

CORPORATE PLAN 2020

GATEWAY TO DEFENCE SOLUTIONS



ARMSCOR

Armaments Corporation of South Africa SOC Ltd





CORPORATE PLAN 2020

GATEWAY TO DEFENCE SOLUTIONS

Date of Tabling: 12 March 2020

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1. Foreword

by the Minister of
Defence and Military
Veterans (MP)



Armcor remains responsive to the Development State Agenda by contributing to job creation and transformation, by making a meaningful impact in communities and ensures that young people, especially those from rural areas, are capacitated with science, engineering and technology opportunities to succeed and be enabled to meet the global demands of the defence industry.

Armcor as an important arm of the Department of Defence (DOD) operates within the constitutional and legislative imperatives, to execute its mandate within a framework of good governance and fiscal discipline. Furthermore, it plays a crucial strategic role in the defence of our country and the fulfilment of our international obligations, whilst maintaining principles of good leadership, transformation, service delivery, financial sustainability and collaboration with the Defence family.

The DOD in its 6th Administration, acknowledges Armcor's support in the delivery of some of our critical initiatives. As the Minister of Defence and Military Veterans, I am fully behind Armcor to implement the Defence Sector Charter to transform the South African Defence Industry (SADI) in line with other sectors of economic activity, as far as broad-based black economic empowerment is concerned. These codes under this charter are now deliverables for all those wanting to participate in an inclusive and transformed Defence Industry. Supporting the code has been the launch of the Defence Industry Fund that Armcor supported, which provides a financial solution to the challenges that most Small, Medium, and Micro-sized Enterprises (SMMEs) face.

The developmental approach adopted by the 6th Administration conceptualizes developmental planning as a means of achieving national developmental priorities. Developmental planning, in this context, involves the South African government deciding on national priorities and creating a road map to achieve them. Seven priorities to drive the National Developmental Plan have been expedited.

Armcor remains responsive to the Development State Agenda by contributing to job creation and transformation, by making a meaningful impact in communities and ensures that young people, especially those from rural areas, are capacitated with science, engineering and technology opportunities to succeed and be enabled to meet the global demands of the Defence Industry. Furthermore, supporting Military Veterans continues through enabling the transformation of the industry such as the incubation of young women beneficiaries, which is absorbing critical skills of equipment disposal under Armcor's guidance.

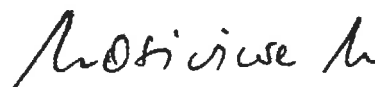
Furthermore, my Ministry's Priorities provides the DOD and Armcor with strategic direction to be pursued by

Armcor over a given period of time. These priorities give impetus to the execution of the Defence mandate through Ministerial direction over the short-, medium- and long-term, within available resources. The continued year-on-year decline of the DOD budget allocation continues to pose challenges for Defence, which has an adverse impact on the ability of the DOD to execute its legislative mandate. On the challenges that we are facing, the impact of the defence capability due to the reduction of the SDA account is significant. Emerging and likely global threats to national security can also result from a weakened defence force.

Armcor recognises the overall financial limitations it faces. To this end, significant steps are being taken to implement the Armcor Strategy to facilitate a break-even position in the 2019/20 financial year, whilst planning for improved marginal, yet sustainable, financial position over the medium term. Armcor is operating within strict cost containment measures to manage operational expenditure and continues to engage with the local and international Defence Industry to realise new revenue streams.

The DOD will continue to pursue the implementation of the national policy on defence as articulated through the South African Defence Review 2015. The South African Defence Review 2015 and implementation plan, further inform Armcor's Strategy and implementation plans. In this regard, the Corporate Plan articulates the ongoing support by Armcor to the National Development Plan, Vision 2030, and Medium Term Strategic Framework (MTSF) (2019 – 2024) outcomes of government and the State of the Nation Address. It captures the key performance outputs, outcomes, and impact of Armcor during the 2020/21 Financial Year.

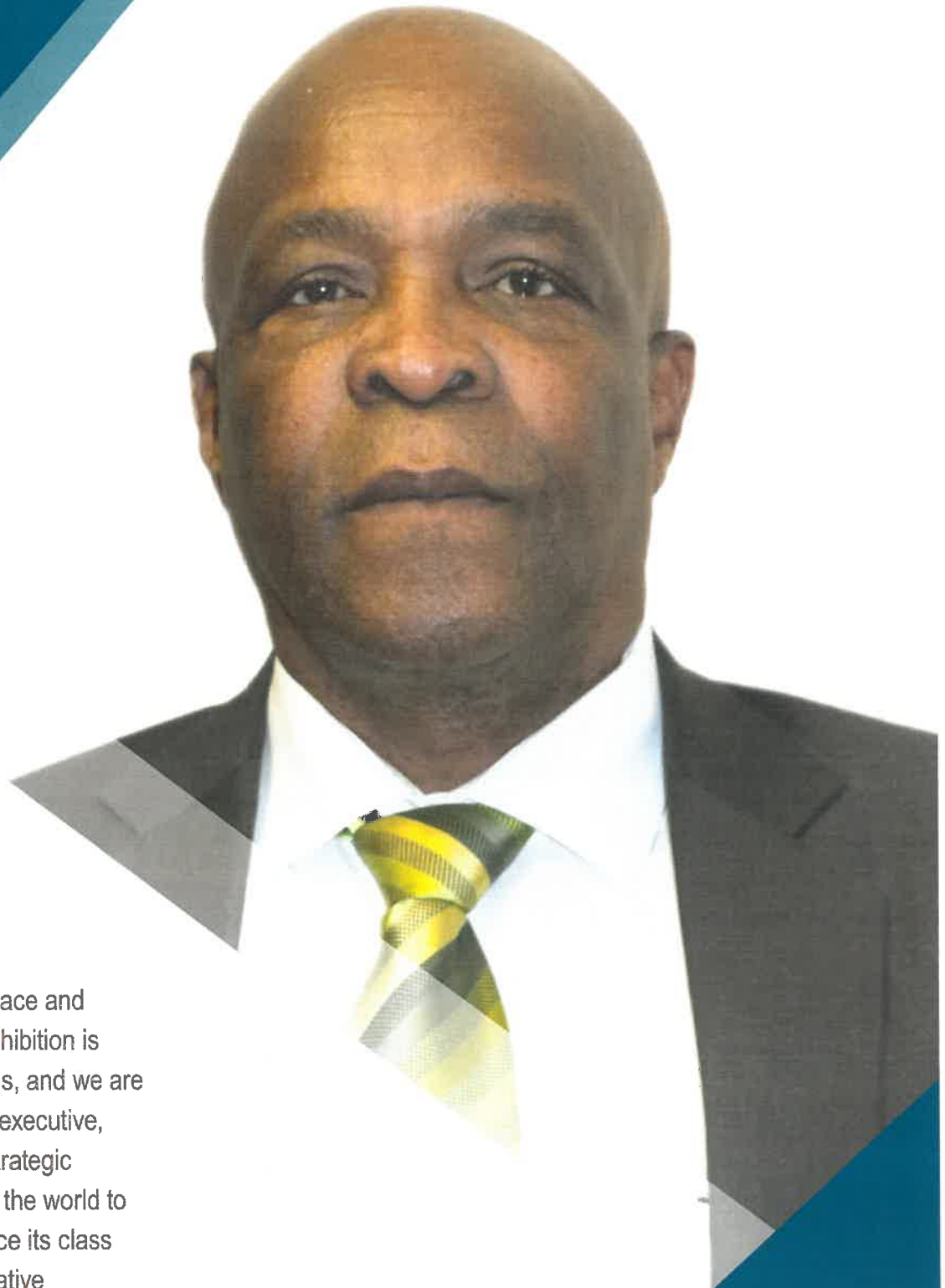
In conclusion, I fully commit myself and my Department to provide the necessary Shareholder support and political guidance to Armcor, so it can meet its mandate and maintain Shareholder confidence. As Minister, I declare my commitment, full support, and best wishes for the successful implementation of this Plan. I am confident that Armcor will execute its mandate through the Corporate Plan 2020/21 Financial Year with professionalism and commitment.



Ms N.N. Mapisa-Nqakula
Minister of Defence and Military Veterans, MP
Date: 28 February 2020



2. Foreword by the Chairperson



The Africa Aerospace and Defence (AAD) exhibition is once more upon us, and we are confident that the executive, Armscor and its strategic partners will bring the world to Africa to experience its class leading and innovative technologies in the aerospace and defence sectors.

I am pleased to present Armscor's Corporate Plan for 2020/2021 Financial Year.

It is with a heavy heart to announce that the majority of the Board members will not be present to witness Armscor making strides in its pursuit of operational efficiency and financial sustainability as our second term of office will come to an end in April 2020. A special thank you to the members for their wise counsel and judicious support. The professionalism that the Board displayed in discharging their responsibilities should serve as an example of how to make Armscor a centre of technical excellence for defence acquisition and support services.

The 2019/20 Financial Year has been challenging as the financial sustainability and the challenges that Armscor is facing remain a reality due to the reduced transfer payment. This is reflective of the economic challenges that our country and indeed, our Government is facing. The new decade and the 6th Administration of Government requires us to continue to be skilful in the use of our resources.

The Corporation, under the leadership of the Board has strived to set itself on a sustainability trajectory through the implementation of the turnaround strategy. Some of the key initiatives that were adopted included amongst others, reconfiguration of the organisation; revenue generation through asset sweating; government-to-government business and ensuring efficiencies at all levels of the organisation. The challenges encountered in our improved revenue generating effort had lead us to review our strategies of partnering with various government and private entities, as well as unlocking opportunities in Africa and the rest of the world. This exercise culminated in the revision of both the mission and vision of the Corporation.

The new vision, "To be the strategic partner of choice for defence and security solutions."; and the new mission "To meet the defence matériel, technology requirements and management of strategic capabilities of the DOD, organs of state and other entities" will optimistically streamline the Corporation's efforts to respond to the difficulties of operating in a fiscally conservative environment by primarily institutionalising strategic partnerships.

The organisation and the industry are doing all they can to ensure sustainability and the Board supports all the initiatives that are generating additional revenue. The Board has seen the immense potential of this organisation, and can only encourage the executive and the rest of the organisation in the pursuit of value based partnership opportunities with various stakeholders.

With the dynamic challenges anticipated in the defence space, we will continue to make strides with

our programmes to support the Defence Industry. In the foregoing regard, the implementation of the Defence Sector Charter and the Defence Industry Fund are significant steps towards the support and transformation of the Defence Industry. As part of rolling out the Defence Sector Charter we will accelerate our road shows under the theme "Unpacking the Defence Sector Charter" in all Provinces. The purpose of these sessions is to capacitate and empower the Military Veterans with the requirements of the Charter, essential business skills to become competitive players in the defence sector and beyond and how to access the Defence Industry Fund and opportunities within the Defence Industry. The Minister of Defence and Military Veterans will be appointing members of the Defence Charter Council after consultation with the SADI stakeholders. The Council will monitor compliance with the Sector Code and report to the Minister.

Armscor as an organisation has been transformed into a representative organisation; however, there is still more work to be done to be more inclusive of people living with disabilities and this is being addressed through the implementation of our turnaround strategy that started in 2017. The transformation of Armscor's ethos and culture that we have undertaken has laid a solid foundation to transfigure the Corporation into a centre of excellence with values that underpin our strategy of 'On-Time, In-Time: Towards a Sustainable Future'.

The Africa Aerospace and Defence (AAD) exhibition is once more upon us, and we are confident that the executive, Armscor and its strategic partners will bring the world to Africa to experience its class leading and innovative technologies in the aerospace and defence sectors.

As members of the Board, we are confident of the leadership of the Executive Committee, and the rest of the organisation's resoluteness to achieve all the deliverables outlined in this Corporate Plan and we are assured that the vision of a sustainable Armscor is within reach.

The Board is there to support the organisation in the exciting projects that are in the pipeline which will advertently gear the South African National Defence Force (SANDF) to keep pace with the industry's rapid transformation and also transform Armscor into an outlier of the Fourth Industrial Revolution (4IR).



Mr MS Motimele
Acting Chairperson: Board of Directors
Date: 28 February 2020



3. Foreword

by the Chief
Executive Officer



Armcor will continue to pursue commercial opportunities through government-to-government brokering services/sales, with an endeavour to generate income, develop and maintain long-lasting, strategic relationships with key stakeholders.

This Corporate Plan seeks to outline Armscor's plan for the 2020/21 Financial Year. It highlights actions to be taken in implementing the organisation's strategy.

The Department of Defence in its 6th Administration, acknowledges Armscor's support in the delivery of some of our critical initiatives. We welcome the establishment of the Defence Sector Charter and codes, which is a requirement for those who want to participate in an inclusive and transformed Defence Industry. Armscor has also supported the launch of the Defence Industry Fund to provide financial assistance to most SMME's.

In line with the National Development Plan (NDP), Vision 2030, the Department of Planning, Monitoring and Evaluation (DPME) is focusing on a solid partnership between the South African government and the business sector. The collaboration between the public and private sector will assist in realising the development objectives as set out in the NDP and will contribute towards the fulfilment of our international obligations as stated in the Sustainable Development Goals. The Defence Sector is one of the top 7 priority sectors that will be used to revive the SA economy. Armscor facilitated and supports the President's Public-Private Growth Initiative (Defence Sector) in focussing the Defence Industry and Defence Related Industries to optimise the socio-economic value of the Defence Industry as a National Asset.

The South African Defence Review 2015, (Defence Policy) and implementation plan, continues to be guided by the NDP, Vision 2030, MTSF, and the Key National Documents. This Defence Policy informs the defence trajectory to be pursued over multiple MTSF periods. The South Africa Defence Review 2015 is mandate driven rather than finance driven and helps address the defence policy that is supportive of government's priorities and strategic intent. Armscor's Corporate Plan is aligned to the Defence Policy, thereby ensuring that Armscor deals with the constraints that confront the Corporation in a systematic and efficient manner.

The Corporate Plan 2020/21 Financial Year builds on the foundation that Armscor has laid in the previous Financial Year and continues to pursue its strategic direction. In this regard, Armscor reviewed its strategic focus to ensure alignment with the strategic focus of the DOD and in support of the Minister of Defence and Military Veterans Priorities. Furthermore, the strategic initiatives selected address the specific challenges Armscor faces.

The fact of the matter is that a declining fiscal allocation to the armed forces is an international phenomenon. In this regard, the fiscal squeeze and continued year-on-year decline of the defence budget allocation has

placed huge pressure on the DOD's operating and capital budgets. The reduction in the capital budget has placed the majority of the capital programmes at risk and hence, the need for Armscor to focus on retaining skills through diversifying its business model.

More significant is the adverse impact on the ability of Armscor to ensure both organisational and capability modernisation, both required to ensure effective and efficient departmental service delivery and mandate execution as a core function of Armscor within a rapidly changing contextual environment. Despite the funding challenges, Armscor still and will always remain committed to execute our legislative mandate with a high level of professionalism, commitment and dedication.

Armscor remains committed to its vision, mission and four strategic outputs, namely: Revenue Generation, Cost Management, Efficient and Effective Delivery and Stakeholder Management, which are embedded in the Corporate Plan. In addition, Armscor's strategy, "On-Time, In-Time: Towards a Sustainable Future" underpins the Corporate Plan and has its own independent significance. The strategy is based on its relevance and the sustainability of the Corporation, hence the focus on the commercialisation and expansion of Armscor's services to a wider client base and looking at opportunities for partnerships with other defence procurement authorities around the world. These partnerships can act as bridges between them and others in the African continent that are looking for high-tech, but used defence commodities. These tie in with our strategy of On-Time, In-Time: Towards a Sustainable Future.

Our own technical capabilities have the potential to see us expanding on our railway breakage detection technology. The increasing number of rail accidents locally and globally presents an opportunity for Armscor to market the Railsonic technology more robustly and bring hope to the many that rely on rail to ferry them to work.

In a bid to reduce road carnage, the Gauteng Transport Department and Armscor have entered into a memorandum of understanding, which include inter alia analysis of taxi driver behaviour, as well as advanced driving skills. It is important that taxi drivers are empowered with advanced and sophisticated methods of driving, to protect the lives of commuters.

In order to alleviate the budget constraints, Armscor is pursuing the Erasmuskloof property project, as part of the asset sweating initiative. In addition, Armscor will also endeavour to sweat assets (property parcels) within Gerotek and Alkantpan, in order to generate



income and stimulate economic growth. With all these initiatives, Armscor will obtain an annual profit share, as part of the Revenue Generation Initiatives.

Armscor will continue to pursue commercial opportunities through government-to-government brokering services/sales, with an endeavour to generate income, develop and maintain long-lasting, strategic relationships with key stakeholders.

Armscor's Enterprise Renewal Project (ERP) will look at replacing legacy systems with efficient and effective solutions. This will reduce the turnaround time of core customer-facing and internal processes, thereby strengthening service delivery.

In order for Armscor to maintain its position as a truly South African organisation that is valued locally and globally, as well as to be the centre of technical excellence for defence acquisition and support services, it is vital that there be a close working relationship between Armscor, the DOD, industry, our clients and customers.

The transformation of Armscor's ethos and culture that we have undertaken has laid a solid foundation to transfigure the corporation into a centre of excellence. Our people remain the most valuable asset and we are committed to their ongoing development. Capability retention and succession planning is one of the key strategic outputs of Armscor and the programmes in place are being monitored. Knowledge transfer and succession planning initiatives were included in the

balanced scorecards of all relevant executives and senior management. Organised labour has supported this initiative.

These are a few examples where we have turned our challenges into opportunities. This will strengthen our core function and position Armscor's future.

None of these strategic initiatives would be possible without the role of our Board. My special thanks goes to all Board members for their guidance, leadership and oversight role. I also extend my gratitude to the outgoing Board members, who have served a second term for their selfless contributions that enriched the business of Armscor. I wish them well in their future endeavours.

Armscor believes significant value shall be added in the execution of its mandate during the period covered by the Corporate Plan. The Armscor Corporate Plan outlines the set outcomes and outputs to be achieved in the Financial Year of 2020/21.

We look forward to another year of good work and another term of great achievements.



Adv. S.P. Mbada
Chief Executive Officer
Date: 28 February 2020

4. Official sign-off

It is hereby certified that this Armscor Corporate Plan:

- a. was developed by Armscor Strategic Planning, with the Executive Committee, under the guidance of the Armscor CEO;
- b. was prepared in line with the relevant Armscor policies, legislation, and other mandates for which Armscor is responsible;
- c. accurately reflects the performance information (performance indicators and targets) Armscor will endeavour to achieve, within the available resources for the 2020/21 Financial Year framework; and
- d. that the performance information included in this Corporate Plan has been and will be developed, managed, and stored.



Ms K. Neonakis
Senior Manager:
Corporate Strategy and Planning
Date: 28 February 2020



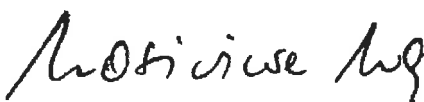
Mr J.G. Grobler
Chief Financial Officer
Date: 28 February 2020



Adv. S.P. Mbada
Chief Executive Officer
Date: 28 February 2020



Mr M.S. Motimele
Acting Chairperson: Board of Directors
Date: 28 February 2020



Ms N.N. Mapisa-Nqakula
Minister of Defence and Military Veterans, MP
Date: 28 February 2020

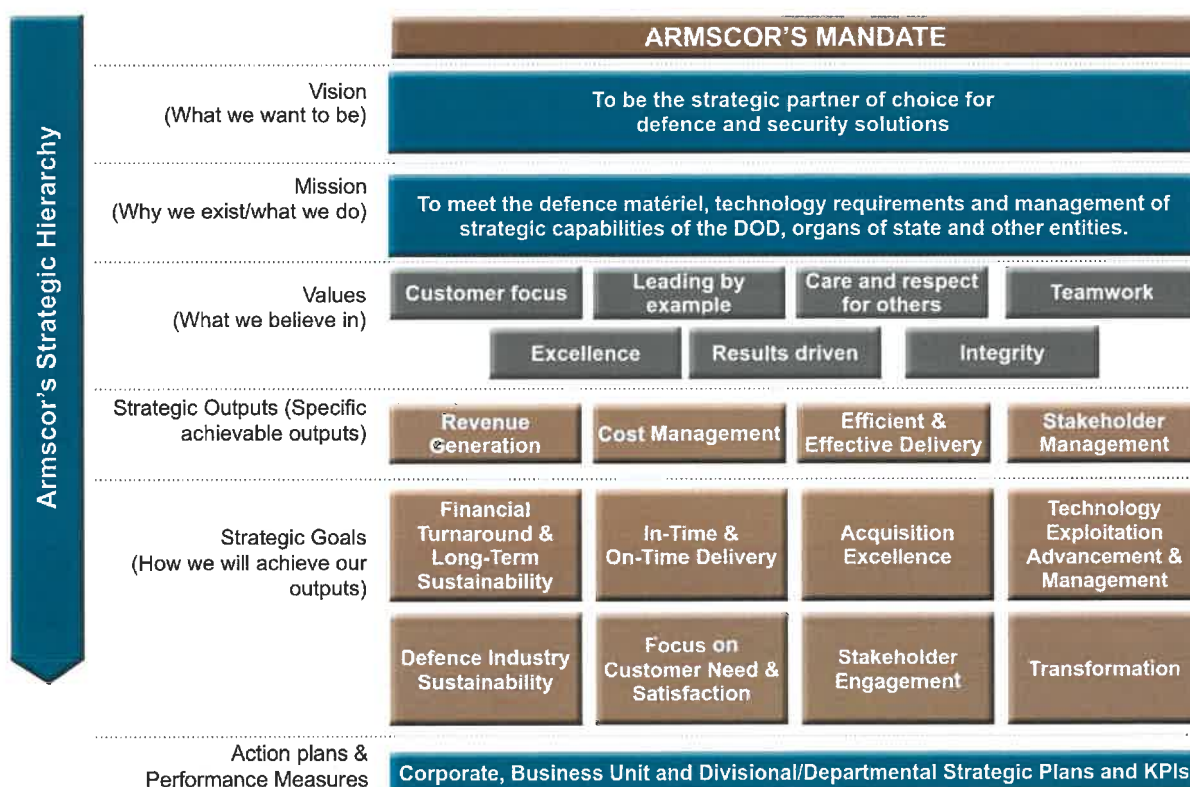


Part A: Armcor's Mandate

Armcor's Strategy has multiple levels consisting of its mandate, vision, mission, values, and key performance indicators, as well as strategic outputs, goals, and plan.

The current plan details the outputs and outcomes at Corporate Level. The Corporate Plan is aligned to Armcor's Strategy of "On-Time, In-Time: Towards a Sustainable Future", which is Armcor's mandate, vision, mission and values. Furthermore, the Corporate Plan is aligned to the South African Defence Review 2015. The Strategic Plans for the sub-levels of the Corporation are aligned with the Corporate Plan and, therefore, are also aligned to the Corporation's mandate, vision, mission and values. Figure 1 summarises the components of Armcor's Strategy.

Figure 1: Components of Armcor's Strategy



5. Armcor's Vision

To be the strategic partner of choice for defence and security solutions.

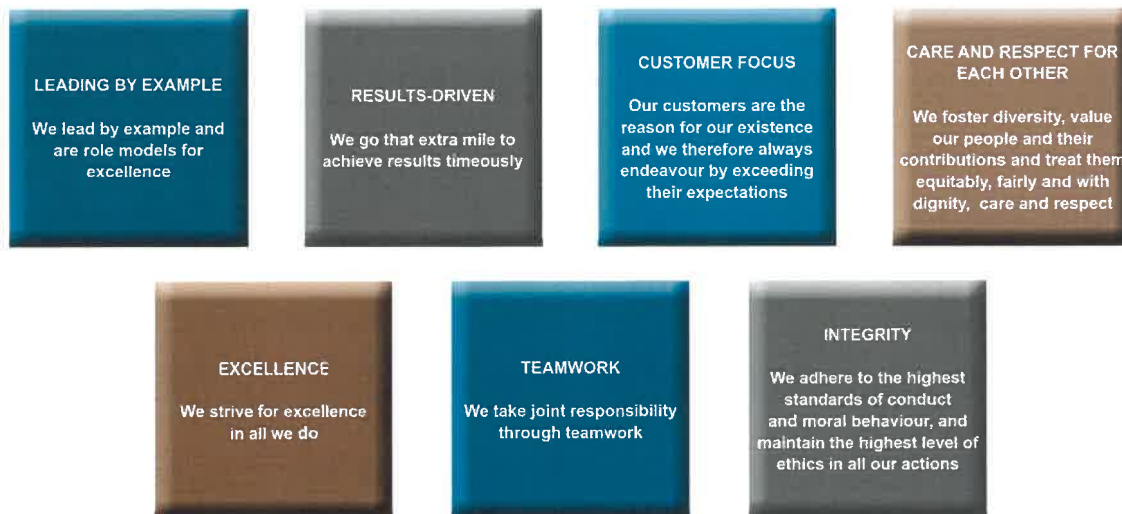
6. Armcor's Mission

To meet the defence matériel, technology requirements and management of strategic capabilities of the DOD, organs of state and other entities.

7. Armscor's Value System

Armscor's values are the building blocks of the manner in which it conducts its business. Armscor believes in the highest standards and is committed to transformation, transparency, and accountability. We, members of Armscor, pledge commitment to the values as set out in Figure 2.

Figure 2: Armscor's Value System



8. Armscor's Mandate

Armscor adheres to accepted corporate governance principles, best practices, and generally accepted accounting practices within a framework of established norms and standards that reflect fairness, equity, transparency, economy, efficiency, accountability, and lawfulness.

8.1 The objectives and mandate of Armscor are defined in the Armaments Corporation of South Africa (SOC) Limited Act (Act no 51 of 2003) as follows:

8.1.1 The objectives of Armscor are to meet:

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

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

Armscor must:

- acquire such defence matériel on behalf of the DOD, as the DOD may require.
- manage such technology projects, as may be required by the DOD.
- maintain a programme management system in support of acquisition and technology processes.
- provide for quality assurance capability in support of:
 - the acquisition and technology processes; and
 - any other service contemplated in this section required by the DOD.
- maintain a system for tender and contract management in respect of defence matériel and, if required in a service level agreement or if requested in writing by the Secretary for Defence, the procurement of commercial matériel.
- dispose of defence matériel in consultation with the instance which originally manufactured the matériel.
- maintain the compliance administration system for the DOD, as required by the applicable international law, the National Conventional Arms Control Act (Act No. 41 of 2002), and the Non-Proliferation of Weapons of Mass Destruction Act (Act No. 87 of 1993).



- support and maintain such strategic and essential defence industrial capabilities, resources and technologies as may be identified by the DOD.
- provide defence operational research.
- maintain the defence industrial participation programme management system.
- provide marketing support to defence-related industries, in respect of defence matériel, in consultation with the DOD, and the defence-related industries in question.
- manage facilities identified as strategic by the DOD in the service level agreement.
- maintain such special capabilities and facilities as regarded by Armscor not to be commercially viable, but which may be required by the DOD for security or strategic reasons.

8.1.3 Armscor may, with the approval of the Minister of Defence and Military Veterans (MOD&MV):

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

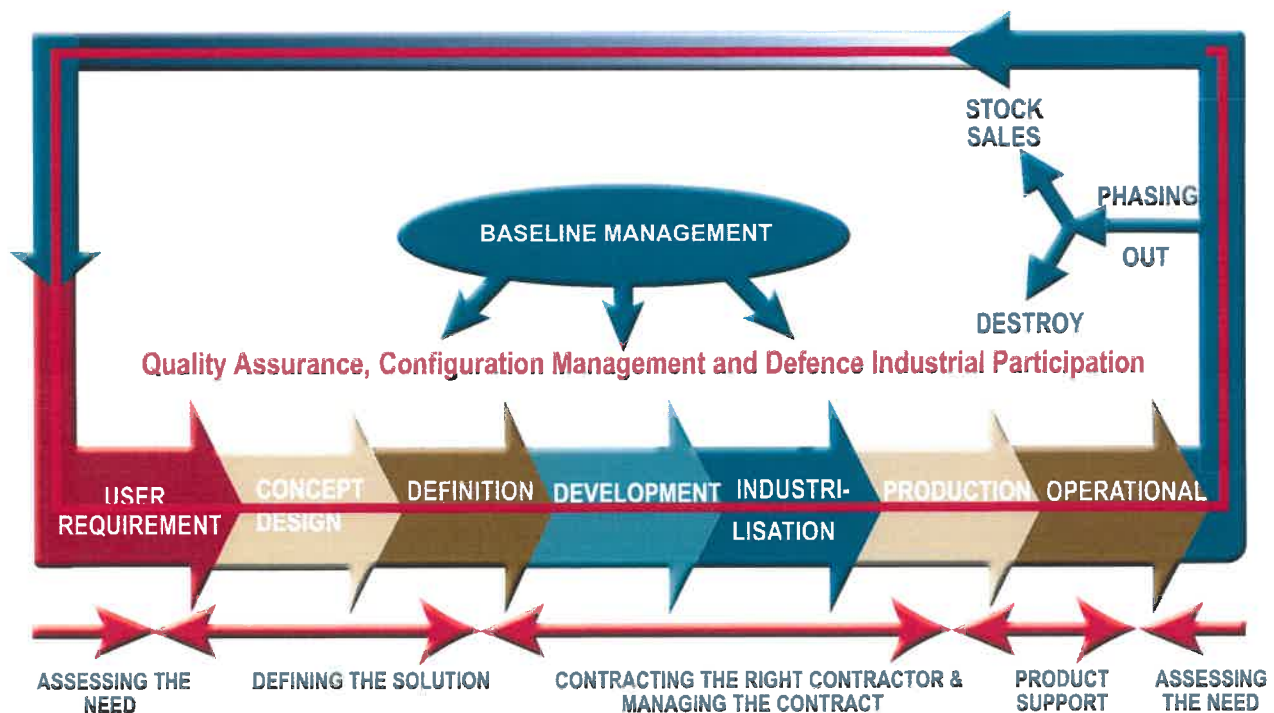
8.2 Subject to the National Conventional Arms Control Act (Act No. 41 of 2002), Regulation of Foreign Military Assistance Act (Act No. 15 of 1998), and the Non-Proliferation of Weapons of Mass Destruction Act (Act No. 87 of 1993), Armscor may perform any function for or on behalf of the DOD or on behalf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

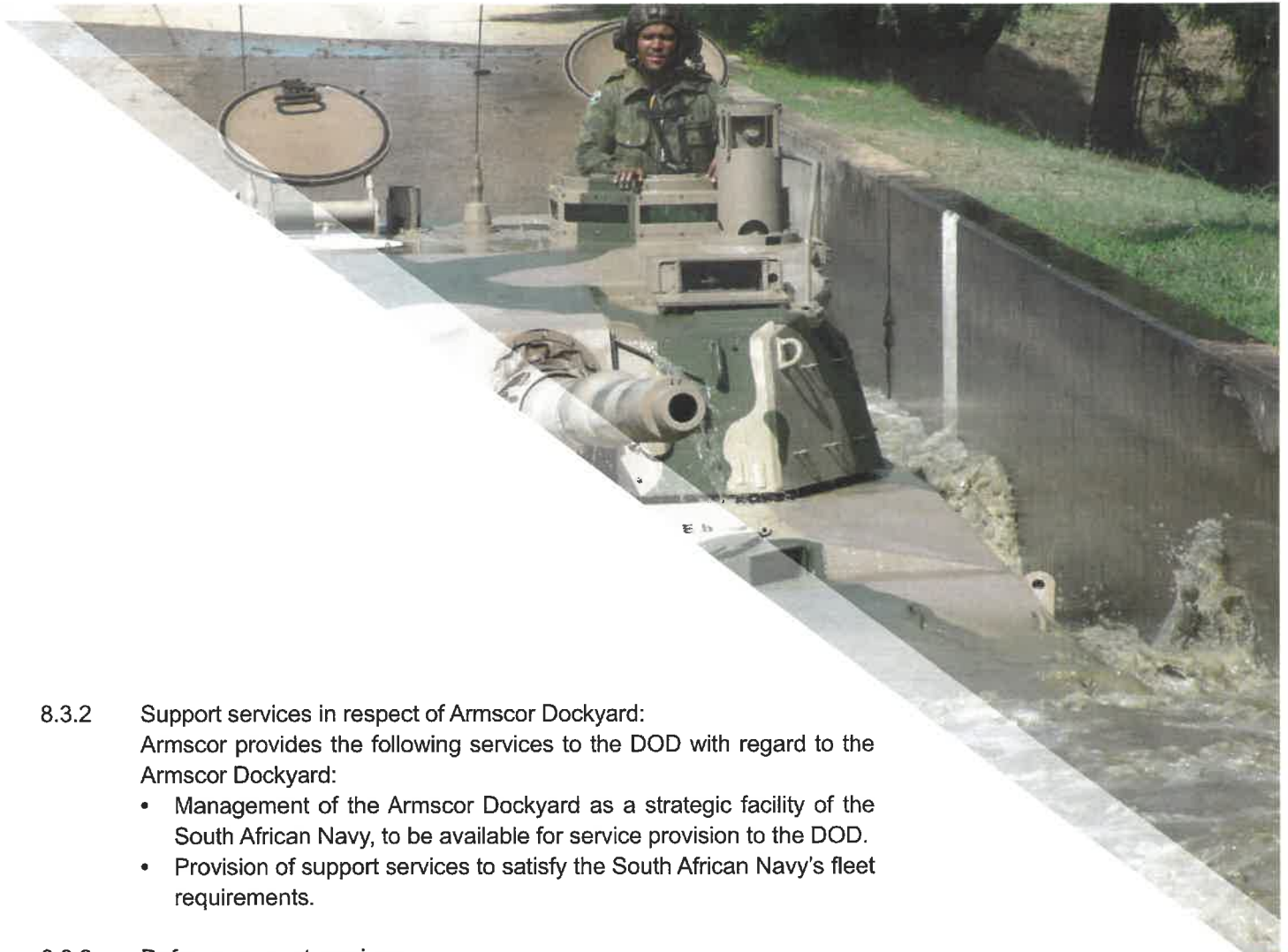
8.3 Armscor's mandate entails the following:

8.3.1 Product Life Cycle:

- Armscor renders acquisition management to the DOD and the South African National Defence Force (SANDF) throughout the life cycle of a product. These services are reflected in Figure 3 below:

Figure 3: Acquisition Management through the Life Cycle of the Product





8.3.2 Support services in respect of Armscor Dockyard:

Armscor provides the following services to the DOD with regard to the Armscor Dockyard:

- Management of the Armscor Dockyard as a strategic facility of the South African Navy, to be available for service provision to the DOD.
- Provision of support services to satisfy the South African Navy's fleet requirements.

8.3.3 Defence support services:

- Research and Development (R&D) is a business unit within Armscor that manages the Research, and Test & Evaluation (T&E) strategic facilities of Armscor, which has the DOD as its primary client.
- R&D provides services to commercial clients and to defence forces abroad in order to provide additional financial resources required for the maintenance and sustainment of facilities, which include highly specialised infrastructure and equipment, as well as world-leading expertise for the DOD and the country.

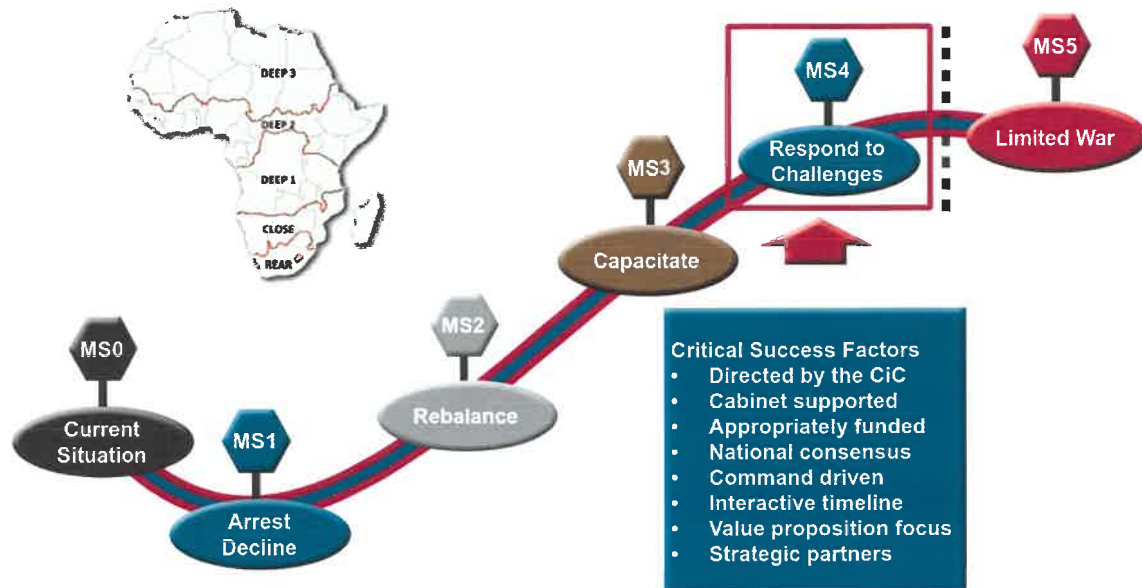


9. Policy Mandate

9.1 The South African Defence Review, 2015

The South African Defence Review 2015 provides the defence policy for South Africa, which informs the defence trajectory over multiple MTSF periods. Figure 4 indicates that multiple milestones must be achieved, with Milestone 4 being the aim of the Defence Review under current threat levels, implying the ability to respond to existential challenges/threats to the sovereignty of South Africa. Multiple approaches can be followed towards achieving the milestones, driven by different levels of defence funding and the involvement of strategic partners or not.

Figure 4: Planning DOD Development Trajectory



The first four milestones will provide the initial impetus to ensuring an adequate, appropriate and relevant defence capability for South Africa. Milestone 5 will remain the constitutional contingency which can be achieved from the firm foundation provided by Milestone 4:

- **Milestone 0 (MS0):** The current situation within the DOD.
- **Milestone 1 (MS1):** Arresting the decline in critical capabilities through immediate and direct interventions.
- **Milestone 2 (MS2):** Re-balance and re-organise the Defence Force as the foundation for future growth.
- **Milestone 3 (MS3):** Create a sustainable Defence Force able to meet ordered defence commitments.
- **Milestone 4 (MS4):** Enhance the capacity of the Defence Force to respond to emerging threats and a wide range of strategic challenges.
- **Milestone 5 (MS5):** Defence of the Republic against any directed threat.

The DOD, together with Armscor, completed “The DOD Plan to Arrest the Decline”, which was approved for implementation. This plan is fully costed and contains five work packages.

Figure 5 also contains the critical success factors for implementing the Defence Review 2015. Many of them were achieved, resulting in the approval of the South African Defence Review 2015, by Parliament in June 2015. However, the funding required for implementation was not approved, neither in 2015 nor in the ensuing period.

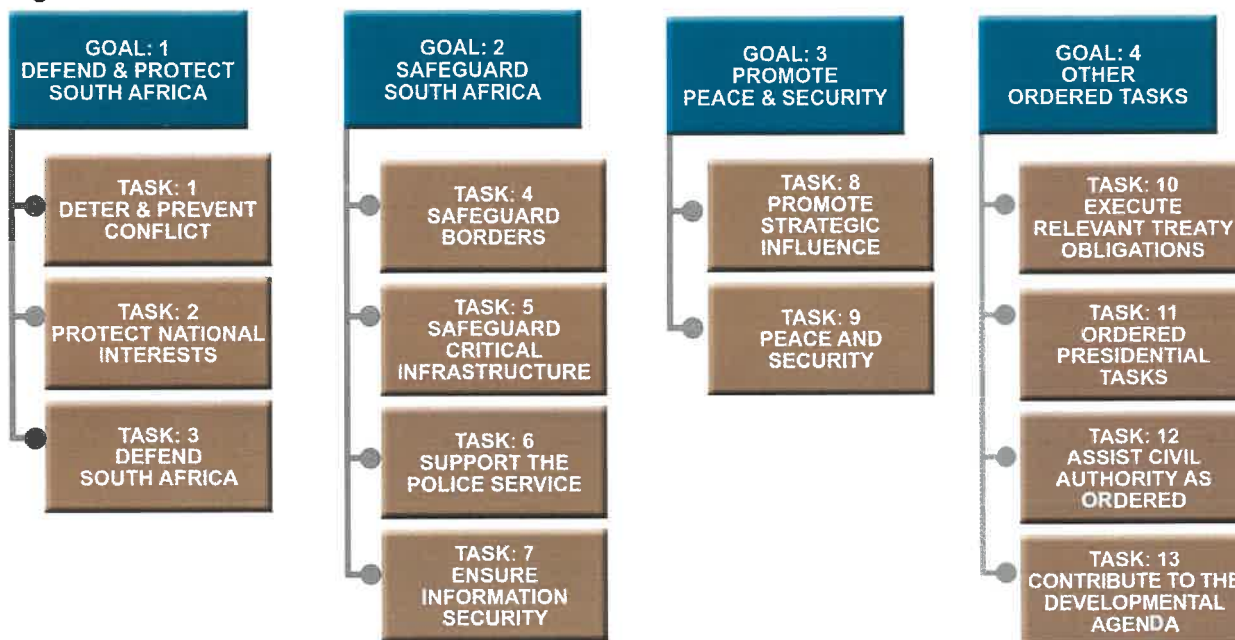
Figure 5: South African Defence Review 2015 Implementation Work Packages



In light of the fiscal constraints facing South Africa, the DOD (SANDF), will continue, in as far as resources permit, to pursue a rebalance of the suite of military capabilities towards a future-force that has a wide range of utility. This is intended to ensure future relevance and the ability to sustainably execute selected priority missions, perform its core-mandated functions and provide value to South Africa as a Developmental State.

The South African Defence Review 2015 directs the Department’s Outcomes (Goals) and Outputs (Tasks) as indicated in Figure 6.

Figure 6: DOD Goals and Tasks



The DOD continues to operate in a financially austere situation. In addition to the original 2015 priorities of Parliament, National Treasury informed the DOD in April 2018 that it was unable to implement the Defence Review over the Medium Term Expenditure Framework (MTEF) period, due to the constrained fiscal outlook. Recently the 6th Administration of South Africa has confirmed its focus on the needs of a Developmental State, and in addition to planned expenditure, substantial spending on the stabilisation of strategic economic entities.

In the DOD’s Annual Performance Plan 2018/19 Financial Year, the Minister of Defence and Military Veterans has indicated that the DOD has been forced to continuously adjust its plans downwards in response to the declining budget. The DOD has an ever decreasing ability to execute ordered commitments. The State needs to discuss the type of defence force that can result from continuing budget cuts. “Strategically, the funding allocation to the DOD effectively negates the South African Defence Review 2015 position ...” Interaction between National Treasury and the DOD on the consequences of reduced funding continues.

Current indications are that the period of austerity will probably continue for at least another three years. Funding may even be reduced below previous planned amounts. Should the DOD be in a future position of reduced Human Resources spending, or even an increased defence allocation, with the possibility of increased spending on equipment, it may have to focus such funds within the operating budget to reduce the maintenance backlog that was built up over the years.

In this context Armscor's support towards the Defence Review focuses on supporting the defence industry to adapt to the indicated situation. Expertise is provided regarding the defence sector plan within the Public-Private Growth Initiative (PPGI), the National Defence Industry Council (NDIC), as well as continued implementation of the National Defence Industry Strategy, its Implementation Framework and the Defence Sector Code. An expedited acquisition process was developed and is ready for application whenever the SANDF may have urgent acquisition requirements.



Part B:

Armcor's Strategic Focus

10. Updated 2020 Situational Analysis

The DOD's situational analysis provides insight to the evolving external and internal environments that impact on the outcomes of the Corporation. The matters identified in the situational analysis are a product of the departmental planning process that has taken also into consideration the MTSF 2019 – 2024 and other relevant policy documents that are key for the departmental planning purposes.

10.1 External Environment

The external environment analysis is focused on the following dimensions: political, economic, social, technology, legal, physical and military.

POLITICAL

South Africa's national security is centred on the advancement of its sovereignty, democracy, national values and freedoms, and its political and economic independence. There are domestic, regional and continental dimensions to the national security architecture.

Domestically, South Africa's national security focuses on human security, sovereignty and the related priorities of territorial integrity, constitutional order, the well-being, prosperity and upliftment of its people, economic growth and good governance. Regionally, South Africa's national security hinges on the stability, unity and prosperity of the Southern African region in particular, and the African continent in general. The growth and success of the South African economy is dependent on peace, stability, economy development and deepened democracy on the continent.

ECONOMIC

There is a risk of a global economic downturn. Economic growth rates on the African continent are expected to be above the global average. Conversely, the growth in the South African economy has remained flat to negative since the 2008/09 world economic recession. This has resulted in significant fiscal pressures for South Africa.

The under performance of the different economic sectors has resulted in the delayed implementation of the developmental initiatives in support of the NDP, Vision 2030.

The defence funding forecast will at best remain constant, but is more likely to decline in real terms over the MTSF. The economic forecast and the current trends in the defence funding allocation prevent the implementation of the national policy on Defence. This will have a profound impact on defence capabilities.

The economic outlook has weakened since the 2018 Medium Term Budget Policy Statement (MTBS), the Gross Domestic Product (GDP) growth outlook has been revised down to 1.5 percent from an estimated 1.7 percent, due to fragile recovery in employment and investment. However, GDP is expected to recover moderately to 2.1 percent in 2021, supported by more effective public infrastructure spending.

SOCIAL

World population continues to grow and is projected to reach 8.3 billion people by 2030. The four demographic trends that will fundamentally shape economic and political conditions, as well as international relationships are: increased life expectancy; general population growth with a disproportionate youth bulge; migration and urbanisation.



The 4th Industrial Revolution (4IR) will have a profound impact on the social construct. This will revolutionise education so as to provide the skills for sustainable employment. Automation, robotics and artificial intelligence will lessen the demand for unskilled labour consequently placing additional pressure on social services.

Cyber connectivity and the concept of a global village will exacerbate the migration of skilled people critical to the economy. In addition, trans-national crime syndicates exploit migration tendencies to expand illicit activities undermining sovereignty and economic growth which results in instability.

The inability of government to meet the demand of social services coupled to the lack of employment opportunities results in increased violent protests particularly amongst the youth. These violent protests are characterised by lawlessness and criminal acts.

TECHNOLOGY

- **Information Warfare:**

The rising international trend of targeting political institutions and processes should be a serious concern for South Africa. Cyber adversaries and information security professionals are perpetually engaged in a fierce cyber arms race focused around the access to and the prevention of access to sensitive data. It is crucial that the State places cyber security as a national priority. In addition, the SANDF must develop a cyber-defence capability that will enhance national cyber resilience.

- **Defence Industry:**

There are in excess of 180 businesses registered at the National Conventional Armaments Control Committee (NCACC). Such businesses are typically Defence Industry proper, as their primary focus is on weapons of war. The Defence Industry is recognised by Government as an economic sector and should it be adequately funded, can contribute significantly to the economy of South Africa through job creation, skills development, as well as export earnings. Interventions around sovereign/strategic industries must be deliberately planned and executed.

LEGAL

The DOD, especially the SANDF commanders could face various new international legal challenges during external operations. The SANDF must ensure that it operates within International Law.

PHYSICAL

Climate Change: Extreme weather conditions may occur more often as climate change takes place. These effects would not be evenly distributed throughout the world. More volatile food and energy prices will also increase the stresses on fragile countries. These pressures are likely to be particularly intense in the arc running from West Africa, across the Sahel, through the Horn of Africa and the Middle East and up into West, South and Central Asia.

It is inevitable that the SANDF will, in the foreseeable future be called, through humanitarian and disaster operations, to assist local government authorities, other state departments both internally and in the Southern African Development Community (SADC) region.

MILITARY

The nature of conflict is evolving and the distinction that separates military responses from other containment measures is becoming increasingly blurred. The operational environment of the future will be increasingly complex.

South Africa's borders are the physical manifestation of its national sovereignty. These comprise the land, air and maritime domains that are internationally recognised in law and remain under the physical control and political authority of the South African State. Porous borders, inadequate migration control and immigration processes, the smuggling of small arms and light weapons, criminal syndicates trafficking in stolen goods and property, the illegal sale of South Africa's natural resources and infiltration by terror groups are risks. Securing South Africa's borders remains a matter of national security and has to be resourced adequately. The utilisation of sensors is crucial.

Securing the sea trade routes, its territorial waters and the Exclusive Economic Zone are vital to the nation state. Maritime threats such as maritime crime and piracy, terrorism, illegal fishing, smuggling of contraband and uncontrolled migration via the sea are ever present.

10.2 Internal Environment

Arm Scor must become the knowledgeable partner that proactively supports the DOD with development or acquisition of equipment to meet variations in the complexity of the DOD's operating environment. While there is general acceptance that some level of interoperability is required for greater success with African Union peacekeeping deployments, this has not been translated into common platforms, regionally and continentally. This presents an opportunity for Arm Scor to assist with its acquisition and technology expertise.

Some of the elements listed below provide a situational analysis of the factors and changing environment that have a bearing on the output deliverables of Arm Scor.

- **Economic Recession**

The worldwide recession is expected to lower economic growth for South Africa in 2020. Foreign investment into the economy is expected to slow down due to political instability and the possible further negative rating by Rating Agencies. Job reductions within the traditional work force, mining, and agriculture sectors will relate to industrial strikes, which will further adversely affect the economy. These economic factors will slow job creation in the country and create the possibility for conflict from the unemployed youth demographic.

- **Defence Budget Allocation**

Arm Scor's principal client's – the DOD – budget allocation for the 2020/21 Financial Year will remain insufficient to fully fund force preparation and renewal in support of the required operations ordered by government. There are no additional resources available for allocation over the MTEF period. This means that additional allocations to a programme will need to be funded by reductions in funding for another programme, within the department's budget. This will involve the scaling down of non-priority programmes and projects, changing service delivery models, using technology more effectively, etc.

DOD's Human Resources expenditure is foreseen to continue rising, slightly above the inflation rate, effectively reducing the operating and capital budgets. This introduces an era where the ability of the SANDF to conduct operations is substantially curtailed, possibly negatively influencing the demand for Arm Scor capacity related to the contracting of maintenance, repair and overhaul (MRO) services. The impact of this, on the Strategic Capital Acquisition Master Plan (SCAMP) is severe. The number of active acquisition projects will be reduced substantially with the bulk of the previous projects being delayed extensively or being cancelled. This reduces the demand for Arm Scor acquisition services over the medium term and possible scaling down of highly skilled and highly specialised workforce.

Arm Scor has supported the DOD in developing a new Defence Funding Model to alleviate the funding burden on the national fiscus and to supplement the Defence Budget Vote. Alternative funding solutions for the short-, medium-, and long-term will be addressed within the policy and strategy of the Defence Funding Model.

- **Corporate Governance and Accountability**

Arm Scor adheres to the principles of good corporate governance enshrined in the Public Finance Management Act (Act 1 of 1999) (PFMA), as amended, and King IV Report on Corporate Governance for South Africa. The observance of these principles ensures that Arm Scor maintains the integrity of its operations, thus gaining credibility from and the confidence of its important stakeholders.

Good corporate governance and stakeholder confidence are fundamental elements in determining the nature of the relationship between Arm Scor, its shareholder (represented by the MOD&MV), the SADI, and the South African public as a whole.



- **National Cost Containment Measures**

Armcor is operating within strict cost containment measures to manage operational expenditure. Furthermore, Armcor complies with the National Cost Containment Measures issued by National Treasury.

- **Service Delivery Improvement Plan**

The South African Defence Review 2015, and the urgency in meeting the matériel needs of SANDF while engaged in external deployment, calls for a review and change of the Armcor acquisition process, as well as the skills sets to be entrenched in Armcor. The following processes called for an improvement:

- Acquisition process improvement: ensure a cost-effective, adaptable, and agile acquisition capability, which provides the response to DOD requirements (i.e. process improvement, shortened tendering process for urgent requirements, including lifecycle approach, providing capability rather than product). The acquisition processes will be amended to achieve maximum flexibility and shortening the time taken for acquisition of equipment and services – especially the acquisition of existing military off-the-shelf items.
- Improve contracting processes: contractual arrangements have been established, e.g. umbrella contracts with single-source suppliers to reduce lead times for operational requirements. Contracting at appropriate levels will ensure maximum participation of the local industry, and facilitate and effect greater involvement of SMMEs and Broad-Based Black Economic Empowerment (B-BBEE) companies.



11. Armscor's Environmental Scan

11.1 The 2020 environmental scan focused on the political, economic, social, technology, legal, environmental and military dimensions.

11.2 The following important trends have emerged from the scan:

- Increased involvement by a number of global role players in Africa has resulted in a second 'race for Africa'. This is also evident in the SADC region and hampers South Africa's ability to compete economically for market share in the region and on the continent. Over time, increased trade between Africa and South Africa may be possible on the back of the Africa Continental Free Trade Agreement (AFCFTA).
- Despite many areas of conflict in Africa, the demand for armament is generally low. However, where there is a requirement, the type of weapons acquired in the main, are those suited to low intensity and guerrilla type conflicts.
- Where conventional and high technology weapons are being acquired on the continent, these nations generally prefer to buy from or barter with long standing strategic partners being typically Russia and China. It is worth noting that in some cases, weapons are provided at no cost by countries from across the globe as part of influence operations undertaken in their own interests.
- Within Sub-Saharan Africa, little progress has been made towards improving governance and countering corruption. This with the profiled exceptions of Angola, Ghana and Ethiopia.
- Of particular interest is the rise of nascent weapon industries on the continent as can be observed in Ghana, Nigeria, Sudan and Kenya.
- In South Africa, the 6th Administration has maintained continuity with its past priorities but with increased emphasis being placed on expediting implementation. Accelerating economic growth remains the highest national priority as the mechanism to reduce unemployment.
- Stagnant economic growth accompanied by decreasing revenue to the fiscus coupled to competing socio-economic priorities of government has resulted in a significant reduction to the defence allocation over a number of years.
- The capital portion of the defence budget is set to decrease significantly over the MTSF. By extension, the funding allocation to Armscor for both armament acquisition and the transfer payment for its acquisition agency function will likely decrease significantly over this period. The DOD will probably have to investigate its continued requirement for some of its historic activities and service level agreements with a number of stakeholders. This may include its relationship with Armscor.
- The RSA defence industry is contracting due to persistent reducing capital expenditure by the DOD. A few large international entities dominate the local market through equity arrangements with erstwhile RSA defence industry and defence related industry businesses.
- Under these conditions, the recovery of Denel will likely be slow. However, the private sector armoured vehicle manufacturing industry is relatively strong with numerous relatively small players. The SMME component of the supply chain affiliated to the local defence industry is under severe financial pressure causing significant job security risks leading to the loss of expertise.
- The DOD has pragmatically been forced to prioritise its missions being border safeguarding (land/sea/air), peace missions and interventions (possibly in this order). The demand for humanitarian operations in the region may well increase due to an increase in severe weather patterns as part of climate change. At the current funding levels and faced with block obsolescence and rising costs of maintaining its conventional prime mission equipment, the DOD will have to evolve into a much lighter force.
- Within the context of the prioritised missions that will have to be executed in the MTEF, the focus of prime mission equipment availability for operations will be centred around limited current inventory availability. From a combat ready perspective, the MRO of existing operational equipment across the services will become increasingly important over the MTSF.
- An opportunity exists for defence industry to develop bespoke technologies focused on sensors for increased domain awareness and technologies that would enhance operational response and effectiveness of a lighter more agile military force.



11.3 Armscor’s SWOT analysis

In order for the Corporation to cope with the strategic environment and to succeed in its operation, it is important for the strategy to directly or indirectly address issues that arose in its SWOT analysis. At the January 2020 Board of Directors strategic session, the SWOT analysis was revised and the following was deemed important to take cognisance of:

Table 1: Armscor’s SWOT Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Clear Mandate as defined in terms of an Act of Parliament; • World-class technical expertise in niche defence technology areas; • International recognition for technical capability • Established governing processes; • World-class research, test and evaluation facilities; • Established management systems and Quality Management Systems; • Governance Record. 	<ul style="list-style-type: none"> • Skills shortage in specialised business areas; • Aspiring to a business culture; • Lack of resourcing of the Defence Review (DOD); • Sensitive stakeholder environment; • Responsiveness and agility, especially 3rd party potential clients.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Providing holistic support to the SADI and Security Sectors; • Expand existing capability to meet emerging demand in target geographies; • Expand advisory services in Acquisition and Defence Analysis to the African and Global market; • Financial brokering of defence contracts. 	<ul style="list-style-type: none"> • Denel’s sustainability and current performance on defence contracts; • Possible transfer of Denel from Department of Public Enterprises (DPE) to DOD; • Industry performance and sustainability; • Inadequate information and communication technologies; • Reliance on insufficient DOD transfer payment; • Reduction in the DOD budget allocation and the postponement of contracted DOD projects and non-funding of contracted DOD projects; • Insufficient funds to sustain facilities; • Potential reputational risk on new opportunity, 3rd party potential clients; • Lack of understanding of Armscor’s role by industry; • Rigid compliant requirement for export.

12. Armscor's contribution to National Imperatives of Government

12.1 National Development Plan, Vision 2030

The National Development Plan (NDP), Vision 2030 and its related policies provide a national framework that will inform the envisaged contribution by National Departments to the objectives of the NDP, Vision 2030, which include the reduction in unemployment, elimination of poverty and the reduction in inequality. Figure 7 indicates the aspects that form the cornerstone of the NDP, Vision 2030 to which the defence portfolio, where relevant, will contribute.

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

- sharpening South Africa's innovative edge by continuing its contribution to global scientific and technological advancement;
- implementing greater investment in R&D and better use of existing resources;
- facilitating innovation and enhanced co-operation between public service, technology institutions;
- committing to procurement approaches that stimulate domestic industry and job creation; and
- procuring from and supporting SMMEs, black-owned and black-managed enterprises, and female-led enterprises, the youth, and military veterans.

The Strategy is, therefore, informed by:

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

Figure 7: Aspects that form the cornerstone of the National Development Plan, Vision 2030



12.2 The NDP Implementation 5-year Plan and MTSF Priorities (2019 – 2024)

The implementation of the NDP, Vision 2030, through the NDP 5-year Implementation Plan will mainly focus on job creation, poverty reduction and the reduction of inequality. Armscor will endeavour to support the following Government Priorities over the 2019 – 2024 MTSF:

- **MTSF Priority 1: Capable, Ethical and Developmental State**, by ensuring improved governance and accountability through compliance to regulatory frameworks, such as the PFMA (Act 1 of 1999) and King IV Report, continuing to fight corruption and fraud through internal control measures, to support other Government Departments and its people in the pursuit of South Africa's Developmental Agenda. Armscor continues to strengthen its departmental role and function in the governance, risk and compliance functions through ethics and integrity. Furthermore, Armscor has committed to a zero tolerance of sexual abuse against women, youth and people with disability.
- **MTSF Priority 2: Economic Transformation and Job Creation**, through sustainable acquisition of weapon systems and local procurement of goods and services. Between Armscor and the industry, over 146 science and engineering university bursaries have been awarded to new students. Over 130 schools were reached nationally through Science, Technology, Engineering and Mathematics (STEM) initiatives assisting educators and learners to safeguard the future talent pool for scientists and engineers for the Defence Industry. Furthermore, Armscor has established a Military Veterans Enterprise Development Incubator and Enterprise Supplier Development to ensure that this designated group is supported and included in the Defence Industry.
- **MTSF Priority 3: Education, Skills and Health**, through the provision of internal and external higher education, skills development opportunities and creating foreign learning opportunities. Armscor's Learning and Development function's focus is to consistently develop and sustain the relevant and required critical skill of employees, to ensure the achievement of the Corporation's strategic business outputs, and to promote the culture of learning. Various development initiatives that seek to develop management and leadership competencies and to address critical and technical scarce skill shortages for employees at various respective occupational levels were identified. The initiatives include the implementation of bursary schemes and the Grant Development Programme for graduates and internships.
- **MTSF Priority 4: Consolidating the Social Wage through Reliable and Basic Services**, Armscor aims to "Promote peaceful and inclusive societies for sustainable development" and "provide access to justice for all, and build effective, accountable and inclusive institutions at all levels" into the future trajectory of defence. Armscor will also participate in the work established by Stats SA by providing statistics of the Sustainable Development Goals (SDGs) as and when required.
- **MTSF Priority 5: Spatial Development, Human Settlements and Local Government**, through Project Koba Tlala to support women and youth development and economic development in identified rural areas. Armscor will support the DOD with local procurement in the areas where the SANDF has a footprint, which will contribute to economic growth of small business, township and rural economies.
- **MTSF Priority 6: Social Cohesion, Safer Communities**, through its contribution towards Border Safeguarding, cooperation with the SAPS and support to other Government Departments. Armscor will provide the necessary technology and equipment to the DOD in support of the overarching strategy to defend, protect, secure, and ensure well-managed borders by securing the land, airspace and maritime borders.
- **MTSF Priority 7: A Better Africa and a better World**, through supporting the DOD (SANDF) participation in external operations in support of the UN and the AU peace missions, as well as the DOD contribution towards the Southern Africa Development Regional Indicative Strategic Development Plan (RISDP) through the SADC Standby Force Pledge. Armscor will provide procurement and logistic services to other countries when required.

12.3 The National Growth Path

Government released the Framework of the National Growth Path (NGP), aimed at enhancing economic growth, job creation, and equity. The principal target of the policy is to create five million jobs by the year 2020. The NGP identifies strategies that will enable South Africa to grow in a more equitable and inclusive manner, while attaining South Africa's Developmental Agenda. Armscor will endeavour to support the NGP through the following actions:

- Armscor Internships;

- Youth Development Programme; and
- SADI Support.

Armcor and the Industry have provided science and engineering bursaries. Initiatives in the science, technology, engineering and mathematics were undertaken nationwide in schools.

Armcor established a Military Veterans Enterprise Development Incubator and Enterprise Supplier Development to include it in the Defence Industry.

Armcor's Learning and Development function's focus is to consistently develop and sustain the relevant and required critical skill of employees, to ensure the achievement of the Corporation's strategic business outputs, and to promote the culture of learning. Various development initiatives that seek to develop management and leadership competencies and to address critical and technical scarce skill shortages for employees at various respective occupational levels were identified. The initiatives include the implementation of bursary schemes and the Grant Development Programme for graduates and internships.

National Treasury issued amended Preferential Procurement Policy Regulations. The regulations support transformation, specifically the advancement of designated groups, was promulgated in January 2017, and were made effective in April 2017. Armcor is committed to implementing these regulations fully to the advantage of the country's economy and particularly for the growth of SADI. To achieve optimal benefit from the application, Armcor amended the procurement process to include Military Veterans, where applicable.

Armcor assisted in developing the Defence Sector Charter. It shall implement it to transform SADI in terms of B-BBEE. The codes of the charter are deliverables for participants in SADI. Armcor supported the launch of the Defence Industry Fund to solve funding challenges faced by SMME's in SADI.

12.4 The Industrial Policy Action Plan

The Industry Policy Action Plan (IPAP) is located in the NDP, Vision 2030, and forms one of the principal pillars of the NGP. Armcor will play a role and support the IPAP in Public Procurement, where a Defence Industry Policy will be developed to guide long-term acquisition and procurement of defence capabilities. The National Defence Industry Council (NDIC) will constitute the highest consultative body between the DOD, Armcor, SADI, and the Department of Small Business Development on matters of policy formulation and compliance, export support, armament acquisition, and joint planning. Armcor will be directed by the functions of the NDIC relating to SADI matters. The NDIC will focus on the work streams, stated below, for development and co-operation with other State Departments, such as, but not limited to, the dti and the Department of Public Enterprises:

- defining industry categorisation;
- developing alternative funding models;
- providing access to SANDF stock for export;
- implicating collaboration versus competitive acquisition;
- developing the ability to supply complete systems (turnkey solutions);
- exploiting dti incentives;
- establishing production and/or maintenance facilities in Africa;
- using the Department of International Relations and Co-operation and other departments for marketing of South African products (speaking with one voice);
- structuring the NDIC Secretariat and interaction with various stakeholders;
- applying and exempting small industry policy;
- socio-economic scoring of different project types;
- administering initiatives focused on Africa;
- creating technological prioritisation and implication within industry for the short term;
- leveraging Intellectual Property (IP);
- expediting acquisition; and
- developing an industry sector strategy.



12.5 The Forum for South African Director-Generals (FOSAD) Action Plan (2014 – 2019)

The Action Plan (2014 – 2019) was adopted by Government and finds expression in the DOD Strategic Plan, Annual Performance Plan (APP), and individual performance agreements. Armscor supports the following FOSAD Action Plan deliverables:

- Service Delivery Improvement Plan:
 - Acquisition reform (acquisition processes and governance procedures were streamlined in order to provide the DOD with expedited service delivery).
 - The transformation of procurement to be broadened to Supply Chain Management (SCM) (to improve turnaround times in the provision of non-complex, off-the-shelf acquisition and procurement) as a strategic enabler of Armscor's strategy.
 - The establishment of a sustainability function to reduce pressure on the declining DOD budget.
- Reduction in time it takes to fill a vacancy:
 - Armscor endeavours to fill all vacancies within six months, subject to the availability of suitable candidates.
- Payment of suppliers within 30 days:
 - Armscor aspires to settle all payable invoices within 30 days upon receipt thereof.
- Finalisation of disciplinary cases:
 - Armscor strives to resolve all disciplinary cases internally. However, if Armscor is not successful with the procedure, it will be dealt with by the Commission for Conciliation, Mediation and Arbitration and/or the Labour Court.
- Improved feedback to the public on anti-corruption hotline:
 - In order to enhance good governance and transparency, Armscor provides a channel for any person (employees, contractors, clients, and external parties) to raise concerns and report fraud, corruption (monetary bribes, kickbacks, gifts, etc.), theft, financial malpractice, or any other unlawful or irregular conduct occurring in the Corporation. These concerns are investigated by a committee and the relevant parties informed. This is done to improve operational efficiency and effectiveness.
- Armscor aims to obtain a clean audit.

12.6 Sustainable Development Goals

- The Heads of State met at the UN Headquarters in New York from 25 to 27 September 2015 to develop the new global Sustainable Development Goals (SDGs) that will build on the current Millennium Development Goals (MDGs). The SDGs is an agenda for a plan of action for people, planet and prosperity as reflected in Figure 8. The SDGs recognise that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development. All countries and stakeholders acting in collaborative partnership will implement the SDGs plan.

Figure 8: Sustainable Development Goals



- The 17 SDGs and associated 169 targets, which form the SDGs, demonstrate the scale and ambition of this new universal agenda. These SDGs seek to build on the Millennium Development Goals (MDGs) and complete what they did not achieve. These SDGs and targets will stimulate action in areas of critical importance for humanity and the planet. The SDGs, as published by the Presidency, consist of the following goals:
 - Goal 1: End poverty in all its forms, everywhere.
 - Goal 2: End hunger, achieve food security, and improved nutrition, while promoting sustainable agriculture.
 - Goal 3: Ensure healthy lives and promote well-being for all at all ages.
 - Goal 4: Ensure inclusive and equitable quality education and promote life-long learning opportunities for all.
 - Goal 5: Achieve gender equality and empower all women and girls.
 - Goal 6: Ensure availability and sustainable management of water and sanitation for all.
 - Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all.
 - Goal 8: Promote inclusive and sustainable economic growth, full and productive employment, and decent work for all.
 - Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.
 - Goal 10: Reduce inequality within and among countries.
 - Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.
 - Goal 12: Ensure sustainable consumption and production patterns.
 - Goal 13: Take urgent action to combat climate change and its impacts.
 - Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
 - Goal 15: Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss.
 - Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels.
 - Goal 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development.

- Armscor, by virtue of its legislative mandate and inherent defence capabilities, will indirectly support SDG 16. The Corporation aims to “Promote peaceful and inclusive societies for sustainable development” and “provide access to justice for all, and build effective, accountable and inclusive institutions at all

levels” into the future trajectory of defence. Armscor will also participate in the work established by Stats SA by providing statistics of the SDGs as and when required, through its mandate and inherent acquisition and procurement capabilities.

- Armscor, because of its mandate, will indirectly support selected SDGs into the future trajectory of defence. Armscor supports Goal 4 by granting bursaries and donations to schools of previously disadvantaged communities, as well as Goal 5 by adhering to its Employment Equity (EE) Policy, whereby Armscor aims to grant 33 bursaries per year.
- Corporate governance is enshrined in the King IV Report on Corporate Governance for South Africa. Armscor embraces the principles in this report and continues to strengthen its departmental role and function in the governance, risk and compliance functions through ethics and integrity.
- The implementation of the Public Service Integrity Management Framework in all government departments also informs Armscor's Code of Conduct. The approval and implementation of Armscor's Code of Conduct during the 2016/17 Financial Year demonstrates its commitment to the highest ethics and integrity aspirations. Armscor also has the mechanisms, as state below, to facilitate ethical execution of its mandate through:
 - Audit and Risk Committee;
 - Risk Management Register, which also lists actions to mitigate risks;
 - Regularly conducted internal audits, of divisions and internal controls;
 - Continuous management of issues relating to corruption and fraud, ranging from awareness training to the structured reporting of incidents through the “whistle-blowing” mechanism and other established departmental channels; and
 - Continuously refined organisational financial processes, systems, and policies, with the view to ensure alignment with the Public Finance Management Regulatory Framework, in order to improve service delivery.

12.7 The State of the Nation Address (SONA) (2020)

During the SONAs of the previous 2014 – 2019 MTSF, and the SONA held by the 6th Administration on 13 February 2020 respectively – the President indicated government had embarked on a radical socio-economic transformation to address the triple challenges of poverty, inequality, and unemployment. The pronouncements of the SONAs that continue to have a bearing on the defence portfolio are:

- promotion of local procurement;
- employment of the youth;
- expansion of Internship Programmes in Government;
- resourcing of defence mandates;
- improving implementation of the financial disclosures framework;
- support the employment of SANDF (Interim ACIRC, conflict prevention, and peacekeeping of the African continent);
- spending of public funds and reducing expenditure;
- acknowledgement that the African continent remains central to Government's foreign policy engagements; and
- unlocking growth and peacekeeping operations.

Armscor supports the DOD to achieve pronouncements of the SONAs.

13. Minister of Defence and Military Veterans Priorities for 2020/21 Financial Year

The Ministerial Priorities for the 2020 – 2025 planning period that give impetus to the execution of the Defence mandate through Ministerial direction over the short-, medium- and long-term within available resources are confirmed as follows:

- **Strategic Direction: Implementation of the SA Defence Review 2015 “DOD Plan to Arrest the Decline”:** Direct the defence policy intent to stabilise and create a sustainable defence force within an effective, efficient and economically managed department able to deliver against predetermined expectations of Government. The decline in critical defence capabilities must be halted through directed interventions in those capabilities that are at risk, be unsustainable or must be enhanced to meet current operational commitments. Ministerial direction will be provided to initiate the defence trajectory through organisational capability interventions.
- **Strategic Resourcing: Revenue generation to supplement the insufficient Fiscal Allocation:** Direct a focused effort to identify alternate funding and revenue generation streams that include amongst others, maximised reimbursements against agreed upon Memoranda of Understanding and the sweating of departmental assets.
- **Human Resources:** Maintaining the SANDF establishment Force Levels. Direct the maintenance of the current operational capability within the current operational strength and resource considerations. It implies the continual rejuvenation of the human resource component. The SANDF Reserves remain vital to augment current force levels required to conduct military operations both internally and externally to the country.
- **Organisational Renewal:** Ensuring appropriate Organisational form and structure. Direct the positioning of the Defence Secretariat and organisation of the SANDF through the optimisation of both the Defence Secretariat and the Command and Control system of the SANDF. Duplication of structures must be eliminated whilst effectiveness and efficiency is enhanced. Focus must be given to ensuring that the SANDF is seen as a professional and disciplined military force.
- **Capability Sustainment:** Maintenance of Capabilities. The serviceability and availability of current main operating systems and Prime Mission Equipment must be maintained at a set level. Focus will be given to the maintenance, repair and overhaul of land, air, maritime and military health equipment that is required for both force training and force employment. Through the National Defence Industry Council (NDIC), a closer working relationship between the DOD, the Defence Industry and the Defence Related Industry must be achieved in the interest of all parties.
- **Ordered Defence Commitments:** Increased contribution to the National Developmental Agenda. There is an expectation of an increased utilisation of defence capabilities to contribute to the National Developmental Agenda of Government. The collateral defence utility may be used in collaboration with other Government Departments to enhance the desired contribution. The SANDF will retain its ability to respond to disasters both internally and in the region against reimbursement arrangements.
- **A stable and financially viable Armscor to deliver on its mandate:** Armscor is pursuing strategies to alleviate the funding crisis and make it financially viable. Furthermore, Armscor made optimal use of the allocation throughout the period. However, the allocation does not fully cover the personnel costs. The strategic facilities managed are also underfunded.

Armscor is pursuing the following revenue generation initiatives:

- Offering its services/products and pursuing collaboration with African Defence Forces – Proposals made to several countries for support with acquisition and defence capability improvement. Several high-value procurement requests in process for foreign Defence Forces where SADI products are being promoted.
- Offering its Logistics services for the transportation of military goods:
 - Sweating its own land parcels which includes: Erasmuskloof, Gerotek and Alkanpan.
 - Commercialisation of IP.
 - Dual Usage into Civilian Solutions: The Defence Industry has a range of technologies, equipment and systems that are considered dual use and which are well suited to the needs of the wider society. Some of the examples are sensing technologies in the fight against poaching (on land and especially at sea), radar technology for mining and sonar technology for railways or protection against sharks.
 - Armscor’s priorities are reflected in point 17 of the Corporate Plan.



14. Organisational Environment

14.1 The Board of Directors

Armcor is a statutory body. The MOD&MV is the Executive Authority responsible for Armcor. The Board has two separate roles and functions:

- to act as a Tender Board; and
- to act as a Corporate Governance Board.

The management and control of Armcor resides with the Board of Directors, led by a non-executive Chairperson and a Deputy Chairperson. To execute its responsibilities effectively and maintain accountability, the Board established a number of committees:

- the Acquisition Committee;
- the Audit and Risk Committee;
- the Technology and Industry Sustainability Committee; and
- the Human Resources, Social, and Ethics Committee.

The Chief Executive Officer (CEO) of Armcor and the Chief Financial Officer (CFO) are Executive Board members.

Figure 9 represents Armcor's current Board of Directors and an abridged curriculum vitae of each Board member is attached as Annexure B.

14.2 Executive Committee

In the execution of its functions, Armcor establishes and maintains capabilities and technologies that are required to fulfil its mandate, such as appropriate programme management systems, the DIP programme, the management of technology projects, strategic facilities, and defence support, which is responsible for defence matériel disposal, configuration management, and data management.

Accountability and separation of duties are clearly spelled out and compiled with, respect to the Board of Directors and the Executive Committee of Armcor. The segregation of lines of responsibility between the Board and the Executive Committee are in compliance with the King IV Report on Corporate Governance for South Africa.

The Executive Committee is headed by the CEO who manages the day-to-day activities of the Corporation. Furthermore, the Executive Committee includes all of the Group Executives and Executives who head a Business Unit.

The Business Units are as follows:

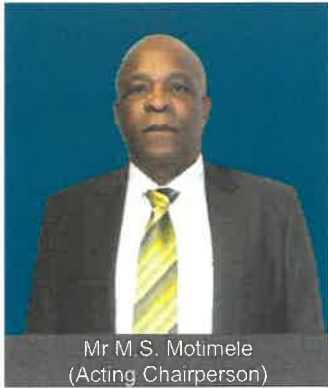
- Acquisition and Supply Chain Management;
- Research and Development;
- Corporate Finance;
- Corporate Support;
- Business Assurance;
- Business Enablement; and
- Armcor Dockyard.

An interim arrangement is as follows:

- Corporate Strategy and Planning forms part of Business Assurance.

Business Units are divided into departments or facility-unit levels. It is, therefore, Armcor's policy to minimise levels of management in the Corporation and to provide for broad bands in its personnel categories. Figure 10 represents Armcor's organisational and reporting structure.

Figure 9: Armscor's Board of Directors



Mr M.S. Motimele
(Acting Chairperson)



Amb. T.J. Ndhlovu
(Acting Deputy Chairperson)



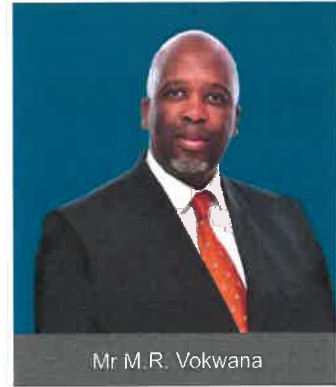
Ms M. Kumalo
(Company Secretary)



Dr M.B. Khanyile



Adv. V.L. De la Hunt



Mr M.R. Vokwana



Ms T. Mhlani



Mr N.M. Tyibilika



Ms C.E. Simpson



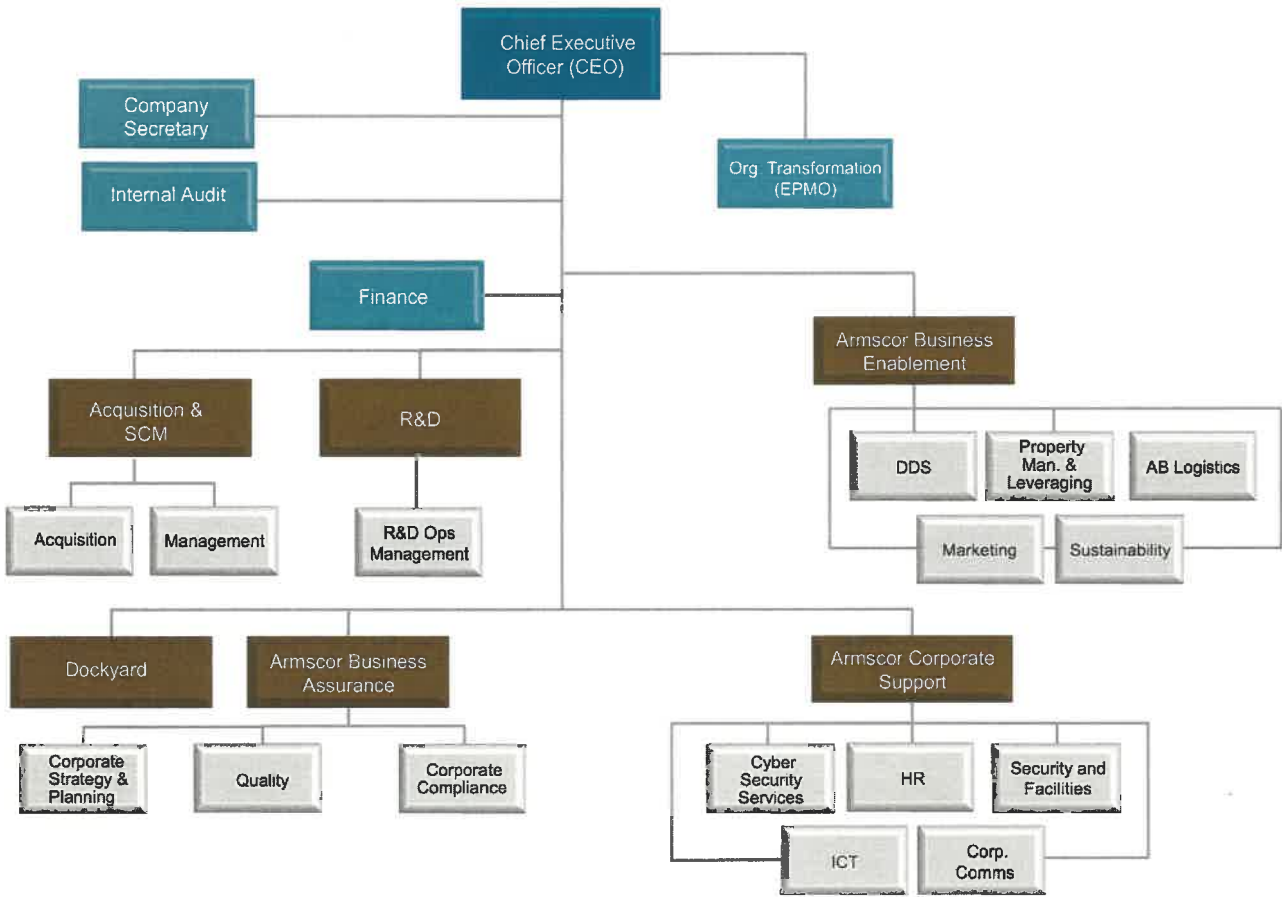
Adv. S.P. Mbada
(Chief Executive Officer)



Mr J.G. Grobler
(Chief Financial Officer)



Figure 10: Armscor's Organisational Structure



14.3 Armscor Schedule 2 Public Entity

Armscor is classified as a Schedule 2 Public Entity, in terms of PFMA, and reports to the MOD&MV.

14.4 Armscor's resources

Armscor derives its income from the following sources:

- The main transfer payment from the DOD, which provides for capability maintenance and services rendered, as per the SLA, and secondary payments for services rendered to the DOD in terms of MoA;
- Investment income;
- Income generated by the R&D Business Unit; and
- Income generated by Armscor Dockyard and Armscor Corporate.

The revenue generated is utilised executing the following services and tasks:

- **Primary services:**
 - a) acquisition of Category 1 Defence matériel, facilities, and services, including the management of all technology development and retention projects for the DOD;
 - b) procurement of Category 1 Defence matériel, facilities, and services, in accordance with the operational requirements of the DOD;
 - c) acquisition and procurement of Category 2 matériel, as specifically tasked by the DOD (provided for in the Armscor Act);
 - d) provision of Product System Management Support services, as tasked and reflected in the appropriate requirement plans of the services of SANDF;
 - e) quality management related to the primary functions;
 - f) management and monitoring of the DIP programmes in order to maintain a defence industrial base, focused on strategically essential technologies, capacities, and capabilities;
 - g) administration and assurance of Arms Control Compliance requirements for Category 1 matériel acquisition, procurement, and Product System Management Support;

- h) disposal of excess, forfeited, redundant, or surplus Defence matériel, in consultation with the DOD and the relevant industries;
- i) support and maintenance of such strategically essential defence industrial capabilities, resources, and technologies, as may be directed by the DOD;
- j) maintenance of such special capabilities and facilities as Armscor may regard as not being commercially viable, but which may be required by the DOD for security or strategic reasons, currently as follows:
 - i The Gerotek Test Facilities – vehicle and component testing;
 - ii Armour Development – R&D to maintain and advance armour protection technologies;
 - iii Fluid and Mechanical Engineering group (Flamengro) – maintaining a minimum sustainable level of capability in the numerical simulation of fluid dynamics and structures for artillery systems;
 - iv Alkantpan Test Range – ballistic testing;
 - v Institute for Maritime Technology (IMT) – maritime research;
 - vi Protechnik Laboratories – chemical and biological defence research;
 - vii Ergonomics Technologies (Ergotek) – ergonomics research;
 - viii Hazmat – impregnation of activated carbon and manufacturing respiratory products; and
 - ix Defence Decision Support Institute (DDSI) – delivers decision support, operational research, defence analysis, capability analysis, systems engineering analysis, and products system management support to the DOD.
- k) management of the capabilities mentioned in h) and i) above;
- l) development and implementation of export support services and mechanisms, which will promote and benefit the South African Government and SADI, managed by means of a partnership between the DOD, Armscor, and the Aerospace, Maritime and Defence Industries Association (AMD), who meet on a regular basis in structured forums;
- m) provision of defence operational research; and
- n) provision of the Defence Matériel Tender Board functions and associated Procurement Secretariat.

- **Support services:**

In order to perform its primary functions in a professional, accountable, and transparent manner, in accordance with the requirements of PFMA and the Armscor Act, it is essential for Armscor to also perform the following supporting functions:

- i. financial management related to the primary and other functions;
- ii. provide legal services relating to the primary functions;
- iii. industrial and project security;
- iv. configuration management services related to the primary functions;
- v. management of project assets;
- vi. management of IP acquired in the course of rendering services to the DOD; and
- vii. the rendering of freight forwarding services.

- **Corporate functions:**

The Corporation must maintain other corporate functions as are required to support the core activities, to exist and function as a legal entity, as well as those that may be dictated by the specific business requirements.

Armscor's Corporate Strategy and Planning supports and are in alignment with the DOD APP and the National Regulatory Framework. Armscor and the DOD annually Table their Corporate Plan/ APP in Quarter 4 (March) and Annual Report in Quarter 2 (September).

14.5 Manpower resources provided for the 2020/21 Financial Year (Table 2)

Table 2: Armscor's Human Resources

Armscor Group	Total Permanent Employees	Total Contract Employees (excl. TDPs)	Talent Development Programme (TDP)	Total Employees
Armscor (including R&D)	1 029	83	29	1 141
Armscor Dockyard	422	32	4	458
TOTAL	1 451	115	33	1 599

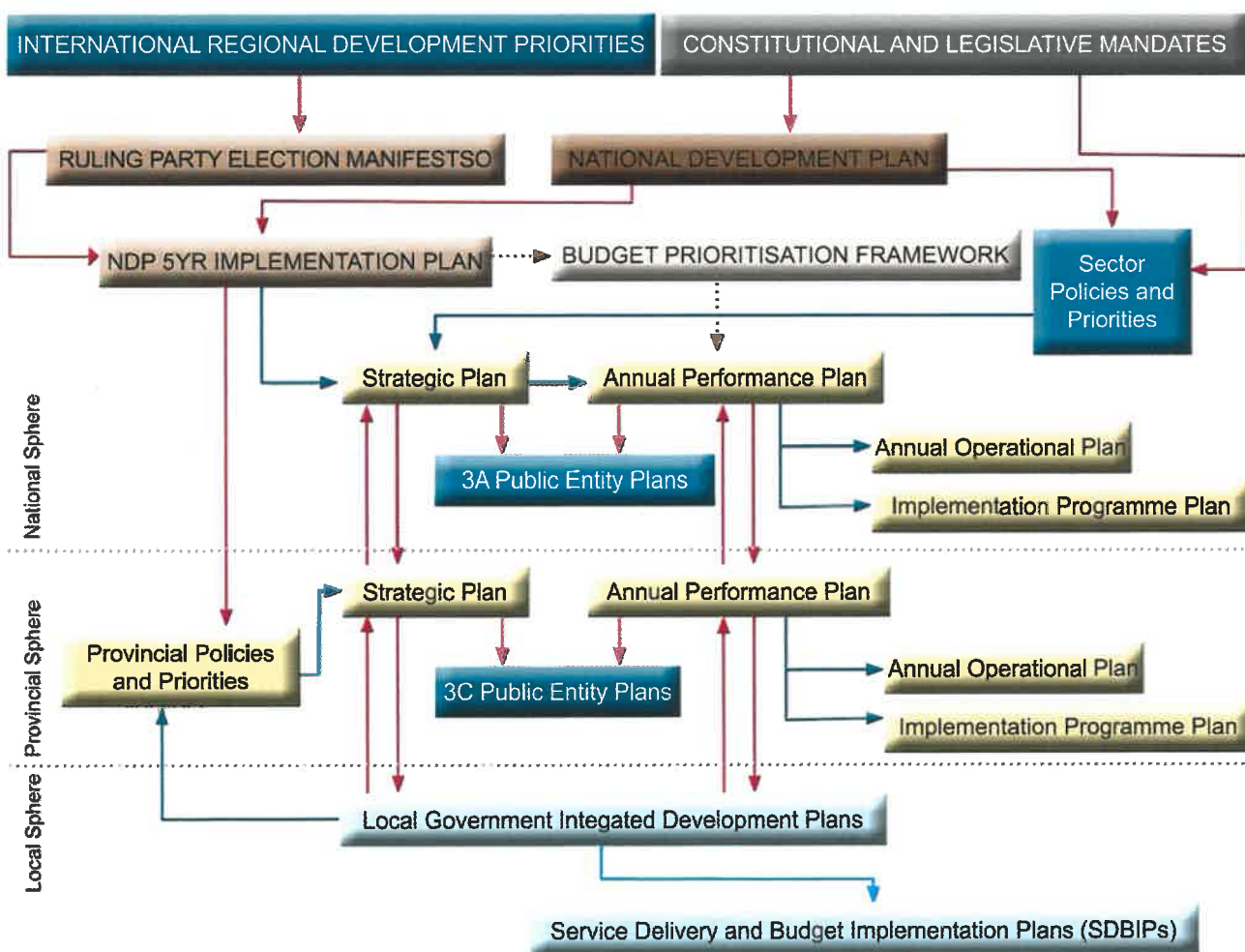




Part C: Measurement of Armscor's Performance

Over the Financial Years 2019 – 2024 MTSF period, Armscor will continue to support the Government's priorities and ultimately the NDP, Vision 2030, as well as the NDP 5 year Implementation Plan. Furthermore, Armscor will ensure alignment with the National, Provincial and Local Government Planning Cycle, as articulated in the Revised Framework for departmental SPs and APPs and as reflected in Figure 11 below. This Corporate Plan for 2020 is reflecting on the performance against the Armscor Corporate Plan 2019 to 2020 (Three Year Plan), amendments to the Armscor Corporate Plan 2019 to 2020 will be reflected in Annexure D of this Corporate Plan for 2020.

Figure 11: National, Provincial and Local Government Planning Alignment



15. Armscor Programme Performance Information

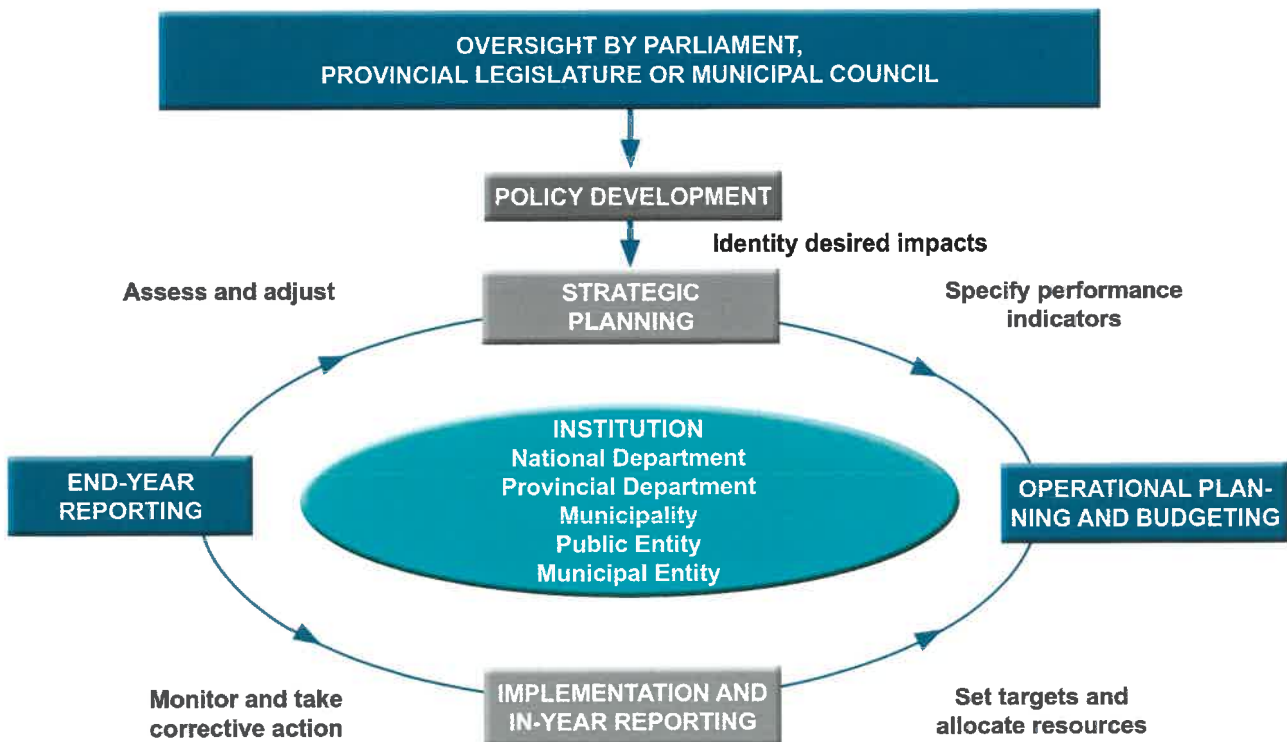
15.1 Description of the Armscor Planning, Budgeting, and Reporting Cycle (Armscor Cycle)

The Armscor Cycle, which is aligned to the National Planning, Budgeting, and Reporting Cycle, provides the Corporation’s norms and standards within which outcomes-based planning, budgeting, reporting, and risk management processes are executed in the realisation of the Armscor mandate. The Armscor Cycle aims primarily at ensuring the following high-level aspects:

- the implementation of departmental outcomes-based (logical model) planning, budgeting, reporting, and risk management within Armscor;
- the alignment of planning, budgeting, monitoring, and evaluation (reporting) processes and risk management of Armscor within the requirements of national legislation; and
- the improvements of output delivery accountability.

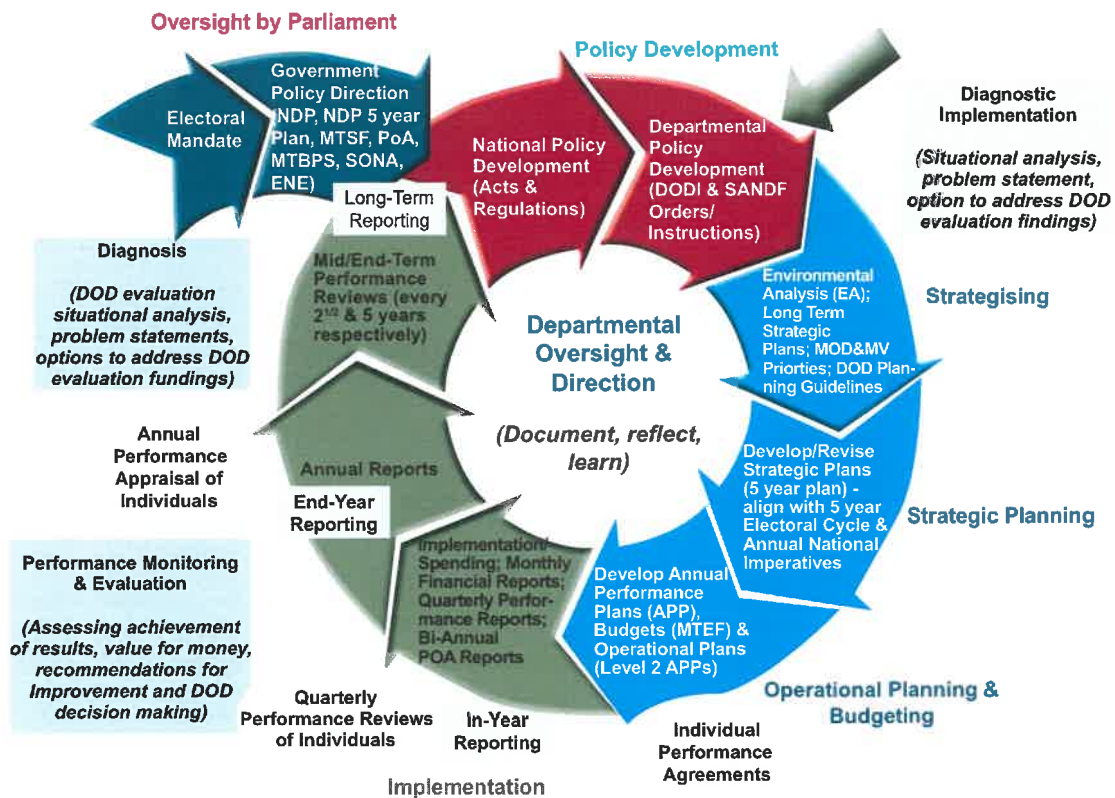
Armscor performance information management, focused strategically on meeting Armscor’s mandate and support the defence mandate, as aligned with the intent and priorities of Government, to ensure the delivery of value to the citizens of South Africa. The National Planning, Budgeting, and Reporting Cycle is outlined in Figure 12, to which Armscor is aligned.

Figure 12: National Planning, Budgeting and Reporting Cycle



The Armscor Cycle is outlined in Figure 13, with a subsequent brief description of each of the main components of the cycle.

Figure 13: The Armscor Planning, Budgeting, and Reporting Cycle



The Armscor Cycle and associated processes ensures an alignment with the National Planning, Budgeting, and Reporting Cycle. This enables the translation of national policy direction and imperatives into departmental policies that inform the development of departmental strategies and planning instruments. The Armscor Cycle includes the following primary components:

- **National Oversight:** National oversight is a constitutionally mandated function over legislative organs of state and public entities. Numerous national institutions have a legislative oversight over Armscor’s institutional performance, thereby ensuring that desired departmental outputs are achieved commensurate to the resource allocation and value to citizens. National oversight entities evaluate the content of Armscor’s planning instruments, performance reports, and reviews and address the adherence to that which was planned and that which was ultimately achieved. Evaluation feedback by the national oversight entities includes inputs, which relate to adherence and compliance or non-adherence and non-compliance to the departmental change and sustained agenda.
- **Armscor Policy Development:** Armscor’s policy development entails the development and maintenance of policies and guidelines, formulated as a result of the annual environmental analysis of the prevailing internal and external environment and associated factors that have a bearing on operations and plans. The corporate policy (core and functional) directs the further development of strategies, plans, and management interventions in support of the Armscor mandate through formulated output deliverables.
- **Armscor Strategy Development:** The strategy development component of the Armscor Cycle addresses the turnaround strategy that informs subsequent Long-Term (core and functional) strategies. This component takes into consideration the annual assessment of the prevailing departmental strengths, weaknesses, opportunities, and threats (SWOT) analysis to which Armscor is exposed and which are taken into consideration during the strategy formulation and adjustment processes.
- **Armscor Planning and Budgeting:** The planning and budgeting component of the Armscor Cycle informs the development of the Extended Long-Term Development Plan (20 – 30 years) and the Corporate Plan (three-year period). The planning process is the resourced implementation mechanism, through which strategy is enabled within the prevailing resource considerations for the



period under consideration. The annual departmental review of the external and internal environment, as informed by the annual SWOT and environmental scanning process, is conducted and informs the annual adjustments, when and if so required, to the annual Armscor Corporate Plan, inclusive of resourced performance information (Performance Indicators and Targets). The revised performance information is formally endorsed through the relevant management forums and is finally affixed to the Armscor Corporate Plan.

- **Implementation:** This component of the Armscor Cycle addresses the in-year implementation of the approved Armscor Corporate Plan. The performance agreement sets specific, agreed-upon performance information (measures and targets), linked to Armscor’s Strategy, Corporate Plan, operational plans and annual budget that are to be attained by the individual.
- **Monitoring and Evaluation:** This component of the Armscor Cycle consists of in-year, end-term, and long-term performance reporting and evaluation. In-year performance reporting consists of the following three subfunctions: monthly financial performance reporting and evaluation, quarterly performance reporting, annual reporting and evaluation, and additional performance reporting and evaluation, when and if so required. Long-term Performance Reviewing consists of the End of Term Performance Reviewing and Performance Reviewing since 1994.

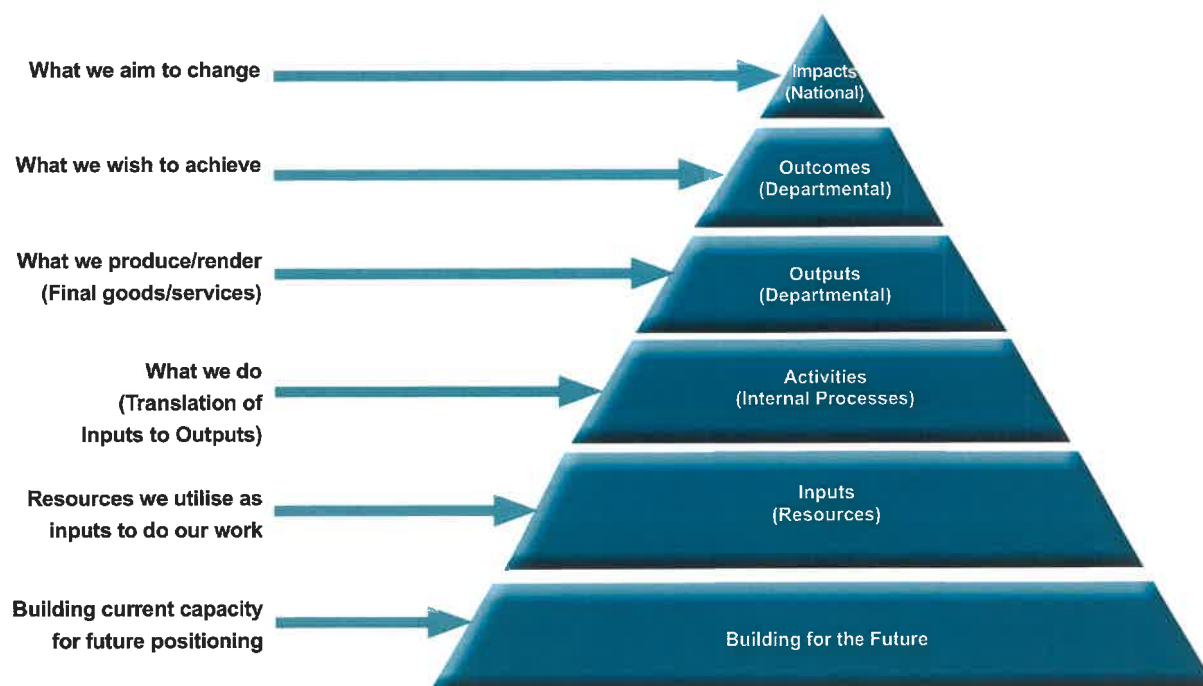
15.2 Key Performance Information Concepts (Result Based Model)

The Armscor Result Based Model was developed in alignment with DPME requirements, as prescribed in the DPME revised framework, for Managing Programme Performance Information. However, from a governance perspective, Armscor has ensured alignment with DPME’s revised framework. Armscor’s outcomes-based planning, budgeting, risk management, and reporting processes will be executed in the realisation of the Armscor mandate as translated into the Armscor’s Result Based Model. The Result Based Model concepts as implemented in Armscor are depicted in Figure 14, as appear in the Armscor Corporate Plan.

- **Armscor Result Based Model Overview**

Armscor Result Based Model¹ is developed in alignment with the National Treasury “Logic/Results Based Model” (Figure 14) requirements as prescribed in the National Treasury Framework for Managing Programme Performance Information and the Result Based Concepts as articulated in the Revised Framework for Strategic Plans and Annual Performance Plans as directed by DPME.

Figure 14: Key Performance Information Concepts (Result Based Model)



¹ Terminology aligned the DPME Revised Framework (Figure 1.1 Result Based Concepts) and the National Treasury Instruction No 5: “Implementation of the Revised Framework for Strategic Plans and Annual Performance Plans (2019) dated 15 November 2019 for governance purposes.

The following key components of the logic model are:

- **Impacts:** Armscor Impacts, managed through the achievement of planned outcomes. “Equity” indicators at the “*outcome/impact*” level of the model explores whether services are being provided impartially, fairly and equitably to all stakeholders.
- **Outcomes:** Armscor Outcomes are defined as “*that which we wish to achieve*” and are the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs.
- **Outputs:** Armscor Outputs are defined as “*what we produce or deliver*” and include the final products, goods and services produced for delivery. Outputs, as with activities and inputs, are planned and budgeted for, and implemented under the control of the Department.
- **Activities:** Armscor Activities are defined as “*what we do on a daily basis*” and include the processes or actions that utilise a range of inputs (resources) to produce the desired outputs and, ultimately, outcomes. “Economy” indicators at the “input/activity” level of the models explore whether specific inputs are acquired at the lowest cost and at the right time and whether the method of producing the requisite outputs is economical.
- **Inputs:** Armscor Inputs (resources) are defined as “*what we use to do the work on a daily basis*” and include the resources that contribute to the development and delivery of the departmental Outputs and Activities.
- **Defence Building for the Future (Defence Sustainability):** The Armscor perspective **Building for the Future (BFF)** outlines how Armscor will endeavour to ensure its future sustainability and relevance moving forward into the MTEF and beyond through structured departmental initiatives and processes.

The above Results Based Model and the components provided therein, systematically add value to Armscor when supported by well-defined and auditable performance information (Impact, Outcome and Output performance indicators and targets) thereby providing for and enabling the “measuring of what must be done and what has been achieved”.

15.3 Armscor’s Result Based Model

The Armscor’s Result Based Model (Figure 16) was developed in conjunction with the DOD. It is in support and aligned with the DOD Result Based Model (Figure 15), which is also in accordance with the National Treasury Framework on Strategy and Programme Performance Information.

Figure 15: Department of Defence Result Based Model for 2020/21 to 2022/23 Financial Years

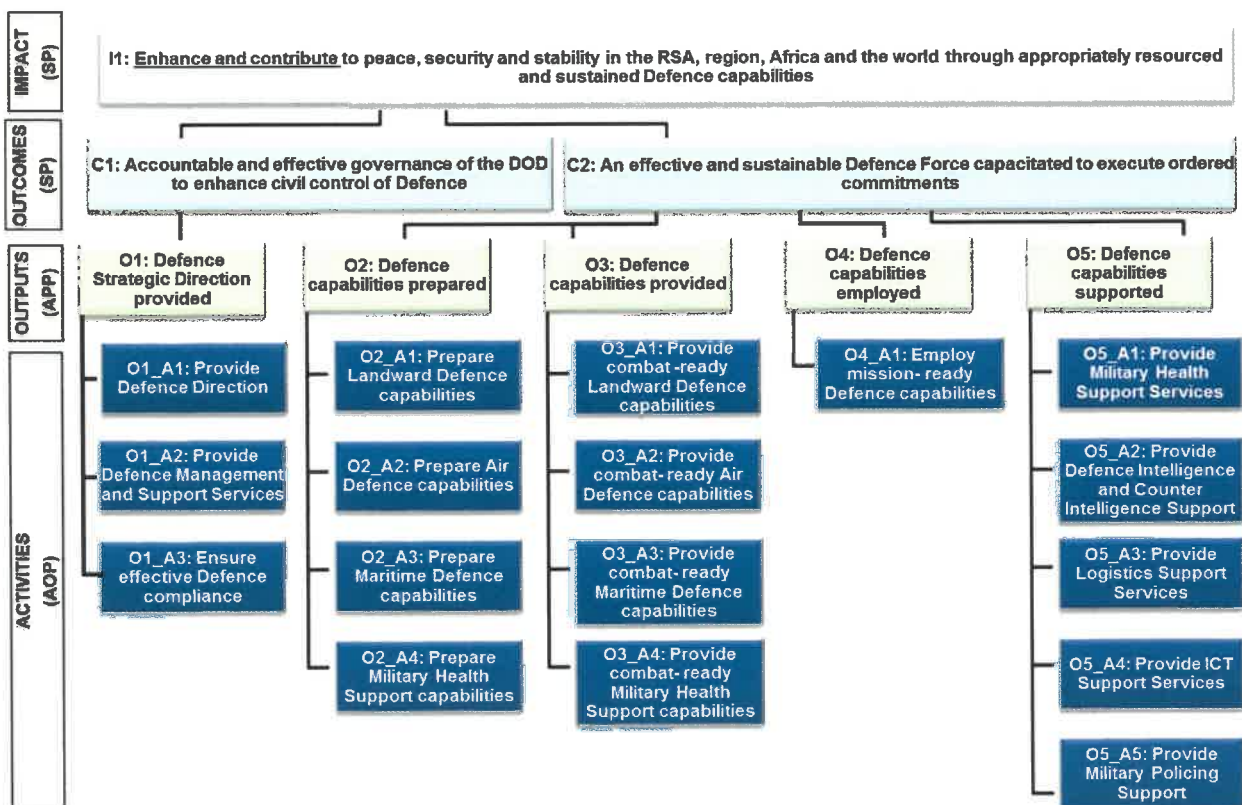
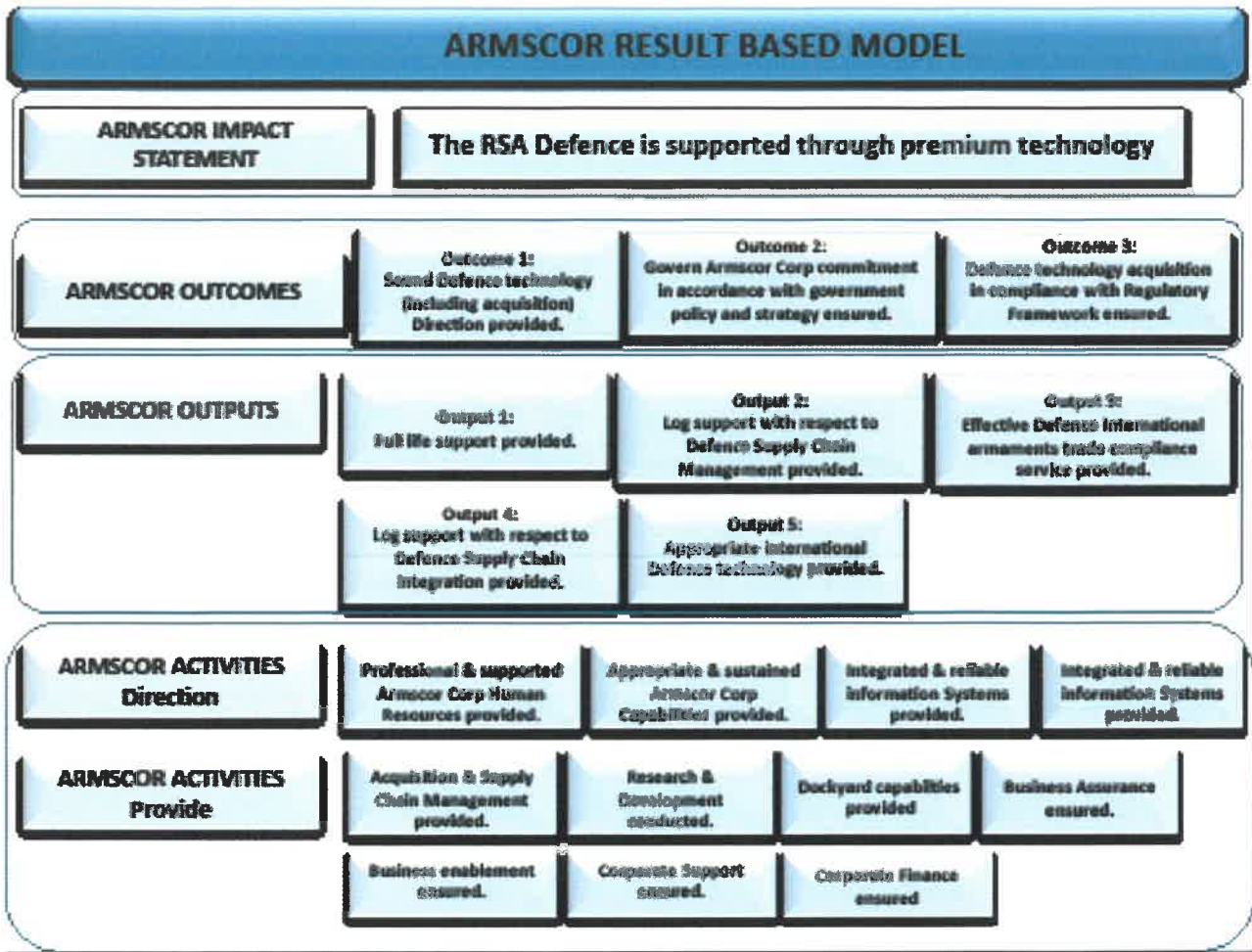


Figure 16: Armscor Result Based Model for 2020/21 to 2022/23 Financial Years



16. Armscor's Service Delivery Indicators²

The SLA between Armscor and the DOD, as reflected in Table 3, specifies targets to be aimed for:

16.1 Outcome: Acquisition activities (Goal 1 and 2)

The outputs are defined as follows:

- Contracts to be placed by Armscor: Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD.
- Cash flow (contractual payments made): Target set to measure the actual cash flow against the formally planned cash flow (First Revision) in terms of achieved commitments for the financial year.

16.2 Outcome: Schedule Placement (Goal 3)

The output is defined as follows:

Target set to measure the average time taken from receipt of valid requirement to placement of contract.

16.3 Outcome: Management of DIP (Goal 4)

The output is defined as follows:

Target set to measure the execution of DIP obligations in terms of the SLA and in compliance with the Armscor Act.

16.4 Outcome: Management and execution of defence technology, research, and T&E requirements of the DOD (Goal 5)

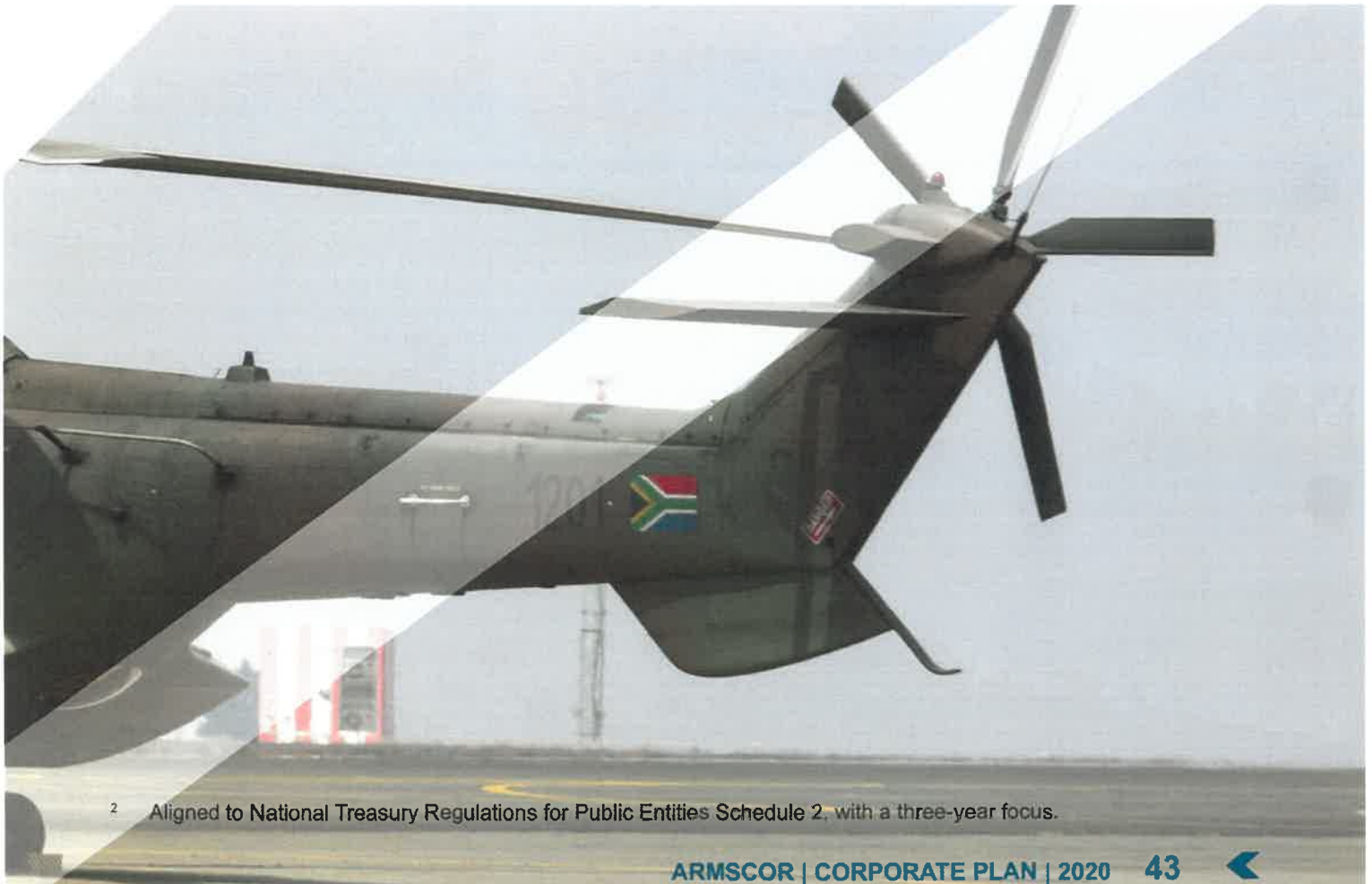
The output is defined as follows:

The target set to achieve completion of contractual milestones and deliveries as per orders received.

16.5 Outcome: Performance against mandate (Goal 6)

The output is defined as follows:

The SLA between Armscor and the South African Navy specifies targets to be reached for the Dockyard.



² Aligned to National Treasury Regulations for Public Entities Schedule 2, with a three-year focus.



Table 3: Armscor's Service Delivery Indicators

GOAL 1: CAT 1 CAPITAL DEFENCE MATÉRIEL ACQUISITION, EXCLUDING STRATEGIC DEFENCE ACQUISITION, INCLUDING TECHNOLOGY ACQUISITION

Output indicator	Programme/ Objective/ Activity	Audited/ Actual performance			Current Year	Medium-term targets		
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
1.1 Percentage of DOD capital requirements converted into orders placed, including: <ul style="list-style-type: none"> • receipt of requirement; • assessment and confirmation of requirement; • submission of a top-level project schedule (Planning Document) to DMD within 14 working days; • initiation of sourcing solution; and • approval and placement of order. <p>(Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD)</p>	Service Level Agreement	100%	99,99%	100%	95%	95%	95%	95%
1.2 Execution of contracts as measured through actual cash flow on DOD orders placed <p>(Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD)</p>	Service Level Agreement	98,93%	99,50%	96,96%	95%	95%	95%	95%

GOAL 2: SYSTEM SUPPORT ACQUISITION AND PROCUREMENT

Output indicator	Programme/ Objective/ Activity	Audited/ Actual performance			Current Year	Medium-term targets		
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
<p>2.1 Percentage of DOD system support and procurement requirements converted into orders placed including:</p> <ul style="list-style-type: none"> i. receipt of requirement; ii. assessment and confirmation of requirement; iii. submission of a top-level project schedule (Planning Document) to DMD within 10 working days; iv. initiation of sourcing solution; and v. approval and placement of order. <p>(Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD)</p>	Service Level Agreement	99,90%	99,49%	99,79%	95%	95%	95%	95%
<p>2.2 Execution of contracts as measured through actual cash flow on DOD orders placed</p> <p>(Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD)</p>	Service Level Agreement	101,77%	98,71%	96,75%	95%	95%	95%	95%



GOAL 3: SCHEDULE PLACEMENT

Output indicator	Programme/ Objective/ Activity	Audited/ Actual performance			Current Year	Medium-term targets		
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
3.1 Average time taken to convert DOD requirements into orders including:	Service Level Agreement							
i. confirmation of requirement;	Days for shortened process commercial	60 days	114 days for shortened process	73 days for shortened process	100 days for shortened process	95 days for shortened process	90 days for shortened process	90 days for shortened process
ii. submission of a top-level project schedule (Planning Document) to DMD within 10 or 14 working days;	off-the-shelf (COTS) items Days for non-COTS and Product Support General Defence Accounts (GDA) procurement		COTS items	COTS items	COTS items	COTS items	COTS items	COTS items
iii. completion of sourcing process; and	Days for Special Defence Account (SDA) acquisition programmes (SDA acquisition includes capital and technology acquisition)	93 days	101 days for non-COTS and Product Support GDA procurement	111.05 days for non-COTS and Product Support GDA procurement	130 days for non-COTS and Product Support GDA procurement	125 days for non-COTS and Product Support GDA procurement	120 days for non-COTS and Product Support GDA procurement	120 days for non-COTS and Product Support GDA procurement
iv. approval and placement of order.		111.58 days	128 days for SDA acquisition programmes	133.88 days for SDA acquisition programmes	150 days for SDA acquisition programmes	145 days for SDA acquisition programmes	140 days for SDA acquisition programmes	140 days for SDA acquisition programmes
v. (Time taken from registration of requirement (3A) to placement of contract-excluding time required for FA approval)								

Note: Since 2016/17, measurement of the key performance indicator was divided into three categories

GOAL 4: MANAGEMENT OF DEFENCE INDUSTRIAL PARTICIPATION

Output indicator	Programme/ Objective/ Activity	Audited/ Actual performance			Current Year	Medium-term targets		
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
4.1 Value of Defence Industry Participation credits to be granted.	Service Level Agreement	R135,5m	R157,0m	R53,0m	R107,04m	R41,78m	R83,81m	R99,86m

GOAL 5: MANAGEMENT AND EXECUTION OF DEFENCE TECHNOLOGY, RESEARCH, TEST AND EVALUATION AND IP MANAGEMENT REQUIREMENTS (STRATEGIC FACILITIES AND CAPABILITIES) OF THE DOD

Output indicator	Programme/ Objective/ Activity	Audited/ Actual performance			Current Year	Medium-term targets		
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
5.1 Percentage of execution of technology requirements (R&D to achieve contractual milestones/ deliveries as per agreed MoA and orders received for the financial year)	Service Level Agreement	96,67%	97,17%	100,03%	95%	95%	95%	95%



GOAL 6: MANAGEMENT AND PERFORMANCE AGAINST DOCKYARD MANDATE (SOUTH AFRICAN NAVY/DOCKYARD PERFORMANCE MANAGEMENT IN TERMS OF SLA WITH THE SOUTH AFRICAN NAVY)

Output indicator	Programme/ Objective/ Activity	Audited/ Actual performance			Current Year	Medium-term targets		
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
6.1 Percentage of contractual milestones executed (Adherence to project contractual milestones planned dates as approved in project plan)	Service Level Agreement	95,20%	93,60%	91,8%	90%	90%	90%	90%
6.2 Percentage of compliance to project finance (Manage project finances in accordance with approved financial authorities and cash-flow plan)	Service Level Agreement	97,10%	94,84%	87,3%	90%	90%	90%	90%
6.3 Percentage of ancillary services executed (Provision of ancillary services as defined by South African Navy [power generation station, air supply, water supply, carnage support requirements, etc.] as per Dockyard funded business plan)	Service Level Agreement	100%	100%	95%	95%	95%	95%	95%
6.4 Percentage of training requests executed (Training provided in accordance with the plan and requirements submitted by South African Navy during the reporting period)	Service Level Agreement	100%	100%	100%	90%	90%	90%	90%
6.5 Percentage compliance with quarterly report timelines (Supply quarterly reports to Fleet Officer Flag that addresses project performance status, financial statements, risks with mitigating plans, capabilities, facilities, ancillary services status reporting, etc., as per reporting timeline schedule)	Service Level Agreement	100%	100%	100%	90%	90%	90%	90%

17. Armscor's Strategic Priorities

17.1 Armscor's strategies are aimed at improving the following aspects:

- customer satisfaction through service delivery standards;
- accountability in the execution of the mandate;
- financial responsibility and the responsible utilisation of scarce financial resources;
- efficiency, effectiveness, and economical service delivery; and
- utilisation of the human capacity of Armscor to provide the services required from Armscor as defined in:
 - the Armaments Corporation of South Africa (SOC) Limited Act;
 - the Shareholder's Compact between Armscor's Board of Directors and the MOD&MV; and
 - the SLA between Armscor and the DOD, as also agreed upon in the Memorandum of Agreement (MoA) between Armscor and various DOD services and divisions.

17.2 Armscor's key strategic initiatives:

Armscor's key strategic initiatives, as reviewed and programmes are set out under each of the Corporation's four strategic outputs, as reflected in Table 5.

17.2.1 Strategic priorities:

Armscor will meet the requirements of SANDF and other clients on-time and in-time, by employing financially and operationally sustainable techniques. This means:

"On Time" – delivery to our client will be timeous, so as to not compromise deployments, especially in light of our clients' critical roles in serving society.

"In Time" – ensuring that our client has the required capability to do their work when they need to.

"Towards a Sustainable Future" – acquisition, use, maintenance, and disposal of resources in a manner that will enable the Corporation to deliver on its mandate, both in the short-term and extended long-term periods.

Armscor embarked on an organisational turnaround with the objective of repositioning the Corporation to best meet its strategic initiatives, including the establishment of new capability to ensure the sustainability of the Corporation.

This intent is informed by a need to reform business processes and resourcing to address service-delivery problems and address the funding shortfall of the Corporation, which is as a result of a national economic downturn.

17.2.2 Having completed Phase 1 of the above-mentioned turnaround, Armscor has embarked on Phase 2: The implementation of the ideal form to be in, formulated from the recommendations from Phase 1.

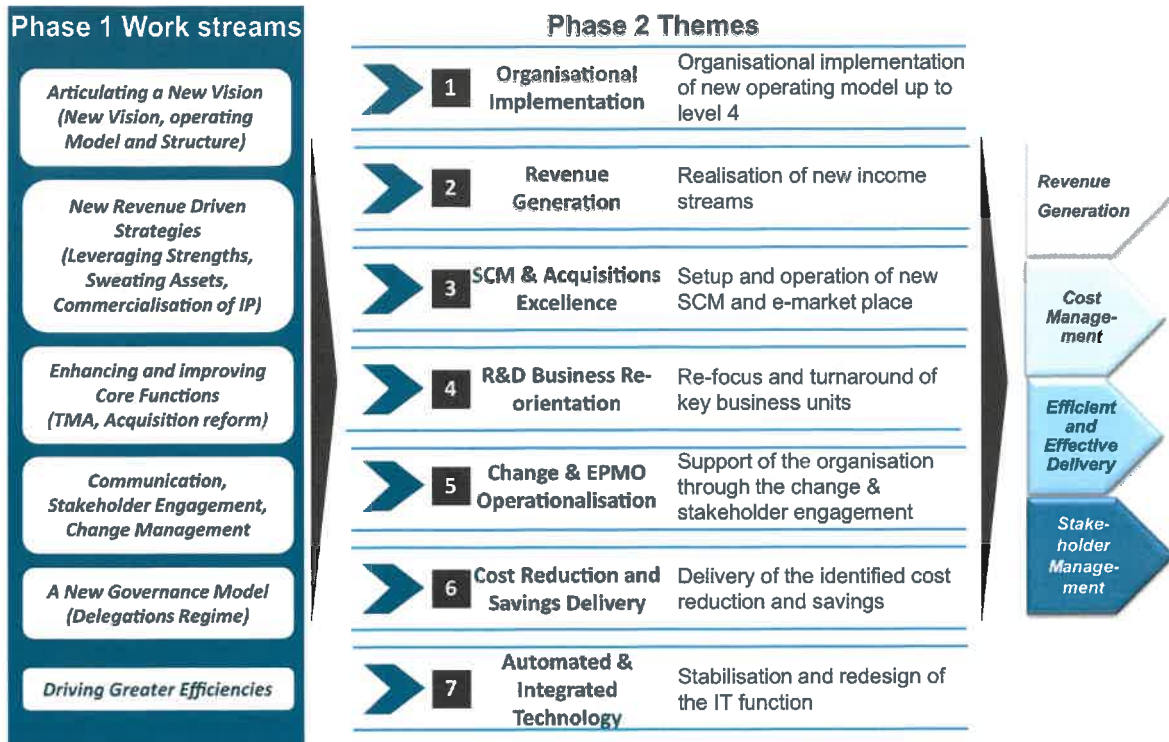
Phase 2 of the turnaround is driven internally by Armscor staff. The turnaround key focus areas, and current turnaround initiatives are reflected in Figure 17.

17.3 The main focus areas of Armscor are:

- Armscor's main focus area is the acquisition of defence matériel for SANDF and contracting for through-life support of in-service equipment.
- Armscor's Dockyard offers repair and maintenance services to the South African Navy, as well as structures, such as commercial agreements, which exploit the capabilities of the Dockyard for commercial purposes.
- R&D provides research, development, and T&E support to acquisition and SANDF operational users.
- Business Enablement Department has been established to fast-track exploitation of opportunities identified for revenue generation.



Figure 17: Turnaround Key Focus Areas



17.4 Categories of Performance Indicators

Arm Scor’s Corporate Plan defines two categories of performance indicators. The first category addresses performance indicators that measure the execution of Arm Scor’s functions as defined in the Arm Scor Act and as agreed on in the SLA with the DOD. The second category measures the attainment of the strategic objectives of the organisation.

17.5 Arm Scor’s Strategic Outputs:

In order to best achieve the Arm Scor Strategy, Arm Scor reviewed its Strategic Outputs as stated in the 2017 Corporate Plan and aligned them to the following four strategic outputs as reflected in Table 4:

Table 4: The Four Strategic Outputs

REVENUE GENERATION	Increase in net realisable revenue to ensure that Arm Scor generates sufficient income to meet its funding needs in the Short-to-Medium term.
COST MANAGEMENT	Strategic capability maintenance, “while reducing costs”, to ensure that Arm Scor remains sustainable to meet its funding needs in the Near-to-Medium term
EFFICIENT & EFFECTIVE DELIVERY	Reducing the turnaround time of core customer-facing and internal processes, thereby strengthening stakeholder relationships.
STAKEHOLDERS MANAGEMENT	Developing and maintaining long-lasting, strategic relationships with key stakeholders.

Arm Scor’s key strategic initiatives, set out under each of the Corporation’s four strategic outputs, are reflected in Table 5 below.

Table 5: Armscor's Strategic Outputs

Strategic Output 1: Revenue Generation

Outcome	Output					Target
1.1 Generate additional realisable revenue	Generate additional income from existing and new sources					31 March 2021
Output Indicators:	Audited/ Actual performance	Current year	Estimate medium-term targets			
	2018/19	2019/20	2020/21	2021/22	2022/23	
1.1.1 Group Revenue (transfer payment, other income, and finance income)	R1 377,4m	R1 383,9m	R1 378,9m	R1 476,7m	R1 493,1m	
1.1.2 Revenue from existing facilities of Armscor R&D	New Indicator	R385,1m	R403,1m	5% increase on baseline based on planned figure of 2020/21	5% increase on baseline based on planned figure of 2021/22	
1.1.3 Revenue generated from the Business Enablement Business Unit	R23m	R85,2m	R48,7m	R33,7m	R34,2m	

Quarterly Performance Targets

Output Indicators:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
	2020/21	1 st	2 nd	3 rd	4 th
1.1.1 Group Revenue (transfer payment, other income, and finance income)	R1 378,9m	R338,7m	R342,6m	R340,7m	R356,9m
1.1.2 Revenue from existing facilities of Armscor R&D	R403,1m	R74,4m	R102,1m	R90,8m	R135,8m
1.1.3 Revenue generated from the Business Enablement Business Unit	R48,7m	R8,6m	R11,1m	R8,6m	R20,4m

- 1.1.2 Revenue is not reflecting only commercial income. It reflects total income generated (including DOD income, but excluding the Primary Transfer Payment). The target was reviewed and more realistic target was set.
- 1.1.3 The target was reviewed and more realistic target was set.

Strategic Output 2: Cost Management

Outcome	Outputs					Target
2.1 Strategic maintenance and reduction of capital and operating costs	Reduce Group costs, including finance, capital, and operating costs, to ensure zero financial deficit					31 March 2021
Output Indicator:	Audited/ Actual Performance	Current year	Estimate medium-term targets			
	2018/19	2019/20	2020/21	2021/22	2020/23	
2.1.1 Improve net financial position	R235,3m	Break even	R0.7m surplus	R35m surplus	R20,6m surplus	



Quarterly Performance Targets

Output Indicator:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
	2020/21	1 st	2 nd	3 rd	4 th
2.1.1 Improve net financial position	R0,7m surplus	R34,2m	(R40,2m)	(R40,6m)	R47,3m

Strategic Output 3: Efficient and Effective Delivery

Outcome	Output	Target
3.1 Effective Technology and IP Management	<ul style="list-style-type: none"> Participate and execute the Technology Development Master Plan, conduct research to sustain and grow defence technology base, maintain and sustain strategic test capabilities 	31 March 2021
	<ul style="list-style-type: none"> Effective management of IP-related technologies 	31 March 2021
3.2 Infrastructure Renewal	<ul style="list-style-type: none"> Renew application systems to improve effectiveness and efficiency 	31 March 2021
	<ul style="list-style-type: none"> Investigate and implement e-procurement 	31 March 2021
	<ul style="list-style-type: none"> Improve Information Security 	31 March 2021

Output Indicators:	Audited/Actual Performance	Current year	Estimate medium-term targets		
	2018/19	2019/20	2020/21	2021/22	2022/23
3.1.1 Development and Test Services: <ul style="list-style-type: none"> Percentage compliance with Technology Development Master Plan, in accordance with SLA between Armscor and DOD 	99,6%	90%	90%	90%	90%
3.1.2 Completion of IP requests in terms of Armscor process	85,7%	80%	80%	80%	80%
3.1.3 Maintain a complete and comprehensive IP register, which ensures the maintenance of an unqualified audit opinion, in respect of Armscor and DOD Intangible Capital Assets under Armscor's management	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023
3.2.1 Renew application systems to improve effectiveness and efficiency: <ul style="list-style-type: none"> Obtain approval of the new Enterprise Resource Planning (ERP) implementation plan from the Board of Directors 	New Indicator	30 April 2019	N/A	N/A	N/A
<ul style="list-style-type: none"> Implementation of the approved application system renewal plan 	New Indicator	80%	80%	80%	80%
<ul style="list-style-type: none"> Development of SCM (e-procurement, and commercial/military off-the-shelf procurement), dependant on SCM solution (forms part of the approved Annual Application System Renewal Plan) 	Not Achieved	31 March 2020	N/A	N/A	N/A

3.2.2 Improve Information Security:

• Approval of the IT security architecture plan	New Indicator	31 March 2020	N/A	N/A	N/A
• 80% Implementation of the approved security architecture plan	New Indicator	N/A	N/A	30 June 2021	N/A

Quarterly Performance Targets

Output Indicators:	Annual Target 2020/21	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 st	2 nd	3 rd	4 th
3.1.1 Development and Test Services: Percentage compliance with Technology Development Master Plan, in accordance with SLA between Armscor and DOD	90%	90%	90%	90%	90%
3.1.2 Completion of IP requests in terms of Armscor process	80%	80%	80%	80%	80%
3.1.3 Maintain a complete and comprehensive IP register, which ensures the maintenance of an unqualified audit opinion, in respect of Armscor and DOD Intangible Capital Assets under Armscor's management	31 March 2021	N/A	N/A	N/A	31 March 2021
3.2.1 Renew application systems to improve effectiveness and efficiency • Implementation of the approved application system renewal plan	80%	-	-	-	80%



Strategic Output 4: Stakeholder Management

Outcome		Output			Target	
4.1	Stakeholder Engagement Strategy	Armscor to build, maintain, and strengthen relationships with all its stakeholders.			31 March 2021	
4.2	Transformation of Corporation	Transformation of the Corporation, in accordance with the Employment Equity Act, to reflect the community it represents by implementing and monitoring the Armscor EE Plan.			31 March 2021	
Output Indicators:		Audited/ Actual Performance	Current year	Estimate medium-term targets		
		2018/19	2019/20	2020/21	2021/22	2022/23
4.1.1	Stakeholder Satisfaction Improvement Survey (conducted every second year)	31 March 2019 (2,67 decline)	N/A	31 March 2021	N/A	31 March 2023
4.1.2	Conduct integrated employee engagement survey and determine new baseline (2020)	0,01% improvement	New baseline	% improvement to be determined	% improvement to be determined	% improvement to be determined
4.2.1	Achievement of approved Employment Equity Plan that is directed towards:					
	<ul style="list-style-type: none"> increasing black representation, and improving female representation 	81,7% black employees 38% female employees	82% 40%	82% 40%	83% 40%	83% 42%
4.2.2	Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4,5%)	2,28%	≤4,5%	≤4,5%	≤4,5%	≤4,5%
4.2.3	Skills Development Programme:					
	<ul style="list-style-type: none"> Provision of bursaries for full-time studies Contracting and development of graduate as interns (Talent Development Programme) (number of employees in programme) 	35 45	33 40	33 40	33 35	33 35
4.2.4	Succession Planning Development: Percentage compliance with Succession Planning Development (key identified positions)	91,48%	80%	80%	80%	80%
4.2.5	Total number of people with disabilities	22	28	28	28	28

Quarterly Performance Targets

Output Indicators:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		2020/21	1 st	2 nd	3 rd
4.1.1 Stakeholder Satisfaction Improvement Survey (conducted every second year)	31 March 2021	-	-	-	31 March 2021
4.1.2 Conduct integrated employee engagement survey and determine new baseline (2020)	% improvement to be determined	-	-	-	% improvement to be determined
4.2.1 Achievement of approved Employment Equity Plan that is directed towards:					
• increasing black representation, and	82%	-	-	-	82%
• improving female representation	40%	-	-	-	40%
4.2.2 Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4,5%)	≤4,5%	-	-	-	≤4,5%
4.2.3 Skills Development Programme:					
• Provision of bursaries for full-time studies (number)	33	-	-	-	33
• Appointment and development of employees' Talent Development Programme (number of employees in programme)	40	-	-	-	40
4.2.4 Succession Planning Development: Percentage compliance with Succession Planning Development (key identified positions)	80%	-	-	-	80%
4.2.5 Total number of people with disabilities	28	-	-	-	28



18. Armscor's Business Standards

- 18.1 Armscor is fully committed to the principles of good corporate governance and subscribes to the recommendations of the King IV Report on Corporate Governance for South Africa. Armscor, as a Public Entity, also implements and adheres to the prescriptions of PFMA, its regulations, and the protocol on corporate governance in the public sector.
- 18.2 Furthermore, Armscor embraces business standards and principles that are ethical, professional, performance focused, and service orientated.
- 18.3 Armscor has developed and implemented policies, practices, procedures, and standards to internalise these business standards in its functions and service delivery to the DOD and other clients. These policies, practices, procedures, and standards are regularly updated in order to adapt them to changes in the environment and to enhance accountability of Armscor's processes.

19. Armscor's Critical Success Factors

The role of the MOD&MV and of the DOD in the success of the strategy cannot be overemphasised. The following are some of the additional factors that underpin the success of the strategy:

- 19.1 **Funding:**
The external environmental scan reflected a decline in South Africa's defence budget. This is also reflected in the decline in the economic outlook for South Africa over the medium-term, which has resulted in the significant funding reductions over this period. Although Armscor strives to supplement its current funding model through commercial endeavours, the risk of funding is beyond the direct control of the Corporation, is acknowledged.
- 19.2 **Effective Information and Physical Security:**
- Cyber security threats: Cyber security remains a major risk for the Corporation, as it does for the world. Armscor will work in conjunction with Defence Intelligence to strengthen its capability to mitigate the risks related to cyber security.
 - Leakage of information: Leakage of information by personnel is a risk to the Corporation and will be managed by awareness, ethics, and other related actions, as deemed necessary.
 - Physical security: The physical environment in which Armscor operates requires secure facilities, therefore, it is imperative that all requisite actions are taken to safeguard these environments.
- 19.3 **Effective ICT Systems:**
The ICT systems in Armscor are outdated and affect the productivity of the Corporation. Reduction in funding has affected strategic imperatives to address the issue, and due to continued reduction in funding, the full realisation of these imperatives is still under threat.
- 19.4 **Effective stakeholder engagement:**
Effective stakeholder engagement is essential to the success of the strategy, as a number of strategic imperatives require stakeholder support.
- 19.5 **Revenue Generation:**
Increase in net realisable revenue to ensure that Armscor generates sufficient income to meet its funding needs in the short- to medium-term.

20. Public-Private Partnerships

- 20.1 It is envisaged that Armscor will not enter into any Public-Private Partnerships for the 2020/21 Financial Year.

21. Risk Management and Fraud Prevention

- 21.1 An integrated process for risk management and fraud prevention has been implemented in Armscor and the execution of risk management and fraud prevention is an on-going process. To this end, the various levels within the Corporation participate and report to the Executive Committee, which is responsible for ensuring that all risks, both internal and external, are effectively managed.
- 21.2 The Executive Committee reports to the Audit and Risk Committee of the Board of Directors on progress made with the management of existing risks and the identification of new risks. The Audit and Risk Committee evaluates the progress reports and makes the necessary recommendations and comments to Armscor's Board of Directors.
- 21.3 Armscor's Board of Directors is ultimately accountable for risk management and fraud prevention in the Corporation. Armscor's fraud prevention is based on the following principles (the Procedure detailing actions is available on request):
- control measures to prevent fraud;
 - fraud detection and subsequent investigation;
 - maintenance of implemented fraud prevention measures; and
 - whistle-blowing procedures.
- 21.4 Armscor's Risk Management Report comprises of eleven identified corporate risks. Although a summarised version is set out in Table 6, a detailed report will be available to those authorised entities that wish to have insight into it.
- 21.5 The identified corporate risks are as follows:
- Risk 1: Inability to effectively and efficiently execute strategic and operational outputs due to non-supportive IT systems.
 - Risk 2: Non-performance by contractors, which impacts on the operational readiness of the client, as well as cash flow.
 - Risk 3: Reduction of the capital budget, which will have an impact on Armscor's Contractual obligations.
 - Risk 4: Financial sustainability of Armscor and loss of capabilities due to a reduction in the transfer payment and other DOD funding.
 - Risk 5: Vulnerability to counter intelligence threats resulting in the compromise of security classified information.
 - Risk 6: Cyber-attack.
 - Risk 7: Lack of optimal functioning of systems in the Armscor building due to aged infrastructure.
 - Risk 8: Non-compliance with SHE statutory and regulatory requirements resulting in inability to deliver on the mandate.
 - Risk 9: Lack of business continuity management.
 - Risk 10: Reputational risk due to association (negative perception of State Owned Enterprises).
 - Risk 11: Non-payment of monies owed by DOD and DPW resulting in Armscor incurring losses.



Table 6: Risk responses

No	Corporate risk	Mitigating actions
1	Inability to effectively and efficiently execute strategic and operational outputs due to non-supportive IT systems.	<ul style="list-style-type: none"> a) Issuance of a Request for Information (RFI) to test the market for possible Enterprise Resource Plan (ERP) solutions and pricing thereof. b) Issuance of a Request for Bid (RFB). c) Board approval of the service provider. d) An interim arrangement with the current service provider will be negotiated before the end of the expiry period.
2	Non-performance by contractors, which impacts on the operational readiness of the client, as well as cash flow.	<ul style="list-style-type: none"> a) Direct payment of selected subcontractors by Armscor (ongoing). b) Executing of capability and capacity assessment, particularly on new contractors prior to contracting. Utilisation of the capability and assessment checklist to determine realistic contracting commensurate with the available capacity (ongoing). c) Prior to Request for Proposal (RFP) and contracting for Capital Projects, perform benchmarking exercise on comparable development projects to ensure realistic project timelines are set (ongoing).
3	Reduction of the capital budget which will have an impact on Armscor's Contractual obligations.	<ul style="list-style-type: none"> a) Direct a correspondence from the CEO to the Secretary for Defence indicating the implications of the reduction of the SDA post 2021/22 and the potential liabilities to be incurred by Armscor. b) Propose early termination of certain contracts to limit exposure to fruitless expenditure.
4	Financial sustainability of Armscor and loss of capabilities due to a reduction in the transfer payment and other DOD funding.	<ul style="list-style-type: none"> a) Implement cost cutting measures: <ul style="list-style-type: none"> i. Strict monitoring of spending. b) Commercialisation of business through: <ul style="list-style-type: none"> i. Identify initiatives for generation of income and cost saving. ii. Monitoring each initiative. c) Implement the Business Remodelling Process. d) Implement the short-term Dockyard renewal plan.
5	Vulnerability to counter intelligence threats resulting in the compromise of security classified information.	<ul style="list-style-type: none"> a) Appointment of freelancers and motivate appointment of personnel to fill existing vacancies. b) Engage Chief of Defence Counter Intelligence (CDCI) with regards to the delays in the adjudication process and inform EXCO on the outcome (ongoing). c) Monitoring of Limited Access Authority (LAA) process of dual/foreign citizens (ongoing). d) Implement information security awareness sessions.
6	Cyber-attack.	<ul style="list-style-type: none"> a) Implementation of secure technology (31 March 2024). b) Integration of technologies at the Security Operations Centre. c) Collaboration with Cyber Command as part of the Integrated Cyber Security Centre. d) Develop and implement cyber security training programmes for various levels (ongoing).
7	Lack of optimal functioning of systems in the Armscor building due to aged infrastructure.	<ul style="list-style-type: none"> a) Implementation of the facilities management plan: <ul style="list-style-type: none"> The following are priority areas: i. Roof waterproofing. ii. Gondolas (cage and ropes). iii. Air-conditioning system. iv. Lifts (replacement of controllers). v. Access Control Systems. vi. The PABX system and the telephone management system have been updated. b) Undertake a process to collect rental income owed by Department of Public Works (DPW) with regards to DOD accommodation in Armscor Building.
8	Non-compliance with SHE statutory and regulatory requirements resulting in inability to deliver on the mandate.	<ul style="list-style-type: none"> a) Conduct audit, as well as quarterly reviews as per the approved SHE audit plan: <ul style="list-style-type: none"> i. Conduct planned annual SHE legal compliance reports. ii. Monitor the implementation of corrective actions. (2019 – 2020). b) Maintain ISO SHE certification <ul style="list-style-type: none"> i. Recertification of ISO standards every three years. ii. Bi-annual surveillance of ISO certificates. c) Develop and implement SHE Awareness and Training Plan.

No	Corporate risk	Mitigating actions
9	Lack of business continuity management.	<ul style="list-style-type: none"> a) Conduct annual Mainframe : DR test <ul style="list-style-type: none"> i. Update Disaster Recovery Plan (DRP) with post-test information. ii. Procurement of generators for back-up site 30 November 2020). b) Review and implement integrated Business Continuity Plan (TBD).
10	Reputational risk due to association (negative perception of State Owned Enterprises).	<ul style="list-style-type: none"> a) Reviewed and approved Fraud Risk Management Policy, Conflict of Interest Practice and Fraud Risk Management Practice, Whistle Blowing Procedure. b) Implement ABMS and Code of Conduct Implementation Plans in order for Armscor to be certified on Anti Bribery Management System (ABMS 37001) standard.
11	Non-payment of monies owed by DOD and DPW resulting in Armscor incurring losses.	<ul style="list-style-type: none"> a) Armscor will seek assistance and guidance from National Treasury to recover the money from DPW (ongoing). b) The long outstanding DOD amount in respect of a separate rental agreement, will again be raised at Ministerial level and DOD structures. c) Conclusion of new rental agreement between DPW and Armscor (ongoing).



22 Armscor's Materiality and Significance Framework

22.1 Introduction

In terms of Regulation 28.3 of the Treasury Regulations, the accounting authority must develop and agree on a framework of acceptable levels of materiality and significance with the executive authority. The framework adopted for purposes of materiality and significance by Armscor and its subsidiaries, in compliance with the relevant sections of PFMA, follows:

- The materiality and significance framework implies recognition by the regulator that materiality and significance may differ from one entity to another. It also affords each public entity the opportunity to negotiate levels of materiality and significance with its respective executive authorities.
- The sections of PFMA mentioned in Regulation 28.1.6 deal with specific issues of disclosure to the executive authority, in the annual report and financial statements, as well as approval of certain transactions.
- It is apparent that certain parts of Section 50(1) and all of Section 66(1) might not be relevant for the purposes of this framework. The framework is, therefore, developed to define material facts for the purposes of Section 50(1)(c), material losses through criminal conduct, and any irregular, fruitless, and wasteful expenditure for the purposes of Section 55(2)(b)(ii), as well as significance for the purposes of Section 54(2).
- Materiality is defined in the framework for the preparation and presentation of financial statements (Accounting Standards Board framework), as well as in the International Statements and Auditing (ISA320) as follows:
 - "Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstance of its omission or misstatement. Thus, materiality provides the threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."
- Significance may contain elements of quantitative materiality, but it may require more qualitative considerations, which, in turn, requires professional judgment and particular actions within the context of Armscor's business.

22.2 Framework

In terms of the requirement, a framework was developed for Armscor and its subsidiaries. This is revised annually and is as follows:

- **Materiality**
 - **Material facts:**

In terms of Section 50(1)(c) of PFMA, the accounting authority for a public entity must disclose to the executive authority all material facts, including those reasonably discoverable, which may influence the decisions or actions of the executive authority.

Armscor defines material facts that will be disclosed as:

Any activity as described hereafter that involves the accounting authority and that may not necessarily result in financial losses for Armscor or is not already disclosed in terms of reporting requirements, prescribed by PFMA and its ensuing regulations.

These activities include, but are not restricted to:

- a) corruption perpetrated by members of the accounting authority;
 - b) mismanagement by members of the Board of Directors; and
 - c) any problem/discrepancy experienced with the South African Defence-related industry that may impact negatively on SANDF.
- **Material losses and irregular, fruitless, and wasteful expenditure**

In terms of Section 55(2)(b) of PFMA, the annual report and financial statements of Armscor must include particulars of material losses through criminal conduct, as well as any irregular, fruitless, and wasteful expenditure.

Material losses through criminal conduct above R100 000.00 per incident, as well as any irregular, fruitless, and wasteful expenditure will be included in the annual report and financial statements.

- **Significance**

In terms of Section 54(2) of PFMA, the accounting authority must inform the National Treasury of the transaction in writing and submit any of the following relevant details to the executive authority for approval:

- Section 54(2)(a) – Any establishment or participation in the establishment of a company
Any transaction of this nature that causes any interest (equity or loans) to be taken by Armscor in the company to be established will be submitted for the approval of the executive authority, irrespective of its materiality or significance.
- Section 54(2)(b) – Participation in a significant partnership, trust, unincorporated joint venture, or similar arrangement
Significance, in this context, will be if the participation (initial or future) exceeds a rand amount calculated as the lesser of 2% of Armscor's total assets or 1% of the total revenue. However, participation in any partnership, trust, unincorporated joint venture, or similar arrangement that is located outside the Republic of South Africa is to be regarded as significant, thus necessitating approval.
- Section 54(2)(c) – Acquisition or disposal of a significant shareholding in a company
(In terms of Section 21(1) of the Armscor Act No 51 of 2003, Armscor may only form wholly owned subsidiaries.) Any transaction of this nature is regarded as significant, thus necessitating approval.
- Section 54(2)(d) – Acquisition or disposal of a significant asset (excluding items addressed under sections 54(2)(b), (c) and (f))
The value of a significant asset (excluding current assets) is determined as a rand amount exceeding an amount determined as 2% of Armscor's total assets (based on previous year's audited figures).
Assets classified as current assets according to generally accepted accounting practices will not be regarded as falling under this subsection.
- Section 54(2)(e) – Commencement or cessation of a significant business activity:
 - Significance in this context refers to a business activity that falls outside Armscor's core business (functions as defined in the Armscor Act) or exceeding a rand amount as determined by the lesser of 2% of the total assets or 1% of the total revenue in the case of subsidiaries.
 - The cessation of any business activity that is regarded as strategically important to SANDF is regarded as significant.
 - A business activity that falls within Armscor's core business is not regarded as falling under this subsection.
- Section 54(2)(f) – A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture, or similar arrangement.
Significance in this context refers to:
 - any change in interest in the rand value that exceeds the rand amount determined by the lesser of 2% of Armscor's total assets or 1% of the total revenue, as well as if the significance of change was originally regarded as significant;
 - change in the nature of any of the vehicles (i.e. between a partnership, trust, unincorporated joint venture, or similar arrangement); or
 - any transaction that results in a cumulative interest of at least 20% in the vehicle (partnership, trust, unincorporated joint venture, or similar arrangement).

(NOTE: The stated criteria must be applied to the latest audited financial statements of the specific entity in order to determine whether compliance is required.)



23. Financial Plan

The Armscor group's three-year plan incorporates the financial results of the following segments:

- Corporate (including acquisition function, AB Logistics Freight, and Travel Services);
- R&D; and
- Dockyard.

- Revenue

The plan reflects an increase in revenue with the main source of revenue still being the Government grant received to defray the cost of the group operating expenditure, the acquisition of fixed assets and expenditure to maintain certain strategic facilities. The budgeted revenue includes the reduced allocated Government grant and no provision was made for additional reductions in the allocation received.

In addition to the Government grant, Armscor R&D facilities render specific decision support and other similar services to the DOD from which revenue is generated. Revenue is also supplemented with commercial work performed, interest earned on investments, as well as other sundry income, as the transfer payment is insufficient to fund the activities of the group. The group is also pursuing new revenue opportunities to supplement the revenue required to sustain the Corporation.

- Operating expenditure

Cost growth has been carefully managed over the planning period in response to the negative future outlook. The Corporation's cost base has been maintained by containment and limiting the filling of vacancies to critical areas. However, personnel costs represent a significant portion of the total cost structure, which limits the ability to reduce cost as the minimum capacity is maintained in an effort to still execute its current mandate. However, due to the significant reduction of our main Client's funding, Armscor may be impacted in terms of the nature and volume of acquisition work performed.

In the event that the organisation is not successful in its efforts to generate sufficient additional revenue to supplement any significant reductions in revenue, the Corporation may have to downscale certain functions performed.

- Capital expenditure

Capital expenditure provides for:

- Maintenance of existing capabilities: the plan includes a capital expenditure programme to maintain activities.
- Application systems renewal: the budget includes an allocation for the procurement of an integrated Enterprise Resource Planning (ERP) system. Provision was made to start with the replacement of critical modules that are not supportable anymore.
- Security requirements: provision is made for the upgrade of security requirements in line with identified areas of shortcomings.

- Dividends

Armscor does not declare dividends at the end of any financial period. Surpluses generated by Armscor will be used to maintain Armscor's infrastructure. Reserves are required for the total net requirement of Armscor. Cash is, therefore, retained to meet future commitments and is consequently not available for the distribution of dividends.

- Borrowing requirements

The three-year cash flow forecast is indicating a declining trend position due to the funding of capital expenditure, as it is not foreseen that Armscor will make use of borrowing facilities to fund its required capital expenditure. Armscor is also managing its operating expenditure to restrict the utilisation of cash reserves to fund its operating activities. However, if borrowings are required to fund specific activities, which Armscor is now engaging in, the scope of such borrowing will be determined on a case-by-case basis, when such requirements are finalised.



Part D: Annexures



Armaments Corporation of
South Africa SOC Limited
Group Financial Information

Annexure A 1

Overview of 2020 Budget

Table 7: Statement of Comprehensive Income of the Armscor Group for the 2020/21 Financial Year

DETAIL	2019/2020 - BUDGET		BUDGET 2020/2021		
	ARMSCOR GROUP TOTAL	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT
INCOME	(1 521.3)	(1 580.7)	(990.8)	(280.4)	(309.5)
Sales	(924.8)	(997.4)	(479.4)	(114.9)	(403.1)
Less: Cost of Sales	702.8	738.3	446.6	100.9	190.8
Gross Contribution	(222.0)	(259.1)	(32.8)	(14.0)	(212.4)
Transfer Payment	(1 187.3)	(1 240.6)	(866.2)	(270.0)	(104.4)
SLA Income Payments	-	-	(18.9)	3.6	15.3
Other Income	(91.2)	(58.7)	(50.6)	-	(8.1)
Recoveries	(20.8)	(22.3)	(22.3)	-	-
OPERATING EXPENDITURE	1 490.1	1 571.0	1 003.9	273.4	293.7
Direct Personnel Costs	1 161.0	1 227.0	753.4	253.0	220.5
Indirect Personnel Costs	33.2	35.1	26.7	4.6	3.8
Subsistence and Travel	41.2	41.3	28.7	1.9	10.7
Postage and Communication	3.6	3.4	2.2	0.0	1.1
Stationery and Printing	12.0	14.4	10.8	1.2	2.4
Publications and Advertising	9.6	12.1	10.6	0.1	1.4
Rental	25.7	27.3	22.7	-	4.6
Maintenance	22.4	20.0	3.5	6.1	10.4
Computer Services	15.2	10.9	7.7	1.0	2.2
External Services	99.0	105.1	85.0	1.9	18.2
Water and Electricity	44.7	43.7	34.3	-	9.3
Other Smaller Expenditure	22.7	30.7	18.2	3.5	8.9
SHORTFALL/(SURPLUS) BEFORE FINANCING	(31.2)	(9.7)	13.1	(7.0)	(15.8)
FINANCING ACTIVITIES	(60.8)	(79.6)	(60.0)	(5.0)	(14.6)
NON CASH - FLOW ITEMS	91.8	88.7	44.6	11.7	32.4
Surplus/Loss On Post Retirement	-	-	-	-	-
Depreciation	91.7	88.6	44.6	11.7	32.3
Bad Debt Written Off	0.1	0.1	-	-	0.1
Previous Year Adjustments	-	-	-	-	-
NET SHORTFALL/(SURPLUS)	(0.2)	(0.7)	(2.4)	(0.3)	1.9



Annexure A2

**Table 8: Overview of 2020/21 Budget and Medium-Term Strategic Framework Estimates
ARMSCOR GROUP**

DETAIL	2020/21 BUDGET				2021/22 PLAN				2022/23 PLAN			
	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT
INCOME	(1 580.7)	(990.8)	(280.4)	(309.5)	(1 678.3)	(1 064.6)	(292.1)	(321.5)	(1 703.8)	(1 079.6)	(292.2)	(332.0)
Sales	(997.4)	(479.4)	(114.9)	(403.1)	(1 037.2)	(502.3)	(120.6)	(414.2)	(1 088.1)	(527.5)	(126.7)	(434.0)
Less: Cost of Sales	738.3	446.6	100.9	190.8	775.2	468.9	105.9	200.3	813.9	492.4	111.2	210.3
Gross Contribution	(259.1)	(32.8)	(14.0)	(212.4)	(262.0)	(33.4)	(14.7)	(213.9)	(274.2)	(35.1)	(15.4)	(223.6)
Transfer Payment	(1 240.6)	(866.2)	(270.0)	(104.4)	(1 348.2)	(951.8)	(281.3)	(115.2)	(1 358.2)	(961.1)	(280.8)	(116.3)
SLA Income Payments	-	(18.9)	3.6	15.3	-	(19.9)	3.8	16.0	-	(20.9)	4.0	16.8
Other Income	(58.7)	(50.6)	-	(8.1)	(44.6)	(36.1)	-	(8.5)	(46.8)	(37.9)	-	(8.9)
Recoveries	(22.3)	(22.3)	-	-	(23.4)	(23.4)	-	-	(24.6)	(24.6)	-	-
OPERATING EXPENDITURE	1 571.0	1 003.9	273.4	293.7	1 633.9	1 049.6	287.1	297.2	1 673.3	1 076.8	293.9	302.5
Direct Personnel Costs	1 227.0	753.4	253.0	220.5	1 277.1	791.1	265.7	220.4	1 300.0	806.7	271.5	221.9
Indirect Personnel Costs	35.1	26.7	4.6	3.8	36.8	28.0	4.8	4.0	38.7	29.4	5.1	4.2
Subsistence and Travel	41.3	28.7	1.9	10.7	38.9	25.7	2.0	11.2	39.6	25.7	2.1	11.8
Postage and Communication	3.4	2.2	0.0	1.1	3.6	2.4	0.0	1.2	3.8	2.5	0.0	1.3
Stationery and Printing	14.4	10.8	1.2	2.4	15.1	11.3	1.3	2.5	15.9	11.9	1.3	
Publications and Advertising	12.1	10.6	0.1	1.4	12.7	11.1	0.1	1.5	13.4	11.7	0.1	1.6
Rental	27.3	22.7	-	4.6	28.6	23.9	-	4.8	30.1	25.1	-	5.0
Maintenance	20.0	3.5	6.1	10.4	21.0	3.6	6.4	11.0	22.0	3.8	6.7	11.5
Computer Services	10.9	7.7	1.0	2.2	11.5	8.1	1.1	2.4	12.0	8.5	1.1	2.5
External Services	105.1	85.0	1.9	18.2	110.4	89.3	2.0	19.1	115.9	93.7	2.1	20.0
Water and Electricity	43.7	34.3	-	9.3	45.8	36.0	-	9.8	48.1	37.9	-	10.3
Other Smaller Expenditure	30.7	18.2	3.5	8.9	32.2	19.1	3.7	9.4	33.8	20.1	3.9	9.8
SHORTFALL/ (SURPLUS) BEFORE FINANCING ACTIVITIES	(9.7)	13.1	(7.0)	(15.8)	(44.4)	(15.0)	(5.1)	(24.3)	(30.5)	(2.8)	1.7	(29.5)
FINANCING ACTIVITIES	(79.6)	(60.0)	(5.0)	(14.6)	(83.6)	(63.0)	(5.3)	(15.3)	(87.8)	(66.2)	(5.6)	(16.1)
NON CASH - FLOW ITEMS	88.7	44.6	11.7	32.4	93.0	46.8	12.3	33.9	97.6	49.1	12.9	35.6
Depreciation	88.6	44.6	11.7	32.3	93.0	46.8	12.3	33.9	97.6	49.1	12.9	35.6
Bad Debt Written Off	0.1	-	-	0.1	-	-	-	-	-	-	-	-
NET SHORTFALL/ (SURPLUS)	(0.7)	(2.4)	(0.3)	1.9	(35.0)	(31.2)	2.0	(5.7)	(20.7)	(19.8)	9.1	(10.0)
ASSETS	246.4	171.9	23.5	51.1	57.6	120.3	11.7	25.5	110.3	84.2	8.2	17.9

Annexure A3

Table 9: Armscor Group Statement of Financial Position: Three-Year Plan

DETAILS	AMOUNT (Rm)			
	31 March 2020	31 March 2021	31 March 2022	31 March 2023
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	1 979.6	2 135.2	2 191.6	2 204.3
Intangible assets	17.6	17.6	17.6	17.6
Investment in joint venture	0.1	0.1	0.1	0.1
OTHER NON CURRENT ASSETS				
Financial Instruments	598.0	598.0	598.0	598.0
CURRENT ASSETS	729.8	598.5	608.2	649.4
Inventories	9.2	9.7	10.1	10.6
Trade and other receivables	165.2	173.4	182.1	191.2
Cash and short term deposits	555.4	415.4	415.9	447.5
TOTAL ASSETS	3 325.0	3 349.3	3 415.4	3 469.4
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Ordinary Share Capital	75.0	75.0	75.0	75.0
Non-Distributable Reserve	2 567.1	2 567.9	2 602.8	2 623.5
Ordinary Shareholders' Interest	2 642.1	2 642.9	2 677.8	2 698.5
NON CURRENT LIABILITIES	242.6	248.0	266.7	286.3
Post retirement medical benefit liability	237.5	249.3	268.0	288.2
Deferred income	5.1	(1.4)	-1.4	-1.9
CURRENT LIABILITIES	440.3	458.5	470.9	484.6
Trade and other payables and provisions	394.3	414.0	427.4	441.1
Deferred income	46.0	44.5	43.5	43.5
TOTAL EQUITY AND LIABILITIES	3 325.0	3 349.3	3 415.4	3 469.4



Annexure A4

Table 10: Armscor Group Cash Flow Statement: Three-Year Plan for 2020/21 to 2022/23 Financial Years

DESCRIPTION	2020/03/31	2021/03/31	2022/03/31	2023/03/31
	(12 months) Rm	(12 months) Rm	(12 months) Rm	(12 months) Rm
OPERATING ACTIVITIES				
NET CASH FLOWS FROM OPERATING ACTIVITIES	270.0	106.4	158.1	141.9
Cash receipts from customers	1051.8	983.0	2396.6	2516.4
Cash paid to suppliers and employees	(861.1)	(956.2)	(2322.1)	(2462.3)
Cash generated from/(used in) operations	190.7	26.8	74.5	54.1
Net finance income	79.2	79.6	83.6	87.8
INVESTING ACTIVITIES				
Purchase of property, plant, equipment and intangible assets	(132.7)	(246.4)	(157.6)	(110.3)
Proceeds from sale of property, plant and equipment	0.0	0.0	0.0	0.0
TOTAL CASH MOVEMENT FOR THE YEAR	239.2	(140.0)	0.5	31.6
CASH AT BEGINNING OF THE YEAR	316.1	555.4	415.4	415.9
TOTAL CASH AT END OF THE YEAR	555.4	415.4	415.9	447.5

1. Notes to the Armscor Group Cash Flow Statements

DESCRIPTION	2020/03/31	2021/03/31	2022/03/31	2023/03/31
	(12 months) Rm	(12 months) Rm	(12 months) Rm	(12 months) Rm
1. CASH GENERATED FROM/(USED IN) OPERATIONS				
(Loss)/Profit for the year	56.7	0.7	35.0	20.6
Adjustments for:				
Depreciation, amortisation and impairment reversals	91.1	90.9	101.2	97.6
Net finance income	(79.2)	(79.6)	(83.6)	(87.8)
Movement in retirement benefit assets and liabilities	11.3	11.9	18.7	20.1
Operating surplus/(deficit) before working capital changes	79.8	23.8	71.2	50.5
Changes in working capital:	110.9	3.0	3.3	3.6
(Increase)/Decrease in trade and other receivables	100.6	(8.3)	(8.7)	(9.1)
Increase/(Decrease) in deferred income	(8.0)	(8.0)	(0.5)	(0.5)
(Increase) in inventories	(0.4)	(0.5)	(1.0)	(0.5)
Increase/(Decrease) in accounts payable and provisions	18.8	19.7	13.4	13.7
Cash generated by operations	190.7	26.8	74.5	54.1

Annexure A5

Table 11: Group Capital Expenditure for the 2020/21 Financial Year

TOTAL ARMSCOR GROUP	NEW BUDGET 2020/21	CURRENT BUDGET 2019/20
Office Equipment	2 510 634	3 517 637
Computer Equipment	18 964 106	35 579 541
Office Furniture	1 169 000	1 395 950
Computer Software	84 130 000	35 246 200
Buildings And Infrastructure	14 350 000	4 950 000
Machinery And Equipment	30 966 674	54 705 714
Motor Vehicles	7 503 322	14 164 822
Capital Assets	86 841 178	14 300 000
Total	246 434 914	163 859 864

Note: Capital expenditure budgeted for in 2020/21 include items not executed in 2019/20.



Annexure B

Arm Scor Board of Directors

Abridged Curriculum Vitae

Non-Executive members:

Name: Ambassador T.E. Skweyiya
Age: 65
Gender: Female
Race: African
Academic Qualifications: MSc
Areas of Expertise: Foreign Relations
Position on Arm Scor Board: Chairperson of the Board
Member of the Technology and Industry Support and Sustainability Committee
Member of the Human Resources, Social and Ethics Committee
Appointment Date: 1 May 2014 (re-appointed: 1 May 2017)
Resignation Date: 31 January 2020
Position on other Boards: None

Name: Mr M.S. Motimele
Age: 60
Gender: Male
Race: African
Academic Qualifications: Management Development Programme
Certificate in Finance Management
MBA
Areas of Expertise: Communication and Public Relations
Labour Relations
Intergovernmental Relations
Legislative Experience
Integrated Management System
Position on Arm Scor Board: Acting Chairperson of the Board
Member of the Audit and Risk Committee
Member of the Technology, Industry Support and Sustainability Committee
Appointment Date: 27 March 2019
Position on other Boards: MS Motimele Marketing and Consulting Pty (Ltd)
AfriSteel Pty (Ltd)
Direla Investments
Bunang Food Security
PIKETBERG Sunrise Farms

Name: Ambassador T.J. Ndhlovu
Age: 66
Gender: Female
Race: African
Academic Qualifications: Bachelor of Arts Political Science
Bachelor of Science Public Administration
Master of Arts Counselling Psychology
Executive Leadership Training Programme
Middle Management Course
Heads of Mission Orientation Course
Areas of Expertise: Foreign Relations
Position on Arm Scor Board: Acting Deputy Chairperson of the Board
Member of the Human Resources, Social and Ethics Committee
Member of Technology, Industry Support and Sustainability Committee
Appointment Date: 1 May 2017
Positions on other Boards: None

Name: Dr M.B. Khanyile
Age: 52
Gender: Male
Race: African
Academic Qualifications: PhD
MA
MBL
Areas of Expertise: Strategic Management
Executive Project Management
Defence Planning
Executive Coaching and Mentoring
Position on Armscor Board: Non-Executive Director of the Board
Member of the Acquisition Committee
Member of the Audit and Risk Committee
Appointment Date: 1 May 2014 (re-appointed: 1 May 2017)
Position on other Boards: Executive Chairman: Masharps Holdings

Name: Adv. V.L. de la Hunt
Age: 58
Gender: Female
Race: White
Academic Qualifications: LLM
LLB
BA
Areas of Expertise: Administrative Law and Regulatory Compliance
Refugee Studies
Position on Armscor Board: Non-Executive Director
Chairperson of the Human Resources, Social and Ethics Committee
Member of the Technology, Industry Support and Sustainability Committee
Appointment Date: 1 May 2014 (re-appointed: 1 May 2017)
Positions on other Boards: None

Name: Mr R.M. Vokwana
Age: 52
Gender: Male
Race: African
Academic Qualifications: NDip Human Resources
Areas of Expertise: Construction
Mining Supplies
Intelligence
Position on Armscor Board: Non-Executive Director of the Board
Chairperson of the Acquisition Committee
Member of the Audit and Risk Committee
Appointment Date: 1 May 2014 (re-appointed: 1 May 2017)
Positions on other Boards: Executive Chairman and Shareholder Upahla Construction (Pty) Ltd
Executive Chairman and Shareholder Kemac CC

Name: Mr N.M. Tyibilika
Age: 56
Gender: Male
Race: African
Academic Qualifications: Executive Development (UNISA SBL)
BSc Mech Eng
Areas of Expertise: Business Re-Engineering
System and Operations Optimisation
Project Management
Position on Armscor Board: Non-Executive Director of the Board
Chairperson of the Technology, Industry Support and Sustainability Committee
Member of the Acquisition Committee
Appointment Date: 1 May 2014 (re-appointed: 1 May 2017)
Positions on other Boards: None



Name: Ms T. Mhlari
Age: 37
Gender: Female
Race: African
Academic Qualifications: Higher Diploma: Tax Law
 CA (SA), Registered Auditor
 BCom Accounting Honours
 BCom Financial Accounting (Cum Laude)
Areas of Expertise: Taxation
 Financial management
 Accounting and business advisory
Position on Armscor Board: Non-Executive Director of the Board
 Chairperson of the Audit and Risk Committee
 Member of Human Resources, Social and Ethics Committee
Appointment Date: 1 May 2017
Positions on other Boards: PSTM Chartered Accountants (Pty) Ltd
 PSTM Auditors INC
 PSTM Investment (Pty) Ltd
 Anchor Group Capital Ltd

Name: Ms C.E. Simpson
Age: 46
Gender: Female
Race: Coloured
Academic Qualifications: Bachelor of Accounting Science
 Bachelor of Accounting Science Honours
 Certificate Theory Accounting – CTA
 Post Graduate Diploma in Auditing
 CA (SA)
Areas of Expertise: Management Accounting
 Financial Accounting
 Asset and Liability Management
 Investment Management
 Supplier Chain Management
Position on Armscor Board: Non-Executive Director of the Board
 Member of the Technology, Industry Support and Sustainability
 Committee
 Member of the Acquisition Committee
Appointment Date: 1 May 2017
Positions on other Boards: None

Executive members: Adv. S. P. Mbada
 Mr J. G. Grobler
Company Secretary: Ms F. M. Kumalo

Note: For details, refer to Armscor Executive Committee Abridged Curriculum Vitae

Annexure C

Armcor Executive Committee	Abridged Curriculum Vitae
Name:	Adv. S.P. Mbada
Age:	47
Gender:	Male
Race:	African
Academic Qualifications:	B Juris BA (Hons) MAP LLB LLM
Areas of Expertise:	Strategic Management HR Management IR Management Training Management
Position on Executive Committee:	Chief Executive Officer
Position on Armcor Board:	Executive Director of the Board
Positions on other Boards:	Directorships: Armcor Defence Institutes (Pty) Ltd (Dormant)
Name:	Mr J.G. Grobler
Age:	56
Gender:	Male
Race:	White
Academic Qualifications:	CA (SA) MBL MCom (Tax)
Areas of Expertise:	Financial Management Corporate Governance
Position on Executive Committee:	Chief Financial Officer
Position on Armcor Board:	Executive Director of the Board
Positions on other Boards:	Directorships: Armcor Defence Institutes (Pty) Ltd (Dormant) Erasmusrand Properties (Pty) Ltd (Dormant) Sportrand (Pty) Ltd (Dormant) Oospark (Pty) Ltd (Dormant)
Name:	Mr J.S. Mkwanazi
Age:	63
Gender:	Male
Race:	African
Academic Qualifications:	BSc MBL Total Quality Management (TQM) Programme MSc (with specialisation in Project Management)
Areas of Expertise:	Strategic Management Operations Management Project Management Quality Management Acquisition
Position on Executive Committee:	Acting Group Executive: Acquisition and SCM



Name: Prof. N.M. Mkaza
Age: 51
Gender: Male
Race: African
Academic Qualifications: BSc (Education)
BSc (Hons)
MSc (Materials Science)
Post Graduate Diploma in Electrical Engineering
PhD (Nuclear Physics)
MBA
Areas of Expertise: Coaching
Emotional Intelligence
Strategic leadership and management
Management in the Science and Technology Environment
Position on Executive Committee: Group Executive: Research and Development

Name: Adv. N.B. Senne
Age: 49
Gender: Male
Race: African
Academic Qualifications: B Juris
LLB
Bar Exam (Society of Advocates)
Areas of Expertise: Governance
Legal
Strategy
Position on Executive Committee: Group Executive: Business Assurance

Name: Adv. N. Mvambo
Age: 51
Gender: Male
Race: African
Academic Qualifications: B Juris
LLB
Advanced Diploma Project Management
Management Advancement Programme (MAP)
Labour Relations Management
HR Management
Projects Management and Disputes Management
Position on Executive Committee: Acting Group Executive: Corporate Support

Name: Ms J.L. Mzili
Age: 44
Gender: Female
Race: African
Academic Qualifications: Master's in Business Administration
BCom (Hons) in Business Management
BCom
Certificate in Strategic Management
Certificate in Financial Performance Measurement and Control
Areas of Expertise: Strategic Management
Strategic Marketing
Business Development
Financial Management
Position on Executive Committee: Group Executive: Business Enablement

Name:	Dr H. Van Rensburg
Age:	56
Gender:	Male
Race:	White
Academic Qualifications:	DBL MBL BSC (Hons) HDip Eng (Mech)
Areas of Expertise:	Operations Management Operations Research Strategic Management Manufacturing Engineering
Position on Executive Committee:	Executive Manager: Dockyard



Annexure D

Table 12: Amendment to the Performance Indicators that are reflected in the Armscor Corporate Plan 2019/20 to 2021/22 Financial Year

Serial No	Location of Amendment	Performance Indicator as reflected in Armscor Corporate Plan 2019 – 2022	Amendment as reflected in Armscor Corporate Plan for 2019	Remarks	Location of amendment
1	Table 2: The Four Strategic Initiatives in Armscor's Corporate Plan 2019 – 2022	Efficient and Effective Service Delivery	Increase income, including commercial income, from the existing facilities of Armscor R&D (baseline based on the planned figure for 2017/18)	The performance indicator is rephrased to read as "Revenue from existing facilities of Armscor R&D"	Table 2: The Four Strategic Initiatives in Armscor's Corporate Plan 2019 – 2022
2	Table 2: The Four Strategic Initiatives in Armscor's Corporate Plan 2019 – 2022	Efficient and Effective Service Delivery	Development of SCM	The performance indicator is rephrased to read as "Development of SCM (e-procurement, and commercial/military off-the-shelf procurement), dependant on SCM solution"	Table 2: The Four Strategic Initiatives in Armscor's Corporate Plan 2019 – 2022
3	Table 2: The Four Strategic Initiatives in Armscor's Corporate Plan 2019 – 2022	Efficient and Effective Service Delivery	Improve information Security: <ul style="list-style-type: none"> Finalise data leakage solution 	The performance indicator is omitted as it is now achieved.	Table 2: The Four Strategic Initiatives in Armscor's Corporate Plan 2019 – 2022
4	Table 2: The Four Strategic Initiatives in Armscor's Corporate Plan 2019 – 2022	Efficient and Effective Service Delivery	Improve information Security: <ul style="list-style-type: none"> Implement Information Technology (IT) security operations centre 	The performance indicator is omitted as it is now achieved.	Table 2: The Four Strategic Initiatives in Armscor's Corporate Plan 2019 – 2022
5	Table 2: The Four Strategic Initiatives in Armscor's Corporate Plan 2019 – 2022	Stakeholder Management	Implement approved Stakeholder Engagement Strategy	The performance indicator is omitted and it will be reflected in the departmental plan.	Table 2: The Four Strategic Initiatives in Armscor's Corporate Plan 2019 – 2022
6	Table 2: The Four Strategic Initiatives in Armscor's Corporate Plan 2019 – 2022	Stakeholder Management	Appointment and development of employees "Talent Development Programme (number of employees in programme)	The performance indicator is rephrased to read as "Contracting and development of graduate as interns (Talent Development Programme) (number of employees in programme)"	Table 2: The Four Strategic Initiatives in Armscor's Corporate Plan 2019 – 2022



Annexure E

Performance information related to the “Defence plan to arrest the decline”: Non-cost deliverables

Table 13: Pledge of Support by Armscor to the Defence Plan to Arrest the Decline

Serial No	DR 2015 End State	DR 2015 Deliverables/ Output	MOD&MV Priority	Owner	Performance Indicator	2019/20 Target	Linkage to Armscor Strategy Map	Armscor Support	National Development Plan linked to MTSF Outcome
1	Promulgated Defence Secretariat Strategy	Developed	Defence Strategic Direction	SecDef (CDPSP)	D3_01B: Percentage adherence to DOD governance schedule (Strategy)	Submitted for approval	D1	Group Executive: R&D and Senior Manager: Corporate Strategy and Planning	MTSF Outcome 3 and 11
2	Promulgate Military Strategy, Force Design and Structure	Developed	Defence Strategic Direction and Resourcing Direction	SecDef and SANDF	D3_01B: Percentage compliance with progress of Military Strategic Direction Register New Indicator	Submit for approval	D1 & R4	Group Executive: R&D Senior Manager: Corporate Strategy and Planning	MTSF Outcome 3 and 11
3	Support (As reflected in the DOD APP 2016: Capability Sustainment renewal)	Defence National Industry Strategic Implementation Framework	Capability Sustainment Direction	SecDef (NDIC)	New Indicator L1, D3-01B: Percentage adherence to DOD governance promulgation schedule (Strategy)	National Defence Industry Strategic Implementation Framework submitted for approval	D1	Group Executive: Acquisition and SCM, Group Executive: R&D and Senior Manager: Corporate Strategy and Planning	MTSF Outcome 3 and 11
4	Promulgated Border Safeguarding Strategy	Developed	Strategic Resourcing Direction	CSANDF CJoint Ops	D3_01B: Percentage adherence to DOD governance schedule (Strategy)	Submitted for approval	D1	Group Executive: Acquisition and SCM Group Executive: R&D	MTSF Outcome 3 and 11
5	Establish Cyber Warfare Capability in SANDF	Strategy submitted for approval	Capability Sustainment Direction	CSANDF (CDI)	D3_01B: Percentage adherence to DOD governance schedule (Strategy)	Strategy submitted for approval to the JCPS Cluster Ministers	D1	Group Executive: R&D	MTSF Outcome 3 and 11
6	Support (As reflected in the DOD APP 2016: Defence Academy Established)	Establish the Defence Academy	Human Resources Renewal	CHR	R1-(new): Defence Academy Status	100 % (Comprehensive studies, strategies and plans to establish the Defence Academy developed)	R1	Group Executive: Corporate Support	
7	Support (As reflected in the DOD APP 2016: Defence Funding Model Developed)	Budgeting and Costing Tool	Strategic Resourcing direction	C Log	D3-01A: Percentage progress with the development of the Defence Funding Model (Budgeting and Costing Tool Status)	100% (Costing Tool submitted for approval)	R4	CFO and Group Executive: R&D	

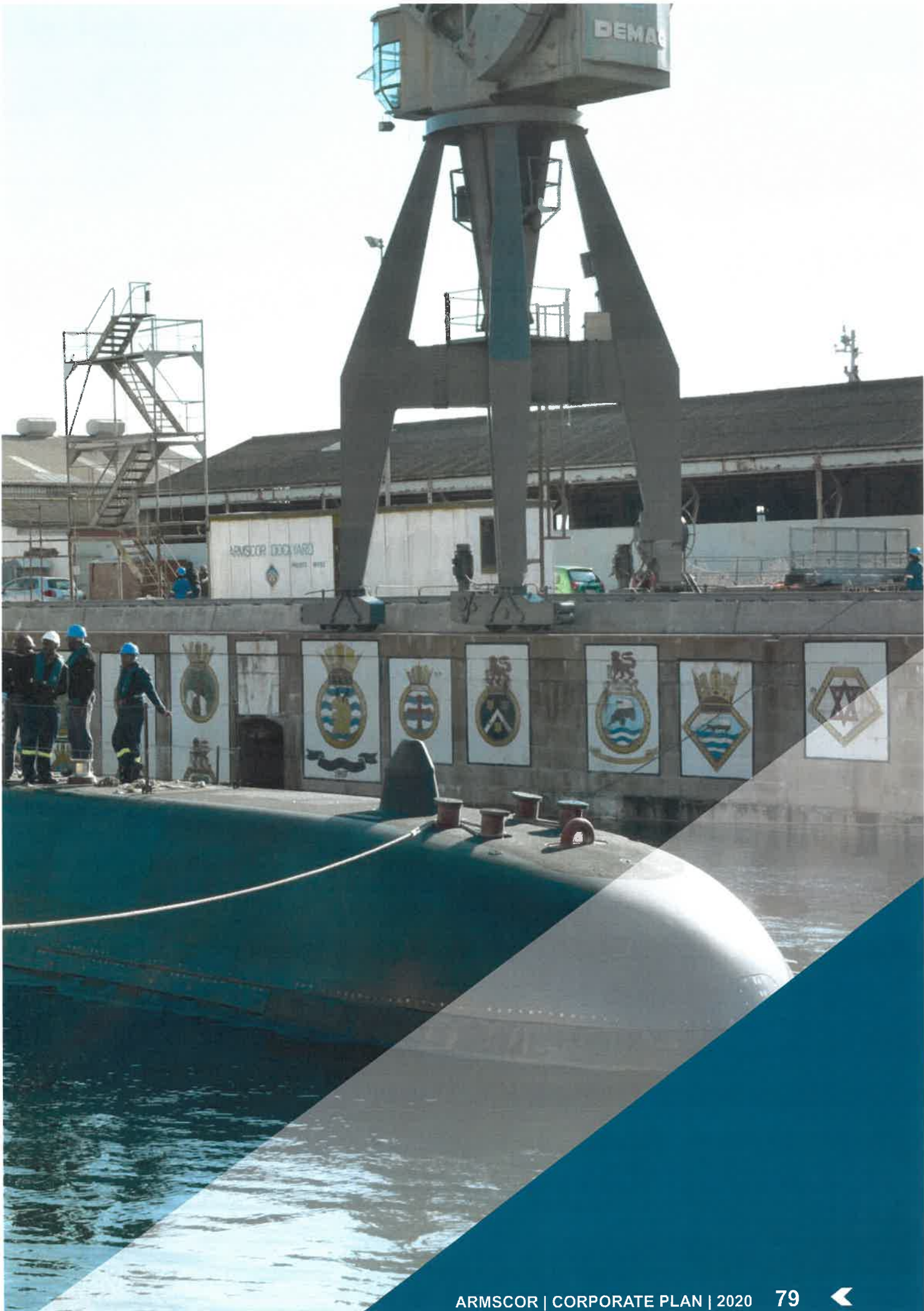


Annexure F

GLOSSARY

Armcor	Armaments Corporation of South Africa SOC (Ltd)
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
COTS	Commercial off-the-shelf
DDSI	Defence Decision Support Institute
DIP	Defence Industrial Participation
DOD	Department of Defence
DOD APP	Department of Defence: Annual Performance Plan
dti	Department of Trade and Industry
DPW	Department of Public Works
EE	Employment Equity
ERP	Enterprise Resource Planning
ESD	Enterprise Supplier Development
Flamengro	Fluid and Mechanical Engineering Group
FOSAD	Forum for South African Director-Generals
GDA	General Defence Accounts
HR	Human Resources
IP	Intellectual Property
ICT	Information and Communication Technology
IT	Information Technology
IMT	Institute for Maritime Technology
MoA	Memorandum of Agreement

MOD&MV	Minister of Defence and Military Veterans
MTSF	Medium-Term Strategic Framework
NEHAWU	National Education, Health and Allied Workers' Union
NDIC	National Defence Industry Council
NDP	National Development Plan, Vision 2030
NGP	National Growth Path
PFMA	Public Finance Management Act (Act No 1 of 1999)
R&D	Research and Development
SADI	South African Defence Industry
SANDF	South African National Defence Force
SCAMP	Strategic Capital Acquisition Master Plan
SCM	Supply Chain Management
SDA	Special Defence Account
SDGs	Sustainable Development Goals
SDIP	Service Delivery Improvement Plan
SHE	Safety, Health, and Environment
SLA	Service Level Agreement
SMMEs	Small, Medium, and Micro-sized Enterprises
SOC	State Owned Company
SONA	State of the Nation Address
SWOT	Strengths, Weaknesses, Opportunities and Threats
TDP	Talent Development Programme
T&E	Test and Evaluation







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