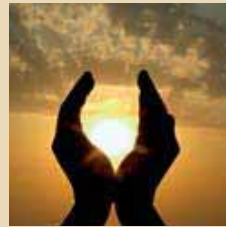
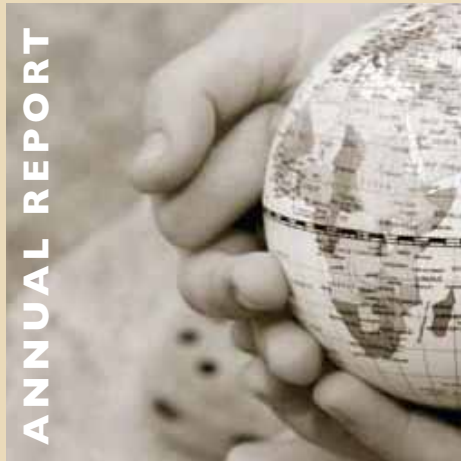


dpe

2008/09



ANNUAL REPORT



DEPARTMENT OF PUBLIC ENTERPRISES



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA




ANNUAL REPORT



*“If you’re walking down the right path and
you’re willing to keep walking, eventually you’ll
make progress.”*

- Barack Obama

A decorative vertical bar in the top left corner and several thin, curved, wavy lines in the background.

POWER GROW SHINE RISE SHIFT SOAR BUILD CONNECT
SPARK POWER **GROW** SHINE RISE SHIFT SOAR BUILD
CONNECT SPARK POWER GROW **SHINE** RISE SHIFT SOAR
BUILD CONNECT SPARK POWER GROW SHINE **RISE** SHIFT
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SHINE RISE SHIFT SOAR **BUILD** CONNECT **SPARK** POWER



CONTENTS

MINISTER'S FOREWORD	4
DIRECTOR-GENERAL'S REPORT	6
DPE ORGANISATIONAL STRUCTURE	7
GENERAL INFORMATION	17
PROGRAMME PERFORMANCE	21
SUMMARY OF PROGRAMMES	24
REPORT BY THE AUDIT COMMITTEE	50
ANNUAL FINANCIAL STATEMENTS	53
HR OVERSIGHT	120
UTILISATION OF CONSULTANTS	142
ACRONYMS	144



During the year, the Department further refined its role as State shareholder, and has initiated an efficient, real-time monitoring system, the “Isibuko Dashboard”, to oversee SOE financial and operational performance.

I. MINISTER’S FOREWORD

HISTORICAL PERSPECTIVE:

In 2004, the Government was faced with a three-fold challenge with regard to the overall management of SOE:

- Firstly, the Government, as a shareholder, had to ensure that SOE were focused on their core businesses;
- Secondly, their balance sheet positions needed to be strengthened on a sustainable basis, with the view to increasing their access to the capital markets, and thereby reducing their dependence on the fiscus;
- Thirdly, their mandates, plans and activities had to align with the requirements of the macro-economy and the relevant industrial sectors as defined by Government’s growth strategies, such as the Accelerated and Shared Growth Initiative for South Africa (AsgiSA).

1. Focusing SOE on their core business

Prior to this period, many of the SOE reporting to the Department were involved in a myriad of activities that fell outside of their core mandates and business focuses. This often resulted in sub-optimal delivery of the core business activities of these enterprises and increased risks arising from the Boards of Directors’ and Executive Management’s reduced focus on their core mandates. For instance, Transnet, whose core mandate now is to provide world-class, efficient rail, ports and pipelines infrastructure, operated in the aviation, ICT, property and passenger transport services sectors.

2. Improving the financial health of SOE

The Government’s restructuring plan in 1994 was aimed at, amongst other things, ensuring that SOE have strong balance sheets to enable them to approach capital markets. Their diverse portfolios at the time presented a serious constraint to raising this capital. As a result, the State had to, through the Shareholder Department, ensure that SOE are financially independent, with strong balance sheets.

3. Creating synergies between SOE plans and the macro-economic objectives of the country

The South African economy has experienced challenging times since the early 1990s, when GDP growth was fuelled by the removal of sanctions and an investor-friendly environment following the creation of a democratic government, but was not accompanied by investment in strategic economic infrastructure. This imbalance represented a binding constraint to an accelerated and equitable growth path. The resulting backlogs in economic infrastructure in ports, electricity and rail; and the high costs of telecommunications, presented significant challenges. The Government, therefore, had to focus its economic mandate in 2004 on the need to increase public investment to catch up with GDP growth, which was averaging 3% to 3.5%. Public investment encompassed infrastructure delivered by all spheres of Government and SOE capital expansion programmes in ports, rail, electricity and telecommunications.

In communicating the mandate of SOE, the shareholder insisted that SOE must have build programmes that align with the requirement of increased GDP levels to average 6% in order to achieve sustainable gains in poverty alleviation and the reduction of unemployment.

The Competitive Supplier Development Programme (CSDP) was implemented by the Department of Public Enterprises in 2007 to leverage SOE spend to catalyse the growth of supplier industries. The CSDP requires a change in SOE procurement practices to move away from short-term adversarial relationships with strategic suppliers, towards longer-term relationships which promote both competition and collaboration.

THE YEAR UNDER REVIEW:

The need for increased investment occurs at a time when the global meltdown is in full swing, which poses its own set of challenges for

SOE. Global demand is also slowing, and some sectors in our economy have taken strain. It is Government's considered view that SOE investment programmes will provide a stimulus to sustained levels of economic growth during this difficult period.

During the year, the Department further refined its role as State shareholder, and has initiated an efficient, real-time monitoring system, the "Isibuko Dashboard", to oversee SOE financial and operational performance.

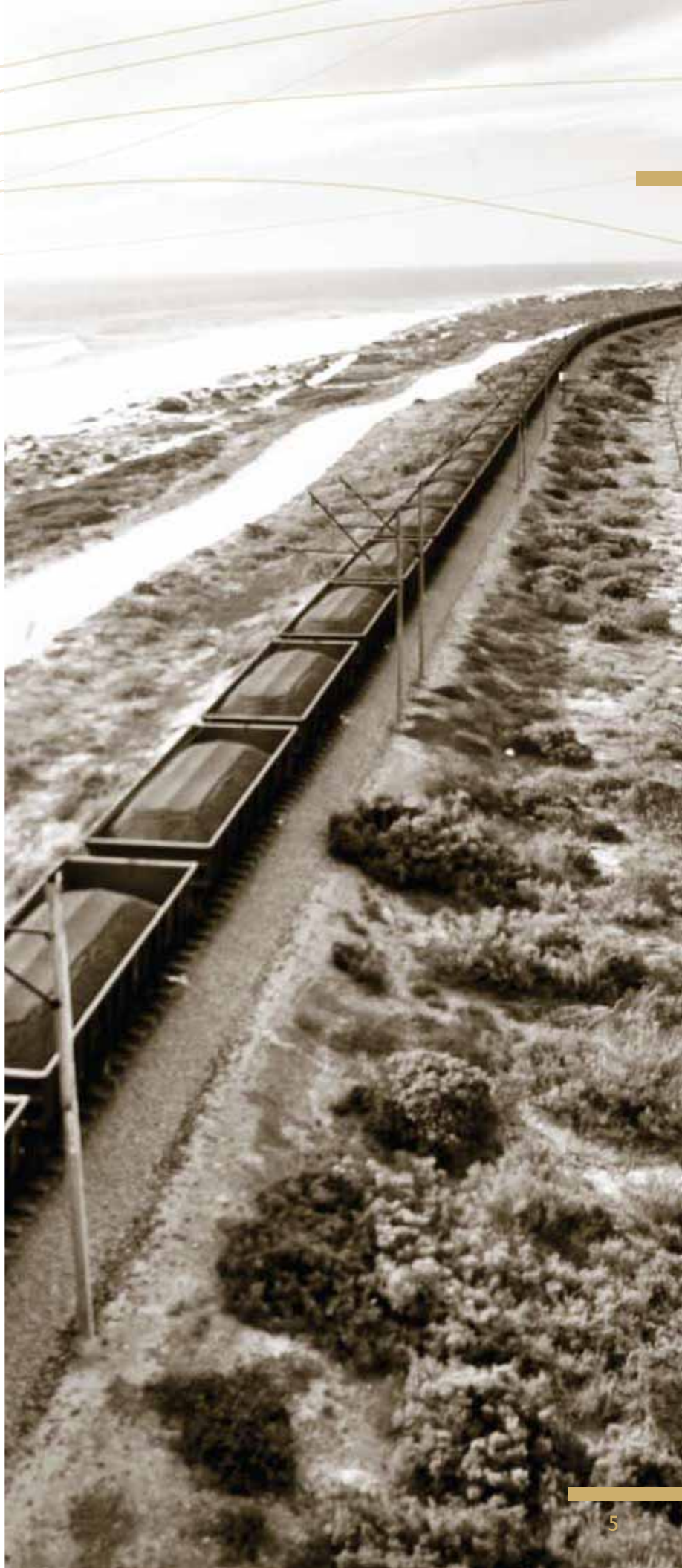
Our relations with Parliament, through the Portfolio and Select Committees, have continued to improve, and we welcome their vigilant oversight of our performance.

The forums established in the Department to engage with the Chairpersons, CEOs and CFOs of the SOE have been strengthened over the years, and have allowed us to have a more coherent approach to the oversight and management of these enterprises.

I would like to take this opportunity to thank the Director-General and her team for their hard work. I look forward to the next five years, as we continue to work with the SOE to ensure that they are viable enterprises and make a meaningful contribution to our economic growth and development.



BARBARA HOGAN
Minister of Public Enterprises





The infrastructure investment programme of both enterprises creates a powerful demand platform to promote investment in plant, technologies and skills in the relevant SOE supply chains. The Department launched the Competitive Supplier Development Programme (CSDP) in 2007 to leverage this expenditure. Eskom, Transnet and Pebble Bed Modular Reactor (PBMR) have all produced strategic supplier development plans in response.

2. DIRECTOR-GENERAL'S REPORT

The start of the third term of a democratic government in 2004 marked a shift towards a greater focus on sustained growth, job creation and poverty alleviation. By its very nature this approach required an effective and proactive Developmental State that could play a central role in the economy. A core State responsibility in this regard was the ability to have a long-term vision and approach in, among other things, the provision of economic infrastructure, to both support and lead this economic growth. In this context, Government policy towards State Owned Enterprises changed from a restructuring focus, to leveraging these SOE as core instruments of the Developmental State.

The primary focus of the Department from 2004 was, therefore, to launch a robust infrastructure investment programme in both Eskom and Transnet. Investment in fixed capital by the public sector as a whole had declined from 16% of Gross Domestic Product (GDP) in 1976 to around 5%-6% by 1994. Investment remained at this level until 2004, which had an adverse effect on supplier industries associated with the SOE. Over the last financial year, the increased investment from Transnet and Eskom made up 40% of total Government investment in infrastructure.

The investment in infrastructure has exposed overarching systemic problems in our regulatory systems, most significantly in the case of Eskom. The electricity utility requires an economic return on a fair valuation of its assets to enable it to have adequate funding to pay for its ambitious investment programme, which is estimated at R385 billion over the next five years. However, the electricity tariff at current levels is simply inadequate to provide Eskom with the revenues to meet the costs of the programme. Poor households only make up 2% of electricity consumption, and since they are already the most efficient users of electricity, we will endeavour to ensure that they are protected in these tariff hikes, as we declared during 2008's National Energy Summit.

With the declining volumes associated with the global economic downturn, Transnet also faces a challenge in accessing sufficient revenue to pay for its infrastructure programme. There are also some fundamental lessons from the electricity experience that can be used to good effect in the rail and port environments.

The infrastructure investment programme of both enterprises creates a powerful demand platform to promote investment in plant, technologies and skills in the relevant SOE supply chains. The Department launched the Competitive Supplier Development Programme (CSDP) in 2007 to leverage this expenditure. Eskom, Transnet and Pebble Bed Modular Reactor (PBMR) have all produced strategic supplier development plans in response. Transnet, in particular, is leading the way through the establishment of the Railway and Harbour Supply Chain Association, a supplier benchmarking programme; and a major procurement capacity building programme. The Department, in partnership with Eskom, has also developed a strategy to leverage the long-term electricity investment programme, with a particular emphasis on the nuclear build.

It should be recognised that the role of the State as shareholder is distinctly different from its role as policy-maker and regulator. The Department has developed a State shareholder management model to bring coherence and consistency to the management of all SOE. This model will allow Government to systematically leverage SOE capacity to achieve strategic national objectives without compromising the financial sustainability of the enterprises. In this regard, the Department has developed a harmonised framework of financial, operational and developmental indicators for the SOE reporting to it, to ensure accountability and to highlight risks.

As we begin to understand how SOE can be leveraged to advance the goals of

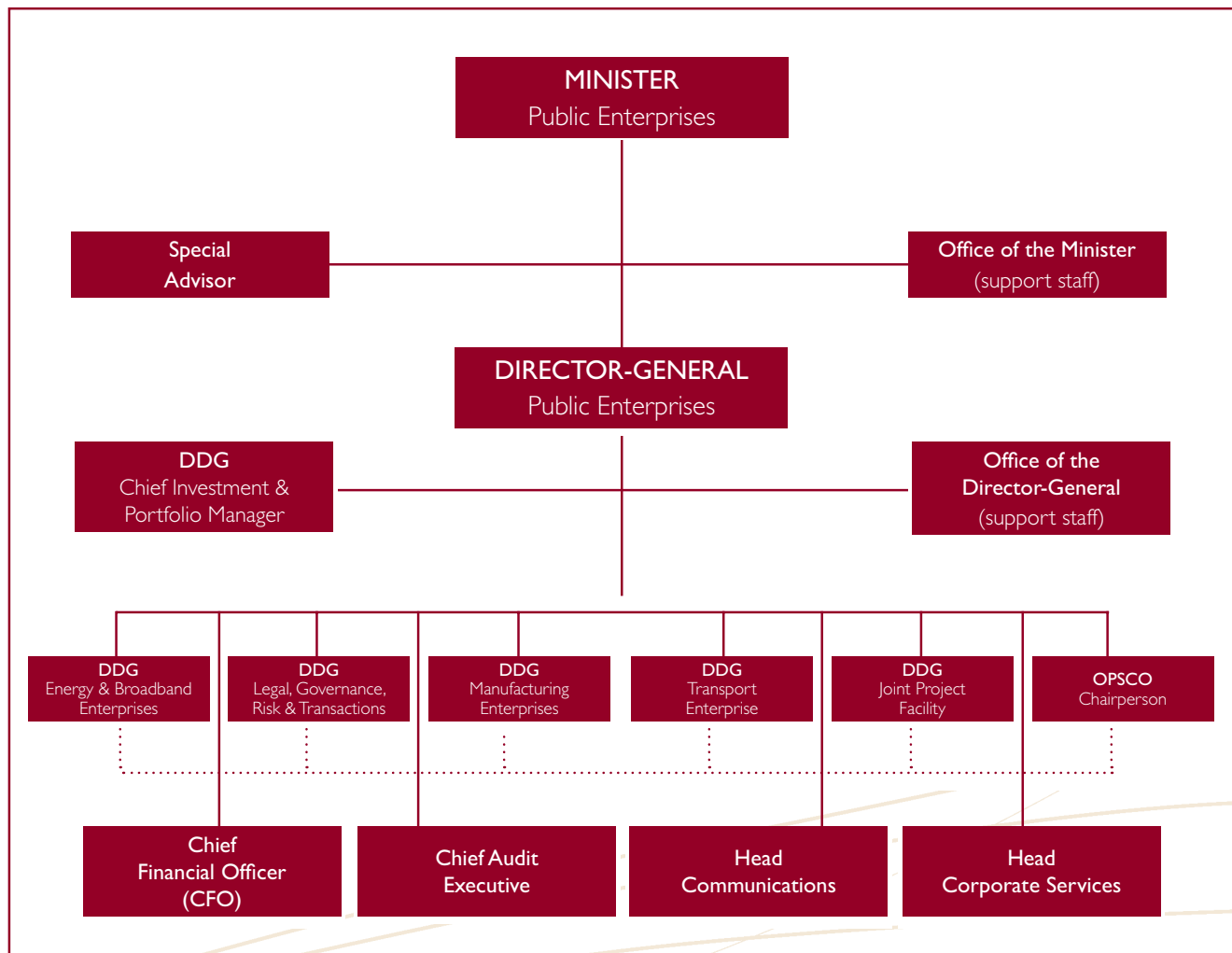
a Development State, we are becoming increasingly aware of the challenges that will need to be overcome if the SOE are to play this role. Some of the enterprises are under-capitalised; are operating in incoherent regulatory environments; and simply do not yet have world-class operational and commercial capabilities or an enabling culture. If these challenges are to be overcome, particularly in the context of the global downturn, a focused effort by Government, together with the Boards and management of the SOE, will be required in the next period.

I wish to thank the Minister and my staff in the Department for their invaluable support and hard work over the last year.



PORTIA MOLEFE
Director-General

3. DPE ORGANISATIONAL STRUCTURE 31 MARCH 2009





JOINT PROJECT FACILITY

Seated from Left: Lizette Goosen, Leah Khutoane, Benedict Mogadime, Tsholo Mosadi, Joan Arrikum.
 Standing from Left: Johan van Zyl, Mashienyane Rangwato, Caroline Richardson, Surprise Vuma, Lungisa Magwentshu.



TRANSPORT ENTERPRISES

Standing from Left: Karabo Seretlo, Nobulungisa Boko, Neelesh Amaidas, Edwin Besa, Nathaniel Sebitso, Adam Seedat.
 Seated from Left: Lorraine Ravhanna, Phumzile Maseko, Monde Ngqumeya, Nqobile Ngqelu, Christinah Rammutla, Nkhensani Khosa.



ADMIN AND FACILITIES

Seated from Left: Joseph Malekana, Anna Maluleka, Henriëtte Strauss, Dephney Bokaba, Rebecca Moumakoe.
 Standing from Left: Emily Ncube, Vusi Khumalo, Elliot Chipa, Isaac Setshedi, Elizabeth Brown, Dinah Ndala, David Moima, Kganhipi Nkuna.



HUMAN RESOURCES

Seated from Left: Simon Manganye, Sipho Ntombela, Mashilo Tshehla, Refilwe Chiloane.
 Standing from Left: Zandarine Theron, George Malatsi, Dineo Masilo.



RECORDS CENTRE

Standing from Left: Modiegi Tlhoale, Zephron Zunguze, Collen Ramoni.
Seated from Left: Seth Thipe, Bontle Mali, Regezai Letsoko, Elias Nkosi.



INVESTMENT AND PORTFOLIO MANAGEMENT

Standing: Thabo Tshabalala.
Seated from Left: Lutendo Tshifhumulo, Anthony Kamungoma, Martha Ntho.



CORPORATE SERVICES

Ingrid Mothiba and Shireen Crosson

*“Time is
change; we
measure its
passing by
how much
things alter.”*

- Nadine Gordimer



FINANCE AND SUPPLY MANAGEMENT UNIT

Seated from Left: Divashya Kanaye, Lerato Tselangwe, Henry Stopforth, Reginald Tong, Hanlie Bedford, Jack Ramashapa.
Standing from Left: Abel Makhafola, Stanley Mokgobu, Sandy Hutchings, Roelien Jordaan, Mike Williams.



ENERGY AND BROADBAND

Seated from Left: Lucky Madingane, Elaine Molotsi, Chris Forlee, Vuyo Tlale, Zwelitsha Maruping.
 Standing from Left: Ester Sibiya, Sivuyile Ngcizela, Rendani Musetha, Glen Heinrich, Ntakadzeni Netshifhefhe, Mark Gordon, Tebogo Maphosa.



SECRETARIAT

From Left: Sarina Maimane, Njabulo Ntshangase, Alfred Mmoto, Lerato Mavhungu.



OFFICE OF THE DIRECTOR-GENERAL

Front left: Robyn Martin, Luvuyo Lupondwana, Femida Mahomed, Maemu Makhado.
Back Left: Sarah Setshedi, Frans Malatsi, Portia Molefe, Miriam Maroga.



INTERNS

Seated from Left: Maemu Makhado, Fumulani Makananisa, Siyabulela Peti, Zamangema Mngadi, Nkosinathi Nkuna, Nkele Maaake.
Standing First Row from Left: Luthendo Matamela, Ayanda Mdluli, Collen Ramoni, Pfarelo Nesane, Zwelitsha Maruping, Thabo Tshabalala, Karabo Seretlo, Elliot Chipa.
Standing Back Row from Left: Nkhensani Khosa, Dumisani Zondi, Njabulo Ntshangase, Mashilo Tshehla, Surprise Vuma, Ntakadzeni Netshifhefhe.



COMMUNICATIONS UNIT

Seated from Left: Mzimasi Ngqelu, Lulu Bam, Ntakuseni Mudau, Ayanda Shezi.
 Standing from Left: Kelaotswe Motlathedi, Christian Green, Sentle Majwafi.



INFORMATION MANAGEMENT

From Left: Livhuwani Madzuhe, Sandy Hutchings, Alida Titus, Magdaline Mathobela.



LEGAL, GOVERNANCE, RISK AND TRANSACTIONS

Seated from Left: Zamangema Mngadi, Christo Loots, Phahlani Mkhombo, Ursula Fikelepi, Nkhangweni Ndou, Grace Mashaba.
Standing from Left: Fhumulani Makananisa, Mateke Tema, Melanchton Makobe, Msekeli Willie, Matsietsi Mokholo.



MINISTRY STAFF

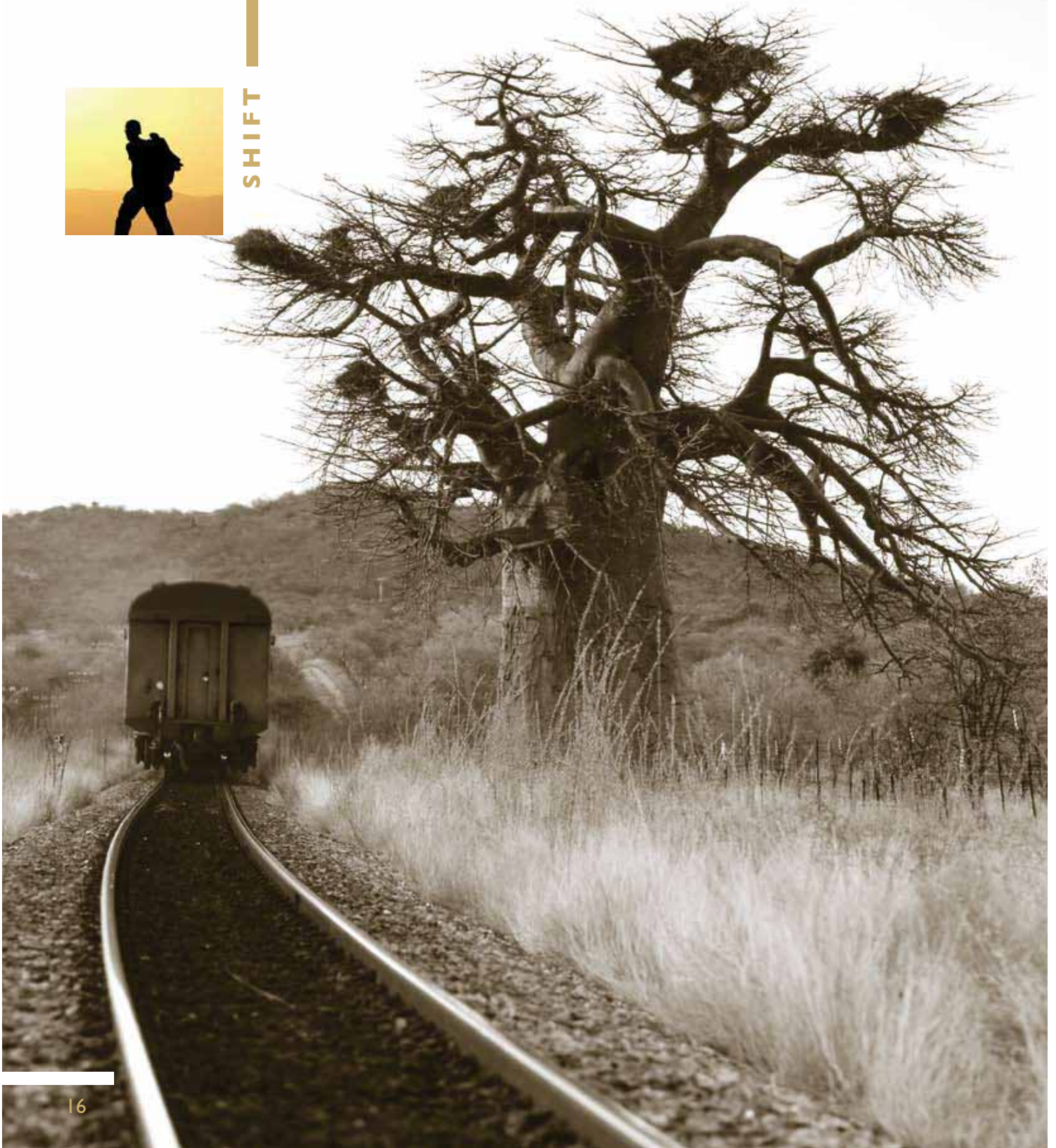
Seated from Left: Agnes Motsamai, Nthabiseng Borocho, Thandeka Ngangelizwe, Deputy Minister Enoch Godongwana, Orcilla Ruthnam, Arthur Moloto, Elsie Dikgomo.
Standing from Left: Dudu Mhlongo, Butie Tsalane, Jumarie Botha, Mpho Banda, Dumusani Zondi, Samuel Mandiwana, Georgina Sylvester.

*"It is not because things are difficult
that we do not dare, it is because we
do not dare that they are difficult."*

- Seneca, Roman Philosopher



SHIFT



4. GENERAL INFORMATION

4.1 SUBMISSION OF THE ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

I have the honour of submitting the 2008/09 Annual Report of the Department of Public Enterprises in terms of the Public Finance Management Act, 1999.

Portia Molefe: Accounting officer



4.2 INTRODUCTION

The Department of Public Enterprises is responsible for achieving Government's overarching objective of accelerated and shared economic growth and development. To achieve this objective, the DPE's oversight of nine State Owned Enterprises (SOE) aims to ensure:

- Efficient management of SOE to meet domestic and international industry operational benchmarks
- Optimal allocation of responsibilities between the public and private sector through the DPE's participation in the SOE respective industries
- Investment programmes that provide the necessary capacity to accommodate faster economic growth
- Implementation of SOE investment programmes in such a manner that the national economy is strengthened in a sustainable way.

Mission

The Department of Public Enterprises provides oversight management of nine State Owned Enterprises (SOE) which includes, but is not limited to, monitoring financial performance and operational sustainability. The Department achieves this through the provision of:

- Clear mandates for SOE performance
- Consistent and strategic performance management of SOE and
- Simple and unambiguous governance systems.

Core elements of the DPE's mandate include:

- Providing financial and operational oversight of the SOE against their strategic objectives
- Providing oversight of the disposal of non-core assets in line with transaction guidelines
- Leveraging all SOE assets for the benefit of the economy
- Ensuring that SOE procurement beneficially maximises investment opportunities for South African manufacturers.

4.2.1 Ministerial Visits Abroad

Place	Date	Purpose
Mozambique	11 April	South African / Mozambique Head of State Economic Bilateral Forum
Botswana	03 June	Meeting with Dr Kedikilwe, Minister of Minerals, Energy and Water Resources on Mmamabula Project
Botswana	13 June	Meeting with Ministers on Mmamabula Project
France, Germany and the United Kingdom	07 to 17 July	Ministerial meetings around Nuclear and Renewables Visit to Cambridge University
Bahrain	28 November to 03 December	Crans Montana Summit
France, United Kingdom and the United States of America	09 to 13 December	Ministerial meetings around Nuclear procurement
Mozambique	12 to 14 March	Ministerial meetings on discussions around SAFCOL

4.3 STRATEGIC OVERVIEW

The Department of Public Enterprises (DPE) is an active shareholder, on behalf of the South African Government, with responsibility for nine State Owned Enterprises (SOE), namely, Alexkor, Broadband Infraco, Denel, Eskom, Pebble Bed Modular Reactor (PBMR), South African Forestry Company Limited (SAFCOL), South African Airways (SAA), South African Express Airways (SAX) and Transnet.

The DPE's key role is to mediate between the Enterprises' interest and the national interest to ensure that Government's strategic intent is achieved.

The DPE's vision is to have SOE that:

- Are efficiently managed, meeting domestic and international industry operational benchmarks
- Play a role in the industry in which they operate that ensures an optimal allocation of responsibilities between the public and private sector
- Undertake investment programmes with a 'reserve margin' to accommodate faster economic growth and
- Leverage their investment programmes to the benefit of the South African and African economies on a sustainable basis.

State Owned Enterprises (SOE) are very specific and powerful instruments for achieving developmental goals because they are commercial entities with the task of achieving strategic national economic objectives. As commercial vehicles, they have the ability to raise capital on the capital markets by utilising a far greater range of instruments than that available to the National fiscus.

Secondly, they have the ability to partner with global companies that can provide additional capital and rapidly introduce new technologies, business processes and markets to the country. Their procurement processes can drive investment in skills and technology along their supply chains.

Finally, there are well established disciplines, reporting conventions and governance frameworks to both manage these entities and entrench relevant accountabilities. In summary, under the right conditions, enterprise ownership allows Government to leverage the institutions that are the key drivers of the development of productive capabilities in the global economy. Effective Government shareholding can thus enable the mobilisation of a wide range of resources and leverage the support of a diverse set of stakeholders in the attainment of key economic development objectives.

In the South African context, SOE are active in the following areas:

- The provision of network infrastructure (energy, rail, ports) because, although the scale and maturity of these industries require them to be funded by users rather than the fiscus, it is critical that Government is positioned to ensure security of supply. Within this context, policy promotes private sector investment and competition to enhance capacity and efficiency within these industries
- The promotion of advanced manufacturing, particularly in the defence and aerospace industries, so as to ensure security of supply and to catalyse a more general upgrading of national economic capabilities.

The challenge, however, is for Government to manage its investment in the SOE in such a manner that it achieves its strategic economic intent without compromising the commercial viability of the entity. This requires specialised shareholder management processes that need to achieve the following:

- Define a clear medium-term strategic intent for the SOE
- Ensure the ongoing commercial viability of the SOE through a constant process of monitoring and risk management and, where required, intervention
- Ensure that competent management and boards are appointed
- Align the activities of the SOE with the relevant sector policies
- Facilitate co-ordination between SOE programmes and relevant Government departments
- Ensure that SOE are adequately capitalised to respond to changing market conditions;
- Optimise the collective value extracted from the portfolios of SOE as a whole.

If SOE are to play a strategic role in driving investment in infrastructure and key technological and manufacturing capabilities, an enabling environment will need to be established. There are five key weaknesses in the current system:

- The governance arrangement between the Shareholder Ministry and SOE is not adequately defined, resulting in inconsistent management practices at times, and the subversion of either strategic intent or commercial objectives, leading to an unbalanced outcome
- The fragmentation of shareholder management responsibilities may hinder the optimisation of joint initiatives or consolidation
- Shareholder management is often trapped in bureaucratic departmental processes and is thus unable to respond rapidly to changing market conditions
- Government may take an inconsistent position on the separation of shareholder

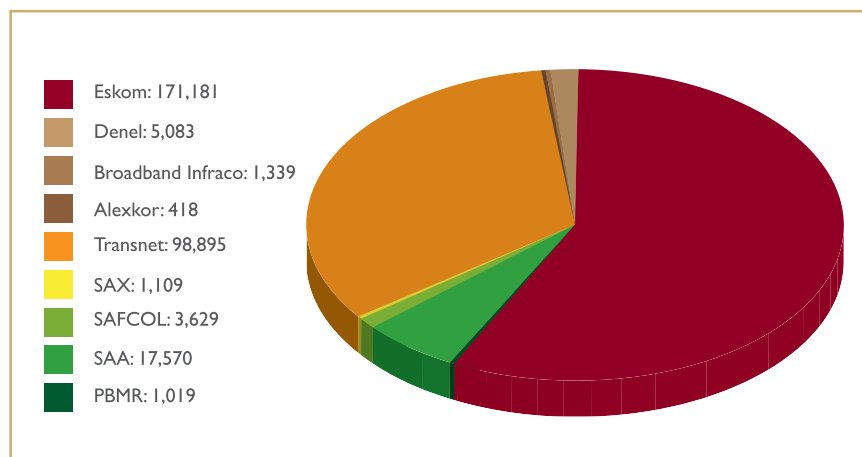
management and policy responsibilities, which compromises private sector involvement

- There is no systematic and predictable mechanism for managing capitalisation of SOE.



4.3.1 Portfolio Overview

Relative SOE size by asset base at end 2007/08



The three largest SOE in the portfolio are Eskom, Transnet and SAA.

ESKOM

The electricity utility has embarked on a R385 billion capacity expansion programme (over the next five years), in order to address the shortages in electricity supply as a result of increased demand. In recent years Eskom's reserve margins have declined, and the currently available generating capacity is no longer sufficient to meet the demand for electricity. Eskom, therefore, plans to add over 16 000 MW to the grid by 2017 to augment the currently installed 43 037 MW.

Government has provided a subordinated R60 billion loan to Eskom over the next three years, as well as R176 billion in guarantees on new and existing debt to assist the utility to fund this unprecedented build programme.

TRANSNET

Transnet has been effectively transformed into a focused freight transportation company dedicated to delivering efficient, reliable, integrated, cost-effective port, rail and pipeline services. The Shareholder has defined Transnet's key role as one that needs to focus on lowering the cost of doing business in South Africa. Economic growth in this context would be achievable through the provision of appropriate infrastructure and improvements in efficiency in the core divisions which include ports, rail and pipeline.

The aim is to manage all operations in a cost-effective and efficient manner and within acceptable benchmark standards. Transnet has shown a significant improvement in its financial performance over the years. This came as a result of the four point turn-around strategy that was implemented after a poor showing in previous financial years. Between 2004 and 2008, turnover and profitability have been on the increase, which has seen Transnet embarking on various re-engineering programmes. These have improved productivity across the organisation.

Transnet has had a capital investment spend of R19.4 billion for 2008/09, which is aimed at improving the quality and capacity of its asset base through continued implementation of its Capital Investment Programme. The capital programme which consists of R84 billion in funding over 5 years will see 60% of these funds going towards capacity expansion projects while 40% of



the budget will go towards replacing old and unsafe infrastructure.

Transnet has also embarked on the New Multi Product Pipeline (NMPP) between Durban and Gauteng. This project has been financed at approximately R11.2 billion and will ensure security of supply of liquid fuels between Durban and Gauteng. Transnet has pledged to invest a sum of R26 billion in the next five years between the National Port Authority and the Port Terminals Division. The aim is to provide support growth in the dry-bulk, liquid bulk, containers and break-bulk sectors across the seven existing commercial ports and the new Ngqura Port.

SOUTH AFRICAN AIRWAYS (SAA)

SAA continues to play a strategic role as a mainline network airline providing essential connectivity within the local economy and to regional and international markets in a highly competitive aviation environment. SAA fulfils a statutory mandate in 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 providing global reach through strategic links to key continents.

Fuel costs soared to all time highs during the 2008/09 financial year and this has affected all network airlines including SAA. Traffic volumes in the intercontinental and domestic markets have also declined as a result of the global economic downturn towards the end of the financial year. Domestic and regional markets are however, profitable but the airline has experienced difficulty in achieving profitability on international routes.

The airline continues to perform well and has achieved a number of international service awards. On-time performance has also improved since the last financial year.

DENEL

Denel is an arms and original equipment manufacturer (OEM), which has seen poor performance and has endured great difficulty

due to a decrease in local defence spending. Denel is currently undergoing a restructuring process, which will see the troubled SOE corporatising distinct operating divisions within the group. This will ensure long-term commercial validity and consolidation.

The restructuring has resulted in losses showing a steady decline. Turnover during the financial period declined from R4.4 billion in 2003 to R3.8 billion in 2007/08. Since 2005 revenue has increased. The SOE made a loss of R347 million in 2007/08, compared to the previous loss of R1.4 billion in 2005/06.

SAFCOL

SAFCOL has been restructured to meet privatisation objectives. SAFCOL has remaining interests in an operational subsidiary which is earmarked for privatisation, namely the Komatiland Forest (KLF) and IFLOMA, which is a Mozambican forestry and plantation company. SAFCOL's financial performance has been consistent due to a rising demand and increased selling price in timber products.

The SAFCOL Group has a strong financial position as well as a strong balance sheet. SAFCOL is currently dealing with a series of land claim and competition complexities. These complexities are being addressed with the relevant stakeholders, with specialist input.

BROADBAND INFRACO

The high cost of broadband in South Africa is directly attributable to the lack of investment in infrastructure and the monopolistic control of certain key elements required to deliver broadband, namely (a) national long-distance fibre optic infrastructure, and (b) international marine cable connectivity. The establishment of Broadband Infraco sought to address these two elements.

Broadband is a key driver of economic growth and wealth generation. It is essential for any country to have access to affordable and reliable broadband. Affordable national long-distance and international connectivity will have a favourable impact on pricing and the

availability of broadband services.

Infraco acquired 5 800km of fibre optic backbone infrastructure from Eskom and Transnet in 2005 and has since expanded the network to a carrier grade national coverage network extending over 11 500km and has increased the available capacity six fold to approximately 40 Gigabits per second. Neotel received the network assets after they were upgraded and completed along with the long-distance connectivity services.

In order to address the international marine cable connectivity, Infraco is participating in the deployment of the West African Cable System (WACS) project. WACS is a 14 500km international marine cable network infrastructure from South Africa to Portugal and the United Kingdom with landing stations in 10 West Coast African countries. The system comprises three fibre optic pairs with maximum capacity of **3.8 Terabits per second** (Tb/s) and approximately 400 Gigabits per second expected to be lit on launch.

SOUTH AFRICAN EXPRESS AIRWAYS (SAX)

South African Express Airways (SAX) has grown to become one of Africa's largest regional airlines. Its main focus is on secondary routes utilising smaller aircraft and the airline has played a major role in providing feeder services to SAA, as well as servicing lower density routes. It has become a leading airline with a substantial market share due to the gauge and frequency of services rendered.

The ownership of SAX was transferred from Transnet to the DPE and the SAX Act was promulgated in 2007 to effect the transaction. SAX was recapitalised during 2008/09 as part of this transfer to settle funding of scheduled payments and options in respect of aircraft financing.

SAX retains a strong link to SAA in terms of livery and reservation services. SAX will contribute to the expansion of regional air services capability within South Africa and

the African continent including a new African Hub Strategy that will increase its scope of operations in Africa.

In achieving its mandate to provide frequency of services on lower density routes and through its contribution to the expansion of regional air services capability within South Africa and the African continent, SAX has been able to continuously realise improved turnover and profitability.

PEBBLE BED MODULAR REACTOR (PBMR)

One of the core functions of Pebble Bed Modular Reactor (PBMR) is to ensure long-term, environmentally sustainable electricity for the country. It plays a significant role in Eskom's capacity generation programme. The SOE resulted from a joint venture between the South African Government, Eskom, the Industrial Development Corporation and the founder investor, Exelon.

The aim of PBMR is to pioneer small, standardised and inherently safe, modular reactors as one of the best carbon-free alternatives for new power generation and process heat applications around the world. PBMR is relatively new and is still in its infancy as it finds itself in its project delivery stage. The joint venture participants have invested R7.5 billion in total, while the Government has allocated a further R6 billion over a three-year period, ending in 2009/10. This was achievable through the Medium-term Expenditure Framework.

ALEXKOR

The implementation of the Richtersveld land claim settlement has shown significant progress during 2008/09; with the exception of the establishment of the township of Alexander Bay, Alexkor and the State has transferred all land under the Richtersveld Settlement to the Community. In addition, Alexkor and the Community have been working side by side on strategies to maintain current operations whilst preparing a feasible mining plan for future joint operations. Alexkor has simultaneously

commenced a review of its strategy as a State owned mining company post the successful implementation of the Pooling and Sharing Joint Venture with the Community.

5. PROGRAMME PERFORMANCE

5.1 VOTED FUNDS

Appropriation	Main Appropriation R'000	Adjusted Appropriation R'000	Actual Amount Spent R'000	Over/Under Expenditure R'000
Administration	65 986	78 294	77 939	355
Energy and Broadband Enterprises	2 137 580	2 137 317	2 136 811	506
Legal, Governance, Risk and Transactions	158 163	148 868	147 889	979
Manufacturing Enterprises	11 641	269 281	267 027	2 254
Transport Enterprises	605 669	605 015	604 930	85
Joint Project Facility	28 823	30 603	30 553	50
TOTAL	3 007 862	3 269 378	3 265 149	4 229
Responsible Minister	Minister of Public Enterprises			
Accounting Officer	Director-General of Public Enterprises			

5.1.1 Aim of Vote


The key objective of the Department of Public Enterprises is to provide an effective State Owned Enterprise (SOE) shareholder management system, and to support and promote economic efficiency and competitiveness for a better life for all South Africans.

5.2 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT FOR 2008/09

5.2.1 Transfer Payments

ALEXKOR

An amount of R130 million was allocated and transferred to Alexkor which consisted of R30 million for the development of the township and R100 million for the establishment and capitalisation of the Pooling and Sharing Joint Venture (PSJV). These transfer payments are obligations in terms of an order of court in the resolution of the land claim lodged by the Richtersveld Community against the State and Alexkor.



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 R259.5 million was allocated to Denel for the payment of an indemnity granted to Denel/Saab Aerostructures. R257.6 million was transferred to Denel, the balance in the sum of R1.9 million, which arose from the final audited amount of the claim being less than the funds allocated for this purpose. The Department did not draw these funds. Shares will be subscribed for the transferred amount.

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 INFRACO

An amount of R377 million was allocated and transferred to Broadband Infraco for the expansion of South Africa's ICT infrastructure. This transfer is a shareholder loan.

The entity reports quarterly to the Department in terms of s38(1)(j) of the PFMA and Treasury Regulation 8.4.1.

PBMR

An amount of R1.75 billion was allocated and transferred to the PBMR for designing,

building and prototyping the PBMR technology. Shares will be subscribed when a shareholders' agreement is signed.

The PBMR reports monthly 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. National Treasury analyses the reports and confirms the release of the funds with the Department.

SOUTH AFRICAN EXPRESS AIRWAYS

An amount of R445 million was allocated and transferred to South African Express Airways as a recapitalisation allocation. A share subscription will be made for the transferred amount.

The entity reports quarterly to the Department in terms of s38(1)(j) of the PFMA and Treasury Regulation 8.4.1.

TRANSNET

An amount of R140 million was allocated and transferred to Transnet for the purchase of South African Express Airways.

The entity reports quarterly to the Department in terms of s38(1)(j) of the PFMA and Treasury Regulation 8.4.1.

"It is important to nurture any new ideas and initiatives which can make a difference for Africa."

- Wangari Maathai

Summary Table of Payment Transfers

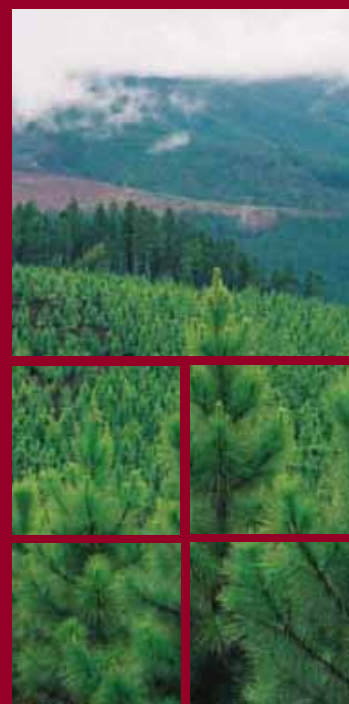
Name of Institution	Amount Transferred	Estimated Expenditure
Alexkor	R130 million	<ul style="list-style-type: none"> R30 million for the development of the township R100 million for the establishment and capitalisation of the Pooling and Sharing Joint Venture (PSJV)
Denel	R259.5 million	<ul style="list-style-type: none"> R257.6 million was transferred to Denel, the balance in the sum of R1.9 million, which arose from the final audited amount of the claim being less than the funds allocated for this purpose The Department did not draw these funds
Broadband Infraco	R377 million	An amount of R377 million was allocated and transferred to Broadband Infraco for the expansion of South Africa's ICT infrastructure
PBMR	R1.75 billion	An amount of R1.75 billion was allocated and transferred to the PBMR for designing, building and prototyping the PBMR technology
South African Express Airways	R445 million	An amount of R445 million was allocated and transferred to South African Express Airways as a recapitalisation allocation
Transnet	R140 million	An amount of R140 million was allocated and transferred to Transnet for the purchase of South African Express Airways

5.2.2 Asset Management

The DPE conducted three full asset counts of all assets during the year; one of which was conducted by independent officials. All assets are purchased and accounted for on the LOGIS system on a personnel inventory basis to ensure control of assets. The Department has complied with the Asset Management Reform milestones.

During the year, the Department disposed of unserviceable and redundant assets at original cost value as per the asset register amounting to R955 406.00. Refer note 31.2 to the notes of the Annual Financial Statements.

Thefts and losses amounted to R28 575.80, calculated at original cost value as per the asset register. These thefts and losses are still under investigation and the items have not yet been removed from the asset register.



6. SUMMARY OF PROGRAMMES

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**

6.1 PROGRAMME 1: ADMINISTRATION

6.1.1 Purpose

The Administration Programme aims to achieve the Department's objectives through the provision of overarching management and key support functions and processes.

The programme consists of the Ministry and the Office of the Director-General, which includes the Office of the Chief Investment and Portfolio Manager and 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.

6.1.2 Measurable Objectives

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

- To provide strategic direction and leadership
- To provide support services that enable the Department to deliver on its organisational objectives in an environment where employees within the DPE are both motivated and empowered
- To improve the quality of corporate governance and performance monitoring systems by ensuring the appropriate policies, processes and procedures are reviewed, updated and implemented within the Department.

6.1.3 Achievements

Programme achievements during the year include:

- Sound financial management and a transparent and equitable procurement environment
- A user-friendly, stable, reliable and secure IT environment as well as measures to ensure that the DPE conforms to minimum industry standards
- An enabling internal policy environment, including a secure environment for employees
- The launch of numerous human resource management initiatives intended to attract and retain critical skills and a performance management regime that informs targeted training initiatives
- The creation of DPE institutional memory;
- The facilitation and evaluation of critical enterprise risk management processes
- An enabling communications environment, in which both internal and external communications have been effective.

SOE oversight has been strengthened through:

- Refinement of the strategic mandate and intent
- Conclusion of Shareholder Compacts with the SOE Boards
- Implementation of a Business Intelligence Dashboard for performance reporting and analysis
- Structure of 'significance and materiality framework' memoranda of understanding
- Provision of a suite of standard governance documents for all SOE (Model shareholder agreements, Memorandum and Articles of Association, Shareholders Agreements and Shareholders Compacts – alignment to PFMA and risk management)
- Strengthened SOE Board composition
- Introduction of portfolio-level monitoring to ensure that existing and new SOE are adequately capitalised and that high-impact projects can be funded and appropriate funding mechanisms developed

- Continuous review of the quality of routine oversight reporting to ensure that:
 - SOE governance and risk management systems and procedures are sufficiently robust and provide an appropriate level of transparency
 - performance management systems provide adequate information to make key strategic and financial decisions
 - SOE quarterly reports and corporate plans conform to the Department's templates
 - the performance of each SOE - and the portfolio as a whole - can be assessed in relation to Government's overarching intent, so as to make the requisite adjustments.

6.2 PROGRAMME 2: ENERGY AND BROADBAND ENTERPRISES

6.2.1 Purpose

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

6.2.2 Measurable Objectives

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

- Ensuring SOE achieve their targets by monitoring and assessing their financial and operational performance against targets set in the Shareholder Compact
- Expanding South Africa's ICT infrastructure to enhance ICT capacity and lower ICT costs by expanding Broadband Infraco's full service network to incorporate SITA and other strategic state projects that require broadband by mid-2008
- Completing construction of the SA-Europe submarine cable by the first quarter of 2010
- Monitoring Eskom's capacity expansion programme to ensure timely delivery of the new capacity

- Monitoring Eskom's generation adequacy by examining maintenance and operational practices as well as the reserve margin
- Contributing to the improvement of the electricity distribution infrastructure in South Africa by monitoring the restructuring of Eskom's current electricity distribution to align with six wall-to-wall Regional Electricity Distributors (REDs) by June 2008
- Supporting ongoing developments in nuclear power to secure long-term environmentally sustainable electricity for South Africa by ensuring that:
 - PBMR's environmental impact assessment of the demonstration power plant from the Department of Water and Environmental Affairs receives a positive Record of Decision (RoD) by June 2008
 - fuel for early irradiation testing is delivered by July 2008
 - construction of leasehold improvements for the pilot fuel plant starts by June 2008.

DPE Oversight				
Sub-programme	Output	Measure/ Indicator	Actual Performance against Target	
			Target	Actual
ICT Broadband	Oversight: Broadband Infraco	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 2009
		Achievements of MTEF targets by Broadband Infraco	<ul style="list-style-type: none">• Monthly, quarterly and annual monitoring• Assessment of PFMA Section 54 applications	<ul style="list-style-type: none">• Monthly , quarterly and annual monitoring completed as planned• Applications were assessed as planned
Reason for Variance between Target and Actual				
<ul style="list-style-type: none">• Shareholder Compact with Broadband Infraco: Delays in the conclusion of the Shareholder Compact were due to agreement not being reached on KPIs.				

*“And as we let our own light shine,
we unconsciously give other people
permission to do the same.”*

- Nelson Mandela

Multi-stakeholder Initiatives

Sub-programme	Output	DPE Role	Measure/Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
ICT Broadband	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
	Completing 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
Energy	Oversight: Eskom	Corporate plan	Annual assessment	Annual assessment completed as planned
		Shareholder Compact with Eskom	Conclusion by end of April each year	Signed in July 2008
		Achievements of MTEF targets by Eskom	Monthly, quarterly and annual monitoring	Quarterly and annual monitoring completed as planned
	Monitoring Eskom's capacity expansion programme	Timeous delivery of new capacity	Assessment of PFMA Sec 54 applications	Applications assessed as planned
			Capacity delivery as per plan	<ul style="list-style-type: none"> Procurement and delivery of new build tracked on a monthly basis Interventions made to prevent delays Government guarantees of R176 billion were secured
	Monitoring Eskom's generation adequacy	Examining maintenance and operational practice as well as the reserve margin	Reducing unplanned maintenance levels	<ul style="list-style-type: none"> Monitoring and assessment of reserve margin and available capacity and demand to ensure security of supply Frequency of load shedding significantly reduced

Reason for Variance between Target and Actual

- Shareholder Compact with Eskom: Delays in the conclusion of the Shareholder Compact were due to agreement not being reached on KPIs.
- Monthly monitoring of MTEF was not completed because the time-frame was too short to make an informed assessment, however, the quarterly report is more comprehensive.

Multi-stakeholder Initiatives					
Sub-programme	Output	DPE Role	Measure/Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
Energy	Contribute to improving the electricity distribution infrastructure in South Africa	Facilitate Eskom's assistance to smaller municipalities	Report of assistance provided to smaller municipalities	Assist smaller municipalities with infrastructure, maintenance and refurbishment	Report of assistance provided to municipalities
		Monitor progress of the implementation of the Regional Electricity Distributors (REDs)	Participate in EDI facilitated process towards establishment of Regional Electricity Distributors	Cabinet approval to amend the constitution for the establishment of Regional Electricity Distributors	Constitutional amendment not approved by Cabinet as anticipated by EDI
Reason for Variance between Target and Actual					
Cabinet approved the constitutional amendment in April 2009 due to delays in finalising stakeholder consensus. The South African Power Project team provided the Minister with a briefing memorandum to cover this topic. Since then the scope of the task has changed and further work has been initiated by the nuclear task team with regards to policy implications and enabling the nuclear procurement.					

DPE Oversight				
Sub-programme	Output	Measure/Indicator	Actual Performance against Target	
			Target	Actual
Nuclear	Oversight: PBMR	Corporate plan	Annual assessment	Annual assessment completed as planned
		Shareholder Compact with PBMR	Conclusion by end of April each year	Ongoing- DPE legal team and PBMR
		Achievements of MTEF targets by PBMR	Monthly, quarterly and annual monitoring	Assessment completed as planned
			Assessment of PFMA Section 54 applications	Assessment completed as planned
Reason for Variance between Target and Actual				
Shareholder Compact with PBMR: Delays in the conclusion of the Shareholder Compact were due to agreement not being reached on KPIs.				

Multi-stakeholder Initiatives

Sub-programme	Output	DPE Role	Measure/Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
Nuclear	PBMR's environmental impact assessment	Driven by DEAT and independent consultants	Record of decision to be issued by Necsa	Record of decision from Department of Environmental Affairs and Tourism	Response to public comments in progress
	Construction license	Assist PBMR in establishing a licensing strategy	New business plan to reduce licensing and regulatory limitations	Revised business case and product strategy	Board approval of new business case and change in product strategy in December 2008
	Development of Process Heat Business Plan	Assist PBMR in developing the new business and product strategy	Board approval	Board approved in December 2008	Expression of interest in new technology received from potential customer
	Start construction of leasehold improvement for pilot fuel plant	Assist PBMR in obtaining a fuel manufacturing plant installation license	NNR approval	Necsa's application for fuel manufacturing license to the NNR	Necsa has applied to the NNR for the PBMR Fuel manufacturing installation license

Reason for Variance between Target and Actual

The process of developing a new business plan and product strategy began in November 2008 and was completed in May 2009.

6.3 PROGRAMME 3: LEGAL, GOVERNANCE, RISK AND TRANSACTIONS

6.3.1 Purpose

The Legal, Governance, Risk and Transactions Programme provides legal services, corporate governance systems and risk management frameworks; and facilitates the implementation of all legal aspects of transactions that are strategically important to the Department and SOE, and ensures alignment with Government's strategic intent.

6.3.2 Measurable Objectives

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

- Continuing the transfer of Telkom shares (previously held in Diabo Trust) to intended beneficiaries
- Winding up of Aventura
- Effecting the transfer of minority shareholding and monitoring the implementation

of SAFCOL's revised business plan to ensure the disposal of Komatiland Forest and other assets, towards the winding down of SAFCOL

- Establishing legislative provisions for the governance of strategic SOE
- Implementing shareholder guidelines on remuneration, founding documents and shareholder agreements, as well as board induction and other governance frameworks and guidelines for SOE
- Conducting annual SOE governance audits, Board appointments, SOE AGMs and ensuring that SOE adhere to corporate governance principles
- Benchmarking SOE risk management practices with reference to industry norms; conducting quarterly assessments of enterprise and shareholder risks; and monitoring and assessing SOE risk management practices.





6.3.3 Achievements

DPE Oversight				
Sub-programme	Output	Measure/Indicator	Actual Performance against Target	
			Target	Actual
Legal	Diabo Trust	Continued transfer of Telkom shares to intended beneficiaries	Appointment and oversight of service providers to effect transfer	<ul style="list-style-type: none"> Steering Committee established to wind down the Trust and appoint service provider to trace the outstanding beneficiaries Trustees transferred R435.5 million to DPE Steering Committee approved TORs for appointment of service provider
	Aventura	Winding up	Commence winding up of company and its business	<ul style="list-style-type: none"> Reinstatement of Aventura 2004/05 Annual Financial Statement finalised and audited Gariep and Badplaas Resorts transferred to Forever Resorts Service providers appointed to commence with winding up

Multi-stakeholder Initiatives

Sub-programme	Output	Measure/Indicator of DPE Role	Actual Performance against Target	
			Target	Actual
Legal Denel SAA Transnet		Establishment Bill for the Defence Evaluation and Research Institute (DERI)	Contribute to preparation and draft of Bill and facilitate transfer of OTB to DERI	Project has not progressed as there is no agreement between stakeholders
		Legal support in execution and introduction of strategic equity partners for SAA business units	Prepare, draft, negotiate and conclude transaction documents	<ul style="list-style-type: none"> • Call centres – outsourcing process suspended due to investigation into award of tender • SAA Technical – process proceeding • Air chefs – suspended due to investigation in the award of tenders • Ground handling – contract awarded • Cargo – alternative models being considered • Voyager – transformation team established to review organisation design and pricing
		Compliance with National Ports Act, 2005	Appoint legal service provider to review and advise on DOT Port Regulations, 2005	<ul style="list-style-type: none"> • Port Regulations approved and published in the government gazette • Assessed impact of TNPA corporatisation on Transnet and appointed service provider to advise on the implications for non-corporatisation of the TNPA
		Legal support in execution of private sector participation in Ngqura	Provide legal assistance to DPE sector team	Transnet proposed joint venture partnership approved
		W Spies & Thompson / Government and Transnet	Resolution of legal action	<ul style="list-style-type: none"> • Judgment in favour of Government and Transnet
		Concerned Transnet Workers' Forum	Resolution of legal action	<ul style="list-style-type: none"> • Court confirmed that the Minister should not be joined as a party to the litigation
		Londoloza/Parhapur	Resolution of legal action	Applicants' appeal dismissed by the Supreme Court of Appeal and Constitutional Court

Multi-stakeholder Initiatives				
Sub-programme	Output	Measure/Indicator of DPE Role	Actual Performance against Target	
			Target	Actual
Governance	South African Government Shareholder Management Model	SOE legislation	Harmonise Government-wide shareholder management	<ul style="list-style-type: none"> Cabinet memo with draft Bill submitted Cabinet mandated Ministerial committee to review the legal and regulatory environment within which the SOE operate [Cabinet held on 28 May 2008]
			Implementation of shareholder guidelines regarding remuneration, founding documents and shareholder agreements, board induction and annual SOE governance Audit	<ul style="list-style-type: none"> Subsidiary list updated on the dashboard Founding documents approved by Minister Signed Alexkor and Denel Shareholder Compacts
		<ul style="list-style-type: none"> Approved by Minister Infraco, SAA founding documents amended 	Approved toolkits	<ul style="list-style-type: none"> Approved by Minister Implemented toolkit by inducing Alexkor's directors
		Generic founding documents and shareholders agreements	Approved guidelines	<ul style="list-style-type: none"> Approved by Minister Infraco, SAA founding documents amended
	Annual General Meeting	Exercise of shareholder rights at AGM	AGMs for all SOE	<ul style="list-style-type: none"> Successfully held for all SOE
	Board appointments	Board membership meet requirements of SOE founding documents	All SOE Boards to have more than minimum number of Board members	<ul style="list-style-type: none"> All SOE Boards quorate and members exceed minimum number required
	Board performance evaluations	Board evaluation reports from SOE	Assess and advise Minister on evaluation reports	<ul style="list-style-type: none"> Assessed and Minister advised in respect of Transnet, Denel and Eskom

Multi-stakeholder Initiatives

Sub-programme	Output	Measure/Indicator of DPE Role	Actual Performance against Target	
			Target	Actual
Risk	Review SOE Risk Management Practices	Report on SOE risk management practices	Annual updates	Completed
	SOE Risk Reporting Dashboard	Operational risk management software system	Annual updates	Dashboard provides for risk monitoring quarterly
		Operational SOE Risk Reporting Dashboard	Annual updates	Dashboard updated with SOE and DPE risk profile quarterly
		Risk assessment and management of enterprise and shareholder risks	Benchmarking of SOE risk management practices with reference to industry norm and quarterly assessment of enterprise and shareholder risks	Assessed and advised on risk implications in the SOE corporate plans and Shareholder Compacts
Transactions	Winding down of the SAFCOL holding company	Monitoring of the disposal of Komatiland Forests and other assets linked to the winding down of SAFCOL	Winding down of SAFCOL	Finalisation is on hold, pending finalisation of KLF land claim
	Implementation of the Deed of Settlement in the matter of the Richtersveld land claim	Transfer of all applicable assets to Richtersveld Community in terms of Court Order and Deed of Settlement and PSJV between Alexkor and Richtersveld Community	<ul style="list-style-type: none"> Transfer of all applicable assets to Richtersveld Community Establishment of PSJV 	<ul style="list-style-type: none"> Agricultural land and assets transferred during 2008/09 Preliminary establishment of PSJV, EXCO appointed

Reason for Variance between Target and Actual

- Shareholder Compacts must be agreed between the DPE and SOE. Shareholder Compacts were prepared and negotiated. However, compacts were not concluded as a result of protracted disagreement between the DPE and the SOE on KPIs.
- SAFCOL winding down on hold, pending finalisation of KLF land claims.



6.4 PROGRAMME 4: MANUFACTURING ENTERPRISES

6.4.1 Purpose

The Manufacturing Enterprises Programme analyses the strategies of SOE in relation to Government's strategic intent; develops proposals in terms of the SOE's role as a catalyst in developing the manufacturing cluster and monitors and advises on SOE financial and operational performance.

6.4.2 Measurable Objectives

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

- Ensuring that Denel and SAFCOL achieve their targets by the end of the MTEF period by monitoring and assessing their financial and operational performance annually

against targets set in their respective Shareholder Compacts

- Assisting in returning Denel to profitability by 2011/12 by:
 - monitoring the performance of the 2006 turnaround strategy
 - facilitating the achievement of a target of 60% to 70% of domestic defence spend directed towards the local industry
- Improving 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 in 2008/09
- Supporting the development of the domestic defence related manufacturing base by developing a missiles export strategy, which will leverage the technological

capabilities held within Denel, 2008/09

- Facilitating defence related exports and catalysing the development of the defence related manufacturing sector in cooperation with other Government departments, by:
 - assisting with the establishment of the Defence Evaluation and Research Institute (DERI) in 2008/09
 - establishing supplier forums with the Department of Defence and industry by the end of July 2008
 - establishing a defence export council by the end of September 2008
 - evaluating export incentives in 2009/10.

DPE Oversight				
Sub-programme	Output	Measure/Indicator	Actual Performance against Target	
			Target	Actual
Defence	Oversight: Denel	Corporate plan	Annual assessment	Completed
		Shareholder Compact with Denel	Conclusion by end of April each year	Completed
		Achievements of MTEF targets by Denel	<ul style="list-style-type: none"> • Monthly, quarterly and annual monitoring • Assessment of PFMA Section 54 applications 	<ul style="list-style-type: none"> • Denel exceeded its revenue and net profit targets set in its 2008/09 Corporate plan • Winding up of Denel Medical Trust granted with conditions • Mechem divestiture rejected (September 2008) • MBDA partnership with DDM approved in principle (September 2008). However new application is needed due to time lapse

"Each of us has that right, that possibility, to invent ourselves daily."

- Maya Angelou

“The success of the African renaissance in repositioning our part of the world, depends upon economic patriotism. South Africans have to work for South Africa.”

- Tokyo Sexwale



GROW

Multi-stakeholder Initiatives					
Sub-programme	Output	DPE Role	Measure/Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
Defence	Defence acquisition spend	Facilitation	Increased local defence spend	60%-70% spend of Department of Defence spend on local defence related industry	Principle of 60%-70% defence spend on local defence related industry accepted by Cabinet
	Further strategic alignment between stakeholders	Facilitation	Denel, the DPE and the Department of Defence agreeing on the areas for further restructuring of Denel	Make recommendations on the optimal end-state of Denel that is in line with the Department of Defence's current and future requirements	<ul style="list-style-type: none"> A joint DPE and Department of Defence Cabinet memorandum was submitted in June 2008 with end-state recommendations A further joint Cabinet memorandum was submitted to Cabinet but was not discussed
	Establishment of DERI	Facilitation and provision of input on the need for DERI	Facilitate an agreement between Departments of Defence and Science and Technology and Denel on the structure of DERI	Agreement on the structure of DERI and finalisation of the DERI Bill	Structure agreed and an acting Chief Executive Officer appointed. However the Bill establishment process is not yet in place
	Enhancing the procurement process	Facilitation	Engaging the Department of Defence on the importance of reviewing its procurement systems and processes	The Department of Defence to open discussion on the need to streamline its procurement processes and to provide preferential procurement status to the local industry	The principle of supporting the local industry through procurement was accepted by Cabinet as part of the end-state of Denel
	Missiles export strategy	Develop a missile strategy to support the growth and sustainability of South Africa's missile capability	Engaging Denel on the need to have a comprehensive missile export strategy as a way of retaining the capability in the face of declining local defence spend	Missile strategy document with implementation plan in place	<ul style="list-style-type: none"> Part of Denel end-state process A strategic due diligence study was done Equity transaction with the world's second largest missile house is currently underway. If this transaction succeeds, Denel's missile capability will have increased global reach, which is what is required to harness this capability
	Establishment of a defence export council	Export marketing support	<ul style="list-style-type: none"> Facilitation Process driven by DTI 	Council established by end September 2008	Not achieved
Reason for Variance between Target and Actual <ul style="list-style-type: none"> Establishment of a defence export council: The process is being driven by the DTI. Facilitation and provision of input on the need for DERI: The Bill establishment process is not yet in place. 					

DPE Oversight				
Sub-programme	Output	Measure/Indicator	Actual Performance against Target	
			Target	Actual
Forestry	Oversight: SAFCOL	Corporate plan	Annual assessment	Completed
		Shareholder Compact with SAFCOL	Conclusion by end of April each year	Not finalised
		Achievements of MTEF targets by SAFCOL	<ul style="list-style-type: none">Monthly, quarterly and annual monitoringAssessment of PFMA Section 54 applications	<ul style="list-style-type: none">SAFCOL met its net profit targets set in its 2008/09 corporate planApplication for Fibre Project rejected
Reason for Variance between Target and Actual				
<ul style="list-style-type: none">Shareholder Compact with SAFCOL: Not finalised due to a need for further clarity on the future of SAFCOL. The Department and SAFCOL agreed to use the 2007/08 Shareholders Compact.				

6.5 PROGRAMME 5: TRANSPORT ENTERPRISES

6.5.1 Purpose

The Transport Enterprises Programme aims to align the corporate strategies of South African Airways (SAA), South African Express Airways (SAX) and Transnet with Government's strategic intent, as well as to monitor the financial and operational performance of the SOE.

6.5.2 Measurable Objectives

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

- Ensuring proposals, strategies and operations of Transnet, SAA and SAX are aligned with Government's strategic economic intent
- Ensuring the transfer of SAX to the DPE is concluded
- Assessing and reviewing the financial sustainability and role of state-owned airlines
- Monitoring the progress of SAA's restructuring and turnaround strategy
- Ensuring the ring-fencing of selected SAA business units as well as their disposal or strategic equity partnering
- Overseeing private participation in the Ngqura container terminal
- Facilitating the private sector participation in rail through private operators accessing branch-lines
- Developing national corridor performance measurement tools and indicators
- Analysing and assessing Transnet's role and influence in the economy
- Monitoring Transnet's continued disposal of non-core assets.

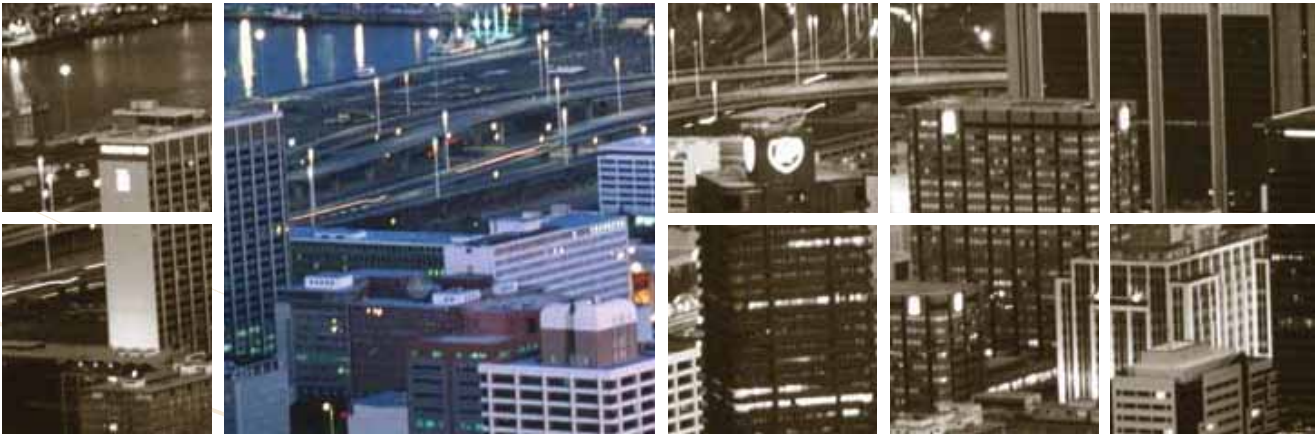




DPE Oversight				
Sub-programme	Output	Measure/Indicator	Actual Performance against Target	
			Target	Actual
Transnet	Oversight: Transnet	Corporate plan	Annual assessment	Assessment completed in September 2008
		Shareholder Compact with Transnet	Conclusion by end of April each year	2008/09 Compact signed in April 2009
		Achievements of MTEF targets by Transnet	<ul style="list-style-type: none"> Monthly, quarterly and annual monitoring Assessment of PFMA Section 54 applications 	<ul style="list-style-type: none"> Completed quarterly Section 54 applications approved during 2008/09
	Private sector participation in Ngqura container terminal	Agreed process for private sector participation and execution of transaction	<ul style="list-style-type: none"> Agreed framework with key stakeholders Initiate transaction process 	Shareholder approved Transnet proposed joint venture partnership. Next step is DOT engagement
	Analyse and assess Transnet's role and influence in the economy	Develop baseline study of Transnet's impact on the economy	Undertake base survey and quantify positive externalities	Completed macroeconomic model which is linked to the freight flow model - completed in March 2009
	Monitor Transnet's non-core disposals programme	Exiting from all non-core businesses	Monitor and facilitate finalisation of remaining disposals	Monitored all remaining disposals
	Monitor Transnet's Capex programme	<ul style="list-style-type: none"> Functional dashboard Monitor compliance to budget 	<ul style="list-style-type: none"> Functional dashboard finalised Monitor Capex via dashboard 	Monitored through quarterly report
Reason for Variance between Target and Actual				
<ul style="list-style-type: none"> Shareholder Compact with Transnet: Delays in the conclusion of the Shareholder Compact were due to agreement not being reached on KPIs. 				

Multi-stakeholder Initiatives

Sub-programme	Output	DPE Role	Measure/Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
Transnet	Private sector participation in rail through ensuring access to branch lines by private operators	Facilitate entry of private sector participation in rail as a means to revitalise the branch lines network and leverage private investor funds and expertise	<ul style="list-style-type: none"> Agree process for private sector participation Establishment of institutional structure framework for transactions 	Agreed branch-line strategy, monitor establishment of institution and agree transaction process	<ul style="list-style-type: none"> Revised branch lines strategy approved by Minister on 23 September 2008 Transnet presentation on implementation progress to DPE and DOT Fast-tracking pilot study of nine projects
	Develop national corridor performance measurement tools and indicators	To promote the efficient utilisation of existing logistics infrastructure	<ul style="list-style-type: none"> IT system in place Agreed indicators Population and monitoring of system data Business intelligence outputs 	System development and agreed indicators	<ul style="list-style-type: none"> NCPM project manager appointed Project charter completed
	Conduct a study into customer experience in freight logistics sector	Performance monitoring tool to ensure that Transnet contributes to economic competitiveness	Customer survey	Undertake base survey	Questionnaire for customer survey completed. Pilot study undertaken with key Transnet customers - March 2009



DPE Oversight				
Sub-programme	Output	Measure/Indicator	Actual Performance against Target	
			Target	Actual
Aviation	Oversight: SAA and SAX	Corporate plan	Annual assessment	Review completed
		Shareholder Compact with SAA and SAX	Conclusion by end of April each year	<ul style="list-style-type: none"> SAA: Draft Shareholder Compact completed but Board unwilling to sign until after recapitalisation SAX Shareholder Compact to be signed in 2009/10 following transfer to DPE
		Achievements of MTEF targets by SAA and SAX	<ul style="list-style-type: none"> Monthly, quarterly and annual monitoring Assessment of PFMA Section 54 applications 	<ul style="list-style-type: none"> Quarterly review complete Assessments completed
	Assess and review financial sustainability and role of state-owned airlines	Traffic flow and data analysis of long-haul routes and impact of foreign carriers	Data analysis and impact assessment	Traffic flow and role of state airline assessed
	Complete transfer of SAX to DPE	Signed agreement between Transnet and DPE and implementation	Before year-end	Agreement finalised and remaining suspensive conditions in process of closing
	Assess and review financial sustainability and role of state-owned airlines	Strategy, equity and funding plan	By end of year	<ul style="list-style-type: none"> Modelled the capital requirements of SAA and impact of high debt levels Developed scenarios and mitigating options for the airlines' financial sustainability Funding requirement assessed, but not granted in MTEF cycle
	Monitor the progress of the SAA restructuring and turnaround strategy	Attainment of maintainable profitability	7.5% margin on turnover	Restructuring was successful, achieving audited 8% above target but profit margin not achieved due to unexpected increases in fuel prices and fuel hedging losses during the financial year
Reason for Variance between Target and Actual <ul style="list-style-type: none"> Shareholder Compact with SAA: Delays in the conclusion of the Shareholder Compact were due to agreement not being reached on KPIs. SAA Board to sign after recapitalisation. Delay in finalising the SAX transfer due to the suspensive conditions. 				

Multi-stakeholder Initiatives					
Sub-programme	Output	DPE Role	Measure/Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
Aviation	Ring-fenced SAA business units and disposal or strategic equity partnering	Monitor and advise	Monthly management meetings	By 31 March 2009	<ul style="list-style-type: none"> SAA Technical – process proceeding Air chefs – suspended due to investigation into the award of tenders Ground handling – contract awarded Cargo – alternative models being considered Voyager – transformation team established to review organisation design and pricing Call centres – outsourcing process suspended due to investigation into award of tender

6.6 PROGRAMME 6: JOINT PROJECT FACILITY

6.6.1 Purpose

The Joint Project Facility Programme identifies and unlocks synergies amongst SOE, co-ordinates cross-cutting projects that leverage the assets, activities and capabilities of the SOE to the benefit of both the SOE and the economy as a whole.

6.6.2 Measurable Objectives

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

- Addressing 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.
- Improving competitiveness by implementing the Competitive Supplier Development Programme (CSDP) 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.

6.6.3 Projects

The Joint Project Facility Programme comprises the following projects:

THE SOUTH AFRICAN POWER PROJECT

The South African Power Project has been established to investigate and recommend how the benefits of Eskom's long-term Capital Expansion Programme and the associated municipal refurbishment and expansion programmes, could be maximised to the benefit of the South African economy. This will entail the creation of a sustainable local industrial manufacturing base for power equipment and related plant to meet the requirements of the build programme.

THE COMPETITIVE SUPPLIER DEVELOPMENT PROGRAMME (CSDP)

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 SOE first tier multi-national suppliers. This project also co-ordinates supplier industry support measures across Government, involving DTI, DST and the IDC. Another key component of this project is creating world-class procurement practices in the SOE, through training and certification.

HUMAN RESOURCES AND CAPACITY BUILDING PROJECT

The Human Resources and Capacity Building Project aims to ensure a sufficient supply of artisans, technologists and engineers to support the infrastructure build programme and its ongoing maintenance. The DPE and the SOE are working together with DoL and DoE to facilitate SETA-funded workplace placements of FET College graduates with SOE suppliers, to enable them to meet the requirements for obtaining artisan trade certificates. A Solar Water Heater (SWH) Skills Development Programme was initiated in response to the electricity crisis in the early part of 2008 as skills gaps in the plumbing industry were identified

as a key constraint in the mass rollout of SWH. The introduction of an Advanced Learning Programme (now called Management Learning Programme) will assist government officials as well as SOE managers to handle complex issues surrounding the management and performance of state enterprises.

THE AFRICA PROJECT

The Africa Project facilitates the development of regional electricity generation and rail corridor capacity through the SOE, DFA and regional government and utility counterparts. A further component focuses on the identification and development of regional suppliers to participate in SOE build and maintenance programmes, and consequently to gain access to the global value chains of multi-national Original Equipment Manufacturers (OEMs). This is being achieved through the supplier benchmarking and supplier programme undertaken as part of the CSDP.

THE PROPERTY PROJECT

The Property Project aims to optimise 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 (B-BBEE) guidelines to guide the disposals.

INFORMATION COMMUNICATION TECHNOLOGY / MARINE CABLE PROJECT

The Information Communication Technology / Marine Cable Project seeks to utilise SOE ICT infrastructure to the advantage of both the SOE and the country as a whole. JPF has been providing strategic support to Broadband Infraco's participation in the West Africa Cable System (WACS). A previous call centre project has been closed in favour of DTI's single call centre strategy.

THE AEROSTRUCTURES PROJECT

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 the country's technologies and skills base in this sector.

TECHNOLOGY AND INNOVATION PROJECT

The Technology and Innovation Project provides a framework for SOE to facilitate technology management in the development of long-term potential commercialisation opportunities.

ENVIRONMENTAL ISSUES PROJECT

The Environmental Issues Project develops proposals to ensure that Government's policy balances the needs of environmental conservation with the need to develop infrastructure rapidly.

A NUCLEAR COMMUNICATION STRATEGY PROJECT

A Nuclear Communication Strategy Project has been initiated to develop a communication strategy around nuclear power.

AUTUMN SCHOOL PROGRAMME

The Autumn School Programme is an annual event for the Portfolio Committee as an opportunity to have a dialogue with industry experts around key issues facing Government and the SOE.



DPE Oversight				
Sub-programme	Output	Measure/Indicator	Actual Performance against Target	
			Target	Actual
Autumn School	Learning experience for Portfolio Committee	Annual Autumn School	DPE to host and Portfolio Committee to attend Autumn School	Autumn School held in May 2008

Multi-stakeholder Initiatives					
Sub-programme	Output	DPE Role	Measure/Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
Aerostructures	Leverage long-term fleet procurement plan and technology base to optimise development of national aerospace industry	<ul style="list-style-type: none"> Initiate Aircraft procurement processes through SAA and SA Express DPE owner of a key component of SA Aerostructure Strategy through Denel-Saab for the manufacture of Aerospace components 	Placement of procurement contract. Facilitation of new manufacturing contracts from major global suppliers	<ul style="list-style-type: none"> Negotiate and buy aircrafts Facilitate manufacturing contracts Contract re-negotiation for A400N Denel contract Oversight of turnaround for Denel-Saab Aerostructures business 	<ul style="list-style-type: none"> Procurement price re-negotiated Contracts not placed Facilitated extensive engagements with global aerospace firms New price negotiated (+30%) and concluded Contracts under negotiation with service providers Service provider appointed as turnaround consultants for Benchmarking and Turnaround Plan

Reason for Variance between Target and Actual

- Placement of procurement contracts: Funding from National Treasury for fleet acquisition still pending.



Multi-stakeholder Initiatives					
Sub-programme	Output	DPE Role	Measure/Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
Africa Project	Regional suppliers integrated into South African and global supply chains	Initiate joint supplier development initiatives with targeted African countries with an emphasis on potential suppliers to Eskom and Transnet	<ul style="list-style-type: none"> Supplier development initiatives with targeted countries Appointment of implementing agent. 	Establishment of five functional SPX centres in Southern Africa linked to monitoring platform	<ul style="list-style-type: none"> The benchmarking programme was formally noted as a key programme in Africa's Industrialisation Strategy at the Conference of African Ministers of Industries meeting held in Durban Tanzania, Nigeria and Kenya leg of project launched Regional co-ordinator for Southern Africa component (i.e. DPE funded component) formally appointed UNIDO in process of establishing teams in Zambia and Mozambique
	Development of regional electricity generation and rail corridor capacity	Facilitation of electricity and rail corridor projects in support of regional trade	<ul style="list-style-type: none"> Facilitating the inclusion of the power projects in Eskom's plan Application for funds from the World Bank for the construction of the Trans Kalahari Railway Line 	<ul style="list-style-type: none"> Signed power purchase agreements Secure funding for the feasibility study 	<ul style="list-style-type: none"> Negotiations for power purchase agreements are underway in Moamba and Mmamabula. Projects and the commencement of negotiations on the North South Transmission Line in Mozambique has commenced World bank funding committed

Reason for Variance between Target and Actual

- Development of regional electricity generation and rail corridor capacity. With regard to Regional CSDP, there was a general delay in obtaining funds from the co-sponsors for the broader African project and there were complexities in rolling out the programme simultaneously across 21 African Countries.

Multi-stakeholder Initiatives

Sub-programme	Output	DPE Role	Measure/Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
Competitive Supplier Development Programme	<ul style="list-style-type: none"> Re-establish local manufacturing and supplier industries to support SOE infrastructure build and maintenance plan World-class procurement practices at SOE 	<ul style="list-style-type: none"> Facilitate and negotiate with Eskom and Transnet on their Supplier Development Plans and procurement capacity building Conduct Research study on Eskom and Transnet commodities and South Africa's capabilities 	<ul style="list-style-type: none"> Eskom and Transnet submit SDPs DPE set up 'bootcamps' for Transnet and Eskom Appoint research team to conduct study on Eskom and Transnet commodities and South Africa's capabilities 	<ul style="list-style-type: none"> Ministerial approval on Eskom and Transnet SDPs Research study to inform SDPs Set up mini MBA 'bootcamps' for Transnet and Eskom 	<ul style="list-style-type: none"> Eskom and Transnet produced 5-year SDPs which have received Ministerial approval and are now in the implementation phase Between 10 and 20 mini MBA procurement capacity building 'bootcamps' were held for Transnet and Eskom respectively ISAPA e-learning procurement capacity building programme facilitated and being implemented in Transnet (discussions with Eskom regarding implementation still proceeding) Research study completed to inform SDPs
Environmental Issues	Cohesive and integrated environmental and infrastructure plans	<ul style="list-style-type: none"> Appoint consultant to draft EIA Guidelines for SIDs Facilitate the set up of DEAT SOE Fund for SIDs 	<ul style="list-style-type: none"> Draft Guidelines on EIA for SIDs to submit to DEAT Monitor SOE Fund Letters of request to SOE to contribute to Fund 	<ul style="list-style-type: none"> Draft Guidelines on EIA for SIDs submitted to DEAT Request SOE to contribute to SOE Fund 	<ul style="list-style-type: none"> Draft Guidelines were completed by DPE consultant and submitted to DEAT Correspondence sent to Eskom, Transnet and PBMR requesting their contribution to the SOE Fund

Multi-stakeholder Initiatives					
Sub-programme	Output	DPE Role	Measure/Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
Human Resources and Capacity Building	<ul style="list-style-type: none"> Sufficient skilled people to support SOE in their build and maintenance programmes Management Learning Programme offered at a higher education institution 	<ul style="list-style-type: none"> Facilitate skills development partnerships to support training for artisan trainees in SOE and their supplier networks Appoint a consultant to prepare a reader and to select a tertiary institution to host the MLP 	<ul style="list-style-type: none"> Establish co-ordinating body for SOE artisan placements Partnerships with key stakeholders to facilitate workplace placements Tertiary institution appointed by DPE 	<ul style="list-style-type: none"> Conclude Memoranda of Understanding (MoUs) with relevant SET as to support SOE and supplier network for training of artisans Successful skills development partnerships with key stakeholders Tertiary institution and SOE reader 	<ul style="list-style-type: none"> Formal relations established with MERSETA and ESETA for workplace grant support and partnerships established with DoE, DoL, NBI and TSBP companies UCT selected as the host institution and has been appointed by DPE at the beginning of May 2009 Draft reader content prepared
ICTs	Utilise SOE ICT infrastructure to benefit SOE and South Africa more broadly	Lead negotiator for Infracore participation in Marine Cable Project and develop funding structure	Shareholders Agreement/ Construction and Maintenance Agreement (CandMA) Suppliers' Contract	Successful participation of Infracore in Marine Cable	Both Shareholders' and Suppliers' Contracts finalised by end of March 2009 and subsequently signed on 8 April 2009

Reason for Variance between Target and Actual

- MLP Draft Reader: MLP Draft Reader not completed due to complexity of Reader content and shift in emphasis from restructuring to shareholder performance and management.



Multi-stakeholder Initiatives

Sub-programme	Output	DPE Role	Measure/Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
Property Project	<ul style="list-style-type: none"> • Use SOE non-core property disposals to assist with B-BBEE and urban development • Disposal and development of strategically located property 	<ul style="list-style-type: none"> • Facilitation of non-core property disposals • Facilitate key integrated developments 	<ul style="list-style-type: none"> • Non-core property disposals • Successful facilitation of key integrated developments 	<ul style="list-style-type: none"> • Complete non-core property disposal and B-BBEE Guidelines • Facilitate public sector transactions/ states right of first refusal • Receive commitments from SOE on the proposed approach to facilitate Key Integrated Projects 	<ul style="list-style-type: none"> • Updating of SOE Non-Core Property Disposal Policy and B-BBEE Guidelines completed • Facilitation of public sector transactions (education, housing and two major Public Works transactions with Transnet) • Approval for Transnet to enter into long-term leases (commercial portfolio) • Facilitation of DPW-Denel transaction • Approval granted for the disposal of SAA's non-core property • SOE commitment received on the proposed approach to facilitate Key Integrated Projects

Reason for Variance between Target and Actual

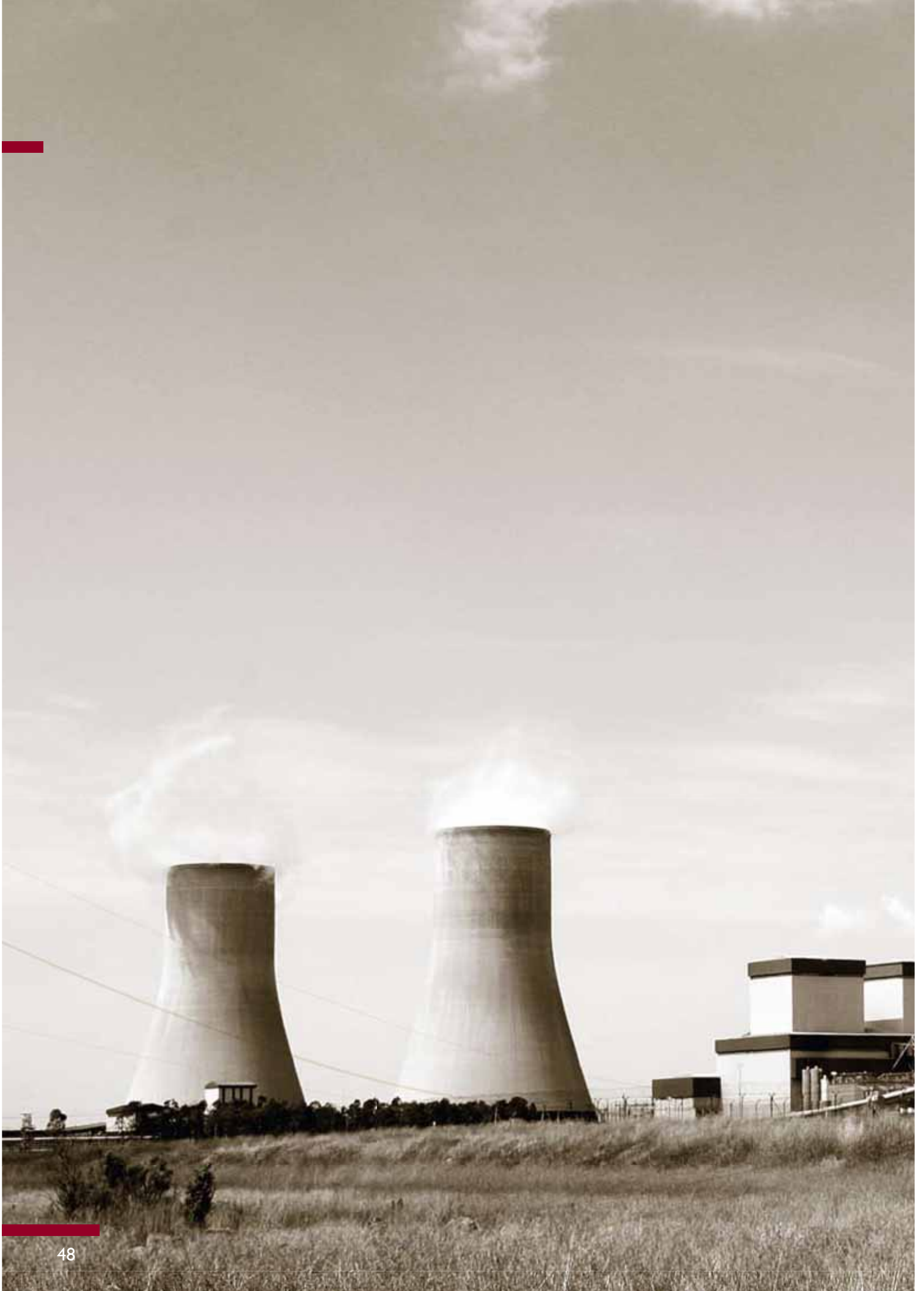
- Transaction for Key Integrated Projects delayed due to delays in SOE buy-in (deliberations over core process).





Multi-stakeholder Initiatives

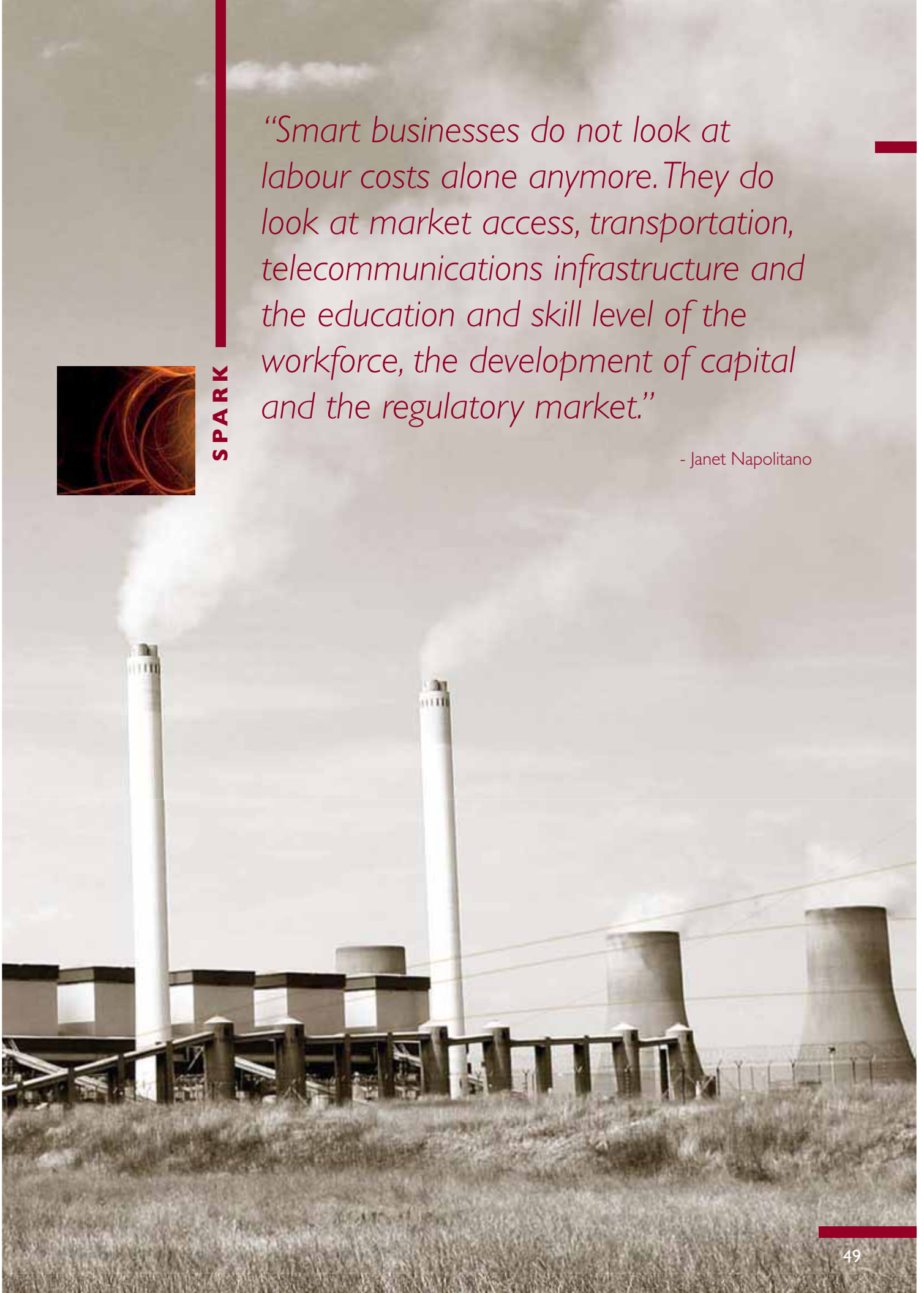
Sub-programme	Output	DPE Role	Measure/Indicator of DPE Role	Actual Performance against Target	
				Target	Actual
The South African Power Project	Maximise benefits of energy infrastructure spend to the South African economy	Investigate and recommend how the benefits of Eskom's long-term Capital Expansion Programme could be maximised to the benefit of the South African economy	<ul style="list-style-type: none"> Finalise TSAPPRO implementation plan Form part of a task team to develop a report on the impact of the nuclear decision on carbon commitments 	<ul style="list-style-type: none"> Seek Cabinet approval for implementation plan Form part of a task team to develop a report on the impact of the nuclear decision on carbon commitments 	<ul style="list-style-type: none"> DPE submitted implementation plan to Cabinet and received approval Report completed DPE contributed to the completion of the report on the impact of the nuclear decision on carbon commitments



“Smart businesses do not look at labour costs alone anymore. They do look at market access, transportation, telecommunications infrastructure and the education and skill level of the workforce, the development of capital and the regulatory market.”

- Janet Napolitano

SPARK



REPORT BY THE AUDIT COMMITTEE

INTRODUCTION

We are pleased to present our report for the financial year ended 31 March 2009 in terms of the Public Finance Management Act, 1 of 1999 section 38(1)(a), 76(4)(d) and 77, and Treasury Regulation 3.1.1.1.

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 five (5) meetings as per the approved terms of reference.

NAME OF MEMBER		NUMBER OF MEETINGS ATTENDED
Zienzile Musamirapamwe	(Chairperson)	5/5
Mattie Joubert		4/5
Ndumi Medupe		4/5
Jerry Sithole		4/5

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 3.1.1.3.

The Audit Committee has regulated its affairs in compliance with its approved charter 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.

RISK MANAGEMENT

The Audit Committee has an oversight responsibility over DPE internal risk management processes. In the year under review the Committee monitored the implementation of Enterprise Risk Management and reviewed progress quarterly. The Committee contributed towards the development of the risk framework and policy, which were endorsed by Management. Review and assessments of the Department's strategic risks will continue to be done on quarterly basis by the Audit Committee.

The Audit Committee has an oversight role on the management of whistle blowing logs. Reports on whistle blowers are reviewed quarterly by the Committee and appropriate measures taken if any.

The Audit Committee monitored and recommended improvements into the Department's regulatory universe during the current financial year. The Department has subsequently endorsed the regulatory universe. In the next financial year the Audit Committee will monitor compliance with the top ten high-risk regulations.



The Audit Committee reviewed the Departments Fraud and Anti-corruption Strategy, which will be finalised and endorsed by Management in the coming financial year.

THE QUALITY OF IN-YEAR 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; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts 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 had the support of the Minister and Management, which is reflective of a positive tone at the top, critical to an effective control environment.

Chairperson of the Audit Committee

Date



FINANCIAL STATEMENTS



CONTENTS

REPORT OF THE ACCOUNTING OFFICER	54
REPORT OF THE AUDITOR-GENERAL	69
APPROPRIATION STATEMENT	74
NOTES TO THE APPROPRIATION STATEMENT	82
STATEMENT OF FINANCIAL PERFORMANCE	83
STATEMENT OF FINANCIAL POSITION	84
STATEMENT OF CHANGES IN NET ASSETS	85
CASH FLOW STATEMENT	86
ACCOUNTING POLICIES	87
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	94
DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS	105
ANNEXURES	112

REPORT BY THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT/PROVINCIAL LEGISLATURE OF THE REPUBLIC OF SOUTH AFRICA

I. 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.

One of the Department's key activities is to monitor the performance and operational stability of the SOE to promote efficiency and investment in strategically important sectors of the economy. To this end, the enterprises are required to submit standardised corporate plans, quarterly reports and annual reports for assessment. The corporate plans are evaluated to determine whether the strategies and financial plans are consistent, coherent and aligned with Government objectives. The Department assesses the forecasts to determine whether enterprises require Government financial support in the form of funding for recapitalisation, or borrowing guarantees. Quarterly and annual reports are analysed to determine whether strategic objectives have been met, and to highlight any emerging risks. The Department also monitors the enterprises' compliance with the Public Finance Management Act (1999) and National Treasury Regulations.

A chief investment and portfolio manager post was created to focus on portfolio management and shareholder investment. A new electronic dashboard system was implemented, which enables timely reporting by the SOE and rapid access to information in key areas, such as finance, operations, capital investment, intragovernmental policy, socioeconomic impacts and risks. In addition, the Department has established various forums to allow for discussion and the implementation of strategies.

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 R385 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 R80.3 billion over the next five years.

Targeting the key electricity and transport logistics sectors for industrial development, the Department has implemented a large scale procurement and capacity building programme for Transnet and Eskom. The Competitive Supplier Development Programme (CSDP), launched in 2007, aims to ensure that the large infrastructure investment programmes have an optimal impact on industrial development. The programme's objectives are to improve the competitiveness, capability and capacity of the local supply base, which will in turn lead to savings in procurement costs, better security of supply, improved performance by the SOE, job creation and growth in the local industry.

Following consultations with industry and relevant government departments, Transnet, Pebble Bed Modular Reactor (PBMR) and Eskom have developed supplier development plans. Key performance indicators and targets have been written into shareholder compacts between the Department and the SOE, and regular progress reporting takes place. In addition, the South African Power Project, a joint initiative with various stakeholders, including the Departments of Trade and Industry and Science and Technology, is developing and implementing a medium-term strategy aimed at optimising the industrial and technological impact of the electricity build programme.

Critical to the success of these initiatives is the development of human capital in both SOE and supplier networks. In April 2008, the Department established the Employment and Skills Development Agency (ESDA) to establish partnerships with sector education and training authorities, further education training colleges, SOE and their supplier networks to facilitate work placements for artisan trainees. The agency aims to address the scarce and critical skills shortages relating to the investment programme to support achieving the objectives of the Accelerated and Shared Growth Initiative for South Africa and the Joint Initiative for Priority Skills Acquisition.

Key policy developments

In 2008, the Department proposed the Government Shareholder Management Bill to codify the role and functions of Government as a shareholder in State Owned Enterprises, with a view to optimise their contribution to growth and development. The Bill includes a framework for a harmonised and consistent approach to SOE shareholder management and corporate governance across Government, as well as measures and initiatives for improving the return on the State's investment in SOE. The Bill also aims to align shareholder management practices with the policy and planning functions of Government. Cabinet mandated a ministerial oversight committee to review the draft Bill.

Litigation

Judgment handed down

Paharpur/Londoloza Consortium v SAFCOL and the Department

The Paharpur/Londoloza Consortium lodged an urgent interdict application to prevent SAFCOL and the Department from proceeding with the privatization of KLF. The Judge dismissed the interdict application with costs.

The Consortium then applied for leave to appeal to the Supreme Court of Appeal ("SCA"). The application was dismissed by the SCA. The Consortium applied to the Constitutional Court for leave to appeal. The Constitutional Court dismissed the application.

W Spies and Thompson v Transnet, Transnet Second Defined Benefit Fund and Government of the Republic of South Africa

Messrs Thompson and Spies ("complainants") instituted legal action in the Equality Court, complaining about Transnet Second Defined Pension Fund's ("Fund") failure to pay pension increases in excess of 2% per annum to pensioners. They also complained about the non-registration of the Fund under the Pension Funds Act of 1956 ("Pension Fund Act") and claimed that the members of the Fund were discriminated against in terms of the Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000. The claim was dismissed with costs.

Pending litigation

Nabera v 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 as yet as Nabera has failed to set the matter down for hearing.

Aventura and the State v Mikanto Properties

Mikanto Properties launched application proceedings in the High Court of South Africa seeking to interdict Aventura from effecting transfer of 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.

Umthunzi Telecoms v 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. The pleadings have closed and the matter is set down for trial on 16 September 2009.

New litigation

Paharpur/Londoloza Consortium v SAFCOL and the Department.

On 16 March 2009, the Paharpur/Londoloza Consortium issued Summons against the Minister and SAFCOL wherein the Consortium claims 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 has filed a Notice of Intention to Defend.

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 Notes to the Financial Statements note 2 is of an incidental nature such as parking fees, interest received on debts and bank accounts.

Expenditure trends

The Department of Public Enterprises' voted budget for 2008/09 amounted to R3.3 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

The following table provides a summary of actual expenditure incurred for the 2008/09 and 2007/08 financial years vs. budget appropriated for each programme:

Programme	2008/09		2007/08	
	Final Appropriation R'000	Actual Expenditure R'000	Final Appropriation R'000	Actual Expenditure R'000
1: Administration	78 294	77 939	66 332	66 281
2: Energy and Broadband Enterprises	2 137 317	2 136 811	2 514 329	2 514 327
3: Legal, Governance, Risk and Transactions	148 868	147 889	95 804	95 788
4: Manufacturing Enterprises	269 281	267 027	1 160 977	1 159 944
5: Transport Enterprises	605 015	604 930	752 130	752 128
6: Joint Project Facility	30 603	30 553	15 517	15 516
TOTAL	3 269 378	3 265 149	4 605 089	4 603 984

The decrease of R1.3 billion in the annual appropriation from R4.6 billion (2007/08) to R3.3 billion (2008/09), is mainly as a result of a decrease in transfer payments to State Owned Enterprises.

Spending trends

Underspending in the Department amounting to R4.2 million was recorded in the current financial year. This amount is made up of current expenditure in the sum of R2.3 million in the operational budget which was mainly under Compensation of Employees as a result of some posts not having been filled due to scarcity of specialist skills in the market. The balance in the sum of R1.9 million is in respect of funds earmarked for Denel for the payment of an indemnity granted to Denel/Saab Aerostructures, where the final audited amount of the claim was less than the funds originally allocated for this purpose. Accordingly, the Department did not draw the funds. 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 strategic management, direction and administrative support to the Department. 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 R77.9 million in this programme compared to R66.3 million in 2007/08. The Department centralised costs for support services in the previous financial year which includes maintenance, in-house printing and reproduction services, training, bursaries, stationery, information technology services and computer equipment, telephones, maintenance and upgrading of security systems. During the year under review the Department carried out a workstudy on business processes in the Department, the energy saving project within the Department was completed

and the Office of the Chief Investment Portfolio Manager was established within the office of the Accounting Officer; the gratuity which was paid to the outgoing Minister in September 2008 as well as increases in the remuneration of political office bearers all of which contributed to the increase in 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 R4.8 million, however the final amount paid amounted to R5.5 million. (Refer to Appropriation Statement for Programme I – Administration Sub Programme Property Management.)

Energy and Broadband Enterprises: Analyses and ensures alignment of the corporate strategies of Eskom, Pebble Bed Modular Reactor (PBMR) and Broadband Infraco with Government's strategic intent and monitors their performance with respect to their finances and operations.

Expenditure for the programme for the year amounted to R2.1 billion compared to R2.5 billion in 2007/08. The decrease is mainly due to a reduction in transfer payments to the SOE as well as a slight decrease in operational expenditure as some projects were dealt with in-house as the unit was fully resourced.

Legal, Governance, Risk and Transactions: is responsible for providing effective legal services, corporate governance systems, risk management frameworks and the implementation of all legal aspects of strategically important transactions to the Department and SOE, and ensures alignment with Government's strategic intent.

Expenditure for the programme for the year amounted to R147.8 million compared to R95.8 million in 2007/08. The increase is mainly due to the transfer payment to Alexkor for the finalisation of the settlement agreement. Operational expenditure decreased due to a number of vacancies in the unit as well as a reduction in legal costs over the period.

Manufacturing Enterprises: Analyses State Owned Enterprises (SOE) strategies against Government's strategic intent, develops proposals around how the SOE can play a catalytic role in the development of the manufacturing cluster and monitors and advises on SOE financial and operational performance.

Expenditure for the programme for the year, amounted to R267 million, compared to R1.2 billion in 2007/08. The substantial decrease is due to the reduction of the transfer payment to Denel. An amount of R259.5 million was earmarked for the payment of an indemnity granted to Denel/Saab Aerostructures. However, the final audited amount of the claim was R1.9 million less than the funds originally allocated for this purpose, which reflects as underspending in this programme which was unavoidable.

Transport Enterprises: Aligns the corporate strategies of South African Airways (SAA), South African Express (SAX) and Transnet with Government's strategic intent, and monitors the SOE financial and operational performance.

Expenditure for the programme for the year amounted to R604.9 million compared to R752.1 million in 2007/08. The decrease is due to a reduction in transfer payments to the SOE.

Joint Project Facility: Identifies and unlocks synergies among the SOE, co-ordinates cross-cutting projects that leverage the assets, activities and/or capabilities of the SOE to the benefit of the SOE and the economy as a whole.

Expenditure for the programme for the year amounted to R30.6 million compared to R15.5 million in 2007/08. The substantial increase in the expenditure in this programme is mainly due to the expansion of existing projects as well as the sourcing of specialist and technical expertise required to meet the objectives of the unit.

VIREMENTS

Programmes	Adjusted Appropriation R'000	Virements R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000
1. Administration	73 081	5 213	78 294	77 939	355
2. Energy and Broadband Enterprises	2 137 979	(662)	2 137 317	2 136 811	506
3. Legal, Governance, Risk and Transactions	152 416	(3 548)	148 868	147 889	979
4. Manufacturing Enterprises	269 435	(154)	269 281	267 027	2 254
5. Transport Enterprises	604 360	655	605 015	604 930	85
6. Joint Project Facility	32 107	(1 504)	30 603	30 553	50
TOTAL	3 269 378	-	3 269 378	3 265 149	4 229

Programme 1 – Administration: There was a substantial increase in this programme in the sum of R5.213 million which was made up of R1.449 million for Compensation of Employees to accommodate the increase in the political office bearers' salaries as well as a once-off gratuity paid during this period. This funding was viremented from Programme 2 and Programme 3 where savings were identified due to posts not having been filled. Goods and Services increased by R3.764 million for departmental printing and publications, transport, stationery, training and bursaries as well as a shortfall on the amount due to Public Works for Devolution of Funds (leases on premises) which was originally budgeted for in the sum of R4.488 million, however the final amount paid was R5.4 million. The funds were viremented from Programme 2. This saving was due to the unit being fully resourced as a result of the projects being dealt with internally. Programme 3 costs were projected for legal fees for the year, some of which came to less than anticipated while others were not finalised. Savings in Programmes 5 and 6 were made due to project costs being lower than anticipated.

Programme 2 – Energy and Broadband Enterprises: There was a decrease in expenditure in this programme due to planned projects being dealt with internally as the unit was fully resourced with the appropriate specialist skills at various intervals during the year. The saving in this programme was viremented to Programme 1. However there was a shortfall under Compensation of Employees which was viremented to this programme from Programme 3.

Programme 3 – Legal, Governance, Risk and Transactions: Expenditure decreased due to provisions for legal fees in various actions not being concluded within the anticipated timeframes due to the nature of the litigation, as well as certain projects not being completed during the financial year. In addition, the unit was not fully resourced due to resignations during the year which created a saving in Compensation of Employees. The saving in this programme for Goods and Services was viremented to Programme 1 and savings in Compensation of Employees were viremented to Programmes 1 and 2.

Programme 4 – Manufacturing Enterprises: Showed a minimal decrease due to savings in Compensation of Employees which resulted from posts being filled at various intervals during the course of the year. The saving in this programme was viremented to Compensation of Employees in Programme 5.

Programme 5 – Transport Enterprises: The slight increase here was due to a claim from the Government Employees Pension Fund for recognition of service of the former non-statutory forces pensionable service in the GEPP for a former DPE employee. Funds were viremented from Compensation of Employees in Programmes 2 and 6 to Compensation of Employees in this programme to make up the deficit to effect payment of the claim which amounted to R4.110 million.

Programme 6 – Joint Project Facility: Here the decrease was due to savings in Goods and Services arising from early completion of projects which was viremented to Programme 1. A further saving in Compensation of Employees due to posts not being filled was viremented to Programme 5. All virements were effected in consultation with Programme Managers and approved by the Accounting Officer.

The Department did not incur any unauthorised, 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 2009 are valued at the weighted average cost method which amounts to R39 031.51.

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 for year-end has increased relative to the previous years' closing balance of R19 467.00 due a delivery of stationery and consumables shortly prior to year-end which was not distributed to users before closure.

3. Capacity constraints

The Department is adequately resourced to meet its objectives as outlined in its mandate. 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 challenges as these employees become more experienced and sought-after in the skills market. The Department's inability to be flexible with regard to salary packages, including bonuses, places pressure on its ability to offer attractive retention packages.

In response to this challenge, 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. Such services are procured with skills transfer as a priority criterion to ensure that existing employees are up-skilled. The Department has embarked on a graduate development and recruitment programme to ensure a pipeline of scarce skills. These graduates will become a feeder channel into the Department and will be developed accordingly.

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. (Refer Annexure 1C of the Financial Statements).

A portion of the funds received from the SOE during 2005/06 were not disbursed within that period as they were earmarked for contracts entered into during establishment phase of this unit, some of which were over a three year period. After consultation with National Treasury the Department retained the balance of the funds for disbursement specifically in respect of the long-term contracts entered into during the initial phase of this project which terminated in 2008 when the final remaining funds were disbursed.

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. While Alexkor, as a commercialised State asset is not perceived as a strategic asset in the national sense, it has significant strategic importance for the Namaqualand region. Apart from providing employment opportunities in the region, it has been providing commercial, educational, health and municipal services to the local and surrounding communities. The management of the hospital, which was previously under Alexkor was transferred to the Northern Cape Department of Health at the beginning of April 2007. A land claim instituted by the community was resolved in 2007, paving the way for the restructuring of Alexkor.

In terms of the Deed of Settlement ending the dispute, Alexkor's land mining rights will be transferred to the community, while marine rights are retained by Alexkor. Alexkor will put its remaining marine rights and the Community, their transferred land mining rights in a Pooling and Sharing Joint Venture (PSJV) for the purpose of mining the combined mineral resource, with 51% of shares in the PSJV vesting in Alexkor and the remainder with the Richtersveld Community. Alexkor's agricultural and maricultural assets were transferred to the Richtersveld Community's agricultural holding company in January 2008. Agricultural land was transferred during 2008/09. Alexkor submitted its application to the Department of Minerals and Energy in February 2009 for the conversion of its old order mining rights to new order mining rights in terms of the Minerals and Petroleum Resources Development Act, No. 28 of 2002. The land mining rights will be transferred to the community after approval for the conversion and transfer is granted. Alexander Bay will be formally established as a township and the Richtersveld Local Municipality will then take over the provision of engineering services and other public services and fulfil all functions performed by a local authority.

As a consequence of the transfer of the agricultural and maricultural assets of Alexkor to the Richtersveld Agricultural Holding Company as well as the imminent formation of the PSJV, Alexkor undertook a restructuring programme. Farm employees were transferred in terms of section 197 while mine employees were retrenched in terms of section 189 of the Labour Relations Act. Voluntary Separation Packages were offered to farm employees while Voluntary Severance Packages with similar terms were offered to the mine employees.

The resolution of the land claim has considerably changed the landscape of Alexkor and the company can now proceed with certainty on a new strategy. The Department has mandated Alexkor to explore options to reposition the company as a State owned mining and minerals company that would intervene in the mining and minerals environment when opportunities of strategic, social, economic or developmental importance exist.

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 exchange of pleadings in the litigation was not finalised due to settlement negotiations.

The auditors of Aventura have finalised the audit of the 2004/05 Annual Financial Statements and are now in the process of finalising their 2006-08 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, the winding down process of Aventura will proceed to finalisation.

BROADBAND INFRACO

Broadband Infraco 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 Infraco 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, Infraco 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 Infraco, 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 Infraco 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:

- In September 2008 a memorandum of understanding was signed with the consortium parties for the participation in WACS
- A policy directive was issued by the Minister of Communications to commence the licensing of Broadband Infraco.

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. The Group's turnaround strategy was finalised in the latter part of 2005. Denel has been positioned to no longer be a systems developer competing with major global defence companies, but instead a supplier of niche sub-systems and components for domestic and export markets.

Significant progress has been made in the unbundling of Denel and recreating core businesses, each specialising in niche capabilities. The process of disposing of non-core businesses was completed in 2007/08 and R1 billion in revenue was realised. Through the business performance reviews, the entities have been able to adopt a more commercial focus, drive greater efficiencies in programme management and reduce overhead costs.

To ensure the sustainability of core Denel business units through increased access to global markets, sustained R&D investment and the transference of world-class skills, equity partnerships have been finalised with SAFRAN in Denel Airmotive, Saab in Denel's aerostructures business, Carl Zeiss Optronics in the electro-optical business, and Rheinmetall Waffe Munitions in Denel Munitions. Denel is currently pursuing consolidation in the landward space with other South African companies that are operating in this segment.

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. Over the next five years (starting in 2008/09), Eskom is embarking on the new build programme for capacity expansion and will spend R385 billion in nominal terms. 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, the Government has provided a subordinated R60 billion loan to Eskom over three years starting in 2008/09, as well as guarantees totalling R176 billion over the next five years (on new and existing debt). 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. Power stations have been stretched to run at full capacity, and at certain times, beyond design capacity, resulting in a high number of unplanned outages and a more complex and time-consuming maintenance regime. Although the system is far more stable, it still remains tight and an immediate challenge is to maintain reliability of supply. Ensuring security of electricity supply is critical for South Africa's current and future economic and social development.

Key developments:

- A government guarantee of R176 billion was secured
- Key interventions of the National Emergency Response Plan were implemented resulting in a lowered risk of load-shedding
- A report on Government's role in developing a nuclear power sector was prepared resulting in a nuclear task team being established
- An electronic Dashboard Interface was developed and implemented resulting in improved monitoring and analysis of Eskom operations.

PEPPLE BED MODULAR REACTOR (PBMR)

PBMR is a nuclear engineering company focusing on the design and licensing of a standardised Nuclear Heat Supply System (NHSS) and Pebble Fuel. It is a national long-term technology development programme. PBMR is exploring changing the product offering to reduce technical and financial risk by moving away from the Demonstration Power Plant (DPP) to a Standard Nuclear Island (SNI), which will operate at lower temperatures (significantly reducing technical risk) and will produce both electricity and process heat (thereby extending its customer base). As a result there has been an emergence of potential process heat clients who have expressed a strong interest in a PBMR-based plant that can produce both electricity and steam. PBMR has had successful involvement in the USA's Next Generation Nuclear Plant (NGNP) programme and is awaiting the next stage of application. The fuel development laboratories in Pelindaba have produced advanced fuel spheres for irradiation.

Key developments:

- PBMR produced standard quality batches in kernel production facilities as well as coating facilities
- Samples for producing fuel spheres for irradiation testing have been sent to Russia and the United States under the Next Generation Nuclear Plant (NGNP) programme for testing.

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 was 141,047 hectares as at 31 March 2008, which is geographically spread over three (3) provinces i.e. Mpumalanga, Limpopo and KZN. 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 beneficiary and is located in Mpumalanga Province and the Eastern part of Limpopo Province. KLF also manages small-scale sawmilling operations and has a small subsidiary (IFLOMA) in Mozambique, where it has an 80% shareholding.

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 Komatiland Forests (Pty) Ltd was made in March 2007. The Transaction Guidelines were prepared to assist the Board with the decision on winding down KLF by March 2009. The decision was revisited after the Department realised that approximately 60% 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. As the process has changed, the remaining shares held by SAFCOL in other companies (Singisi, Siyaqhubeka, Amathole and MTO) are also under review. A process has been initiated with the DLA and DWAF 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 2008/09 financial year was characterised by harsh external conditions. Fuel costs soared to all time highs and this was accentuated 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 also declined as a result of the global economic conditions towards the end of the financial year. Domestic and regional markets are profitable but the airline has experienced difficulty in achieving profitability on international routes.

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 reduction and revenue enhancements.

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 (SAX) is a regional passenger and cargo airline operating smaller gauge 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. SAX retains a strong link to SAA in terms of livery and reservations services. SAX will contribute to the expansion of regional air services capability within South Africa and the African continent, including a new African Hub Strategy that would increase its scope of operations in Africa. SAX's 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 aircrafts (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 is in the process of expanding capacity at its ports, railways and pipelines over the next five years. The success of the restructuring and disposals exercise means that the R87 billion (including capitalised borrowing costs) investment programme can be funded from the balance sheet. The capital expenditure spend for 2008/09 financial year as per the provisional financial statements was approximately R20 billion.

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

The impact of the world economic slowdown has significantly affected Transnet's performance in the second half of the financial year. The unaudited provisional figures indicate that net profit is marginally lower than the previous year mainly due to adverse operating expenses, depreciation, impairments and fair value adjustment variances although revenue increased by 11.5% over the previous year.

6. Organisations to whom transfer payments have been made

ALEXKOR

An amount of R130 million was allocated and transferred to Alexkor which consisted of R30 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 R259.5 million was allocated to Denel for the payment of an indemnity granted to Denel/Saab Aerostructures. R257.6 million was transferred to Denel, the balance in the sum of R1.9 million, which arose from the final audited amount of the claim being less than the funds allocated for this purpose. The Department did not draw these funds. 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 R377 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.

PBMR

An amount of R1.75 billion was allocated and transferred to the PBMR for designing, building and prototyping the PBMR technology. The PBMR reports monthly 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. National Treasury analyses the reports and confirms the release of the funds with the Department.

SOUTH AFRICAN EXPRESS AIRWAYS

An amount of R445 million was allocated and transferred to South African Express Airways as a recapitalisation allocation. The entity reports quarterly to the Department in terms of section 38(1)(j) of the PFMA and Treasury Regulation 8.4.1.

TRANSNET

An amount of R140 million was allocated and transferred to Transnet for the purchase of South African Express Airways. The entity reports quarterly to the Department in terms of section 38(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 2008/09 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 as a platform and foundation, to be used by the Department in identifying, managing and controlling the business risks facing the Department. A risk register is maintained and has resulted in management interventions to address those residual risks exceeding the Department's risk appetite. The Department has an approved risk management framework and policy for governing internal operational risks. Risk Management is also a key performance indicator in all Senior Managers' balanced scorecards.

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 Head: Corporate Services. 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 internal controls, risk management and governance processes and suggested enhancements of controls and processes. 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 evidenced by 100% implementation of audit recommendations by management.

Fraud Prevention Initiatives

A whistle blowing policy has been actively communicated to employees during the course of the financial year. The Department's draft integrated anti-corruption and fraud strategy has been under review 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 blow cases reported via the Public Service Commission.

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
- Bidding Committee, chaired by the Chief Financial Officer
- Budget Committee, chaired by the Director Financial Management
- DPE Board, chaired by the Minister
- Audit Committee, Chairperson of the Audit Committee.

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

- Chairpersons' Forum
- CEOs' Forum
- CFOs' Forum.

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

The Department operates within an approved delegation of authority framework. All SMS are required on a yearly basis to declare and complete their financial disclosure forms for reporting to the DPSA.

Bidding Committee Members and Audit Committee Members are required to declare their conflicts 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 2008/09 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
- A fire detection system, linked to the security control room was installed on the third and fourth floors
- During induction, new employees are made familiar with the evacuation procedures and routes
- The evacuation procedures were also published on the Intranet of the Department.

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 in the Department 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 R 955 406.00. Refer note 31.2 to the notes of the Annual Financial Statements
- Thefts and losses amount to R28 575.80 calculated at original cost value as per the asset register. This is still under investigation and has not yet been removed from the asset register.

12. Events after the reporting date

Unauthorised Expenditure – receipt of funds subsequent to 31 March 2009

On 31 March 2007 Act 2 of 2007 was proclaimed condoning the unauthorised expenditure. The Department received R25.5 million during 2007/08. A balance of R618 050 remained unpaid during the year under review.

Subsequent to 31 March 2009 the Department received a further amount of R262 321, which left a balance of R355 729 outstanding. The Department is still liaising with National Treasury to resolve the outstanding amount which is dependent on the retrieval of relevant documentation dating back to 1996/97 which has to be submitted to National Treasury.

The receipt of the funds subsequent to the reporting date will decrease the unauthorised expenditure on the Statement of Financial Position by R262 321.00.

13. Performance information

The Department developed a departmental Performance Management Policy (programme performance) during the year under review. The policy is explicit with regards to the performance cycle, accountability documents and performance information as well as the processes to be followed within the Department and is summarised as follows:

Accountability Cycle	Accountability Documents	Performance Information
Strategic planning	<ul style="list-style-type: none"> Business plans 	<ul style="list-style-type: none"> Indicate outputs to be produced Specify performance indicators
Business planning and budgeting	<ul style="list-style-type: none"> Operational plans Budgets Performance agreements 	<ul style="list-style-type: none"> Set performance targets Indicate available resources Allocate responsibilities
Implementation and in-year reporting	<ul style="list-style-type: none"> Monthly budget reports Quarterly performance reports 	<ul style="list-style-type: none"> Report progress with implementation of plans and budgets
End-year reporting	<ul style="list-style-type: none"> Monthly reports Annual reports 	<ul style="list-style-type: none"> Report of performance against plans and budgets

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 with 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 KPI's are evaluated – September/October
- Year-end appraisals are conducted on all employees – April/May.

Financial reporting is provided on a monthly basis to the Executive Authority and the Accounting Officer. 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 exercises shareholder oversight through assessments of corporate plans, quarterly and annual reports. SOE submit their corporate plans and budgets annually to the Department. The corporate plans are assessed 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 (recapitalisation, guarantees) and borrowing required, the quantum and timing thereof. The Department monitors the performance of these SOE, including their financial and operational stability on a quarterly and annual basis, in order to promote efficiency and investment in strategically important sectors of the economy. 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. An electronic dashboard system has been implemented to allow for timely reporting by SOE, the monitoring of SOE and to enable rapid access to information in key areas including financial, operational, capital investment, capitalisation, intra-governmental policy, socio-economic indicators, governance, transactions and risk.

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 Statement	Unauthorised Expenditure	On 31 March 2007 Act 2 of 2007 was proclaimed condoning the unauthorised expenditure. The Department received R25.5 million during 2007/08. A balance of R618 050 remained unpaid during the year under review. Subsequent to 31 March 2009 the Department received a further amount of R262 321, which left a balance of R355 729 outstanding. The Department is still liaising with National Treasury to resolve the outstanding amount which is dependent on retrieval of relevant documentation dating back to 1996/97 which has to be submitted to National Treasury.

15. Prior modifications to audit reports

Audit Report

The Department achieved an unqualified audit report for the 2007/08 financial year. However, the Auditor-General reported under Other Matters, without qualifying the audit opinion, the following in his Audit Report:

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter*
Non-compliance with applicable legislation Virement reports were not submitted within required timeframe as required. In terms of section 43(3) of the PFMA, Act no 1 of 1999, reports for authorization of virements are required to be submitted to the Minister or National Treasury within 7 days of a saving having been recognized. The Virement report for March 2008 was only reported to National Treasury on 21 April 2008.	2007/08	Immediately after savings are identified and virements authorised by the Accounting Officer the documents are forwarded to National Treasury and the departmental internal audit unit for monitoring and recording thereof.

16. Exemptions and deviations received from National Treasury

None

17. Other

DIABO TRUST

During or about the beginning of 2003, the 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 the termination date being 31 May 2006. The Diabo Share Trust deed provides for the forfeiture to the Government of any unclaimed benefits, on the date when the trust terminated.

Cabinet approved the establishment of a Steering Committee, consisting of Public Enterprises, Department of Communications and National Treasury. The task of the committee is to oversee the winding down of the Diabo Share Trust and the transfer of benefits to beneficiaries. The Department will appoint a service provider to assist with the tracing of possible beneficiaries.

During the year 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 being former employees of Telkom. 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. There are further funds within this Trust that will be transferred to the National Revenue Fund via the Department at a later date still to be agreed upon.

The trustee has requested Government to offer an indemnity and Government granted the trustees an indemnity within the confines of clause 23 of the Trust deed.

Once the trustees accept the indemnity that was granted by Government, they will transfer all Trust assets to Government and wind down the Trust.

18. Approval

The Annual Financial Statements set out on pages 74 to 118 have been approved by the Accounting Officer:



Portia Molefe
Director-General

Date : 29 May 2009

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 30: DEPARTMENT OF PUBLIC ENTERPRISES FOR THE YEAR ENDED 31 MARCH 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

- I have audited the accompanying financial statements of the Department of Public Enterprises which comprise the Appropriation Statement, the Statement of Financial Position as at 31 March 2009, and the Statement of Financial Performance, the Statement of Changes in Net Assets and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report as set out on pages 54 to 118.

The accounting officer's responsibility for the financial statements

- The accounting officer is responsible for the preparation of these financial statements in accordance with the modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Division of Revenue Act, 2008 (Act No. 2 of 2008) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

- As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 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 the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. 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 2009 and its financial performance and its cash flows for the year then ended, in accordance with modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the PFMA and DoRA.

Emphasis of matter

Without qualifying my opinion, I draw attention to the following matter:

Basis of accounting

- The Department's policy is to prepare financial statements on the modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

Restatement of corresponding figures

9. As disclosed in the Cash Flow Statement, the corresponding figures for 31 March 2008 have been restated as a result of an error discovered during 2009 in the financial statements of the Department of Public Enterprises at, and for the year ended 31 March 2008.

Governance framework

10. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below:

Key governance responsibilities

11. The PFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.	✓	
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
Timeliness of financial statements and management information			
4.	The Annual Financial Statements were submitted for auditing as per the legislated deadlines, as set out in section 40 of the PFMA.	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit Committee		
	• The Department had an Audit Committee in operation throughout the financial year.	✓	
	• The Audit Committee operates in accordance with approved, written terms of reference.	✓	
	• The Audit Committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10.	✓	
7.	Internal audit		
	• The Department had an internal audit function in operation throughout the financial year.	✓	
	• The internal audit function operates in terms of an approved internal audit plan.	✓	
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2.	✓	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	✓	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 3.2.	✓	
12.	Powers and duties have been assigned, as set out in section 44 of the PFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA/oversight resolutions have been substantially implemented.	✓	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	✓	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	✓	

No.	Matter	Y	N
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Department against its mandate, predetermined objectives, outputs, indicators and targets as set out in Treasury Regulations 5.1, 5.2 and 6.1.	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

12. Governance structures and committees are well established in the Department and key governance policies and procedures are strictly adhered to and complied with.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

13. I have reviewed the performance information as set out on pages 21 to 47.

The accounting officer's responsibility for the performance information

14. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the Department.

The Auditor-General's responsibility

15. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.

16. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

17. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

Appreciation

18. The assistance rendered by the staff of the Department of Public Enterprises during the audit is sincerely appreciated.



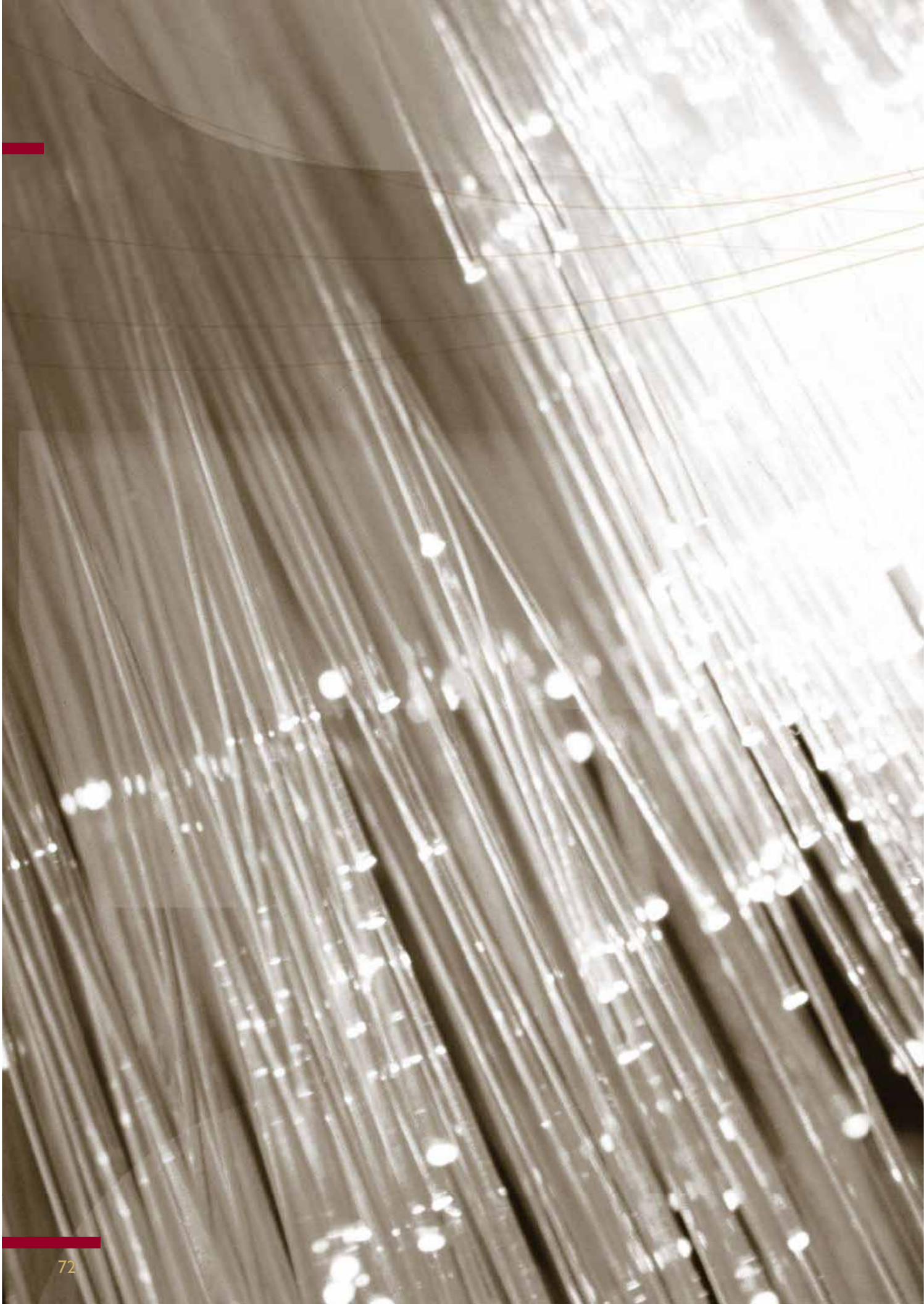
Pretoria

31 July 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



*“All labour that uplifts humanity has
dignity and importance and should be
undertaken with painstaking excellence.”*

Dr. Martin Luther King Jr.



CONNECT

APPROPRIATION PER PROGRAMME									
Appropriation Statement	2008/09							2007/08	
	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
1. Administration									
Current payment	71 536	-	5 213	76 749	76 411	338	99.6%	62 284	62 284
Transfers and subsidies	650	-	-	650	650	-	100.0%	620	570
Payment for capital assets	895	-	-	895	878	17	98.1%	3 428	3 427
2. Energy and Broadband Enterprises									
Current payment	10 979	-	(662)	10 317	9 811	506	95.1%	12 056	12 054
Transfers and subsidies	2 127 000	-	-	2 127 000	2 127 000	-	100.0%	2 502 273	2 502 273
Payment for capital assets	-	-	-	-	-	-	-	-	-
3. Legal, Governance, Risk and Transactions									
Current payment	22 416	-	(3 548)	18 868	17 889	979	94.8%	23 057	23 041
Transfers and subsidies	130 000	-	-	130 000	130 000	-	100.0%	72 700	72 700
Payment for capital assets	-	-	-	-	-	-	-	47	47
4. Manufacturing Enterprises									
Current payment	9 919	-	(154)	9 765	9 387	378	96.1%	5 961	5 959
Transfers and subsidies	259 516	-	-	259 516	257 640	1 876	99.3%	1 155 000	1 153 969
Payment for capital assets	-	-	-	-	-	-	-	16	16
5. Transport Enterprises									
Current payment	19 360	-	655	20 015	19 930	85	99.6%	7 714	7 712
Transfers and subsidies	585 000	-	-	585 000	585 000	-	100.0%	744 400	744 400
Payment for capital assets	-	-	-	-	-	-	-	16	16
6. Joint Project Facility									
Current payment	32 107	-	(1 504)	30 603	30 553	50	99.8%	15 517	15 516
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
TOTAL	3 269 378	-	-	3 269 378	3 265 149	4 229	99.9%	4 605 089	4 603 984
Reconciliation with Statement of Financial Performance									
ADD									
Departmental receipts				818				69	
Direct Exchequer receipts				435 462				-	
Actual amounts per Statement of Financial Performance (total revenue)				3 705 658				4 605 158	
ADD									
Aid assistance					741				2 116
Actual amounts per Statement of Financial Performance (total expenditure)					3 265 890				4 606 100

APPROPRIATION PER ECONOMIC CLASSIFICATION									
2008/09								2007/08	
	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
Current Payments									
Compensation of employees	67 970	-	4 110	72 080	70 445	1 635	97.7%	55 999	55 998
Goods and services	98 347	(344)	(4 110)	93 893	93 238	655	99.3%	70 563	70 541
Financial transactions in assets and liabilities	-	344	-	344	298	46	86.6%	27	27
Transfers and Subsidies									
Public corporations and private enterprises	3 101 516	-	-	3 101 516	3 099 640	1 876	99.9%	4 474 373	4 473 342
Gifts and donations	650	-	-	650	650	-	100.0%	620	570
Payments for Capital Assets									
Machinery and equipment	861	-	-	861	844	17	98.0%	2 378	2 377
Software and other intangible assets	34	-	-	34	34	-	100.0%	1 129	1 129
TOTAL	3 269 378	-	-	3 269 378	3 265 149	4 229	99.9%	4 605 089	4 603 984

2008/09								2007/08	
Detail per Sub-programme	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
1.1 Minister									
Current payment	1 009	593	317	1 919	1 843	76	96.0%	951	951
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
1.2 Management									
Current payment	18 341	917	891	20 149	20 041	108	99.5%	11 968	11 968
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	460	460
1.3 Corporate Services									
Current payment	47 388	(1 510)	3 342	49 220	49 066	154	99.7%	44 981	44 981
Transfers and subsidies	650	-	-	650	650	-	100.0%	620	570
Payment for capital assets	895	-	-	895	878	17	98.1%	2 968	2 967
1.4 Property Management									
Current payment	4 798	-	663	5 461	5 461	-	100.0%	4 384	4 384
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
TOTAL	73 081	-	5 213	78 294	77 939	355	99.5%	66 332	66 281

2008/09								2007/08	
Economic Classification	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
Current Payments									
Compensation of employees	34 748	-	1 449	36 197	35 925	272	99.2%	27 206	27 206
Goods and services	36 788	-	3 764	40 552	40 486	66	99.8%	35 051	35 051
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	27	27
Transfers and Subsidies to:									
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Gifts and donations	650	-	-	650	650	-	100.0%	620	570
Payment for Capital Assets									
Machinery and equipment	861	-	-	861	844	17	98.0%	2 299	2 298
Software and other intangible assets	34	-	-	34	34	-	100.0%	1 129	1 129
TOTAL	73 081	-	5 213	78 294	77 939	355	99.5%	66 332	66 281

2008/09								2007/08	
Detail per Sub-programme	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
2.1 Management									
Current payment	1 071	62	550	1 683	1 495	188	88.8%	2 112	2 112
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
2.2 Broadband Sector									
Current payment	1 625	(18)	15	1 622	1 489	133	91.8%	1 359	1 358
Transfers and subsidies	377 000	-	-	377 000	377 000	-	100.0%	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
2.3 Energy Sector									
Current payment	7 124	(44)	(528)	6 552	6 509	43	99.3%	7 804	7 804
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
2.4 Nuclear Sector									
Current payment	1 159	-	(699)	460	318	142	69.1%	781	780
Transfers and subsidies	1 750 000	-	-	1 750 000	1 750 000	-	100.0%	2 502 273	2 502 273
Payment for capital assets	-	-	-	-	-	-	-	-	-
TOTAL	2 137 979	-	(662)	2 137 317	2 136 811	506	100.0%	2 514 329	2 514 327

2008/09								2007/08	
Economic Classification	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
Current Payments									
Compensation of employees	5 667	-	138	5 805	5 761	44	99.2%	5 898	5 898
Goods and services	5 312	-	(800)	4 512	4 050	462	89.8%	6 158	6 156
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
Transfers and Subsidies to:									
Public corporations and private enterprises	2 127 000	-	-	2 127 000	2 127 000	-	100.0%	2 502 273	2 502 273
Gifts and donations	-	-	-	-	-	-	-	-	-
Payment for Capital Assets									
Machinery and equipment	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
TOTAL	2 137 979	-	(662)	2 137 317	2 136 811	506	100.0%	2 514 329	2 514 327

2008/09								2007/08	
Detail per Sub-programme	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
3.1 Management									
Current payment	2 214	(119)	(9)	2 086	2 062	24	98.8%	2 208	2 192
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	16	16
3.2 Legal and Litigation									
Current payment	10 928	(281)	(1 061)	9 586	9 509	77	99.2%	9 193	9 193
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	31	31
3.3 Governance									
Current payment	3 244	(35)	(295)	2 914	2 531	383	86.9%	7 511	7 511
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
3.4 Risk Management									
Current payment	4 080	427	(1 521)	2 986	2 498	488	83.7%	2 135	2 135
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
3.5 Transactions									
Current payment	1 950	8	(662)	1 296	1 289	7	99.5%	2 010	2 010
Transfers and subsidies	130 000	-	-	130 000	130 000	-	100.0%	72 700	72 700
Payment for capital assets	-	-	-	-	-	-	-	-	-
TOTAL	152 416	-	(3 548)	148 868	147 889	979	99.3%	95 804	95 788

2008/09								2007/08	
Economic Classification	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
Current Payments									
Compensation of employees	10 796	-	(1 587)	9 209	8 338	871	90.5%	12 406	12 406
Goods and services	11 620	(344)	(1 961)	9 315	9 253	62	99.3%	10 651	10 635
Financial transactions in assets and liabilities	-	344	-	344	298	46	86.6%	-	-
Transfers and Subsidies to:									
Public corporations and private enterprises	130 000	-	-	130 000	130 000	-	100.0%	72 700	72 700
Gifts and donations	-	-	-	-	-	-	-	-	-
Payment for Capital Assets									
Machinery and equipment	-	-	-	-	-	-	-	47	47
Software and other intangible assets	-	-	-	-	-	-	-	-	-
TOTAL	152 416	-	(3 548)	148 868	147 889	979	99.3%	95 804	95 788

Detail per Sub-programme	2008/09							2007/08	
	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
4.1 Management									
Current payment	1 343	183	-	1 526	1 317	209	86.3%	1 504	1 503
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	16	16
4.2 Forestry Sector									
Current payment	1 546	(70)	-	1 476	1 393	83	94.4%	866	865
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
4.3 Defence Sector									
Current payment	7 030	(113)	(154)	6 763	6 677	86	98.7%	3 591	3 591
Transfers and subsidies	259 516	-	-	259 516	257 640	1 876	99.3%	1 155 000	1 153 969
Payment for capital assets	-	-	-	-	-	-	-	-	-
TOTAL	269 435	-	(154)	269 281	267 027	2 254	99.2%	1 160 977	1 159 944

Economic Classification	2008/09							2007/08	
	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
Current Payments									
Compensation of employees	5 140	-	(154)	4 986	4 651	335	93.3%	3 939	3 939
Goods and services	4 779	-	-	4 779	4 736	43	99.1%	2 022	2 020
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
Transfers and Subsidies to:									
Public corporations and private enterprises	259 516	-	-	259 516	257 640	1 876	99.3%	1 155 000	1 153 969
Gifts and donations	-	-	-	-	-	-	-	-	-
Payment for Capital Assets									
Machinery and equipment	-	-	-	-	-	-	-	16	16
Software and other intangible assets	-	-	-	-	-	-	-	-	-
TOTAL	269 435	-	(154)	269 281	267 027	2 254	99.2%	1 160 977	1 159 944

2008/09								2007/08	
Detail per Sub-programme	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
5.1 Management									
Current payment	1 093	66	5 207	6 366	6 353	13	99.8%	745	745
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	16	16
5.2 Transport Sector									
Current payment	11 391	(406)	(1 116)	9 869	9 799	70	99.3%	4 489	4 486
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
5.3 Aviation Sector									
Current payment	6 876	340	(3 436)	3 780	3 778	2	99.9%	2 480	2 481
Transfers and subsidies	585 000	-	-	585 000	585 000	-	100.0%	744 400	744 400
Payment for capital assets	-	-	-	-	-	-	-	-	-
TOTAL	604 360	-	655	605 015	604 930	85	100.0%	752 130	752 128

2008/09								2007/08	
Economic Classification	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
Current Payments									
Compensation of employees	5 192	-	5 350	10 542	10 478	64	99.4%	3 087	3 087
Goods and services	14 168	-	(4 695)	9 473	9 452	21	99.8%	4 627	4 625
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
Transfers and Subsidies to:									
Public corporations and private enterprises	585 000	-	-	585 000	585 000	-	100.0%	744 400	744 400
Gifts and donations	-	-	-	-	-	-	-	-	-
Payment for Capital Assets									
Machinery and equipment	-	-	-	-	-	-	-	16	16
Software and other intangible assets	-	-	-	-	-	-	-	-	-
TOTAL	604 360	-	655	605 015	604 930	85	100.0%	752 130	752 128

2008/09								2007/08	
Detail per Sub-programme	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
6.1 Management									
Current payment	672	38	(361)	349	348	1	99.7%	2 505	2 503
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
6.2 Joint Project Facility									
Current payment	31 435	(38)	(1 143)	30 254	30 205	49	99.8%	13 012	13 013
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
TOTAL	32 107	-	(1 504)	30 603	30 553	50	99.8%	15 517	15 516

2008/09								2007/08	
Economic Classification	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
Current Payments									
Compensation of employees	6 427	-	(1 086)	5 341	5 292	49	99.1%	3 463	3 462
Goods and services	25 680	-	(418)	25 262	25 261	1	100.0%	12 054	12 054
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
Transfers and Subsidies to:									
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Gifts and donations	-	-	-	-	-	-	-	-	-
Payment for Capital Assets									
Machinery and equipment	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
TOTAL	32 107	-	(1 504)	30 603	30 553	50	99.8%	15 517	15 516

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

Detail of these transactions can be viewed in note 8 (Transfers and subsidies) and Annexure I (A and D) 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 I (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 note 7 (Financial transactions in assets and liabilities) to the Annual Financial Statements.

4. Explanations of material variances from Amounts Voted (after Virement):

4.1 Per Programme	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	
Administration	78 294	77 939	355	0.5%
Energy and Broadband Enterprises	2 137 317	2 136 811	506	0%
Legal, Governance, Risk and Transactions	148 868	147 889	979	0.7%
Manufacturing Enterprises	269 281	267 027	2 254	0.8%
Transport Enterprises	605 015	604 930	85	0%
Joint Project Facility	30 603	30 553	50	0.2%

Saving in Manufacturing Enterprises due to an indemnity claim for Denel which was less than anticipated.

4.2 Per Economic Classification	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	
Current Payments:				
Compensation of employees	72 080	70 445	1 635	2.3%
Goods and services	93 893	93 238	655	0.7%
Financial transactions in assets and liabilities	344	298	46	13.4%
Transfers and Subsidies:				
Public corporations and private enterprises	3 101 516	3 099 640	1 876	0.1%
Gifts and donations	650	650	-	0%
Payments for Capital assets:				
Machinery and equipment	861	844	17	2.0%
Software and other intangible assets	34	34	-	0%

PERFORMANCE

Note

2008/09

2007/08

R'000

R'000

REVENUE

Annual appropriation	1	3 269 378	4 605 089
Departmental revenue	2	818	69
Direct Exchequer Receipts	3	435 462	-
Aid assistance	4	-	-

TOTAL REVENUE

3 705 658

4 605 158

EXPENDITURE

Current Expenditure

Compensation of employees	5	70 445	55 998
Goods and services	6	93 238	70 541
Financial transactions in assets and liabilities	7	298	27
Aid assistance	4	741	2 116
Total current expenditure		164 722	128 682

Transfers and Subsidies

3 100 290

4 473 912

Transfers and subsidies

8

3 100 290

4 473 912

Expenditure for Capital Assets

Tangible capital assets	9	844	2 377
Software and other intangible assets	9	34	1 129
Total expenditure for capital assets		878	3 506

TOTAL EXPENDITURE

3 265 890

4 606 100

SURPLUS/(DEFICIT) FOR THE YEAR

439 768

(942)

Reconciliation of Net Surplus/(Deficit) for the year

Voted funds		4 229	1 105
Departmental revenue	16	818	69
Direct Exchequer receipts/payments	17	435 462	-
Aid assistance	4	(741)	(2 116)

SURPLUS/(DEFICIT) FOR THE YEAR

439 768

(942)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2009

POSITION

Note

2008/09
R'0002007/08
R'000

ASSETS

Current Assets

4 987

3 138

Unauthorised expenditure

10

618

618

Cash and cash equivalents

11

3 739

1 683

Prepayments and advances

12

345

131

Receivables

13

285

706

Non-current Assets

21 618 375

20 614 375

Investments

14

21 618 375

20 614 375

TOTAL ASSETS

21 623 362

20 617 513

LIABILITIES

Current Liabilities

4 987

3 138

Voted funds to be surrendered to the Revenue Fund

15

2 353

74

Departmental revenue to be surrendered to the Revenue Fund

16

275

2

Payables

18

2 359

2 321

Aid assistance unutilised

4

-

741

TOTAL LIABILITIES

4 987

3 138

NET ASSETS

21 618 375

20 614 375

Represented by:

Capitalisation reserve

21 618 375

20 614 375

TOTAL

21 618 375

20 614 375

NET ASSETS

Note

2008/09
R'0002007/08
R'000

Capitalisation Reserves

Opening balance

20 614 375

19 681 375

Transfers:

Movement in equity

1 004 000

933 000

Closing balance

21 618 375

20 614 375

TOTAL

21 618 375

20 614 375

CASH FLOW**Note****2008/09****2007/08****R'000****R'000****CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts

3 703 782

4 604 127

Annual appropriated funds received

1.1

3 267 502

4 604 058

Departmental revenue received

2

818

69

Direct exchequer receipts

3

435 462

-

Net (increase)/decrease in working capital

245

25 980

Surrendered to Revenue Fund

(436 081)

(156)

Current payments

(164 722)

(128 682)

Transfers and subsidies paid

(3 100 290)

(4 473 912)

Net cash flow available from operating activities**19****2 934****27 357****CASH FLOWS FROM INVESTING ACTIVITIES**

Payments for capital assets

9

(878)

(3 506)

Net cash flows from investing activities**(878)****(3 506)**

Net increase/(decrease) in cash and cash equivalents

2 056

23 851

Cash and cash equivalents at the beginning of the period

1 683

(22 168)

Cash and cash equivalents at end of period**20****3 739****1 683**

Transfers and subsidies paid includes an amount of R377 million (2007/08: R933 million) relating to capitalisation of State Owned Enterprises which has been transferred to investments in the balance sheet (Refer note 14).

In the prior year, this amount was incorrectly reflected in Investing Activities and Financing Activities. This amount was restated in the current year for comparative disclosure purposes.

This error arose as a result of the Department having prepared its Cash Flow Statement based on the standard cash flow template provided by National Treasury which did not cater for the adequate disclosure of transfer of funds. The amounts were correctly captured but did not translate to the correct categories and should not be the Investing Activities and Financing Activities.

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

Total appropriated funds are presented in the Statement of Financial Performance.

Unexpended appropriated funds are surrendered to the National Revenue Fund. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

2.2 DEPARTMENTAL REVENUE

All departmental revenue is paid into the National Revenue Fund when received, unless otherwise stated. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

Amounts receivable at the reporting date are disclosed in the Disclosure Notes to the Annual Financial Statements.

2.2.1 TAX REVENUE

Tax revenue consists of all compulsory unrequited amounts collected by the Department in accordance with laws and or regulations (excluding fines, penalties & forfeits).

Tax receipts are recognised in the Statement of Financial Performance when received.

2.2.2 SALES OF GOODS AND SERVICES OTHER THAN CAPITAL ASSETS

The proceeds received from the sale of goods and/or the provision of services is recognised in the Statement of Financial Performance when the cash is received.

2.2.3 FINES, PENALTIES & FORFEITS

Fines, penalties & forfeits are compulsory unrequited amounts which were imposed by a court or quasi-judicial body and collected by the Department. Revenue arising from fines, penalties and forfeits is recognised in the Statement of Financial Performance when the cash is received.

2.2.4 INTEREST, DIVIDENDS AND RENT ON LAND

Interest, dividends and rent on land is recognised in the Statement of Financial Performance when the cash is received.

2.2.5 SALE OF CAPITAL ASSETS

The proceeds received on sale of capital assets are recognised in the Statement of Financial Performance when the cash is received.

2.2.6 FINANCIAL TRANSACTIONS IN ASSETS AND LIABILITIES

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the Statement of Financial Performance on receipt of the funds.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the Statement of Financial Performance when the cheque becomes stale. When the cheque is reissued the payment is made from Revenue.

Forex gains are recognised on payment of funds.

2.2.7 TRANSFERS RECEIVED (INCLUDING GIFTS, DONATIONS AND SPONSORSHIPS)

All cash gifts, donations and sponsorships are paid into the National Revenue Fund and recorded as revenue in the Statement of Financial Performance when received. Amounts receivable at the reporting date are disclosed in the Disclosure Notes to the financial statements.

All in-kind gifts, donations and sponsorships are disclosed at fair value in an annexure to the financial statements.

2.3 DIRECT EXCHEQUER RECEIPTS

All direct exchequer receipts are recognised in the Statement of Financial Performance when the cash is received.

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).

2.4 AID ASSISTANCE

Local and foreign aid assistance is recognised as revenue when notification of the assistance is received from the National Treasury or when the Department directly receives the cash from the donor(s).

All in-kind local and foreign aid assistance are disclosed at fair value in the Annexures to the Annual Financial Statements

The cash payments made during the year relating to local and foreign aid assistance projects are recognised as expenditure in the Statement of Financial Performance. The value of the assistance expensed prior to the receipt of the funds is recognised as a receivable in the Statement of Financial Position

Inappropriately expensed amounts using local and foreign 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

Salaries and wages comprise payments to employees (including leave entitlements, thirteenth cheques and performance bonuses). Salaries and wages are recognised as an expense 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).

All other payments are classified as current expense.

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 Position.

3.1.2 POST RETIREMENT BENEFITS

The Department provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions.

Employer contributions (i.e. social contributions) to the fund are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of 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 Fund and not in the financial statements of the employer department.

The Department provides medical benefits for certain of its employees. Employer contributions to the medical funds are expensed when final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year).

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 (by no later than 31 March of each year).

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 (by no later than 31 March of each year).

Long-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 Position.

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 services were used for a capital project or an asset of R5 000 or more is purchased. All assets costing less than R5 000 will also be reflected under Goods and Services.

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 amounts are disclosed as a disclosure note.

Forex losses are recognised on payment of funds.

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 discovered 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 recognised in the Statement of Financial Performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding it is recognised as expenditure, subject to availability of savings, 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. 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 in the Statement of Financial Performance.

3.9 EXPENDITURE FOR CAPITAL ASSETS

Payments made for capital assets 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).

4. ASSETS**4.1 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are carried in the Statement of Financial Position at cost.

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.

Pre-payments 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. Receivables outstanding at year-end are carried in the Statement of Financial Position at cost.

4.5 INVESTMENTS

Capitalised investments are shown at cost in the Statement of Financial Position. Any cash flows such as dividends received or proceeds from the sale of the investment are recognised in the Statement of Financial Performance when the cash is received.

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

4.6 LOANS

Loans are recognised in the Statement of Financial Position at the nominal amount when cash is paid to the beneficiary. Loan balances are reduced when cash repayments are received from the beneficiary. Amounts that are potentially irrecoverable are included in the Disclosure Notes.

Loans that are outstanding at year-end are carried in the Statement of Financial Position at cost.

4.7 INVENTORY

Inventories purchased during the financial year are disclosed at cost in the notes.

4.8 CAPITAL ASSETS**4.8.1 MOVABLE ASSETS**

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.

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

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.

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 VOTED FUNDS TO BE SURRENDERED TO THE REVENUE FUND**

Unexpended appropriated funds are surrendered to the National Revenue Fund. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

5.2 DEPARTMENTAL REVENUE TO BE SURRENDERED TO THE REVENUE FUND

Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position at cost.

5.3 DIRECT EXCHEQUER RECEIPTS TO BE SURRENDERED TO THE REVENUE FUND

All direct exchequer fund receipts are recognised in the Statement of Financial Performance when the cash is received.

Amounts received must be surrendered to the relevant revenue fund on receipt thereof. Any amount not surrendered at year-end is reflected as a current payable in the Statement of Financial Position.

5.4 BANK OVERDRAFT

The bank overdraft is carried in the Statement of Financial Position at cost.

5.5 PAYABLES

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are recognised at historical cost in the Statement of Financial Position.

5.6 CONTINGENT LIABILITIES

Contingent liabilities are included in the Disclosure Notes to the financial statements.

5.7 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.

5.8 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.

5.9 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.

5.10 LEASE COMMITMENTS

Lease 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.

Operating and finance lease commitments are expensed when the payments are made. Assets acquired in terms of finance lease agreements are disclosed in the Annexures and Disclosure Notes to the financial statements.

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 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 transferred to the National Revenue Fund on disposal, repayment or recovery of such amounts.

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.

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.



I. ANNUAL APPROPRIATION**I.1 Annual appropriation**

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

	Final Appropriation R'000	Actual Funds Received R'000	Funds not Requested/ not Received R'000	Appropriation Received 2007/08 R'000
Administration	78 294	78 294	-	66 332
Energy and Broadband Enterprises	2 137 317	2 137 317	-	2 514 329
Legal, Governance, Risk and Transactions	148 868	148 868	-	95 804
Manufacturing Enterprises	269 281	267 405	1 876	1 159 946
Transport Enterprises	605 015	605 015	-	752 130
Joint Project Facility	30 603	30 603	-	15 517
Total	3 269 378	3 267 502	1 876	4 604 058

Saving in Manufacturing Enterprises due to indemnity claim for Denel which was less than anticipated.

2. DEPARTMENTAL REVENUE

	Note	2008/09 R'000	2007/08 R'000
Sales of goods and services other than capital assets	2.1	38	34
Interest, dividends and rent on land	2.2	595	4
Financial transactions in assets and liabilities	2.3	185	31
Departmental revenue collected		818	69

2.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the Department		37	34
Sales by market establishment		26	25
Other sales		11	9
Sales of scrap, waste and other used current goods		1	-
Total	2	38	34

Prior year classification under Administrative fees has been restated to Sales by market establishment and Other sales.

2.2 Interest, dividends and rent on land

Interest		595	4
Total	2	595	4

2.3 Financial transactions in assets and liabilities

	Note	2008/09 R'000	2007/08 R'000
Other receipts including recoverable revenue		185	31
Total	2	185	31

3. DIRECT EXCHEQUER RECEIPTS

Restructuring of State assets		435 462	-
Total		435 462	-

Refer to accounting officer's report (item 17) for details regarding the Diabo Trust.

4. AID ASSISTANCE**4.1 Aid assistance received in cash from other sources (Joint Project Facility)**

Local			
Opening balance		741	2 857
Revenue		-	-
Expenditure		(741)	(2 116)
Current		(741)	(2 116)
Closing balance		-	741

4.2 Total assistance

Opening balance		741	2 857
Revenue		-	-
Expenditure		(741)	(2 116)
Current		(741)	(2 116)
Closing balance		-	741

Analysis of balance

Aid assistance unutilised			
Other sources		-	741
Closing balance	Annex 1C	-	741

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

	Note	2008/09	2007/08
		R'000	R'000
Basic salary		40 320	32 999
Performance award		4 365	4 269
Service-based		967	235
Compensative/circumstantial		1 030	744
Periodic payments		1 126	643
Other non-pensionable allowances		14 791	13 930
Total		62 599	52 820

5.2 Social contributions**Employer contributions**

Pension		6 789	2 181
Medical		1 053	993
Bargaining council		4	4
Total		7 846	3 178
Total compensation of employees		70 445	55 998
Average number of employees		140	138

6. GOODS AND SERVICES

	<i>Note</i>	2008/09	2007/08
		R'000	R'000
Administrative fees		199	652
Advertising		1 061	1 549
Assets less than R5 000	6.1	299	580
Bursaries (employees)		611	439
Catering		1 319	1 021
Communication		2 992	2 492
Computer services	6.2	2 469	2 406
Consultants, contractors and agency/outsourced services	6.3	56 153	34 757
Entertainment		197	111
Audit cost – external	6.4	1 089	956
Inventory	6.5	2 879	2 325
Maintenance, repairs and running costs		347	865
Operating leases		2 338	1 991
Owned and leasehold property expenditure	6.6	5 461	4 387
Travel and subsistence	6.7	11 296	10 423
Venues and facilities		1 629	1 919
Training and staff development		1 704	1 648
Other operating expenditure	6.8	1 195	2 020
Total		93 238	70 541

6.1 Assets less than R5 000

Tangible assets		299	367
Machinery and equipment		299	367
Intangible assets		-	213
Total	6	299	580

6.2 Computer services

SITA computer services		619	647
External computer service providers		1 850	1 759
Total	6	2 469	2 406

6.3 Consultants, contractors and agency/outsourced services

	Note	2008/09 R'000	2007/08 R'000
Business and advisory services		48 195	21 030
Legal costs		2 724	4 523
Contractors		1 238	4 000
Agency and support/outsourced services		3 996	5 204
Total	6	56 153	34 757

6.4 Audit cost – external

Regularity audits		1 089	956
Total	6	1 089	956

6.5 Inventory

Other consumable materials		183	11
Maintenance material		2	-
Stationery and printing		2 694	2 314
Total	6	2 879	2 325

6.6 Owned and leasehold property expenditure

Municipal services		509	45
Property management fees		4 952	4 342
Total	6	5 461	4 387

6.7 Travel and subsistence

Local		11 296	10 423
Total	6	11 296	10 423

Economic classification states local however this includes local and foreign travel for the year.

6.8 Other operating expenditure

Professional bodies, membership and subscription fees		270	158
Resettlement costs		153	33
Other		772	1 829
Total	6	1 195	2 020

7. FINANCIAL TRANSACTIONS IN ASSETS AND LIABILITIES

	Note	2008/09 R'000	2007/08 R'000
Other material losses written off	7.1	4	26
Debts written off	7.2	294	1
Total		298	27

7.1 Other material losses written off

Nature of losses

Advances to Departments *		4	15
Expenditure on stolen cell phone #		-	11
Total	7	4	26

* Advances to National Departments (Department of Constitutional Development, Government Printers and Land Affairs) were written off in previous year.

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

Cell phone stolen and costs incurred before reported as stolen, and no official could be held responsible.

7.2 Debts written off

Nature of debts written off

Staff debts		294	1
Total	7	294	1

8. TRANSFERS AND SUBSIDIES

Public corporations and private enterprises	<i>Annex 1A</i>	3 099 640	4 473 342
Gifts, donations and sponsorships made	<i>Annex 1D</i>	650	570
Total		3 100 290	4 473 912

9. EXPENDITURE FOR CAPITAL ASSETS

Tangible assets		844	2 377
Machinery and equipment	31.1	844	2 377
Software and other intangible assets		34	1 129
Computer software	32.1	34	1 129
Total		878	3 506

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

	Voted funds R'000	Total R'000
Tangible assets	844	844
Machinery and equipment	844	844
Software and other intangible assets	34	34
Computer software	34	34
Total	878	878

9.2 Analysis of funds utilised to acquire capital assets – 2007/08

	Voted funds R'000	Total R'000
Total assets acquired	3 506	3 506

10. UNAUTHORISED EXPENDITURE**10.1 Reconciliation of unauthorised expenditure**

	Note	2008/09 R'000	2007/08 R'000
Opening balance		618	26 165
Less: Amounts approved by Parliament/Legislature (with funding)		-	(25 547)
Unauthorised expenditure awaiting authorisation		618	618
Analysis of awaiting authorisation per economic classification			
Current		618	618
Total		618	618

The unauthorised expenditure was approved and authorised by SCOPA as a direct charge against the National Revenue Fund, as published in the Finance Act (Act no. 2, 2007) as on 31 March 2007. Funds were received from National Treasury in the 2007/08. Subsequent to 31 March 2009 the Department received a further amount of R262 321 which left a balance of R355 729 outstanding.

11. CASH AND CASH EQUIVALENTS

	<i>Note</i>	2008/09	2007/08
		R'000	R'000
Consolidated Paymaster-General account		3 685	2 100
Disbursements		-	(467)
Cash on hand		54	50
Total		3 739	1 683

12. PREPAYMENTS AND ADVANCES

Staff advances	2	7
Travel and subsistence	224	86
Advances paid to other entities	119	38
Total	345	131

13. RECEIVABLES

		2008/09	2007/08
		R'000	R'000
		Less than one year	One to three years
		Older than three years	Total
	<i>Note</i>		
Claims recoverable	<i>13.1</i> <i>Annex 4</i>	35	13
Recoverable expenditure	<i>13.2</i>	27	151
Staff debt	<i>13.3</i>	-	59
Total		62	223

13.1 Claims recoverable

National departments	12	16
Provincial departments	36	2
Public entities	-	13
Total	13	48

13.2 Recoverable expenditure (disallowance accounts)

	Note	2008/09 R'000	2007/08 R'000
Defence Strategy		-	200
Land Affairs (Richtersveld celebrations)		-	200
Diners Club		60	60
Foreign Affairs		-	34
Cellphone expenditure		29	-
Other		89	87
Total	13	178	581

13.3 Staff debt

Bursaries		22	79
Other		37	15
Total	13	59	94

14. INVESTMENTS**Non-current****Shares and other equity***Annex 2A*

Alexkor Limited	50 000	50 000
Aventura Limited •	60 000	60 000
Broadband Infraco (Pty) Limited	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	2 049 000	-
Transnet Limited ^	12 660 986	14 709 986
Total	21 618 375	20 614 375

Analysis of non-current investments

Opening balance	20 614 375	19 681 375
Additions:		
- Included in current year Transfer and Subsidies	377 000	933 000
- Included in prior year Transfer and Subsidies	627 000	-
Total capitalisation transferred from capitalisation reserve.	1 004 000	933 000
Closing balance	21 618 375	20 614 375

Denel shareholding adjusted by R65 930 in the 2007/08 financial year due to rounding for share premium in 2004

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

^ R2,049 billion for the sale of shares to Government in respect of SAA was included in the Transnet investment in 2007/08.

• 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

	Note	2008/09 R'000	2007/08 R'000
Opening balance		74	88
Transfer from Statement of Financial Performance		4 229	1 105
Voted funds not requested/not received	1.1	(1 876)	(1 031)
Paid during the year		(74)	(88)
Closing balance		2 353	74

16. DEPARTMENTAL REVENUE TO BE SURRENDERED TO THE REVENUE FUND

Opening balance		2	1
Transfer from Statement of Financial Performance		818	69
Paid during the year		(545)	(68)
Closing balance		275	2

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)	-
Closing balance		-	-

18. Payables – current

Description	Note	30 Days	30+ Days	2008/09 Total	2007/08 Total
Advances received	18.1	-	2 289	2 289	2 309
Clearing accounts	18.2	70	-	70	12
Total		70	2 289	2 359	2 321

18.1 Advances received

Description			
16 days of activism against women and child abuse		2 289	2 309
Total	18	2 289	2 309

18.2 Clearing accounts

Description	Note	2008/09 R'000	2007/08 R'000
SARS		70	12
Total	18	70	12

19. NET CASH FLOW AVAILABLE FROM OPERATING ACTIVITIES

Net surplus/(deficit) as per Statement of Financial Performance	439 768	(942)
Add back non-cash/cash movements not deemed operating activities	(436 834)	28 299
(Increase)/decrease in receivables – current	421	(411)
(Increase)/decrease in prepayments and advances	(214)	(87)
(Increase)/decrease in other current assets	-	25 547
Increase/(decrease) in payables – current	38	931
Expenditure on capital assets	878	3 506
Surrenders to Revenue Fund	(436 081)	(156)
Voted funds not requested/not received	(1 876)	(1 031)
Net cash flow generated by operating activities	2 934	27 357

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

Consolidated Paymaster-General account	3 685	2 100
Disbursements	-	(467)
Cash on hand	54	50
Total	3 739	1 683

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

		Note	2008/09 R'000	2007/08 R'000
Liable to	Nature			
Motor vehicle guarantees	Employees	Annex 3A	272	-
Housing loan guarantees	Employees	Annex 3A	140	205
Other guarantees		Annex 3A	18 234 539	22 230 033
Other departments (interdepartmental unconfirmed balances)		Annex 5	-	688
Total			18 234 951	22 230 926

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	6 222	3 423
Total commitments	6 222	3 423

23. ACCRUALS

Listed by economic classification

	30 Days	30+ Days	Total	Total
Goods and Services	1 858	383	2 241	474
Total	1 858	383	2 241	474

Listed by programme level

Administration		1 295	327
Energy and Broadband Enterprises		372	145
Legal, Governance, Risk and Transactions		52	-
Manufacturing Enterprises		59	1
Transport Enterprises		283	-
Joint Project Facility		180	1
Total		2 241	474
Confirmed balances with other departments	<i>Annex 5</i>	419	325
Total		419	325

24. EMPLOYEE BENEFITS

	Note	2008/09	2007/08
		R'000	R'000
Leave entitlement		576	1 209
Thirteenth cheque		830	658
Performance awards		5 513	6 996
Capped leave commitments		1 627	1 737
Total		8 546	10 600

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

2008/09	Machinery and equipment	Total
Not later than 1 year	623	623
Later than 1 year and not later than 5 years	140	140
Total lease commitments	763	763

2007/08	Machinery and equipment	Total
Not later than 1 year	1 531	1 531
Later than 1 year and not later than 5 years	746	746
Total lease commitments	2 277	2 277

26. IRREGULAR EXPENDITURE**26.1 Reconciliation of irregular expenditure**

	Note	2008/09	2007/08
		R'000	R'000
Opening balance		-	228
Less: Amounts condoned		-	(228)
Irregular expenditure awaiting condonation		-	-

27. RELATED PARTY TRANSACTIONS

	Notes	2008/09 R'000	2007/08 R'000
Payments made			
Transfers		3 099 640	4 473 342
Total		3 099 640	4 473 342
Other			
Guarantees issued		2 144 340	3 484 760
Total		2 144 340	3 484 760

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

28. KEY MANAGEMENT PERSONNEL

	No. of Individuals		
Political office bearers	1	1 613	951
Officials:			
Level 15 to 16	8	7 816	5 181
Level 14 (incl. CFO if at a lower level)	2	1 333	917
Total		10 762	7 049

29. PROVISIONS

Provisions			
Impairment of investments		376 086	348 270
Total	Annex 2A	376 086	348 270

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 2007/08, the Aventura investment was fully impaired to R60 million.

The Alexkor investment was fully impaired to R50 million in 2007/08 as the entity does not have a positive net asset value.

In the current Financial year the Denel impairment was increased from R4.2billion to R4.6billion, being the difference between the cost of investment of R5.5billion (2007/08: R5.5billion) and the net asset value of the investment of R849 million (R2007/08: R1.2billion).

No impairment 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 current year at market value. Evidence of a material decline in market value since the acquisition of the investment is at the time of financial disclosure not available.

30. NON-ADJUSTING EVENTS AFTER REPORTING DATE

	2008/09 R'000
Unauthorised expenditure	262
The receipt of the funds subsequent to the reporting date will decrease the unauthorised expenditure on the Statement of Financial Position.	
Total	262

31. MOVABLE TANGIBLE CAPITAL ASSETS

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

	Opening Balance R'000	Current Year Adjustments to Prior Year Balances R'000	Additions R'000	Disposals R'000	Closing Balance R'000
MACHINERY AND EQUIPMENT	16 548	(1)	868	956	16 459
Transport assets	1 683	-	-	250	1 433
Computer equipment	8 014	-	466	609	7 871
Furniture and office equipment	4 585	(12)	33	67	4 539
Other machinery and equipment	2 266	11	369	30	2 616
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	16 548	(1)	868	956	16 459

31.1 ADDITIONS

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2009

	Cash	Non-cash	(Capital Work in Progress Current Costs and Finance Lease Payments)	Received Current, Not Paid (Paid Current Year, Received Prior Year)	Total
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	844	24	-	-	868
Transport assets	-	-	-	-	-
Computer equipment	442	24	-	-	466
Furniture and office equipment	33	-	-	-	33
Other machinery and equipment	369	-	-	-	369
TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS	844	24	-	-	868

31.2 DISPOSALS

DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2009

	Sold for Cash	Transfer Out or Destroyed or Scrapped	Total Disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	563	393	956	-
Transport assets	-	250	250	-
Computer equipment	502	107	609	-
Furniture and office equipment	61	6	67	-
Other machinery and equipment	-	30	30	-
TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS	563	393	956	-

31.3 MOVEMENT FOR 2007/08

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2008

	Opening Balance	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	14 171	2 377	-	16 548
Transport assets	1 223	460	-	1 683
Computer equipment	6 332	1 682	-	8 014
Furniture and office equipment	4 350	235	-	4 585
Other machinery and equipment	2 266	-	-	2 266
TOTAL MOVABLE TANGIBLE ASSETS	14 171	2 377	-	16 548

31.4 MINOR ASSETS

MINOR ASSETS OF THE DEPARTMENT FOR THE YEAR ENDED 31 MARCH 2009

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

	Intangible Assets	Machinery and Equipment	Total
	R'000	R'000	R'000
Number of minor assets	-	2 064	2 064
TOTAL	-	2 064	2 064

32. INTANGIBLE CAPITAL ASSETS

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

	Opening Balance	Current Year Adjustments to Prior Year Balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	2 329	(207)	34	-	2 156
TOTAL INTANGIBLE CAPITAL ASSETS	2 329	(207)	34	-	2 156

32.1 ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2009

	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	34	-	-	-	34
TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS	34	-	-	-	34

32.2 DISPOSALS

DISPOSALS OF INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2009

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

32.3 MOVEMENT IN 2007/08

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2008

	Opening Balance	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	1 200	1 129		2 329
TOTAL	1 200	1 129		2 329

ANNEXURE 1A**STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES**

Name of Public Corporation/Private Enterprise	TRANSFER ALLOCATION				EXPENDITURE				2007/08
	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
Public Corporations									
Alexkor	130 000	-	-	130 000	130 000	100%	-	130 000	72 700
Denel	259 516	-	-	259 516	257 640	99%	-	257 640	1 153 969
Broadband Infraco	377 000	-	-	377 000	377 000	100%	-	377 000	-
Pebble Bed Modular Reactor (PBMR)	1 750 000	-	-	1 750 000	1 750 000	100%	-	1 750 000	2 502 273
South African Airways	-	-	-	-	-	-	-	-	744 400
South African Express Airways	445 000	-	-	445 000	445 000	100%	445 000	-	-
Transnet (South African Express Airways)	140 000	-	-	140 000	140 000	100%	-	140 000	-
TOTAL	3 101 516	-	-	3 101 516	3 099 640		445 000	2 654 640	4 473 342

ANNEXURE 1B**STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED**

Name of Organisation	Nature of Gift, Donation or Sponsorship	2008/09	2007/08
		R'000	R'000
Received in Kind			
South African Airways	Travel Rands	63	69
TOTAL		63	69

ANNEXURE 1C**STATEMENT OF LOCAL AND FOREIGN AID ASSISTANCE RECEIVED**

Name of Donor	Purpose	Opening			Closing
		Balance	Revenue	Expenditure	Balance
		R'000	R'000	R'000	R'000
Received in Cash					
State Owned Enterprises	Joint Project Facility	741	-	741	-
TOTAL		741	-	741	-

ANNEXURE ID

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE

Nature of Gift, Donation or Sponsorship (Group major categories but list material items including name of organisation)	2008/09 R'000	2007/08 R'000
Paid in Cash		
16 days of activism against women and child abuse	550	520
Meetse A Bophelo Primary School	-	15
Tuys Rag	-	15
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	-
Other	-	20
TOTAL	650	570

Note 8

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 08/09	% Held 07/08	Number of Shares Held		Cost of Investment R'000		Net Asset Value of Investment R'000		Profit/(Loss) for the Year R'000		Losses Guaranteed Yes/No
				2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	
National/Provincial Public Entity												
Alexkor Limited	II	100%	100%	50 000 000	50 000 000	50 000	50 000	(56 839)	(37 745)	4 766	19 094	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	-	1 004 000	-	1 368 439	-	(5 800)	-	No
Denel (Pty) Ltd	II	100%	100%	1 225 049 663	1 225 049 663	5 476 376	5 476 376	849 091	1 225 177	(376 086)	(334 574)	No
Eskom Limited	II	100%	100%	1	1	-	-	44 628 000	62 330 000	(15 439 000)	1 333 000	No
Safcol Limited	II	100%	100%	318 013 254	318 013 254	318 013	318 013	3 111 040	2 694 987	424 447	638 532	No
South African Airways (Pty) Ltd	II	100%	-	11 459 678	-	2 049 000	-	Not Available	-	Not Available	-	No
Transnet Limited #	II	100%	100%	12 660 986 310	14 709 986 310	12 660 986	14 709 986	58 792 000	51 183 000	4 206 000	4 307 000	No
TOTAL				14 325 508 980	16 363 049 228	21 618 375	20 614 375	108 691 731	117 395 419	(11 185 673)	5 963 052	

R2.049 billion for the sale of shares to Government in respect of SAA is included in the Transnet investment for 2007/08.

The net asset value of investment and profit/loss for the year ended 31 March 2009 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

Name of Public Entity	Nature of Business	Cost of Investment		Net Asset Value of Investment		Amounts Owing to Entities		Amounts Owing by Entities	
		R'000		R'000		R'000		R'000	
		2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
Controlled Entities									
Alexkor Limited	Mining	50 000	50 000	(56 839)	(37 745)	-	-	-	
Aventura Limited	Leisure	60 000	60 000	Not Available	Not Available	-	-	-	
Broadband Infraco (Pty) Limited	ICT Sector	1 004 000	-	1 368 439	-	-	-	-	
Denel (Pty) Ltd	Manufacturing of arms	5 476 376	5 476 376	849 091	1 225 177	-	-	-	
Eskom Limited	Energy	-	-	44 628 000	62 330 000	-	-	-	
Safcol Limited	Forestry	318 013	318 013	3 111 040	2 694 987	-	-	-	
South African Airways (Pty) Ltd	Transport	2 049 000	-	Not Available	-	-	-	-	
Transnet Limited	Transport	12 660 986	14 709 986	58 792 000	51 183 000	-	-	-	
TOTAL		22 618 375	21 614 375	108 691 731	117 395 419	-	-	-	

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2009 – LOCAL

Guarantor Institution	Guarantee in Respect of	Original Guaranteed Capital Amount	Opening Balance 1 April 2008	Guarantees Draw Downs During the Year	Guarantees Repayments/ Cancelled/ Reduced/ Released During the Year	Revaluations	Closing Balance 31 March 2009	Guaranteed Interest for Year Ended 31 March 2009	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
Motor vehicles									
STANNIC	Employees	272	-	272	-	-	272	-	-
		272	-	272	-	-	272	-	-
Housing									
ABSA	Employees	54	41	-	-	-	41	-	-
First National Bank	Employees	62	62	-	-	-	62	-	-
NEDCOR	Employees	90	59	-	22	-	37	-	-
Standard Bank	Employees	71	43	-	43	-	-	-	-
		277	205	-	65	-	140	-	-
Other									
Transnet	T004	Unlimited	3 450 000	-	3 450 000	-	-	-	-
	T001	Unlimited	1 656 000	-	-	-	1 656 000	271 743	-
	T018	6 000 000	6 000 000	-	-	-	6 000 000	455 918	-
	Transnet – Newshelf (Pty) Ltd	1 511 000	2 451 992	232 336	2 684 328	-	-	-	-
SAA	SAA recapitalisation	1 300 000	1 300 000	-	-	-	1 300 000	-	-
	Air Traffic liability	1 600 000	1 600 000	-	-	-	1 600 000	-	-
	Perpetual subordinated loan	1 560 000	1 560 000	-	-	-	1 560 000	-	-
Denel	Recapitalisation	1 300 000	-	1 300 000	420 000	-	880 000	-	-
TOTAL		13 271 000	18 017 992	1 532 336	6 554 328	-	12 996 000	727 661	-

ANNEXURE 3A (continued)

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2009 – FOREIGN

Guarantor Institution	Guarantee in Respect of	Original Guaranteed Capital Amount	Opening Balance 1 April 2008	Guarantees Draw Downs During the Year	Guarantees Repayments/ Cancelled/ Reduced/ Released During the Year	Revaluations	Closing Balance 31 March 2009	Guaranteed Interest for Year Ended 31 March 2009	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
Other									
Transnet	Financing of Harbours and Railways (JPY) *	132 881	28 870	-	30 312	1 442	-	-	-
	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	149 589	-
	Aircraft Boeing B 747-400 (Loan 60A) ^	444 703	-	444 703	-	-	444 703	57 900	-
	Aircraft Boeing B 747-400 (Loan 60B) ^	18 990	-	18 990	18 990	-	-	-	-
	Aircraft Boeing B 747-400 (Loan 60C) ^	145 342	-	148 311	48 490	-	99 821	2 920	-
	TOTAL	4 241 916	3 528 870	612 004	97 792	1 442	4 044 524	466 354	-

* 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 2007 and the Guarantee interest.

ANNEXURE 4**CLAIMS RECOVERABLE**

	Confirmed Balance Outstanding		Unconfirmed Balance Outstanding		Total	
	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008
	R'000	R'000	R'000	R'000	R'000	R'000
Government Entity						
Department						
Government Printers	-	14	-	-	-	14
Free State Province	-	2	-	-	-	2
National Treasury	-	2	-	-	-	2
SASSA	13	13	-	-	13	13
Gauteng Provincial Treasury	35	-	-	-	35	-
			-	-		
TOTAL	48	31	-	-	48	31

ANNEXURE 5**INTER-GOVERNMENT PAYABLES**

	Confirmed Balance Outstanding		Unconfirmed Balance Outstanding		Total	
	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008
	R'000	R'000	R'000	R'000	R'000	R'000
Government Entity						
Departments						
Current						
Department of Public Works	-	-	-	649	-	649
Department of Justice and Constitutional Development	21	291	-	-	21	291
South African Police Service	-	-	-	2	-	2
Department of Trade and Industry	-	-	-	25	-	25
Public Service Commission	-	-	-	12	-	12
Government Printing Works	-	34	-	-	-	34
Limpopo Provincial Government	10	-	-	-	10	-
Department of Foreign Affairs	365	-	-	-	365	-
Palama	23	-	-	-	23	-
TOTAL	419	325	-	688	419	1 013

“You are not here merely to make a living. You are here in order to enable the world to live more amply, with greater vision, with a finer spirit of hope and achievement. You are here to enrich the world, and you impoverish yourself if you forget the errand.”

- Woodrow Wilson

SOAR



HR OVERSIGHT: APRIL 2008 – MARCH 2009

EMPLOYMENT

Table 1.1

Employment and vacancies by Programme at end of period 31 March 2009

Programme	Number of posts	Number of posts filled	Vacancy rate %	Number of posts filled additional to the establishment
Programme:1 Administration	96	89	7.3	0
Programme:2 Energy and Mining Enterprises	16	15	6.3	0
Programme:3 Legal, Governance, Risk and Transactions	20	12	40	0
Programme:4 Manufacturing Enterprises	12	7	41.7	0
Programme:5 Transport Enterprises	13	11	15.4	0
Programme:6 Joint Project Facility (Permanent)	7	6	14.3	0
TOTAL	164	140	14.6	0

Table 1.2

Employment and vacancies by salary band at end of period 31 March 2009

Salary band	Number of posts	Number of posts filled	Vacancy rate %	Number of posts filled additional to the establishment
Skilled (Levels 3-5) Permanent	7	7	0	0
Highly skilled production (Levels 6-8) Permanent	46	46	0	0
Highly skilled supervision (Levels 9-12) Permanent	41	38	7.3	0
Senior management (Levels 13-16) Permanent	5	5	0	0
Contract (Levels 9-12) Permanent	7	7	0	0
Contract (Levels 13-16) Permanent	58	37	36.2	0
TOTAL	164	140	14.6	0

Table 1.3**Employment and vacancies by critical occupation at end of period 31 March 2009**

Critical occupations	Number of posts	Number of posts filled	Vacancy rate %	Number of posts filled additional to the establishment
Administrative related personnel Permanent	25	22	12	0
Authors, journalists and other writers Permanent	3	3	0	0
Client inform clerks (switchboard, reception inform clerks) Permanent	3	3	0	0
Financial and economics related personnel Permanent	10	10	0	
Financial clerks and credit controllers Permanent	4	4	0	0
Food services aids and waiters Permanent	3	3	0	0
Head of department/chief executive officer Permanent	1	1	0	0
Human resources and organisational development and related personnel Permanent	10	10	0	0
Information technology related personnel Permanent	3	3	0	0
Library, mail and related clerks Permanent	3	3	0	0
Logistical support personnel Permanent	5	5	0	0
Messengers, porters and deliverers Permanent	4	4	0	0
Other administration and related clerks and organisers Permanent	6	6	0	0
Secretaries and other keyboard operating clerks Permanent	28	28	0	0
Security officers Permanent	2	2	0	0
Senior managers	54	33	38.9	0
TOTAL	164	140	14.6	0

FILLING OF SMS POSTS AND EVALUATION

Table 2.1

SMS posts information as on 31 March 2009

SMS Level	Total Number of Funded SMS Posts Per Level	Total Number of SMS posts Filled Per Level	% of SMS Posts Filled Per Level	Total Number of SMS posts Vacant Per Level	% of SMS Posts Vacant Per Level
Director-General/ Head of Department	1	1	100%		0%
Salary Level 16, but not HOD					
Salary Level 15	7	5	71.42%	2	28.57%
Salary Level 14	24	15	62.5%	9	37.5%
Salary Level 13	31	21	67.74%	10	32.25%
Total	63	42	0.66	21	0.33%

Table 2.2

Advertising and Filling of SMS posts as on 31 March 2009

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 Becoming Vacant	Number of Vacancies Per Level not Filled in 6 Months but Filled in 12 Months
Director-General/ Head of Department	0	0	0
Salary Level 16, but not HOD	0	0	0
Salary Level 15	0	3	0
Salary Level 14	13	7	6
Salary Level 13	14	7	0
Total	27	17	6

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 six 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

Table 2.4

Disciplinary steps taken for not complying with the prescribed timeframes for filling SMS posts within 12 months

1. None due to reasons provided in Table 2.3 above
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Table 2.5**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
Contract (Levels 9-12)	5	5	100	0	0	0	0
Contract (Band A)	31	31	100	3	9.7	0	0
Contract (Band B)	17	17	100	0	0	0	0
Contract (Band C)	7	7	100	0	0	0	0
Contract (Band D)	1	1	100	0	0	0	0
Skilled (Levels 3-5)	7	7	100	0	0	0	0
Highly skilled production (Levels 6-8)	51	51	100	7	13.7	0	0
Highly skilled supervision (Levels 9-12)	40	40	100	5	12.5	0	0
Senior management service (Band A)	4	4	100	0	0	0	0
Senior management service (Band B)	1	1	100	0	0	0	0
TOTAL	164	164	100	15	9.1	0	0

Table 2.6**Profile of employees whose positions were upgraded due to their posts being upgraded**

Beneficiaries	African	Asian	Coloured	White	Total
Female	5	0	0	2	7
Male	7	0	1	1	9
TOTAL	12	0	1	3	16
Employees with a disability	1	0	0	0	1

Table 2.7**Employees whose salary level exceeded the grade determined by job evaluation (i.t.o. PSR I.V.C.3)**

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation	Number of employees in the Department
0	0	0	0	0	0
0	0	0	0	0	0
TOTAL	0	0	0	0	0
Percentage of total employment	0	0	0	0	0

Table 2.8**Profile of employees whose salary level exceeded the grade determined by job evaluation (i.t.o. PSR I.V.C.3)**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
TOTAL	0	0	0	0	0
Employees with a disability	0	0	0	0	0

EMPLOYMENT CHANGES

Table 3.1**Annual turnover rates by salary band**

Salary band	Employment at beginning of period (April 2008)	Appointments	Terminations	Turnover rate %
Skilled (Levels 3-5) Permanent	7	0	0	0
Highly skilled production (Levels 6-8) Permanent	49	5	3	6.1
Highly skilled supervision (Levels 9-12) Permanent	35	1	3	8.6
Senior management Service band A Permanent	4	0	0	0
Senior management Service band B Permanent	1	0	0	0
Senior management Service band C Permanent	0	0	0	0
Contract (Levels 9-12) Permanent	4	4	0	0
Contract (Band A) Permanent	21	2	5	23.8
Contract (Band B) Permanent	13	8	8	61.5
Contract (Band C) Permanent	6	0	2	33.3
Contract (Band D) Permanent	1	0	0	0
TOTAL	141	20	21	14.9

Table 3.2**Annual turnover rates by critical occupation**

Occupation	Employment at beginning of period (April 2008)	Appointments	Terminations	Turnover rate %
Administrative related Permanent	11	4	1	9.1
Authors, journalists and other writers Permanent	3	1	0	0
Client inform clerks (switchboard reception inform clerks) Permanent	3	0	0	0
Finance and economics related Permanent	4	1	1	25
Financial and related professionals Permanent	9	0	0	0
Financial clerks and credit controllers Permanent	4	0	1	25
Food services aids and waiters Permanent	3	0	0	0
Head of department/chief executive officer Permanent	1	0	0	0
Human resources related Permanent	10	0	1	10
Information technology related Permanent	2	0	0	0
Library, mail and related clerks Permanent	7	0	0	0
Logistical support personnel Permanent	2	0	0	0
Material-recording and transport clerks Permanent	4	0	0	0
Messengers porters and deliverers Permanent	4	0	0	0
Secretaries and other keyboard operating clerks Permanent	28	4	2	7.1
Security officers Permanent	2	0	0	0
Senior managers Permanent	44	10	15	34.1
TOTAL	141	20	21	14.9

Table 3.3**Reasons why staff are leaving the Department**

Termination type	Number	% of total resignations	% of total employment	Total	Total employment
Death Permanent	0	0	0	0	140
Resignation Permanent	15	71.4	10.7	21	140
Expiry of contract Permanent	1	4.8	0.7	21	140
Dismissal – misconduct Permanent	0	0	0	0	140
Other, permanent transfers	5	23.8	3.6	21	140
TOTAL	21	100	15	21	140
Resignation as % of employment					14.9

Table 3.4**Promotions by critical occupation**

Occupation	Employment at beginning period (April 2008)	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	15	3	20	9	60
Authors, journalists and other writers	3	0	0	0	0
Financial clerks and credit controllers	4	1	25	3	75
Food services aids and waiters	3	0	0	3	100
Head of department/chief executive officer	1	0	0	1	100
Human resources and organisational development and related professions	10	1	10	5	50
Human resources related	4	0	0	2	50
Language practitioners, interpreters and other communication professionals	1	1	100	0	0
Librarians and related professionals	1	0	0	1	100
Library, mail and related clerks	4	0	0	3	75
Information and technology related (Permanent)	2	2	100	0	0
Messengers, porters and deliverers	4	0	0	4	100
Other administration and related clerks and organisers	11	0	0	9	81.8
Material recording and transport clerks	5	2	40	3	60
Information and technology related (Permanent)	2	1	50	1	50
Secretaries and other keyboard operating clerks	22	4	18.2	11	50
Security officers	2	0	0	1	50
Senior managers	47	8	17	27	57.4
TOTAL	141	23	16.3	83	58.9

Table 3.5**Promotions by salary band**

Salary band	Employment at beginning of period (April 2008)	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	0	0	6	85.7
Highly skilled production (Levels 6-8) Permanent	49	9	18.4	24	49
Highly skilled supervision (Levels 9-12) Permanent	35	6	17.1	6	17.1
Senior management (Levels 13-16) Permanent	5	0	0	5	100
Contract (Levels 9-12) Permanent	4	0	0	2	50
Contract (Levels 13-16) Permanent	41	8	19.5	33	80.5
TOTAL	141	23	16.3	76	53.9

EMPLOYMENT EQUITY**Table 4.1****Total number of employees (including 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	13	3	0	16	2	12	1	3	16	4	38
Professionals Permanent	9	0	2	11	2	10	1	1	12	4	29
Clerks Permanent	18	1	0	19	0	37	4	0	41	4	64
Service and sales workers Permanent	1	0	0	1	0	0	0	0	0	0	1
Elementary occupations Permanent	3	0	0	3	0	5	0	0	5	0	8
TOTAL	44	4	2	50	4	64	6	4	74	12	140
Employees with disabilities	1	0	0	1	1	0	0	1	1	3	6

Table 4.2**Number of employees (including employees with disabilities) per occupational band**

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	1	0	0	1	1	0	0	0	0	2	4
Professionally qualified and experienced specialists and mid-management Permanent	9	0	0	9	0	10	1	1	12	4	25
Skilled technical and academically qualified workers, junior management, supervisors, foremen Permanent	22	1	0	23	0	35	4	0	37	4	66
Semi-skilled and discretionary decision making Permanent	0	0	0	0	0	7	0	0	7	0	7
Contract (top management) Permanent	1	1	0	2	1	2	0	0	2	1	6
Contract (senior management) Permanent	11	2	2	15	2	10	1	3	14	1	32
Contract (professionally qualified) Permanent	0	0	0	0	0	0	0	0	0	0	0
TOTAL	44	4	2	50	4	64	6	4	72	12	140

Table 4.3**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
Professionally qualified and experienced specialists and mid-management Permanent	0	0	0	1	0	0	0	0	2	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen Permanent	4	0	0	4	0	7	1	0	6	1	13
Semi-skilled and discretionary decision making Permanent	0	0	0	0	0	0	0	0	1	0	0
Not available Temporary	0	0	0	0	0	0	0	0	0	0	0
Contract (top management) Permanent	0	1	0	0	0	0	0	0	1	0	1
Contract (senior management) Permanent	6	0	1	1	1	4	0	1	3	0	13
Contract (professionally qualified) Permanent		0	0	1	0	0	0	0	0	0	0
TOTAL	10	1	1	7	1	11	1	1	13	1	27
Employees with disabilities	0	0	0	0	0	0	0	0	0	0	0

Table 4.4
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
Top management Permanent	0	0	0	0	0	0	0	0	0	0	0
Senior management Permanent	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid- management Permanent	0	0	0	0	0	0	0	0	0	2	2
Skilled technical and academically qualified workers, junior management, supervisors, foremen Permanent	6	1	0	7	0	6	0	0	6	0	13
Semi-skilled and discretionary decision making Permanent	0	0	0	0	0	0	0	0	0	0	0
Contract (top management) Permanent	0	1	0	1	0	0	0	0	0	0	1
Contract (senior management) Permanent	3	0	0	3	1	1	0	1	2	1	7
Contract (professionally qualified) Permanent	0	0	0	0	0	0	0	0	0	0	0
TOTAL	9	2	0	11	1	7	0	1	8	3	23
Employees with disabilities	0	0	0	0	0	0	0	0	0	0	0

Table 4.5**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
Senior management Permanent	0	0	0	0	0	0	0	0	0	0	0
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	4	1	1	6	0	6
Not available Temporary	0	0	0	0	0	0	0	0	0		0
Contract (top management) Permanent	0	0	0	0	1	0	0	0	0	1	2
Contract (senior management) Permanent	6	1	0	7	2	0	1	2	3	1	13
Contract (professionally qualified) Permanent	0	0	0	0	0	0	0	0	0		0
TOTAL	6	1	0	7	3	4	2	3	9	2	21

Table 4.6**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
TOTAL	1	0	0	1	0	1	0	0	1	0	2

Table 4.7**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		2	10	4	9	2	1	9	3	31
Professionals	7			7		11	1	2	11	2	23
Technicians and associate professionals	4					5	3	0	5	1	13
Clerks	10		0	10		20	2	1	20	2	35
Service and sales workers											0
Skilled agriculture and fishery workers											0
Craft and related trades workers											0
Plant and machine operators and assemblers											0
Elementary occupations	3			3		3					6
TOTAL	34	0	2	30	4	48	8	4	45	8	108
Employees with disabilities	1	0	0	1	1	0	0	1	1	2	5

PERFORMANCE**Table 5.1****Signing of Performance Agreements by SMS Members as on 30 September 2008**

SMS Level	Total Number of Funded SMS Posts Per Level	Total Number of SMS Members Per Level	Total Number of Signed Performance Agreements Per Level	Signed Performance Agreements as % of Total Number of SMS Members Per Level
Director-General/Head of Department	1	1	1	100%
Salary Level 16, but not HOD	0	0	0	100%
Salary Level 15	7	5	5	100%
Salary Level 14	21	10	10	100%
Salary Level 13	31	21	21	100%
Total	60	37	37	100%

Table 5.2**Reasons for not having concluded Performance Agreements for all SMS members as on 30 September 2008**

I. None as all SMS members complied.

Table 5.3**Disciplinary steps taken against SMS members for not having concluded Performance Agreements as on September 2008**

I. None as all SMS members complied.

Table 5.4**Performance rewards by race, gender and disability**

Demographics	Number of beneficiaries	Total employment	% of total employment	Cost (R'000)	Average cost per beneficiary (R)
African, female	44	63	69.8	1,394	31,675
African, male	32	43	74.4	930	29,048
Asian, female	4	3	133.3	251	62,767
Asian, male	0	2	0	0	0
Coloured, female	5	6	83.3	82	16,429
Coloured, male	4	3	133.3	236	59,011
Total Blacks, female	53	72	73.6	1,727	32,583
Total Blacks, male	36	48	75	1,166	32,377
White, female	6	8	75	208	34,690
White, male	2	2	100	155	77,358
Employees with a disability	5	6	83.3	166	33,187
TOTAL	102	136	75	3,421	33,542

Table 5.5**Performance rewards by salary band for personnel below senior management service**

Salary band	Number of beneficiaries	Total employment	% of total employment	Cost (R'000)	Average cost per beneficiary (R)
Skilled (Levels 3-5)	6	7	85.7	59	9,833
Highly skilled production (Levels 6-8)	35	45	77.8	445	12,714
Highly skilled supervision (Levels 9-12)	35	37	94.6	905	25,857
Contract (Levels 9-12)	2	7	28.6	44	22,000
Periodical remuneration	0	35	0	0	0
TOTAL	78	131	59.5	1453	18628

Table 5.6**Performance rewards by critical occupation**

Critical occupation	Number of beneficiaries	Total employment	% of total employment	Cost (R'000)	Average cost per beneficiary (R)
Administrative related	16	20	80	518	32,375
Authors, journalists and other writers	1	2	50	76	76,000
Client inform clerks (switchboard reception inform clerks)	2	3	66.7	20	10,000
Communication and information related	1	2	50	76	76,000
Finance and economics related	4	6	66.7	115	28,750
Financial and related professionals	2	6	33.3	42	21,000
Financial clerks and credit controllers	5	5	100	62	12,400
Food services aids and waiters	4	4	100	39	9,750
Head of department/chief executive officer	1	1	100	423	423,000
Human resources and organisational development and related professionals	5	7	71.4	108	21,600
Human resources related professionals	3	2	150	110	36,667
Librarians and related professionals	1	1	100	23	23,000
Library, mail and related clerks	6	6	100	44	7,333
Material-recording and transport clerks	5	6	83.3	68	13,600
Messengers porters and deliverers	2	2	100	24	12,000
Other administrative and related clerks and organisers	2	3	66.7	29	14,500
Other information technology personnel	1	1	100	28	28,000
Other occupations	1	3	33.3	48	48,000
Safety, health and quality inspectors	0	1	0	0	0
Secretaries and other keyboard operating clerks	21	27	77.8	304	14,476
Security officers	1	1	100	25	25,000
Senior managers	18	27	66.7	1,242	69,000
TOTAL	102	136	75	3424	33569

Table 5.7**Performance related rewards (cash bonus) by salary band for senior management service**

SMS band	Number of beneficiaries	Total employment	% of total employment	Cost (R'000)	Average cost per beneficiary (R)	% of SMS wage bill	Personnel cost SMS (R'000)
Band A	12	1	1200	732	6,100	8	9,161
Band B	9	20	45	678	7,533	5.3	12,746
Band C	2	14	14.3	136	6,800	2.1	6,517
Band D	1	5	20	423	42,300	10.6	3,995
TOTAL	24	40	60	1969	8204.2	6.1	32419

FOREIGN WORKERS**Table 6.1****Foreign workers by salary band**

Salary band	Employment at beginning period	% of total	Employment at end of period	% of total	Change in employment	% of total	Total employment at beginning of period	Total employment at end of period	Total change in employment
Contract (Levels 13-16)	1	100	2	100	1	100	1	2	1
TOTAL	1	100	2	100	1	100	1	2	1

Table 6.2**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
Professionals and managers	1	100	2	100	1	100	1	2	1
TOTAL	1	100	2	100	1	100	1	2	1

LEAVE

Table 7.1

Sick leave for January 2008 to December 2008

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
Skilled (Levels 3-5)	28	100	6	5.4	5	7	112	28
Highly skilled production (Levels 6-8)	242	91.7	35	31.3	7	118	112	222
Highly skilled supervision (Levels 9-12)	183	89.1	31	27.7	6	196	112	163
Senior management (Levels 13-16)	16	93.8	4	3.6	4	39	112	15
Contract (Levels 9-12)	27	81.5	3	2.7	9	38	112	22
Contract (Levels 13-16)	168	96.4	33	29.5	5	440	112	162
TOTAL	664	92.2	112	100	6	838	112	612

Table 7.2

Disability leave (temporary and permanent) for January 2008 – December 2008

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 production (Levels 6-8)	106	100	1	50	106	54	106	2
Highly skilled supervision (Level 9-12)	1	100	1	50	1	1	1	2
TOTAL	107	100	2	100	54	55	107	2

Table 7.3**Annual leave for January 2008 – December 2008**

Salary band	Total days taken	Average days per employee	Number of employees who took leave
Skilled (Levels 3-5)	163	23	7
Highly skilled production (Levels 6-8)	920	19	48
Highly skilled supervision (Levels 9-12)	901	21	42
Senior management (Levels 13-16)	136	23	6
Contract (Levels 9-12)	70	18	4
Contract (Levels 13-16)	750.4	15	49
TOTAL	2940.4	19	156

Table 7.4**Capped Leave for January 2008 to December 2008**

	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2008	Number of employees who took capped leave	Total number of capped leave available at 31 December 2008	Number of employees as at 31 December 2008
Highly skilled production (Levels 6-8)	11	6	23	2	275	12
Highly skilled supervision (Levels 9-12)	11	4	34	3	543	16
TOTAL	22	4	29	5	818	28

Table 7.5**Leave payouts**

Reason	Total amount (R'000)	Number of employees	Average payment per employee (R)
Capped leave payouts on termination of service for 2008/09	332	14	23714
Current leave payout on termination of service for 2008/09	279	10	27900
TOTAL	611	24	25458

Table 8.1**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
Unit/categories of employees have not yet been identified however as part of the HIV & AIDS programme of action a prevalence study will be conducted to determine the employees at risk.	A prevalence study will be conducted.

Table 8.2**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 I 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		2 employees and the cost is 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 an 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 I 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; Henry Stopforth, David Moima, Henriette Strauss, Dr Elizabeth Brown, Vusi Khumalo, Elsie Dikgomo, 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 / 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 November 2008 – 42% of employees were tested and the results were negative.
8. Has the Department developed measures/indicators to monitor and 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.
9. Has the Department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter I of the Public Service Regulations, 2001? If so, provide her/his name and position.	Yes		S. Crosson Head: Corporate Service

LABOUR RELATIONS

Table 9.1

Collective agreements

Subject matter	Date
None	N/A
None	N/A

Table 9.2

Misconduct and discipline hearings finalised

Outcomes of disciplinary hearings	Number	Percentage of total	Total
TOTAL	2	100	2

Table 9.3

Types of misconduct addressed and disciplinary hearings

Type of misconduct	Number	Percentage of total	Total
Unwilling to take up instruction	2	100	2
TOTAL	2	100	2

Table 9.4

Grievance lodged

Number of grievances addressed	Number	Percentage of total	Total
TOTAL	0	0	0

Table 9.5

Disputes lodged

Number of disputes addressed	Number	Percentage of total
Upheld	0	0
Dismissed	0	0
TOTAL	0	

Table 9.6

Strike action

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 9.7

Precautionary suspensions

Precautionary suspensions	—
Number of people suspended	1
Number of people whose suspension exceeded 30 days	0
Average number of days suspended	30
Cost (R'000) of suspensions	0

SKILLS DEVELOPMENT

Table 10.1
Training needs identified

Occupational categories	Gender	Employment	Learnerships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	0	0	43	19	62
	Male	0	0	55	15	70
Professionals	Female	0	0	95	2	97
	Male	0	0	18	6	24
Technicians and associate professionals	Female	0	0	15	4	19
	Male	0	0	5	3	8
Clerks	Female	0	0	116	25	141
	Male	0	0	35	0	35
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	0	9	0	9
	Male	0	0	1	0	1
Gender sub totals	Female	0	0	278	50	328
	Male	0	0	114	24	138
TOTAL		0	0	392	74	466

Table 10.2
Training provided

Occupational categories	Gender	Employment	Learnerships	Skills programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers (level 13 up)	Female	0	0	25	33	58
	Male	0	0	28	19	47
Professionals (level 10 - 12)	Female	0	0	33	10	43
	Male	0	0	15	19	34
Technicians and associate professionals	Female	0	0	7	12	19
	Male	0	0	17	13	30
Clerks (level 7 - 9)	Female	0	3	30	13	46
	Male	0	1	10	4	33
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations (level 1 - 6)	Female	0	0	3	4	7
	Male	0	0	0	0	0
Gender sub totals	Female	0	3	98	72	173
	Male	0	1	70	55	126
TOTAL		0	4	168	127	299

UTILISATION OF CONSULTANTS

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
Manual on Promotion for Access to Information Act	1	132	R232 560
SAFCOL Share Transfer – Drafting of Framework for Disposal	1	14	R115 545
Competitive Supplier Development Programme (CSDP)	1	264	R1 240 891
Solar Water Heater Skills Development Programme	1	140	R386 166
BBBEE Toolkit - Property Project	1	140	R47 547
ICT, Technology and Innovation and Aerostructures Projects	1	264	R2 106 720
Employment and Skills Development Agency (ESDA) Project	3	93	R161 642
Financial Modelling – Transnet	1	90	R1 700 000
Capital Structure Framework across SOE	1	90	R1 716 516
Economy-wide Impact of Transnet	1	92	R1 050 000
Rail Economy Regulation	1	7	R50 664
Options on Truck Tariffs	1	7	R50 000
Options for Branch Lines	1	7	R50 500
SAA Funding Options	1	52	R2 622 000
Development of Financial Forecast for SAA – Multi-scenario	1	132	R983 900
NPA Tariff Approaches and Returns in the Context of Economic Regulation	1	22	R375 000
Power Utility Asset Valuation Study	1	66	R638 786
Nuclear Communications Project	1	264	R3 468 335
Local Railway Supplier Industry Capabilities	1	103	R1 622 637
Dashboard Development	1	264	R819 352
Annual Review of Department	1	10	R50 000
SOE Reader	1	60	R225 000
Advanced Learning Programme	1	35	R175 000
Review Shareholder Relationship with SOE	1	45	R225 000
Environmental Issues Project	1	180	R339 325
Review of Eskom's Expansion and Long-term Sustainability Plans	1	10	R200 000
Valuation and Spatial Development Framework	1	62	R247 537
Study: State Investment Agency	1	90	R849 300
Workstudy : Workflow and Job Evaluations	1	88	R2 027 539
Assessment of SOE Infrastructure Funding	1	60	R387 600
5 Year Review of SOE Performance	1	60	R280 440
TOTAL	33	2943	R24 445 502

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
Manual on Promotion for Access to Information Act	.05	.05	2
SAFCOL Share Transfer – Drafting of Framework for Disposal	100	100	1
Competitive Supplier Development Programme (CSDP)	0	0	0
Solar Water Heater Skills Development Programme	100	100	1
BBBEE Toolkit - Property Project	59	59	1
ICT, Technology and Innovation and Aerostructures Projects	0	0	0
Employment and Skills Development Agency (ESDA) Project	100	100	3
Financial Modelling – Transnet	0	48%	3
Capital Structure Framework across SOE	0	48%	2
Economy-wide Impact of Transnet	University	University	University
Rail Economy Regulation	0	0	0
Options on Truck Tariffs	0	0	0
Options for Branch Lines	0	0	0
SAA Funding Options	0	.13	2
Development of Financial Forecast for SAA – Multi-scenario	International Company	International Company	International Company
NPA Tariff Approaches and Returns in the Context of Economic Regulation	100	100	1
Power Utility Asset Valuation Study	International Company	International Company	International Company
Nuclear Communications Project	.02	.02	3
Local Railway Supplier Industry Capabilities	.03	.03	1
Dashboard Development	41	50	2
Annual Review of Department	0	0	0
SOE Reader	0	0	0
Advanced Learning Programme	0	0	0
Review Shareholder Relationship with SOE	0	0	0
Environmental Issues Project	100	100	2
Review of Eskom's Expansion and Long-term Sustainability Plans	79	100	3
Valuation and Spatial Development Framework	0	0	0
Study: State Investment Agency	100	100	1
Workstudy : Workflow and Job Evaluations	100	100	1
Assessment of SOE Infrastructure Funding	100	100	3
5 Year Review of SOE Performance	100	100	1

ACRONYMS

ACF	Advanced Coater Facility
ACSA	Airports Company South Africa
AGM	Annual General Meeting
ARM	Analysis and Risk Management (DPE)
ASGISA	Accelerated and Shared Growth Initiative SA
ATE	Advanced Technologies and Engineering
AWCC	African West Coast Cable
CER	Communications and External Relations (DPE)
CFO	Chief Financial Officer
CFT	Corporate Finance and Transactions
CSDP	Competitive Supplier Development Programme
CSIR	Council for Scientific and Industrial Research
CSS	Corporate Strategy and Structure
DBSA	Development Bank of South Africa
DDG	Deputy Director General
DEAT	Department of Environmental Affairs and Tourism
DLA	Department of Land Affairs
DME	Department of Minerals and Energy
DOD	Department of Defence
DOT	Department of Transport
DPE	Department of Public Enterprises
DPP	Demonstration Power Plant
DPSA	Department of Public Service and Administration
DST	Department of Science and Technology
DTI	Department of Trade and Industry
DWAF	Department of Water Affairs and Forestry
ECA	Electronic Communications Act
EDI	Electricity Distribution Industry
EIA	Energy Information Administration
ENE	Estimates of National Expenditure
EPMS	Executive Project Management System
ESDA	Employment Skills and Development Agency
ExCo	Executive Committee
FEE	Forum of Executives in Energy
FET	Further Education and Training
FSN	Full Services Network
GCIS	Government Communication and Information Services
HR	Human Resources
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
IIA	Institute of International Auditors
INK	Inanda, Ntuzuma and KwaMashu (URP)
IPO	Initial Public Offering
IPP	Independent Power Producers
JHB	Johannesburg
JIA	Johannesburg International Airport
JIPSA	Joint Initiative on Priority Skills Acquisition



JPF	Joint Project Facility
KPI	Key Performance Indicator
LAN	Local Area Network
LGS	Legal, Governance and Secretariat (DPE)
MANCO	Management Committee
Min	Minister
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MYPD	Multi-Year Price Determination
NEF	National Empowerment Fund
NGNP	Next Generation Nuclear Plant
NIA	National Intelligence Agency
NIF	National Interest Facility
NT	National Treasury
NGNP	Next Generation Nuclear Plant
NEMA	National Environmental Management Act
NERSA	National Energy Regulator SA
NNRA	National Nuclear Regulator Act
PAIA	Promotion of Access to Information Act
PBMR	Pebble Bed Modular Reactor
PCB	Printed Circuit Board
PFMA	Public Finance Management Act
PFP	PBMR Fuel Plant
PPP	Public-Private Partnerships
PSJV	Pool and Share Joint Venture
PSP	Private Sector Participation
OHS	Occupational Health and Safety
OPSCO	Operations Committee
RED	Regional Electricity Distributors
SAA	South African Airways
SAAT	South African Airways Technical
SAFCOL	South African Forestry Corporation Ltd
SARCC	South African Rail Commuter Corporation
SAX	South African Express
SDP	Supplier Development Plans
SEP	Simplified Employee Pension
SIDS	Strategically Important Developments
SMM	Stakeholder Management Model
SNO	Second Network Operator
SOE	State Owned Enterprise(s)
SRPESA	Support to the Restructuring of Public Enterprises SA
TFR	Transnet Freight Facility
UAV	Unmanned Aerial Vehicle
UK	United Kingdom
URP	Urban Renewal Programme
WEF	World Economic Forum





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