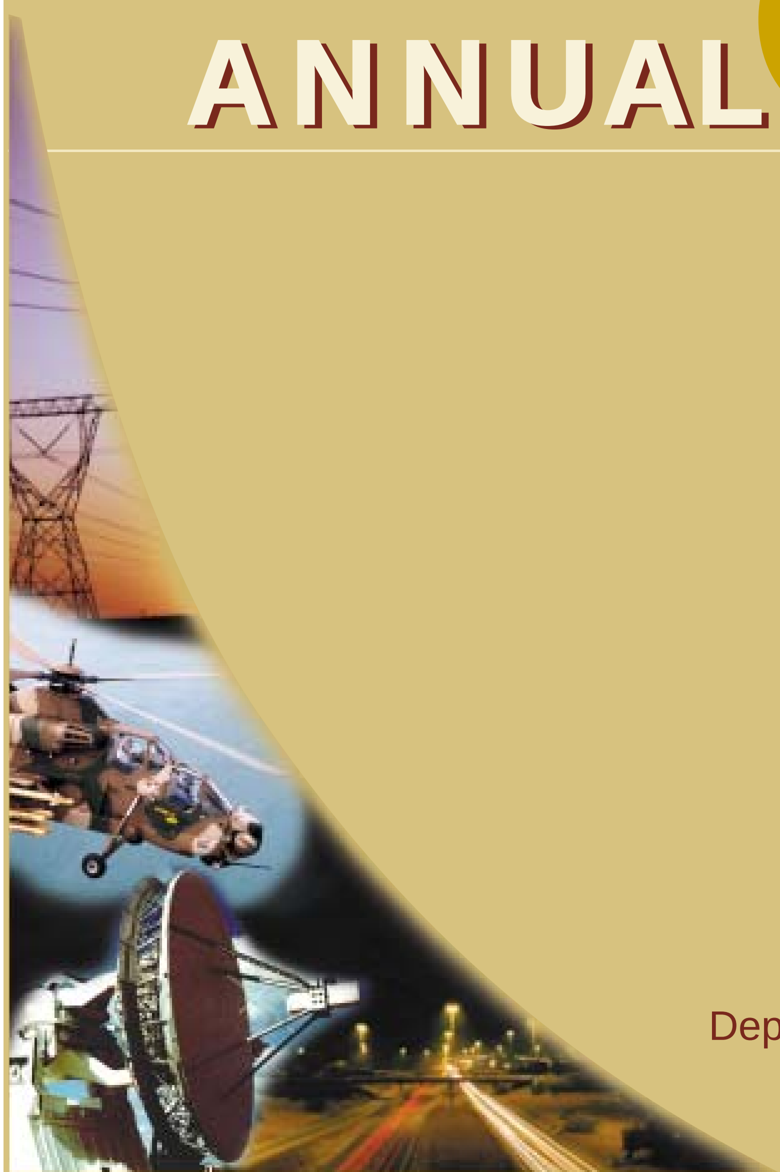
ANNUAL REPORT

2001/2002



Department of Public Enterprises

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MANDATE

The Department of Public Enterprises is a Schedule 1 department responsible for the development and implementation of an integrated and coherent approach to maximising the contribution of state-owned enterprises (SOEs) to the socio-economic development of South Africa. The Department's mandate can be briefly described as encompassing the following:

- Developing and implementing a coherent approach to the restructuring of SOEs to ensure improved economic and social impact
- Creating and implementing restructuring frameworks for SOEs
- Developing a systematic method for monitoring the performance of SOEs and ensuring the most effective alignment of their activities with Government policy
- Developing a comprehensive approach to advocating alternative service delivery options as a means of restructuring and transforming SOEs

VISION

The Department's vision is to have restructured state-owned enterprises that promote economic growth and a better life for all in a globally competitive environment.

MISSION

To translate the Department's vision into measurable, achievable and realistic actions, the Department's formulated mission is to direct and manage the accelerated restructuring of SOEs to maximize shareholder value.

STRATEGY

The department's strategy has been formulated on a clear understanding of furthering the developmental agenda of our country. Government's policy with regards to SOEs is more properly referred to as the restructuring programme, rather than the more simplistic and narrow term of privatisation. The programme has been designed around a multiple array of strategies to foster the maximisation of shareholder interest.

RESTRUCTURING THEREFORE REFERS TO THE MATRIX OF OPTIONS THAT INCLUDES:

- Redesign of business management principles within the enterprises;
- Attraction of strategic equity partners or concessionaires;
- The divestment of equity, either in whole or in part, where appropriate; and
- Employment of various turnaround strategies.

AT THE ENTERPRISE AND SECTOR LEVEL, RESTRUCTURING INVOLVES:

- Improving the efficiency and effectiveness of the entity;
- Accessing globally competitive technologies;
- Mobilising private sector capital and expertise; and
- Creating effective market structures in sectors.

AT THE MACRO-ECONOMIC LEVEL RESTRUCTURING AIMS TO:

- Attract private sector investment
- Reduce public borrowing requirements; and
- To assist in the development of an economic context that promotes industrial competitiveness and fuels economic growth and the creation of sustainable employment opportunities.

IN ORDER TO GUIDE THE SOES IN ACHIEVING THE ABOVE, THE DEPARTMENT WILL ACTIVELY PROMOTE AND INSTITUTE:

- Sound corporate governance, ethics and probity;
- Rigorous performance monitoring of the SOEs; and
- A comprehensive approach to promoting a range of alternative service delivery options as a means of restructuring and transforming SOEs.

CHAPTER 2

MINISTER'S REPORT

Minister's Report

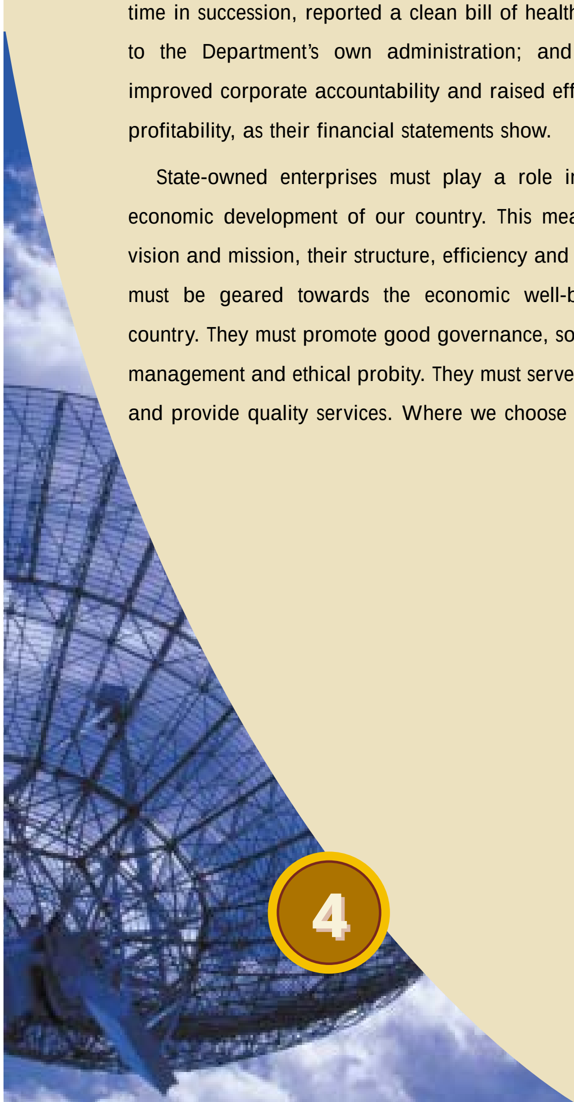
Minister Jeff Radebe

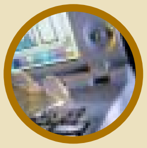
Tremendous progress has been made in executing our principal mandate of accelerating the restructuring of state-owned enterprises since the publication of DPE's first Annual Report for the financial year 2000/2001. The Department's staff complement has increased over the year and new strengths added. Likewise, new appointments to Boards of Directors at various SOEs have aligned Boards with the needs of stronger corporate governance and the new requirements of the restructuring era. The Auditor General has, for the second time in succession, reported a clean bill of health with regard to the Department's own administration; and SOEs have improved corporate accountability and raised efficiencies and profitability, as their financial statements show.

State-owned enterprises must play a role in the overall economic development of our country. This means that their vision and mission, their structure, efficiency and effectiveness, must be geared towards the economic well-being of our country. They must promote good governance, sound financial management and ethical probity. They must serve public needs and provide quality services. Where we choose to restructure SOEs, we promote models to enhance their positive contribution to the economy and their global competitiveness. We also recognize that the larger, strategically placed SOEs like Transnet, Eskom, Telkom and Denel, play a significant role in international relations and in the foreign policy of our country. In this regard, significant steps were taken during 2001/02 to prepare the SOEs for the challenge of NEPAD, and to ensure that their roles on the continent are co-ordinated, integrated and based on partnership and development.

We have continued to implement our restructuring programme on a case-by-case basis, adopting options in co-operation with other relevant departments and through discussion with organised labour at sectoral levels. There has not been a fire sale of precious assets; nor has there been a reluctance to move forward with the disposal of non-strategic assets. We have attempted to balance revenue income alongside development projections. Our experience shows that reaching a successful conclusion of a restructuring initiative is far more laborious than might meet the eye. The road between intention and destination is often bumpy, and hardly ever direct! Much of the time taken to fulfill a target or to reach a milestone is taken up by committee work and hard-nosed number crunching.

Some statistics may help to illustrate the rate of progress so far. Between 1997 and the end of March 2001, Government undertook some 18 restructuring initiatives, including outright sale to black economic empowerment groups (BEE), the sale of minority shares to strategic equity partners or BEE groups, and acquired dividends through SASRIA's creation. The National Revenue Fund account received just over R20 billion out of total proceeds of R26,7 billion. In the financial year under review, despite our decision not to proceed





with the Telkom IPO, Treasury received R7,5 billion out of a total of just over R8 billion.

In order not to micro-manage the enterprises, a Protocol on Corporate Governance, laying emphasis on the role that the Boards should play, has been developed. This Protocol is largely based on the recommendations of the King 2 Report and the stipulations of the Public Finance Management Act. This is done with due recognition that during the transformation of these enterprises towards expected efficiencies and competitiveness, they have to abide by the rules of the game as it is currently played. As has been shown by both the Department and the SOEs, there has been swift action against those who flouted the rules of corporate governance.

Our commitment to restructuring is based on the need to transform the South African economy, while at the same time making sure that SOEs offer high quality service at lower prices so as to stimulate growth. The political imperatives will always be balanced with the need to improve the financial position, and hence the potential contribution, of these SOEs.

On the production of this report and the achievements that are highlighted in it, it is my pleasure to thank at a collegial level, my Cabinet colleagues, particularly the Ministerial Subcommittee on Restructuring. At a planning and facilitation level, I wish to thank the Oversight Committee and the task teams involved. On day-to-day management, I would like to thank my Director General for leading a highly motivated team, including support staff and consultants, in a manner that has enabled the Department to achieve its mandate.

Jeff Radebe, MP

Minister of Public Enterprises

SOME KEY ACHIEVEMENTS OF THE DEPARTMENT IN THE YEAR UNDER REVIEW

RESTRUCTURING:

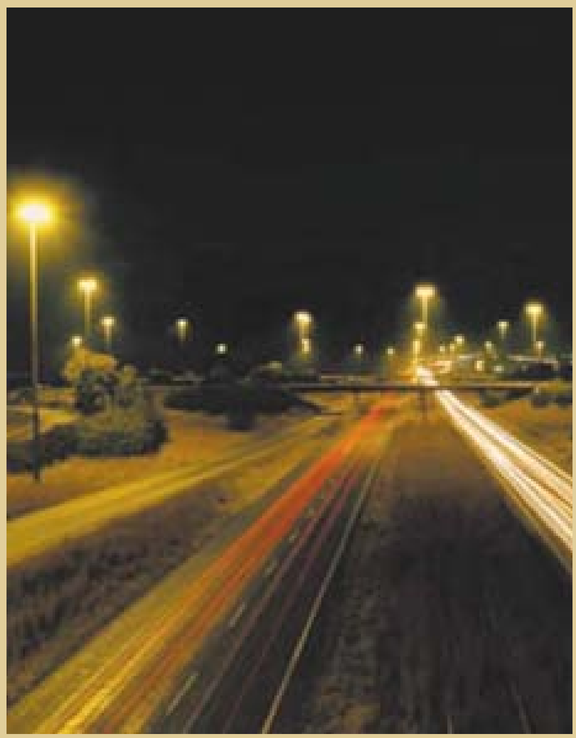
- Sale of three of Aventura's non-profitable resorts, Aldam, Bloemfontein and Christiana
- The sale of Transnet's 20 percent stake in M-Cell was concluded with ICE Bv for R5.3 billion
- The sale of 75 percent of the Eastern Cape North (Singisi) forestry asset to the Singisi Consortium for R100 million
- The sale of 75 percent of the KwaZulu-Natal forestry assets to the Siyaqhubeka Consortium consisting of Mondi and Imbokodvo Lemabalabala for R45 million
- Commencement of the sale process of 51% of Alexkor
- Re-aquisition of 20% stake in SAA from the SAirGroup with a net benefit to Government of R1 billion
- Finalisation of the rail restructuring model for Spoornet and reaching agreement with organised labour on the model
- In the defence sector, agreement reached with Turbomeca on the creation of a new company, Turbomeca Africa, to be formed from Denel's Airmotive division.
- BAES accepted by Cabinet as the Strategic Equity Partner for Denel Aerospace and Ordnance.
- Agreement reached with the Strategic Equity Partner on the parameters for Telkom's listing on the Johannesburg Stock Exchange and the New York Stock Exchange

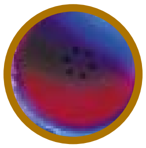
CORPORATE GOVERNANCE:

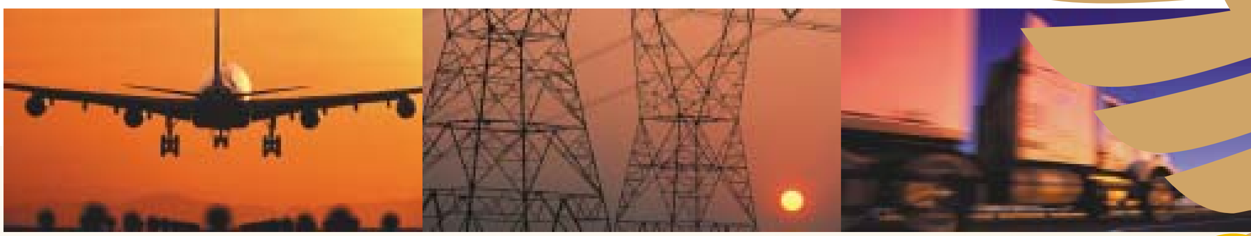
- Restructuring of the Boards of Transnet, Aventura, Safcol and Alexkor
- Finalisation of shareholder compacts with Transnet, Eskom and Denel

INTERNAL PERFORMANCE ENHANCEMENTS:

- Unqualified Audit Report from the Auditor-General for the second year in succession
- Adoption of a departmental fraud prevention policy
- Implementation of a Balanced Scorecard system to assess the Department's performance
- Adoption of a Performance Management Policy for staff levels 1-12







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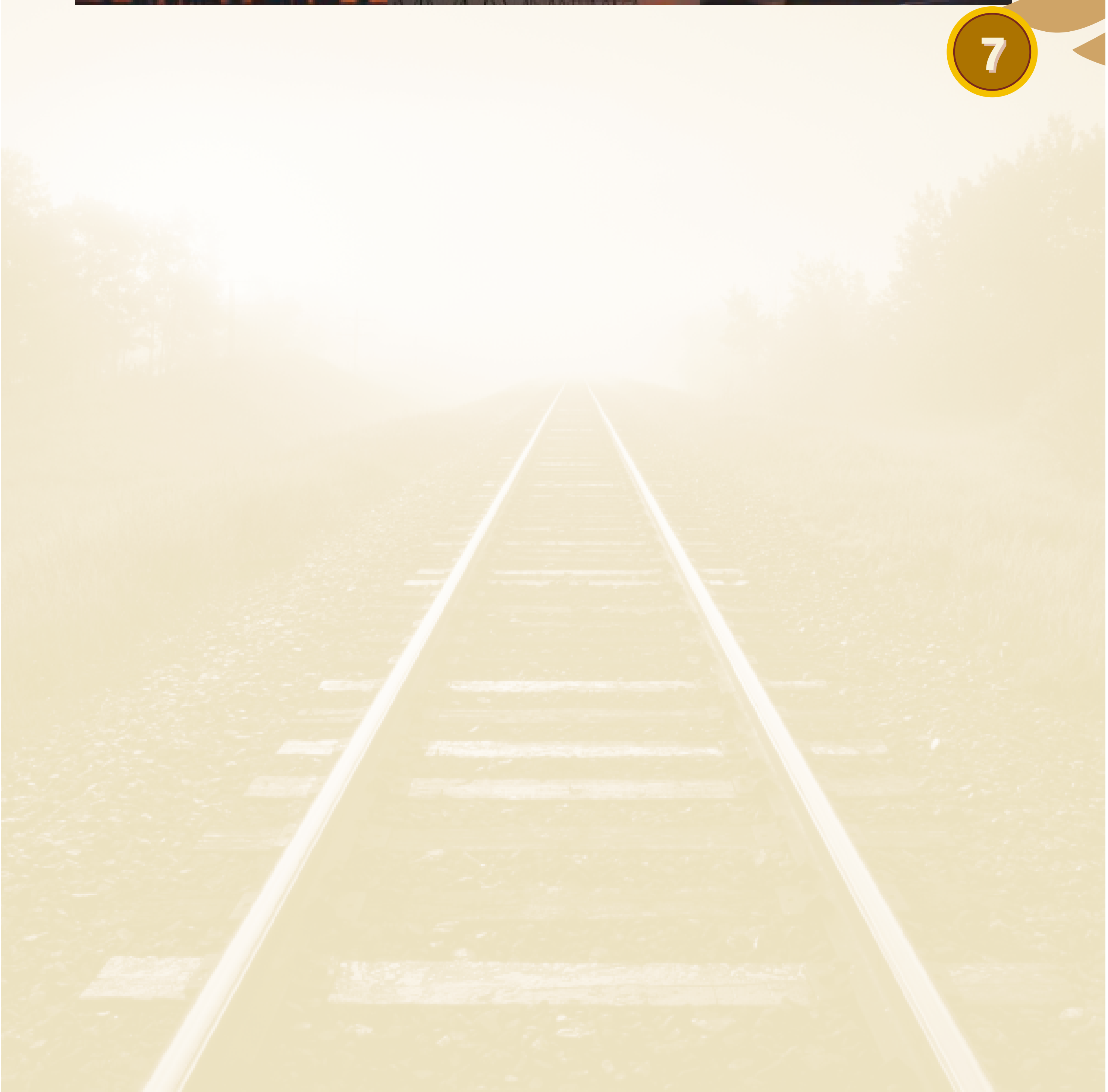
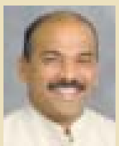


CHAPTER 4
DIRECTOR-GENERAL'S REPORT

Director-General's Report


Dr Sivi Gounden

It is my pleasure to formally submit this, the second Annual Report of the Department of Public Enterprises, to the Minister of Public Enterprises.

2001 marks a year in which the DPE underwent a strengthening and maturation process. Internally, we improved upon existing controls, bedded down new systems, and integrated new staff members into the team. Externally, we faced adverse market conditions that delayed the implementation of some of our programmes. Nevertheless, the Department has once again achieved the goals that we set for ourselves and delivered a satisfactory performance. Having developed the restructuring policy last year, we set ourselves the challenge of moving rapidly forward with the restructuring of South Africa's state owned enterprises. This has largely been achieved, through the significant co-operation between relevant government departments, our enterprises' Boards and senior management, and the team at DPE.

As the shareholder representative for the state, the department has put much energy into performing this fiduciary duty and into developing the necessary corporate governance framework. We have addressed the reporting requirements outlined in the Public Finance Management Act and have brought our enterprises within its ambit. This has been achieved through a revision of the Protocol on Corporate Governance to take account of the recommendations made in the second King Report on Corporate Governance.

Given the roles that the state expects its enterprises to fulfill, we have placed considerable emphasis on aligning the performance expectations of government and the SOEs. These expectations have been captured in shareholder compacts entered into between the DPE and SOE Boards. This is an important development, as the compact establishes the performance expectations of Government and will frame the manner in which we interact with SOE Boards from now on.

With monitoring systems established, we have been able to turn our attention to the investment strategies of our SOEs, and have established an investment framework to assist SOEs in prioritizing their investments. In addition, we have established a Guarantee and Debt Maturity Register to record and monitor government guarantees given on behalf of SOEs, and to track the maturity profile of SOE debt. This step was necessary to address the concerns of the Auditor General on this subject.

Turning to our restructuring activities, our achievements reflect a very busy year. Our project register shows 64 restructuring projects that occupied our attention in 2001. These run the gamut of internal restructuring in order to achieve sustainability, to incorporation of new business entities, to disposal of non-strategic state entities. These efforts have been directed at realizing for the state the considerable value that is embodied in our enterprises.

After much consultation under the auspices of the National Framework Agreement, we have reached agreement with organized labour on the restructuring model of Spoornet. This will assist Spoornet to move forward towards greater achievements. Policy developments have enabled the restructuring of our ports to move forward. In August 2001 Portnet separated into the National Ports Authority and Ports Operations divisions. This allows progress to be made on the concessioning of ports operations, and the consequent improvement in our transport and logistics infrastructure that new investment will bring. On this note, the Department has assisted in ensuring that the development of the Port of Ngqura in the Eastern Cape goes forward, to the benefit of that region.

Adverse market forces have wreaked havoc in the international airline industry, resulting in the liquidation of Swiss Air. The consequence of this for the DPE was that we have had to negotiate the repurchase of SAirGroup's equity interest in SAA. This was achieved on very favourable terms that realized approximately R1 Billion for the state. We were thus able to turn economic adversity into a profitable outcome for the country.

In the defence industry, Cabinet approved potential partners who are likely to contribute to the future growth of Denel. Negotiations with these partners, BAES and Turbomeca, were commenced with. Both initiatives will enable Denel to expand its markets and grow its business.

In the forestry sector, we have disposed of two state forest packages to local companies with strong empowerment partners. The Eastern Cape North package was sold to Singisi Consortium in August 2001 and the Kwa-Zulu Natal package was sold to the Siyaqhubeka Consortium in October 2001. The government has retained a 25% interest in these packages through SAFCOL, which will be used to promote employee and community ownership.

In the energy sector, Eskom has been prepared for competition and growth with the passing of the Eskom Conversion Act. Serious consideration has been given to the impact of this change, and DPE is working with Eskom and the National Electricity Regulator to define a suitable liberalization framework.

Finally in the telecommunications sector, we again experienced extremely adverse market conditions. This has allowed the Department to continue readying Telkom for an initial public offering and listing. The groundwork has been done and when market conditions allow, the listing will take place.

We have ensured that all our work takes cognizance of the need to empower those who have historically been excluded from the economic wealth of our country. Whether it's in the selection of an equity partner, or of a consulting professional, or in the procurement of departmental needs, the principles of black economic empowerment have informed our actions. We have also included BEE procurement targets in SOE shareholder compacts to ensure that this aspect remains one of the key performance indicators in our assessment of the overall performance of SOEs. Furthermore, we have adopted the principle of employee share ownership in our transactions to date, and will be exploring ways in which this can be strengthened.

In support of these activities, we have built a strong department with an ethos of professionalism and excellence. Employee numbers have expanded from 83 to 115, during which we have far exceeded the employment equity targets we have set for ourselves, both in terms of race and in terms of gender. This growth has seen the Department strengthen its internal systems, IT and HR, performance monitoring, financial controls and risk management. The success of this strengthening can be seen by our unqualified audit report from the Auditor General for the second consecutive year, an achievement of which the Department is justifiably proud.

Looking ahead, we can identify some major challenges and opportunities. The Telkom IPO is likely to be the largest listing to occur in South Africa in recent times, and has already attracted considerable local and international interest. The development of the Transnet end-state will have to ensure ongoing profitability, increased investment in infrastructure, and a competitive and affordable pricing regime. Similarly, restructuring our energy sector will need a thoughtful and measured approach from Government, Eskom and the NER. We will rise to the challenges that these exercises bring.

Finally, as a department, we would like to express our gratitude to our counterparts in other government departments who have unfailingly assisted us in the execution of our mandate. We would like to thank the Board and Management of those enterprises who report to us for their commitment and professionalism. On a personal note, I would like to express my gratitude to the Minister for his unfailing support, and lastly, and most importantly, to the team at DPE, for your dedication and professionalism, your enthusiasm and willingness, I thank you.

Sivi Gounden

Dr Sivi Gounden

Director-General: Public Enterprises

OUR AIM

The aim of the Department of Public Enterprises is to direct and manage the accelerated restructuring of state-owned enterprises to maximize shareholder value.

SUMMARY OF PROGRAMMES

PROGRAMME 1: ADMINISTRATION

This programme is responsible for the overall direction and management of the Department and the Ministry. It comprises the Ministry, the Office of the Director-General, Communications, the Internal Audit unit, Financial Management and the Corporate Services Chief directorate.

PROGRAMME 2(A): RESTRUCTURING OF STATE-OWNED ENTERPRISES

The programme develops and implements the restructuring programme to meet Government's economic and social objectives. It is made up of the Energy and Telecommunications, Transport, Financial Modelling and Risk Analysis, Defence and Legal Services units.

PROGRAMME 2(B): IPO OFFICE

The Initial Public Offering office is responsible for formulating and managing the implementation and execution of government's decisions with respect to the listing of state-owned enterprises on the domestic and international equity exchange markets.

PROGRAMME 3(A): PERFORMANCE MONITORING AND BENCHMARKING

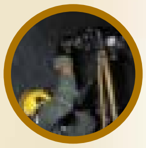
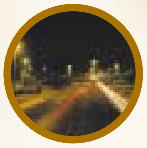
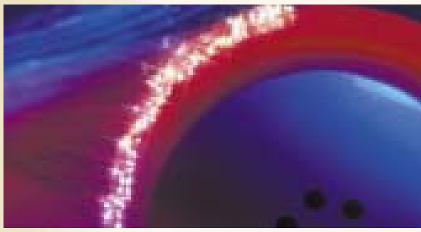
This programme is responsible for monitoring and evaluating the financial, socio-economic and non-financial performance of state-owned enterprises, as well as to promote best performance management practices to enhance shareholder value through improved corporate governance structures.

PROGRAMME 3(B): STRATEGIC ANALYSIS

The aim of this programme is to develop strategic policy frameworks, analyse sector strategies and economic issues, to enable the accelerated restructuring of state-owned enterprises

PROGRAMME 4: ALTERNATIVE SERVICE DELIVERY

The aim of this programme is to optimize service delivery in the accelerated restructuring of state-owned enterprises through alternative service delivery strategies.

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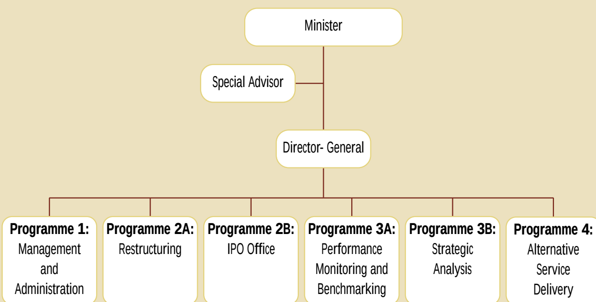
THE ORGANISATIONAL STRUCTURE



VOTED FUNDS

Amount appropriated for the year 2001/02 R293 622 000

Programme	Adjusted Appropriation (R000)	Medium-term expenditure estimate (R000)		
	2001/02	2002/03	2003/04	2004/05
1. Administration	26 596	25 615	26 411	27 999
2. Restructuring of State-owned Enterprises	254 885	16 198	17 586	18 644
3. Performance Monitoring and Strategic Analysis	10 302	11 305	12 376	13 122
4. Alternative Service Delivery	1 839	2 159	2 231	2 369
TOTAL	**R293 622**	**55 277**	**58 604**	**62 134**

STRATEGIC OBJECTIVES OF DPE

The DPE continues to pursue the following strategic objectives structured in terms of the four perspectives of the departmental 'Balanced Scorecard':

ECONOMIC/FINANCIAL

To maximize shareholder value to realize the economic and social objectives of the state

STAKEHOLDER/SHAREHOLDER/PARTNER

To develop stakeholder management plans to promote the DPE's restructuring programme

To develop communication plans to promote the DPE's restructuring programme

To create restructuring frameworks for strategic SOEs

INTERNAL PROCESSES

To ensure sound financial management of the DPE

To ensure adequate DPE resourcing and support systems to deliver upon the DPE mandate

To maintain the DPE process benchmarking programme to achieve globally recognized practices

To improve enabling IT systems to interface with the SOEs and other stakeholders

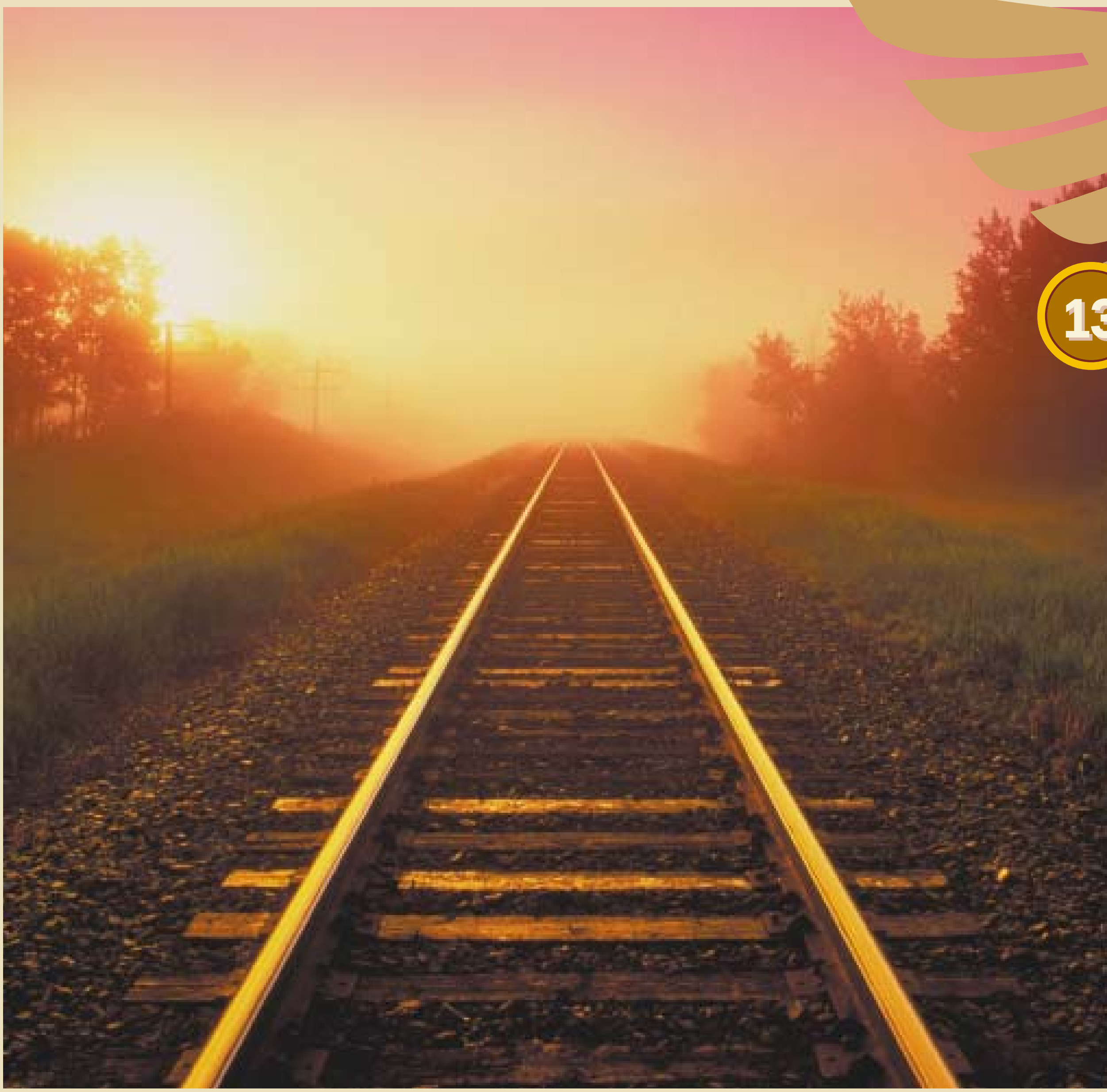
To develop appropriate organizational structure and culture to foster internal efficiencies and effectiveness

INNOVATION AND LEARNING

To develop strategic management capacity within the DPE

To develop the DPE human resources to enable delivery on the restructuring objectives

To develop a sourcing strategy for specialist skills required by DPE

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THE MINISTRY

Nomvume Magaqa
Director
Ministers Office

OVERVIEW

The Ministry is responsible for:

- General administrative and secretarial services
- The co-ordination of public relations and the implementation of the department's communications strategy
- The management of liaison with the Presidency, Cabinet, other Ministers and departments
- Managing international relations with regard to the NEPAD as well as the various bi-national commissions.
- The co-ordination of the role of SOEs in service delivery, with regard to the (IRDS) Integrated Rural Development Strategy
- The provision of high level strategic support in managing the Ministry's responsibilities to the Legislature, Cabinet and interactions with other stakeholders

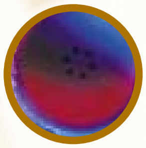
HIGHLIGHTS OF 2001/02

Lucky Montana
Director
Parliamentary Services and Stakeholder Liaison

INTERACTION WITH PARLIAMENT

A total of twenty-five briefings by the Department and its State Owned Enterprises (SOEs) took place in the financial year 2001/2002under the auspices of the Portfolio Committee on Public Enterprises. The briefings focused primarily on the restructuring of various enterprises and the performance of SOEs in general. This process allowed Members of Parliament to engage with the restructuring and transformation process as it unfolds.

As part of our accountability to Parliament, the Minister tabled the Annual Reports and Financial Statements of Denel, Eskom, Transnet and SAFCOL as required by the Public Finance Management Act (PFMA). The Portfolio Committee prioritised issues emanating from the reports in its discussions during the course of the year.



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An important aspect of accountability to Parliament is the **Disclosure of Members' Interests.** The Minister, in his capacity as Member of Parliament, has consistently submitted his disclosure to Parliament. The Minister regards this as an integral part of his responsibilities.

CABINET MEMORANDA AND QUESTIONS RESPONDED TO IN PARLIAMENT

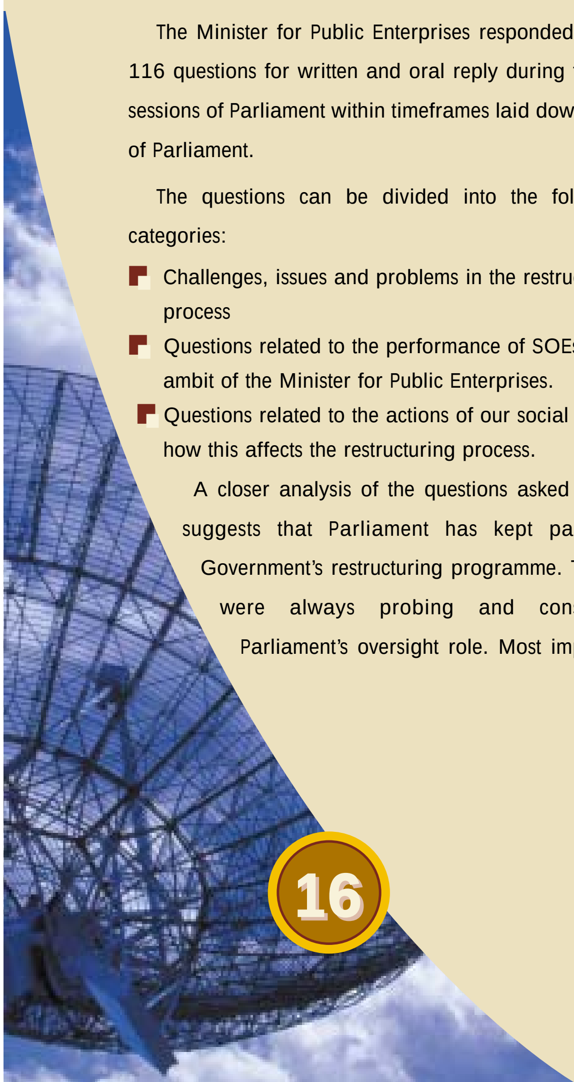
During the year under review the Ministry interacted with Cabinet through memoranda on a variety of restructuring-related topics. A total of 51 memoranda was brought before Cabinet. This ensured that Cabinet exercised its authority over the Department, and exercised control over the restructuring programme.

The Minister for Public Enterprises responded to a total of 116 questions for written and oral reply during the 2001/02 sessions of Parliament within timeframes laid down in the Rules of Parliament.

The questions can be divided into the following three categories:

- Challenges, issues and problems in the restructuring process
- Questions related to the performance of SOEs under the ambit of the Minister for Public Enterprises.
- Questions related to the actions of our social partners and how this affects the restructuring process.

A closer analysis of the questions asked by Members suggests that Parliament has kept pace with the Government's restructuring programme. The questions were always probing and consistent with Parliament's oversight role. Most importantly, the questions were focused on the progress that the Department is making in the restructuring of SOEs.



The breakdown of Parliamentary Questions for the 2001/02 sessions is as follows:

House of Parliament	Number of Questions for Written Reply	Number of Questions for Oral Reply	Total
National Assembly	59	50	109
NCOP	5	2	7
TOTAL	**64**	**52**	**116**

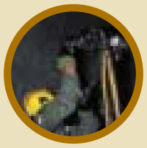
By the end of the session, there were no questions outstanding for the Minister for Public Enterprises.

ENGAGEMENT WITH ORGANISED LABOUR

The Ministry has continued to engage organised labour on the restructuring of SOEs within the ambit of the National Framework Agreement. The Department has facilitated no less than one hundred meetings between itself and organised labour during the period under review. It is not the number, but the quality of engagement which government has put its energies into. Cabinet reiterated its position on the NFA in July 2001, where government maintained that it values the contribution and role of the trade union movement in this process.

In this regard, DPE took steps during 2001/02 to strengthen the functioning of the National Framework Agreement. The following were among the measures taken to strengthen the NFA:

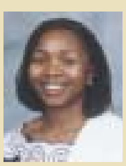
- Provisions in Shareholder Compacts, which made SOEs, comply with the NFA.
- Meetings between the Department and Chairs of the Board of Directors, together with CEOs of Public Enterprises to develop ways of strengthening the NFA at enterprise level.



- A focus on sectoral forums to ensure that the process is not characterised by disputes and delays at the political level.
- Resources set aside for the co-ordination of the NFA process within the Department of Public Enterprises.

These measures have yielded important results. These are illustrated by the important agreements reached between government and organised labour on the restructuring of Spoornet and Denel. These agreements were finalised in February and March 2002 respectively. The agreements follow very intensive and exhaustive processes of engagement between government and labour.

INTERNATIONAL RELATIONS AND RURAL DEVELOPMENT



Thembi Msibi
Director
International Relations and Rural Development

The International Relations Unit was established and its staff complement filled in October 2001. It is responsible for ensuring the co-ordinated involvement of all SOEs in rural development (both within the Ministry's ambit and those reporting elsewhere).

Through its initiatives with its counterpart departments in other countries, the unit aims to provide SOEs with opportunities to invest internationally. Co-operation is initiated through bilateral and multilateral engagement with foreign countries. The unit also aims to encourage information sharing with other countries on restructuring and project developments.

RURAL DEVELOPMENT/ COMMUNITY INVOLVEMENT

A national coalition on municipal service delivery has been formed that outlines a coherent structure for SOE involvement in rural development. Presently twenty SOEs are part of the coalition, and the goal is to ensure that all SOEs participate. The coalition has begun work in the Maluti-A-Phofung municipality in the Thabo Mofutsenyana district of the Free State. The district has been identified as one of the important nodes within the IRDS.

The focus of the coalition at present is on capacity building. Under the auspices of the coalition, an IT Capacity Development project has been undertaken whereby arivia.kom will train students in IT skills. The coalition has begun discussions with the Kgalagadi, Nzo and Ugu municipalities with the aim of assisting these municipalities in their service delivery projects.

The unit and SOEs in the Public Enterprises Community Development Co-ordinating Committee also work together in undertaking rural development projects. In December 2001, the Disabled Students building at the University of the North was completed. The building has the following features: bathrooms have support rails; the lifts have Braille letters; a low vision reading room and a computer room with training and Braille facilities. The construction of the building was funded by SOEs through this Committee. The Committee is considering proposals for their next project in the Free State Province.

In January 2002 Eskom, Transnet, Denel and Telkom provided assistance to the Ithubalethu Creche located in the District of

Maphumulo in Kwa-Zulu Natal. The assistance consisted of transportation provision for the children, a ceiling, floor mats, filing cupboards, tables and chairs, blankets and sponges for naps and toys.

PROMOTING SOES IN AFRICA

The Department of Foreign Affairs is responsible for a number of bilateral co-operation agreements with other countries. These are mainly managed and monitored through Bi-National Commissions (BNCs) or Joint Bilateral Commissions (JBCs). The unit's function is to ensure the participation of SOEs in the BNC and JBC processes.

A mission to Senegal was undertaken together with SOE representatives. arivia.kom held discussions with possible Senegalese partners on the implementation of a Driver's Licence System. These discussions are a result of the SADC Protocol on Transport, Communications and Meteorology (1998), which makes provision for the harmonization of driver's licences and traffic information systems within the region.

SAA and Air Senegal discussed a code-share proposal that is envisaged to lead to flights between Johannesburg-Dakar-New York during the course of the next financial year.

The Senegalese tabled a draft Twinning Agreement between the Port of Dakar and Cape Town, and invited South Africa to consider participation in port development projects.

The International Relations unit and arivia.kom presented arivia.kom's capability to implement a common SADC Driver's Licence to the Swaziland Roads Board. This presentation was also made to the Southern African Transport and Communications Senior Officials' meeting. Swaziland has requested a project proposal from arivia.kom.

Co-operation agreements on information sharing and projects on investment opportunities were entered into with Nigeria and Algeria.

INFORMATION-SHARING ON RESTRUCTURING

The Co-operation Agreements with Nigeria and Algeria also provide a framework for structured information sharing and staff exchange for the purpose of capacity building.

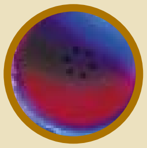
In 2001, delegations from Tanzania and Uganda came to South Africa for information sharing sessions on restructuring.

In the past year there have been discussions with Canada and the Netherlands around the area of co-operation and information sharing, primarily with respect to the technical processes involved in the restructuring process as well as capacity assistance.

Discussions have begun with Canada in the area of alternative service delivery and ports restructuring. With regard to the Netherlands, the unit co-ordinated a technical visit to share experiences on the restructuring of energy and telecommunications, and on ports restructuring. A follow-up visit has been agreed between the Department and the Ministry of Transport in the Netherlands to ensure continued interaction with respect to ports restructuring.

LEGISLATION PROMULGATED

For the period under review, the Minister for Public Enterprises introduced two pieces of legislation, which were passed by Parliament in 2001. These form an important part of the Government's Restructuring programme.




ESKOM CONVERSION ACT OF 2001

The Eskom Conversion Bill was tabled in Parliament in October 2000. This bill sought to convert Eskom into a public company in terms of the Companies Act of 1973 (as amended). The Bill had its origin in the Eskom Amendment Act of 1998, which made Eskom a tax paying entity and instructed the Minister of Public Enterprises to incorporate Eskom in terms of the Companies Act.

The Bill formed an important part of the Government's effort at restructuring Eskom, which was then still a statutory body (a Commission). The incorporation of Eskom was viewed as a prerequisite to any strategy aimed at realising the full potential of Eskom in South Africa and beyond.

The process of passing the Bill was characterised by public debate and engagement. The Portfolio Committee for Public Enterprises and the Select Committee on Labour and Public Enterprises convened joint Public Hearings where stakeholders from business, labour and the community made their submissions. Numerous bilateral engagements took place between government and COSATU on the contents of the Eskom Conversion Bill.

The conversion was effected through a deeming route, aimed at ensuring that Eskom's corporate existence was not undermined or negatively affected during the conversion process. The bill was signed into law in August 2001.

ALEXKOR AMENDMENT ACT OF 2001

The Alexkor Amendment Bill was passed in October 2001. The amendment was of critical importance to the restructuring of Alexkor Limited. It removed the restrictions on the sale or disposal of shares held by the State. The Alexkor Act of 1992 prescribed that such a sale or disposal had to be effected through a listing process on the JSE Securities Exchange (JSE). This is not a path that Government aims to follow in the restructuring of the state-owned enterprise.

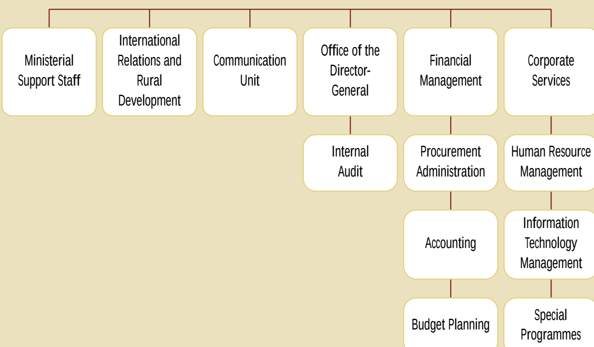
The Portfolio Committee for Public Enterprises and Select Committee on Labour convened public hearings to afford parties affected by the contents of the Bill the opportunity to be heard. Affected parties who made submissions included the Riechterdal community in Namaqualand, the Congress of South African Trade Unions and the Chamber of Mines.

ACTS ADMINISTERED BY THE MINISTER OF PUBLIC ENTERPRISES

Alexkor Limited Act, 116 of 1992;
Alexkor Amendment Act, 29 of 2001;
Eskom Conversion Act 13 of 2001;
Legal Succession to the South African Transport Services Act, 9 of 1989, as amended;
Management of State Forests Act, 128 of 1992;
Overvaal Resorts Limited Act no 127 of 1993.
Transnet Pension Fund Amendment Act, 41 of 2000;

CORPORATE SERVICES

Moretlo Mokuele
Chief Director
Corporate Services



INTRODUCTION

The priority for the Chief Directorate: Corporate Service for the financial year was to build in excellence in the provision of support services to the internal staff of DPE.

STAFFING AND EMPLOYMENT EQUITY

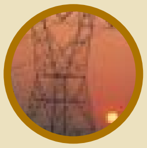
The Department started the financial year with a staff complement of 83, and 115 posts were filled by the end of the financial year.

The Department exceeded its equity targets on race and gender at all post levels and occupational classes, except for the employment of the disabled, as set out in the following table:

Race and Gender	Actual No. 1 April 2001	Target set for 31 March 2002	Actual No. at 31 March 2002
AFRICAN			
Male	26	3	34
Female	36	9	48
ASIAN			
Male	2	2	3
Female	0	1	2
COLOURED			
Male	2	2	5
Female	3	2	5
WHITE			
Male	3	4	7
Female	11	6	11
Employees with a disability	0	2	0
Total	**83**	**31**	**115**

In 2000 there were three women in management positions (Director level), one black and two white. The department has however, demonstrated commitment towards achieving the target as outlined in the Employment Equity Act, 1988. By 2005, the target is that the management echelon should be 30% female. As at 30 April 2002, there are 2 women in Senior Management (Chief Director), 5 in Management (Director), 10 in Middle Management (Deputy Director) and 10 in Junior Management (Assistant Director) level.

The tables and figures required by Regulation III J.3 of the Public Service Regulations of 2001 are reported in Appendix 1.




HUMAN RESOURCES DEVELOPMENT:

The Department invested R517 309 in Human Resource Development-related funding, which was spent as follows:

Salary levels	No. of Bursaries	Actual No. of Employees at 31 March 2002
1-2	0	4
3-5	6	14
6-8	23	35
9-12	28	38
13-16 (SMS)	10	24
TOTAL	**67**	**115**

PERFORMANCE MANAGEMENT:

The Department introduced an automated performance management system, based on the balanced scorecard methodology. Although the system will be used in the 2002/03 financial year, the preparatory phase for the system was undertaken in the 2001/2002 financial year and this resulted in a great improvement in the approach towards performance management in the Department. The supporting policy framework for all levels in the Department was also revised and improved upon.

SPECIAL PROGRAMMES

HIV/AIDS PROGRAMMES:

The Department developed and adopted an HIV/AIDS policy that guides HIV/AIDS-related programmes and activities, and promotes non-discrimination of employees who may be infected by the HI virus. The HIV/AIDS policy also establishes the confidentiality of employees' HIV status.

HIV/AIDS Committee

The department established an HIV/AIDS Committee with representatives from all units. The committee received training from Lifeline and meets once a month. The department is also represented on the Interdepartmental HIV/AIDS Committee. The following are some activities that have occurred:

- The department adopted the first Friday of the month as HIV/AIDS Awareness Day.
- The Committee arranged for voluntary testing and counselling for staff in March 2002.
- April 2001, a speaker from Positive Women shared her experiences and challenges of living positively with HIV.

- November 2001, an information sharing and discussion session around the theme of "I care, do you?"
- The department participated in all annual events: Commitment Campaign, World AIDS Day, Candlelight Memorial.

Monitoring and Evaluation

The department has a relationship with the South African Quality Institute (SAQI) who developed tools to assist the department to evaluate our customers' satisfaction with services rendered. The tools will also be used to evaluate the impact of HIV/AIDS programmes that are run within the department.

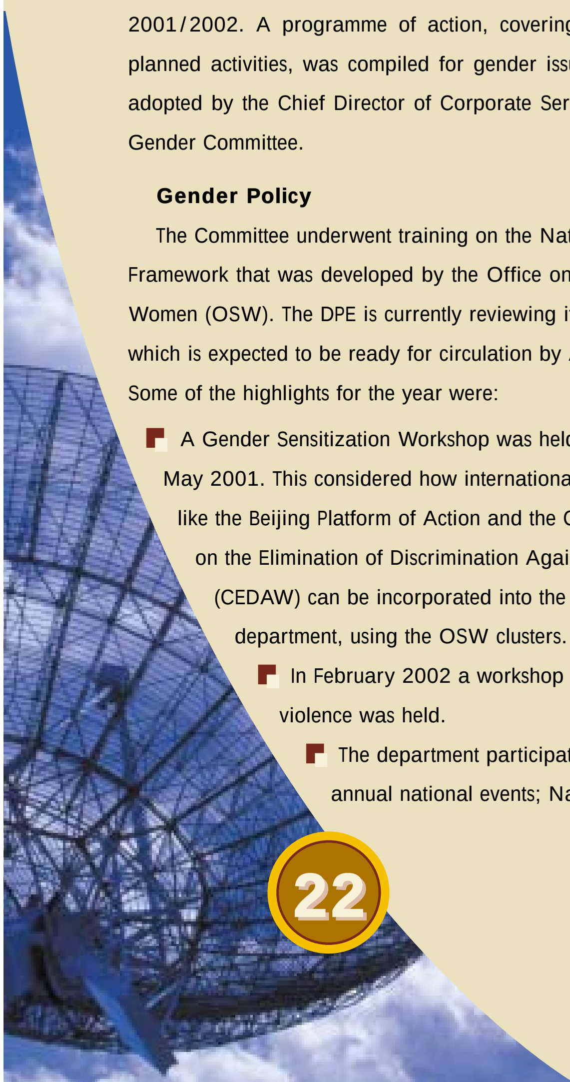
ISSUES OF GENDER:

A budget for gender programmes was secured for 2001/2002. A programme of action, covering a range of planned activities, was compiled for gender issues. This was adopted by the Chief Director of Corporate Services and the Gender Committee.

Gender Policy

The Committee underwent training on the National Gender Framework that was developed by the Office on the Status of Women (OSW). The DPE is currently reviewing its own policy, which is expected to be ready for circulation by August 2002. Some of the highlights for the year were:

- A Gender Sensitization Workshop was held in May 2001. This considered how international frameworks like the Beijing Platform of Action and the Convention on the Elimination of Discrimination Against Women (CEDAW) can be incorporated into the work of the department, using the OSW clusters.
- In February 2002 a workshop on domestic violence was held.
- The department participated in all annual national events; National Women's Day, 16 Days of Activism, No Violence Against Women campaign.



INFORMATION TECHNOLOGY

The focus for the 2001/02 financial year for the Department's Information Technology (IT) division was building a stable effective and efficient IT system. To achieve this, a number of projects were undertaken and the following were the highlights for the year:

Local Area Network Backbone

This project was launched to increase data transfer within the Local Area Network (LAN). The speed of transmitting data internally was increased from 10 Megabytes per second to 100 Megabytes per second. The wiring/connection of all network infrastructure was optimized to handle the workload of the DPE environment.

Standardization of Technology

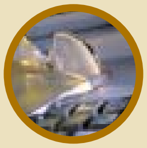
A two-year project was initiated to upgrade and standardize hardware and software. The Department now uses only one software platform - Microsoft Windows 2000, across the organization (both Personal Computers and Network Server Computers). All network servers are from the same supplier and are the same model and configuration. Standardization has also been achieved in the Uninterruptible Power Supply (UPS) for the network backbone.

IT Auditing

Independent auditors were appointed to carry out an audit on the DPE IT infrastructure. A report was presented to Management, with a plan of action to address concerns raised. The overall report was, however, satisfactory.

Risk analysis and Disaster Recovery

A risk analysis process was initiated, for the purpose of identifying all IT systems risks that the Department is exposed to.

A risk management plan and a disaster recovery plan will be developed. The two projects will be completed in the following financial year.

COMMUNICATIONS

OVERVIEW

Pumla Mtyeku
Director
Communications

The main thrust of the Directorate's work is to construct a well-co-ordinated and responsive communications programme to support the DPE in its engagement with all its key constituencies, and to promote the restructuring programme. The Communications Directorate manages the flow of information to the public, and to key internal and external audiences. In doing so, the Directorate aims to keep audiences informed about the work of the DPE, educate audiences about restructuring of SOEs, and win public support for the restructuring programme by explaining its purpose in terms of overall social and economic development. The Directorate supports the Minister and DPE management by providing advice and counsel on communications.

Role of Communications

The Directorate aims to:

- Set the agenda with regard to how restructuring is talked about;
- Control the flow and content of information to the media and through the media, to key constituencies;
- Build understanding and support for the restructuring programme; and
- Explain the mission and contribution of the DPE.

Transaction Support

A number of transactions were completed during 2002. The Directorate provided marketing and communications support for these transactions. Such support includes: strategic planning, messaging and positioning, packaging and transactions for the financial and investment community, organizing road shows and presentations.

KEY ACHIEVEMENTS

- Preparation for the Telkom IPO: public education, communications, and marketing programme, the IPO Pre-Launch Media Plan.
- New graphic design of DPE material accomplished.
- Website redesigned.
- Information materials produced.
- Effective interventions aimed at addressing issues important to key constituencies: labour, unions, and SOE's.

FINANCIAL MANAGEMENT

Ike Nxedlana
Chief Director
Financial Management

The main objective of the Chief Directorate is to effectively, efficiently and economically manage and provide quality financial and procurement services in support of the Department's goals. The Chief Directorate's vision is to ensure full compliance with the provisions of the PFMA, Treasury Regulations and related legislation.

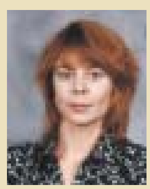
The Department once again achieved an unqualified Audit Report for the year under review. This achievement was due to the improved capacity within the Financial Management chief directorate that was able to respond adequately to the needs of the Department by putting in place the relevant financial systems. The Provisioning Administration sub-directorate was incorporated into the Financial Management unit in order to streamline the financial management activities of the Department.

During the Financial Year, the Financial Management unit successfully implemented the following:

- Complied with the Public Finance Management Act's implementation strategy;
- Established the Procurement Control Committee which evaluates orders in support of the Departmental Tender Committee;
- Improved the system of presenting the updated monthly expenditure trends to the various programme heads and budget controllers;
- Established the Budget Committee to oversee, monitor, control and direct the management of the budget within the Department;
- Improved the filing and safe storage of documents received and sent by the Chief Directorate; and
- Implemented the system of updating and sharing all the latest policies and regulations with DPE officials.

An effective accounting system is in place where payments of accounts are settled within 48 hours of receipt, cash collected is promptly banked and petty cash is secured safely;

INTERNAL AUDIT



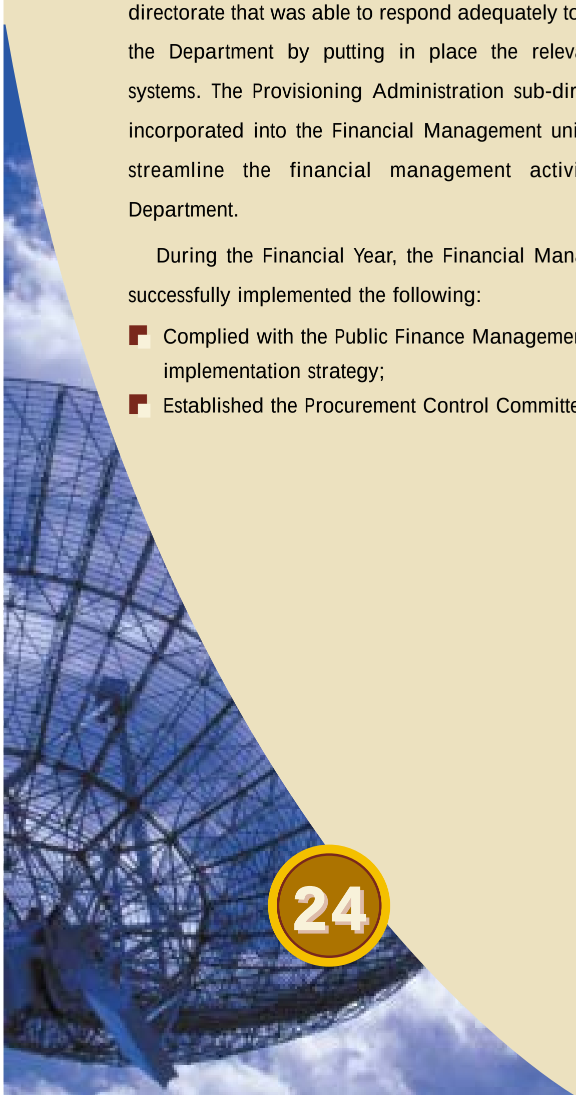
Janet Bezuidenhout
Internal Auditor

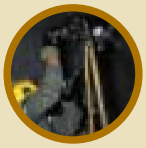
The objective of the Internal Audit unit is to assist members of the Department in the effective discharge of their responsibility and includes promoting effective control at reasonable cost.

The Internal Audit unit is independent of the activities audited, and reports directly to the Accounting Officer and the Audit Committee.

KEY ISSUES

The emphasis of the unit for the year 2001/02 has been on establishing the control needs of the Department, identifying management responsibilities with regard to risk management and internal controls, and improving on areas of concern raised by the Auditor General and the Standing Committee on Public Accounts. The unit conducted performance, regulatory and financial audits, and findings were communicated to the appropriate level of management.





KEY SUCCESSES

Over the past year, the Internal Audit unit:

- Facilitated and co-ordinated the risk assessment, and utilised the results to direct internal audits on areas of priority.
- Marketed the unit to management and ensured continued participation in management forums.

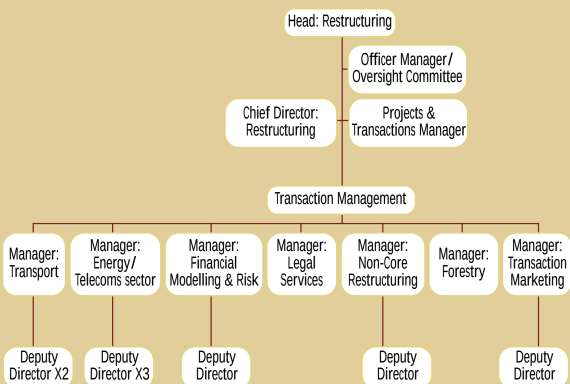
PROJECTS AUDITED

The projects completed for the year were as follows:

- Review of financial statements
- Review of registry system and document control within the Department
- Review of organisation structure and procedures
- Review of policy framework for the restructuring process
- Review physical access control and management
- Review document handling procedures
- Review of departmental communication plan
- Review of performance assessment system
- Review internal controls and systems implemented for financial management

Malixole Gantsho
Head: Restructuring

Andile Nkuhlu
Chief Director
Restructuring



RESTRUCTURING PROGRAMME OVERVIEW

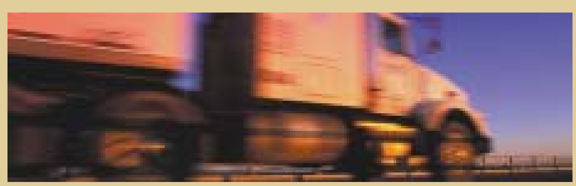
The policy framework "An Accelerated Agenda toward the Restructuring of State Owned Enterprises" provides the context within which all restructuring initiatives take place. The Restructuring programme performs all the activities necessary for the implementation of this policy. These activities occured mainly in the four key sectors identified by the Policy, namely: Defence; Energy; Telecommunications; and, Transport. The Transaction Management units contribute to the achievement of programme objectives by providing their services to the aspects of each project that requires specialist intervention. They form a part of all project conceptualisation and design. A Non-strategic Asset Unit performs all activities for the restructuring of SOEs that are not clearly confined to the key sectors identified in the Policy. An overview of the projects that were current in this reporting period is attached as Appendix 2.

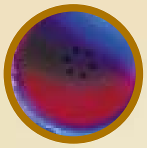
DIRECTORATE: DEFENCE

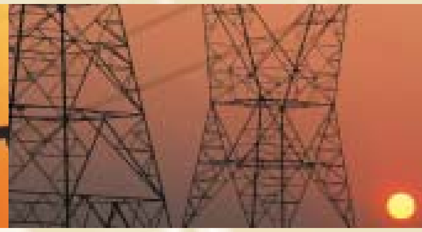
Richard Goode
Manager
Defence and
Transport
Restructuring

In October 2000 Cabinet approved BAE Systems ("BAES") as preferred equity partner for Denel's Aerospace and Ordnance businesses, in order to support the company to effectively globalise in the context of international consolidation within the defence sector, acquire skills and expand the technology base. Turbomeca ("TM") was selected as an equity partner for Denel's Airmotive division to expand the turbine engine manufacturing facilities.

The BAES and TM transactions commenced in February 2001. The key milestones in these transactions have been signing of Statements of Intent in March; approval of a vision for the transformation and development of Denel in June; the



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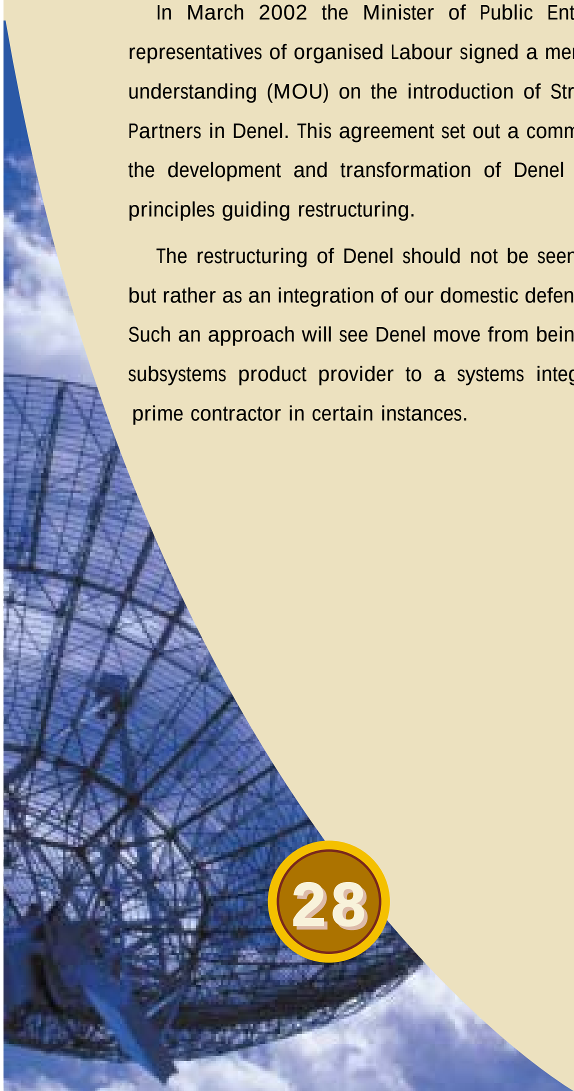
receipt of offers in July; Government response to the proposals in October; and, the commencement of negotiations in November 2001.

Agreements have been reached with TM on the creation of a new company called Turbomeca Africa, in which TM will hold a 51% share and Denel 49%. Turbomeca Africa will manufacture components and serve as a repair, maintenance and overhaul facility for helicopter engines for the African continent and Southern hemisphere markets. This is a significant initiative in support of NEPAD that has the effect of empowering the continent to maintain and support its strategic and logistic capabilities at home.

In March 2002 the Minister of Public Enterprises and representatives of organised Labour signed a memorandum of understanding (MOU) on the introduction of Strategic Equity Partners in Denel. This agreement set out a common vision for the development and transformation of Denel and the key principles guiding restructuring.

The restructuring of Denel should not be seen in isolation, but rather as an integration of our domestic defence capability. Such an approach will see Denel move from being primarily a subsystems product provider to a systems integrator and a prime contractor in certain instances.



DIRECTORATE: ENERGY

Ajay Makan
Manager
Energy/
Telecommunications
Sector

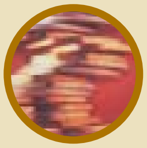
OVERVIEW

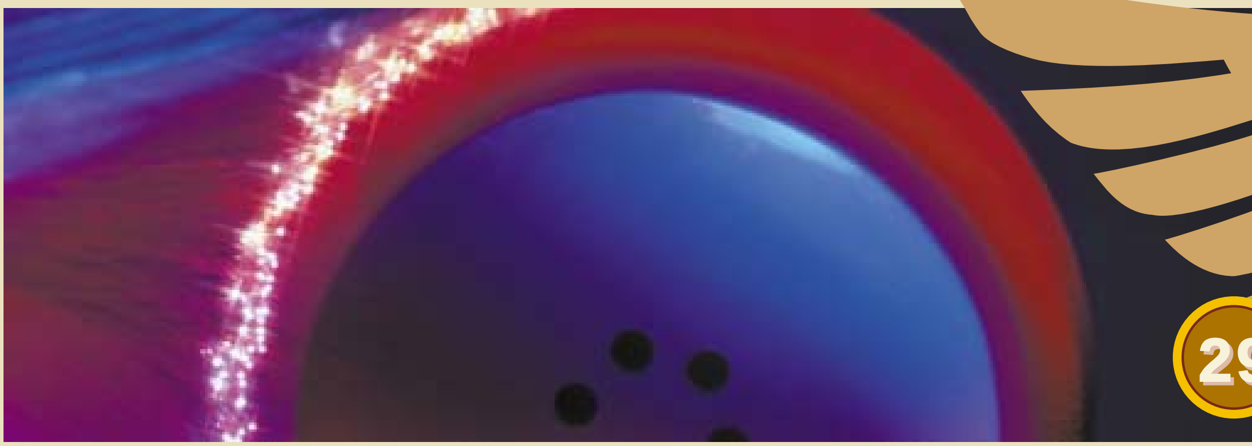
Electricity is a key factor in SA's prospects for economic growth and in the development of communities' capabilities and quality of life. In this sector, Government has opted for a "managed liberalisation" aimed at introducing private participation and widening participation and ownership in the generation sector, with a BEE focus. Eskom remains a strategic entity and will continue to be the supplier of last resort in line with the fulfillment of its developmental role. Eskom has been corporatised through the Eskom Conversion Act, which restructured the entity to separate the "regulated" business (generation, transmission and distribution) from the "non-regulated" business (Eskom Enterprises). This will enable Eskom to expand into international electricity markets, in Africa, through Eskom Enterprises, and to utilise its infrastructure in providing the platform to support the NEPAD initiative. At a domestic level this process reflects the Government's programme to improve the quality of life of all South Africans through the maintenance of electricity supply quality and enhancement of reliable standards.

ELECTRICITY SUPPLY INDUSTRY (ESI)

In accordance with the "managed liberalisation" approach, an initial implementation plan for the restructuring of the Electricity Supply Industry (ESI) was developed. The main thrust of the plan is to create an enabling environment for achieving government's objectives for private participation in the electricity sector.

The plan makes provision for the adoption of a Multi-Market Model for the energy sector. This model, which is to be developed during the year 2002, will allow for efficiency in future



investment; innovation with regards to electricity supply, operations and usage; create downward pressures on pricing; and, allow for the utilisation of private sector funding for investment. Stakeholder consultation will be an important aspect in developing the model. Stakeholders will include market participants who will also be able to contribute to restructuring the electricity sector.

The plan also makes provision for other endeavours within the energy sector, such as the rationale for 30% divestiture, development of generation clusters, and open access to transmission network and operational efficiency. More importantly, safeguarding against job losses and the retention of skills are integral parts of this plan.

ESKOM ENTERPRISES

The restructuring of Eskom Enterprises is ongoing. During the course of 2001, the DPE applied the divestiture strategy for Rotek Industries, approved by Cabinet. These transactions will be completed during the 2002/3 financial year.

DIRECTORATE: TRANSPORT

OVERVIEW

As the financial holding company for strategic enterprises in the transport sector, Transnet occupies a pivotal role in South Africa's economy. The objective of restructuring this entity is to enhance South Africa's competitiveness by reducing the cost and enhancing the efficiency of transport infrastructure.

With the successful restructuring of the Transnet Pension Fund debt burden, the stage was set for an accelerated restructuring programme for Transnet. Central to this was a gradual crystallisation of the Transnet end-state. This occurred within the context of an ongoing restructuring of individual business interests of Transnet, focusing on the improvement of efficiency levels and alignment to its peer group, as well as positioning Transnet as an integrated logistics service provider.

SPOORNET

Spoornet is the largest division of Transnet, encompassing general freight, heavy haulage export lines, luxury passenger services and long distance passenger services. Spoornet has faced significant challenges over the last few years. These have included a dire need for capitalisation of rolling infrastructure and a need to raise efficiency and level of service. This must be achieved while developing a sustainable business and operating model, capable of delivering on developmental and commercial mandates. The year under review has been a watershed in that Government's vision for rail restructuring has crystallised. Government has finalised its rail-restructuring model and reached agreement with organised labour on the model. Restructuring in the year under review was primarily focused on developing the government model and raising asset utilisation and operational efficiency.

The government model has the following critical aspects:

- Concessioning of the Luxrail service
- Re-engineering the business, with the involvement of labour in job-loss mitigation processes to limit the human costs of the exercise
- Integrating the general freight business with the heavy haulage coal line and shadow incorporation of business units
- Implementation of a turn-around strategy and efficiency enhancement programmes
- Development of a restructuring option for the Orex dedicated heavy haulage iron ore export line

The range and depth of consensus on the Government rail restructuring model bodes well for a successful and timeous restructuring programme.

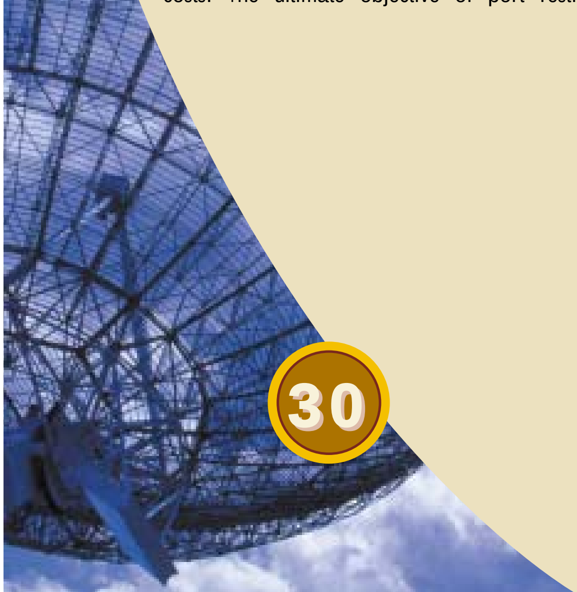
PORTS

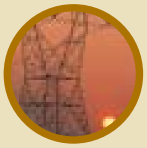
Ports play a crucial role in the country's transport system and its economic development, and are therefore treated as strategic entities. The introduction of efficiencies into the port system will have a multiplier effect on the economy of the country and the Southern African Development Community (SADC) region. Presently, ports are criticised for their operational inefficiencies, high tariff levels and high user costs. The ultimate objective of port restructuring, as embodied in the National Commercial Ports Policy, January 2002, is to improve the competitive position of the commercial ports in the country. Their competitive position is to be enhanced by encouraging competition between operators within the same ports and between operators in the different South African ports. Competition is expected to focus on the quality of service offered, the effectiveness of operations and price.

The key challenge over the reporting period and in the future is to establish effective support and buy-in for a comprehensive port reform process (as set out in the National Commercial Ports Policy) from key stakeholders in the port community (port users, labour, shippers, cargo owners and transport service providers).

In August 2001, and as a critical first step in the process, the separation of the Portnet division of Transnet into a National Port Authority and Ports Operations Division took place. A policy formulation exercise culminated in the National Commercial Ports Policy in January 2002, thus setting the framework within which restructuring will occur. The policy seeks to ensure that there is affordable, internationally competitive, efficient and safe port services to national and international shippers and receivers.

In preparation for private sector involvement in port operations, the Department has been engaged in preparing a conceptual framework for ports reform. This work has been extended to prepare a concessioning architecture framework. Under this project the generic components for concessioning port operations have been prepared, consisting of: information memoranda; bid invitations; and, bid evaluation criteria.





The DPE has also prepared a brief to acquire advisory services necessary for developing strategies for packaging and sequencing cargo handling facilities, and analysing the impact of their concessioning in future.

Work has been done to carry through the implications of the National Commercial Ports Policy that involves a new Ports Act and the establishment of an Independent Port Regulator. The ports framework envisages a National Ports Authority performing a landlord role with responsibility for infrastructure and certain services while the private sector handles port operations on a concession basis.

SAA

An Inter-Departmental Task Team on SAA has been established. The Task Team is considering the restructuring options for SAA in light of the re-acquisition of the stake formerly held by Swissair and the impact of the recapitalisation programme to upgrade the long-haul fleet. The task team will consider whether the business strategy SAA is pursuing will serve the African continent and also support the NEPAD initiative.

TRANSNET END-STATE

Transnet strategy as a holding company has evolved in line with the restructuring taking place within its key divisions to ensure effective alignment of the group. An inter-departmental review of restructuring options for Transnet was conducted in preparation for completing end-state architecture for the group by mid 2002, that will provide consistency to restructuring across the entire group.

DIRECTORATE: FORESTRY

James Patterson
Manager
Forestry

OVERVIEW

Progress in restructuring the commercial forestry assets of the State in the previous year has been significant, with two of the five forest transaction packages having been sold and the assets transferred to the bidders. It is anticipated that in the next financial year the remaining three forest packages will be completed and the assets transferred to the successful bidders.

EASTERN CAPE NORTH (SINGISI)

This transaction was completed in August 2001 through a sale to the Singisi Consortium, which consisted of Hans Merensky and Community Trusts. Currently the twenty five percent (25%) interest of Government is held by Safcol. In the near future this will be reduced to six percent (6%) once the employee share option plan of nine percent (9%) and the community interest of ten percent (10%) is finalised.

KWAZULU-NATAL (SIYAQHUBEKA)

This transaction was completed in October 2001 through a sale to the Siyaqhubeka Consortium, which consisted of Mondi and Imbokodvo Lemabalabala. Currently the twenty five percent (25%) interest of Government is held by Safcol. Negotiations are in progress to reduce this share holding to six percent (6%) once the employee share option plan of nine percent (9%) and the community interest of ten percent (10%) is finalised.

NORTHERN PROVINCE/MPUMALANGA (KOMATILAND)

Cabinet has approved the find preferred bidder for the Komatiland Forest Package. The bid price for the forest package is R335 million. Negotiations are under way to finalise the commercial legal agreements for closure of the transaction. The final transfer of the forest assets will occur once the government requirements relating to the lease agreement are confirmed.

WESTERN CAPE/SOUTHERN CAPE (STRATEGIC EQUITY PARTNER)

A Corporate Finance and Legal Advisers' consortium was appointed for this transaction. The necessary Information Memorandum and Invitation to Offer will be made available to the confirmed bidders in the near future. Based on the current timetable it is planned that this transaction will be closed and the assets transferred to the selected bidder in the next financial year.

LAND CONVERSION

The process is actively progressing in the Western Cape and Southern Cape. This is a long-term process but will achieve the Government's aim of making significant land available to previously disadvantaged individuals and communities in both the Western and Southern Cape.

EASTERN CAPE SOUTH (AMATOLA)

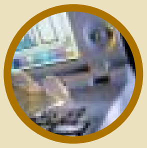
After significant delays due to disputes between Safcol and the preferred bidder, it can be confirmed that agreement in principle has been reached between the two parties and that negotiations to achieve closure and sale of this forest package have commenced. It is anticipated that the transfer of assets will occur in the next financial year.

DIRECTORATE: FINANCIAL MODELLING AND RISK ANALYSIS

Siphiwe Mathobela
Manager
Financial Modelling and Risk Analysis

RESTRUCTURING PROCEEDS

Government has endorsed an initial public offering (IPO) of Telkom shares. The listing of Telkom is now expected to proceed next year, following finalisation of the regulatory environment and taking into account market conditions. Some of the proceeds projected for 2001/02 were anticipated from this floatation. But, due to global economic downturn, especially in the telecommunications and airline sectors, this was not an optimal window for a listing. These bad conditions in fact triggered a default by Swissair that had acquired 20% of SAA. In consequence, Transnet became

entitled to terminate the Shareholders Agreement and to re-acquire the 20% in SAA at 85% of the fair value of such shares. The stake was bought back at a significant discount. The discount (+/- R 1 billion), coupled to the good performance of SAA. in a bad aviation market, represents a significant creation of value for the Government shareholding.

During the fiscal year 2001/02, Government, through Transnet, had transferred its 20 per cent stake in M-Cell to a passive foreign holding company for a consideration of R5,3 billion. With respect to Safcol, Government concluded 75% of the Eastern Cape North and KwaZulu-Natal packages for R 100 million and R 45 million respectively.

TRANSMED RESTRUCTURING OPTION (MBO)

In April 2000, Government and Transnet resolved to restructure Transmed Pharmacies (now known as Virtual Care), as a unit. One hundred percent of the administrator was subsequently sold to Metropolitan Health (Newmed) for R5 million Rand in September 2000. Government is exploring various restructuring options for Virtual Care, in particular, a Management-led Buy Out (MBO) and the disposal of a stake to black pharmacists.

M-CELL STAKE MONETISATION

Government and Transnet concluded the sale of Transnet's 20% stake in M-Cell to Ice Finance BV. The total proceeds from the sale are $475 million, which represents an 18% premium over the then trading price of M-Cell. These proceeds were received in January 2002. Ice Finance BV is not a strategic buyer but an unlisted passive investment company.

Parallel to this process is the winding up of the M-Cell Trust that is currently underwriting Transnet's Defined Benefit Fund. In line with the Cabinet decision, initiatives by DPE are under way to structure the optimal dissolution model.

The following table reflects the total restructuring proceeds from 1997 to the end of the fiscal year under review.

State-Owned Enterprise	Date	% Sold	Proceeds R Million	National Revenue Fund	Form
SABC Stations	Mar 97	100	510	510	SEP/BEE
Telkom	May 97	30	5 631	1 165	SEP
Sun Air	Nov 97	100	42	21	BEE
Transnet's Viamax	May 98	30	12	N/A	BEE
ACSA	Jun 98	20	819	819	SEP
ACSA	Oct 99	4	173	173	BEE
ACSA	Oct 99	1	44	44	ESOP
SAA	Jul 99	20	1 400	611	SEP
Transnet's Connex	Aug 99	80	15	N/A	SEP/BEE RESTR
SASRIA	Feb 00	N/A	7 100	7 100	DVD
SASRIA	Sep 00	N/A	2 400	2 000	DVD
M-Cell/MTN	Jun 00	6	2 400	2 000	BEE
M-Cell	Jan 02	20	5 500	5 000	MNTS
Transnet's Production House	Jul 00	100	11	N/A	BEE
Transnet's Chemical Services	Aug 00	100	3	N/A	SOE-TSI
Transnet Transwerk	Sep 00	65	19	N/A	SEP
Transnet Transmed	Sep 00	100	5	N/A	SEP
Telkom (Ucingo)	Sep 00	3	564	564	BEE RESTRUCTURING
Safcol-ECN	Sep 00	75	100	75	SEP/BEE
Safcol-KZN	Sep 00	75	45		SEP/BEE
TOTAL			**26 793**	**20 087**	

Acronyms For Table

NRF = National Revenue Fund (an account managed by the National Treasury)

SEP = Strategic Equity Partner, BEE = Black Economic Empowerment

ESOP = Employee Share Ownership Programme

SASRIA = South African Special Risks Insurance

N/A = Proceeds were either not paid to the National Revenue Fund or no percentage Stake applicable

TSI = Technology Services International, a division of Eskom Enterprises.

It must be noted that total proceeds amount to R 26, 7 billion compared to R 20 billion that was paid into the National Revenue Fund. This is a result of either unsatisfactory levels of pension funding or recapitalisation needs, that both have an effect on loan covenants.

THE NATIONAL EMPOWERMENT FUND (NEF)

Government approved the allocation of shares to the NEF in certain restructured SOEs and their subsidiaries. The NEF will provide and facilitate investments in venture capital, private equity and listed investments in the public and private sector. The intention was the the NEF Corporation be capitalized primarily through receiving share allotments of SOEs undergoing restructuring.

The underlyng philosophies informing the activities of NEF are:

- An emphasis on empowerment as a form of redistribution, a basis for contributing to economic strength, growth and competitiveness, and contributing to the establishment of a business class that is vibrant and sustainable over time, and
- A focus on the restructuring of established business, but within a dominant accent on direct support for businesses pioneered and run by HDIs

The NEF is an important government tool for accelerating progress with economic empowerment.

DIRECTORATE: LEGAL SERVICES

Denzel Matjila
Manager
Legal Services

ESKOM CONVERSION

In the year under review, the Eskom Conversion Act, Act 13 of 2001 was promulgated, enabling the establishment of Eskom Holdings Limited. The Memorandum and Articles of Association of the new company, Eskom Holdings Limited has been finalised. The Board will be appointed by the Minister in the second quarter of the next financial year.

DEVELOPMENT OF THE PORT OF NQGURA

The Proclamation for the Commencement of the Development of the Port of Nqgura as required in terms of section 2(2) of the Port of Ngqura Establishment Act, Act 77 of 1998 was issued, to serve as a catalyst for this long awaited project development.

INCORPORATION OF GOVERNMENT PRINTING WORKS

The process of incorporation of the Government Printing Works, including enabling legislation, is in progress. This is in line with a decision to convert it from a division of the Department of Home Affairs to a public company. It is anticipated that the registration of Government Printing Works, as a public company and the disposal of its shares to a Strategic Equity Partner will take place by the end of the financial year 2002/03.

AVENTURA LAND CLAIMS

During the year under review, a land claim between the Blyderivierpoort and Clermont communities and Aventura had to be addressed. The Communities have lodged claims for restitution of the Blyderivierpoort and Clermont areas in Mpumalanga with the Commission on Restitution of Land Rights in terms of the provisions of the Restitution of Land Rights Act, 1994, Act No. 22 of 1994. The negotiations have progressed well and it is envisaged that a long-term lease and community empowerment initiatives will form a component of a settlement.

ALEXKOR AMENDMENT ACT, 29 OF 2001

After a decision was taken to restructure Alexkor, it became necessary to consider some of the issues on which the successful restructuring of this entity hinged. Inter alia, the Alexkor Act 116 of 1992, which established Alexkor, needed to be amended. This Act restricted the manner in which government could dispose of its shareholding in Alexkor, for example, Government could only dispose of its shares through a listing process, and was further restricted in terms of disposal to foreign shareholders. It was for these reasons that the Alexkor Act was amended; to enable the Minister to restructure Alexkor as he deemed fit, provided Cabinet approval was obtained. The Alexkor Amendment Act lifted all restrictions that were imposed in terms of the enabling Legislation on the restructuring methodology.

DIRECTORATE: NON-STRATEGIC ASSETS

Mjongile Dangazele
Manager
Non-Core Restructuring

AVENTURA

Aventura originally comprised fifteen holiday resorts. Three of these resorts were disposed of. The aim is to dispose of the remaining twelve resorts in a manner that promotes BEE in the hospitality sector and enhances South Africa's tourism potential. The challenges facing disposal are community-related issues, land claims and community interests. As a result, requests for proposals were only issued with respect to four of the twelve resorts. These however, have been progressing well.

ALEXKOR

This is a wholly state-owned diamond mine located in Namaqualand. Government seeks to introduce a Strategic Equity Partner with BEE credentials in order to provide capital for exploration, as well as management, technological and marketing expertise, to ensure the future sustainability of the mine.

The restructuring strategy for Alexkor entails disposal of a 51% controlling stake to an SEP and a 10% stake set aside for the Namaqualand community. To facilitate this process, Parliament passed the Alexkor Amendment Act, 2001 that makes it possible to separate the mining from the non-mining business of Alexkor, and to transfer the latter to the Northern Cape Government and the community.

APRON SERVICES

Apron Services is a subsidiary of Transnet, which provides ramp-handling services at South Africa's airports. During the fiscal year 2001/02, government approved the disposal of 51% of Apron Services to a Strategic Equity Partner with BEE credentials in order to enhance the enterprise's operational performance in line with international standards. Contractual closure will be achieved in 2002/03.

AIR CHEFS

Air Chefs is a subsidiary of Transnet which provides in-flight catering services to SAA. The intention is to restructure the enterprise in a manner that substantially improves the quality and cost of in-flight catering services provided to SAA. A process of housing this service internally is being pursued.

GOVERNMENT PRINTING WORKS

Government Printing Works is currently a division of the Department of Home Affairs that is to be transformed into a State Owned Enterprise. Government has resolved to incorporate this division of the Department of Home Affairs as a fully-fledged public enterprise that is managed on commercial principles and is able to compete with private sector printing companies.

RESTRUCTURING AND BLACK ECONOMIC EMPOWERMENT

In the area of SOEs restructuring, BEE has been a component part of the policy for some time, and received elaboration in our policy document. Experience since the adoption of this policy framework has encouraged us to develop clearer guidelines regarding Government's framework for BEEs in the restructuring of SOEs.

Government's committment to creating investment opportunities designed at promoting BEE during the restructuring transactions can be demonstrated by some recent examples.

Transaction Name	BEE (Ownership)	BEE (Advisory)	Management (Advisory)	Skills Transfer Development
Safcol	✓	✓	✓	✓
Aventura	✓	✓	✓	✓
Alexkor	✓	✓	✓	✓
Denel	✗	✓	✓	✓
M-Cell	✗	✓	✓	✓
SAA Buy Back	✓	✗	✓	✓
Rotek	✓	✓	✓	✓
Apron Services	✓	✓	✓	✓
Transmed	✓	✓	✓	✓
Ucingo (Telkom)	✓	✓	✓	✓

Recent restructuring programmes highlight BEE at ownership (both shares for HDIs at discounts, and formation and support for BEE consortia), management and skills transfer, and development levels as reflected above.

An integrated approach to BEE in the Restructuring Programme has resulted in significant benefits to HDIs, BEE companies and communities. Among others, significant value transfer to such entities is evident in the SAFCOL, Aventura and Ucingo deals.

In the SAFCOL package disposals, a minimum of 24% of the package was disposed of to BEE companies, with an additional 10% being made available to community trusts. The total value of these BEE transactions is about R 550 million. This was further consolidated by securing commitments to source goods and services from the surrounding communities in each of the forestry packages.

Consistent with Government objectives, the restructuring of Aventura Resorts is aimed at involving Historically Disadvantaged Individuals (HDIs) to a large extent. It had been realized that HDIs had not fully participated in the tourism industry. This provided us with an opportunity to attempt the partial reversal of this state of affairs. The restructuring of Aventura in particular and other non-core businesses in general are already used as vehicles for BEE groupings to participate in the economic development and enhancement of black business.

Currently, three resorts, that is, Aldam, Christiana and Bloemfontein have been disposed of to companies with the BEE shareholdings. Four more resorts, namely, Roodeplaat, Heidelbergkloof, Kareekloof and Eiland are in the process of being disposed of to BEE consortia.

The 3% Ucingo transaction, that was targeted at BEE and the 2% Telkom Employee Share Ownership Programme (ESOP), were both concluded at a significant discount to the value of the shares, another example of our integrated approach to ensuring BEE in our transaction structuring.

The 51% disposal of Alexkor is forging ahead and it has been decided that any SEP wishing to participate in this disposal, must have strong BEE credentials. Furthermore, a 10% community trust has been set aside and targeted to the communities of Namaqualand.

In all of these transactions there is either one hundred per cent BEE, or components of it on the advisory front.

Dr Eugene Mokeyane
Head
IPO Office

James Theledi
Director
Transaction Management

William Smith
Project
Administrator

The IPO Office was established during calendar year 2000 to manage and execute the listing of Telkom, and as a forerunner to other SOE listings. From its inception, the IPO Office was envisaged as a repository of capital markets skills that will enhance capacity in government for other listings. Thus, the workings of the IPO Office involve a collaborative effort between National Treasury and other departments involved in the restructuring of SOEs.

PROGRAMME OBJECTIVES

The following objectives underpin key activities and processes of the programme.

COMMERCIAL OBJECTIVES

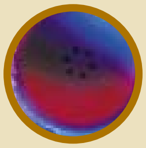
- Achieving an optimal level of net proceeds from all offerings.
- Securing maximum participation by investors
- Improving the efficiency of SOEs through market discipline and scrutiny.
- Promoting South Africa as an attractive investment destination.
- Raising investor awareness about opportunities offered by the restructuring programme.
- Establishing the South African Government as a credible and professional vendor in international capital markets.

SOCIAL OBJECTIVES:

- Raising the public's interest in the equity markets
- Maximizing participation by the historically disadvantaged
- Ensuring sustainable black economic empowerment through equity, procurement, and skills transfer

KEY ACHIEVEMENTS IN 2001

- The policy environment has been clarified by the passage of the Telecommunications Amendment Act in December 2001. This was followed by significant regulatory work from the Independent Communications Authority of South Africa (ICASA), leading to a final set of regulations being gazetted.
- The Act and regulations have cleared the way for Telkom to finalise its multi-year business plan in preparation of the prospectus.
- Limited PFMA exemptions from disclosure requirements for Telkom were granted to align it with the requirements of the Companies Act and the Stock Exchange.
- Telkom was granted approval to reorganize its property portfolio in line with its capital requirements.
- Approval was granted for Telkom's primary listing on the JSE Securities Exchange (JSE) and a secondary placement on the New York Stock Exchange (NYSE) in the USA.
- A two-tiered retail offer scheme targeting traditional retail investors and HDIs and groups, has been designed with approval from Cabinet.
- Diabo share trust has been registered to manage the shares of Telkom employees.



- Securing the support of Thintana, the SEP in Telkom, to revise the Shareholders' Agreement and agree on the IPO and its timetable.
- Exemption from Section 15A of the Companies Act to result in the publication of a mini-prospectus.

PROGRESS DURING THE YEAR

After a rigorous and transparent selection process involving the State Tender Board and overseen by an independent audit firm, a consortium was selected in November 2000 to advise Government and to co-ordinate the Telkom IPO process. It was envisaged that the IPO would be executed in November 2001. Due to adverse market conditions, and perceived uncertainty in policy and regulatory processes, and protracted SEP negotiations, the listing was postponed to the 2002/2003 financial year, subject to market conditions.

ACHIEVING AN OPTIMAL LEVEL OF NET PROCEEDS FROM THE TELKOM OFFERING

The participation of the IPO Office has assisted and enhanced the process of bringing policy clarity and regulatory certainty. This involvement was key to enabling Telkom to start the business planning process and designing an investment plan in line with the objective of achieving an optimal level of proceeds from the offer.

The IPO Office has appointed other advisors (including roadshow consultants, PR advisors, logistics advisor, lawyers, accountants and printers) within the State Tender Board framework of appointing third party advisors and promoting empowerment and skills transfer.

SECURING RETAIL AND INSTITUTIONAL INVESTOR PARTICIPATION

A consortium of local and international public relations teams designed a media relations strategy targeting all potential South African and international investor audiences, and provided strategic communications advice. Contractors completed the development of an extensive media campaign that covered the market education, registration and offer phases for the Telkom IPO. An event management company was engaged to design media launch materials. Several local public relations companies were appointed to organize the regional road shows in the country.

The Retail Working Group has structured a two-tiered retail offer scheme approved by Cabinet. The scheme targets the traditional retail investors and the HDI and groups, such as

Stokvels or investment clubs. The general retail scheme is a 'plain vanilla' scheme providing conventional retail incentives (discounts of 5 to 10%) to encourage investment. The HDI scheme offers more incentives including deep discounts, addresses affordability and rewards long-term shareholding.

IMPROVING THE EFFICIENCY OF SOES THROUGH MARKET DISCIPLINE AND SCRUTINY

The preparatory process of listing Telkom has resulted in greater interest from both domestic and international investment banks and investors. The stringent listing and disclosure requirement of the JSE and the Securities Exchange Commission (SEC) in the USA have injected a competitive sense in SOEs that are candidates for listing on stock exchanges.

RAISING INVESTOR AWARENESS OF THE RESTRUCTURING PROGRAMMES

The appointment of two global investment banks to co-ordinate and execute the listing of Telkom on the JSE and the NYSE has raised investor awareness about Telkom as a company, the commitment of the South African Government to restructuring SOEs, and the investment opportunities in the country. International investment bankers who specialize in emerging capital markets have shown interest in the progress made and indicated their capabilities to participate in the syndicate responsible for share placements.

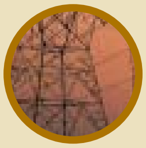
ESTABLISHING SOUTH AFRICA IN INTERNATIONAL CAPITAL MARKETS

Government has made clear its intentions and objectives with regard to listing SOEs and the broader restructuring programme. These were outlined in the policy framework document and the Request for Proposal (RFP) for Global Co-ordinators in the Telkom IPO.

Adhering to a transparent selection process and choosing internationally reputable banks showed the extent to which Government would go to ensure that it emerges as a credible and professional issuer in the international capital markets. The ultimate execution of the IPO in 2002/2003 financial year will confirm this objective.

MAXIMIZING HDI PARTICIPATION IN PUBLIC OFFERINGS

Extensive work has gone into the retail offer scheme to maximize the participation of HDIs and groups. The scheme offers attractive discounts and rewards long-term shareholding. Minimum subscription levels addresses affordability and simplicity.



Diabo Share Trust has been registered with 9 trustees to manage the 2% allocated to Telkom employees,. It is envisaged that about 58 000 eligible employees will benefit from the government-initiated share ownership scheme. Progress has been made by the Government and Thintana Communications (SBC Communication & Telekom Malaysia, with 30% of Telkom) on a common understanding. This has resulted in a firm commitment from the SEP to the IPO process, timetable and the revised shareholder agreement.

ENSURING BEE THROUGH EQUITY OFFERINGS, PROCUREMENT AND SKILLS TRANSFER

The contracted experts include reputable local empowerment banks and financial services groups. In addition, local PR companies, advertising agencies and printers have been engaged by the IPO Office, thus promoting empowerment and skills transfer. Black law firms have been involved in the regulatory and policy issues and the registration of the share trust for Telkom employees.

During the restructuring of SOEs programme, Government has granted eligible employees of Telkom 2% of its shareholdings at a favourable price. The eligible employees or beneficiaries will finance these purchases with government assistance.

In March 2001, Government concluded a sale of its 3% shareholding in Telkom to the BEE group, Ucingo. This is a broad-based investment company with more than 20 empowerment groups represented in all provinces of South Africa.

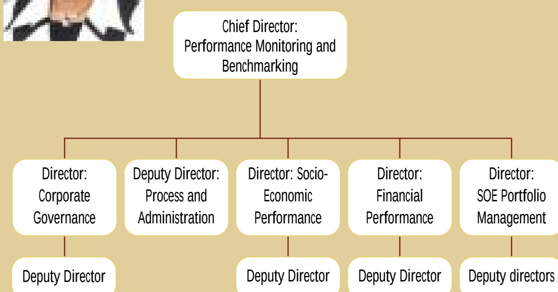
KEY CHALLENGES

- Completion of multi-year business and investment plans for Telkom
- Achieving increased retail penetration to support the share performance
- Successful education campaign on share ownership
- Broad distribution of Telkom shares amongst SA citizens, particularly amongst the historically disadvantaged
- Allocation of 5% of share capital to the National Empowerment Fund

CHAPTER 10

PROGRAMME 3A: PERFORMANCE MONITORING & BENCHMARKING

Nonkululeko Msomi
Chief Director
Performance Monitoring and Benchmarking



OVERVIEW

The Performance Monitoring and Benchmarking Programme has taken significant steps in translating its mandate of being a vehicle that manages government's shareholding interests into tangible actions. This has been achieved through monitoring and evaluating the overall performance of SOEs, by promoting and advocating for best performance management practices in SOEs in order to enhance shareholder value, and within an improved corporate governance environment.

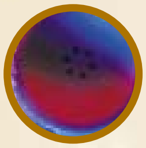
The Programme's mandate can thus be crystallized as being to:

- Monitor and interrogate the financial performance of SOEs with a view to holding SOE leadership accountable for performance.
- Monitor, implement and advocate sound corporate governance practices, ensuring improved ethics and probity in SOEs.
- Manage healthy relations between the shareholder and SOEs.
- Monitor socio-economic indicators of SOEs.
- Be the State's custodian for the portfolio of SOEs and advise Government on SOE performance and progress towards established targets.
- Develop databases of relevant benchmarks and SOE information to entrench a performance mindset in the SOEs.
- Provide reliable, accurate and current SOE information to DPE programmes and Government for the purposes of strategy formulation and decision-making.

KEY ACHIEVEMENTS

SOE DATABASE

A significant achievement by the Programme has been the creation of an upgraded SOE Database Performance Management System. The Database is a holistic information system pertaining to all Government SOEs, national and provincial, which will contain both financial and non-financial information of these enterprises.


This system will add value by streamlining the various levels of interaction and reporting required of both Government departments and SOEs. It will furthermore allow shareholding ministries to access important information regarding their SOEs. A tender for the development of the Database was issued in December 2001 and awarded in February 2002. A significant level of engagement took place with other Government departments and SOEs in formulating the anticipated outcomes of this Database. This marked the completion of Phase 1 of the project.

Phase 2 comprised the actual design and development of the Database, which took place in consultation with all relevant stakeholders. It is expected that Phase 2 will be completed in the new financial year and launched soon thereafter.

THE PUBLIC FINANCE MANAGEMENT ACT

Over and above the achievements of the programme's project targets, the programme was significantly involved in elevating public awareness of the role of Government as Shareholder in the context of the Public Finance Management Act, 1999 as amended. The Programme was actively responsible for evaluating and monitoring the PFMA implementation and compliance in all SOEs and involved in addressing and resolving other sensitive governance issues particularly in Transnet and SAA.

SYSTEM OF REPORTING

Historically, shareholders were only entitled to receive company reports at the end of the financial year. This has proven to be inadequate to fulfill the needs of the Department and the PFMA. Reporting should address both the financial status of the SOE and social responsibility aspects of the business. Consequently, the unit requested that quarterly reports be submitted to the shareholder, addressing key business performance indicators. The key performance indicators are provided for in the shareholder compact, which has been signed by most SOEs.

It is anticipated that as soon as the database has been finalised and implemented, the strain on SOEs of having to report manually to various ministries will be minimized.

RESTRUCTURING AND SOE MANAGEMENT

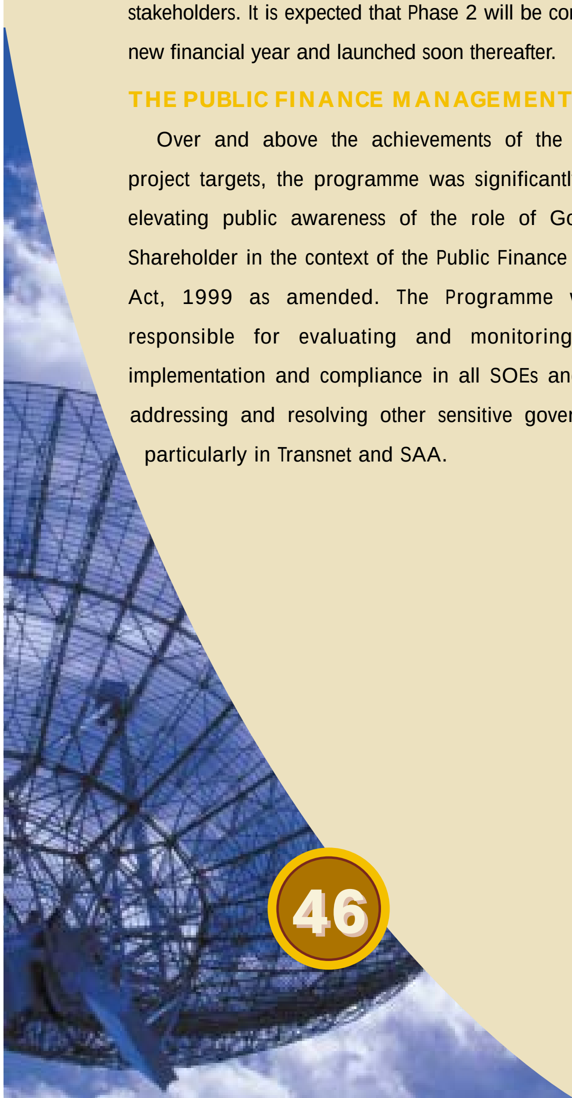
Further achievements of the programme include assistance in the re-acquisition by Transnet of the SAA shares previously held by the SAir Group, the disposal of Aventura, and the negotiation and conclusion of a MOU with management of the SOEs wherein it was agreed that, in the implementation of the restructuring plans, regard would be given to the spirit and the purpose of the NFA.

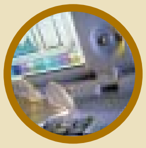
SOE PERFORMANCE MANAGEMENT

CORPORATE GOVERNANCE AND LEGAL ADMINISTRATION DIRECTORATE

Celeste Appollis
Director
Corporate Governance

The key responsibilities of the Directorate are to hold Boards of SOEs accountable for their actions by implementing sound corporate governance practices during and post-restructuring of SOEs, monitoring SOEs' adherence to best practices in good corporate governance in order to create a culture of





compliance, and to identify and communicate to all necessary stakeholders the roles and responsibilities of the different Government departments in their interaction with SOEs to all stakeholders in order to ensure that a synergistic approach is adopted.

PROTOCOL ON CORPORATE GOVERNANCE

A significant achievement of the Directorate in the year under review has been the revision of the Protocol on Corporate Governance in the Public Sector. This exercise constituted a substantial revision of the 1997 document, which was largely driven by the developments in corporate governance locally following the launch of the King II Report on Corporate Governance, and internationally by the collapse of some multinational organizations. Furthermore, the extent of the revision of the Protocol was driven by the understanding that the public sector plays a central role in the South African economy which is in turn significantly dependant on the efficiency, effectiveness and social responsibility of SOEs.

Although the King II Report informed the content of the new Protocol, a review of this Report highlighted several key gaps. This includes not acknowledging that several SOEs constitute natural or legislative monopolies in their areas of activities, and that the strategic purpose of a SOE may mitigate against the conventional corporate operation of a corporate entity. There was hence a need to develop a coherent policy and guidelines to provide a comprehensive governance framework within which the various role players in SOEs can interact, while not substantially departing from the recommendations made in King II.

The Protocol is the result of a consultative process in which managers of the Department, National Treasury, DPSA and the SOEs participated. The Protocol is essentially an aspirational document of desired best practice in SOEs, providing a guideline to assist in the implementation and compliance by SOEs of the various rules that regulate their relationship with the Shareholder. The Protocol, within a performance-monitoring context, forms one cornerstone of the framework, which defines the relationship between, and the responsibilities of the SOEs and the Shareholder. The remaining components are the PFMA as amended and the Shareholder Compacts.

SHAREHOLDER COMPACTS

The shareholder compact is a performance agreement wherein the shareholder and the Board of the SOES set out the key performance indicators for the SOEs which have been negotiated and agreed to by both parties, and against which the performance of the SOEs will be measured. The PFMA requires a high level of accountability and sound public financial management from the Boards of SOEs. It sets out key reporting requirements that they are obligated to meet. The shareholder compact was therefore developed as an instrument to measure compliance with these requirements. The shareholder compact also provides an opportunity for the shareholder to define the mandate of each SOE, as well as their individual contributions to the socio-economic development in South Africa.

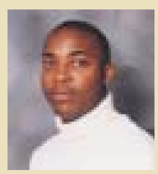
FURTHER ACHIEVEMENTS

Further achievements of the Directorate include the signing of Shareholder Compacts with Transnet, Eskom and Denel, and the restructuring of the Boards of Aventura, Safcol and Transnet. To achieve this, an invitation was issued to all qualified and interested persons to submit their *curriculum vitae* to be included in a Directors' Database. Approximately 700 applications were received and incorporated into this database. In addition, a programme for the development of all directors serving on the boards of SOEs was conducted. Due to the positive response to this programme, a follow-up will be conducted in the new financial year.

The conversion of Eskom into a public company, to be known as Eskom Holdings Limited, began with the promulgation of the Eskom Conversion Act, 13 of 2001. The Memorandum and Articles of Association of Eskom Holdings Limited was drafted, published for public comment and approved by Cabinet.

The SOE Corporate Governance review tender was awarded in January 2002. The project will be completed and a governance status report will be submitted to Cabinet in the new financial year.

FINANCIAL AND SOCIO ECONOMIC PERFORMANCE MONITORING DIRECTORATE

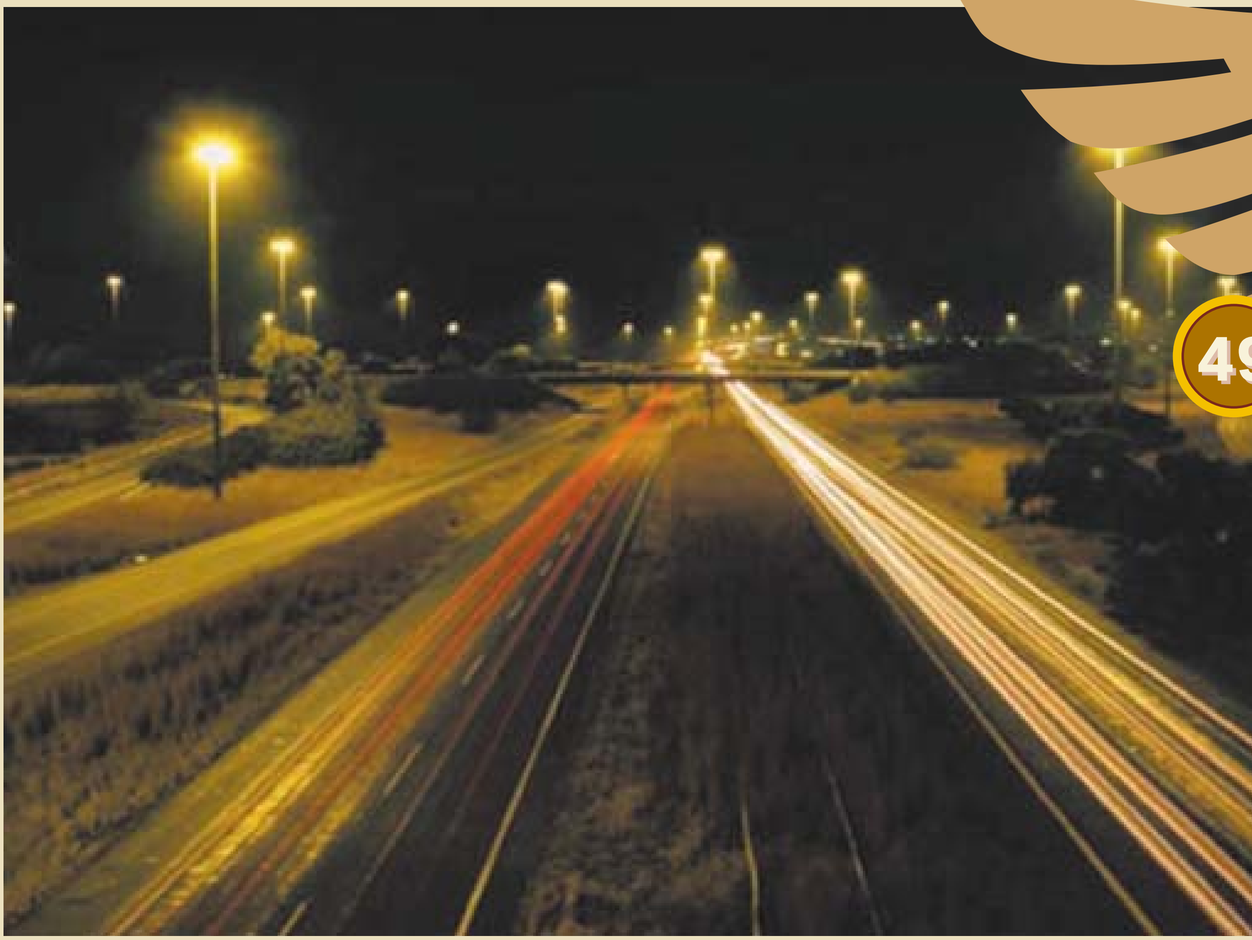


Makhensa Mabunda
Director
Financial Performance

Financial Performance Monitoring

The Financial Performance Monitoring directorate seeks to entrench a sound financial performance regime in SOEs and to improve the financial reporting system to the department and Cabinet. The directorate is also responsible for the investment and risk management of SOEs in compliance with the PFMA.

The directorate has recognized that the performance of SOEs over time has been less than expected. This performance is characteristic of a historical focus which used the SOEs as the basis for infrastructural development and not necessarily as business entities. This problem can also be attributed to tariffs, which were not market-related as well as low capital investments. The directorate has therefore established a financial performance-monitoring model, which seeks to interpret, evaluate and monitor the performance of SOEs to address their holistic performance. The model has been developed with SOEs for the purposes of reporting in the format that outlines clear performance of SOEs.



INVESTMENT STRATEGY

Where government has a controlling interest in an SOE, the Minister in his capacity as Executive Authority, has a responsibility to approve some of the investment applications in terms of the PFMA. The Minister had approved a number of investments but there was no system within which these approvals could be tested. Consequently an Investment Framework was developed to give clarity and ease of operation in relation to the investments. It provides a framework within which investments are to be undertaken and gives an indication of timeframes between the submission and the actual approval of investments.

The investment framework is now in the process of being communicated to the relevant stakeholders prior to implementation and will be submitted to Cabinet for approval before the end of the next financial year.

The investment framework will be complemented by an investment map, which will be a development of an electronic platform indicating all investments by SOEs. This will also serve as a reporting mechanism, which will interface with the existing database system.

GUARANTEE AND DEBT MATURITY REGISTER

The key success of the Directorate has been the development of a register to monitor and manage guarantees issued by Government to SOE creditors. All the inaccuracies, which were raised by the Auditor-General, have been cleared and the guarantee and debt maturity register is fully updated and operational.

The register is updated on a quarterly basis. The sources of the information that is incorporated in the register are the SOEs and National Treasury, as well as the Department.

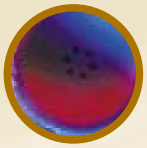
The register is an important tool to the Department as it helps to monitor the level of risks to which Government is exposed as a result of the guarantees issued on behalf of SOEs. Inherent in the guarantee and debt maturity register is an evaluation process through which all applications for guarantees are subjected. This evaluation process exists before the department makes recommendations to the National Treasury Guarantee Certification Committee. This register is used as a management and decision-making tool.

The following table shows the reporting trends of the SOEs reporting to the Minister of Public Enterprises:

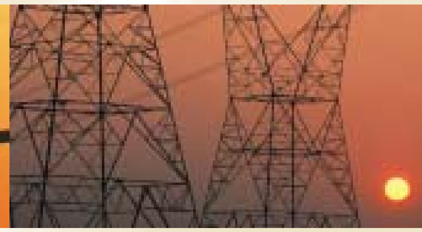
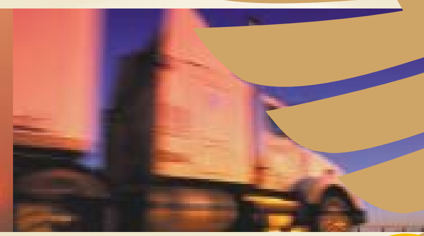
State owned Enterprises	Financial Year – end	Date tabled during 2000	Date Tabled during 2001	Proposed tabling date 2002
Transnet	31 Mar	16 Feb 2001	30 Nov 2001	By 30 Sep 2002
Eskom	31 Dec	23 May 2001	Ready for tabling	By 30 June 2003
Alexkor	30 Jun	26 Sep 2001	Not available	By 31 Dec 2002
Safcol	30 Jun	13 Dec 2001	23 Jan 2001	By 31 Dec 2002
Aventura	30 Jun	Not available	Not available	By 31 Dec 2002
Denel	30 Jun	11 Oct 2001	31 Oct 2001	By 30 Sep 2002

Socio-economic Performance Monitoring

The directorate is in the process of establishing a socio-economic performance regime with SOES and to improve the reporting systems between the SOEs and the department and Cabinet. The directorate is developing various benchmarks that will provide reports on the socio-economic contributions by SOEs.





OVERVIEW

Dr Jabulani Mzaliya
Director
Strategic Analysis

The Strategic Analysis directorate functions as a policy and strategic research unit for the department. It works together with other line directorates to accomplish the department's objectives. The unit identified the following goals for the year under review:

- Overarching policy framework
- State-owned enterprise restructuring frameworks
- Effective macro-economic and sectoral analysis
- Effective consultation with other departments responsible for sectoral and economic policy

During the course of the year the directorate underwent some staffing changes, filling vacant posts and filling the vacated director's position in January 2002. Progress on the unit's objectives were as follows:

ACHIEVEMENTS FOR THE YEAR

OVERARCHING POLICY FRAMEWORK

The directorate continued disseminating and discussing the Policy Framework developed in 2000. A review of this policy framework was begun in February 2002 and is currently under way. Its purpose is to identify whether the main tenets of the policy are still valid. The directorate assisted with identifying options for the Department, post 2005.

SOE RESTRUCTURING FRAMEWORKS

Unit members have worked closely with the Restructuring directorate on elements of Transnet and Eskom restructuring. The unit's members sit on restructuring committees and provide input to the restructuring frameworks developed there. This work has been done in the Energy sector on pricing and market structure. In the Transport sector, the unit has assisted with the restructuring model in Rail and the development of policy in the Ports sector.

EFFECTIVE MACROECONOMIC AND SECTORAL ANALYSIS

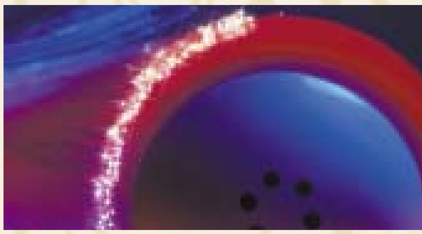
The unit has provided inputs to senior management on an *ad hoc* basis, but has not pursued a formal programme of macro-economic and sectoral analysis. This has included liaising with Treasury on the expenditure reports, and providing data for Ministerial presentations. It is expected that this will be addressed more thoroughly in the next financial year.

EFFECTIVE CONSULTATION WITH OTHER DEPARTMENTS RESPONSIBLE FOR SECTORAL AND ECONOMIC POLICY

This has been an ongoing task of the unit, and involves frequent contact with its counterparts in other government departments, during the normal course of restructuring assistance. It has also involved meetings with labour representatives and international counterparts. The unit has had input into the following policy developments:

- Department of Transport: Rail Policy
- Department of Transport: Rail Safety Regulator
- Policy for the separation of Ports Authority from Ports Operations
- Ports Concessioning Models
- Energy Supply Industry Restructuring
- Socio-economic Impact studies.





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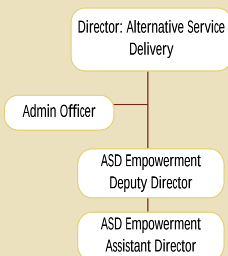
CHAPTER 12

ALTERNATIVE SERVICE DELIVERY

Nthabiseng Seperepere
Director
Alternative Service Delivery



OVERVIEW

The programme, Alternative Service Delivery (ASD), began implementation in April 2001 when new personnel were employed.

KEY ACHIEVEMENTS FOR THE YEAR

The department, with the involvement of the major SOEs, developed a Preferential Procurement Framework to operationalise government's procurement policies in SOEs. The need for this exercise arose from the realization that SOEs' approach to procurement for BEE was inconsistent and difficult to monitor or benchmark. Major variations existed in the interpretations of target groups, definitions and outcomes. Procurement application was erratic and susceptible to "fronting", and there was a lack of measurable and comparable results. All these, coupled with the release of the BEE Commission's Report, necessitated the urgent implementation of a comprehensive operational framework.

This policy was informed by the principles contained in the National Strategy Report of the BEE Commission: direct preference for small-scale contractors, participation goals for medium and large-scale contracts, with primary targets to be HDIs (defined race, gender and disability). The policy was designed to be in compliance with the Constitution, the PFMA and the Preferential Procurement Policy Framework.

In terms of this framework, SOEs will report in a manner that is designed to promote the objectives of empowerment through their procurement budgets. The first phase focused on those SOEs over whom DPE has executive responsibility. Denel, Transnet and Eskom have already adopted the framework in the established Procurement/BEE forum.

PRIORITIES FOR THE NEXT FINANCIAL YEAR

The implementation of the Preferential Procurement framework within SOEs will be the focus of the programme's activities going forward. Monitoring and evaluation of specific SOEs through an electronic web-based reporting system will be

the next development. Progression towards the achievement of the minimum targets set in the operational frameworks will be monitored.

The electronic reporting system for SOEs is being initiated to track performance in achieving socio-economic objectives on a quarterly and annual basis. Implementation of the framework will begin in earnest in the next financial year.

Community Participation: This is an initiative through which HDI communities, in partnership with the private sector, can realize opportunities that will arise from the restructuring programme. The main focus is to accelerate and maximise the execution of such opportunities in the 2002/03-year.

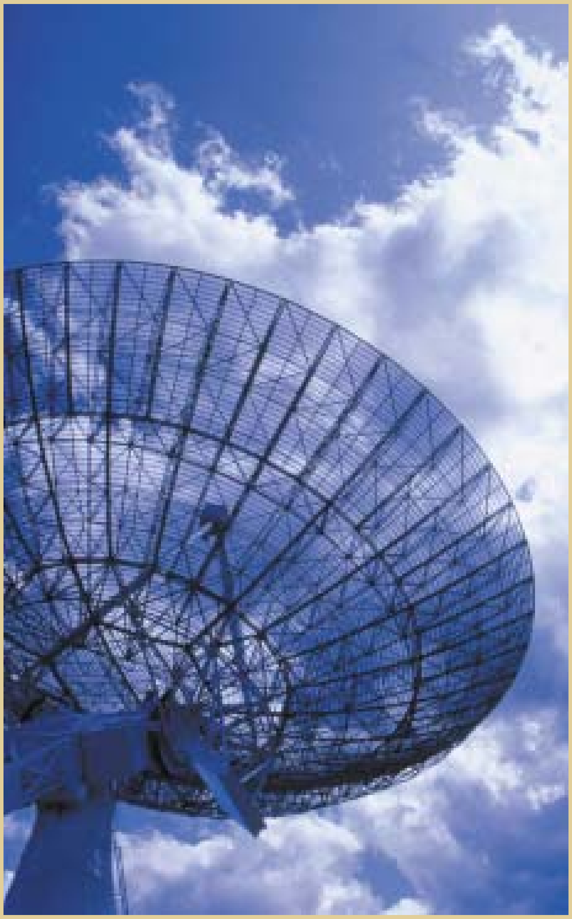
OVERVIEW

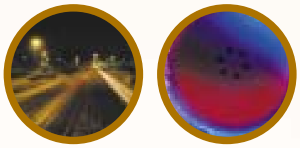
The six SOEs within the jurisdiction of the department are Transnet, Eskom, Denel ,Alexkor, Aventura and Safcol.

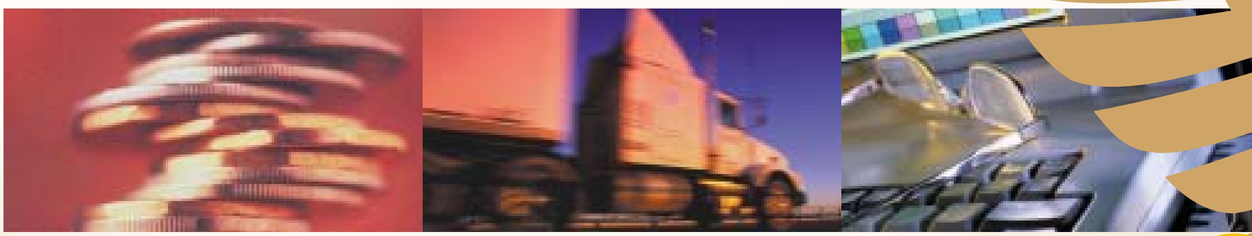
Historically, most SOEs have been affected by high debt levels and high operational costs, which led to lower-than-expected performances, low profitability and a continuous need for Government assistance for their capital requirements. Pension and medical aid fund liabilities have contributed significantly to the low performances of SOEs. Certain interventions were made by Government to manage these pension fund liabilities, which have improved the balance sheets and performances of SOEs, in particular, Transnet and SAFCOL. This is evidenced by a reduction of Transnet's pension fund debt and a settlement by Government of SAFCOL's pension and medical aid funds' liabilities.

ALEXKOR

Alexkor's financial statements for the year ending 30 June 2001 have not been finalised due to outstanding contingent liabilities, which still have to be clearly determined and disclosed in the financial statements. Alexkor reported losses for the three previous years (1998, 1999 and 2000). The Department has obtained Cabinet approval for Alexkor's proposed restructuring model to introduce a strategic equity partner to invest in the business. The process is currently under way and it is anticipated that the restructuring process would be completed by the end of the new financial year. It is anticipated that this process will improve management capabilities, attract new skills and inject capital for exploration purposes. This will improve the performance of Alexkor.







In addition to Alexkor's financial challenges, ABT (Alexkor Business Trading), a non-core business unit of Alexkor involved mainly in agricultural production, is reporting losses. This impacts negatively on the financial status of Alexkor. It should also be noted that ABT was established to create job opportunities and is mainly utilised as a direct social contribution by the company to the Namaqualand community. Specific interventions have been introduced to address the performance of Alexkor and it is anticipated that improvements would be reported in the next financial year.

AVENTURA

Due to the financial difficulties which were reported in the previous years, the department obtained Cabinet approval to dispose of Aventura resorts in a two-pronged strategy. This entailed the disposal of three non-profitable resorts to create an environment conducive to the disposal of the remaining resorts. The three resorts have been successfully disposed of with the disposal of the remainder in process.

The financial statements for the year ending 31 June 2001 are not complete due to concerns raised by the Auditors. However, the Government has maintained its support for Aventura and issued guarantees and letters of comfort to this effect in order to ensure a smooth disposal process and to enable the publication of the financial statements.

DENEL

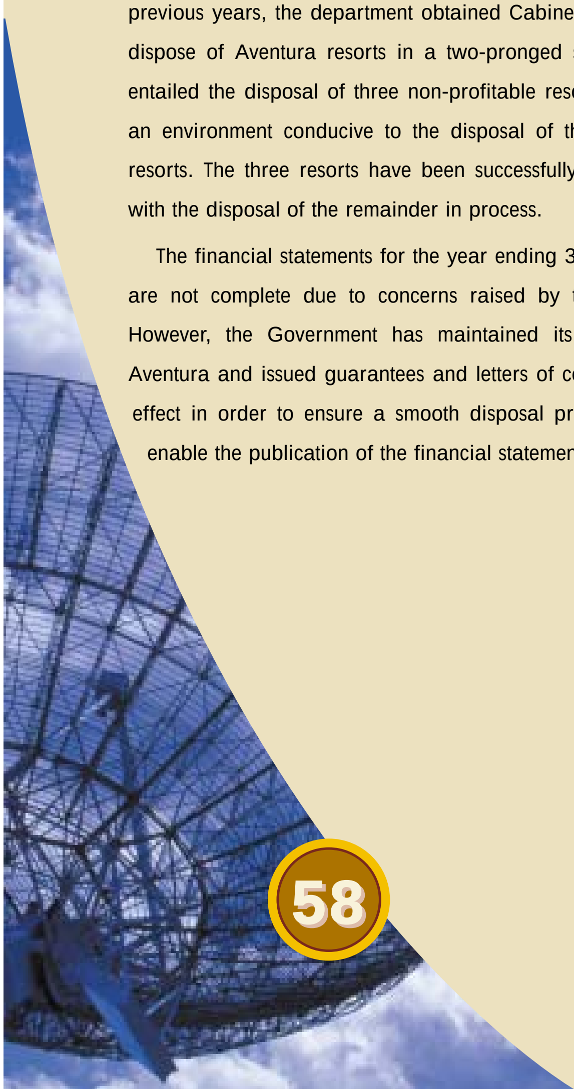
Denel reported a net profit of R 24 million from a turnover of R3,7 billion during the 2001 financial year. Some of these profits were as a result of an extraordinary item reported by Denel in its financial statements. This extraordinary item was the proceeds received from the pension fund with regard to the pension holiday surplus cash. Whilst Denel has not required Government funding since its incorporation, its financial situation remains a concern considering the market decline in the industry and the consolidations globally. As an intervention measure, Cabinet approved the disposal of some of its shareholding through the introduction of Strategic Equity Partners. BAE Systems (BAEs) has been approved by Cabinet as the preferred equity partner for Denel's Aerospace and Ordnance divisions. Turbomeca ("TM") will acquire 51% of Denel Airmotive division (to be known as Turbomeca Africa), while Denel will own 49%.

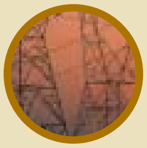
Denel has the potential for growth and its performance is likely to improve upon the completion of the restructuring process.

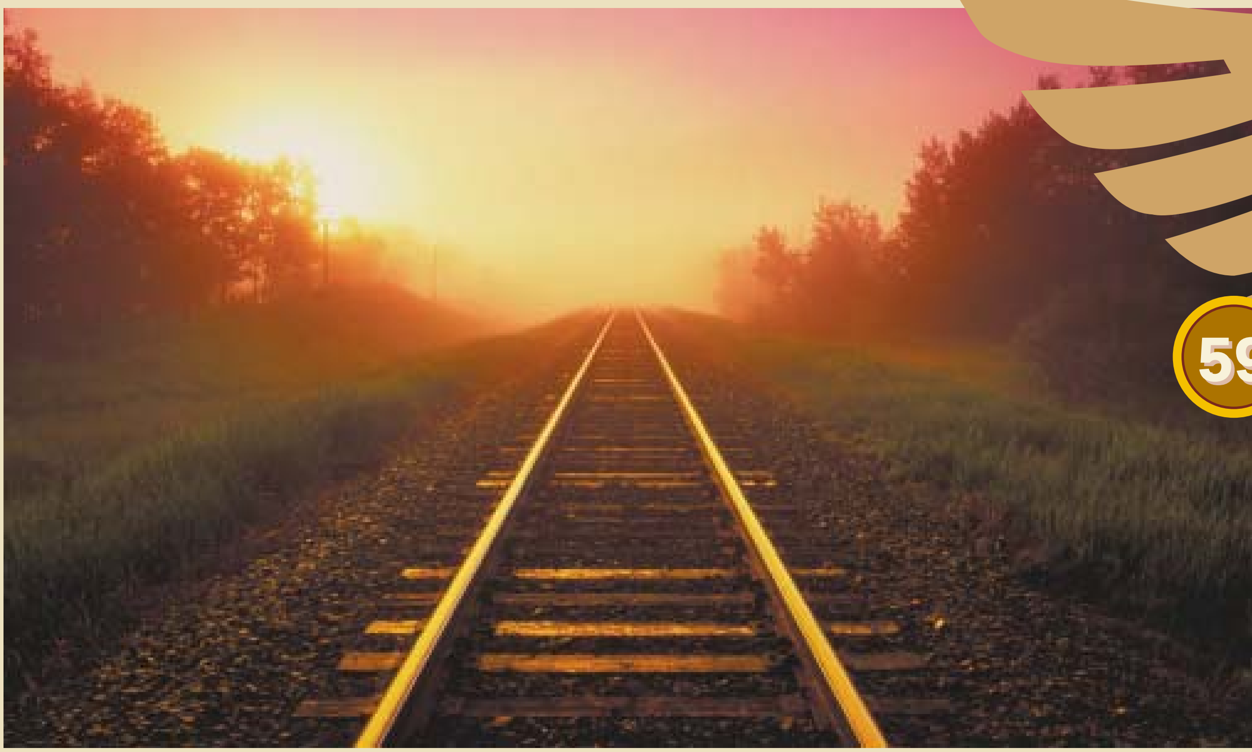
ESKOM

Eskom has been profitable for the last four years. During the 2001 financial year, market conditions were marked by high costs of servicing debt and minimal growth in the market. Nevertheless, Eskom's net profit after tax was higher than that of the 2000 financial year from R1.8 to R2.5 billion.

This was achieved through effective cost control, ongoing productivity improvements and sound financial management.





The debt to equity ratio at the end of the 2001 financial year was less than 0.5 within Eskom's regulated business. Eskom remains one of the cheapest electricity producers globally. Eskom is also involved in infrastructure development in Africa through Eskom Enterprises, its non-regulated business vehicle. Eskom Enterprises is a commercial vehicle that is positively contributing to NEPAD (The New Partnership For Africa's Development) initiatives.

The department works closely with Eskom to ensure the sustainability of its good performance.

SAFCOL

The South African Forestry Company Limited's (SAFCOL's) financial statements for the years ending 1999, 2000 and 2001 were only completed late in 2001. The reason for the delay was due to the restructuring process, which triggered SAFCOL's contingent liabilities (relating to pension and medical aid liabilities) and the transfer of land to Government.

In 2001, Government and SAFCOL reached an agreement to settle the contingent liabilities pertaining to the pension fund and medical aid obligations. Government has already effected the payments of these claims.

The performance of SAFCOL improved over the period. In 1999 a loss of R10 million was reported, whilst it reported profits of R14 million and R34 million for the financial years ending 2000 and 2001 respectively. The overall performance of SAFCOL over the period is satisfactory considering its strong balance sheet as at 30 June 2001.

Government is close to finalising SAFCOL's restructuring process.

TRANSNET

Transnet reported a net profit of R3,287 billion for the year ending 2001. This marks a turnaround in their recent performance. The disposal of the M-Cell shares generated proceeds of

R2,2 billion. Transnet paid the full amount to Government as a special restructuring dividend.

Transnet's performance has for some time been challenged by high finance charges, pension fund liabilities, deteriorating infrastructure and high operational costs. This has led to sub-optimal income flows and a weakened balance sheet. In 2000 the pension and medical aid fund liabilities were R3.5 billion, with an additional long-term liability of R8.4 billion under the T011 bond, representing a total of R11.9 billion in liabilities. This position puts a strain on Transnet's profitability, with an additional provision of R1,8 billion directly affecting the bottom line.

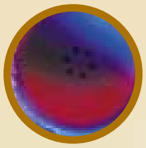
After the recently promulgated Transnet Pension Fund Amendment Act came into effect, the overall pension fund and medical aid liabilities declined by R4.4 billion from 2000 to 2001. Transnet's pension fund and medical aid liabilities as at 31 March 2001 were R7.5 billion. This has improved the gearing ratio, but Transnet still operates in a constrained environment of high operational costs.

Transnet has three pension funds in place. These are Transnet Pension Fund, Retirement Fund and Second Defined Benefit Fund. The first two funds are sufficiently funded whilst the Second Defined Benefit Fund (a closed fund for retired employees) is not sufficiently funded with a deficit of R3.6 billion. Government transferred 4.5% of M-Cell's shares in an attempt to reduce the Second Defined Benefit Fund deficit.

Transnet has large, complex portfolios such as Spoornet, Portnet, SAA (Pty) Ltd, Petronet, Freight Dynamics and Metrorail with other non- related businesses. The department is working very closely with Transnet to monitoring their performance and to ensure a turnaround is achieved over time.

The reduction of the Pension Fund deficit, amongst other things, has positively contributed to Transnet's profitability. Considering the level of interventions and assistance that Government has afforded Transnet in the form of guarantees, Transnet's financial performance is still below expectations.

The revised Shareholder Compact is expected to provide more emphasis on the achievements of high-level targets set out therein.



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CHAPTER 14
REPORT OF THE AUDIT COMMITTEE

REPORT OF THE AUDIT COMMITTEE OF THE DEPARTMENT OF PUBLIC ENTERPRISES

The Executive Authority, the Honourable Minister, Mr. JT Radebe appointed the Audit Committee on 23 May 2000. During the financial year under review, the Committee met on 8 August 2001 and 8 February 2002.

The Committee consists of Ms. T Mokgabudi (Chairperson), Ms. J Kathan, Ms. P Mnxasana, Mr. S Gorven and Mr. S Kajee. The Accounting Officer of the Department, Dr. SM Gounden, is an ex officio member of the Committee.

Persons in attendance regularly include the Head of Internal Audit, the Chief Financial Officer and representatives of the Office of the Auditor-General.

The risk assessment was tabled before the Committee. Based on this assessment, the Committee approved the strategic and annual internal audit plans for the year. These plans have been implemented in the Department.

The Committee, in accordance with the execution of its charter, has reviewed the annual financial statements audited by the Office of the Auditor-General and is satisfied that these statements are fair and reasonable in all material respects.

The Committee has also reviewed the monthly reports submitted in terms of the Public Finance Management Act, No. 1 of 1999, and is satisfied with the quality, timeliness and adequacy of the reports.

The Committee has furthermore reviewed the reports of the Office of the Auditor-General and the internal audit department. In the context of the Committee's understanding of the risks facing the Department, the Committee is satisfied that the internal controls managing the major financial risks are effective.

The Committee notes the emphasis of the matter in paragraph 4 of the Auditor-General report and will monitor actions by management to rectify these matters.

T Mokgabudi

CHAIRPERSON OF THE AUDIT COMMITTEE

DEPARTMENT OF PUBLIC ENTERPRISES

7 AUGUST 2002

MANAGEMENT REPORT FOR THE YEAR ENDED 31 MARCH 2002

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

1. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

Important policy decisions and strategic issues facing the Department

State-owned enterprises in South Africa are active in significant sectors of industry, such as electricity, transport and telecommunications. They produce important inputs which are used by other industries, especially potential high growth industries like tourism, information and communication technology and manufacturing. By ensuring that South Africa's input industries are efficient and offer high quality services, costs are lowered and growth stimulated. The restructuring of state owned enterprises is therefore vital for improving the competitiveness of South African business, and for ensuring that the people of South Africa receive reasonably priced, high quality services.

Government is accelerating this process through the managed liberalisation of the energy, defence, transport and telecommunication sectors, while remaining committed to ensuring that appropriate and affordable infrastructure and services are delivered. This is being done in terms of the Policy Framework on Restructuring, the guiding principles of which include appropriate regulatory and competitive frameworks, facilitating empowerment, improving corporate governance and streamlining the restructuring processes.

Spending trends

The following amounts were appropriated to each of the Department's programmes:

Programme 1:	Administration	R27 131 000
Programme 2:	Restructuring of SOEs	R255 285 000
Programme 3:	Performance Monitoring	R9 367 000
Programme 4:	Alternative Service Delivery	R1 839 000

The total budget allocated to the Department amounted to R293 622 000 for the 2001/02 financial year.

During the 2000/01 financial year, 73% of the total budget of R47 079 000 was spent, while 67% of the appropriated amount of R293 622 000 was spent during the current financial year. The 2001/02 budget included once-off allocations to fund expenses of the Telkom initial public offering and the South African Forestry Company Limited (SAFCOL) Pension Fund restructuring. The postponement of the Telkom initial public offering, due to the conditions in the global telecommunications market and uncertainty about the policy and regulatory framework of the sector, contributed to the overall saving of 33% for the financial year.

2. SERVICES RENDERED BY THE DEPARTMENT

The Department does not render any services for which a tariff can be charged. No free services were rendered during the 2001/02 financial year.

3. UNDER/(OVER) SPENDING

Underspending and its impact on programmes

The Department has made significant use of donor funds, reducing its reliance on statutory allocations, but it has experienced difficulties in filling all posts with appropriate personnel. The postponement of the Telkom initial public offering contributed mainly to the saving experienced during the year.

The underspending did not impact on our core mandate and projects.

Actions taken or planned to avoid recurrence

Greater attention will be given to service delivery achievements and changes to policies and plans by utilising a Performance Management System in line with the Department's objectives and measured against performance, budget management and efficient utilisation of resources. It must be noted, however, that the timing of several of our projects is dependent on market conditions (e.g. the Telkom IPO), which has a direct impact on our expenditure patterns.

4. CAPACITY CONSTRAINTS

Due to the nature of expertise required within the Department, we experienced difficulties in finding relevant candidates to fill vacancies. The recruitment process in acquiring qualified applicants has been accelerated to ensure that positions are filled as soon as possible.

5. UTILISATION OF DONOR FUNDS

Although the Department made use of donor funds during the financial year, these funds were managed by the donors and the Department consequently only received the benefit in kind and not in money. Notwithstanding this, funds are effectively utilised since all applications are subjected to a vigorous investigation process and prioritised according to the Department's activities. Donor funds were utilised to appoint a restructuring specialist, for the Communications unit and to train departmental staff.

6. PUBLIC ENTITIES

Entities under the control of the department and purpose of each entity

The Department has oversight over six public entities. These are Transnet, Eskom, Denel, SAFCOL, Alexkor and Aventura.

TRANSNET LIMITED

Transnet Limited is the largest single transport company in Southern Africa; a holding company with seven main transport businesses, as well as other businesses. The government department, South African Transport Services, was transformed into a public company by the Legal Succession to the South African Transport Services Act, 1989. The company became Transnet on 1 April 1990. Transnet is governed by the Companies Act and functions in every way as a public company with a Board of Directors.

ESKOM

Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers, and to redistributors. Eskom is regulated in terms of licences granted by the National Electricity Regulator (NER), the Eskom Act of 1987 and the Electricity Act of 1987 (as amended). The objective of Eskom is to provide the means and systems by which the electricity needs of the consumer may be satisfied in the most cost-effective manner, subject to resource constraints and the national interest, and to perform such other functions as may be assigned to it by or under the Eskom Act or the Electricity Act.

DENEL

On 1 April 1992, Denel (Pty) Ltd was established as a private company, incorporated in terms of the Companies Act. The State is the sole shareholder. The Company is managed by a Board of Directors, appointed by the Minister of Public Enterprises. Denel's diverse industrial base, advanced technological skills and an appropriate infrastructure enables it to provide clients with complete solutions. Denel is an autonomous group, managed in accordance with sound business principles.

SAFCOL

Safcol, a company charged with the management and development of the State's investment in forestry, is dedicated to growing its business in the forestry and forest products industry through technical and business excellence and sensitive customer service, thereby achieving recognition as a leader and top performer in the forestry industry. Safcol is regulated in terms of The Management of State Forests Act (Act No. 128 of 1992).

ALEXKOR

The core business of Alexkor is the mining of diamonds on land, along rivers, on beaches and in the sea along the northwest coast of South Africa. These activities are complemented by geology, exploration, ore reserve planning, rehabilitation and environmental management. Alexkor is regulated in terms of the Alexkor Limited Act (Act No. 116 of 1992).

AVENTURA

Aventura Resorts is a State Owned Enterprise, which was originally born from the Statutory Board of Public Resorts, which was then amalgamated into Overvaal Limited through the Overvaal Act promulgated in 1983. Aventura Limited was formed in 1993, after it was decided by Government in 1992 to steer the then Overvaal Resorts into a more corporate environment. The Board for Public Resorts was incorporated as a public company in terms of Act No. 127 of 1993. Each resort operates as an independently functioning unit, responsible for its own profitability, but supported by Head Office. Where appropriate, agreements have been entered into with major franchises, which have assisted in improving standards.

Financial/Accounting Arrangements

It is imperative that the operational costs of all State-Owned Enterprises be reduced in order for them to be sustainable. The challenge is how to balance the financial with other developmental objectives of Government in the light of the developmental role that the State Owned Enterprises have to play. It is anticipated that this challenge will be addressed through a process of consultation in the drafting of the Shareholder Compacts for the 2002/03 financial year. A model has been developed which will address additional information on the accountability of public entities, e.g. reports to be submitted to the Department, compliance with the Public Finance Management Act, 1999, and financial targets agreed between the parties.

SUMMARY OF IMPACT OF THE FINANCIAL PERFORMANCE OF EACH PUBLIC ENTITY ON THE DEPARTMENT

The financial performance of each entity impacts on the models implemented during the restructuring process, the proceeds to be received as well as the dividends paid to the Department.

TRANSNET

Transnet inherited huge debts like pension and medical aid liabilities when established during 1990 with the consolidation of a variety of entities. The entity never received any government capital injection to finance its capital expenditure. They consequently have an ageing infrastructure which requires recapitalisation. The resolution of the Transnet pension fund liability has resulted in a greater investment by Transnet in infrastructure.

ESKOM

Eskom reported a profit of R2,5 billion during the 2000/01 financial year. Eskom is the cheapest generator of electricity globally, which is good for the people of South Africa who are paying less than any citizen globally. The entity's overall performance can be perceived as good.

DENEL

Denel reported a net profit of R24 million during the 2000/01 financial year. However, it should be noted that the profits were generated from the disposal of assets and not from improved operational activities. As an intervention measure, the Department has proceeded with a restructuring programme to address the poor performance of the company by initiating the process to introduce a Strategic Equity Partner.

SAFCOL

Safcol's overall performance during the past two years was satisfactory. A variety of assets has been disposed to private and Black Economic Empowerment companies and Government is close to finalising the restructuring process.

ALEXKOR

The poor performance over the years was due to insufficient capital injection for exploration to determine the value of the diamonds that can be extracted. The Department is in the process of identifying a strategic equity partner to invest in the business.

AVENTURA

Aventura has been highly indebted resulting in high interest charges, insufficient working capital and non-viable resorts. This impacts on the ability to perform effectively. Cabinet has consequently resolved to dispose of Aventura completely. To date three resorts have already been disposed of.

9. CORPORATE GOVERNANCE ARRANGEMENTS

Risk management approach

The Business Plan of the Department was cascaded down to activity level and the risk assessment was consequently done by identifying specific risks pertaining to specific activities within the different programmes.

The risk methodology involved analyzing a list of risks and assigning values to determine priorities for the purposes of effective risk management and to guide the audit effort.

The risk assessment and management approach was based on a control self-assessment process whereby the managers identified areas where weaknesses exist, performed a self-assessment of the risks and identified existing internal controls or possible controls to implement. The risk dimensions method was adopted in the Department where every risk was assessed in terms of severity, distribution and imminence. Priorities were assigned according to the assessment of the risk-sensitive activities and loss generating areas to guide the internal audit effort.

The assessment included all processes, activities and systems within the line function as well as the support function units.

Fraud prevention policies

Fraud prevention policies have been implemented during the 2000/01 financial year and the contents communicated to all staff members by means of workshops and presentations. These policies and plans are annually reviewed by the Chief Financial Officer and the Head of the Internal Audit Unit to ensure currency and applicability of these documents.

Effectiveness of internal audit and audit committee

The effectiveness of the internal audit unit and the audit committee can be perceived through the implementation of more efficient and effective internal control measures in the Department. A follow-up system has been implemented where managers have to report on progress made with the implementation of controls recommended by the internal auditors and the audit committee members. Internal audit strategic and annual plans have been approved by the audit committee and these plans serve to guide the audit effort. A quality assurance review of the internal audit function is planned for the 2002/03 financial year.

Other governance structures

Various committees and monitoring mechanisms have been established and implemented in the Department to ensure compliance with sound governance practices. Examples of these are the establishment of a Budget Committee where spending trends are monitored and the development of a Performance Management system which will be based on the Balanced Scorecard approach. A corporate governance audit has been executed in both the Department as well as the State Owned Enterprises under the Department's jurisdiction. The audit report and findings are being addressed by the Performance Monitoring Unit with the co-operation of all personnel in the Department.

10. DISCONTINUED ACTIVITIES/ACTIVITIES TO BE DISCONTINUED

No activities were discontinued during the year under review.

11. NEW/PROPOSED ACTIVITIES

No new/proposed activities were implemented during the financial year.

12. EVENTS AFTER THE ACCOUNTING DATE

A senior official in the Department has been suspended on grounds of allegedly receiving a bribe from a bidder.

13. FINANCIAL MANAGEMENT IMPROVEMENT PROGRAMME

The following measures were introduced, reviewed and updated consistently in the Department to ensure applicability and to adhere to legislative requirements relating to effective and efficient financial and administrative management:

(i) The Finance Chief Directorate has a full complement and the following financial management systems were put in place:

- Procedure manuals and policies were compiled, revised and are fully utilised;
- A Departmental Budget Committee was established to control and direct the management of the budget within the Department.

(ii) The Chief Financial Officer reports directly to the Accounting Officer.

(iii) The Internal Audit Unit has increased its staff complement during the financial year and the Unit is led by the Head of Internal Audit, who also reports directly to the Accounting Officer.

(iv) The Audit Committee meets on a regular basis to discuss audit findings and material matters according to the Terms of Reference.

(v) Departmental instructions and policies related to the Public Finance Management Act, 1999 (Act No. 1 of 1999) are utilised to ensure compliance.

(vi) Procedural manuals pertaining to day-to-day functions which were compiled and implemented to improve internal controls, were amended to ensure compliance with legislation.

(vii) Delegations were reviewed in accordance with legislation. The updated signed delegations were distributed to all staff members.

(viii) Training programmes established for all staff members have been reviewed.

(ix) The risk assessment and management document, as well as the risk policy were reviewed and implemented.

Managers are responsible for ensuring that the following internal control elements are established and functioning to achieve the mission and objectives of the Department:

Personnel

Personnel must be competent and trustworthy, with clearly established lines of authority and responsibility documented in written job descriptions and procedure manuals.

Authorisation procedures

Procedures must include a thorough review of supporting information to verify the propriety and validity of transactions. Approval authority must be commensurate with the nature and significance of the transactions and in compliance with the Departmental policy.

Policies, guidelines and prescripts

Written departmental policies, guidelines and prescripts must be established and implemented by managers to guide activities. These documents must be evaluated on a regular basis, to ensure that they support the Departmental objectives and goals.

Segregation of duties

This must reduce the likelihood of errors and irregularities. An individual will not have responsibility for more than one of the three transaction components: authorisation, custody and record keeping.

Physical restrictions

Physical restriction measures were implemented, as they are the most important type of protective measure for safeguarding Departmental assets, processes and data.

Documentation and record retention

This procedure provides reasonable assurance that assets are controlled and transactions are correctly recorded.

Monitoring operations

The monitoring of operations is essential to verify that controls are operating properly. Reconciliation, confirmation and exception reports provide this type of information.

Managers are also responsible to address risks identified and taken up in the risk management approach document implemented in the Department.

14. FRAUD PREVENTION PLAN

The Accounting Officer, in accordance with Section 38(1)(a) of the Public Finance Management Act, 1999, is responsible for the prevention and detection of fraud and is responsible for ensuring that appropriate and effective internal control systems are in place.

The Chief Financial Officer and the Internal Audit function support the Accounting Officer in ensuring appropriate and effective internal control systems are operating.

All senior managers share in the responsibility for the prevention and detection of fraud and for the compliance with the Department's Fraud Strategy. Similarly, all staff must share in that responsibility.

Initiatives to prevent fraud and corruption were planned during the financial year and it was decided that these issues would receive even more attention by way of workshops, courses, newsletters, posters, pamphlets and messages on pay slips. The Department will undertake these initiatives to actively prevent fraud, to create a more fraud free environment and to empower its employees to assist in the active fight against fraud and corruption. In addition, the fraud prevention policy and plan strives to facilitate the early detection of fraud where it happens, to provide for the professional investigation of the offence, to minimise the negative effects of fraud and to provide for the professional closure of the cases. Special initiatives to be undertaken to prevent fraud in the following year are training, marketing, supplier awareness and proactive fraud auditing.

APPROVAL

The attached financial statements set out on pages 77 to 96 have been approved.

Siri Gounden

DR SM GOUNDEN

ACCOUNTING OFFICER

DATE: 31 May 2002

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE DEPARTMENT OF PUBLIC ENTERPRISES - VOTE 8 FOR THE YEAR ENDED 31 MARCH 2002

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 77 to 96, for the year ended 31 March 2002, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Department of Public Enterprises at 31 March 2002 and the results of its operations and cash flows for the year then ended in accordance with prescribed accounting practice.

4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

4.1. Matters not affecting the financial statements

4.1.1. Weakness in internal control

During November 2001 an amount of R133 430 000 was requested from the National Treasury by the department to fund normal expenditure as per voted funds. However, only R4 316 000 was received, resulting in a shortfall in funds requested. The shortfall was neither investigated nor followed up until March 2002. This resulted in the material increase of the bank overdraft.

4.1.2. SUSPENSION OF SENIOR OFFICIAL

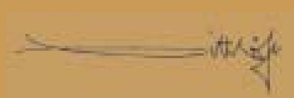
A senior official in the department was suspended pending the outcome of an investigation into alleged bribe taking relating to the sale of state forests.

4.1.3 RECEIVABLES

Attention is drawn to note 13 on page 85 of the financial statements, which discloses that proceeds of R21 062 500 from the sale of Sun-Air Limited were not received as the company was subsequently liquidated. Recovery of this amount depends on legal action taken against the buyers.

5. APPRECIATION

The assistance rendered by the staff of the department during the audit is sincerely appreciated.



G.R. Witthöft

***for* AUDITOR-GENERAL**

Pretoria

18/07/2002

NATIONAL DEPARTMENT OF PUBLIC ENTERPRISES-VOTE 8
STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS
FOR THE YEAR ENDED 31 MARCH 2002

The financial statements have been, unless otherwise indicated, prepared in accordance with the following policies, which have been applied consistently in all material respects. 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 No. 29 of 1999) and the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act, as well as the Division of Revenue Act, Act No. 1 of 2001.

1. BASIS OF PREPARATION

The financial statements have been prepared on the cash basis of accounting except where stated otherwise. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. This basis of accounting measures financial results for a period as the difference between cash receipts and cash payments.

2. REVENUE

Voted funds are the amounts appropriated to a department in accordance with the final budget known as the adjustment estimate. Interest received is recognised upon receipt of the funds, and no accrual is made for interest receivable from the last receipt date to the end of the reporting period. Unexpended voted funds are surrendered to the National Revenue Fund.

Dividends received are recognised as revenue in the financial statements of the department, however, it is also recognised as an expense in the same year, as the dividends are paid over to the Revenue Fund.

3. EXPENDITURE

Capital and current expenditure is recognised in the income statement when the payment is made. Interest paid is also recognised when paid and no accrual for interest is made between the payment date and the reporting date.

4. UNAUTHORISED, IRREGULAR, AND FRUITLESS AND WASTEFUL EXPENDITURE

Unauthorised expenditure means:

- the overspending of a vote or a main division within a vote, or
- expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is treated as a current asset in the balance sheet until such expenditure is recovered from a third party, authorised by Parliament, or funded from future voted funds.

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or not in accordance with a requirement of any applicable legislation, including:

- the Public Finance Management Act, or
- the State Tender Board Act, or any regulations made in terms of this act.

Irregular expenditure is treated as expenditure in the income statement until such expenditure is either not condoned by National Treasury or the Tender Board, at which point it is treated as a current asset until it is recovered from a third party.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is treated as a current asset in the balance sheet until such expenditure is recovered from a third party.

5. DEBTS WRITTEN OFF

Debts are written off when identified as irrecoverable. No provision is made for irrecoverable amounts.

6. ASSETS

Physical assets (fixed assets, moveable assets and inventories) are written off in full when they are paid for and are accounted for as expenditure in the income statement.

7. RECEIVABLES

Receivables are not normally recognised under the cash basis of accounting. However, receivables included in the balance sheet arise from cash payments that are recoverable from another party.

8. PAYABLES

Payables are not normally recognised under the cash basis of accounting. However, payables included in the balance sheet arise from cash receipts that are due to either the National Revenue Fund or another party.

9. PROVISIONS

Provisions are not normally recognised under the cash basis of accounting.

The Department's provisions are done according to the guidelines provided for in the Treasury Regulations and other instructions within the Department. The Department's provisions are focused on activities that were not finalised in the previous financial year and have to continue during the following year.

10. LEASE COMMITMENTS

Lease commitments for the period remaining from the accounting date until the end of the lease contract are disclosed as a note to the financial statements. These commitments are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on the cash basis of accounting.

11. SUBSEQUENT PAYMENTS

Payments made after the accounting date that relates to goods and services received before or on the accounting date are disclosed as a note to the financial statements. These payments are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on the cash basis of accounting.

12. EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits is expensed in the income statement in the reporting period that the payment is made. Short-term employee benefits, that give rise to a present legal or constructive obligation, are deferred until they can be reliably measured and then expensed. Details of these benefits and the potential liabilities are disclosed as a note to the financial statements and are not recognised in the income statement.

Termination benefits

Termination benefits are recognised and expensed only when the payment is made.

Retirement benefits

The department provides retirement benefits for its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. 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.

Medical benefits

The department provides medical benefits for (certain/all) its employees through defined benefit plans. These benefits are funded by employer and/or employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. No provision is made for medical benefits in the financial statements of the department.

Retirement medical benefits for retired members are expensed when the payment is made to the fund.

13. CAPITALISATION RESERVE

The capitalisation reserve represents an amount equal to the value of the investments and/or loans capitalised, or deposits paid on behalf of employees of a foreign mission, for the first time in the previous financial year. On disposal, repayment or recovery, such amounts are transferable to the Revenue Fund.

14. RECOVERABLE REVENUE

Recoverable revenue represents payments made and recognised in the income statement as an expense in previous years, which have now become recoverable from a debtor due to non-performance in accordance with an agreement. Repayments are transferred to the Revenue Fund as and when the repayment is received.

15. COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements and such other comparative figures that the department may reasonably have available for reporting.

Department of public enterprises-vote 8

INCOME STATEMENT (STATEMENT OF FINANCIAL PERFORMANCE)

for the year ended 31 March 2002

	notes	2001/2002 R'000	2000/2001 R'000
REVENUE			
Voted funds		293 622	47 079
Other receipts	1	1 435 245	160
TOTAL REVENUE		**1 728 867**	**47 239**
EXPENDITURE			
Personnel	2	20 420	12 166
Administration		11 515	9 397
Inventory		1 092	1 078
Equipment	3	4 929	4 199
Land and buildings	4	-	314
Professional and special services	5	158 458	5 429
Transfer payments	6	-	26
Miscellaneous	7	1	1 647
Special functions: authorised losses	8	-	56
TOTAL EXPENDITURE		**196 415**	**34 312**
NET SURPLUS/(DEFICIT)		**1 532 452**	**12 927**
NET SURPLUS/(DEFICIT) FOR THE YEAR		**1 532 452**	**12 927**
ANALYSIS OF NET SURPLUS FOR THE YEAR			
Voted funds to be surrendered to Revenue Fund			
- Gross funds to be surrendered	15	97 207	12 767
Revenue surrendered or to be surrendered to Revenue Fund	16	1 435 245	160
		1 532 452	**12 927**

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

as at 31 March 2002

	notes	2001/2002 R'000	2000/2001 R'000
ASSETS			
Current assets		**26 319**	**26 446**
Unauthorised, irregular, and fruitless and wasteful expenditure	9	26 165	26 165
Cash and cash equivalents	10	12	6
Receivables	11	77	207
Prepayments and advances	12	65	68
Non-current assets		**14 893 371**	**14 893 371**
Receivables	13	21 062	21 062
Investments	14	14 872 309	14 872 309
Total assets		**14 919 690**	**14 919 817**
LIABILITIES			
Current Liabilities		**26 319**	**26 446**
Voted funds to be surrendered	15	(71 062)	6 998
Revenue to be surrendered	16	20	-
Bank overdraft	17	97 331	19 441
Payables	18	30	7
Total liabilities		**26 319**	**26 446**
NET ASSET/EQUITY		**14 893 371**	**14 893 371**
Capitalisation reserve		14 872 309	14 872 309
Recoverable revenue		21 062	21 062
Total net asset/equity		**14 893 371**	**14 893 371**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2002

	notes	2001/2002 R'000	2000/2001 R'000
Capitalisation reserve – Investments			
Opening balance		14 872 309	14 872 309
Closing balance		**14 872 309**	**14 872 309**
Recoverable revenue			
Opening balance		21 062	21 062
Closing balance		**21 062**	**21 062**

CASH FLOW STATEMENT

for the year ended 31 March 2002

	notes	2001/2002 R'000	2000/2001 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flow generated by operating activities	20	1 368 145	4 935
Cash required/utilised to increase/decrease working capital	21	156	356
Voted funds and Revenue funds surrendered	22	(1 442 223)	(10 744)
Net cash out flows available from operating activities		**(73 922)**	**(5 453)**
CASH FLOWS FROM INVESTING ACTIVITIES		**(3 962)**	**(3 996)**
Purchase of equipment	20	(3 962)	(3 996)
Net cash out flows from operating and investing activities		**(77 884)**	**(9 449)**
Net increase/(decrease) in cash and cash equivalents		**(77 884)**	**(9 449)**
Cash and cash equivalents at beginning of period	10/17	(19 435)	(9 986)
Cash and cash equivalents at end of period	10/17	**(97 319)**	**(19 435)**
Cash and cash equivalents are represented by:			
Cash and cash equivalents	10	12	6
Bank overdraft	17	(97 331)	(19 441)
		(97 319)	**(19 435)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

	notes	2001/2002 R'000	2000/2001 R'000
1. Other receipts			
Descriptions			
Cheques written back		25	132
Interest received		-	20
Dividends received		1 435 109	-
Recoveries of housing rent		106	5
Commission on insurance		5	3
		1 435 245	**160**
1.1 Dividends paid directly to the National Treasury			
Safcol Restructuring Dividend		66 667	-
Transnet		-	1 777
		66 667	**1 777**
2. Personnel			
Appropriation to Executive and Legislature		685	646
Basic salary costs		13 252	8 411
Pension contributions		1 173	844
Medical aid contributions		481	332
Other salary related costs		4 829	1 933
		20 420	**12 166**
Average number of employees		**115**	**95**
3. Equipment			
Current (Rentals, maintenance and sundry)		967	203
Capital	3.1	3 962	3 996
		4 929	**4 199**
3.1 Capital equipment analysed as follows:			
Computer equipment		2 879	
Furniture and office equipment		433	
Other machinery and equipment		650	
		3 962	
4. Land and Buildings			
Description			
Current expenditure		-	314
Rental		-	314
		-	**314**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

	notes	Current Expenditure	capital Expenditure	2001/2002 R'000	2000/2001 R'000
5. Professional and special services					
Auditors' remuneration		410	-	410	310
Contractors		407	-	407	117
Consultants and advisory services		61 866	-	61 866	4 877
Computer services		380	-	380	90
Other	5.1	95 395	-	95 395	35
		158 458	**–**	**158 458**	**5 429**
5.1 Other – Professional and special services					
SAFCOL Pension and Provident Fund					
Government funded deficits of the SAFCOL Pension and Provident Funds in accordance with contractual commitments and to ensure a fair and effective restructuring process to maximise shareholder and stakeholder value. The individual funding is as follows:					
SAFCOL Pension Fund		3 290	-	3 290	-
SAFCOL Pension- linked Provident Fund		13 946	-	13 946	-
SAFCOL Provident Fund		67 552	-	67 552	-
SAFCOL Provident Fund for Senior Executives		10 607	-	10 607	-
		95 395	**–**	**95 395**	**–**
6. Transfer payments					
Transferee					
Public Sector Education and Training Authority		-	-	-	26
		–	**–**	**–**	**26**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

	notes	Current Expenditure	capital Expenditure	**2001/2002 R'000**	2000/2001 R'000
7. Miscellaneous					
Stabilisation fund (Terminates after '00/01)				-	26
Loss on Foreign Exchange Rate differences				1	-
Claims against the State				-	1 621
				1	**1 647**
8. Special functions: Authorised losses					
Debts written off	8.1			-	56
				-	**56**
8.1 Debts written off					
Nature of losses					
Incorrect interface allocations (salaries)		-	-	-	32
Incorrect interface allocations (pension)		-	-	-	24
		-	**-**	**-**	**56**
9. Unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure					
Unauthorised expenditure in respect of previous years not yet approved	9.1			26 165	26 165
				26 165	**26 165**
9.1 Reconciliation of movement in account balance					
Opening balance				26 165	
Transfer from income statement				-	
Transfer to income statement				-	
Transfer to receivables for recovery				-	
Prior years expenditure allowed during current year				-	
Closing balance				26 165	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

	notes	2001/2002 R'000	2000/2001 R'000
9.2 Unauthorised expenditure in respect of previous years not yet approved			
Year disallowed — **Incident**			
1997/1998 — Non-compliance with State Tender Board Regulations		350	350
1998/1999 — Non-compliance with State Tender Board Regulations		7 152	7 152
1999/2000 — Non-compliance with State Tender Board Regulations		18 663	18 663
		26 165	**26 165**
10. Cash and cash equivalents			
Cash on hand		12	6
		12	**6**
11. Receivables – Current			
Amounts owing by other departments	19	42	165
Staff debtors	11.3	35	42
	11.2	**77**	**207**
11.1 The amount of R 16 771 (00/01: R 16 771) included above may not be recoverable, but has not been written off in the income statement.			
11.2 Age analysis			
Less than one year		9	84
One to two years		68	123
		77	**207**
11.3 Staff debtors			
Salary over payment		9	26
Motor finance		16	16
Other		10	-
		35	**42**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

notes	2001/2002 R'000	2000/2001 R'000
12. Prepayments and advances		
Nature of prepayments/advances		
Subsistence and transport	55	58
Government printer	6	6
Department of Justice and Constitutional Development	4	4
	65	**68**
13. Receivables – non–current		
Outstanding proceeds from the sale of State assets		
CNI	5 068	5 068
COMAIR	6 582	6 582
Rethabile Consortium	9 412	9 412
	21 062	**21 062**

The balance of the proceeds from the sale of Sun-Air Ltd., amounting to R21 062 500 was payable by the above buyers on 15 January 2000. Due to the subsequent liquidation of Sun-Air Ltd., the balance of the proceeds was not paid on the specified date. Recovery of the amount depends on legal action taken against the buyers. Due to the move towards the accrual basis of accounting and the extent and nature of this item, the amount is included as receivables.

14. Investments

Investee	Nature of investment	2001/2002 R'000	2000/2001 R'000
Alexkor Limited	Shares	50 000	50 000
Aventura Limited	Shares	60 000	60 000
Denel (Pty) Limited	Shares	442 110	442 110
SAFCOL (South African Forestry Company Limited)	Shares	318 013	318 013
Transnet Limited	Shares	14 002 186	14 002 186
		14 872 309	**14 872 309**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

	notes	2001/2002 R'000	2000/2001 R'000
15. Voted funds to be surrendered			
Opening balance		6 998	10 567
Previous year unauthorised expenditure declared in the current year		-	5 957
Transfer from income statement		97 207	12 767
Less: Voted funds not requested/received		168 269	11 726
Less: Paid during the year	22	6 998	10 567
Closing balance		**(71 062)**	**6 998**
16. Revenue funds to be surrendered			
Opening balance		-	17
Transfer from income statement for revenue to be surrendered		1 435 245	160
Less: Paid during the year	22	1 435 225	177
Closing balance		**20**	**–**
17. Bank Overdraft			
Paymaster General Account (Bank/current account)	17.1	**97 331**	**19 441**
17.1 Reconciliation of Paymaster General Account/Exchequer account			
Balance as per National Accounting Office		90 208	15 574
Add: Outstanding deposits		-	(8)
Sub total		**90 208**	**15 566**
Deduct:		(7 123)	(3 875)
Orders payable outstanding		(7 111)	(1 251)
ACB control account		(12)	(2 624)
Balance above		**97 331**	**19 441**
18. Payables – Current			
Description			
Other payables	18.1	30	7
		30	**7**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

notes			2001/2002 R'000	2000/2001 R'000
18.1 Other payables				
PAYE			27	7
Pension			3	-
			30	**7**

19. Transactions with other departments	Receipts	Payments made	Owing by other dept.	Owing to other dept.
Name of department				
Public Works	81	-	-	-
National Treasury (pension)	42	-	-	-
Department of Transport	-	-	42	-
Actual '01/02: R'000	**123**	**–**	**42**	**–**
Actual '00/01: R'000	**–**	**–**	**165**	**–**

	notes	2001/2002 R'000	2000/2001 R'000
20. Net cash flow generated by operating activities			
Net surplus as per Income Statement		1 532 452	12 927
Adjusted for items separately disclosed		3 962	3 996
Purchase of equipment	3.1	3 962	3 996
Adjusted for non-cash items			
Voted funds not requested/received	15	(168 269)	(11 988)
Net cash flow generated by operating activities		**1 368 145**	**4 935**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

	notes	2001/2002 R'000	2000/2001 R'000
21. Cash generated (utilised) to (increase)/decrease working capital			
(Increase)/decrease in receivables		130	376
(Increase)/decrease in prepayments and advances		3	113
Increase/(decrease) in payables		23	(133)
		156	**356**
22. Voted funds and Revenue funds surrendered			
Voted funds surrendered	15	6 998	10 567
Revenue funds surrendered	16	1 435 225	177
		1 442 223	**10 744**

			As at 31 March 2002 R'000	As at 31 March 2001 R'000
23. Contingent liabilities				
Liable to	**Nature of contingent liability**			
Motor vehicle guarantees	Employees	23.1	508	611
Housing loan guarantees	Employees	23.2	366	143
Alexkor Limited	Public Entities		-	25 000
Aventura Limited	Public Entities		37 000	26 789
Eskom	Public Entities		2 367 050	2 470 226
Transnet limited	Public Entities		23 762 121	16 345 464
			26 167 045	**18 868 233**
23.1 Motor vehicle guarantees				
STANNIC			508	611

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

notes	Opening balance	guarantees issued during the financial year	guarantees released during the financial year	closing balance
23.2 Housing loan guarantees				
ABSA	98	65	29	**134**
Cape Hope	-	76	-	**76**
First National Bank	45	68	31	**82**
Natal Building Society	-	14	-	**14**
NEDCOR	-	26	-	**26**
Standard Bank	-	34	-	**34**
	143	**283**	**60**	**366**

	2001/2002 R'000	2000/2001 R'000
24. Subsequent payments not recognised in income statement		
24.1 Listed by standard item		
Administration	29	
Inventory	7	
Equipment	4	
	40	
24.2 Listed by programme level		
Programme 1 - Administration	17	
Programme 2 - Restructuring of State Owned Enterprises	16	
Programme 3 - Performance Monitoring and Strategic Analysis	7	
	40	
25. Short term employee benefits		
Leave entitlement	345	
Thirteenth cheque	252	
Performance bonus	-	
	597	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

notes	Current Expenditure	capital Expenditure	2001/2002 R'000	2000/2001 R'000
26. Commitments				
Liable to				
Approved and contracted	91 501	-	91 501	
Approved but not yet contracted	-	300	300	
	91 501	**300**	**91 801**	
		equipment	**Total R'000**	
27. Leases				
Operating leases				
Not later than 1 year		70 940	70 940	
Later than 1 year and not later than 5 years		58 773	58 773	
Present value of lease liabilities		**129 713**	**129 713**	

The above operating leases exclude operating leases based on a monthly contract. These operating leases can be cancelled with a month's notice from either party, therefore the lease period could not be determined. The monthly operating lease payments with respect to monthly lease contracts amounts to R17 865.

28. Controlled entities

Alexkor Limited	Ref Note 14
Aventura Limited	Ref Note 14
Denel (Pty) Limited	Ref Note 14
Eskom	
SAFCOL (South African Forestry Company Limited)	Ref Note 14
Transnet Limited	Ref Note 14

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

	notes	2001/2002 R'000	2000/2001 R'000
29. Key management personnel		**4 308**	
29.1 Remuneration		**2 596**	
Minister		477	
Director-General		411	
2 Deputy Directors-General		657	
4 Chief Directors		1 051	
29.2 Other remuneration and compensation provided to key management		**1 712**	
Motor Allowance		695	
Medical Aid		39	
Other Allowances		978	

APPROPRIATION STATEMENT

for the year ended 31 March 2002

Programme	Adjustment estimate 01/02 R'000	Virement 01/02 R'000	Amount Voted 01/02 R'000	Expenditure 01/02 R'000	Savings/ (Excess) 01/02 R'000	%	Amount Voted 01/02 R'000	Expenditure 01/02 R'000
1. Administration	26 596	535	27 131	27 127	4	0.01	25 093	24 311
2. Restructuring of state owned enterprises	254 885	400	255 285	161 769	93 516	36.63	10 592	5 098
3. Performance monitoring and strategic analysis	10 302	(935)	9 367	6 510	2 857	30.50	9 281	3 087
4. Alternative Service Delivery	1 839	–	1 839	1 009	830	45.13	2 113	1 760
Special Function: Authorised losses	–	–	–	–	–	–	–	56
TOTAL	**293 622**	**–**	**293 622**	**196 415**	**97 207**	**33.11**	**47 079**	**34 312**

Economic classification – Actual expenditure	Adjustment estimate 01/02 R'000	Virement 01/02 R'000	Amount Voted 01/02 R'000	Expenditure 01/02 R'000	Savings/ (Excess) 01/02 R'000	%	Amount Voted 01/02 R'000	Expenditure 01/02 R'000
Current Personnel	23 644	–	23 644	20 420	3 224	13.64	17 489	12 166
Transfer Payments	100	–	100	–	100	100.00	100	26
Other	267 797	(1 900)	265 897	172 033	93 864	35.30	25 494	18 124
Capital Transfer Payments	–	–	–	–	–	–	–	–
Acquisition of capital assets	2 081	1 900	3 981	3 962	19	0.48	3 996	3 996
Personnel	–	–	–	–	–	–	–	–
TOTAL	**293 622**	**–**	**293 622**	**196 415**	**97 207**	**33.11**	**47 079**	**34 312**

Standard items – actual expenditure	Adjustment estimate 01/02 R'000	Virement 01/02 R'000	Amount Voted 01/02 R'000	Expenditure 01/02 R'000	Savings/ (Excess) 01/02 R'000	%	Amount Voted 01/02 R'000	Expenditure 01/02 R'000
Personnel	23 644	–	23 644	20 420	3 224	13.64	17 489	12 166
Administrative	10 920	935	11 855	11 515	340	2.87	7 684	9 397
Inventories	2 258	–	2 258	1 092	1 166	51.64	1 016	1 078
Equipment	2 407	–	2 407	4 929	(2 522)	(104.78)	2 547	4 199
Land and Buildings	–	–	–	–	–	0.00	500	314
Professional and special services	253 758	(935)	252 823	158 458	94 365	37.32	17 489	5 429
Transfer Payments	100	–	100	–	100	100.00	100	26
Miscellaneous	535	–	535	1	534	99.81	254	1 647
Special Functions: Authorised losses	–	–	–	–	–	–	–	56
TOTAL	**293 622**	**–**	**293 622**	**196 415**	**97 207**	**33.11**	**47 079**	**34 312**

NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 March 2002

notes	2001/2002 R'000	2000/2001 R'000
1. Explanations of material variances from Amount voted (after Virement):		
1.1 Per programme:		
PROGRAMME 2 – RESTRUCTURING OF STATE OWNED ENTERPRISES The postponement of the Telkom initial public offering, due to the conditions in the global telecommunications market and uncertainty about the policy and regulatory framework of the sector, contributed to this saving.		
PROGRAMME 3 – PERFORMANCE MONITORING AND STRATEGIC ANALYSIS Savings resulted from contracts and projects being delayed and postponed to the next financial year.		
PROGRAMME 4 – ALTERNATIVE SERVICE DELIVERY The international benchmarking process was postponed to the next financial year.		
1.2 Per standard item:		
PERSONNEL EXPENDITURE Funded posts remained vacant for part of the year whilst others are to be filled in the next financial year. Savings also resulted from certain posts being downgraded.		
INVENTORIES Due to vacant posts from the previous and current financial years, the stock on hand within the Department was sufficient to fulfill most of the needs for the current year.		

NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 March 2002

notes	2001/2002 R'000	2000/2001 R'000
EQUIPMENT		
Upgrading and purchase of computer equipment including the file server for the electronic filing system to be implemented in the new financial year has resulted in the overspending on this item.		
PROFESSIONAL AND SPECIAL SERVICES		
The postponement of the Telkom initial public offering, due to the conditions in the global telecommunications market and uncertainty about the policy and regulatory framework of the sector, contributed to this saving.		
Savings resulted due to contracts and projects being delayed and postponed to the next financial year.		
TRANSFER PAYMENTS		
This amount was budgeted for Public Service Education and Training Authority (PSETA), but the expenditure was overseen by the Department of Public Service and Administration.		
MISCELLANEOUS EXPENDITURE		
A budget was compiled based on the expenditure of the previous years for claims against the Department for claimants who were electrocuted by electricity unprofessionally supplied by the former Bophuthatswana Government.		
Amounts for the possible exchange rate losses for travel and payment abroad of services rendered.		
2. Reconciliation of appropriation statement to income statement:		
Total revenue per income statement	1 728 867	47 239
Less: Other receipts	1 435 245	160
	293 622	**47 079**
Total expenditure per income statement	196 415	34 312
Actual expenditure per appropriation statement	**196 415**	**34 312**

SUMMARY INCOME STATEMENT OF AID ASSISTANCE RECEIVED

for the year ended 31 March 2002

	notes	2001/2002 R'000	2000/2001 R'000
Received in kind			
Total foreign aid assistance		**9 904**	**4 810**
United Kingdom (DFID)		2 021	-
United States of America (USAID)		7 883	4 810
Aid assistance received in kind		**9 904**	**4 810**
Less:			
Donor funded expenditure			
Total foreign aid assistance		**9 904**	**4 810**
United Kingdom (DFID)		2 021	-
United States of America (USAID)		7 883	4 810
Net surplus / deficit		–	–

STATEMENT OF FOREIGN AID ASSISTANCE RECEIVED

for the year ended 31 March 2002

		notes	2001/2002 R'000	2000/2001 R'000
Value received in kind				
Source of foreign aid	**Intended use**			
United Kingdom (DFID)	Support to DPE		230	-
United Kingdom (DFID)	Energy Sector Specialist		919	-
United Kingdom (DFID)	Ports Specialist - Gustaaf De Monie		427	-
United Kingdom (DFID)	ODI Fellow		329	-
United Kingdom (DFID)	Corporate Governance Phase 1 & 2		116	-
United States of America (USAID)	Labor (Consulting)		7 883	4 810
			9 904	**4 810**

Performance information on use of assistance:

Donors report to the Department bi-weekly on the status of project duration.

A final report is submitted on the status at completion.

APPENDIX 1:

Statistics and information as required in terms of Regulation iiiJ.3 of the Public service Regulations 2001

Table - 2.1 Personnel costs by programme, 2001/02

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Administrative Expenditure (R'000)	Professional and Special Services (R'000)	Personnel cost as a percent of total expenditure	Average personnel cost per employee (R'000)
Administration	22630	10833	8767	3030	47.9	152
Restructuring of SOE	161252	6071	1854	153328	3.8	169
Performance Monitoring & Strategic Analysis	5659	2915	749	1994	51.5	153
Alternative Service Delivery	853	601	145	107	70.5	100
Total	**190393**	**20420**	**11514**	**158458**	**10.7**	**155**

Table - 2.2 Personnel costs by programme, 2001/02

Salary levels	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Administrative Expenditure (R'000)	Professional and Special Services (R'000)	Personnel cost as a percent of total expenditure	Average personnel cost per employee (R'000)
Total	**190393**	**20420**	**11514**	**158458**	**10.7**	**155**

Table - 2.3 Overtime, allowances and benefits by programme, 2001/02

Programme	Overtime		Allowances		Benefits	
	Amount (R'000)	% of personnel costs	Amount (R'000)	% of personnel costs	Amount (R'000)	% of personnel costs
Administration	78	0.7	1293	11.9	2075	19.2
Restructuring of SOE			1504	24.8	404	6.6
Performance Monitoring & Strategic Analysis			513	17.6	228	7.8
Alternative Service Delivery			531	21.7	46	7.6
Total	**78**	**0.4**	**3441**	**16.8**	**2753**	**13.5**

Table - 3.1 Approved establishment by programme

Programme	Approved Establishment		Medium-term establishment estimate	
	1 April 2001	31 March 2002	31 March 2003	31 March 2004
1 – Administration	63	71	71	71
2A – Restructuring	26	28	28	28
2B – IPO Office	3	8	8	8
3A – Performance Monitoring	7	19	19	19
3B – Strategic Analysis	6	7	7	7
4 – Alternative Service Delivery	5	12	12	12
Total	**110**	**145**	**145**	**145**

Table - 3.2 Employment and vacancies by programme, 31 March 2002

Programme	Establishment	Number of employees	Vacancy rate	Additional to the establishment
1 – Administration	71	65	8%	1
2A – Restructuring	28	22	21%	3
2B – IPO Office	8	6	25%	1
3A – Performance Monitoring	19	10	47%	–
3B – Strategic Analysis	7	4	42%	–
4 – Alternative Service Delivery	12	8	33%	–
Total	**145**	**115**	**20%**	**5**

Table - 3.3 Employement and vacancies by salary band 31 march 2002

Salary band	Establishment	Number of employees	Vacancy rate	Additional to the establishment
Salary levels 1-2	5	4	20%	–
Salary levels 3-5	14	14	0%	–
Salary levels 6-8	44	35	20%	–
Salary levels 9-12	56	38	32%	2
Salary levels 13-14 (Professionals)	–	–	–	–
Senior Management Service	26	24	0.7%	3
Total	**145**	**115**	**21%**	**5**

Table - 4.1 Job evaluation, 1 april 2001 to 31 march 2002

	Establishment	Number of jobs evaluated	Post upgraded		Post downgraded	
			Number	% of total	Number	% of total
Salary levels 1-2	5	–	–	–	–	–
Salary levels 3-5	14	1	–	–	–	–
Salary levels 6-8	44	4	1	2.2%	–	–
Salary levels 9-12	56	1	1	1.7%	–	–
Salary levels 13- 14 (Professionals)	19	–	–	–	–	–
Senior Management Service	26	2	2	0.7%	–	–
Total	**145**	**8**	**4**	**2.7%**	**–**	**–**

Table - 4.2 Profile of employees absorbed in an upgraded post, 1 april 2001 to 31 march 2002

Total number of employees absorbed in an upgraded post				4
Beneficiaries	African	Asian	Coloured	White
Female	1	–	–	2
Male	1	–	–	–
Employees with a disability				–

Table - 4.3 Remuneration levels that exceeded the grade determined by job evaluation, 1 april 2001 to 31 march 2002 (in terms of psr v, c .3)

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Internal Auditor	1	10	11/12	Expertise and scarcity of skills
Total number of employees whose remuneration exceeded the grade determined by job evaluation in 2001/02				1
Percentage of total employment				0.6%

Table - 4.4 Profile of employees whose remuneration levels exceed the grade determined by job evaluation, 1 april 2001 to 31 march 2002 (in terms of psr v c.3)

Total number of employees whose remuneration levels exceed the grade determined by job evaluation				1
Beneficiaries	African	Asian	Coloured	White
Female	–	–	–	1
Male	–	–	–	–
Employees with a disability				–

Table - 5.1 Appointments, promotions and terminations, 1 april 2001 to 31 march 2002

	Employees 1 April 2001	Appointments and transfer	Promotions	Terminations and transfers	Net % change
AFRICAN					
Male	19	17	6	5	95%
Female	43	18	7	3	51%
ASIAN					
Male	2	1	–	–	50%
Female	–	1	–	–	100%
COLOURED					
Male	3	4	–	–	133%
Female	3	2	2	–	133%
WHITE					
Male	4	1	1	–	50%
Female	13	2	2	2	15%
Employees with a disability	–	–	–	–	–
Total	**87**	**46**	**18**	**10**	**62%**

Table - 5.2 Annual turnover rates by salary band

Salary band	Appointments and transfer	Terminations and transfers	Turnover rate
Salary levels 1-2	2	1	0.2
Salary levels 3-5	4	–	0.28
Salary levels 6-8	5	3	0.05
Salary levels 9-12	14	–	0.25
Salary levels 13-14 (Professionals)	–	–	–
Senior Management Service	10	5	0.19
Total	**35**	**9**	**0.18**

Table - 5.4 Reasons why staff are leaving the department

Termination type	Number	Per 100 000 employees
Death	–	
Resignation	9	
Expiry of contract	–	
Dismissal – operational changes	–	
Dismissal – misconduct	–	
Dismissal – inefficiency	–	
Discharged due to ill-health	–	
Retirement	–	
Other	–	

Table - 6.1 Progress made with respect to affirmative action, 2001/02 [Employees at levels below the sms]

	Progress – 2001/02				Medium-Term targets (if any)		
	1 April 2001	Target set for 31 March 2002	Actual number at 31 March 2002	Variance	March 2003	March 2004	March 2005
AFRICAN							
Male	15	1	22	5	4		
Female	32	3	42	8	5		
ASIAN							
Male	1	1	1	1	1		
Female	–	1	2	-1	3		
COLOURED							
Male	1	1	4	1	1		
Female	3	1	4	–	2		
WHITE							
Male	2	1	4	1	2		
Female	11	3	10	4	4		
Employees with a disability							
Total	**65**	**12**	**89**	**21**	**22**		

Table - 6.2 Progress made with respect to affirmative action, senior managment services, 2001/02

	Progress – 2001/02				Medium-Term targets		
	1 April 2001	Target set for 31 March 2002	Actual number at 31 March 2002	Variance	March 2003	March 2004	March 2005
AFRICAN							
Male	11	2	12	1	1		
Female	4	6	6	4	2		
ASIAN							
Male	1	1	2	–	–		
Female	–	–	–	–	–		
COLOURED							
Male	1	1	1	1	–		
Female	–	1	1	–	–		
WHITE							
Male	1	3	3	1	–		
Female	–	3	1	2	1		
Employees with a disability	–	2	–	2	–		
Total	**21**	**18**	**26**	**11**	**44**		

Table - 7.1 Performance rewards by race, gender and disability, 1 april 2001 to 31 march 2002

	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Per capita cost
AFRICAN					
Male	12	33	35%	150	
Female	19	48	40%	205	
ASIAN					
Male	–	3	0%	–	
Female	–	2	0%	–	
COLOURED					
Male	2	5	40%	10	
Female	4	5	80%	25	
WHITE					
Male	2	7	29%	50	
Female	7	11	64%	40	
Employees with a disability	–	–	–	–	
Total	**46**	**115**	**40%**	**480**	

Table - 7.2 Performance rewards by salary level, 1 april 2001 to 31 march 2002

Salary level	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Per capita cost
Salary levels 1-2	4	4	100%	20	
Salary levels 3-5	14	14	100%	80	
Salary levels 6-8	15	35	42%	150	
Salary levels 9-12	12	38	31%	200	
Salary levels 13-16 (Professionals)	–	–	–	–	
Senior Management Service	–	24	0%	30	
Total	**45**	**115**	**39%**	**480**	

Table - 8.1 Foreign workers, 1 april 2001 to 31 march 2002

By grade (salary band)	1 April 2001		31 March 2002		Change	
	Number	% of total	Number	% of total	Number	% change
Salary levels 1-2						
Salary levels 3-5						
Salary levels 6-8						
Salary levels 9-12	0	–	1	0.8%	1	0.8%
Salary levels 13-14						
Senior Management Service						
By Major Occupation						
Total	**0**	**–**	**1**	**0.8%**	**1**	**0.8%**

Table - 9.1 sick leave, 1 april 2001 to 31 march 2002

Grade (salary band)	Total days	Per cent certification	Number of employees using sick leave	% of total employees using sick leave	Average per employee	Estimated cost (R'000)
Salary levels 1-2	1		1	0.01	1.00	0.1
Salary levels 3-5	23		7	0.5	14.2	5
Salary levels 6-8	187		29	8.4	19.3	58
Salary levels 9-12	88		15	2.3	29.9	52
Salary levels 13-14	–		–	–	–	–
Senior Management Service	39		12	1.4	12.7	36
Total	**338**		**64**	**12.6**	**77.1**	**151**

Table - 9.2 Disability leave (temporary and permanent), 1 april 2001 to 31 march 2002

Grade (salary band)	Total days taken	Per cent certification	Number of employees using disability leave	% of total employees using disability leave	Average per employee	Estimated cost (R'000)
Salary levels 1-2						
Salary levels 3-5						
Salary levels 6-8						
Salary levels 9-12						
Salary levels 13-14						
Senior Management Service						
Total						

Table - 9.3 Annual leave, 1 april 2001 to 31 march 2002

Grade (salary band)	Total days taken	Number of employees in grade	Average per employee
Salary levels 1-2	124	4	31
Salary levels 3-5	184	14	13
Salary levels 6-8	591	35	17
Salary levels 9-12	636	38	17
Salary levels 13-16	–	–	–
Senior Management Service	325	24	13
Total	**1860**	**115**	**16**

Table - 9.4 Leave payouts

Reason	Total amount (R'000)	Number of employees	Average per employee
Non-utilisation of leave for current cycle	43	2	21
Leave accrued before 30 June 2001	–	–	–
Total	**43**	**2**	**21**

Table - 11.1 skills development by salary band, 1 april 2001 to 31 march 2002

Grade (salary band)	Internal training		External training		Expenditure	
	Training day equivalents	Average days per employee	Training day equivalents	Average days per employee	Total expenditure (R'000)	Average per employee
Levels 1-2	–	–	3	3	7.8	2 619
Levels 3-5	–	–	10	10	2.5	2 745
Levels 6-8	–	–	10	10	89.8	1 576
Levels 9-12	–	–	5	5	187.6	4 938
Levels 13-14	–	–	–	–	–	–
Senior Management Service	–	–	5	5	23.5	4 701
Total	**–**	**–**	**33**	**33**	**333.6**	**16 579**

Table - 11.2 skills development by race, gender and disability, 1 april 2001 to 31 march 2002

Grade (salary band)	Internal training		External training		Expenditure	
	Training day equivalents	Average days per employee	Training day equivalents	Average days per employee	Total expenditure (R'000)	Average per employee
AFRICAN						
Male	–	–	10	10	150	5 000
Female	–	–	10	10	95	2 714
ASIAN						
Male	–	–	5	5	15	7 500
Female	–	–	3	3	10	10 000
COLOURED						
Male	–	–	10	10	12	4 000
Female	–	–	10	10	10	5 000
WHITE						
Male	–	–	5	5	10	3 000
Female	–	–	5	5	31.6	5 943
Employees with a disability	–	–	–	–	–	–
Total	**–**	**–**	**58**	**58**	**333.6**	**43 157**

Table - 11.3 skills development by type of training, 1 april 2001 to 31 march 2002

Type of training	Training				Expenditure	
	Number of beneficiaries	Training day equivalents	Average days per person	% of total	Total expenditure (R'000)	Average per beneficiary
Internal training	–	–	–	–	–	–
Formal training	98	14	8		124.6	1 272
Computer training	5	5	5		25.4	5 081
Management development	18	10	7		167.6	9 312
Office-based training	–	–	–	–	–	–
Policy-specific training	1	5	5		5.4	5 370
ABET	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	**122**	**34**	**25**		**323.1**	**21 035**

Table - 11.4 total expenditure on skills development by programme, 2001/02

Programme	Expenditure – 2001/02			Medium-term expenditure estimates		
	Original estimate	Actual expenditure	Variance	2002/03	2003/04	2004/05
Total	**500 000**	**517 309**	**17 309**	**500 000**	**600 000**	**700 000**

Table - 11.5 Bursaries granted by salary level, 1 april 2001 to 31 march 2002

Salary level	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees in salary band	% of total in salary band	Cost (R'000)	Per capita cost
Levels 1-2	–	4	0%	–	0
Levels 3-5	6	14	42%	11.5	1 908
Levels 6-8	23	35	66%	176.8	7 687
Levels 9-12	28	38	47%	135.8	7 547
Professionals (13-14)	–	–	–	–	–
Senior Management Service	10	24	41%	182.9	18 297
Total	**67**	**115**	**58%**	**507.1**	**7 568**

Table – 11.6 bursaries granted by race, gender and disability, 1 april 2001 to 31 march 2002

	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees in salary band	% of total in salary band	Cost (R'000)	Per capita cost
AFRICAN					
Male	24	34	70%	283 404	11 808
Female	24	48	50%	151 414	6 308
ASIAN					
Male	2	3	66%	7 263	3 631
Female	1	2	50%	10 214	10 214
COLOURED					
Male	2	5	40%	35 262	17 631
Female	2	5	40%	4 780	2 390
WHITE					
Male	2	7	28%	13 722	6 861
Female	4	11	36%	20 909	5 227
Employees with a disability	–	–	–	–	–
Total	**61**	**115**	**53%**	**526 968**	**8 638**

APPENDIX 2:

ACTIVE RESTRUCTURING PROJECTS FOR THE YEAR UNDER REVIEW

Project Name		
FINANCIAL MODELLING	**TRANSPORT**	**DEFENCE**
1. Health	***1. Transnet End-State***	* Turbomeca
* Transmed	** Propnet*	* Denel BAES
	* Protekon	
2. Financial Services	** Viamax*	**FORESTRY**
* TH/EFC	** Autopax*	* Safcol I **(Komati)**
* NEF	** B2B Africa*	* Safcol II **(Amatola)**
	** Freightdynamix*	* Safcol III **(MTO)**
3. Mining	* Fleetcall	* Safcol IV (Conversion)
* Alexkor (Mining)	** Transwerk Foundry*	
* Alexkor (Trading)	** V&A Waterfront*	**LISTINGS**
* Alexkor (Infra-Structure)		***1. Telecommunications***
		* IPO
4. Telecommunications	***2. Spoornet***	* Secondary Offering
* M-Cell	* LuxRail	
* SNO	* LinkRail	***2. Aviation***
	* Orex Options	* ACSA IPO
5. Information Technology	* Metrorail	* Secondary Offering
* arivia.kom	* MLPS/Shosholoza Meyl+A40	
		3. Information Technology
	3. Ports	* arivia.kom IPO
AVIATION	* Durban Container Terminal	* Secondary Offering
* SAA Restructuring Model	* Other A44Ports Concession	
* SAA/SAX Merger Model	* Ports Authority	
* Air Chefs	* Ports Operations	
* Apron Services		**TRANSACTION MARKETING**
	ENERGY	
NON-STRATEGIC	***1. ESI Restructuring***	
1. Aventura	* BEE 10% Generation	
* Phase I	* SEP 20% Generation	**LEGAL SERVICES**
* Phase II	* Transmission Restruc	* Alexkor (ABT Incorporation)
* Government Printers		* Aventura Phase 1
	2. EDI Restructuring	* Aventura Phase 2
2. Postal Services		* Government Printing Works Phase 1
* Post Bank	***3. Eskom Enterprises***	* Government Printing Works Phase 2
* Post Office	* Rationalisation	* Ports
	* Roshcon	* ESI
3. Marine	* Rosprop	* Eskom Enterprises
*Marine Data Systems	* Rotek	BAE

Rp158/2002
ISBN 0-621-33218-6

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