed the State Attorney – Cape Town to file the notice of intention to defend. Subsequently, the Department reviewed the matter and was of the view that as the matter was of a contractual nature between MTO and Steinhoff Southern Cape and, in line with the position adopted by other Government Departments affected by this matter, there was no point to dispute the matter further. Therefore, on advice of the Office of the State Attorney the Department withdrew its notice of intention to defend. The Department is no longer a party to this litigation.

### **2. Pending Litigation**

#### ***Nabera vs Government of RSA & Alexkor***

Nabera instituted a claim against Government and Alexkor in 2004 for value addition during its tenure as management contractor at Alexkor, and another claim for management fees.

The matter has not proceeded to court yet as Nabera has not set the matter down for hearing.

#### ***Aventura and the State vs Mikanto Properties***

Mikanto Properties launched application proceedings in the High Court of South Africa seeking to interdict Aventura from effecting transfer of eight (8) properties to Forever Resorts.

Mikanto Properties contends that certain properties subject to the sale agreement between Aventura and Forever Resorts should have been transferred to Mikanto Properties as opposed to Forever Resorts. The State was joined as respondent as the Minister of Public Enterprises approved the sale agreement. The matter has not proceeded to court as Mikanto has not filed its replying affidavit. On 22 January 2010, Mikanto’s attorneys filed and served their notice of withdrawal as attorneys of record due to lack of instructions from Mikanto Properties. Aventura has instructed its legal representative to apply to the High Court of South Africa to have Mikanto’s application removed from the Roll.



***Paharpur/Londoloza Consortium vs SAFCOL and the Department***

On 16 March 2009, the Paharpur/Londoloza Consortium issued summons against the Minister and SAFCOL wherein the Consortium claimed damages. The claims are based on the fact that the Consortium alleges that they have incurred damages for out-of-pocket expenses in the preparation of the tender, loss for keeping the Consortium offer open until withdrawal of the transaction, loss suffered as a result of failure to successfully negotiate the sale of the KLF stake of which the Consortium would have made a profit. The Department is defending the matter and the State Attorney filed a notice of intention to defend. The applicants have filed a notice of intention to amend their particulars of claim, but have not yet submitted the amended particulars.

***Equity Alliance (Pty) Ltd vs Government of RSA***

Equity Alliance (Pty) Ltd ("Equity Alliance") instituted legal action against the Government of the Republic of South Africa in April 2009, claiming an amount of R550 million in damages, alternatively R187,5 million representing monies paid by Equity Alliance to purchase shares from Transnet in June 2002. The claim is based on an alleged oral assurance and guarantee given by the former Director-General of the Department of Public Enterprises and the former Director within the Department stating that, the ramp handling agreement between Equity Alliance and the Airports Company of South Africa (ACSA) will on termination in April 2006 be extended. ACSA did not extend the agreement and consequently, Equity Alliance and the Serco Group instituted a legal action claiming to have suffered damages as a result of the termination of the ramp handling agreement. The Department filed a notice of intention to defend. Subsequent to that, Equity Alliance and Serco Group sought to amend their particulars of claim. The amended particulars of claim were filed and served on 30 March 2010. In terms of the amended particulars of claim, the claim has now increased from R550 million to R572 million. The Department will file its response.

**3. New Litigation*****Jacob Maroga vs Eskom, Mpho Makwana and The Minister of Public Enterprises***

On 11 January 2010, the Applicant (Jacob Maroga) served the Department of Public Enterprises with a copy of an Application (Notice of Motion). In the Application the Applicant seeks for relief in the following: the Court to declare that Eskom's board's decision to terminate his contract of employment and/or acceptance of his alleged resignation to be unlawful, re-instatement to his position as CEO of Eskom and in the event of such non-reinstatement that Eskom pays him money for damages suffered in the sum of R85 716 830 (Eighty Five Million Seven Hundred and Sixteen Thousand Eight Hundred and Thirty Rand). However, after learning that the Minister and Eskom were in the process of appointing a new Chief Executive Officer, he brought an Urgent Application in which he requested the Court to interdict Eskom and the Minister from proceeding with such appointment. The matter was heard on 29 April 2010 and the application was dismissed with costs including costs of two (2) Counsel. The total legal fees to date are R 409 336 (Four Hundred and Nine Thousand Three Hundred and Thirty Six Rand). This amount is made up of R 202 209 (Two Hundred and Two Thousand Two Hundred and Nine Rand) for the Interdict Application which the Applicant has agreed to pay and includes one Senior Counsel at an hourly rate of R 2 100 (Two Thousand One Hundred Rand) and two Juniors at an hourly rate of R1 400 (One Thousand Four Hundred Rand). The other R 207 127 (Two Hundred and Seven Thousand One Hundred and Twenty Seven Rand) is for fees incurred to date on the main application which is pending. All necessary affidavits have been filed and the matter will be before Court on 7 June 2010. In accordance with proper accounting processes, Eskom has provided for this contingent liability should the Court not rule in its favour.

**DEPARTMENTAL REVENUE AND EXPENDITURE****Collection of Departmental revenue**

Revenue collection is not a core function of the Department therefore there is not a specific plan in place. However any revenue collected by the Department and reported on under Note 2 of the Financial Statements, is of an incidental nature such parking fees, interest received on debts, sale of redundant capital assets and interest on bank accounts.

## EXPENDITURE TRENDS

The Department of Public Enterprises voted budget for 2009/10 amounted to R3.9 billion, which was allocated to the following Programmes:

- Programme 1: Administration
- Programme 2: Energy and Broadband Enterprises
- Programme 3: Legal, Governance, Risk and Transactions
- Programme 4: Manufacturing Enterprises
- Programme 5: Transport Enterprises
- Programme 6: Joint Project Facility

## VOTED FUNDS

2009/10					
Programme	Adjusted Appropriation	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation
	R'000	R'000	R'000	R'000	%
<b>1. Administration</b>	90 502	90 502	86 999	3 503	96.1%
<b>2. Energy and Broadband Enterprises</b>	1 959 192	1 959 965	1 958 790	1 175	99.9%
<b>3. Legal, Governance, Risk and Transactions</b>	147 379	147 379	145 793	1 586	98.9%
<b>4. Manufacturing Enterprises</b>	199 335	199 003	198 068	935	99.5%
<b>5. Transport Enterprises</b>	1 568 730	1 568 659	1 568 656	3	100.0%
<b>6. Joint Project Facility</b>	26 022	25 652	24 986	666	97.4%
<b>TOTAL</b>	<b>3 991 160</b>	<b>3 991 160</b>	<b>3 983 292</b>	<b>7 868</b>	<b>99.8%</b>

The following table provides a summary of actual expenditure incurred for the 2009/10 and 2008/09 financial year's vs budget appropriated for each programme:

Programme	2009/10		2008/09	
	Final Appropriation	Actual Expenditure	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000
<b>1. Administration</b>	90 502	86 999	78 294	77 939
<b>2. Energy and Broadband Enterprises</b>	1 959 965	1 958 790	2 137 317	2 136 811
<b>3. Legal, Governance, Risk and Transactions</b>	147 379	145 793	148 868	147 889
<b>4. Manufacturing Enterprises</b>	199 003	198 068	269 281	267 027
<b>5. Transport Enterprises</b>	1 568 659	1 568 656	605 015	604 930
<b>6. Joint Project Facility</b>	25 652	24 986	30 603	30 553
<b>TOTAL</b>	<b>3 991 160</b>	<b>3 983 292</b>	<b>3 269 378</b>	<b>3 265 149</b>

The increase of R722 million in the annual appropriation from R3.3 billion in 2008/09 to R3.9 billion in 2009/10, is mainly as a result of an increase in transfer payments to State Owned Enterprises.

Underspending in the Department amounting to R7.8 million was recorded in the current financial year. This amount is made up of current expenditure in the operational budget which was mainly under Compensation of Employees (COE) as a result of some posts not having been filled due to scarcity of specialist skills in the market. The Department achieved expenditure within the 2% expenditure benchmark.

There was no substantive impact on delivery within programmes as a result of this underspending.

**Administration:** Provides overarching management and key supporting functions and processes in order for the Department to achieve its strategic objectives. The programme consists of the Ministry, the Office of the Director-General as well as Corporate Services with its sub programmes: human resources, information technology, financial management, facility management, secretariat, knowledge centre, internal audit and communications, as well as property management.

Expenditure for the year amounted to R87 million in this programme compared to R78 million in 2008/09. Expenditure for support services is centralised in this programme which includes maintenance, in-house printing and reproduction services, training, bursaries, stationery, information technology services and computer equipment, vehicle leases, telephones, maintenance and upgrading of security systems. In addition, the Office of the Deputy-Minister was established during the year which also contributed to the increased expenditure in this programme. Costs for leases and accommodation charges were devolved from the Department of Public Works to individual Departments. In 2008/09 the Department received R4.9 million, however the final amount paid amounted to R5.9 million. (Refer to Appropriation Statement for Programme 1 – Administration Sub Programme Property Management.)

**Energy and Broadband Enterprises:** Aligns and timeously monitors the corporate strategies and performance of Eskom, Pebble Bed Modular Reactor and Broadband Infracore against government's strategic intent and associated performance targets.

Expenditure for the programme for the year amounted to R1.9 billion compared to R2.1 billion in 2008/09. The decrease is mainly due to a reduction in transfer payments to the SOE.

**Legal, Governance, Risk and Transactions:** Aligns corporate governance, risk management practices and significant and material transactions of State Owned Enterprises with Government's objectives and requirements and applicable legislation, litigation and transactions management.

Expenditure for the programme for the year amounted to R145.8 million compared to R147.8 million in 2008/09. The decrease is mainly due to a number of vacancies in the unit.

**Manufacturing Enterprises:** Aligns and timeously monitors the corporate strategies and performance of Denel and the South African Forestry Company Limited against government's strategic intent and performance targets.

Expenditure for the programme for the year, amounted to R198 million, compared to R267 million in 2008/09. The decrease is due to the reduction of the transfer payment to Denel from R257.6 million in 2008/09 to R191.8 million in 2009/10, the funds being in respect of payment of an indemnity granted to Denel/Saab Aerostructures.

**Transport Enterprises:** Aligns and timeously monitors the corporate strategies and performance of South African Airways (SAA), South African Express (SAX) and Transnet against government's strategic intent and performance targets.

Expenditure for the programme for the year amounted to R1.6 billion compared to R605 million in 2008/09. The substantial increase of expenditure in this programme is due to a transfer payment to South African Airways for the conversion of a guaranteed loan into equity.

No underspending occurred in this programme.

**Joint Projects Facility:** Leverage the assets, activities and/or capabilities of the State Owned Enterprises to the benefit of the State Owned Enterprises and the economy as a whole.

Expenditure for the programme for the year amounted to R25 million compared to R30.5 million in 2008/09. The substantial decrease in the expenditure in this programme is mainly due to the completion of some of the projects and programmes. The programme spent 97.4% of its budget. An amount of R666 000 remains unspent in Goods and Services which was budgeted for the comprehensive Supplier Development Procurement Strategy. A request for rollover of these funds will be submitted to National Treasury for completion of the project during the first quarter of the 2010/11 financial year.

## VIREMENTS

### Per programme

Programme	Adjusted Appropriation	Virements	Final Appropriation	Actual Expenditure	Variance
	R'000	R'000	R'000	R'000	R'000
<b>1. Administration</b>	90 502	-	90 502	86 999	3 503
<b>2. Energy and Broadband Enterprises</b>	1 959 192	773	1 959 965	1 958 790	1 175
<b>3. Legal, Governance, Risk and Transactions</b>	147 379		147 379	145 793	1 586
<b>4. Manufacturing Enterprises</b>	199 335	(332)	199 003	198 068	935
<b>5. Transport Enterprises</b>	1 568 730	(71)	1 568 659	1 568 656	3
<b>6. Joint Project Facility</b>	26 022	(370)	25 652	24 986	666
<b>TOTAL</b>	<b>3 991 160</b>	<b>-</b>	<b>3 991 160</b>	<b>3 983 292</b>	<b>7 868</b>

## VIREMENTS

### Economic classification

Programme	Compensation of Employees	Goods and Services	Capital	Total
	R'000	R'000	R'000	R'000
<b>1. Administration</b>	-	-	-	-
<b>2. Energy and Broadband Enterprises</b>	-	R 773 000	-	R 773 000
<b>3. Legal, Governance, Risk and Transactions</b>	-	-	-	-
<b>4. Manufacturing Enterprises</b>	(R 270 000)	(R 62 000)	-	(R 332 000)
<b>5. Transport Enterprises</b>	R 440 000	(R 511 000)	-	(R 71 000)
<b>6. Joint Project Facility</b>	(R 170 000)	(R 200 000)	-	(R 370 000)
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Programme 1 – Administration:** No virements were effected to or from this programme.

**Programme 2 – Energy and Broadband Enterprises:** There was an increase in expenditure in Goods and Services in this programme. Funds were viremented from savings in Goods and Services in Programme 4 – Manufacturing, Programme 5 – Transport and Programme 6 – Joint Projects Facility.

**Programme 3 – Legal, Governance, Risk and Transactions:** No virements were effected to or from this programme.

**Programme 4 – Manufacturing Enterprises:** Savings in this programme under Goods and Services amounting to R62 000 were viremented to Programme 2 – Energy and Broadband Enterprises. Savings under Compensation of Employees amounting to R270 000 as a result of vacant posts were viremented to Programme 5 – Transport.

**Programme 5 – Transport Enterprises:** Savings in this programme under Goods and Services amounting to R511 000 was viremented to Goods and Services in Programme 2 – Energy and Broadband Enterprises. R440 000 was viremented to this programme from Programme 4 – Manufacturing (R270 000) and Programme 6 – Joint Projects Facility (R170 000) the shortfall in the COE was as a result of increases being more than anticipated.

**Programme 6 – Joint Project Facility:** Savings in Goods and Services in this programme amounting to R200 000 arising from early completion of projects which was viremented to Programme 2 – Goods and Services as well as savings in Compensation of Employees amounting to R170 000 due to posts not being filled which was viremented to Programme 5.

All virements were effected in consultation with Programme Managers and approved by the Accounting Officer. The virements between programmes do not exceed the 8% and is in accordance with PFMA section 43 (2).

The Department did not incur any unauthorised, irregular, fruitless and wasteful expenditure.

## 2. SERVICES RENDERED BY THE DEPARTMENT

The nature of the Department is such that no specific services are rendered.

### 2.1 Tariff policy

The Department does not render services for which a tariff can be charged. It is therefore not necessary to develop a tariff policy.

The Department does not charge tariffs for goods sold and/or services rendered.

### 2.2 Free Services

The Department does not render any free services.

### 2.3 Inventories

The Department has one store that consists mainly of stationery. The inventories on hand as at 31 March 2010 are valued at the weighted average cost method which amounts to R24 964.27.

During the year under review the Department continued to implement its strategy of procuring consumables and stationery on a needs basis. The amount reflected at year end has decreased relative to the previous years' closing balance of R39 031.51 due to the distribution to units on receipt of stationery and consumables prior to year end. Refer to Annexure 6.

## 3. CAPACITY CONSTRAINTS

Challenges continue to be experienced when sourcing the requisite skills and experience required for highly specialised functions/projects. The Department has successfully attracted some of the required skills but will face ongoing challenges as these employees become more experienced and sought-after in the skills market. The public sector's remuneration policies limit the Department's flexibility in offering attractive salary packages, including bonuses, which negates any viable retention practices.

In response to these challenges, the Department continues to practice some flexibility regarding the negotiation of salary packages to attract key resources. Headhunting services have been procured for the recruitment of experts in certain sectors, as well as a procurement framework for professional consulting services for highly specialised projects. Skills transfer remains a priority criterion to ensure that existing employees are up-skilled. The Department's graduate development programme continues to ensure a pipeline of scarce skills, although at junior level which still requires continuous development.

The Department continues to encourage national and international training opportunities in addition to awarding bursaries to employees.



#### 4. UTILISATION OF DONOR FUNDS

##### Foreign aid assistance

The Department did not receive any foreign aid assistance during the year under review.

##### Local aid assistance

The Joint Project Facility was initially funded by the State Owned Enterprises when it was established in 2005/06. All funds were disbursed at the end of 2008/09, however for reporting purposes this is still reflected in the financial statements. Refer Note 4 of the Notes to the Annual Financial Statements.

#### 5. TRADING ENTITIES AND PUBLIC ENTITIES

##### Alexkor

Alexkor owns mining rights over a large marine and land based diamond resource in the Namaqualand region. Its core business is the economic exploitation of diamonds. A land claim instituted by the Richtersveld Community was resolved in 2007, paving the way for the restructuring of Alexkor.

Significant progress has been made in the implementation of the Deed of Settlement. All Alexkor, State and Northern Cape Provincial land has been transferred, except for the township erven. Subdivision and zoning of the township has been conducted and the general plan was approved. Civil engineering work for the upgrade of Alexander Bay infrastructure to municipal standards has commenced and is expected to be completed in 2011. Transfer of the land mining rights to the community is also imminent. Alexkor's strategy will be redefined within the context of the obligations under the Deed of Settlement. Despite the challenging environment, Alexkor has recorded some improvements in its performance during 2009/10.

##### Aventura

Aventura is in the process of being wound down. Seven out of the eight resorts sold have been transferred. The remaining resort is in the process of being transferred. The Minister has requested the approval from Ministers of Public Works and Finance as required by the Deed of Grant and the Overvaal Resort Limited Act, the founding legislation for Aventura. The resort will be transferred once approval is granted by the Ministers of Public Works and Finance.

The Auditors of Aventura have finalised the audit of the 2004 - 2008 Annual Financial Statements and now in the process of finalising the 2008/2009 audit of Aventura. It is expected that Aventura's Financial Statements and Directors Report will be signed off during the coming financial year.

Once the remaining resort has been transferred and the litigation finalised, Aventura and the State v Mikanto Properties, (which is reported under paragraph 2 of this report) the winding down process of Aventura will proceed to finalisation.

##### Broadband Infracore

Broadband Infracore is a State-led intervention to rapidly normalise efficiency in the telecoms market by commoditising those parts of infrastructure that impede private sector development and innovation in telecoms services and content offerings. The intervention covers the national long distance fibre optic network and an international cable marine network. Broadband Infracore has succeeded in operationalising and strengthening the national long distance network as well provisioning additional capacity. In order to address the international marine cable connectivity, Infracore is participating in the deployment of the West African Cable System (WACS) project. WACS is a high capacity submarine cable system along the African West Coast from South Africa to the United Kingdom and Portugal. Broadband Infracore, together with major private sector telecommunication operators (Telkom SA, Neotel, MTN and Vodacom) signed a Construction and Maintenance Agreement (C&MA), and the supply contract for the implementation of the West Africa Cable System (WACS) project. Broadband Infracore's participation has ensured that the WACS system is an Open-Access, Free Pricing system and includes open access landings in 10 African countries along the West Coast of Africa.

Broadband Infraco is to play a leading role in providing an enabling mechanism for the Department of Science and Technology's (DST) projects of national importance, which include the Square Kilometer Array (SKA), the South African National Research Network (SANReN) and the Karoo Array Telescope (KAT).

Key Developments:

- As at December 2009, Infraco had deployed an additional 6 700 km of fibre optic cable in the current financial year to make the total cable deployed and commissioned to 11 700 km since inception
- On 19 October 2009, the Independent Communications Authority of South Africa (ICASA) awarded the Individual Electronic Communications Network Services (I-ECNS) license to Infraco
- On 08 April 2009 Infraco signed the Construction and Maintenance Agreement (C&MA) for the new West Africa Cable System (WACS) project.

### **Denel**

Denel is a major player in South Africa's defence related industries and a strategic supplier to South Africa's armed forces. Denel's product portfolio covers a range of landward and aerospace capabilities. Furthermore, Denel plays a pivotal role in developing South Africa's industrial, technological and manufacturing base. A key pillar of Denel's turnaround strategy is to enter into equity partnerships with foreign Original Equipment Manufacturers (OEM's). The rationale for this is that foreign equity partners provide access to markets, capital and technical skills. Denel has made significant progress in its turnaround. However, two entities in the Denel group remain loss-making. Equity negotiations are at an advanced stage in the one company and the other needs a government decision on its future. The future of this company is currently being discussed with the aim of putting this business on a sustainable path.

### **Eskom**

Eskom is one of the top 13 utilities in the world by generation capacity and is among the top 9 by sales. Eskom generates approximately 95 percent of electricity used in South Africa and 45 percent of electricity used in Africa. In recent years Eskom's reserve margin has declined and the current available generating capacity is no longer sufficient to meet the demand for electricity. As a result Eskom is embarking on the new build programme for capacity expansion and will spend R385 billion in nominal terms over 5 years. Eskom plans to deliver an additional 16 304 MW into the grid by 2017. In order to strengthen Eskom's balance sheet to support the build programme, Government has provided a subordinated R60 billion loan to Eskom over three years starting in 2008/9, as well as guarantees totalling R176 billion over the next five years (on new and existing debt). As part of funding the new build programme, a 20-year loan of Euro 1.86 billion (approximately R20.7 billion) was awarded by the African Development Bank (AfDB) and signed in December 2009; in support of Eskom's capital expansion programme. The funds will be used for the construction of the Medupi Power Plant. Further finance has been negotiated and concluded with Export Credit Agency (ECA) covering financing arrangements to the value of Euro 1.890 billion (approximately R20.8 billion) with 3 South African banks and 9 International banks. These loans will be used to fund part of the foreign content of the Kusile boiler and the eligible foreign content of the Medupi and Kusile turbine contracts. Eskom plans to deliver another 772 MW of capacity into the system in 2009/10.

Eskom also aligns with and supports major events and campaigns that propel the socio-economic aspirations of the country. A dedicated 2010 Project team established in 2007 in support of the FIFA 2010 world cup. The objective of this team is to ensure reliable electricity delivery, Eskom's preparedness and treatment of risks to enable a successful 2010 FIFA World Cup. Eskom is encouraging all South Africans to contribute to powering the World Cup by adopting more efficient uses of energy. The successful execution of the build programme is key to sustaining a healthy reserve margin. Ensuring security of electricity supply is critical for South Africa's current and future economic and social development.

Key Developments:

- Conclusion of various funding agreements towards the build programme
- Key interventions of the National Emergency Response Plan were implemented resulting in no load-shedding

- A significant contribution was made to black economic empowerment by procuring goods and services from BBE companies to the value of R35,2 billion (2009/10 FY)
- The ruling by the Southern High Court authorising the Minister and the Eskom Board to proceed with the appointment of the Chief Executive Officer.

### **Pebble Bed Modular Reactor (PBMR)**

The Pebble Bed Modular Reactor (Pty) Ltd, established in 1999, is a nuclear engineering company focusing on the design and licensing of a standardised Nuclear Heat Supply System (NHSS) and Pebble Fuel. Notwithstanding PBMR's revision of its business and funding model over the past year, it has been unable to attract additional investors to fund the design and engineering costs for neither a demonstration plant nor an anchor customer to fund the cost of constructing a demonstration plant, both of which are essential to commercialise the project. Government has been the sole contributor to PBMR's funding over the last few years and could not continue to fund the project in the absence of contributions from other investors and a viable customer. Government has not committed further funding for the PBMR.

Key developments:

- In February 2010, PBMR embarked on a rationalisation process to reduce the workforce by 75%
- An intergovernmental task team was set up to explore the various options that government should take with regards to the PBMR company and to monitor the rationalisation of PBMR with the intention to preserve critical nuclear skills for the industry and the intellectual property. The final decision on future of PBMR will be submitted to Cabinet once the Inter-Ministerial Committee has been briefed accordingly on the recommendations.

### **South African Forestry Company Limited (SAFCOL)**

SAFCOL currently manages most of the State-owned commercial forestry plantations. The total plantation area of forest in South Africa under SAFCOL management as at 31 March 2010 covers 187,320 hectares (with a total plantable area of 124,000 ha) comprising 18 plantations, spread over three (3) provinces, Mpumalanga, Limpopo and KwaZulu Natal. The majority (over 90 percent) of this forest area falls under SAFCOL's fully owned Komatiland Forests (Pty) Ltd (KLF) subsidiary. All these forests are Forest Stewardship Council (FSC) certified, meaning that the company operates within the principles of economic viability, environmental appropriateness and social benefit and are located in Mpumalanga Province and the Eastern part of Limpopo Province. KLF also manages small-scale sawmilling operations and has a small subsidiary: Industrias Florestais de Manica (IFLOMA) in Mozambique, where it has an 80% shareholding which equates to 23,600 hectares.

KLF is the last remaining forestry package that was to be disposed of under the forestry restructuring programme. Majority stakes in the other four main operations subsidiaries were sold during the period 1999 to 2005.

Following a review of the role of SAFCOL in the forestry sector, Cabinet confirmed in 2007 that KLF should be disposed of. A major focus of the work at this stage involves the complex issue of land claims in areas that fall under KLF. The Cabinet's decision on the role of SAFCOL and the privatisation of KLF was made in March 2007. The Transaction Guidelines were prepared to assist the Board with the decision on winding up KLF by March 2009. The decision was revisited after the Department realised that 61% of the land on which KLF operates is under land claims and the process involved in the settlement of the land claims will have a bearing on the disposal of the asset by the target date of March 2009.

Due to the land claim status, the Minister extended the timeframe for the disposal of SAFCOL by 5 years (i.e. to March 2014) to allow for resolution of the land claims. SAFCOL was then mandated to develop a five-year business and corporate plan with the aim of maintaining and, where possible, enhancing the value of the business. The remaining shares held by SAFCOL in other companies (Singisi, Siyaqhubeka, Amathole and Mountain to Ocean (MTO) are to be transferred to the surrounding communities. A process has been initiated with the Departments of Rural Development and Land Reform (RDLR) and Agriculture Forestry and Fisheries (DAFF) to resolve the land claims.

### **South African Airways**

South African Airways (SAA) is the largest full service network airline in Africa operating international, regional and domestic scheduled services for the carriage of passengers, freight and mail.

The 2009/10 financial year was characterised by harsh external conditions with a marginal recovery towards the end of the financial year. Fuel costs returned to more reasonable levels however the cost-saving inherent in a decrease in fuel cost was once again negatively impacted by hedging losses as a result of hedging at high oil prices which delayed the benefits of low oil prices later in the financial year. Traffic volumes in the intercontinental and domestic markets showed signs of recovery and a new Buenos Aires route was launched. The airline has plans to enhance the economic benefit of this strategic South American route. The regional market which was cushioned to a large extent from the global economic downturn began a slow decline towards the end of the financial year. Domestic and regional markets are profitable but the airline continued to experience challenges in achieving overall profitability in its international route network.

The fundamental restructuring programme was successful in achieving the planned sustainable reduction in costs. This has improved the efficiency and effectiveness of SAA as a result of the measures taken which included:

- Labour initiatives
- The grounding of the Boeing 747-400 fleet of aircraft
- Discontinuation of some loss-making routes
- Cost containment and revenue enhancements
- Renegotiation of the Airbus fleet order.

A team comprising DPE and National Treasury is monitoring the restructuring process on a monthly basis, which has progressed according to plan.

The recent global economic circumstances have demanded that SAA continue with its operations, focusing on Africa and balancing the provision of the airline's capacity to demand, thus preventing a situation of excess capacity in certain markets. Global reach has been established through selected strategic connections into the major continents and global markets which are further enhanced by the leverage of SAA's membership of the Star Alliance.

SAA continues to play a strategic role as a mainline network airline providing essential connectivity to and from the local and regional economies in very competitive markets. SAA has continued to fulfil a statutory mandate of the provision of reliable and extensive air transport capacity and air links with South Africa's main business, trading and tourism markets within the African continent and internationally. This has contributed to key domestic, intra-regional and international air linkages as a national carrier.

### **South African Express Airways**

South African Express Airways (SAX) undertook a successful re-branding exercise in the 2009/2010 financial year. The airline is a regional passenger and cargo airline operating smaller gauge of aircraft than that of SAA at high frequency of flights.

SAX provides a feeder network to the national airline, SAA as well as flights on lower density routes. Apart from its re-branding it retains a strong link to SAA in terms of reservations services. SAX in partnership with a Joint Venture Partner in the Democratic Republic of Congo recently launched Congo Express registered in the Democratic Republic of Congo (DRC). The airline is the culmination of a long-standing business relationship between SA Express and Biz Afrika Congo (BAC). SAX builds on its strength in the joint venture from its operational aviation experience whilst BAC contributes with local business and aviation experience and rapport in the DRC. The launch of Congo Express contributes to the expansion of regional air services capability within South Africa and the African continent.

SAX statutory mandate requires the airline to provide frequency of services on lower density routes and expansion of regional air services capability within South Africa and the African continent, SAX has been able to grow its market share and post positive financial results as a result of operating smaller size aircraft (small jets and turbo props) on smaller (secondary) routes.

Although the regional airline industry is not immune to the prevailing market conditions affecting the global aviation industry, SAX has been able to respond to market challenges rapidly with good financial results.

### **Transnet**

Transnet is responsible for the core freight transport operations in South Africa. Its main divisions are Transnet Freight Rail (formerly Spoornet), Transnet Rail Engineering (formerly Transwerk), Transnet National Ports Authority (formerly the NPA), Transnet Port Terminals (formerly SAPO) and Transnet Pipelines (formerly Petronet).

Transnet has invested R53.5 billion in infrastructure over the past four years (2005/06 to 2008/09), with the latest estimate for 2009/10 approximately R20.1 billion. Transnet is in the process of expanding capacity at its ports, railways and pipelines over the next five years. The latest five-year investment plan for the period 2010/11 to 2014/15 amounts to R93.4 billion (excluding capitalised borrowing costs). The five year capital expenditure programme will be financed from a mix of internally generated funds and borrowings.

A challenge for Transnet going forward is the implications that are likely to emerge from the implementation of new regulatory environment in the ports sector as a consequence of the National Ports Act (2006) and the related impact of regulated tariffs in the ports and pipelines sector.

## **6. ORGANISATIONS TO WHOM TRANSFER PAYMENTS HAVE BEEN MADE**

### **Alexkor**

An amount of R129.1 million was allocated and transferred to Alexkor which consisted of R29.1 million for the development of the township and R100 million for the establishment and capitalisation of the Pooling and Sharing Joint Venture (PSJV). The entity provides quarterly financial and performance reports to the Department in terms of s38 (1)(j) of the PFMA and Treasury Regulation 8.4.1.

### **Denel**

An amount of R191.9 million was allocated to Denel for the payment of an indemnity granted to Denel/Saab Aerostructures. Denel reports to the Department on a monthly and quarterly basis on financial and strategy implementation progress in terms of s38(1)(j) of the PFMA and Treasury Regulation 8.4.1.

### **Broadband Infracore**

An amount of R208.5 million was allocated and transferred to Broadband Infracore for the expansion of South Africa's ICT infrastructure. The entity reports quarterly to the Department in terms of s38 (1)(j) of the PFMA and Treasury Regulation 8.4.1.

### **Pebble Bed Modular Reactor (PBMR)**

An amount of R1.7 billion was allocated and transferred to the PBMR for designing, building and prototyping the PBMR technology. The PBMR reports monthly and quarterly to the Department and National Treasury in terms of s38 (1)(j) of the PFMA and Treasury Regulation 8.4.1. on financial and operational matters.

### **South African Airways (SAA)**

An amount of R1.549 billion was transferred to South African Airways for conversion of a guaranteed subordinated loan into equity to reduce SAA's debt. The entity reports quarterly to the Department in terms of s38 (1)(j) of the PFMA and Treasury Regulation 8.4.1.

Further management measures are described in Paragraph 13 under Performance oversight – State Owned Enterprises.



## 7. PUBLIC PRIVATE PARTNERSHIPS (PPP)

The Department did not enter into any PPP agreements during the 2009/10 financial year.

## 8. CORPORATE GOVERNANCE ARRANGEMENTS

### Risk Management approach

The Department endeavours to minimise risks by ensuring that appropriate systems, personnel and controls are in place and risk management is integrated into day-to-day activities. A high-level risk profile was developed to be used by the Department in identifying, managing and controlling the business risks facing the Department. The risk profile is monitored by management to ensure that it remains within the approved risk appetite of the Department. The Department has an approved risk management policy and framework for governing the DPE risk process. Risk Management is also a key performance indicator in all Senior Managers performance contracts. A Risk and Compliance Officer has been appointed by the Department to ensure the independence of the Risk function.

### Internal Audit, Internal controls and Audit Committee

The Department has an Internal Audit unit, which reports functionally to the Audit Committee and administratively to the Director General. The Internal Audit unit consists of a Chief Audit Executive, Audit Manager and a co-sourcing arrangement with a registered firm of accountants and auditors. The unit provides the Audit Committee and management with assurance that internal controls are adequate and effective. This is achieved by means of an independent, objective appraisal and evaluation of the governance processes in the Department. The unit also provides recommendations to enhance controls and processes where necessary. For the year under review the Internal Audit unit executed its risk based operational plan within the set timeframes. The Internal Control environment has also improved dramatically, this being evidence by 100% implementation of audit recommendations by management.

### Fraud Prevention Strategies

A whistle blowing policy has been actively communicated to employees during the course of the financial year. The Department's integrated anti-corruption and fraud strategy was approved in the current financial year. The Internal Audit unit is the custodian of the whistle blowing policy and also the recipient of whistle blowers complaints. The Internal Audit unit has responded to all whistle blowing cases reported via the Public Service Commission. These cases have been reported to the Audit Committee. The Internal Audit oversees all forensic investigations in the Department and as a result effectively monitors Managements' actions to remedy the identified internal control weaknesses. In the current financial year all recommendations emanating from reports of forensic investigations have been adequately addressed by Management.

### Other Governance Structures

The Department has the following internal governance structures, which convene once a month, with the exception of the Audit Committee which convenes quarterly, to assist with the governance of the organisation:

- Executive Committee, chaired by the Director-General
- Operations Committee, chaired on a rotational basis by OPSCO members
- Bid Adjudication Committee, chaired by the Chief Financial Officer
- Budget Committee, chaired by the Director Financial Management
- DPE Board, chaired by the Minister
- Audit Committee, chaired by an independent member of the Audit Committee.

In addition the Department has established the following forums with the State Owned Enterprises:

- Chairpersons' Forum
- CEOs' Forum
- Isibuko Dashboard user Forum.

These fora meet on a regular basis throughout the year which allows for robust debate and interaction with the Department on matters of importance.

The Department operates according to the approved delegation of authority. All Senior Managers are required on a yearly basis to declare and complete their financial disclosure forms for reporting to the DPSA. All employees below SMS level are also required to declare and complete financial disclosure forms, this allows the Department to effectively manage all potential conflicts of interests among public servants.

Bid Adjudication Committee Members and Audit Committee Members are required to declare any conflict of interest before their meetings proceed.

All employees are required to sign the departmental code of ethics and confidentiality agreements and are vetted for security clearance by the National Intelligence Agency.

### **Occupational Health and Safety**

The Department is committed to the health and safety of its employees and the public. There is an approved Occupational Health and Safety (OHS) policy and a fully functional OHS Committee.

The Department embarked on the following initiatives in 2009/2010 to enhance the overall health, safety and environmental issues facing the organisation:

- Sweeping of the Department's offices by the National Intelligence Agency
- Additional CCTV cameras were installed in certain identified areas
- The second phase of the Fire Detection System was installed and the fire panels in the IT Server Room and Registry were linked to the fire panel in the Security Control Room. The GSM system was also installed that informs responsible officials about any fire or faults
- The Evacuation procedures were reviewed and updated on the Department's Intranet
- During induction new employees are familiarised with the Evacuation Procedures and routes.

## **9. DISCONTINUED ACTIVITIES/ACTIVITIES TO BE DISCONTINUED**

None

## **10. NEW/PROPOSED ACTIVITIES**

None

## **11. ASSET MANAGEMENT**

- The Department conducted three full asset counts of all assets, one of which was conducted by independent officials, during the period under review
- All assets are captured on LOGIS on a personnel inventory basis to ensure control of assets
- All assets are purchased and accounted for on LOGIS

- The Department has complied with the Asset Management Reform milestones
- During the year under review the Department disposed of unserviceable and redundant assets at original cost value as per the asset register amounting to R3 121 192.17. Refer note 30.2 to the notes of the Annual Financial Statements for disposals of Capital Assets. Minor Assets are not disclosed in the Annual Financial Statements
- Thefts and losses were written off amounting to R81 340.27 calculated at original cost value as per the asset register. Refer Note 7 of the Notes to the Annual Financial Statements
- Losses amounting to R90 640.95 are still under investigation and have not yet been removed from the asset register.

## 12. EVENTS AFTER THE REPORTING DATE

The Department received an amount of R117 423 358.41 in May 2010 from the Diabo Trust Fund, the details of which are reported in Clause 17 of this report.

## 13. PERFORMANCE INFORMATION

The Department has a Performance Management Policy (Programme performance) in place. The policy is explicit with regard to the performance cycle, accountability documents and performance information as well as the processes to be followed within the Department.

### Process and timelines for Managing Programme Performance

- Annual Strategic Planning Workshop and development of annual Business Plan – January/February
- Strategic Plan printed and tabled in Parliament – May/June
- Quarterly reporting per programme within 30 days of the end of each quarter – submitted to Minister, Accounting Officer, Chief Investment Portfolio Manager (CIPM) and Audit Committee
- Mid-term Review Workshop to assess performance against targets and where necessary re-prioritise – November/December
- Department's performance reported in Annual Report – August
- An assessment is carried out on the overall performance of the Department by an independent assessor annually – May/June.

### Programme performance linked to employee performance

- The performance of programmes is linked to employee performance by means of signed performance agreements that include balanced scorecards which tie in with the Department's Strategic Plan – April/May annually
- Mid-year reviews are conducted with each employee where their delivery against Key Performance Indicator's (KPI's) are evaluated – September/October
- Year end appraisals are conducted on all employees – April/May

Financial reports are provided to the Executive Authority and the Accounting Officer on a monthly basis. This includes the overall status of the Department as well as the individual programmes, which enables the Department to closely monitor the expenditure trends in the units and to implement corrective action where necessary.

### Performance oversight - State Owned Enterprises

The Department has an obligation to review the performance of SOE. In terms of Treasury Regulation 29.3, procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action must be established. This includes setting up reporting systems that allow regular monitoring and assessment of SOE performance. To review performance effectively, the Department must first ensure that it has access to accurate and relevant information on a timely basis to enable continuous performance evaluation and, when necessary, communicate its concerns to the SOE.

An electronic business intelligence dashboard system has been implemented to allow for timely reporting by SOE, to monitor trends in financial and operational performance, capital investment programme, environmental impact assessments, socio-economic, governance, skills development, competitive supplier development programme and property disposals and to enhance detection, mitigation and monitoring of enterprise and cross-cutting shareholder risks on an ongoing basis. Ongoing monitoring ensures early identification of problems and opportunities. It allows the Department to react promptly on underperformance or on significant changes in the SOE's environment that may impact its performance. It also allows focussing on priorities.

The Department monitors the SOE performance on a quarterly and annual basis. Quarterly and annual reports are analysed to determine whether SOE performance is on track with the corporate plans, whether strategic objectives have been met and to highlight any emerging risks. This includes an assessment of financial and non-financial results against key performance indicators that have been established in the process of defining SOE objectives and targets.

Records of all reports are filed in the Records Centre of the Department using the filing system approved by National Archives.

#### 14. SCOPA RESOLUTIONS

Reference to previous audit report and SCOPA resolutions	Subject	Findings on progress
Twentieth Report – 10 February 2004 Refer Note 10.1 of the notes to the Annual Financial Statements	Unauthorised Expenditure	On 31 March 2007 Act 2 of 2007 was proclaimed condoning the unauthorised expenditure. The Department received R 25.5 million during 2007/08. At 01 April 2009 a balance of R 618 050 of the original amount remained unpaid. During the year under review the Department received R 612 321. The remaining balance amounting to R 5 728.90 was written back against departmental revenue pursuant to discussions with National Treasury in this regard.

#### 15. PRIOR MODIFICATIONS TO AUDIT REPORTS

There were no prior modifications to the Audit report.

#### 16. EXEMPTIONS AND DEVIATIONS RECEIVED FROM THE NATIONAL TREASURY

None

#### 17. OTHER

##### Diabo Trust

In 2003, Government created the Diabo Share Trust for the benefit of the (then) employees and former employees of Telkom. The Diabo Share Trust commenced on 01 March 2003 and was terminated on 31 May 2006. The Diabo Share Trust Deed provided for the forfeiture of any unclaimed benefits on the date when the trust terminated, to Government.

Cabinet approved the establishment of a Steering Committee, comprising the Departments of Public Enterprises and Communications and the National Treasury. The Committee was tasked with overseeing the winding down of the Diabo Share Trust and transferring the benefits to beneficiaries. The Department has appointed a service provider to assist with the tracing of possible beneficiaries.

During 2008/09 an amount of R435.5 million was received from the Diabo Share Trust in respect of funds that had not been disbursed to potential beneficiaries. These funds are currently held in the National Revenue Fund and have been classified as direct exchequer receipts in the financial statements of the Department. The funds have accordingly been earmarked for the purpose of any future claims which may arise.

In May 2010 the Department received an amount R117 423 358.41 from the Trust. These funds will be transferred to the Corporation for Public Deposits (CPD), as agreed with National Treasury and a Trust Account will be opened in the Department's books through which future claims will be paid. A portion of these funds will also be utilised for disbursement to the service providers administering the funds as well as tracing agents appointed to locate any outstanding beneficiaries.

## 18. APPROVAL

The Annual Financial Statements set out on pages 68 to 119 have been approved by the Accounting Officer.

A handwritten signature in black ink, appearing to read 'A. Shaw', with a horizontal line underneath.

**DR ANDREW SHAW**  
Acting Director-General

**Date : 30 July 2010**

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF DEPARTMENT OF PUBLIC ENTERPRISES FOR THE YEAR ENDED 31 MARCH 2010

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

I have audited the accompanying financial statements of the Department of Public Enterprises, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, accounting officer's report as set out on pages 48 to 119.

#### Accounting officer's responsibility for the financial statements

The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting determined by National Treasury, as set out in note 1.1 to the financial statements and in the manner required by the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Public Enterprises as at 31 March 2010 and its financial performance, and its cash flows for the year then ended in all material respects, in accordance with the modified cash basis of accounting determined by National Treasury, as set out in note 1.1 to the financial statements and in the manner required by the PFMA.

#### Emphasis of matter

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

#### Basis of accounting

The department's policy is to prepare financial statements on the modified cash basis of accounting as described in note 1.1 to the financial statements.



## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009, I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

### Findings

#### Predetermined objectives

No matters to report

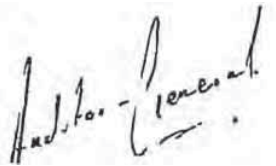
#### Compliance with laws and regulations

No matters to report

### INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported are limited to the deficiencies identified during the audit.

No matters to report



Pretoria

31 July 2010



Appropriation per Programme									
Appropriation Statement	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1. Administration</b>									
Current payment	88 569	(22)	-	88 547	85 047	3 500	96.0%	76 749	76 411
Transfers and subsidies	680	-	-	680	678	2	99.7%	650	650
Payment for capital assets	1 253	22	-	1 275	1 274	1	99.9%	895	878
<b>2. Energy and Broadband Enterprises</b>									
Current payment	12 912	-	773	13 685	12 510	1 175	91.4%	10 317	9 811
Transfers and subsidies	1 946 280	-	-	1 946 280	1 946 280	-	100.0%	2 127 000	2 127 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>3. Legal Governance Risk and Transactions</b>									
Current payment	18 289	-	-	18 289	16 703	1 586	91.3%	18 868	17 889
Transfers and subsidies	129 090	-	-	129 090	129 090	-	100.0%	130 000	130 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>4. Manufacturing Enterprises</b>									
Current payment	7 469	-	(332)	7 137	6 202	935	86.9%	9 765	9 387
Transfers and subsidies	191 866	-	-	191 866	191 866	-	100.0%	259 516	257 640
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>5. Transport Enterprises</b>									
Current payment	19 650	-	(71)	19 579	19 576	3	100.0%	20 015	19 930
Transfers and subsidies	1 549 080	-	-	1 549 080	1 549 080	-	100.0%	585 000	585 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>6. Joint Project Facility</b>									
Current payment	26 022	-	(370)	25 652	24 986	666	97.4%	30 603	30 553
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>3 991 160</b>	<b>-</b>	<b>-</b>	<b>3 991 160</b>	<b>3 983 292</b>	<b>7 868</b>	<b>99.8%</b>	<b>3 269 378</b>	<b>3 265 149</b>

	2009/10			2008/09	
	Final Appropriation	Actual Expenditure		Final Appropriation	Actual Expenditure
<b>TOTAL (brought forward)</b>	<b>3 991 160</b>	<b>3 983 292</b>	<b>7 868</b>	<b>3 269 378</b>	<b>3 265 149</b>
<b>Reconciliation with statement of financial performance</b>					
<b>ADD</b>					
Departmental receipts	1 168			818	
Direct Exchequer receipts	-			435 462	
<b>Actual amounts per statement of financial performance (total revenue)</b>	<b>3 992 328</b>			<b>3 705 658</b>	
<b>ADD</b>					
Aid assistance		-			741
<b>Actual amounts per statement of financial performance (total expenditure)</b>		<b>3 983 292</b>			<b>3 265 890</b>

Appropriation per Economic Classification									
2009/10								2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	81 424	-	-	81 424	75 220	6 204	92.4%	72 080	70 445
Goods and services	91 487	(51)	-	91 436	89 775	1 661	98.2%	93 893	93 238
Financial transactions in assets and liabilities	-	29	-	29	29	-	100.0%	344	298
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	3 816 316	-	-	3 816 316	3 816 316	-	100.0%	3 101 516	3 099 640
Households	680	-	-	680	678	2	99.7%	650	650
<b>Payments for capital assets</b>									
Machinery and equipment	1 253	6	-	1 259	1 258	1	99.9%	861	844
Software and other intangible assets	-	16	-	16	16	-	100.0%	34	34
<b>TOTAL</b>	<b>3 991 160</b>	<b>-</b>	<b>-</b>	<b>3 991 160</b>	<b>3 983 292</b>	<b>7 868</b>	<b>99.8%</b>	<b>3 269 378</b>	<b>3 265 149</b>

Detail per Sub-Programme	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1.1 Minister</b>									
Current payment	1 880	55	-	1 935	1 898	37	98.1%	1 919	1 843
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>1.2 Deputy Minister</b>									
Current payment	960	(55)	-	905	508	397	56.1%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>1.3 Management</b>									
Current payment	28 296	730	-	29 026	28 628	398	98.6%	20 149	20 041
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>1.4 Corporate Services</b>									
Current payment	52 495	(1 733)	-	50 762	48 094	2 668	94.7%	49 220	49 066
Transfers and subsidies	680	-	-	680	678	2	99.7%	650	650
Payment for capital assets	1 253	22	-	1 275	1 274	1	99.9%	895	878
<b>1.5 Property Management</b>									
Current payment	4 938	981	-	5 919	5 919	-	100.0%	5 461	5 461
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>90 502</b>	<b>-</b>	<b>-</b>	<b>90 502</b>	<b>86 999</b>	<b>3 503</b>	<b>96.1%</b>	<b>78 294</b>	<b>77 939</b>

Economic Classification	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	45 424	-	-	45 424	42 611	2 813	93.8%	36 197	35 925
Goods and services	43 145	(51)	-	43 094	42 407	687	98.4%	40 552	40 486
Financial transactions in assets and liabilities	-	29	-	29	29	-	100.0%	-	-
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Households	680	-	-	680	678	2	99.7%	650	650
<b>Payment for capital assets</b>									
Machinery and equipment	1 253	6	-	1 259	1 258	1	99.9%	861	844
Software and other intangible assets	-	16	-	16	16	-	100.0%	34	34
<b>TOTAL</b>	<b>90 502</b>	<b>-</b>	<b>-</b>	<b>90 502</b>	<b>86 999</b>	<b>3 503</b>	<b>96.1%</b>	<b>78 294</b>	<b>77 939</b>



Detail per Sub-Programme	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>2.1 Management</b>									
Current payment	2 274	1 747	-	4 021	4 020	1	100.0%	1 683	1 495
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>2.2 ICT</b>									
<b>Broadband Sector</b>									
Current payment	3 311	(1 335)	-	1 976	2 100	(124)	106.3%	1 622	1 489
Transfers and subsidies	208 530	-	-	208 530	208 530	-	100.0%	377 000	377 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>2.3 Energy Sector</b>									
Current payment	3 828	1 314	773	5 915	5 914	1	100.0%	6 552	6 509
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>2.4 Nuclear Sector</b>									
Current payment	3 499	(1 726)	-	1 773	476	1 297	26.8%	460	318
Transfers and subsidies	1 737 750	-	-	1 737 750	1 737 750	-	100.0%	1 750 000	1 750 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>1 959 192</b>	<b>-</b>	<b>773</b>	<b>1 959 965</b>	<b>1 958 790</b>	<b>1 175</b>	<b>99.9%</b>	<b>2 137 317</b>	<b>2 136 811</b>

Economic classification	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	7 901	-	-	7 901	6 732	1 169	85.2%	5 805	5 761
Goods and services	5 011	-	773	5 784	5 778	6	99.9%	4 512	4 050
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	1 946 280	-	-	1 946 280	1 946 280	-	100.0%	2 127 000	2 127 000
Households	-	-	-	-	-	-	-	-	-
<b>Payment for capital assets</b>									
Machinery and equipment	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>1 959 192</b>	<b>-</b>	<b>773</b>	<b>1 959 965</b>	<b>1 958 790</b>	<b>1 175</b>	<b>99.9%</b>	<b>2 137 317</b>	<b>2 136 811</b>

Detail per Sub-programme	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>3.1 Management</b>									
Current payment	2 225	-	-	2 225	1 725	500	77.5%	2 086	2 062
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>3.2 Legal and Litigation</b>									
Current payment	11 729	(401)	-	11 328	11 002	326	97.1%	9 586	9 509
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>3.3 Governance</b>									
Current payment	1 725	(292)	-	1 433	1 079	354	75.3%	2 914	2 531
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>3.4 Risk Management</b>									
Current payment	1 516	385	-	1 901	1 698	203	89.3%	2 986	2 498
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>3.5 Transactions</b>									
Current payment	1 094	308	-	1 402	1 199	203	85.5%	1 296	1 289
Transfers and subsidies	129 090	-	-	129 090	129 090	-	100.0%	130 000	130 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>147 379</b>	<b>-</b>	<b>-</b>	<b>147 379</b>	<b>145 793</b>	<b>1 586</b>	<b>98.9%</b>	<b>148 868</b>	<b>147 889</b>

Economic Classification	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	9 044	-	-	9 044	7 751	1 293	85.7%	9 209	8 338
Goods and services	9 245	-	-	9 245	8 952	293	96.8%	9 315	9 253
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	344	298
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	129 090	-	-	129 090	129 090	-	100.0%	130 000	130 000
Households	-	-	-	-	-	-	-	-	-
<b>Payment for capital assets</b>									
Machinery and equipment	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>147 379</b>	<b>-</b>	<b>-</b>	<b>147 379</b>	<b>145 793</b>	<b>1 586</b>	<b>98.9%</b>	<b>148 868</b>	<b>147 889</b>

Detail per Sub-programme	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>4.1 Management</b>									
Current payment	1 797	-	(37)	1 760	1 551	209	88.1%	1 526	1 317
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>4.2 Forestry Sector</b>									
Current payment	1 395	(1)	(25)	1 369	909	460	66.4%	1 476	1 393
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>4.3 Defence Sector</b>									
Current payment	4 277	1	(270)	4 008	3 742	266	93.4%	6 763	6 677
Transfers and subsidies	191 866	-	-	191 866	191 866	-	100.0%	259 516	257 640
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>199 335</b>	<b>-</b>	<b>(332)</b>	<b>199 003</b>	<b>198 068</b>	<b>935</b>	<b>99.5%</b>	<b>269 281</b>	<b>267 027</b>

Economic Classification	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	5 465	-	(270)	5 195	4 270	925	82.2%	4 986	4 651
Goods and services	2 004	-	(62)	1 942	1 932	10	99.5%	4 779	4 736
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	191 866	-	-	191 866	191 866	-	100.0%	259 516	257 640
Households	-	-	-	-	-	-	-	-	-
<b>Payment for capital assets</b>									
Machinery and equipment	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>199 335</b>	<b>-</b>	<b>(332)</b>	<b>199 003</b>	<b>198 068</b>	<b>935</b>	<b>99.5%</b>	<b>269 281</b>	<b>267 027</b>

Detail per Sub-programme	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>5.1 Management</b>									
Current payment	2 470	490	70	3 030	3 030	-	100.0%	6 366	6 353
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>5.2 Transport Sector</b>									
Current payment	11 231	1 744	170	13 145	13 143	2	100.0%	9 869	9 799
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>5.3 Aviation Sector</b>									
Current payment	5 949	(2 234)	(311)	3 404	3 403	1	100.0%	3 780	3 778
Transfers and subsidies	1 549 080	-	-	1 549 080	1 549 080	-	100.0%	585 000	585 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>1 568 730</b>	<b>-</b>	<b>(71)</b>	<b>1 568 659</b>	<b>1 568 656</b>	<b>3</b>	<b>100.0%</b>	<b>605 015</b>	<b>604 930</b>

Economic Classification	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	9 152	-	440	9 592	9 590	2	100.0%	10 542	10 478
Goods and services	10 498	-	(511)	9 987	9 986	1	100.0%	9 473	9 452
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	1 549 080	-	-	1 549 080	1 549 080	-	100.0%	585 000	585 000
Households	-	-	-	-	-	-	-	-	-
<b>Payment for capital assets</b>									
Machinery and equipment	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>1 568 730</b>	<b>-</b>	<b>(71)</b>	<b>1 568 659</b>	<b>1 568 656</b>	<b>3</b>	<b>100.0%</b>	<b>605 015</b>	<b>604 930</b>



Detail per Sub-programme	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>6.1 Management</b>									
Current payment	853	(320)	(170)	363	362	1	99.7%	349	348
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>6.2 Joint Project Facility</b>									
Current payment	25 169	320	(200)	25 289	24 624	665	97.4%	30 254	30 205
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>26 022</b>	<b>-</b>	<b>(370)</b>	<b>25 652</b>	<b>24 986</b>	<b>666</b>	<b>97.4%</b>	<b>30 603</b>	<b>30 553</b>

Economic Classification	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	4 438	-	(170)	4 268	4 266	2	100.0%	5 341	5 292
Goods and services	21 584	-	(200)	21 384	20 720	664	96.9%	25 262	25 261
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-
<b>Payment for capital assets</b>									
Machinery and equipment	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>26 022</b>	<b>-</b>	<b>(370)</b>	<b>25 652</b>	<b>24 986</b>	<b>666</b>	<b>97.4%</b>	<b>30 603</b>	<b>30 553</b>

**1. Detail of transfers and subsidies as per Appropriation Act (after Virement):**

Detail of these transactions can be viewed in the note on Transfers and subsidies, disclosure notes and Annexure 1 (A) to the Annual Financial Statements.

**2. Detail of specifically and exclusively appropriated amounts voted (after Virement):**

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.

**3. Detail on financial transactions in assets and liabilities**

Detail of these transactions per programme can be viewed in the note on Financial transactions in assets and liabilities to the Annual Financial Statements.

**4. Explanations of material variances from amounts voted (after Virement):**

<b>4.1 Per Programme</b>	<b>Final Appropriation</b>	<b>Actual Expenditure</b>	<b>Variance</b>	<b>Variance as a % of Final Appropriation</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Administration</b>	90 502	86 999	3 503	3.9%
<b>Energy and Broadband Enterprises</b>	1 959 965	1 958 790	1 175	0.1%
<b>Legal, Governance, Risk and Transactions</b>	147 379	145 793	1 586	1.1%
<b>Manufacturing Enterprises</b>	199 003	198 068	935	0.5%
<b>Transport Enterprises</b>	1 568 659	1 568 656	3	0%
<b>Joint Project Facility</b>	25 652	24 986	666	2.6%

- Programme 1: The underspending is in Compensation of Employees due to vacant posts.
- Programme 6: The underspending is in Goods and Services which was budgeted for the comprehensive Supplier Development Procurement Strategy. A request for rollover of these funds will be submitted to National Treasury for completion of the project during the first quarter of the 2010/11 financial year.

<b>4.2 Per Economic classification</b>	<b>Final Appropriation</b>	<b>Actual Expenditure</b>	<b>Variance</b>	<b>Variance as a % of Final Appropriation</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Current payments:</b>				
Compensation of employees	81 424	75 220	6 204	7.6%
Goods and services	91 436	89 775	1 661	1.8%
Financial transactions in assets and liabilities	29	29	-	0%
<b>Transfers and subsidies:</b>				
Public corporations and private enterprises	3 816 316	3 816 316	-	0%
Households	680	678	2	0.3%
<b>Payments for capital assets:</b>				
Machinery and equipment	1 259	1 258	1	0.1%
Software and other intangible assets	16	16	-	0%

**PERFORMANCE**

	<i>Note</i>	<b>2009/10 R'000</b>	<b>2008/09 R'000</b>
<b>REVENUE</b>			
Annual appropriation	1	3 991 160	3 269 378
Departmental revenue	2	1 168	818
Direct Exchequer Receipts	3	-	435 462
<b>TOTAL REVENUE</b>		<b>3 992 328</b>	<b>3 705 658</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	5	75 220	70 445
Goods and services	6	89 775	93 238
Financial transactions in assets and liabilities	7	29	298
Aid assistance	4	-	741
<b>Total current expenditure</b>		<b>165 024</b>	<b>164 722</b>
<b>Transfers and subsidies</b>		<b>3 816 994</b>	<b>3 100 290</b>
Transfers and subsidies	8	3 816 994	3 100 290
<b>Expenditure for capital assets</b>			
Tangible capital assets	9	1 258	844
Software and other intangible assets	9	16	34
<b>Total expenditure for capital assets</b>		<b>1 274</b>	<b>878</b>
<b>TOTAL EXPENDITURE</b>		<b>3 983 292</b>	<b>3 265 890</b>
<b>SURPLUS FOR THE YEAR</b>		<b>9 036</b>	<b>439 768</b>
<b>Reconciliation of Net Surplus for the year</b>			
<b>Voted funds</b>			
Annual appropriation	15	7 868	4 229
Departmental revenue	16	1 168	818
Direct Exchequer receipts/payments	17	-	435 462
Aid assistance	4	-	(741)
<b>SURPLUS FOR THE YEAR</b>		<b>9 036</b>	<b>439 768</b>

<b>POSITION</b>	<b>Note</b>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
<b>ASSETS</b>			
<b>Current assets</b>		<b>9 769</b>	<b>4 987</b>
Unauthorised expenditure	10	-	618
Cash and cash equivalents	11	8 343	3 739
Prepayments and advances	12	100	345
Receivables	13	1 326	285
<b>Non-current assets</b>		<b>23 960 985</b>	<b>21 618 375</b>
Investments	14	23 960 985	21 618 375
<b>TOTAL ASSETS</b>		<b>23 970 754</b>	<b>21 623 362</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>9 769</b>	<b>4 987</b>
Voted funds to be surrendered to the Revenue Fund	15	7 868	2 353
Departmental revenue to be surrendered to the Revenue Fund	16	985	275
Payables	18	916	2 359
<b>TOTAL LIABILITIES</b>		<b>9 769</b>	<b>4 987</b>
<b>NET ASSETS</b>		<b>23 960 985</b>	<b>21 618 375</b>
<b>Represented by:</b>			
Capitalisation reserve		23 960 985	21 618 375
<b>TOTAL</b>		<b>23 960 985</b>	<b>21 618 375</b>

<b>NET ASSETS</b>	<i>Note</i>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
<b>Capitalisation Reserves</b>			
Opening balance		21 618 375	20 614 375
Transfers:			
Movement in Equity	14	2 342 610	1 004 000
<b>Closing balance</b>		<b>23 960 985</b>	<b>21 618 375</b>
<b>TOTAL</b>		<b>23 960 985</b>	<b>21 618 375</b>

<b>CASH FLOW</b>	<i>Note</i>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		<b>3 992 309</b>	<b>3 703 782</b>
Annual appropriated funds received	1.1	3 991 160	3 267 502
Departmental revenue received	2	1 149	818
Direct Exchequer Receipts	3	-	435 462
Net (increase)/decrease in working capital		(1 621)	245
Surrendered to Revenue Fund		(2 811)	(436 081)
Current payments		(165 024)	(164 722)
Transfers and subsidies paid		(3 816 994)	(3 100 290)
<b>Net cash flow available from operating activities</b>	<b>19</b>	<b>5 859</b>	<b>2 934</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	9	(1 274)	(878)
Proceeds from sale of capital assets	2.3	19	
<b>Net cash flows from investing activities</b>		<b>(1 255)</b>	<b>(878)</b>
Net increase/(decrease) in cash and cash equivalents		4 604	2 056
Cash and cash equivalents at beginning of period		3 739	1 683
<b>Cash and cash equivalents at end of period</b>	<b>20</b>	<b>8 343</b>	<b>3 739</b>



The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 2 of 2006.

## **1. PRESENTATION OF THE FINANCIAL STATEMENTS**

### **1.1 Basis of preparation**

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid.

### **1.2 Presentation currency**

All amounts have been presented in South African Rand (R) which is also the functional currency of the Department.

### **1.3 Rounding**

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

### **1.4 Comparative figures**

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

### **1.5 Comparative figures – Appropriation Statement**

A comparison between actual amounts and final appropriation per major classification of expenditure is included in the Appropriation Statement.

## **2. REVENUE**

### **2.1 Appropriated funds**

Appropriated funds comprises of departmental allocations as well as direct charges against revenue fund (i.e. statutory appropriation).

Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

The total appropriated funds received during the year are presented in the statement of financial performance.

Unexpended appropriated funds are surrendered to the National Revenue Fund. Any amounts owing to the National Revenue Fund at the end of the financial year are recognised as payable in the statement of financial position.

### **2.2 Departmental revenue**

All departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the National Revenue Fund, unless stated otherwise.

Any amount owing to the National Revenue Fund is recognised as a payable in the statement of financial position.

No accrual is made for the amount receivable from the last receipt date to the end of the reporting period. These amounts are however disclosed in the disclosure note to the annual financial statements.

**2.3 Direct Exchequer receipts / payments**

All direct exchequer receipts are recognised in the statement of financial performance when the cash is received and subsequently paid into the National Revenue Fund, unless otherwise stated.

All direct exchequer payments are recognised in the statement of financial performance when final authorisation for payment is effected on the system (by no later than 31 March of each year).

Any amount owing to the National Revenue Funds at the end of the financial year is recognised as a payable in the statement of financial position.

**2.4 Aid assistance**

Aid assistance is recognised as revenue when received.

All in-kind aid assistance is disclosed at fair value on the date of receipt in the annexures to the Annual Financial Statements.

The cash payments made during the year relating to aid assistance projects are recognised as expenditure in the statement of financial performance when final authorisation for payments is effected on the system (by no later than 31 March of each year).

The value of the assistance expensed prior to the receipt of funds is recognised as a receivable in the statement of financial position.

Inappropriately expensed amounts using aid assistance and any unutilised amounts are recognised as payables in the statement of financial position.

**3. EXPENDITURE****3.1 Compensation of employees****3.1.1 Short-term employee benefits**

The cost of short-term employee benefits are expensed in the statement of financial performance when financial authorisation for payment is effected on the system (by no later than 31 March each year).

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not be recognised in the statement of financial performance or position.

Employee cost are capitalised to the cost of a capital project when an employee spends more than 50% of his/her time in the project. These payments form part of expenditure for capital assets in the statement of financial performance.

**3.1.2 Post retirement benefits**

Employer contribution (i.e. social contributions) are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March each year).

No provision is made for retirement benefits in the financial statements of the Department. Any potential liabilities are disclosed in the financial statements of the National Revenue Funds and not in the financial statements of the employer Department.

Social contribution (such as medical benefits) made by the Department for certain of its ex-employees are classified as transfers to households in the statement of financial performance.

**3.1.3 Termination benefits**

Termination benefits such as severance packages are recognised as an expense in the statement of financial performance as a transfer (to households) when the final authorisation for payment is effected on the system in the year under review.

**3.1.4 Other long-term employee benefits**

Other long-term employee benefits (such as capped leave) are recognised as an expense in the statement of financial performance as a transfer (to households) when the final authorisation for payment is effected on the system in the year under review.

Long-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements.

**3.2 Goods and services**

Payments made for goods and/or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

The expense is classified as capital if the goods and/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently R5 000). All other expenditures are classified as current.

**3.3 Interest and rent on land**

Interest and rental payments are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

**3.4 Financial transactions in assets and liabilities**

Debts are written off when identified as irrecoverable. Debts written off are limited to the amount of savings and/or underspending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but an estimate is included in the disclosure notes to the financial statements amounts.

All other losses are recognised when authorisation has been granted for the recognition thereof.

**3.5 Transfers and subsidies**

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

**3.6 Unauthorised expenditure**

When confirmed unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

Unauthorised expenditure approved with funding is derecognised from the statement of financial position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure in the statement of financial performance on the date of approval.

**3.7 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

**3.8 Irregular expenditure**

Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

## **4. ASSETS**

### **4.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost.

Bank overdrafts are shown separately on the face of the statement of financial position.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

### **4.2 Other financial assets**

Other financial assets are carried in the statement of financial position at cost.

### **4.3 Prepayments and advances**

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made and where the goods and services have not been received by year end.

Prepayments and advances outstanding at the end of the year are carried in the statement of financial position at cost.

### **4.4 Receivables**

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party or from the sale of goods/rendering of services.

Receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentially irrecoverable are included in the disclosure notes.

### **4.5 Investments**

Capitalised investments are shown at cost in the statement of financial position.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the disclosure notes.

### **4.6 Loans**

Loans are recognised in the statement of financial position when the cash is paid to the beneficiary. Loans that are outstanding at year-end are carried in the statement of financial position at cost plus accrued interest.

Amounts that are potentially irrecoverable are included in the disclosure notes.

### **4.7 Inventory**

Inventories that qualify for recognition is initially reflected at cost. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition.

All inventory items at year-end are reflected using the weighted average cost or FIFO cost formula.

### **4.8 Capital assets**

#### **4.8.1 Movable assets**

##### **Initial recognition**

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the movable capital asset is stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.

All assets acquired prior to 1 April 2002 are included in the register at R1.

#### **Subsequent recognition**

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as “expenditure for capital asset” and is capitalised in the asset register of the Department on completion of the project.

Repairs and maintenance is expensed as current “goods and services” in the statement of financial performance.

### **4.8.2 Immovable assets**

#### **Initial recognition**

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the immovable capital asset is stated at R1 unless the fair value for the asset has been reliably estimated.

#### **Subsequent recognition**

Work-in-progress of a capital nature is recorded in the statement of financial performance as “expenditure for capital asset”. On completion, the total cost of the project is included in the asset register of the Department that legally owns the asset or the national Department of public works.

Repairs and maintenance is expensed as current “goods and services” in the statement of financial performance.

## **5. LIABILITIES**

### **5.1 Payables**

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are carried at cost in the statement of financial position.

### **5.2 Contingent liabilities**

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the Department, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

### **5.3 Contingent assets**

Contingent assets are included in the disclosure notes to the financial statements when it is possible that an inflow of economic benefits will flow to the entity.

### **5.4 Commitments**

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

### **5.5 Accruals**

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

### **5.6 Employee benefits**

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the statement of financial performance or the statement of financial position.

**5.7 Lease commitments****Finance lease**

Finance leases are not recognised as assets and liabilities in the statement of financial position. Finance lease payments are recognised as an expense in the statement of financial performance and are apportioned between the capital and interest portions. The finance lease liability is disclosed in the disclosure notes to the financial statements.

**Operating lease**

Operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes to the financial statement.

**5.8 Provisions**

Provisions are disclosed when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

**6. RECEIVABLES FOR DEPARTMENTAL REVENUE**

Receivables for departmental revenue are disclosed in the disclosure notes to the annual financial statements.

**7. NET ASSETS****7.1 Capitalisation reserve**

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National Revenue Fund when the underlining asset is disposed and the related funds are received.

**7.2 Recoverable revenue**

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

**8. RELATED PARTY TRANSACTIONS**

Specific information with regards to related party transactions is included in the disclosure notes.

**9. KEY MANAGEMENT PERSONNEL**

Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

**10. PUBLIC PRIVATE PARTNERSHIPS**

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the disclosure notes.



## 1. ANNUAL APPROPRIATION

### 1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act (and the Adjustments Appropriation Act) for National Departments (Voted funds):

	<b>Final Appropriation</b>	<b>Actual Funds Received</b>	<b>Funds not requested/ not received</b>	<b>Appropriation received 2008/09</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Administration</b>	90 502	90 502	-	78 294
<b>Energy and Broadband Enterprises</b>	1 959 965	1 959 965	-	2 137 317
<b>Legal, Governance, Risk and Transactions</b>	147 379	147 379	-	148 868
<b>Manufacturing Enterprises</b>	199 003	199 003	-	267 405
<b>Transport Enterprises</b>	1 568 659	1 568 659	-	605 015
<b>Joint Project Facility</b>	25 652	25 652	-	30 603
<b>TOTAL</b>	<b>3 991 160</b>	<b>3 991 160</b>	<b>-</b>	<b>3 267 502</b>

In 2008/09 the appropriated funds were R3 269 378 000. Only R3 267 502 000 was received from National Treasury. The Department did not request all the funds due to the indemnity claim for Denel which was less than anticipated. Refer: note 15.

## 2. DEPARTMENTAL REVENUE

	<i>Note</i>	<b>2009/10 R'000</b>	<b>2008/09 R'000</b>
Sales of goods and services other than capital assets	2.1	36	38
Interest, dividends and rent on land	2.2	7	595
Sales of capital assets	2.3	19	-
Financial transactions in assets and liabilities	2.4	1 106	185
<b>Departmental revenue collected</b>		<b>1 168</b>	<b>818</b>

### 2.1 Sales of goods and services other than capital assets

		<b>36</b>	<b>37</b>
<b>Sales of goods and services produced by the Department</b>			
Sales by market establishment		27	26
Other sales		9	11
Sales of scrap, waste and other used current goods		-	1
<b>TOTAL</b>	2	<b>36</b>	<b>38</b>

**2.2 Interest, dividends and rent on land**

	<i>Note</i>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
Interest		7	595
<b>TOTAL</b>	<b>2</b>	<b>7</b>	<b>595</b>

**2.3 Sale of capital assets**

<b>Tangible capital assets</b>		<b>19</b>	<b>-</b>
Machinery and equipment	30	19	-
<b>TOTAL</b>	<b>2</b>	<b>19</b>	<b>-</b>

**2.4 Financial transactions in assets and liabilities**

Other Receipts including Recoverable Revenue		1 106	185
<b>TOTAL</b>	<b>2</b>	<b>1 106</b>	<b>185</b>

**3. DIRECT EXCHEQUER RECEIPTS**

Restructuring of State assets		-	435 462
<b>TOTAL</b>		<b>-</b>	<b>435 462</b>

**4. AID ASSISTANCE**

**4.1 Aid assistance received in cash from other sources**

<b>Local</b>			
Opening balance		-	741
Revenue		-	-
Expenditure		-	(741)
Current		-	(741)
<b>Closing Balance</b>		<b>-</b>	<b>-</b>

**4.2 Total assistance**

Opening balance		-	741
Revenue		-	-
Expenditure		-	(741)
Current		-	(741)
<b>Closing Balance</b>		<b>-</b>	<b>-</b>

**5. COMPENSATION OF EMPLOYEES****5.1 Salaries and Wages**

	<i>Note</i>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
Basic salary		48 528	40 320
Performance award		4 015	4 365
Service based		292	967
Compensative/circumstantial		1 978	1 030
Periodic payments		887	1 126
Other non-pensionable allowances		15 535	14 791
<b>TOTAL</b>		<b>71 235</b>	<b>62 599</b>

**5.2 Social contributions****Employer contributions**

Pension		2 913	6 789
Medical		1 068	1 053
Bargaining council		4	4
<b>TOTAL</b>		<b>3 985</b>	<b>7 846</b>
<b>Total compensation of employees</b>		<b>75 220</b>	<b>70 445</b>
<b>Average number of employees</b>		<b>140</b>	<b>140</b>

**6. GOODS AND SERVICES**

	<i>Note</i>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
Administrative fees		628	199
Advertising		455	1 061
Assets less than R5 000	6.1	325	299
Bursaries (employees)		674	611
Catering		1 195	1 319
Communication		2 770	2 992
Computer services	6.2	2 957	2 469
Consultants, contractors and agency/outsourced services	6.3	51 115	56 153
Entertainment		185	197
Audit cost – external	6.4	1 979	1 089
Inventory	6.5	1 599	2 879
Operating leases		2 458	2 338
Owned and leasehold property expenditure	6.6	5 919	5 808
Travel and subsistence	6.7	14 227	11 296
Venues and facilities		731	1 629
Training and staff development		1 524	1 704
Other operating expenditure	6.8	1 034	1 195
<b>TOTAL</b>		<b>89 775</b>	<b>93 238</b>

**6.1 Assets less than R5 000**

<b>Tangible assets</b>		<b>322</b>	<b>299</b>
Machinery and equipment		322	299
<b>Intangible assets</b>		<b>3</b>	<b>-</b>
<b>TOTAL</b>	<b>6</b>	<b>325</b>	<b>299</b>

**6.2 Computer services**

SITA computer services		862	619
External computer service providers		2 095	1 850
<b>TOTAL</b>	<b>6</b>	<b>2 957</b>	<b>2 469</b>

**6.3 Consultants, contractors and agency/outsourced services**

	<i>Note</i>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
Business and advisory services		40 806	48 195
Legal costs		5 116	2 724
Contractors		1 510	1 238
Agency and support/outsourced services		3 683	3 996
<b>TOTAL</b>	<b>6</b>	<b>51 115</b>	<b>56 153</b>

**6.4 Audit cost – External**

Regularity audits		1 979	1 089
<b>TOTAL</b>	<b>6</b>	<b>1 979</b>	<b>1 089</b>

**6.5 Inventory**

Other consumable materials		58	183
Maintenance material		21	2
Stationery and printing		1 520	2 694
<b>TOTAL</b>	<b>6</b>	<b>1 599</b>	<b>2 879</b>

**6.6 Owned and leasehold property expenditure**

Municipal services		354	509
Property management fees		5 565	4 952
Property maintenance and repairs		-	347
<b>TOTAL</b>	<b>6</b>	<b>5 919</b>	<b>5 808</b>

Prior year classification under Maintenance, repairs and running costs has been restated to Property maintenance and repairs.

**6.7 Travel and subsistence**

Local		14 227	11 296
<b>TOTAL</b>	<b>6</b>	<b>14 227</b>	<b>11 296</b>

**6.8 Other operating expenditure**

	<i>Note</i>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
Professional bodies, membership and subscription fees		190	270
Resettlement costs		139	153
Other		705	772
<b>TOTAL</b>		<b>1 034</b>	<b>1 195</b>

**7. FINANCIAL TRANSACTIONS IN ASSETS AND LIABILITIES**

Material losses through criminal conduct		29	-
Other material losses	7.1	29	-
Other material losses written off	7.2	-	4
Debts written off	7.3	-	294
<b>TOTAL</b>		<b>29</b>	<b>298</b>

**7.1 Other material losses**
**Nature of other material losses**

<b>Incident</b>	<b>Disciplinary steps taken/ criminal proceedings</b>		
<b>Usage on stolen cellphone</b>	Incident was reported to the SAPS and no person could be held responsible. Asset and Loss Committee recommended writing off of this loss post investigation.	8	-
<b>Usage on stolen 3G card</b>	Incident was reported to the SAPS and no person could be held responsible. Asset and Loss Committee recommended writing off of this loss post investigation.	21	-
<b>TOTAL</b>		<b>29</b>	<b>-</b>

**7.2 Other material losses written off**

Nature of losses			
Advances to Departments *		-	4
<b>TOTAL</b>	7	<b>-</b>	<b>4</b>

\* In 2008/09 advances to Free State Provincial Government and National Treasury was written off.

**7.3 Debts written off**

Nature of debts written off			
Staff Debts		-	294
<b>TOTAL</b>	7	<b>-</b>	<b>294</b>

**7.4 Assets written off**

	<i>Note</i>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
<b>Nature of write off</b>			
4 Laptops		58	-
Digital recorder		5	-
3 GPS units		11	-
Cell phone		7	-
<b>TOTAL</b>		<b>81</b>	<b>-</b>

**8. TRANSFERS AND SUBSIDIES**

Public corporations and private enterprises	<i>Annex 1A</i>	3 816 316	3 099 640
Gifts, donations and sponsorships made	<i>Annex 1C</i>	678	650
<b>TOTAL</b>		<b>3 816 994</b>	<b>3 100 290</b>

**9. EXPENDITURE FOR CAPITAL ASSETS**

<b>Tangible assets</b>		<b>1 258</b>	<b>844</b>
Machinery and equipment	30	1 258	844
<b>Software and other intangible assets</b>		<b>16</b>	<b>34</b>
Computer software	31	16	34
<b>TOTAL</b>		<b>1 274</b>	<b>878</b>

**9.1 Analysis of funds utilised to acquire capital assets – 2009/10**

		<b>Voted funds</b>	<b>Total</b>
		<b>R'000</b>	<b>R'000</b>
<b>Tangible assets</b>		<b>1 258</b>	<b>1 258</b>
Machinery and equipment		1 258	1 258
<b>Software and other intangible assets</b>		<b>16</b>	<b>16</b>
Computer software		16	16
<b>TOTAL</b>		<b>1 274</b>	<b>1 274</b>



**9.2 Analysis of funds utilised to acquire capital assets – 2008/09**

	<b>Voted funds</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>
<b>Tangible assets</b>	<b>844</b>	<b>844</b>
Machinery and equipment	844	844
<b>Software and other intangible assets</b>	<b>34</b>	<b>34</b>
Computer software	34	34
<b>TOTAL</b>	<b>878</b>	<b>878</b>

**10. UNAUTHORISED EXPENDITURE**

**10.1 Reconciliation of unauthorised expenditure**

	<i>Note</i>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
Opening balance		618	618
Less: Amounts approved by Parliament/Legislature with funding		(618)	-
<b>Unauthorised expenditure awaiting authorisation / written off</b>		<b>-</b>	<b>618</b>
<b>Analysis of awaiting authorisation per economic classification</b>			
Current		-	618
<b>TOTAL</b>		<b>-</b>	<b>618</b>

On 31 March 2007 Act 2 of 2007 was proclaimed condoning the unauthorised expenditure. The Department received R25.5 million during 2007/08.

At 01 April 2009 a balance of R618 050 of the original amount remained unpaid. During the year under review the Department received R612 321.

The remaining balance amounting to R5 728.90 was written back against departmental revenue pursuant to discussions with National Treasury in this regard.

**11. CASH AND CASH EQUIVALENTS**

Consolidated Paymaster General Account	8 286	3 685
Cash on hand	57	54
<b>TOTAL</b>	<b>8 343</b>	<b>3 739</b>

**12. PREPAYMENTS AND ADVANCES**

	<i>Note</i>	2009/10	2008/09
		R'000	R'000
Staff advances		2	2
Travel and subsistence		41	224
Advances paid to other entities		57	119
<b>TOTAL</b>		<b>100</b>	<b>345</b>

**13. RECEIVABLES**

	<i>Note</i>	2009/10			Total	2008/09
		Less than one year	One to three years	Older than three years	R'000	Total
		R'000	R'000	R'000	R'000	R'000
Claims recoverable	<i>13.1 Annex 4</i>	44	12	-	56	48
Recoverable expenditure	<i>13.2</i>	21	1	58	80	178
Staff debt	<i>13.3</i>	44	121	36	201	59
Other debtors	<i>13.4</i>	983	6	-	989	-
<b>TOTAL</b>		<b>1 092</b>	<b>140</b>	<b>94</b>	<b>1 326</b>	<b>285</b>

**13.1 Claims recoverable**

	<i>Note</i>	2009/10	2008/09
		R'000	R'000
National Departments		56	12
Provincial Departments		-	36
<b>TOTAL</b>	<b>13</b>	<b>56</b>	<b>48</b>

**13.2 Recoverable expenditure (disallowance accounts)**

Diners Club		58	60
Cellphone expenditure		15	29
Other		7	89
<b>TOTAL</b>	<b>13</b>	<b>80</b>	<b>178</b>

**13.3 Staff debt**

	<i>Note</i>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
Bursaries		22	22
Other		179	37
<b>TOTAL</b>	<b>13</b>	<b>201</b>	<b>59</b>

**13.4 Other debtors**

Pension reversal		6	-
Office accommodation refund		983	-
<b>TOTAL</b>	<b>13</b>	<b>989</b>	<b>-</b>

**14. INVESTMENTS**
**Non-current**
**Shares and other equity**

Alexkor Limited		50 000	50 000
Aventura Limited •		60 000	60 000
Broadband Infracore (Pty) Limited		1 212 530	1 004 000
Denel (Pty) Ltd		5 476 376	5 476 376
Eskom Limited *		-	-
Safcol Limited		318 013	318 013
South African Airways (Pty) Ltd		3 598 080	2 049 000
South African Express Airways (Pty) Ltd		585 000	-
Transnet Limited		12 660 986	12 660 986
	<i>Annex 2A</i>	<b>23 960 985</b>	<b>21 618 375</b>

**Analysis of non-current investments**

Opening balance		21 618 375	20 614 375
Additions in cash		1 757 610	377 000
Non-cash movements		585 000	627 000
<b>Closing balance</b>		<b>23 960 985</b>	<b>21 618 375</b>

\*Eskom shareholding is comprised of one share @ R1.00

•Refer to Accounting Officer's report (item 5) for details regarding the status of the investment in Aventura

**15. VOTED FUNDS TO BE SURRENDERED TO THE REVENUE FUND**

	<i>Note</i>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
Opening balance		2 353	74
Transfer from statement of financial performance		7 868	4 229
Voted funds not requested/not received	1.1	-	(1 876)
Paid during the year		(2 353)	(74)
<b>Closing balance</b>		<b>7 868</b>	<b>2 353</b>

**16. DEPARTMENTAL REVENUE TO BE SURRENDERED TO THE REVENUE FUND**

Opening balance		275	2
Transfer from Statement of Financial Performance		1 168	818
Paid during the year		(458)	(545)
<b>Closing balance</b>		<b>985</b>	<b>275</b>

**17. DIRECT EXCHEQUER RECEIPTS TO BE SURRENDERED TO THE REVENUE FUND**

Opening balance		-	-
Transfer from Statement of Financial Performance		-	435 462
Paid during the year		-	(435 462)
<b>Closing balance</b>		<b>-</b>	<b>-</b>

**18. PAYABLES – CURRENT**

Advances received	18.1	901	2 289
Clearing accounts	18.2	15	70
<b>TOTAL</b>		<b>916</b>	<b>2 359</b>

**18.1 Advances received**

Description			
16 Days activism against women and child abuse		901	2 289
<b>TOTAL</b>	18	<b>901</b>	<b>2 289</b>

**18.2 Clearing accounts**

Description			
SARS		10	70
Salary reversal		5	-
<b>TOTAL</b>	18	<b>15</b>	<b>70</b>

**19. NET CASH FLOW AVAILABLE FROM OPERATING ACTIVITIES**

	Note	2009/10	2008/09
		R'000	R'000
Net surplus/(deficit) as per Statement of Financial Performance		9 036	439 768
Add back non cash/cash movements not deemed operating activities		(3 177)	(436 834)
(Increase)/decrease in receivables – current		(1 041)	421
(Increase)/decrease in prepayments and advances		245	(214)
(Increase)/decrease in other current assets		618	-
Increase/(decrease) in payables – current		(1 443)	38
Proceeds from sale of capital assets		(19)	-
Expenditure on capital assets		1 274	878
Surrenders to revenue fund		(2 811)	(436 081)
Voted funds not requested/not received		-	(1 876)
<b>Net cash flow generated by operating activities</b>		<b>5 859</b>	<b>2 934</b>

**20. RECONCILIATION OF CASH AND CASH EQUIVALENTS FOR CASH FLOW PURPOSES**

Consolidated Paymaster General account	8 286	3 685
Cash on hand	57	54
<b>TOTAL</b>	<b>8 343</b>	<b>3 739</b>

These amounts are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.

## 21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### 21.1 Contingent liabilities

		<i>Note</i>	2009/10 R'000	2008/09 R'000
<b>Liable to</b>	<b>Nature</b>			
Motor vehicle guarantees	Employees	<i>Annex 3A</i>	200	272
Housing loan guarantees	Employees	<i>Annex 3A</i>	109	140
Other guarantees		<i>Annex 3A</i>	61 498 996	18 234 539
Other Departments (interdepartmental unconfirmed balances)		<i>Annex 5</i>	6	-
<b>TOTAL</b>			<b>61 499 311</b>	<b>18 234 951</b>

According to section 70 of the PFMA, Act 1 of 1999 (as amended by Act 29 of 1999) the Department is responsible for the reporting on all guarantees that were issued to Public Entities under its control. Any payment under a guarantee will be a direct charge against the National Revenue fund via the Department.

## 22. COMMITMENTS

### Current expenditure

Approved and contracted	34 758	6 222
Approved but not yet contracted	-	-
<b>TOTAL COMMITMENTS</b>	<b>34 758</b>	<b>6 222</b>

An amount of R13.5 million is included in the above for commitments longer than one year.

**23. ACCRUALS**

	<b>2009/10</b>			<b>2008/09</b>
	<b>R'000</b>			<b>R'000</b>
<b>Listed by economic classification</b>				
	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>	<b>Total</b>
Goods and services	522	33	555	2 241
<b>TOTAL</b>	<b>522</b>	<b>33</b>	<b>555</b>	<b>2 241</b>
Administration			538	1 295
Energy and Broadband Enterprises			2	372
Legal, Governance, Risk and Transactions			7	52
Manufacturing Enterprises			2	59
Transport Enterprises			1	283
Joint Project Facility			5	180
<b>TOTAL</b>			<b>555</b>	<b>2 241</b>
Confirmed balances with other Departments		<i>Annex 5</i>	133	419
<b>TOTAL</b>			<b>133</b>	<b>419</b>

**24. EMPLOYEE BENEFITS**

Leave entitlement	832	576
Service bonus (Thirteenth cheque)	898	830
Performance awards	6 091	5 513
Capped leave commitments	1 760	1 627
<b>TOTAL</b>	<b>9 581</b>	<b>8 546</b>

**25. LEASE COMMITMENTS****25.1 Operating leases expenditure**

<b>2009/10</b>	<b>Machinery and Equipment</b>	<b>Total</b>
Not later than 1 year	1 495	1 495
Later than 1 year and not later than 5 years	2 596	2 596
<b>TOTAL LEASE COMMITMENTS</b>	<b>4 091</b>	<b>4 091</b>
<b>2008/09</b>	<b>Machinery and Equipment</b>	<b>Total</b>
Not later than 1 year	623	623
Later than 1 year and not later than 5 years	140	140
<b>TOTAL LEASE COMMITMENTS</b>	<b>763</b>	<b>763</b>



**26. RELATED PARTY TRANSACTIONS**

<b>Payments made</b>	<b>Note</b>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
Transfers		3 816 316	3 099 640
<b>TOTAL</b>		<b>3 816 316</b>	<b>3 099 640</b>
<b>Other</b>			
Guarantees issued/received		48 551 126	2 144 340
<b>TOTAL</b>		<b>48 551 126</b>	<b>2 144 340</b>

Related parties are considered to be all the State Owned Enterprises under the Department's control.

**27. KEY MANAGEMENT PERSONNEL**

	<b>No. of Individuals</b>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
Political office bearers #	2	2 799	1 613
Officials:			
Level 15 to 16	9	9 872	7 816
Level 14 (incl. CFO if at a lower level)	17	11 379	1 333
<b>TOTAL</b>		<b>24 050</b>	<b>10 762</b>

# Minister and Deputy Minister

In previous years the Department only disclosed the CFO and Head of Corporate Services under level 14. In the 2009/10 financial year all level 14 employees have been disclosed.

**28. PROVISIONS**

<b>Provisions</b>		
Impairment of investments	-	376 086
<b>TOTAL</b>	<b>-</b>	<b>376 086</b>

The impairments are estimates as these figures are based on provisional amounts and are still subject to the SOE external audit process and may change during this process.

At the beginning of 2008/09, the Aventura investment was fully impaired to R60 million.

The Alexkor investment was fully impaired to R50 million in 2008/09 as the entity does not have a positive net asset value.

In the current Financial year the Denel impairment was increased from R4.6 billion to R4.8 billion, being the difference between the cost of investment of R5.5 billion (2008/09: R5.5 billion) and the net asset value of the investment of R666 million (R2007/08: 817 million).

No impairment for the current year for South African Airways (SAA) has been provided as the current year net asset value is not available. The investment of R2.049 billion was acquired in the previous year at market value and was impaired with R1.7 billion in the 2008/09 financial year.

The net effect was a negative impairment of R1.5 billion and thus no provision was made for impairment in the 2009/10 financial year.

**29. NON-ADJUSTING EVENTS AFTER REPORTING DATE**

	2009/10 R'000
Diabo Trust	117 423
<b>TOTAL</b>	<b>117 423</b>

The Receipt of the funds subsequent to the reporting date will be allocated as trust funding

**30. MOVABLE TANGIBLE CAPITAL ASSETS****MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2010**

	Opening Balance R'000	Curr Year Adjust- ments to prior Year Balances R'000	Additions R'000	Disposals R'000	Closing Balance R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>16 459</b>		<b>1 327</b>	<b>2 795</b>	<b>14 991</b>
Transport assets	1 433	-	-	-	1 433
Computer equipment	7 871	(90)	734	2 344	6 171
Furniture and office equipment	4 539	90	243	431	4 441
Other machinery and equipment	2 616	-	350	20	2 946
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>16 459</b>	<b>-</b>	<b>1 327</b>	<b>2 795</b>	<b>14 991</b>

**30.1 Additions****ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2010**

	Cash R'000	Non-cash R'000	(Capital Work in Progress current costs and finance lease payments) R'000	Received current, not paid (Paid current year, received prior year) R'000	Total R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>1 258</b>	<b>69</b>			<b>1 327</b>
Transport assets	-	-	-	-	-
Computer equipment	680	54	-	-	734
Furniture and office equipment	236	7	-	-	243
Other machinery and equipment	342	8	-	-	350
<b>TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>1 258</b>	<b>69</b>	<b>-</b>	<b>-</b>	<b>1 327</b>

## 30.2 Disposals

## DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2010

	Sold for Cash	Transfer Out or Destroyed or Scrapped	Total Disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>1 909</b>	<b>886</b>	<b>2 795</b>	<b>9</b>
Transport assets	-	-	-	-
Computer equipment	1 778	566	2 344	6
Furniture and office equipment	131	300	431	3
Other machinery and equipment	-	20	20	-
<b>TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>1 909</b>	<b>886</b>	<b>2 795</b>	<b>9</b>

## 30.3 Movement for 2008/09

## MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2009

	Opening Balance	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>16 547</b>	<b>868</b>	<b>956</b>	<b>16 459</b>
Transport assets	1 683	-	250	1 433
Computer equipment	8 014	466	609	7 871
Furniture and office equipment	4 573	33	67	4 539
Other machinery and equipment	2 277	369	30	2 616
<b>TOTAL MOVABLE TANGIBLE ASSETS</b>	<b>16 547</b>	<b>868</b>	<b>956</b>	<b>16 459</b>

## 30.4 Minor assets

## MINOR ASSETS OF THE DEPARTMENT AS AT 31 MARCH 2010

	Intangible Assets	Machinery and Equipment	Total
	R'000	R'000	R'000
Minor assets	52	3 244	3 296
<b>TOTAL</b>	<b>52</b>	<b>3 244</b>	<b>3 296</b>

	Intangible Assets	Machinery and Equipment	Total
Number of R1 minor assets	-	112	112
Number of minor assets at cost	3	2 199	2 202
<b>TOTAL NUMBER OF MINOR ASSETS</b>	<b>3</b>	<b>2 311</b>	<b>2 314</b>

## MINOR ASSETS OF THE DEPARTMENT AS AT 31 MARCH 2009

	Intangible Assets	Machinery and Equipment	Total
	R'000	R'000	R'000
Minor assets	72	3 260	3 332
<b>TOTAL</b>	<b>72</b>	<b>3 260</b>	<b>3 332</b>

	Intangible Assets	Machinery and Equipment	Total
Number of R1 minor assets	-	2 064	2 064
<b>TOTAL NUMBER OF MINOR ASSETS</b>	<b>-</b>	<b>2 064</b>	<b>2 064</b>

## 31. INTANGIBLE CAPITAL ASSETS

## MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2010

	Opening Balance	Current Year Adjust- ments to Prior Year Balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	2 156	-	16	15	2 157
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>2 156</b>	<b>-</b>	<b>16</b>	<b>15</b>	<b>2 157</b>

## 31.1 Additions

## ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2010

	Cash	Non-cash	(Develop- ment work in progress – current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	16	-	-	-	16
<b>TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16</b>

## 31.2 Disposals

## DISPOSALS OF INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2010

	Sold for Cash R'000	Transfer Out or Destroyed or Scrapped R'000	Total Disposals R'000	Cash Received Actual R'000
COMPUTER SOFTWARE	-	15	15	-
<b>TOTAL DISPOSALS OF INTANGIBLE CAPITAL ASSETS</b>	<b>-</b>	<b>15</b>	<b>15</b>	<b>-</b>

## 31.3 Movement for 2008/09

## MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2009

	Opening Balance R'000	Additions R'000	Disposals R'000	Closing Balance R'000
COMPUTER SOFTWARE	2 122	34	-	2 156
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>2 122</b>	<b>34</b>	<b>-</b>	<b>2 156</b>

## ANNEXURE 1A

## STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

NAME OF PUBLIC CORPORATION/ PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE				2008/09
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Capital	Current	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Public Corporations</b>									
Transfers									
Alexkor	129 090	-	-	129 090	129 090	100.0%	-	129 090	130 000
Denel	191 866	-	-	191 866	191 866	100.0%	-	191 866	257 640
Boadband Infracore	208 530	-	-	208 530	208 530	100.0%	208 530	-	377 000
Pebble Bed Modular Reactor (PBMR)	1 737 750	-	-	1 737 750	1 737 750	100.0%	-	1 737 750	1 750 000
South African Airways	1 549 080	-	-	1 549 080	1 549 080	100.0%	1 549 080	-	-
South African Express Airways	-	-	-	-	-	100.0%	-	-	445 000
Transnet (South African Express Airways)	-	-	-	-	-	100.0%	-	-	140 000
<b>TOTAL</b>	<b>3 816 316</b>	<b>-</b>	<b>-</b>	<b>3 816 316</b>	<b>3 816 316</b>	<b>100.0%</b>	<b>1 757 610</b>	<b>2 058 706</b>	<b>3 099 640</b>

## ANNEXURE 1B

## STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2009/10	2008/09
		R'000	R'000
<b>Received in kind</b>			
South African Airways	Travel Rands	-	63
<b>TOTAL</b>		<b>-</b>	<b>63</b>

**ANNEXURE 1C****STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE**

<b>NATURE OF GIFT, DONATION OR SPONSORSHIP (Group major categories but list material items including name of organisation)</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>R'000</b>	<b>R'000</b>
Paid in cash		
16 Days activism against women and child abuse	581	550
Bright Kid Foundation	-	5
Naledi Women's consortium	-	12
Red Cross War Memorial Children's Hospital Trust	-	15
Youth Development Programme	-	15
Isibogo Primary School	-	15
CANSA	-	15
The Lap Desk Company	-	23
Thutong Training Development	10	-
Food and Trees for Africa	10	-
Blind SA	10	-
Alexandra Co-operative Workshop for the Disabled	7	-
Spiritual Waters	7	-
Action Labourers for the Harvest	7	-
Emthonjeni – Fountain of Life HIV/AIDS Project	7	-
Sporrow Schools Educational Trust	7	-
Leamogetswe Safety Home for Children	7	-
Pretoria Care of the Aged	7	-
The Living Link	7	-
Siyakhula Hospice & Orphan Centre	7	-
Other	4	-
<b>TOTAL</b>	<b>678</b>	<b>650</b>



## ANNEXURE 2A

## STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO NATIONAL/PROVINCIAL PUBLIC ENTITIES

Name of Public Entity	State Entity's PFMA Schedule Type (state year end if not 31 March)	% Held 09/10	% Held 08/09	Number of Shares Held		Cost of Investment R'000		Net Asset Value of Investment R'000		Profit/(Loss) for the Year R'000		Losses Guar-anteed
				2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	
<b>Public Entity</b>												
Alexkor Limited	II	100%	100%	50 000 000	50 000 000	50 000	50 000	(58 415)	(103 453)	45 038	(65 708)	No
Aventura Limited	IIIB	100%	100%	60 000 000	60 000 000	60 000	60 000	Not available	Not available	Not available	Not available	No
Broadband Infraco (Pty) Limited	II	74%	74%	74	74	1 212 530	1 004 000	1 607 762	1 376 637	(67 975)	101	No
Denel (Pty) Ltd	II	100%	100%	1 225 049 663	1 225 049 663	5 476 376	5 476 376	666 155	817 639	(225 477)	(543 874)	No
Eskom Limited	II	100%	100%	1	1	-	-	65 971 000	56 701 000	4 712 000	(10 137 000)	No
Safcol Limited	II	100%	100%	318 013 254	318 013 254	318 013	318 013	3 106 341	3 385 342	(261 140)	701 877	No
South African Airways (Pty) Ltd	II	100%	-	13 008 758 154	11 459 678 154	3 598 080	2 049 000	Not Available	361 000	Not available	398 000	No
South African Express Airways (Pty) Ltd	II	100%	-	452	-	585 000	-	1 194 150	-	250 759	-	No
Transnet Limited	II	100%	100%	12 660 986 310	12 660 986 310	12 660 986	12 660 986	63 947 000	58 334 000	2 974 000	4 528 000	No
				<b>27 322 807 908</b>	<b>25 773 727 456</b>	<b>23 960 985</b>	<b>21 618 375</b>	<b>136 433 993</b>	<b>120 872 165</b>	<b>7 427 205</b>	<b>(5 118 604)</b>	

The net asset value of investment and profit/loss for the year ended 31 March 2010 is based on provisional amounts and is still subject to the SOE External Audit Processes, and may change during the process.

## ANNEXURE 2B

## STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES (CONTINUED)

Name of Public Entity	Nature of Business	Cost of Investment R'000		Net Asset Value of Investment R'000		Amounts Owing to Entities R'000		Amounts Owing by Entities R'000	
		2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
<b>Public Entity</b>									
Alexkor Limited	Mining	50 000	50 000	(58 415)	(103 453)	-	-	-	-
Aventura Limited	Leisure	60 000	60 000	Not available	Not available	-	-	-	-
Broadband Infraco (Pty) Limited	ICT Sector	1 212 530	1 004 000	1 607 762	1 376 637	-	-	-	-
Denel (Pty) Ltd	Manufacturing of Arms	5 476 376	5 476 376	666 155	817 639	-	-	-	-
Eskom Limited	Energy	-	-	65 971 000	56 701 000	-	-	-	-
Safcol Limited	Forestry	318 013	318 013	3 106 341	3 385 342	-	-	-	-
South African Airways (Pty) Ltd	Transport	3 598 080	2 049 000	Not Available	361 000	-	-	-	-
South African Express Airways (Pty) Ltd	Transport	585 000	-	1 194 150	-	-	-	356 955	-
Transnet Limited	Transport	12 660 986	12 660 986	63 947 000	58 334 000	-	-	-	-
<b>TOTAL</b>		<b>23 960 985</b>	<b>21 618 375</b>	<b>136 433 993</b>	<b>120 872 165</b>	<b>-</b>	<b>-</b>	<b>356 955</b>	<b>-</b>

## ANNEXURE 3A

## STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2010 – LOCAL

Guarantor Institution	Guarantee in Respect of	Original Guaranteed Capital Amount	Opening Balance 1 April 2009	Guarantees Draw Downs During the Year	Guarantees Repayments/ Cancelled/ Reduced/ Released During the Year	Revaluations	Closing Balance 31 March 2010	Guaranteed Interest for Year Ended 31 March 2010	Realised Losses not Recoverable i.e. Claims Paid Out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	<b>Guarantee in Respect of</b>								
	<b>Motor vehicles</b>								
STANNIC	Employees	272	272	-	72	-	200	-	-
	<b>Subtotal</b>	<b>272</b>	<b>272</b>	<b>-</b>	<b>72</b>	<b>-</b>	<b>200</b>	<b>-</b>	<b>-</b>
	<b>Housing</b>								
ABSA	Employees	54	41	-	-	-	41	-	-
First National Bank	Employees	62	62	-	31	-	31	-	-
NEDCOR	Employees	90	37	-	-	-	37	-	-
	<b>Subtotal</b>	<b>206</b>	<b>140</b>	<b>-</b>	<b>31</b>	<b>-</b>	<b>109</b>	<b>-</b>	<b>-</b>

## ANNEXURE 3A

## STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2010 – LOCAL (continued)

Guarantor Institution	Guarantee in Respect of	Original Guaranteed Capital Amount	Opening Balance 1 April 2009	Guarantees Draw Downs During the Year	Guarantees Repayments/ Cancelled/ Released During the Year	Revaluations	Closing Balance 31 March 2010	Guaranteed Interest for Year Ended 31 March 2010	Realised Losses not Recoverable i.e. Claims Paid Out
	<b>Other</b>								
Transnet	T011	Unlimited	1 656 000	-	525 685	-	1 130 315	92 485	-
	T018	6 000 000	6 000 000	-	-	-	6 000 000	132 534	-
SAA	SAA recapitalisation	1 300 000	1 300 000	-	-	-	1 300 000	-	-
	Air traffic liability #	-	-	-	-	-	-	-	-
	Perpetual subordinated loan	1 560 000	1 560 000	-	1 560 000	-	-	-	-
	Financial Sustainability ^	1 600 000	-	-	-	-	-	-	-
Denel	DNG 04 Bond	420 000	-	420 000	-	-	420 000	-	-
	DNG 02 Bond	880 000	880 000	880 000	880 000	-	880 000	-	-
	DNG R550m Bond	550 000	-	550 000	-	-	550 000	-	-
Eskom	Eskom Bonds – E33	13 539 353	-	13 539 353	-	-	13 539 353	46 910	-
	Eskom Bonds – E26	13 352 501	-	13 352 501	-	-	13 352 501	521 204	-
	Eskom Bonds – E23	4 508 960	-	4 508 960	-	-	4 508 960	81 917	-
	Eskom Bonds – E18	6 491 786	-	7 257 354	765 568	-	6 491 786	268 897	-
	Eskom Bonds – EL15	4 000 000	-	4 000 000	-	-	4 000 000	31 752	-
	Issued Floating Rate Notes	3 800 000	-	3 800 000	-	-	3 800 000	34 782	-
	<b>Subtotal</b>	<b>58 002 600</b>	<b>11 396 000</b>	<b>48 308 168</b>	<b>3 731 253</b>	<b>-</b>	<b>55 972 915</b>	<b>1 210 481</b>	<b>-</b>
	<b>TOTAL</b>	<b>58 003 078</b>	<b>11 396 412</b>	<b>48 308 168</b>	<b>3 731 356</b>	<b>-</b>	<b>55 973 224</b>	<b>1 210 481</b>	<b>-</b>

# Air traffic liability guarantee expired on 31 March 2009 and is no longer applicable.

^ This guarantee assures the going concern and financial sustainability of SAA due to the volatility of input costs and the markets in which it operates.

## ANNEXURE 3A (continued)

## STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2010 – FOREIGN

Guarantor Institution	Guarantee in Respect of	Original Guaranteed Capital Amount	Opening Balance 1 April 2009	Guarantees Draw Downs During the Year	Guarantees Repayments/Cancelled/Reduced/Released During the Year	Revaluations	Closing Balance 31 March 2010	Guaranteed Interest for Year Ended 31 March 2010	Realised Losses not Recoverable i.e. Claims Paid Out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Transnet	<b>Other</b>								
	Euro-Rand medium term note (Tranche 1) #	2 000 000	2 000 000	-	-	-	2 000 000	255 945	-
	Euro-Rand medium term note (Tranche 2) #	1 500 000	1 500 000	-	-	-	1 500 000	411	-
	Aircraft Boeing B 747-400 (Loan 60A) ^	444 703	444 703	-	-	-	444 703	23 534	-
Eskom	Aircraft Boeing B 747-400 (Loan 60C) ^	348 413	99 821	-	40 329	(19 759)	39 733	189	-
	AfDB loan (Euro)	9 221 880	-	-	-	-	-	-	-
	AfDB loan (ZAR)	10 630 000	-	-	-	-	-	-	-
	Other (unutilised)	90 148 120	-	-	-	-	-	-	-
SAA	Aircraft Boeing B 747-400 ZC SBK	702 248	-	112 386	61 301	-	51 085	-	-
	Aircraft Boeing B 747-400 ZC SBS	694 748	-	108 072	108 072	-	-	-	-
	Aircraft Boeing B 747-400 ZC SBK	601 301	-	22 500	22 500	-	-	-	-
<b>Total</b>		<b>116 291 413</b>	<b>4 044 524</b>	<b>242 958</b>	<b>232 202</b>	<b>(19 759)</b>	<b>4 035 521</b>	<b>280 079</b>	<b>-</b>

\* The guarantee repayments during the year are reflected at hedged rates. The currency revaluation therefore includes (profits)/losses and hedging instruments realised.

# The Euro-Rand medium term notes (Transnet) are Rand denominated foreign loans and therefore not subjected to currency revaluations.

^ Part of the transfer arrangement of SAA from Transnet to government. Guarantees / indemnities provided to Transnet in relation to an aircraft owned and operated by SAA.

The amount in Note 21 of the disclosure notes consists of the closing balance on 31 March 2009 and the Guarantee interest.

**ANNEXURE 4****CLAIMS RECOVERABLE**

Government Entity	Confirmed Balance Outstanding		Unconfirmed Balance Outstanding		Total	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>						
SASSA	12	12	-	-	12	12
Gauteng Provincial Treasury	-	36	-	-	-	36
Correctional Services	44	-	-	-	44	-
<b>TOTAL</b>	<b>56</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>48</b>

**ANNEXURE 5****INTER-GOVERNMENT PAYABLES**

GOVERNMENT ENTITY	Confirmed Balance Outstanding		Unconfirmed Balance Outstanding		Total	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	R'000	R'000	R'000	R'000	R'000	R'000
<b>DEPARTMENTS</b>						
<b>Current</b>						
Department of Justice and Constitutional Development	-	21	-	-	-	21
Limpopo Provincial Government	-	10	-	-	-	10
International Relations and Cooperation	120	365	-	-	120	365
Palama	13	23	-	-	13	23
Department Water Affairs and Forestry	-	-	6	-	6	-
<b>TOTAL</b>	<b>133</b>	<b>419</b>	<b>6</b>	<b>-</b>	<b>139</b>	<b>419</b>

**ANNEXURE 6****INVENTORY**

	<i>Note</i>	<b>Quantity</b>	<b>2009/10</b>
<b>Inventory</b>			<b>R'000</b>
Opening balance		169	39
Add/(Less): Adjustments to prior year balance		-	(8)
Add: Additions/Purchases - Cash		20 053	714
Add/(Less): Adjustments		(20 061)	(720)
<b>CLOSING BALANCE</b>		<b>161</b>	<b>25</b>

# power





“ Most of the shadows of this life are caused by our standing in our own sunshine. ”  
- Ralph Waldo Emerson



# HR OVERSIGHT - APRIL 2009 TO MARCH 2010 - PUBLIC ENTERPRISES

**TABLE 1.1 - PERSONNEL COSTS BY PROGRAMME**

Programme	Total Voted Expenditure (R'000)	Compensation of Employees Expenditure (R'000)	Training Expenditure (R'000)	Professional and Special Services (R'000)	Compensation of Employees as Percent of Total Expenditure	Average Compensation of Employees Cost per Employee (R'000)	Employment
Pr:1 Administration	86 999	42 611	0	0	49	316	135
Pr:2 Energy & Broadband Enterprs	1 958 790	6 732	0	0	0.3	50	135
Pr:3 Legal Gov Risk & Transact	145 793	7 751	0	0	5.3	57	135
Pr:4 Manufacturing Enterprises	198 068	4 270	0	0	2.2	32	135
Pr:5 Transport Enterprises	1 568 656	9 590	0	0	0.6	71	135
Pr:6 Joint Project Facility	24 986	4 266	0	0	17.1	32	135
<b>Z=Total as on Financial Systems (BAS)</b>	<b>3 983 292</b>	<b>75 220</b>	<b>0</b>	<b>0</b>	<b>1.9</b>	<b>557</b>	<b>135</b>

**TABLE 1.2 - PERSONNEL COSTS BY SALARY BAND**

Salary Bands	Compensation of Employees Cost (R'000)	Percentage of Total Personnel Cost for Department	Average Compensation Cost per Employee (R)	Total Personnel Cost for Department including Goods and Transfers (R'000)	Number of Employees
Skilled (Levels 3-5)	911	1.5	130 143	62 043	7
Highly skilled production (Levels 6-8)	8 492	13.7	212 300	62 043	40
Highly skilled supervision (Levels 9-12)	13 867	22.4	385 194	62 043	36
Senior management (Levels 13-16)	7 312	11.8	812 444	62 043	9
Contract (Levels 6-8)	161	0.3	161 000	62 043	1
Contract (Levels 9-12)	3 388	5.5	376 444	62 043	9
Contract (Levels 13-16)	39 499	63.7	1 196 939	62 043	33
Periodical remuneration	1 590	2.6	48 182	62 043	33
<b>TOTAL</b>	<b>75 220</b>	<b>121.2</b>	<b>447 738</b>	<b>62 043</b>	<b>168</b>

**TABLE 1.3 - SALARIES, OVERTIME, HOME OWNERS ALLOWANCE AND MEDICAL AID BY PROGRAMME**

Programme	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Ass. (R'000)	Medical Ass. as % of Personnel Cost	Total Personnel Cost per Programme (R'000)
<b>Pr:1 Administration</b>	29 010	77	145	0.4	441	1.2	682	1.8	37 699
<b>Pr:2 Energy &amp; Broadband Enterprises</b>	4 590	87.4	2	0	106	2	115	2.2	5 253
<b>Pr:3 Legal Gov Risk &amp; Transactions</b>	6 249	87.8	0	0	131	1.8	57	0.8	7 121
<b>Pr:4 Manufacturing Enterprises</b>	2 502	72.6	0	0	54	1.6	47	1.4	3 444
<b>Pr:5 Transport Enterprises</b>	5 486	87.3	0	0	79	1.3	101	1.6	6 283
<b>Pr:6 Joint Project Facility</b>	1 606	71.6	0	0	175	7.8	51	2.3	2 244
<b>TOTAL</b>	<b>49 443</b>	<b>79.7</b>	<b>147</b>	<b>0.2</b>	<b>986</b>	<b>1.6</b>	<b>1 053</b>	<b>1.7</b>	<b>62 044</b>

**TABLE 1.4 - SALARIES, OVERTIME, HOME OWNERS ALLOWANCE AND MEDICAL AID BY SALARY BAND**

Salary Bands	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Ass. (R'000)	Medical Ass. as % of Personnel Cost	Total Personnel Cost per Salary Band (R'000)
<b>Skilled (Levels 3-5)</b>	595	65.3	0	0	37	4.1	62	6.8	911
<b>Highly skilled production (Levels 6-8)</b>	5 803	67.3	129	1.5	233	2.7	478	5.5	8 627
<b>Highly skilled supervision (Levels 9-12)</b>	10 070	72.2	18	0.1	108	0.8	286	2.1	13 948
<b>Senior management (Levels 13-16)</b>	5 966	81.2	0	0	14	0.2	60	0.8	7 351
<b>Contract (Levels 6-8)</b>	161	100	0	0	0	0	0	0	161
<b>Contract (Levels 9-12)</b>	3 150	92.1	0	0	20	0.6	5	0.1	3 421
<b>Contract (Levels 13-16)</b>	22 878	88	0	0	574	2.2	162	0.6	26 001
<b>Periodical remuneration</b>	820	50.5	0	0	0	0	0	0	1 624
<b>TOTAL</b>	<b>49 443</b>	<b>79.7</b>	<b>147</b>	<b>0.2</b>	<b>986</b>	<b>1.6</b>	<b>1 053</b>	<b>1.7</b>	<b>62 044</b>

**TABLE 2.1 - SMS POSTS AND EVALUATION**

SMS Posts information as on 31 March 2010					
SMS Level	Total Number of Funded Posts per Level	Number of Filled per Level	% of SMS Post Filled per Level	Total Number of SMS Post Vacant per Level	% of SMS Post per Level
Director-General/Head of Department	1	0	0%	1	100%
Salary Level 16, but not HOD	0	0	0%	0	0%
Salary Level 15	8	8	100%	0	0%
Salary Level 14	25	17	68%	8	32%
Salary Level 13	26	21	80.7%	5	19%
<b>TOTAL</b>	<b>60</b>	<b>46</b>	<b>77%</b>	<b>14</b>	<b>23%</b>

**TABLE 2.2 - ADVERTISING AND FILLING OF SMS POSTS AS ON 31 MARCH 2010**

SMS Level	Advertising	Filling of Posts	
	Number of Vacancies Per Level Advertised in 6 Months of Becoming Vacant	Number of Vacancies per Level Filled in 6 Months after being Vacant	Number of Vacant per Level not Filled in 6 Months but Filled in 12 Months
Director-General/Head of Department	1	0	1
Salary Level 16, but not HOD	0	0	0
Salary Level 15	1	0	1
Salary Level 14	8	1	7
Salary Level 13	8	5	3
<b>TOTAL</b>	<b>18</b>	<b>6</b>	<b>12</b>

**TABLE 2.3 - REASONS FOR NOT HAVING COMPLIED WITH THE FILLING OF FUNDED VACANT SMS-ADVERTISED WITHIN 6 MONTHS AND FILLED WITHIN 12 MONTHS AFTER BECOMING VACANT**

Reasons for Vacancies not Advertised within 6 Months
1. Due to scarce skills within the labour market
2. Uncompetitive remuneration packages
Reasons for Vacancies not Filled within 12 Months
1. Due to scarce skills within the labour market
2. Uncompetitive remuneration packages
Disciplinary Steps Taken for not Complying with the Prescribed Timeframes for Filling SMS Posts within 12 Months
1. None due to reasons provided above

**TABLE 3.1 - EMPLOYMENT AND VACANCIES BY PROGRAMME AT END OF PERIOD**

Programme	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Pr:1 Administration, Permanent	107	88	17.8	0
Pr:2 Energy & Broadband Enterprises, Permanent	17	15	11.8	0
Pr:3 Legal Gov Risk & Transactions, Permanent	10	7	30	0
Pr:4 Manufacturing Enterprises, Permanent	11	8	27.3	0
Pr:5 Transport Enterprises, Permanent	17	16	5.9	0
Pr:6 Joint Project Facility, Permanent	6	6	0	0
<b>TOTAL</b>	<b>168</b>	<b>140</b>	<b>16.7</b>	<b>0</b>

**TABLE 3.2 - EMPLOYMENT AND VACANCIES BY SALARY BAND AT END OF PERIOD**

Salary Band	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Skilled (Levels 3-5), Permanent	11	7	36.4	0
Highly skilled production (Levels 6-8), Permanent	46	41	10.9	0
Highly skilled supervision (Levels 9-12), Permanent	48	43	10.4	0
Senior management (Levels 13-16), Permanent	5	5	0	0
Contract (Levels 9-12), Permanent	3	3	0	0
Contract (Levels 13-16), Permanent	55	41	25.5	0
<b>TOTAL</b>	<b>168</b>	<b>140</b>	<b>16.7</b>	<b>0</b>

**TABLE 3.3 - EMPLOYMENT AND VACANCIES BY CRITICAL OCCUPATION AT END OF PERIOD**

Critical Occupations	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Administrative related, Permanent	24	21	12.5	0
Client inform clerks (switchboard reception inform clerks), Permanent	3	3	0	0
Communication and information related, Permanent	3	2	33.3	0
Financial and related professionals, Permanent	6	6	0	0
Librarians and related professionals	3	3	0	0
Food services aids and waiters, Permanent	5	3	40	0
Head of department/chief executive officer, Permanent	1	0	100	0
Human resources & organisational development & related professions, Permanent	7	6	14.3	0
Information technology related, Permanent	2	2	0	0
Library mail and related clerks, Permanent	4	4	0	0
Logistical support personnel, Permanent	6	5	16.7	0
Messengers porters and deliverers, Permanent	5	4	20	0
Machine operators, Permanent	1	1	0	0
Secretaries & other keyboard operating clerks, Permanent	34	32	5.9	0
Security officers, Permanent	4	2	50	0
Senior managers	60	46	23.3	0
<b>TOTAL</b>	<b>168</b>	<b>140</b>	<b>16.7</b>	<b>0</b>

**TABLE 4.1 - JOB EVALUATION**

Salary Band	Number of Posts	Number of Jobs Evaluated	% of Posts Evaluated	Number of Posts Upgraded	% of Upgraded Posts Evaluated	Number of Posts Downgraded	% of Downgraded Posts Evaluated
Skilled (Levels 3-5)	11	11	100	1	9.1	0	0
Highly skilled production (Levels 6-8)	46	46	100	3	6.5	0	0
Highly skilled supervision (Levels 9-12)	51	51	100	0	0	0	0
Senior management service band A	26	26	100	2	7.7	0	0
Senior management service band B	25	25	100	0	0	0	0
Senior management service band C	8	8	100	0	0	0	0
Senior management service band D	1	1	100	0	0	0	0
<b>TOTAL</b>	<b>168</b>	<b>168</b>	<b>100</b>	<b>6</b>	<b>3.6</b>	<b>0</b>	<b>0</b>

**TABLE 4.2 - PROFILE OF EMPLOYEES WHOSE POSITIONS WERE UPGRADED DUE TO THEIR POSTS BEING UPGRADED**

Beneficiaries	African	Asian	Coloured	White	Total
Female	5	1	0	0	6
Male	0	0	0	0	0
<b>TOTAL</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>6</b>
Employees with a disability	0	0	0	0	0

**TABLE 4.3 - EMPLOYEES WHOSE SALARY LEVEL EXCEEDED THE GRADE DETERMINED BY JOB EVALUATION [I.T.O PSR 1.V.C.3]**

Occupation	Number of Employees	Job Evaluation Level	Remuneration Level	Reason for Deviation	Number of Employees in Department
0	0	0	0	0	0
0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Percentage of total employment	0	0	0	0	0

**TABLE 4.4 - PROFILE OF EMPLOYEES WHOSE SALARY LEVEL EXCEEDED THE GRADE DETERMINED BY JOB EVALUATION [I.T.O. PSR 1.V.C.3]**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Employees with a disability	0	0	0	0	0

**TABLE 5.1 - ANNUAL TURNOVER RATES BY SALARY BAND**

Salary Band	Employment at Beginning of Period (April 2009)	Appointments	Terminations	Turnover Rate
Skilled (Levels 3-5), Permanent	7	0	0	0
Highly skilled production (Levels 6-8), Permanent	43	2	5	11.6
Highly skilled supervision (Levels 9-12), Permanent	44	1	3	6.8
Senior management service band A, Permanent	4	0	0	0
Senior management service band B, Permanent	1	1	1	100
Contract (Levels 9-12), Permanent	3	4	0	0
Senior management (Band A) Contract	18	5	2	11.1
Senior management (Band B) Contract	13	0	1	7.7
Senior management (Band C) Contract	6	2	1	16.7
Senior management (Band D) Contract	1	0	1	100
<b>TOTAL</b>	<b>140</b>	<b>15</b>	<b>14</b>	<b>10</b>

**TABLE 5.2 - ANNUAL TURNOVER RATES BY CRITICAL OCCUPATION**

Occupation	Employment at Beginning of Period (April 2009)	Appointments	Terminations	Turnover Rate
Administrative related, Permanent	21	5	2	9.5
Authors, journalists and other writers, Permanent	3	0	1	33.3
Client inform clerks (switchboard reception inform clerks), Permanent	3	0	0	0
Finance and economics related, Permanent	6	0	1	16.7
Financial and related professionals, Permanent	6	0	0	0
Food services aids and waiters, Permanent	3	0	0	0
Head of department/chief executive officer, Permanent	1	0	1	100
Human resources & organisational development & related professions, Permanent	7	0	0	0
Librarians and related professionals, Permanent	3	0	0	0
Library mail and related clerks, Permanent	3	1	0	0
Material-recording and transport clerks, Permanent	6	0	2	33.3
Messengers, porters and deliverers, Permanent	4	0	0	0
Other information technology personnel, Permanent	2	0	0	0
Secretaries & other keyboard operating clerks, Permanent	28	1	2	7.1
Security officers, Permanent	2	0	0	0
Senior managers	42	8	6	14.3
<b>TOTAL</b>	<b>140</b>	<b>15</b>	<b>15</b>	<b>10.7</b>

**TABLE 5.3 - REASONS WHY STAFF ARE LEAVING THE DEPARTMENT**

Termination Type	Number	Percentage of Total Resignations	Percentage of Total Employment	Total	Total Employment
Resignation, Permanent	9	100	6.4	9	140
Transfers	6	100	4.28	6	140
Expiry of contract, Permanent	0	0	0	0	140
<b>TOTAL</b>	<b>15</b>	<b>0</b>	<b>10.7</b>	<b>0</b>	<b>140</b>



**TABLE 5.4 - PROMOTIONS BY CRITICAL OCCUPATION**

Occupation	Employment at Beginning of Period (April 2009)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch Progressions as a % of Employment
Administrative related	18	10	55.6	7	38.9
Authors, journalists and other writers	3	2	66.7	0	0
Client inform clerks (switchboard reception inform clerks)	3	0	0	3	100
Financial and economics related personnel	10	3	30	1	10
Financial clerks and credit controllers	6	2	33.3	3	50
Food services aids and waiters	4	1	25	4	100
Head of department/chief executive officer	1	1	100	0	0
Human resources & organisational development & related professions	7	4	57.1	5	71.4
Librarians and related professionals	3	0	0	1	33.3
Library mail and related clerks	6	1	16.7	4	66.7
Logistical support personnel	6	0	0	3	50
Messengers, porters and deliverers	4	0	0	0	0
Other administration & related clerks and organisers	3	3	100	1	33.3
Other information technology personnel	2	1	50	0	0
Secretaries & other keyboard operating clerks	20	2	10	17	85
Security officers	2	1	50	1	50
Senior managers	42	17	40.5	0	0
<b>TOTAL</b>	<b>140</b>	<b>48</b>	<b>34.3</b>	<b>50</b>	<b>35.7</b>

**TABLE 5.5 - PROMOTIONS BY SALARY BAND**

Salary Band	Employment at Beginning of Period (April 2009)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch Progressions as a % of Employment
Skilled (Levels 3-5), Permanent	7	1	14.3	7	100
Highly skilled production (Levels 6-8), Permanent	44	3	6.8	32	72.7
Highly skilled supervision (Levels 9-12), Permanent	44	0	0	38	86.4
Senior management (Levels 13-16), Permanent	5	0	0	5	100
Contract (Levels 9-12), Permanent	3	0	0	0	0
Contract (Levels 13-16), Permanent	37	3	8.1	17	45.9
<b>TOTAL</b>	<b>140</b>	<b>7</b>	<b>5</b>	<b>99</b>	<b>70.7</b>

**TABLE 5.6 - GRANTING OF EMPLOYEE INITIATED SEVERANCE PACKAGES**

Category	Number of Applications Received	Number of Applications Referred to the MPSA	Number of Applications Supported by MPSA	Number of Packages Approved by Department
Lower skilled (Salary level 1-2)	0	0	0	0
Skilled (Salary level 3-5)	0	0	0	0
Highly skilled production (Salary level 6-8)	0	0	0	0
Highly skilled production (Salary level 9-12)	0	0	0	0
Senior management (Salary Level 13 and higher)	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TABLE 6.1 - TOTAL NUMBER OF EMPLOYEES (INCL. EMPLOYEES WITH DISABILITIES) PER OCCUPATIONAL CATEGORY (SASCO)**

Occupational Categories	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Legislators, senior officials and managers, Permanent	15	4	2	21	4	10	2	4	16	5	46
Professionals, Permanent	8	0	0	8	0	11	1	1	13	4	25
Technicians and associate professionals, Permanent	10	1	0	11	0	7	2	0	9	1	21
Clerks, Permanent	8	0	0	8	0	25	2	0	27	2	37
Service and sales workers, Permanent	1	0	0	1	0	0	0	0	0	0	1
Elementary occupations, Permanent	3	0	0	3	0	7	0	0	7	0	10
<b>TOTAL</b>	<b>45</b>	<b>5</b>	<b>2</b>	<b>52</b>	<b>4</b>	<b>60</b>	<b>7</b>	<b>5</b>	<b>72</b>	<b>12</b>	<b>140</b>
	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Employees with disabilities	1	0	0	1	1	0	0	1	1	2	5

**TABLE 6.2 - TOTAL NUMBER OF EMPLOYEES (INCL. EMPLOYEES WITH DISABILITIES) PER OCCUPATIONAL BANDS**

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top management, Permanent	0	0	0	0	0	0	0	0	0	0	0
Senior management, Permanent	0	0	0	0	1	0	0	0	0	1	2
Professionally qualified and experienced specialists and mid-management, Permanent	0	0	0	0	0	0	0	1	1	1	2
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	1	0	0	1	0	0	0	0	0	0	1
Semi-skilled and discretionary decision making, Permanent	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>5</b>

**TABLE 6.3 - RECRUITMENT**

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top management, Permanent	1	0	0	1	0	0	0	1	1	0	2
Senior management, Permanent	2	1	1	4	0	1	1	0	2	0	6
Professionally qualified and experienced specialists and mid-management, Permanent	1	0	0	1	0	3	1	0	4	0	5
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	1	0	0	1	0	1	0	0	1	0	2
<b>TOTAL</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>0</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>8</b>	<b>0</b>	<b>15</b>

**TABLE 6.4 - PROMOTIONS**

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Senior management, Permanent	0	1	0	1	0	1	0	1	2	0	3
Professionally qualified and experienced specialists and mid-management, Permanent	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	0	0	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making, Permanent	0	0	0	0	0	2	0	0	2	0	2
Service and sales workers, Permanent	0	0	0	0	0	0		0	0		
Elementary occupations, Permanent	0	0	0	0	0	1	0	0	1	0	0
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>6</b>

**TABLE 6.5 - TERMINATIONS**

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top management, Permanent	0	0	0	0	0	1	0	0	1	0	1
Senior management, Permanent	3	0	1	4	1	1	0	0	1	0	6
Professionally qualified and experienced specialists and mid-management, Permanent	1	0	0	1	0	1	1	0	0	0	3
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	1	0	0	1	0	3	0	0	3	1	5
<b>TOTAL</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>5</b>	<b>1</b>	<b>15</b>
	<b>Male, African</b>	<b>Male, Coloured</b>	<b>Male, Indian</b>	<b>Male, Total Blacks</b>	<b>Male, White</b>	<b>Female, African</b>	<b>Female, Coloured</b>	<b>Female, Indian</b>	<b>Female, Total Blacks</b>	<b>Female, White</b>	<b>Total</b>
Employees with disabilities	0	0	0	0	0	0	0	0	0	1	1

**TABLE 6.6 - DISCIPLINARY ACTION**

Disciplinary Action	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total	Not Available
<b>TOTAL</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>0</b>

**TABLE 6.7 - SKILLS DEVELOPMENT**

Occupational Categories	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Legislators, senior officials and managers	10	1	2	10	4	8	1	1	8	2	29
Professionals	8	0	0	8	0	6	0	0	6	3	17
Technicians and associate professionals	6	1	0	6	0	5	0	0	5	2	14
Clerks	7	0	0	7	1	22	1	0	22	0	31
Service and sales workers	0	0	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0	0	0
Elementary occupations	1	0	0	1	0	3	0	0	3	0	4
<b>TOTAL</b>	<b>32</b>	<b>2</b>	<b>2</b>	<b>32</b>	<b>5</b>	<b>44</b>	<b>2</b>	<b>1</b>	<b>44</b>	<b>7</b>	<b>95</b>
Employees with disabilities	1	0	0	1	1	0	0	0	0	1	3

**TABLE 7.1 - PERFORMANCE REWARDS BY RACE, GENDER AND DISABILITY**

Demographics	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)
African, Female	49	59	83.1	1,215
African, Male	26	45	57.8	719
Asian, Female	2	4	50	164
Asian, Male	1	2	50	105
Coloured, Female	3	7	42.9	131
Coloured, Male	2	3	66.7	58
Total Blacks, Female	54	70	77.1	1,510
Total Blacks, Male	29	50	58	881
White, Female	6	9	66.7	250
White, Male	3	1	100	39
Employees with disabilities	5	5	100	126
<b>TOTAL</b>	<b>95</b>	<b>135</b>	<b>70.4</b>	<b>2,806</b>

**TABLE 8.1 - FOREIGN WORKERS BY SALARY BAND**

Salary Band	Employment at Beginning Period	Percentage of Total	Employment at End of Period	Percentage of Total	Change in Employment	Percentage of Total	Total Employment at Beginning of Period	Total Employment at End of Period	Total Change in Employment
<b>Contract (Levels 13-16)</b>	2	100	2	100	0	0	2	2	0
<b>Contract (Level 9-12)</b>	0	100	1	100	0	0	0	1	1
<b>TOTAL</b>	<b>2</b>	<b>100</b>	<b>3</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>0</b>

**TABLE 8.2 - FOREIGN WORKERS BY MAJOR OCCUPATION**

Major Occupation	Employment at Beginning Period	Percentage of Total	Employment at End of Period	Percentage of Total	Change in Employment	Percentage of Total	Total Employment at Beginning of Period	Total Employment at End of Period	Total Change in Employment
<b>Professionals and managers</b>	2	100	3	100	1	100	2	3	1
<b>TOTAL</b>	<b>2</b>	<b>100</b>	<b>3</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>2</b>	<b>3</b>	<b>1</b>

**TABLE 9.1 - SICK LEAVE FOR JAN 2009 TO DEC 2009**

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Sick Leave	% of Total Employees using Sick Leave	Average Days per Employee	Estimated Cost (R'000)	Total Number of Employees using Sick Leave	Total Number of Days with Medical Certification
<b>Skilled (Levels 3-5)</b>	47	91.5	7	6.8	7	13	103	43
<b>Highly skilled production (Levels 6-8)</b>	234	92.7	36	35	7	112	103	217
<b>Highly skilled supervision (Levels 9-12)</b>	154	84.4	24	23.3	6	182	103	130
<b>Senior management (Levels 13-16)</b>	26	96.2	5	4.9	5	64	103	25
<b>Contract (Levels 6-8)</b>	3	100	1	1	3	2	103	3
<b>Contract (Levels 9-12)</b>	28	89.3	6	5.8	5	41	103	25
<b>Contract (Levels 13-16)</b>	112	89.3	24	23.3	5	299	103	100
<b>TOTAL</b>	<b>604</b>	<b>89.9</b>	<b>103</b>	<b>100</b>	<b>6</b>	<b>713</b>	<b>103</b>	<b>543</b>

**TABLE 9.2 - DISABILITY LEAVE (TEMPORARY AND PERMANENT) FOR JAN 2009 TO DEC 2009**

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Disability Leave	% of Total Employees using Disability Leave	Average Days per Employee	Estimated Cost (R'000)	Total Number of Days with Medical Certification	Total Number of Employees using Disability Leave
Highly skilled supervision (Levels 9-12)	19	100	2	66.7	10	30	19	3
Contract (Levels 13-16)	10	100	1	33.3	10	25	10	3
<b>TOTAL</b>	<b>29</b>	<b>100</b>	<b>3</b>	<b>100</b>	<b>10</b>	<b>55</b>	<b>29</b>	<b>3</b>

**TABLE 9.3 - ANNUAL LEAVE FOR JAN 2009 TO DEC 2009**

Salary Band	Total Days Taken	Average Days per Employee	Number of Employees Who Took Leave
Skilled (Levels 3-5)	132	19	7
Highly skilled production (Levels 6-8)	875	20	44
Highly skilled supervision (Levels 9-12)	868	22	39
Senior management (Levels 13-16)	158	26	6
Contract (Levels 6-8)	9	9	1
Contract (Levels 9-12)	148	16	9
Contract (Levels 13-16)	700.68	18	39
<b>TOTAL</b>	<b>2 890.68</b>	<b>20</b>	<b>145</b>

**TABLE 9.4 - CAPPED LEAVE FOR JAN 2009 TO DEC 2009**

	Total Days of Capped Leave Taken	Average Number of Days Taken per Employee	Average Capped Leave per Employee as at 31 December 2009	Number of Employees Who Took Capped Leave	Total Number of Capped Leave Available at 31 December 2009	Number of Employees as at 31 December 2009
Highly skilled production (Levels 6-8)	2	2	23	1	273	12
<b>TOTAL</b>	<b>2</b>	<b>2</b>	<b>23</b>	<b>1</b>	<b>273</b>	<b>12</b>

**TABLE 9.5 - LEAVE PAYOUTS**

Reason	Total Amount (R'000)	Number of Employees	Average Payment per Employee (R)
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TABLE 10.1 - STEPS TAKEN TO REDUCE THE RISK OF OCCUPATIONAL EXPOSURE**

Units/Categories of Employees Identified to be at High Risk of Contracting HIV & Related Diseases (if any)	Key Steps Taken to Reduce the Risk
VCT testing was conducted twice and a total number of 88 employees were tested and no employee tested positive. Therefore the risk of HIV and AIDS for the department is considered as relatively low.	HIV/AIDS awareness, support systems and offering VCT testing to employees.

**TABLE 10.2 - DETAILS OF HEALTH PROMOTION AND HIV/AIDS PROGRAMMES**

Question	Yes	No	Details, if yes
1. Has the Department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	Yes		S. Crosson Head: Corporate Service
2. Does the Department have a dedicated unit or have you designated specific staff members to promote health and wellbeing of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	Yes		One employee is for promoting health and wellbeing of employees with an annual budget of approximately R200 000.00
3. Has the Department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of the programme.	Yes		EWP programme provides access to a confidential service 24/7/365 provided by qualified, experienced counsellors. It offers access to telephone, face-to-face, financial management, life management counselling, managerial advisory services and e-care facility. VCT was conducted and employees received individual feedback reports.
4. Has the Department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	Yes		Transformation Committee; Lulu Bam, Prof. Elizabeth Brown, Jack Ramashapa, Monde Ngqumeya, Seth Thipe, Marcus Motlhathledi (Nehawu), Sarina Maimane (PSA)
5. Has the Department reviewed the employment policies and practices of your department to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	Yes		HIV & AIDS policy, Employee Wellbeing Programme Policy, Employment Equity and Affirmative Action Policy and Sexual Harassment Policy. Policies are reviewed annually.
6. Has the Department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	Yes		Policies are in place to protect employees against discrimination.
7. Does the Department encourage its employees to undergo voluntary counselling and testing? If so, list the results that you have achieved.	Yes		VCT was arranged during May and December 2009 – 55% of the employees were tested and the results were negative.
8. Has the Department developed measures/indicators to monitor & evaluate the impact of your health promotion programme? If so, list these measures/indicators.	Yes		Monthly, quarterly and annual utilisation reports are received from the EWP service provider. Feedback on client satisfaction survey that was conducted and wellbeing interventions were reported to EXCO and OPSCO.



**TABLE 11.1 - COLLECTIVE AGREEMENTS**

Subject Matter	Date
None	N/A
None	N/A

**TABLE 11.2 - MISCONDUCT AND DISCIPLINE HEARINGS FINALISED**

Outcomes of Disciplinary Hearings	Number	Percentage of Total	Total
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TABLE 11.3 - TYPES OF MISCONDUCT ADDRESSED AND DISCIPLINARY HEARINGS**

Type of Misconduct	Number	Percentage of Total	Total
Financial misconduct	1	100	1
<b>TOTAL</b>	<b>1</b>	<b>100</b>	<b>1</b>

**TABLE 11.4 - GRIEVANCES LODGED**

Number of Grievances Addressed	Number	Percentage of Total	Total
Bursary declined	1	100	1
<b>TOTAL</b>	<b>1</b>	<b>100</b>	<b>1</b>

**TABLE 11.5 - DISPUTES LODGED**

Number of Disputes Addressed	Number	Percentage of Total
Upheld	0	0
Dismissed	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**TABLE 11.6 - STRIKE ACTIONS**

Strike Actions	—
Total number of person working days lost	0
Total cost (R'000) of working days lost	R 0.00
Amount (R'000) recovered as a result of no work no pay	R 0.00

**TABLE 11.7 - PRECAUTIONARY SUSPENSIONS**

Precautionary Suspensions	—
Number of people suspended	1
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	105
Cost (R'000) of suspensions	<b>R 237 825.00</b>

**TABLE 12.1 - TRAINING NEEDS IDENTIFIED**

Occupational Categories	Gender	Employment	Learnerships	Skills Programmes & Other Short Courses	Other Forms of Training	Total
<b>Legislators, senior officials and managers</b>	Female	0	0	25	19	44
	Male	0	0	35	15	50
<b>Professionals</b>	Female	0	0	60	2	62
	Male	0	0	18	6	24
<b>Technicians and associate professionals</b>	Female	0	0	15	4	19
	Male	0	0	5	3	8
<b>Clerks</b>	Female	0	0	35	25	100
	Male	0	0	46	0	46
<b>Service and sales workers</b>	Female	0	0	0	0	0
	Male	0	0	0	0	0
<b>Skilled agriculture and fishery workers</b>	Female	0	0	0	0	0
	Male	0	0	0	0	0
<b>Craft and related trades workers</b>	Female	0	0	0	0	0
	Male	0	0	0	0	0
<b>Plant and machine operators and assemblers</b>	Female	0	0	0	0	0
	Male	0	0	0	0	0
<b>Elementary occupations</b>	Female	0	0	9	0	9
	Male	0	0	1	0	1
<b>Gender sub totals</b>	Female	0	0	144	50	194
	Male	0	0	105	24	129
<b>TOTAL</b>		<b>0</b>	<b>0</b>	<b>249</b>	<b>74</b>	<b>323</b>

**TABLE 12.2 - TRAINING PROVIDED**

Occupational Categories	Gender	Employment	Learnerships	Skills Programmes & Other Short Courses	Other Forms of Training	Total
<b>Legislators, senior officials and managers</b>	Female	0	0	2	30	32
	Male	0	0	20	28	48
<b>Professionals</b>	Female	0	0	9	13	22
	Male	0	0	5	10	15
<b>Technicians and associate professionals</b>	Female	0	0	9	17	26
	Male	0	0	5	8	13
<b>Clerks</b>	Female	0	0	17	26	43
	Male	0	0	3	6	9
<b>Service and sales workers</b>	Female	0	0	1	3	4
	Male	0	0	0	0	0
<b>Skilled agriculture and fishery workers</b>	Female	0	0	0	0	0
	Male	0	0	0	0	0
<b>Craft and related trades workers</b>	Female	0	0	0	0	0
	Male	0	0	0	0	0
<b>Plant and machine operators and assemblers</b>	Female	0	0	0	0	0
	Male	0	0	0	0	0
<b>Elementary occupations</b>	Female	0	0	0	0	0
	Male	0	0	0	0	0
	Female	0	0	38	89	127
	Male	0	0	33	52	85
<b>TOTAL</b>		<b>0</b>	<b>0</b>	<b>71</b>	<b>141</b>	<b>212</b>

## UTILISATION OF CONSULTANTS

TABLE 14.1

### REPORT ON CONSULTANT APPOINTMENTS USING APPROPRIATED FUNDS

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
Aerostructures/Technology/ICT Marine Cable	1	264	R 2 317 392
ESDA – Manufacturing, Engineering & Technical Revised Electrical Qualifications	1	29	R 102 600
ESDA – Revised Welding & Practice Artisan Trade Qualifications	1	42	R 189 000
Supplier Development Policy	6	40	R 630 260
SOE Reader	1	132	R 430 500
Nuclear Education Programme	1	30	R 228 570
Management Learning Programme	4	264	R 300 000
Support to ESDA Related Activities	1	1	R 4 560
Solar Water Heater Project	1	264	R 649 999
Audit of DSA's 3 <sup>rd</sup> Indemnity Claim	5	20	R 436 335
Audit of DSA's 4 <sup>th</sup> Indemnity Claim	5	20	R 352 830
Due Diligence Report on MBDA Transactions	3	35	R 1 017 321
SOE Board Remuneration Guidelines	1	20	R 27 360
Placing of SOE Board members	2	40	R 241 067
Licensing of Infraco	2	120	R 86 174
Promotion of Access to Information Manual	2	120	R 160 000
Aventura – Winding up and Related Legal Advice	2	60	R 702 202
Eskom Guarantee	2	60	R 752 000
Legislative Review (PFMA and Company's Act)	2	5	R 461 645
PBMR – Registered IP Audit	2	25	R 92 956
Dashboard Development (Isibuko)	2	108	R 1 370 077
Capital Structure Framework	2	60	R 545 865
Work-study: Workflow and Job Evaluations Final Phase	4	30	R 136 800
SOE Board Thought Piece	2	12	R 164 160
Reputation Analysis Management	4	76	R 689 472
Advice on the Potential Cooperation between SAA and Kenya Airways	4	10	R 640 000
Economic Impact of Transnet on the SA Economy – Data Population	5	40	R 315 000
Economic Impact of Transnet on the SA Economy – Model Interrogation	5	60	R 419 999
Economic Impact of Transnet on the SA Economy – Analysis of Results	5	60	R 315 000
National Corridor Performance Monitoring Project	6	30	R 4 000 000
SAA and the Wider Aviation Sector Advisory Services	1	144	R 692 849
Opinion Paper on Transport Cost Externalities – Consulting Fee	1	3	R 16 416
Review of NPA Tariff Approaches and Returns in the Context of Economic Regulation	1	90	R 374 612
Study on Local Railway Capabilities in SA – Outstanding Amount	5	30	R 373 408
IATA Long Haul Study	1	60	R 542 000
Sustainability of Transnet Freight Rail	1	10	R 169 632
SAA Sustainability and Financing Options	4	10	R 500 000
DPE Transnet Group Model	3	15	R 107 602
DPE Capital Optimisation Model Ph1 (Initial DFA Model Build and SAFCOL Evaluation)	2	60	R 720 285
Eskom Funding Assessments (Eskom MYPD 2)	2	7	R 299 502
PBMR Strategic Options Assessment	12	57	R 2 223 672
Review of Business Case and Developing Mitigation Options for Broadband Infraco	3	12	R 1 100 000
Review of the MYPD 2 Application and Position Paper on ISO	4	33	R 411 497
Annual Review of Department	1	10	R 55 000
<b>TOTAL</b>	<b>125</b>	<b>2 618</b>	<b>R 25 365 620</b>

TABLE 14.2

## ANALYSIS OF CONSULTANT APPOINTMENTS USING APPROPRIATED FUNDS, IN TERMS OF HISTORICALLY DISADVANTAGED INDIVIDUALS (HDIS)

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
Aerostructures/Technology/ICT Marine Cable	0	0	0
ESDA – Manufacturing, Engineering & Technical Revised Electrical Qualifications	100	100	1
ESDA – Revised Welding & Practice Artisan Trade Qualifications	100	100	1
Supplier Development Policy	50	40	4
SOE Reader	0	0	0
Nuclear Education Programme	International Company	International Company	International Company
Management Learning Programme	University	University	University
Support to ESDA Related Activities	100	100	1
Solar Water Heater Project	100	100	1
Audit of DSA's 3 <sup>rd</sup> Indemnity Claim	25.7	0	0
Audit of DSA's 4th Indemnity Claim	25.7	0	0
Due Diligence Report on MBDA Transactions	0	0	0
SOE Board Remuneration Guidelines	30	30	1
Placing of SOE Board Members	38.4	38.4	2
Licensing of Infraco	International Company	International Company	International Company
Promotion of Access to Information Manual	100	100	2
Aventura – Winding up and Related Legal Advice	69	69	1
Eskom Guarantee	2	2	1
Legislative Review (PFMA and Company's Act)	20.1	20.1	2
PBMR – Registered IP Audit	26	0	1
Dashboard Development (Isibuko)	41	50	2
Capital Structure Framework	0	0	0
Work-study: Workflow and Job Evaluations Final Phase	50	50	3
SOE Board Thought Piece	50	50	1
Reputation Analysis Management	26	0	1
Advice on the Potential Cooperation between SAA and Kenya Airways	International Company	International Company	International Company
Economic Impact of Transnet on the SA Economy – Data Population	University	University	University
Economic Impact of Transnet on the SA Economy – Model Interrogation	University	University	University
Economic Impact of Transnet on the SA Economy – Analysis of Results	University	University	University
National Corridor Performance Monitoring Project	University	University	University
SAA and the Wider Aviation Sector Advisory Services	International Company	International Company	International Company
Opinion Paper on Transport Cost Externalities – Consulting Fee	100	100	1
Review of NPA Tariff Approaches and Returns in the Context of Economic Regulation	International Company	International Company	International Company
Study on Local Railway Capabilities in SA – Outstanding amount	International Company	International Company	International Company
IATA Long Haul Study	International Company	International Company	International Company
Sustainability of Transnet Freight Rail	100	100	1
SAA Sustainability and Financing Options	International Company	International Company	International Company
DPE Transnet Group Model	0	48	0
DPE Capital Optimisation Model Ph1 (Initial DFA Model Build and SAFCOL Evaluation)	0	48	0
Eskom Funding Assessments (Eskom MYPD 2)	0	48	0
PBMR Strategic Options Assessment	30.3	33.3	4
Review of Business Case and Developing Mitigation Options for Broadband Infraco	International Company	International Company	International Company
Review of the MYPD 2 Application and Position Paper on ISO	International Company	International Company	International Company
Annual Review of Department	0	0	0

## ACRONYMS

<b>ACF</b>	Advanced Coater Facility	<b>JPF</b>	Joint Project Facility
<b>ACSA</b>	Airports Company South Africa	<b>KAT:</b>	Karoo Array Telescope
<b>AfDB:</b>	African Development Bank	<b>KPI</b>	Key Performance Indicator
<b>AGM</b>	Annual General Meeting	<b>LAN</b>	Local Area Network
<b>ASGISA</b>	Accelerated and Shared Growth Initiative SA	<b>LGRT</b>	Legal, Governance, Risk and Transactions
<b>ATE</b>	Advanced Technologies and Engineering	<b>Min</b>	Minister
<b>AWCC</b>	African West Coast Cable	<b>MOA</b>	Memorandum of Agreement
<b>C&amp;MA</b>	Construction and Maintenance Agreement	<b>MOU</b>	Memorandum of Understanding
<b>CEO</b>	Chief Executive Officer	<b>MTEF</b>	Medium Term Expenditure Framework
<b>CER</b>	Communications and External Relations (DPE)	<b>MYPD</b>	Multi-Year Price Determination
<b>CFO</b>	Chief Financial Officer	<b>NCOP</b>	National Council of Provinces
<b>CIPM</b>	Chief Investment Portfolio Manager	<b>NCPM</b>	National Corridor Performance Measurement
<b>COE</b>	Compensation of Employees	<b>NEF</b>	National Empowerment Fund
<b>CPD</b>	Corporation for Public Deposits	<b>NGNP</b>	Next Generation Nuclear Plant
<b>CSDP</b>	Competitive Supplier Development Programme	<b>NHSS</b>	Nuclear Heat Supply System
<b>CSIR</b>	Council for Scientific and Industrial Research	<b>NIA</b>	National Intelligence Agency
<b>DAFF</b>	Department of Agriculture Forestry and Fisheries	<b>NIF</b>	National Interest Facility
<b>DBSA</b>	Development Bank of South Africa	<b>NT</b>	National Treasury
<b>DDG</b>	Deputy Director General	<b>NGNP</b>	Next Generation Nuclear Plant
<b>DEAT</b>	Department of Environmental Affairs and Tourism	<b>NEMA</b>	National Environmental Management Act
<b>DHET</b>	Department of Higher Education and Training	<b>NERSA</b>	National Energy Regulator SA
<b>DLA</b>	Department of Land Affairs	<b>NNRA</b>	National Nuclear Regulator Act
<b>DM</b>	Deputy Minister	<b>NPA</b>	National Ports Authority
<b>DOE</b>	Department of Energy	<b>OEM</b>	Original Equipment Manufacturers
<b>DOD</b>	Department of Defence	<b>OHS</b>	Occupational Health and Safety
<b>DOL</b>	Department of Labour	<b>OPSCO</b>	Operations Committee
<b>DOT</b>	Department of Transport	<b>PAIA</b>	Promotion of Access to Information Act
<b>DMR</b>	Department of Mineral Resources	<b>PBMR</b>	Pebble Bed Modular Reactor
<b>DPE</b>	Department of Public Enterprises	<b>PCB</b>	Printed Circuit Board
<b>DPP</b>	Demonstration Power Plant	<b>PCP</b>	Power Conservation Programme
<b>DPSA</b>	Department of Public Service and Administration	<b>PFMA</b>	Public Finance Management Act
<b>DST</b>	Department of Science and Technology	<b>PPF</b>	PBMR Fuel Plant
<b>DTI</b>	Department of Trade and Industry	<b>PoPs</b>	Points of Presence
<b>DWA</b>	Department of Water Affairs	<b>PPP</b>	Public-Private Partnerships
<b>ECA</b>	Electronic Communications Act	<b>PSJV</b>	Pooling and Sharing Joint Venture
<b>EDI</b>	Electricity Distribution Industry	<b>PSP</b>	Private Sector Participation
<b>EIA</b>	Energy Information Administration	<b>RDLR</b>	Rural Development and Land Reform
<b>ENE</b>	Estimates of National Expenditure	<b>RED</b>	Regional Electricity Distributors
<b>EPMS</b>	Executive Project Management System	<b>SAA</b>	South African Airways
<b>ESDA</b>	Employment Skills and Development Agency	<b>SAAT</b>	South African Airways Technical
<b>ExCo</b>	Executive Committee	<b>SAFCOL</b>	South African Forestry Corporation Ltd
<b>FEE</b>	Forum of Executives in Energy	<b>SAnReN:</b>	South African Research Network
<b>FET</b>	Further Education and Training	<b>SARCC</b>	South African Rail Commuter Corporation
<b>FIFA:</b>	Fédération Internationale de Football Association (International Federation of Association Football)	<b>SAX</b>	South African Express
<b>FSN</b>	Full Services Network	<b>SCOPA</b>	Standing Committee on Public Accounts
<b>FY</b>	Financial Year	<b>SDP</b>	Supplier Development Plans
<b>GCIS</b>	Government Communication and Information Services	<b>SEP</b>	Simplified Employee Pension
<b>HR</b>	Human Resources	<b>SIDS</b>	Strategically Important Developments
<b>ICASA</b>	Independent Communications Authority of South Africa	<b>SKA:</b>	Square Kilometer Away
<b>ICT</b>	Information and Communication Technology	<b>SMM</b>	Shareholder Management Model
<b>IDC</b>	Industrial Development Corporation	<b>SNO</b>	Second Network Operator
<b>I-ECNS</b>	Individual Electronic Communications Network Services	<b>SOE</b>	State Owned Enterprise(s)
<b>IIA</b>	Institute of International Auditors	<b>SRPESA</b>	Support to the Restructuring of Public Enterprises SA
<b>IMC</b>	Inter Ministerial Committee	<b>TFR</b>	Transnet Freight Facility
<b>INK</b>	Inanda, Ntuzuma and KwaMashu (URP)	<b>UAV</b>	Unmanned Aerial Vehicle
<b>IPP</b>	Independent Power Producers	<b>UK</b>	United Kingdom
<b>JHB</b>	Johannesburg	<b>URP</b>	Urban Renewal Programme
<b>JIA</b>	Johannesburg International Airport	<b>WACS</b>	West Africa Cable System
<b>JIPSA</b>	Joint Initiative on Priority Skills Acquisition	<b>WEF</b>	World Economic Forum

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