



ARMSCOR
Armaments Corporation of South Africa SOC Ltd



CORPORATE PLAN 2023

Your strategic partner of choice for defence and security solutions



CORPORATE PLAN 2023

“Gateway to Defence Solutions”

Date of Tabling: 9 March 2023

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1. FOREWORD

by the Minister Of Defence and
Military Veterans

I hereby present the Corporate Plan of Armscor for the 2023/24 financial year.

It outlines Armscor's plans for implementing its mandate during this financial year. The Corporate Plan is aligned to the Department of Defence's (DOD) Strategic Plan 2020 - 2025, Armscor's mandate and government's priorities. It seeks to provide direction on the development and implementation of strategic priorities and policies. The ongoing support by Armscor to the National Development Plan (NDP) - Vision 2030 and Medium Term Strategic Framework (MTSF) (2019 - 2024) outcomes of government and the State of the Nation Address, find concrete expression in the Corporate Plan. The Plan emphasises key performance outputs, outcomes and impact of Armscor during the 2023/24 financial year.

As a public entity, Armscor carries a responsibility to ensure that the country's development goals are achieved and institutionalised as its defence acquisition agency.

As one of the critical elements of the defence and security establishment, Armscor operates within the constitutional and legislative framework. In discharging its mandate, Armscor does so within the 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 entire defence family.

The defence landscape is in a state of rapid and continuous change. This creates an opportunity for new innovations to sustain and secure the future of the defence industry. Some of the technological advances that have become such an integral part of our daily lives all found their genesis from defence technologies and became spin offs.

Our view is that safety and security are key prerequisites for economic growth and development as improved security attracts stability and investment. We must also have deliberate interventions that empower emerging small, medium and micro enterprises (SMMEs) including military veterans in particular that have historically been excluded from the mainstream economy.

Armscor has a duty to implement the Defence Sector Charter to transform the South African Defence Industry (SADI) in line with other sectors of economic activity. Broad-based black economic empowerment is both a constitutional and a socio-economic imperative. Those committed to genuine transformation of the defence industry have a responsibility to embrace and implement charter codes.

Armscor must respond to the nation's developmental agenda by contributing to job creation, youth development as well as empowerment of women and people with disabilities. It must open up opportunities for

young people in the science, engineering and technology fields which will enable the country to meet the global demands of the defence industry.

Defence planning has become increasingly budget-driven as opposed to mandate-driven. The approach to future defence planning must be capability-based to ensure that the South Africa National Defence Force is combat-ready at all material times.

The decline in defence capabilities forces us to look at prioritising all activities for better efficiency in the quest to achieve our Constitutional mandate. Armscor, like the whole of government, needs to use state funds more responsibly and prudently. Issues relating to sound financial management, procurement and proper contract management need to be prioritised. Especially in the context of our current fiscal reality, we cannot afford to tolerate fruitless and wasteful expenditure.

The South African National Defence Force (SANDF) is entrusted by our Constitution to defend South Africa's territorial integrity and sovereignty. In this regard, the role of a vibrant and effective local defence industry is crucial. This sector has historically delivered an excellent return on government investment. It is currently, not only a mainstream industrial manufacturing and development role-player, but also key guarantor to the sovereignty of South Africa and the critical support required by the South African National Defence Force.

We need a strong defence force that is capable of delivering on the expectations of government and the people of South Africa. To this end, as the Shareholder Representative, I have provided the Armscor Board, as the Accounting Authority, with new focus areas for implementation. Furthermore, the Armscor Board must reposition the Defence Acquisition Agency in a manner that provides strategic support to the South African National Defence Force and an improved value-proposition for defence.

As Minister of Defence and Military Veterans, I welcome and support Armscor's Corporate Plan 2023/24. I expect Armscor to implement this Plan with professionalism and commitment.



Ms T.R. MODISE, MP
MINISTER OF DEFENCE & MILITARY VETERANS

Date: 28 February 2023



2. FOREWORD

by the Chairperson

It is now trite to say that the world has undergone fundamental shifts in the last 12 months. The consequences of these shifts have impacted on the defence sector and the defence industry in dramatic ways. While an arms race is not on the cards for our country, having an effective defence capability is clearly a must. The political instability we have experienced locally has also highlighted the need for the maintenance of our air, land and sea capabilities. Armscor has internalised the priorities these shifts have starkly revealed. This is reflected in this Corporate Plan. While the challenges that are now starkly revealed look daunting, the environment has made Armscor an entity that is sought after for advice and procurement on behalf of other countries. Armscor will maximise the benefit this brings to the local defence industry.

Armscor has successfully turned around the Simon's Town Naval Dockyard. Today, the facility is being considered as a resource that is capable of doing more than refurbishing and maintaining vessels. Building capacity to manufacture vessels is now a realisable prospect. Similarly, Armscor's testing facilities are now seeing an increased uptake by global clients.

The successful hosting of the AAD in 2022 has also brought renewed interest in the exploitation of Intellectual Property (IP) and technology Armscor holds in trust for government and the citizens of South Africa. Armscor has also worked in a more coordinated manner with Denel through a joint Steering Committee that has ensured better coordination between the companies to maximise the potential in the market.

These developments augur well for the defence industry, the DOD and the SANDF. Armscor remains focussed on serving its primary client, the SANDF. But as the current conjuncture has shown, South Africa is once again poised to be a key player in the defence sector.

The Armscor Board of Directors will ensure the appropriate oversight and governance in this regard. It will also support the CEO and Executive to implement the 2023 Corporate Plan and take the company to even greater heights.



DR. P.D. DEXTER
CHAIRPERSON: BOARD OF DIRECTORS

Date: 28 February 2023



3. FOREWORD

by the Chief Executive Officer

The Public Finance Management Act requires that every public entity prepares a Corporate Plan setting out the overall strategy for the 3-year period covering the state's Medium term Strategic Framework (MTSF). Every year, the Corporate Plan is prepared, which converts the overall strategy to key annual targets.

Government's hallmark remains the vision and goals articulated in the National Development Plan (NDP), Vision 2030, as well as Government's MTSF 2019-2024. Armscor's 2023/24 Corporate Plan is directed by the revised MTSF 2019-2024, which encapsulates Government's immediate and medium-term strategic priorities.

This Corporate Plan articulates key priorities and action plans and outlines the outputs that will be delivered for the financial year under review. It also presents a set of targets for the financial year, which is calculated against the achievements of previous years. The outcomes are aligned to the Corporation's objectives and mandate, and Government's priorities. The targets take into consideration the current context of challenging economic conditions of the economy.

The need to overcome South Africa's developmental challenges is inextricably linked to Africa's economic recovery from the 2008 financial crisis fallout, the COVID-19 pandemic and most recently the consequences of the Russia-Ukraine conflict. The pandemic has resulted in budget cuts as government reprioritised spending to fund interventions to respond to the virus and its secondary effects on loss of income and social dislocation. Furthermore, our recovery must be equitable and inclusive. Armscor's experienced leadership and robust governance places it in a strong position to deliver developmental impact and solidify its reputation as a reputable and reliable public entity.

South Africa and nations across the globe are beginning to look beyond the COVID-19 pandemic and refocusing on economic growth and sustainability. While the pace and shape of the economic recovery varied from country to country, businesses in general anticipated a gradual return to levels of prepandemic activity, albeit cautiously and with a keen eye on emerging variants of the coronavirus. Inflation is certain to increase as a result, but hopefully can be balanced to some extent by the easing of supply chain disruptions.

In line with the NDP, Vision 2030, the collaboration between the public and private sector will assist in realising the development objectives as set out in the NDP. Furthermore, it will contribute towards the fulfilment of our obligations as stated in the Sustainable Development Goals.

The annual declining fiscal allocation for the defence sector compels the Corporation under the direction of the Board and the Shareholder to manage its limited resources with the requisite prudence and intellect that

will improve its sustainability. Armscor needs to continue to improve efficiencies as the gap between the operational costs and the income is getting wider.

Armscor has been historically underfunded in relation to service delivery demands, which places the Corporation under severe strain from past reductions due to fiscal constraints, ongoing austerity measures exacerbated by COVID-19, has had serious consequences for the defence industry. Armscor has had to adapt to a new thinking and adjust the way it conducts its business for the better.

The Corporation positioned itself as the primary procurement partner for the security sector; sweating our own assets subject to the required approvals; sourcing contracts from foreign governments through government to government contracting and through Intellectual Property exploitation. Armscor strives to become a knowledgeable partner that proactively supports the DOD with the development of acquisition of equipment to meet variations in the complexity of the DOD's operation environment. Armscor intends expanding on its disposal opportunities with both DOD and identified foreign clients.

Whilst emphasis remains on our core business as it relates to supporting our primary client – the South African DOD, Armscor will continue to avail itself to work together with other state entities as well as private entities to respond to emerging challenges that threaten the sustainability of the defence and security industries. We are confident that Armscor will succeed in achieving its strategic goals by continuing to focus on our client's requirements.

Over and above serving its primary client, the DOD, Armscor is also empowered to support other government departments as per the Armscor Act. This is demonstrated with the service level agreement that was established between Armscor and the South African Police Services (SAPS). The agreement entails amongst others the acquisition and procurement services to achieve synergy across the Security Cluster Departments. Ongoing projects at hand include the disposal of obsolete landward and aeronautical platforms and other ancillaries. Through-life-cycle support and maintenance management services on new and existing platforms are part of the offer to the SAPS to ensure service readiness in an efficient and effective manner. This collaboration amongst state departments/agencies seek to exploit Armscor's capabilities for the benefit of the country whilst ensuring sustainability of the agencies concerned. We have started with an exercise to review our processes in order to be more effective given the ever changing demands. This will ensure our effectiveness and timeous response to our clients' needs.

Armscor remains committed to its vision, mission, fulfilling its mandate and four strategic outputs, namely:

Revenue Generation, Cost Management, Efficient and Effective Delivery and Stakeholder Management, which are embedded in the Corporate Plan. The Corporate Plan seeks to outline Armscor's plan for the 2023/24 financial year. It highlights actions to be taken in implementing the Corporation's strategy and how the Corporation will deliver a sustainable Corporation that generates additional revenue through strengthening our existing partnerships and creating new ones, whilst containing costs and delivering ground breaking technologies for the three-year period of 2023/24 – 2025/26.

The Board has approved the commercialisation strategy for implementation. This strategy seeks to mitigate the negative impact of the declining defence budget and to reposition Armscor as a sustainable organisation. It will serve as a guide in ensuring that Armscor tap into a commercial market to achieve its revenue generating objectives.

We are pleased to announce that the first of the three multimission inshore patrol vessels has been delivered to the South African Navy. These vessels built in South Africa will be used to conduct effective operations and safeguard the maritime environment. The construction of the two remaining vessels as part of Project Biro is underway with the delivery expected in April 2023 and April 2024 respectively. This achievement demonstrates Armscor's capability to provide SANDF with state-of-the-art defence matériel required to provide safety and security for South Africa, its citizens and the continent at large. During this project both direct and indirect jobs were created in line with the South African Government's operation Phakisa objectives.

Our research and development domain has become one of our core businesses as it provides the scientific research that is fast becoming our cornerstone towards our sustainability. To this end, Research and Development continues its capability of IP commercial exploitation with dual use technologies.

The establishment of a cyber defence unit is progressing well and will play a key role in securing Armscor's systems and reduce vulnerabilities from outside. Furthermore, the unit will look at working together with other agencies and academic institutions to combat

cyber threats through the establishment of an integrated security operation centre.

We are proud as part of the defence sector to support government priorities. Armscor continues making a difference in communities where it operates through the Corporate Social Investment programmes. We will continue to make a difference within our limited resources.

We would like to extend our gratitude and appreciation to Ms Thandi Modise, Minister of Defence and Military Veterans for her support, leadership, and guidance.

We also thank the Board of Directors for steering the Corporation into the future and the fulfilment of its mandate with professionalism, dedication and integrity.

Armscor believes significant value shall be added in the execution of its mandate during the period covered by the Corporate Plan 2023/24. To this end, we would like to acknowledge the management of Armscor for the development of this Corporate Plan and their dedication and commitment and in the execution process; we thank management and all employees.

In closing, I reaffirm Armscor's commitment to accelerate service delivery and to continually strive to be a responsive and accountable Corporation that serves all our stakeholders, by playing an important role in the "Defence Team" and to record great achievements.



ADV. S.P. MBADA
CHIEF EXECUTIVE OFFICER

Date: 28 February 2023

4. OFFICIAL SIGN-OFF

It is hereby certified that this Armscor Corporate Plan 2023:

- a. was developed by Armscor Corporate Strategy and Planning, with the Executive Committee, under the guidance of the Armscor CEO and direction by the Minister of Defence and Military Veterans as an Executive Authority;
- 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 2023/24 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 2023



Ms Q. Sitsila

Acting Group Executive: Business Assurance

Date: 28 February 2023



Mr J.G. Grobler

Chief Financial Officer

Date: 28 February 2023



Adv. S.P. Mbada

Chief Executive Officer

Date: 28 February 2023



Dr. P.D. Dexter

Chairperson: Board of Directors

Date: 28 February 2023



Ms T.R. Modise

Minister of Defence and Military Veterans, MP

Date: 28 February 2023





PART A

Armcor's Mandate

PART A: ARMSCOR'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 goals at Corporate Level. The Corporate Plan is aligned to Armcor's Strategy of "On-Time, In-Time: Towards a Sustainable Future". Furthermore, the Corporate Plan is aligned to the SA 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

		ARMSCOR'S MANDATE			
Armcor's Strategic Hierarchy	Vision (What we want to be)	To be the strategic partner of choice for defence and security solutions			
	Mission (Why we exist/what we do)	To meet the defence matériel, technology requirements and management of strategic capabilities of the DOD, organs of state and other entities			
	Values (What we believe in)	Customer focus	Leading by example	Care and respect for others	Teamwork
		Excellence		Results driven	Integrity
	Strategic Outputs (Specific achievable outputs)	Revenue Generation	Cost Management	Efficient & Effective Delivery	Stakeholder Management
	Strategic Goals (How we will achieve our outputs)	Financial Turnaround & Long-Term Sustainability	In-Time & On-Time Delivery	Acquisition Excellence	Technology Exploitation Advancement & Management
		Defence Industry Sustainability	Focus on Customer Need & Satisfaction	Stakeholder Engagement	Transformation
	Action plans & Performance Measures	Corporate, Business Unit and Departmental/Divisional Strategic Plans and KPIs			

5. ARMSCOR'S VISION

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

6. ARMSCOR'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

Armcor's values are the building blocks of the manner in which it conducts its business. Armcor believes in the highest standards and is committed to transformation, transparency, and accountability. We, members of Armcor, 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 Recognised Accounting Practices (GRAP) 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 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:

- 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 Minister of Defence and Military Veterans may impose such conditions in respect of the performance of a function, as may be necessary in the national interest.

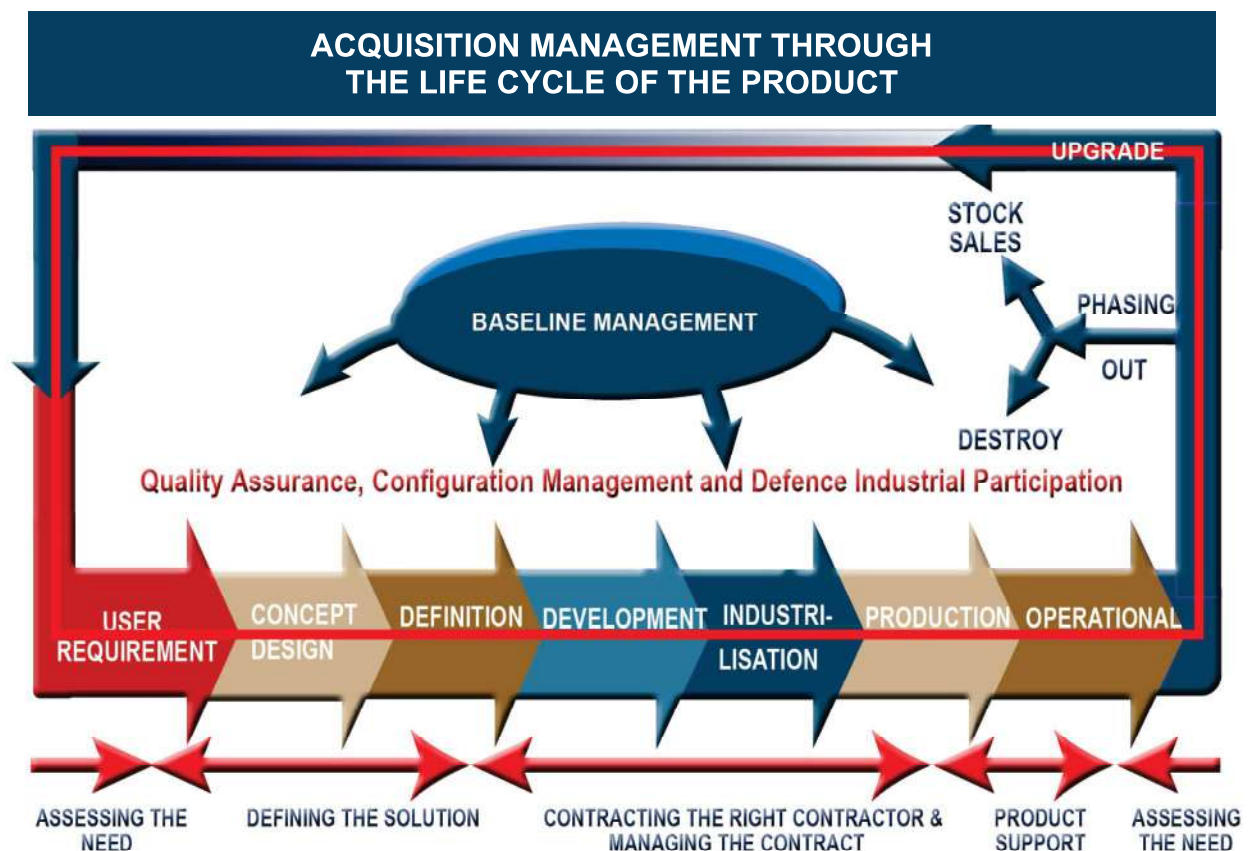
Management of the intellectual property (IP) is owned by the DOD as provided in Section 22 of the Armscor Act of 2003 (Act No. 51 of 2003). Armscor is responsible for "Section 22(1): Notwithstanding any other law, all IP rights in any product, service, item, method or any other thing of any nature vested in the Department, must be held in custody of the Corporation on behalf of the Department. Section 22(2): The Corporation must manage and utilise intellectual rights acquired for and on behalf of the Department as directed by the Secretary for Defence in a service level agreement".

8.3 Armscor's mandate entails the following:

8.3.1 Product Life Cycle:

- Armscor renders acquisition management to the DOD and the SANDF throughout the life cycle of a product. These services are reflected in Figure 3:

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 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 Primary Legislation/Regulations/Best Practice

- The primary universe consists of 46 acts, one best practice standard and eight National Treasury circulars and instruction notes.
- Below is the list of primary legislation/regulations/best practice.
 - Constitution of the Republic of South Africa No. 108 of 1996 (As amended)
 - Armscor Act No. 51 of 2003 (As amended)
 - Defence Act No. 42 of 2002
 - IP Rights from Publicly Financed Research and Development Act No. 51 of 2008
 - Occupational Health and Safety Act No. 85 of 1993
 - National Environment Management Act No. 107 of 1998
 - National Environmental Management: Waste Act No. 59 of 2008
 - Hazardous Substances Act No. 15 of 1973
 - Protection of Personal Information Act No. 4 of 2013
 - Public Finance Management Act No. 1 of 1999 (As amended)
 - Companies Act No. 71 of 2008 (As amended)
 - Preferential Procurement Policy Framework Act No. 5 of 2000 & Preferential Procurement Regulations
 - Broad – Based Black Economic Empowerment (B-BBEE) Act No. 53 of 2003
 - The Promotion of Access to Information Act No. 2 of 2000
 - Promotion of Administration Justice Act No. 3 of 2000
 - Prevention and Combating of Corrupt Activities Act No. 12 of 2004 (As amended)
 - Defence Special Account Act No. 18 of 2005
 - Control of Access to Public Premises and Vehicles Act No. 53 of 1985
 - Protected Disclosures Act No. 26 of 2000
 - Basic Conditions of Employment Act No. 75 of 1997
 - Labour Relations Act No. 66 of 1995
 - Employment Equity Act No. 55 of 1998
 - Disaster Management Act No. 57 of 2002 – Regulations Government Notice R480 of 29 April 2020
 - Direction by the Minister of Employment and Labour in terms of Regulation 4 (10) of the Regulations R480 of 29 April 2020
 - Compensation of Occupational Injuries, Diseases Act No. 130 of 1993

- Unemployment Insurance Act No. 63 of 2001
- Promotion of Equality and Prevention of Unfair Discrimination Act No. 4 of 2000
- Non-Proliferation of Weapons of Mass Destruction Act No. 87 of 1993
- National Conventional Arms Control Act No. 73 of 2008
- Regulation of Interception of Communications and Provisions of Communications Related Act No. 70 of 2002
- Explosives Act No. 15 of 2003
- Firearms Control Act No. 60 of 2000
- Prescribed Rate of Interest Act No. 55 of 1975 (As amended)
- Public Audit Act No. 25 of 2004 (As amended)
- National Archives and Records Service of South Africa Act No. 43 of 1996
- Use of Official Languages Act No. 12 of 2012
- Electronic Communications and Transactions Act No. 25 of 2002
- King IV Report on Corporate Governance for South Africa 2016
- National Treasury Circular No. 03 of 2015/2016 - Central Supplier Database
- National Treasury Supply Chain Management (SCM) Instruction No. 2 of 2016/2017 - Procurement Plans- Submissions and Reporting
- National Treasury Instruction No. 2 of 2016/2017 - Cost Containment Measures
- National Treasury SCM Instruction No. 3 of 2016/2017 - Preventing and Combating Abuse in the SCM System
- National Treasury SCM Instruction No. 5 of 2016/2017 - Outstanding Payment due to Suppliers/Creditors Exceeding 30 Days after Submission of a Valid Invoice
- National Treasury Instruction No. 4 of 2017/2018 – Revised Cost Containment Measures Related to Travel and Subsistence
- National Treasury SCM Instruction No. 7 of 2017/2018 - Tax Compliance Status
- National Treasury Instruction No. 2 of 2019/2020 Irregular Expenditure Framework (As amended)

9.2 The South African Defence Review, 2015

The South African (SA) Defence Review 2015 is the South African National Policy on Defence and represents a comprehensive national review of the defence function within the context of changes to the security environment, both domestically and globally. The SA Defence Review 2015 was approved by Cabinet on 19 March 2014 and endorsed by the National Assembly and the National Council of Provinces on 4 and 24 June 2015 respectively.

In line with the Terms of Reference, the SA Defence Review 2015 covered the domains of Defence Policy, Defence Strategy and high-level Defence Doctrine. It also informs the intended development trajectory of the defence function over the medium to long term and as such, will continue to inform departmental policies, strategies and plans. Furthermore, it provides three strategic policy options that seek to align defence capabilities towards future relevance and sustainability.

The Defence Review Committee put forward strategic policy options. These options linked to fiscal scenarios, which would allow the Executive and the Legislature to deliberate and determine the level of defence that South Africa required and could afford. The three strategic defence policy options for consideration were:

- Option 1: Optimise Defence within constraints.
- Option 2: Grow Defence independently.
- Option 3: Develop Defence through strategic partnerships.

The Defence Review Committee reflected on South Africa's fiscal challenges at that time and recommended Policy Option 1 as a sustainable policy position for South Africa to pursue. However, after extensive consultation with Cabinet and other stakeholders, Policy Option 2 was selected and approved by Cabinet and subsequently endorsed by Parliament.

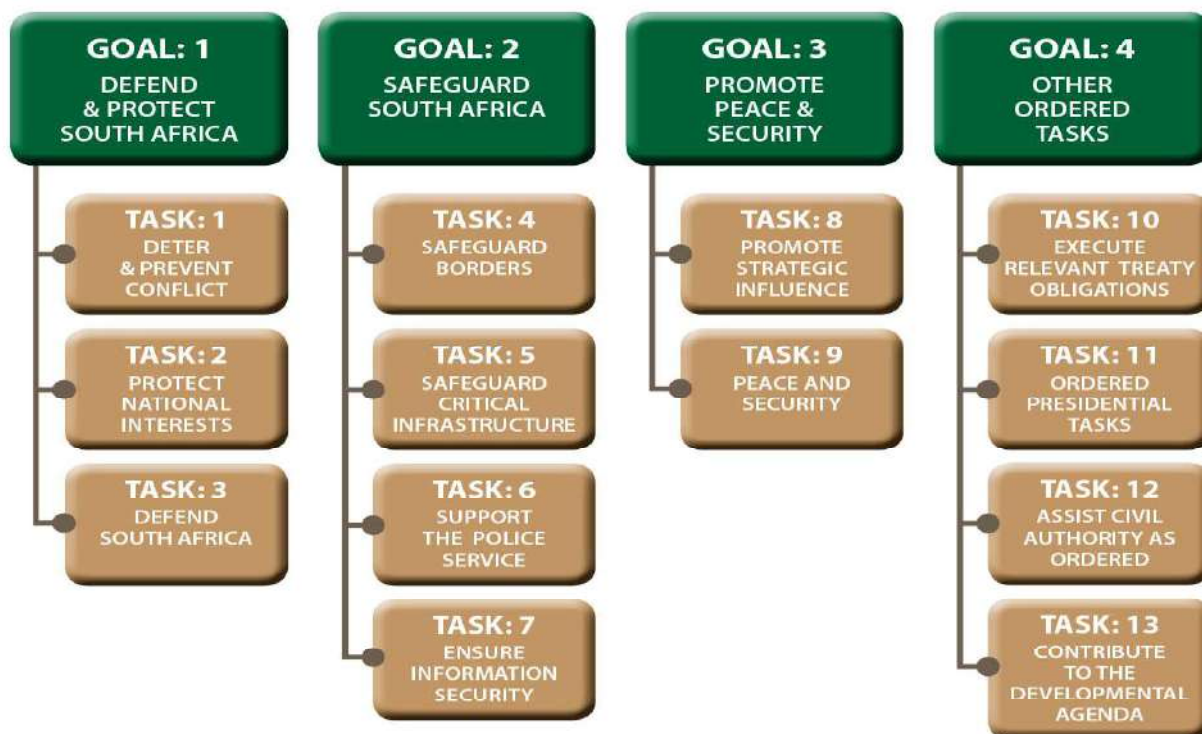
The selected Policy Option 2 focuses on the maximum preservation of the sovereignty of the defence function and posits a level of defence ambition that is commensurate with South Africa's national strategic requirement. It

also considers the role that South Africa is expected to and should pursue on the African continent in terms of South African Foreign Policy on continental stability.

The SA Defence Review 2015 Goals 1 to 4 and the associated tasks, are linked to the National Priorities for the revised 2019 - 2024 Medium Term Strategic Framework (MTSF), and more specifically referenced to MTSF Priority 6 "Social Cohesion and Safer Communities" and MTSF Priority 7 "A Better Africa and World". The latter MTSF priorities are included in the Armscor Results-Based Model as articulated in the Corporate Plan.

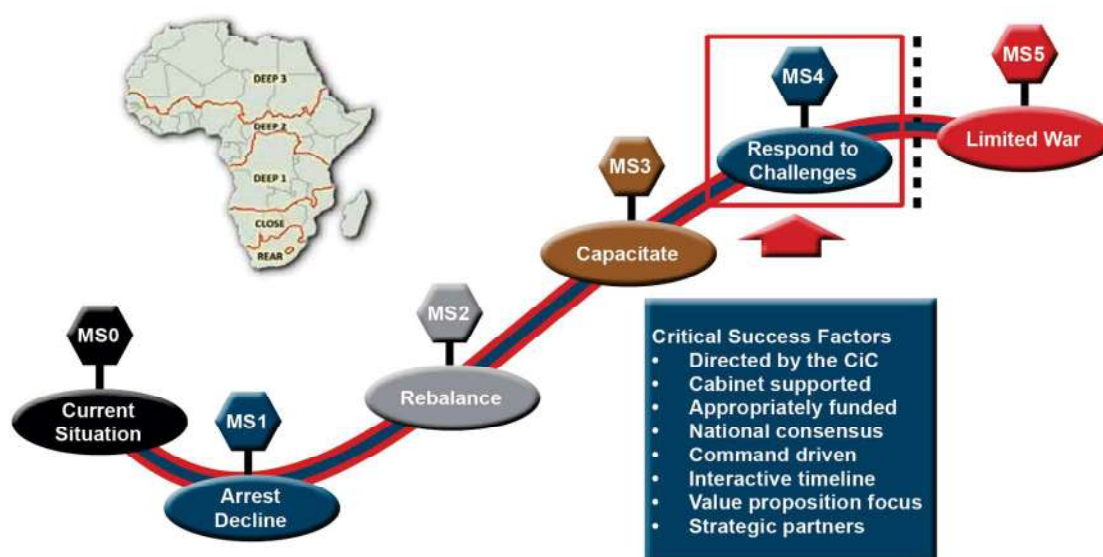
The SA Defence Review 2015 directs the Department's Outcomes (Goals) and Outputs (Tasks) as indicated in Figure 4.

Figure 4: DOD Goals and Tasks



The SA Defence Review 2015 maps out five planning milestones (Figure 5) as firm foundations that frame the development of defence capabilities through an extended Long-Term Defence Development Plan.

Figure 5: Planning DOD Development Trajectory



The first four planning milestones were intended to provide the initial impetus to ensuring an adequate, appropriate and relevant defence capability for South Africa. Milestone 5, however, remained the constitutional

contingency, which can be achieved from the firm foundation provided by Milestone 4. The milestones and their estimated MTSF period of achievement, are presented as follows:

Milestone 0 Status quo as at 2015.

- Milestone 1 (MS1) - 2020. Arrest the decline in critical capabilities through immediate and directed interventions.
- Milestone 2 (MS2) - 2025. Re-balance and re-organise the Defence Force as the foundation for future growth.
- Milestone 3 (MS3) – 2030. Create a sustainable Defence Force able to meet ordered defence commitments.
- Milestone 4 (MS4) - 2035. Enhance the capacity of the Defence Force to respond to emerging threats and a wide range of strategic challenges.
- Milestone 5 (MS5). Defend the Republic against any directed threat.

During 2017, the DOD completed the “DOD Plan to Arrest the Decline”, being the DOD implementation instrument of the Defence Review 2015, which was approved by the Council on Defence on 7 March 2017. This plan was presented and endorsed by the Joint Standing Committee on Defence on 12 May 2017, with reservations on the funding thereof.

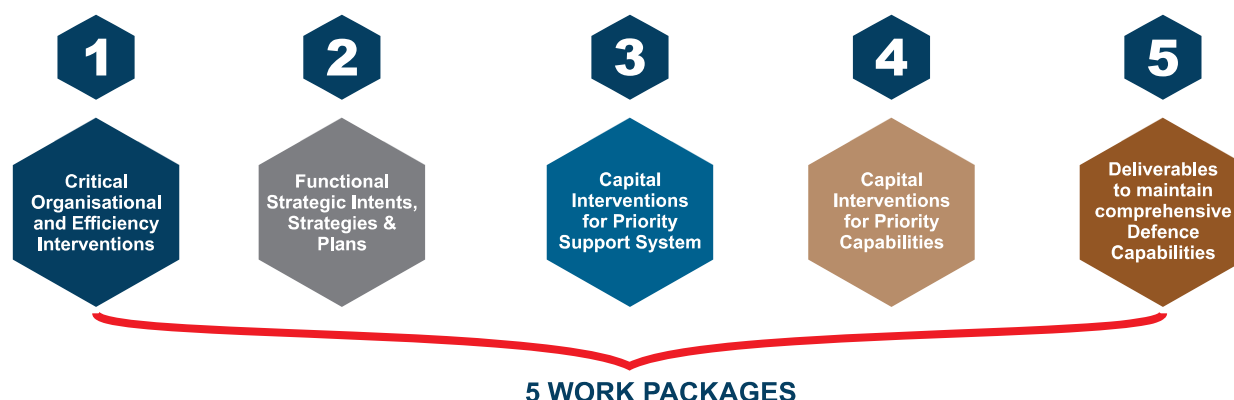
The implementation of the SA Defence Review 2015 will not be achieved during the 2023 Medium-Term Expenditure Framework (MTEF) and the cascading period of the Corporate Plan.

Nonetheless, over the 2023 MTEF the future relevance of the Defence Force must be pursued. This must include the ability to sustainably execute selected priority missions, performed against its mandated core functions and provide value to South Africa as a developmental State.

In line with the recommendations of the SA Defence Review 2015 and in order to mitigate the significant resource constraints imposed upon the DOD, the Minister of Defence and Military Veterans, in the 2021/22 financial year Defence Budget Speech, has directed the pursuance of certain apex initiatives during the MTEF.

The DOD, together with Armscor, completed “The DOD Plan to Arrest the Decline”, which was approved by the Council on Defence for implementation. This plan contains five work packages as indicated in Figure 6.

Figure 6: South African Defence Review 2015 Implementation Work Packages



The SA Defence Review 2015 Implementation Work Packages are as follows:

- **Work Package 1: Critical Organisational and Efficiency Interventions.** Work Package 1 focuses on critical organisational and efficiency interventions that are required to improve efficiency and effectiveness within the DOD and to establish possible additional funding opportunities that will assist in funding the implementation of the SA Defence Review 2015.
- **Work Package 2: Functional Strategic Intents, Strategies and Plans.** Work Package 2 focuses on developing the strategic intents, strategies and plans that will guide the DOD towards achieving the principles and objectives of the SA Defence Review 2015. The deliverables for Work Package 2 fall within the current DOD budget allocation and include the development of the policies, strategies and plans of the Defence Programmes.

- **Work Package 3: Capital Interventions Priority Support Systems.** Work Package 3 focuses on enabling capabilities that are presently on the inventories of services and divisions by enhancing priority sustainment systems in order to present operational force levels that can be maintained. The SANDF will not be able to sustain present force levels in current operations if the deliverables of Work Package 3 are not funded.
- **Work Package 4: Capital Interventions for Priority Capabilities.** Work Package 4 focuses on enhancing particular priority operational capabilities towards achieving current Joint Force Employment requirements. The SANDF will not be able to increase force levels to the required level if the deliverables of Work Package 4 are not funded.
- **Work Package 5: Deliverables to Maintain Comprehensive Defence Capabilities.** Work Package 5 focuses on maintaining comprehensive defence capabilities to ensure a sustainable growth path towards the Government's Defence Ambition. If Work Package 5 is not funded, the SANDF will not be able to maintain the core conventional capabilities that are required.

Due to the Republic of South Africa (RSA) fiscal challenges and the concurrent declining year-on-year defence baseline allocation over the previous MTSF period, the expected resource allocation to support the implementation of the SA Defence Review 2015, through the "Plan to Arrest the Decline", has not been realised. However, not only was the fiscal allocation not realised, the year-on-year reductions have exacerbated the defence decline. With the cost-driven interventions not realised, the non-cost interventions were compromised.

It is foreseen that the envisaged implementation of the SA Defence Review 2015 will not be achieved during the 2019 - 2024 MTSF and 2023/24 MTEF and the cascading periods of the Corporate Plans.

As funding permits, this Plan continues to be integrated into the national and departmental planning, budgeting and reporting cycles to ensure resourced and monitored implementation in adherence to national policy requirements.

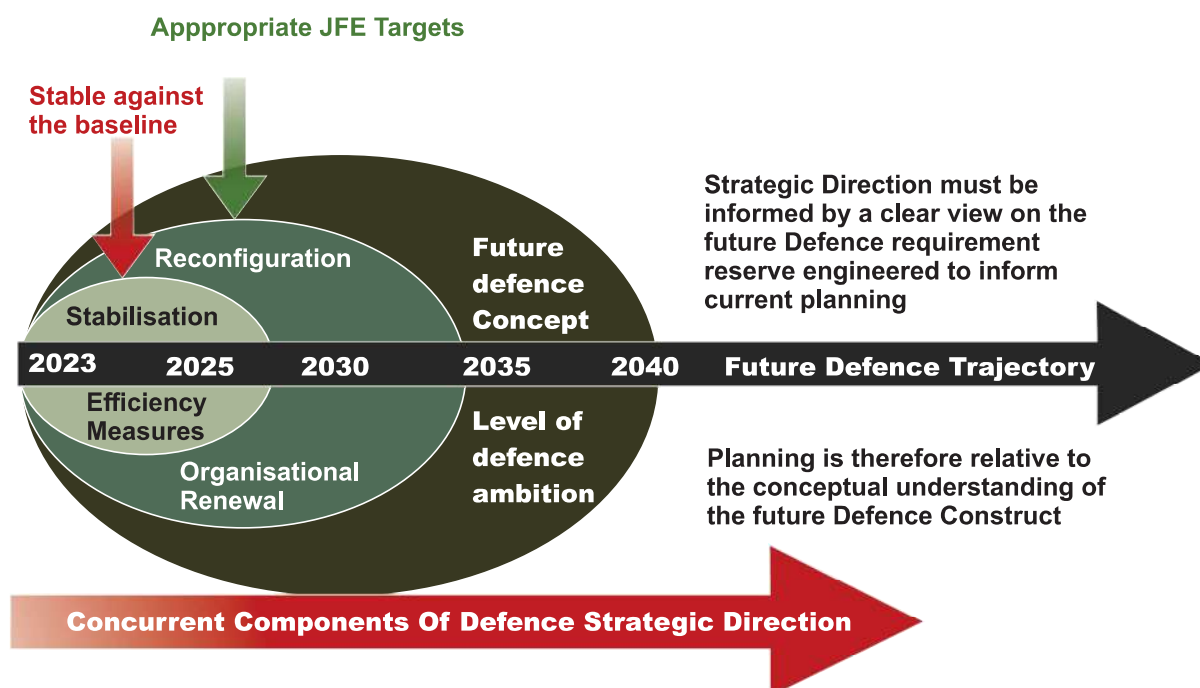
Although the "SA Defence Review 2015 Strategic Policy Option 2" and the "Defence Plan to Arrest the Decline" remain the long-term vision and value proposition based on South Africa's National Defence Policy, as articulated by Cabinet and Parliament, the requisite funding thereto has never been realised and the decline of capabilities has been steady.

During the Minister of Defence and Military Veteran's 2022 Budget Vote, the Minister refers to the "*Minister of Defence Policy Directive*", which will provide strategic direction to the Department and will continue to support the SA Defence Review 2015 Goals and Tasks through the following:

- **Safeguarding of the Nation** through military missions, such as border safeguarding, maritime security, support to the South African Police Service (SAPS) and other ordered internal operations.
- **Securing Regional Development** through a Peace and Security Capability, which speaks both to the deployment of robust forces and support of the African Union Peace and Security Architecture.
- **Ensuring Hard Power** through the maintenance of a Core Combat Capability to protect the sovereignty of South Africa.
- **Protecting** South Africa's **intangible sovereignty** through support to the National Cyber Resilience Initiative and ensuring Defence Digital Protection.
- **Nation Building** through contributions to South Africa's National Development Imperative through high-impact projects, the development of appropriate future defence leaders, and innovation in approaches to conducting defence business.

A quantum leap of thinking is required for the future Defence of the RSA, with balanced ends, ways and means, weighed against contemporary risks including a significant discourse on the doctrine and combat capabilities that will be relevant for the future. The following concurrent Phases and End-States will be pursued in the strategic direction for the DOD over multi MTSF periods, as reflected in Figure 7:

Figure 7: Defence Strategic Direction for Multi Medium Term Strategic Framework Periods



- **Future-Defence Concept Phase (Long Term).** A Future-Defence Concept (Level of Defence Ambition) must be posited that provides a long-term growth trajectory for the DOD and that meets the national security requirements of the RSA. Included therein must be an appreciation of South Africa's domestic priority and our international, continental and regional aspirations. This must be tempered against the stated national-security risk-appetite of Government. This must also respond to natural and man-made disasters that have characterised the South African landscape.
- **Defence Reconfiguration Phase (Medium Term).** The DOD must ensure appropriate organisational renewal that will include departmental reconfiguration, repositioning and reorganisation, aligned with the future defence concept, whilst ensuring coherent command and control and appropriate governance and accountability.
- **Defence Stabilisation Phase (Short Term).** The DOD must pursue ongoing efficiency measures through savings and targeted interventions to improve efficiency, effectiveness and economy within the personnel, operating and capital components of the budget, focused on achieving a sustainable DOD against its current budget allocation.

The Future-Defence Concept is an institutional perspective that describes the future features and functioning of the DOD and which will lead to the development of new military fighting concepts and new military doctrine, and the defence capabilities required to support this.

Armcor supports the SA Defence Review 2015 recommendation that supports the adaptation of the Defence Industry to the indicated circumstances. Expertise is provided for 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.

In addition, an expedited acquisition process has been developed and is ready for application whenever the SANDF may have urgent acquisition requirements.

Since the reduction in the defence allocation, Armcor has been engaged with analytical support to the DOD to optimise the value of the allocation.



PART B

Armcor's Strategic focus

PART B: ARMSCOR'S STRATEGIC FOCUS

10. SITUATIONAL ANALYSIS 2023

The DOD's situational analysis provides insight to the evolving external and internal environments that impact on the outputs of the Corporation. The matters identified in the situational analysis are a product of the departmental planning process that has taken 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, economic development and deepened democracy on the continent.

Defence takes into consideration the tasks and commitments arising from the National Security architecture and the requirement to support Government interventions domestically, regionally and on the African continent, through the ability of the DOD to respond appropriately to emerging situations when called upon to do so and to conduct resourced internal and external ordered commitments.

The threat of international terrorism has increased over the last few years with radical groups continuing to destabilise countries and regions of the world. According to the World Economic Forum (WEF) Global Risks Report 2021¹, terrorist attacks is the seventh highest risk in terms of impact that is most likely in the next two years, resulting in loss of life, severe injury and/or material damage. The security circumstances in the Southern African Development Region (SADC), with reference to the Mozambique security state, does not only result in economic instability but contributes to the call on regional security forces to cooperate in the fight against international terrorism.

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 National Development Plan (NDP), Vision 2030. Coupled to this economic under-performance is the increasing socio-economic demands and competing priorities for service delivery that further aggravate an already constrained fiscal outlook.

The International Monetary Fund² (IMF) has indicated that global growth is projected to be 6% in 2021 and 4,4% in 2022, after an estimated historic contraction of -3,3% in 2020 due to the coronavirus (COVID-19) pandemic. The annual Gross Domestic Product (GDP) for South Africa is projected to be 3,1% in 2021, an improvement of 0,3 percentage points from the 2,8% January forecast. The group forecasts annual growth of 2% in 2022 for the country. The COVID-19 pandemic and the subsequent 2020/21 lockdown restrictions, have caused significant disruptions to the South African economy. Data published by Statistics South Africa³ showed that South Africa's economy contracted by 7,2% in 2020. In the first quarter of 2022 (January – March), the South African economy increased by 1,9%, translating into an annualised GDP rate of 4,9%. The Minister of Finance, in the Budget Speech on 23 February 2022, forecasted that the global economy is projected to grow by 4,4% in 2022, which is lower than the 4,9% anticipated in the Medium-Term Budget Policy Statement on 11 November 2021. The South African economy is forecasted to grow by 4,8% in 2022. Real GDP growth of 2,1% is projected for 2022. Over the 2023/24 MTEF, GDP growth is expected to average 1,8%. The annual change in the consumer price index (CPI) was 7,8% in July 2022, up from 7,4% in June 2022.⁴

¹ WEF Global Risks Report 2021.

² International Monetary Fund (IMF) World Economic Outlook, April 2021.

³ Statistics SA: Statistical Release P0441 Gross domestic product First quarter 2022: 07 June 2022.

⁴ Statistics SA: Statistical Release P0141 CPI August 2022: https://www.statssa.gov.za/?page_id=735&id=3: Accessed 05 September 2022.

The conflict between Russia and Ukraine and its effects on commodity markets, supply chains, inflation, and financial conditions have steepened the slowdown in global growth. The possibility of high global inflation could result in a sharp tightening of monetary policy in economies, which could lead to financial stress in some emerging markets and developing economies.⁵ The defence indicative allocation has declined in real terms over the 2023/24 MTEF and immediate short-term. The economic forecast and the current downward trends in the defence funding allocation will continue to constrain the implementation of the National Policy on Defence (SA Defence Review 2015), with an adverse impact on the provision of departmental strategic direction, governance and the ability to modernise and sustain the required defence capabilities in collaboration with the ailing Defence Industry.

The historic and persistent defunding of the defence mandate persists within the context of growing instability in Africa, an ever increasing threat of unconventional warfare, cyber warfare, increasing cyber-attacks, acts of terrorism, cross-border crime, increasing climate change, required humanitarian and disaster relief assistance, increasing requirements for search and rescue operations and support to other departments.

At the start of 2022, 5,4 million deaths from COVID-19 had been reported globally, out of 282 million confirmed cases. Moreover, a significant proportion of those infected by COVID-19 have long-lasting symptoms, some 10% show persistent ill health 12 weeks after having the disease.⁶ The global economic recovery from the recession caused by responses to the COVID-19 pandemic continues but is slowing. After a contraction of 3,1% in 2020, global economic growth is expected to reach 5,9% in 2021 and slow to 4,9% in 2022.⁷ During 2020 the outbreak of the COVID-19 pandemic in South Africa demonstrated the importance of Defence during times of peace, in the fight to combat the disease, enabling the enforcement of the national state of disaster and in support of the country and its people. The ongoing integral contribution by defence remains visible through the National Department of Health, providing expertise inherent in the South African Military Health Services (SAMHS). The DOD may be required to continue deployments as and when required by Government, in combatting the COVID-19 pandemic and other security related requirements during the short- to medium-term. The DOD management and response to the COVID-19 pandemic will be managed as a departmental enterprise risk.

It is evident that the RSA does not only need any form of conflict or humanitarian operations to attract the required levels of funding and capacitation of defence, but even during peace time. It is incumbent on the country to invest and capacitate its Defence Force, thereby ensuring its readiness during times of peace and war, to execute its mandate and render support when so directed by Government.

SOCIAL

World population continues to grow and is projected to reach 8,5 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 Fourth 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 continue to exploit migration tendencies to expand illicit activities undermining sovereignty and economic growth resulting in instability. The outbreak of the COVID-19 pandemic has further exacerbated the socio-economic situation with unforeseen mass job losses in all sectors of the economy. South Africa will remain an attractive destination for migration, straining social services and placing additional pressure on the challenged fiscus, increasing the competition for constrained resources.

The Government's challenge to meet the demand for social services coupled to the lack of employment opportunities, increase in poverty⁸ and inequality⁹ result in increased violent protests, particularly amongst the vulnerable and unemployed youth posing a threat to domestic stability. These violent protests continue to be characterised by lawlessness resulting in criminal acts that continue to undermine the fabric of society with women and children bearing the brunt. Gangsterism and syndicated crime have the potential to undermine the authority of the State.

Protest tipping points could require the employment of the SANDF, in cooperation with the SAPS, to ensure national security and stability. The responsibility of the SANDF for border safeguarding will increase as cross-border migration intensifies.

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.

⁵ June 2022, Global Economic Prospects, The World Bank.

⁶ WEF Risk Report 2022, Page 13.

⁷ WEF Risk Report 2022, Page 13.

⁸ It is estimated that extreme poverty will increase in South Africa by 9% in 2020. (World Bank, Poverty and Equity Brief, April 2020).

⁹ South Africa is one of the most unequal countries in the world with Gini index at 63 in 2014/15. (World Bank, Poverty and Equity Brief, April 2020).

- **Increase in Cybercrimes:**

As the country continues to grapple with the impact of the COVID-19 pandemic, South Africans as with the rest of the world, now have to deal with a sudden surge in cybercrime. Cyber security experts have noted a sharp increase in cybercrimes that include carding, romance scams and compromised business emails. Cyber experts have found that criminals are exploiting the desire for news and information in relation to COVID-19 and are tricking consumers to fake websites, which could compromise personal information.

- **Defence Industry:**

South Africa's Defence Industry is recognised as being among the most technologically advanced in the world. There are in excess of 180 businesses registered with the National Conventional Armaments Control Committee (NCACC) with a primary focus on the manufacturing of weapons of war. The Defence Industry is recognised by Government as a fully-fledged economic sector and should it be adequately funded, has the potential to significantly contribute to the economy of South Africa through job creation, skills development and export earnings. Interventions have been initiated focusing on ensuring the sustainability of sovereign strategic industries, which are at risk and which may disrupt the interdependency within industry. To this end, the NDIC was established to address industry challenges and its objectives are to ensure the industry's products and services are aligned with SANDF requirements; assist the industry to grow and ensure transformation in the industry to reflect South African demographics. The Defence Sector Charter Council (DSCC), which was launched in 2021 as directed by the Defence Sector Charter, is one outcome of the NDIC, and is a representative body comprising stakeholders in the SADI. The aim of the council is to expedite transformation and revitalisation of the SADI ensuring consistent implementation of the Defence Sector Code with a focus on specific targeted areas that are a challenge in transformation. It also seeks to address challenges facing the SADI, including limited economic growth and markets as well as the reduced defence budget. The Defence Sector Charter makes provision for companies to procure at least 60% of products locally. Furthermore, the Defence Industry Fund (DIF) was established to support SMMEs in the defence industry with contract finance.

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. It is anticipated that the SANDF will continue to participate in peacekeeping operations and possible offensive operations, responding to global security threats. The SANDF will ensure that personnel involved in such operations are conversant with International Law regulating the use of force when conducting both offensive and defensive actions in the theatre of operations. In this regard, the DOD (Legal Services Division) will provide pre-deployment training to all deployed SANDF members.

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 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. Armscor supports this outcome with regard to providing 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.

The South African coastline covers a distance of approximately 3 924 kilometres, with the maritime domain remaining crucial to the South African economy with more than 90% of its trade dependent on the security of the seas. Securing the RSA sea trade routes, its territorial waters and the Exclusive Economic Zone is vital to the nation and the State. Maritime threats such as maritime crime and piracy, terrorism, illegal fishing, smuggling of contraband and uncontrolled migration via the sea are ever-present. Pending on the evolving intelligence assessment and available funding, the South African Navy may be required to conduct long-distance maritime patrols off the East Coast and the West Coast of the African Continent, depending on security circumstances along the West Coast of Africa.

10.2 INTERNAL ENVIRONMENT

Armcor strives to become a knowledgeable partner that proactively supports the DOD with the 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 Armcor 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 Armcor.

- **Economic Recession**

The worldwide recession is expected to lower economic growth for South Africa. 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**

Armcor's principal client's – the DOD – budget allocation for the 2023/24 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 Armcor 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 has been reduced substantially with the bulk of the previous projects being delayed extensively or being cancelled. This reduces the demand for Armcor acquisition services over the medium-term and possible scaling down of highly skilled and highly specialised workforce.

The Corporation has regarded the decline in the budget as a challenge and has developed appropriate strategies to emerge from this situation as a strong service provider, not only to the DOD but also to other government departments. To this extent, cost containment initiatives, such as voluntary severance packages, resulted in a positive net result being achieved. However, the Corporation remains under considerable financial pressure to obtain sufficient sustainable funding to address equipment renewal, rejuvenation and transformational objectives.

Significant budget cuts in the Special Defence Account (SDA), which funds all capital projects, resulted in the surrendering of all funding except for projects that had already been contracted.

This reduction in capital funding resulted in various projects that were in the early phases of the acquisition process to be terminated and for others, executed only up to the next logical phase after which all work will be suspended. The reduction in the capital budget will have a significant impact, not only on the local defence industry and on the maintenance of strategic and sovereign capabilities within the industry, but also on the operational readiness of the SANDF going forward.

Armcor's financial well-being was negatively impacted by the prevailing fiscal constraints and the Corporation logically looked elsewhere for revenue generating projects. In this regard, the process of positioning Armcor as the primary procurement agency for the South African Government's security cluster; sweating its own assets; sourcing contracts from foreign governments through government to government contracting and through IP exploitation was initiated. These initiatives are taking longer than expected to produce the results anticipated by Armcor. Armcor will however continue to strengthen its efforts and focus on these vital initiatives.

- **Corporate Governance and Accountability**

Armcor adheres to the principles of good corporate governance enshrined in the Public Finance Management Act (Act No. 1 of 1999) (PFMA), (as amended), Companies Act (Act No. 71 of 2008), (as amended), and King IV Report on Corporate Governance for South Africa. The observance of these principles ensures that Armcor 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 Armcor, its shareholder (represented by the Minister of Defence and Military Veterans), the SADI, and the South African public as a whole. Furthermore, Armcor strives to maintain a satisfactory audit.

- **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 SA Defence Review 2015, and the urgency in meeting the matériel needs of the SANDF while engaged in external deployment, called for a review and change of the Armcor acquisition process, as well as the skills sets to be entrenched in Armcor. The following processes were reviewed and improved:

- Acquisition process: a cost-effective, adaptable, and agile acquisition capability, which provides an expedited service delivery to the DOD requirements (i.e. process improvement, shortened tendering process for urgent requirements, including lifecycle approach, providing capability rather than product). The acquisition processes was 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.
- 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 2023 environmental scan focused on the political, economic, social, technology, legal, environmental and military dimensions.

11.2 The following important developments and possibilities have emerged from the scan:

- The global context is significantly uncertain due to rare major events occurring simultaneously: such as the Russia Ukraine conflict, the many downstream consequences of the COVID period and an expedited global reaction for many reasons towards adopting alternative energy solutions. The combination of the effects of the Russia Ukraine conflict as well as efforts to reduce the negative consequences of the economic incentives by many governments in the COVID period, is foreseen to lead to an extended period of subdued global economic growth. This applies especially to Europe as it combines with factors introduced by the Russia Ukraine conflict. The European Union is the main trade partner of Africa. Germany is South Africa's second largest trading partner.
- Food security in Africa with its burgeoning cities, accompanied by large informal settlements and high dependency on imported staples, was on a downward trend since 2014. The situation was exacerbated by the Russia Ukraine conflict, which combined with influences such as severe weather. The probability of meeting the food security target within the Sustainable Development Goals for 2030 is low and higher than average food inflation in the short term is probable when increasing transport costs are also considered.
- Within Sub-Saharan Africa, democratisation progress is erratic. On the one hand, democratic process and the Rule of Law has demonstrated itself in recent Kenyan and Malawian elections. On the other hand, the trend in terms of coups is upwards, ostensibly with the pro-governance aim to remove presidents that behave unconstitutionally or to enable the "liberator" to "serve the people" by rectifying the unequal distribution of national wealth by the elite. Ancient societies/states in Africa are marred by violence against the state.
- In SADC democratisation progress can be observed in major changes in some countries through elections or through intervention by judicial process. Other countries are marred by popular violence against long serving rulers or populations are suffering under a relatively new "liberator" through the absence of basic services.
- In the case of South Africa many of these global and continental influences combine and adds to an already stressed national situation. Economic growth has recovered to levels equal to the pre-COVID period, implying two lost economic years. The already high demands on the fiscus, driven by demographics, have not tapered off during those years. The previously projected limited economic growth for the short term has been lowered after superimposing the factors discussed above over the pre-COVID factors. Unemployment is growing unabated over the long term. The ability of government to meet the needs of the vulnerable is reducing in line with the fiscal position of the RSA.
- The probability of severe weather in the countries next to the Mozambican channel is high, in the form of multiple cyclones in a given season and probably only a few weeks apart. The accompanying human disasters are well known to those in Madagascar, Malawi, Mozambique and KwaZulu-Natal. In the case of KwaZulu-Natal there are also major economic consequences in the form of reduced productivity from entities such as the Port of Durban or large employers such as Toyota.

- Politically, it is plausible that South Africa may soon join the group of nations in the SADC region, where the colonial liberation movement is no longer in power. This introduces the possibility of acrimonious and opportunistic alliances with an accompanying instability of policy (investment implications) and poor focus on the needs of the electorate.
- Declining infrastructure in South Africa - transport, electricity, harbour productivity and effective water shortage at the point of consumption – is set to constrain business activity and perceived service delivery by the population more than expected a year ago. The first relief could be expected on the front of electricity supply as alternative energy schemes by major business are introduced at best speed, re-establishing a key catalyst of economic growth.
- The integrated effect of the above is that the vulnerable in South Africa may be entering into an era of reduced service delivery, reduced support from the government in the form of grants, reduced employment, effective water and electricity scarcity as well as rising food and transport costs.
- In this context the probability is low that government will maintain defence funding at current levels. National Treasury has already indicated its intent to reduce the defence allocation by an additional 10% over the MTEF. The probability of capital expenditure on main equipment by the SANDF is negligible in such a context and even operating expenditure on ageing equipment could be severely limited.
- Despite many areas of conflict in Africa, the demand for armaments stays 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, with exceptions towards the procurement of drones, which are no longer viewed as high technology. The countering of Improvised Explosive Devices (IEDs) are still a top military priority. Kenya is positioning itself to become the continental centre of excellence for this purpose. The utility of the cyber environment has demonstrated itself in the Russia Ukraine conflict and this fifth domain of warfare is starting to receive the attention it deserves on the continent.
- 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, China and the USA. 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.
- Some of the nascent weapon industries on the continent are rising steadily and are increasingly manufacturing products that are competing directly with those of South African manufacturers. As part of market entry these products are then provided either free or at excellent prices to the regional multinational task force for regional operations.
- The two military “interventions” in SADC (Cabo Delgado and Goma) are following the same pattern as other interventions in the continent. They evolve into drawn out deployments with a small chance of decisive developments.
- The DOD has been forced over the years to pragmatically focus on border safeguarding (land/sea/air/cyber), peace missions and interventions. The demand for humanitarian operations in the region and in the RSA may well increase due to an increase in severe weather patterns, due to global climate change. The Ministerial Directives are indicating that the trend of increased utilisation of the SANDF will probably continue and that additional capability may be required for internal safeguarding and cyber operations. This may be accompanied by the procurement of small volumes of matériel for specific operations.

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. The SWOT analysis was revised and the following in Table 1 are 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 Armscor Act. • World-class technical expertise in niche defence technology. • International recognition for technical capability. • Established governance process. • World-class research, test and evaluation facilities. • Governance record supported by established quality management systems. 	<ul style="list-style-type: none"> • Limited commercialisation and business development capabilities. • Slow conversion rate of business opportunities. • Acquisition turnaround times.
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 targeted geographies. • Collaborative/Strategic partnerships. 	<ul style="list-style-type: none"> • Denel's sustainability and current performance on defence contracts. • Industry performance and sustainability. • Inadequate information and communication technologies in South Africa. • Reliance on insufficient DOD transfer payment. • Reduction in the DOD budget. • Insufficient funding to sustain facilities. • Pandemics.

12. ARMSCOR'S CONTRIBUTION TO NATIONAL IMPERATIVES OF GOVERNMENT

12.1 National Development Plan, Vision 2030

The 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 8 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 outcomes, as expressed in the NDP, Vision 2030, and will contribute to the following initiatives:

- sharpening South Africa's innovative edge by continuing its contribution to global scientific and technological advancement;
- implementing greater investment in research and development and better use of existing resources;
- facilitating innovation and enhanced co-operation between public service and 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 Armscor's 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 8: Aspects that form the cornerstone of the National Development Plan, Vision 2030



12.2 The NDP Implementation five-year Plan and Revised MTSF Priorities (2019 - 2024)

The implementation of the NDP, Vision 2030, through the NDP five-year Implementation Plan will mainly focus on job creation, poverty reduction and the reduction of inequality.

- **MTSF Pillar 1: “Achieving a more capable state”.**
 - MTSF Apex Priority 1: “A Capable, Ethical and Developmental State”.
 - MTSF Apex Priority 7: “A Better Africa and a Better World” (DOD Direct).
- **MTSF Pillar 2: “Driving a strong and inclusive economy”.**
 - MTSF Apex Priority 2: “Economic Transformation and Job Creation”.
- **MTSF Pillar 3: “Building and strengthening the capabilities of South Africans”.**
 - MTSF Apex Priority 3: “Education, Skills and Health”.
 - MTSF Apex Priority 4: “Consolidating of Social wage through reliable and Basic Services”.
 - MTSF Apex Priority 5: “Spatial Development, Human Settlements and Local Government”.
 - MTSF Apex Priority 6: “Social Cohesion and Safer Communities” (DOD Direct).

The Governmental MTSF Apex Priorities, to which the DOD will contribute, is supported by Armscor. The Priorities are:

- MTSF Apex Priority 6: “Social Cohesion and Safer Communities”.
 - South Africa's borders are effectively defended, protected, secured, and well-managed: Armscor supports this outcome with regard to providing 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.
 - Secure cyber space: Armscor provides support for capacitating a Cyber Security Institution in the establishment of the Cyber Command Centre Headquarters.
 - Corruption in the public and private sectors is reduced: Armscor will prevent corruption where prevalent and in the execution of Armscor's mandate.
- MTSF Apex Priority 7: “A Better Africa and a Better World”.

- Political cohesion in Southern Africa, to ensure a peaceful, secure, and stable Southern African region: Armscor supports the DOD by supplying the necessary security equipment.

Armscor will endeavour to support the following Government Priorities over the 2019 - 2024 MTSF:

- MTSF Apex Priority 1: Capable, Ethical and Developmental State, by ensuring improved governance and accountability through compliance to regulatory frameworks, such as the PFMA (Act No. 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 Apex Priority 2: Economic Transformation and Job Creation, through sustainable acquisition of weapon systems and local procurement of goods and services. Armscor continues making meaningful impact in communities, through Corporate Social Investment. Much has been done regarding education to assist learners from previously disadvantaged communities to improve their performance and results in science, technology, engineering and mathematics.
- MTSF Apex 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 skills 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 skills 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 Apex 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 Apex 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 and 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. Furthermore, Armscor will provide support to the DOD in the establishment of a Cyber Academy.
- MTSF Apex Priority 7: A Better Africa and 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 New Growth Path

Government released the Framework of the New 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 2025. 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.

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

Armscor's Learning and Development function's focus is to consistently develop and sustain the relevant and required critical skill of employees. The aim is 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. Armscor 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, Armscor amended the procurement process to include Military Veterans, where applicable.

Armscor promotes Military Veterans interest through the SCM and Armscor will re-establish the unit to drive the process.

Armscor spearheaded the process of the development of the Defence Sector Charter, with NDIC partners, which was gazetted by the Minister of Trade and Industry. This provides a regulated way of transforming the defence industry and bringing in new entrants in support of the national imperatives. It shall implement it to transform SADI in terms of B-BBEE. The codes of the charter are deliverables for participants in SADI. Armscor supported the launch of the DIF to solve funding challenges faced by SMMEs in SADI.

NDIC was established as a significant policy making co-ordination tool for the defence industry. Armscor forms part of the NDIC. The Corporation has provided support to the development of the National Defence Industry Strategy and will continue to do so in the year ahead as the implementation framework unfolds.

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. Armscor 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 NDIC will constitute the highest consultative body between the DOD, Armscor, SADI, and the Department of Small Business Development on matters of policy formulation and compliance, export support, armament acquisition, and joint planning. Armscor 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 Department of Trade, Industry and Competition (dtic) 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 the dtic 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 IP;
- expediting acquisition; and
- developing an industry sector strategy.

12.5 The Forum of South African Directors-General

The Action Plan (2009 – 2019) was adopted by Government and finds expression in the Corporate Plan 2023/24, and individual performance agreements. Armscor supports the following Forum of South African Directors-General (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 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 Business Enablement 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 and employee disputes:
 - 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 strives to obtain a satisfactory audit:
 - Armscor has applied the principles of good corporate governance across every single face of its operations.
- In support to the Minister of Defence and Military Veterans performance agreement with the President, Armscor will continue to strive to:
 - Reduce the number of audit qualifications.
 - Reduce wasteful and fruitless expenditure.
 - Reduce irregular expenditure.
 - Ensure the submission of Armscor's Senior Management Agreements and the submission of Senior Management, members involved in the financial and procurement processes (Financial Disclosures).
 - Ensure the development and submission for Executive Authority approval of Corporate Plan (Submission of Armscor Corporate Plan for 2024).
 - Development and submission for Executive Authority approval of Armscor's Quarterly Performance Reports (Non-financial and financial).
 - Development and submission for Executive Authority approval of the Annual Report (2nd quarter).
 - Ensure that the Shareholder compact is updated and submitted to the Executive Authority, in the specific quarter.
 - Armscor Corporate Plan: Submission of draft Armscor Corporate Plan to National Treasury and Department of Planning, Monitoring and Evaluation (DPME) in the 2nd quarter and the final Armscor Corporate Plan for approval by the Executive Authority and tabling in the 4th quarter.
 - Submission of Armscor's Accountability Documents, which include the timeous submission of the SMS Agreement, SMS Financial Disclosures, Armscor Annual Report and Armscor Quarterly Report (EQPR).

12.6 Sustainable Development Goals

- The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future, as reflected in Figure 9. The Sustainable Development Goals (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 9: 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 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 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 Goal 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, and 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 Policy, whereby Armscor aims to grant 23 bursaries per year.
- Corporate governance is enshrined in the King IV Report on Corporate Governance for South Africa. Armscor embraces the principles in this report and continues to strengthen its departmental role and function in the governance, risk and compliance functions through ethics and integrity.
- The implementation of the Public Service Integrity Management Framework in all government departments also informs Armscor’s Code of Conduct. Armscor’s Code of Conduct demonstrates its commitment to the highest ethics and integrity aspirations. Armscor also has the mechanisms, as stated below, to facilitate ethical execution of its mandate through:
 - 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 (2023)

During the State of the National Addresses (SONAs) of the previous 2014 - 2020 MTSF, and the SONA held by the 6th Administration on 09 February 2023 respectively – the President has laid out the government’s main objectives for 2023 in his SONA. These include, amongst others, addressing loadshedding, unemployment poverty and rising cost of living, education, skills and health, fighting crime and corruption, gender-based violence and femicide, and building a capable, ethical and developmental state.

In relation to Defence, the President highlighted that the RSA will use its membership at international, and continental bodies to promote peace and security on the continent. Defence will contribute to the UN, AU and SADC operations and initiatives through conflict prevention, peacekeeping, peace, security and post-conflict reconstruction and development as ordered by Government.

Armscor supports the DOD to achieve pronouncements of the SONA.

13. MINISTER OF DEFENCE AND MILITARY VETERANS PRIORITIES FOR 2023/24 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:

Priority 1: Provide Strategic Direction to the DOD:

- **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 on the 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. Armscor provide support in the implementation of the non-costed deliverables as per the DOD Plan to Arrest the Decline.
- **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. Armscor provide support to the DOD with the Military Strategy, Force Design and Structure.

Priority 2: Ensure Departmental Governance, Administration and Accountability within the Regulatory Framework. Armscor operates within the parameters of good corporate governance in all its work. Furthermore, Armscor has lived up to its values and has continued to exemplify good corporate governance principles.

- **Departmental governance, administration and accountability.** Ensure the required levels of departmental governance, administration and accountability at all levels of the organisation, thereby ensuring the effective and efficient utilisation of scarce resources within prevailing legislative requirements and material regulatory frameworks.
- **Strategic Resourcing.** Revenue Generation to Supplement the Insufficient Fiscal Allocation. Direct a focused effort to identify alternative funding and revenue generation streams that include, amongst others, maximised reimbursements against agreed upon Memoranda of Understanding and the sweating of departmental assets.
 - In an effort to supplement the declining budget, Armscor can sweat its own assets (i.e. properties). The four properties include two in Erasmuskloof and one each in Pretoria West and the Northern Cape.
- **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 an equitable (this includes both race, gender and former force) departmental 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.
 - Armscor continues to implement cost containment measures to manage operational expenditure. The implementation of possible future voluntary severance packages, whilst retaining scarce skills and technology capabilities form part of the cost containment measures.

Priority 3: Execute Prioritised Ordered Defence Commitments in Accordance with South Africa's Defence and Security Requirements:

- **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 MRO of land, air, maritime and military health equipment and cyber capabilities that are required for both force preparation and force employment.

- Through the 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. Armscor has provided support to the development of the National Defence Industry Strategy and will continue to do so in the year ahead as the implementation framework unfolds. The Defence Industry Strategy is in the phase of being converted into an implementation framework. Armscor is providing uninterrupted capacity to activities such as those that can improve the situation within the local defence industry. The focus of the framework was mostly on the longer term. Members of industry were identified who may be in financial dire straits in the period while the implementation framework is under development. Potential solutions for them and financial concepts for industry as a whole are currently receiving attention in the development of the implementation framework.
- **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 by:
 - Support the Minister of Defence and Military Veterans in the national efforts for the prevention and combating the spread of COVID-19 and national disasters through participation in the Justice Crime Prevention and Security (JCPS) Cluster.

13.1 Armscor Focus Areas

The backbone of the SANDF is an effective and efficient sustainment system. The SANDF is highly dependent on a healthy and sovereign indigenous local defence industry.

One cannot ignore the desperate plight of the Defence and Defence-related Industry. This sector has historically delivered an excellent return on government investment, and is currently not only a mainstream industrial manufacturing and development role-player, but also key to the sovereignty of South Africa and the deep-level support required by the SANDF.

The Minister of Defence and Military Veterans Budget Vote of 24 May 2022 highlighted the following Armscor Strategic Focus Areas for implementation:

- a. Commission a hard-hitting, factual and uncompromising review of the state of public and private companies in the Defence and Defence-related Industry.
- b. Provide a sober, realistic and unemotional analysis of capabilities and capacities remaining in the public and private components of the industry so that we can make hard choices against an informed base.
- c. Within this context, suggest measures, interventions and mechanisms that will improve industry support to the SANDF, including support to operational deployments domestically and internationally.
- d. Posit a new relationship with the Industry and other stakeholders that ensures the modernisation of the SANDF.
- e. Provide a clear strategy on the repositioning and rebuilding of the Defence and Defence-related Industry in a manner that enhances the sovereignty of the Republic, inclusive of an amplified role for Armscor with the Industry.

14. ORGANISATIONAL ENVIRONMENT

14.1 The Board of Directors

Armscor is a statutory body. The Minister of Defence and Military Veterans is the Executive Authority responsible for Armscor to act as a Corporate Governance Board.

In terms of Regulation 29.2 of the PFMA, (Act No. 1 of 1999) (as amended), the Accounting Authority for the public entity listed in Schedule 2, 3B or 3D must, in consultation with its Executive Authority, annually conclude a Shareholder's Compact.

This Shareholder's Compact is based on accepted principles of corporate governance as provided for in the following instruments:

- Armscor Act, 2003 (Armscor Act No. 51 of 2003);
- PFMA, 1999 as amended (Act No. 1 of 1999);
- Companies Act (Act No. 71 of 2008);
- Protocol for Corporate Governance in the Public Sector; and
- King IV Report.

The Shareholder's Compact is entered into between the Board of Directors of Armscor duly represented by the Board Chairperson and the Shareholder (the Government of the RSA) duly represented by the Minister of Defence and Military Veterans. This Shareholder's Compact is revised annually.

The management and control of Armscor 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, Industry Support and Sustainability Committee;
- the Human Resources, Social, and Ethics Committee; and
- the Military Veterans Committee.

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

Figure 10 represents Armscor's current Board of Directors and an abridged curriculum vitae of each Board member is attached as Annexure B.

Figure 10: Armscor's Board of Directors



Dr. P.D. Dexter
Chairperson

(Vacant)
Deputy Chairperson



Adv. S.P. Matsane
Company Secretary



Amb. T.J. Ndhlovu



Dr. R.C. Lubisi



Ms R. Matenche



Ms P.N. Mashinini



Ms F. Skweyiya-Gushu



Mr T.M. Sukazi



(Vacant)
Board Member

Adv. S.P. Mbada
Chief Executive Officer



Mr J.G. Grobler
Chief Financial Officer

14.2 Executive Committee

In the execution of its functions, Armscor establishes and maintains capabilities and technologies that are required to fulfil its mandate, such as appropriate programme management systems, the Defence Industrial Participation (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 complied with, with respect to the Board of Directors and the Executive Committee of Armscor. 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:

Executing Functions:

- Acquisition and SCM;
- Research and Development; and
- Armscor Dockyard.

Supporting Functions:

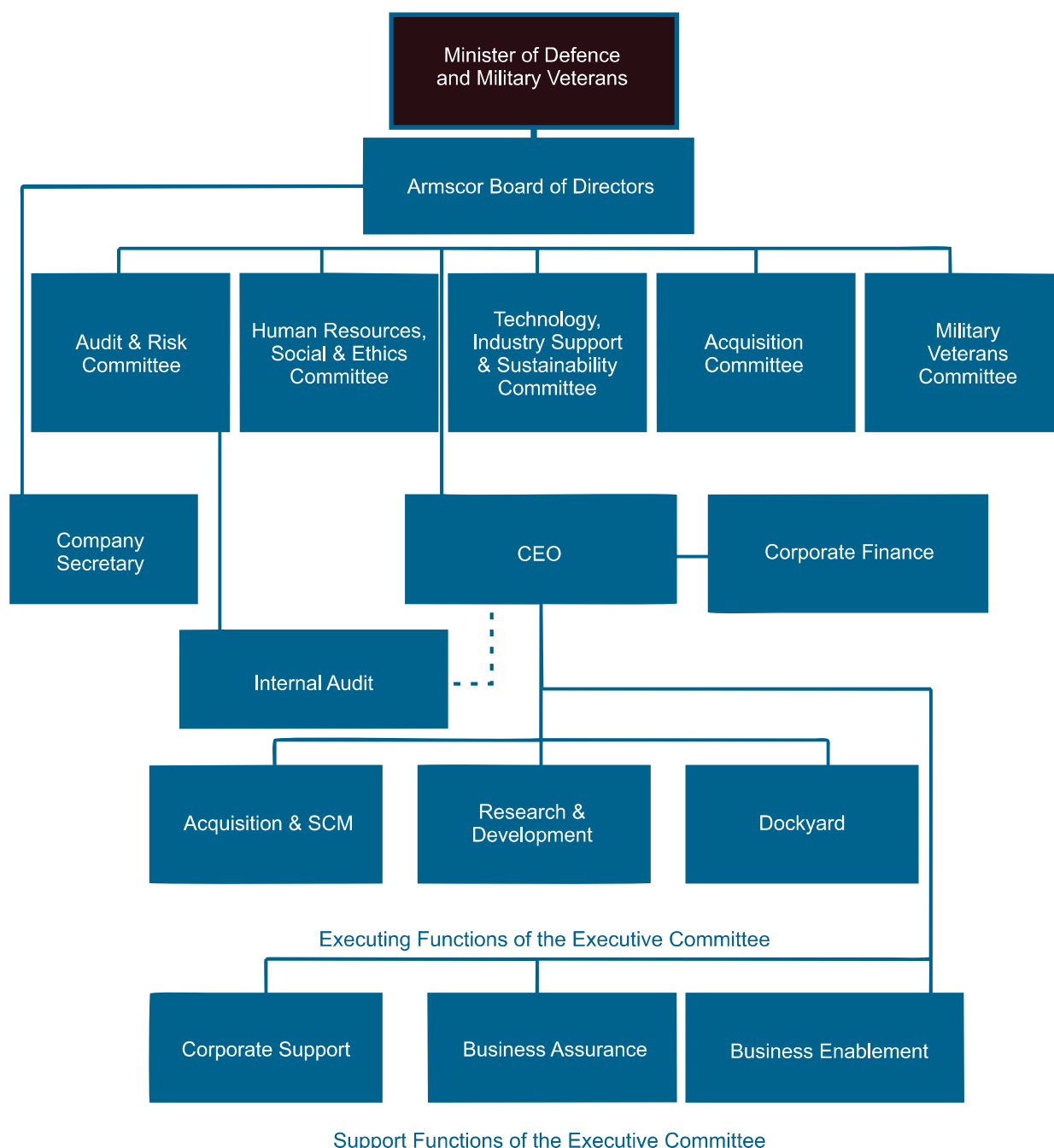
- Corporate Finance;
- Corporate Support;
- Business Assurance; and
- Business Enablement.

Business Units are divided into departments, divisions or facility-unit levels. It is, therefore, Armscor's policy to minimise levels of management in the Corporation and to provide for broad bands in its personnel categories. Figure 11 represents Armscor's organisational and reporting 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 Minister of Defence and Military Veterans.

Figure 11: Armscor's Organisational Structure



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 service level agreement, and secondary payments for services rendered to the DOD in terms of memorandum of agreement;
- 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 (ERGOTECH) – ergonomics research.
 - viii Hazmat – impregnation of activated carbon and manufacturing respiratory products.
 - 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.
 - x Cyber Security.
- k) management of the Armscor Dockyard as a strategic facility of the South African Navy, to be available for service provision to the DOD;
- l) management of the capabilities mentioned in h) and i) above;
- m) 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 South African Aerospace, Maritime and Defence Industries Association (AMD), who meet on a regular basis in structured forums;
- n) provision of defence operational research; and
- o) 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 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.

Armcor's Corporate Strategy and Planning supports and is in alignment with the DOD Planning Instruments and the National Regulatory Framework. Armcor Corporate Plan, together with the DOD Annual Performance Plan (APP), Castle Control Board and the Military Ombud APPs, is tabled annually in Parliament during March. Since 2015, the DOD Planning Instruments were tabled in Parliament on time, which means full compliance by the Department and Armcor with Regulatory Frameworks. Armcor also presented its Corporate Plan to the Portfolio Committee on Defence and Military Veterans, which was approved and adopted by the Committee, since 2015 and Annual Report in Quarter two (September).

14.5 Human Capital provided for the 2023/24 Financial Year (Table 2)

Table 2: Armcor's Human Capital for 2023/24 Financial Year

Armcor Group	Total Permanent Employees	Total Contract Employees (excl. TDPs & Ledger fund)	Talent Development Programme (TDP)	Total Employees
Armcor (Excluding R&D)	604	13	12	629
Research & Development	301	30	16	347
Armcor Dockyard	354	13	4 TDPs and 1 Apprentice	372
TOTAL	1259	56	33	1 348



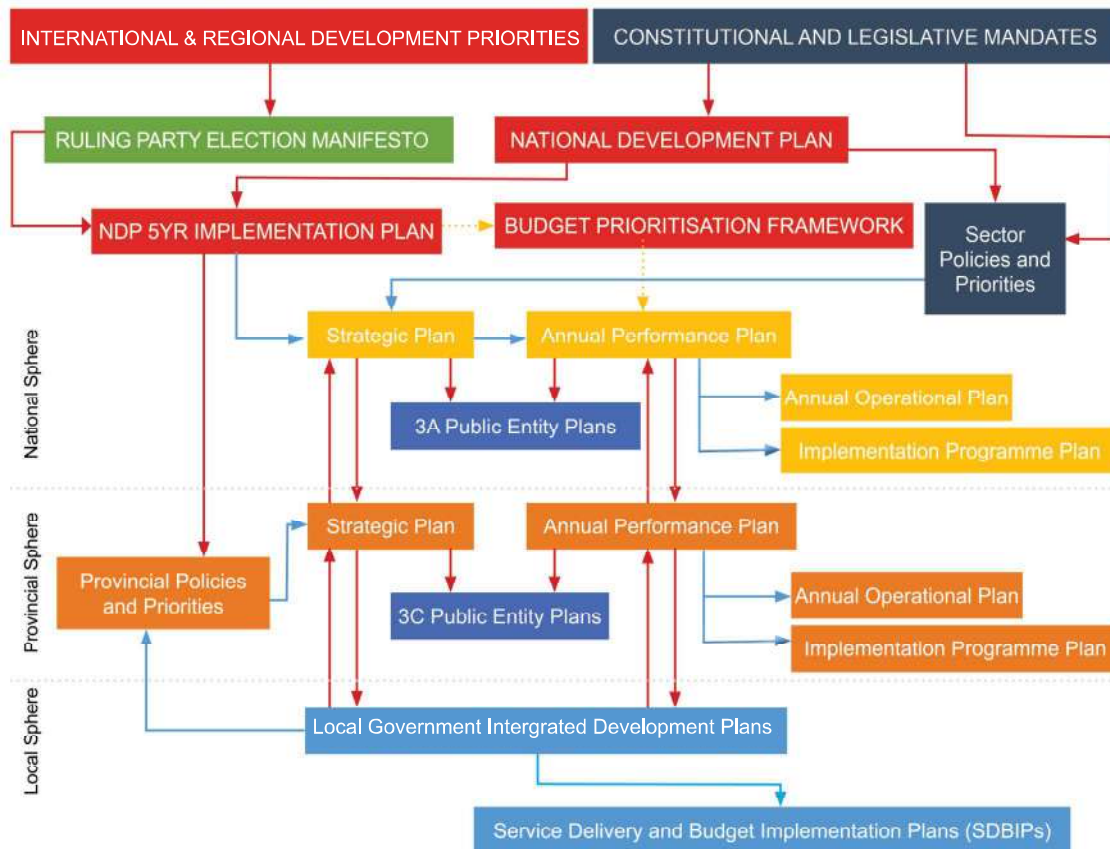
PART C

Measurement of Armscor Performance

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, and the NDP five-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 Strategic Plans (SPs) and APPs and as reflected in Figure 12.

Figure 12: 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)

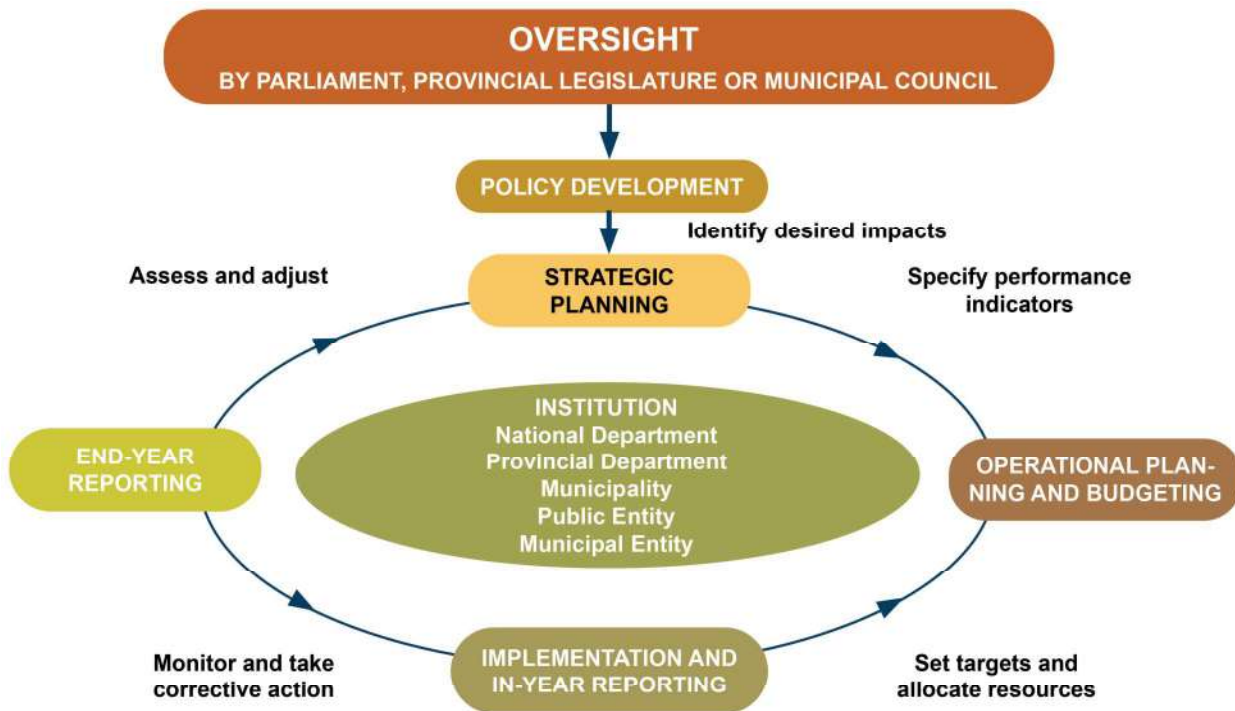
The Armscor Cycle, which is aligned to the National Planning, Budgeting, and Reporting Cycle, provides the Corporation's norms and standards within which outcomes-based planning, budgeting, reporting, and risk management processes are executed in the realisation of the Armscor mandate. The Armscor Cycle 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, focuses 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

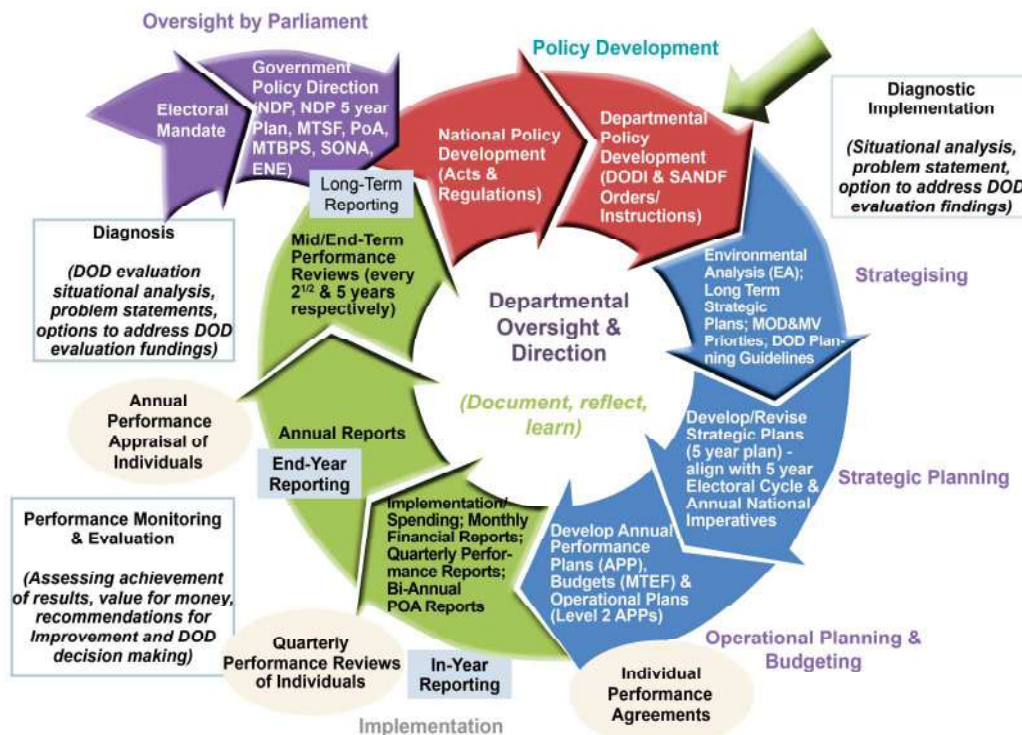
Figure 13, to which Armscor is aligned.

Figure 13: National Planning, Budgeting and Reporting Cycle



The Armscor Cycle is outlined in Figure 14, with a subsequent brief description of each of the main components of the cycle.

Figure 14: 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 strategy that informs subsequent long-term (core and functional) strategies. This component takes into consideration the annual assessment of the prevailing departmental 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 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 review. 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 (Results-Based Model)

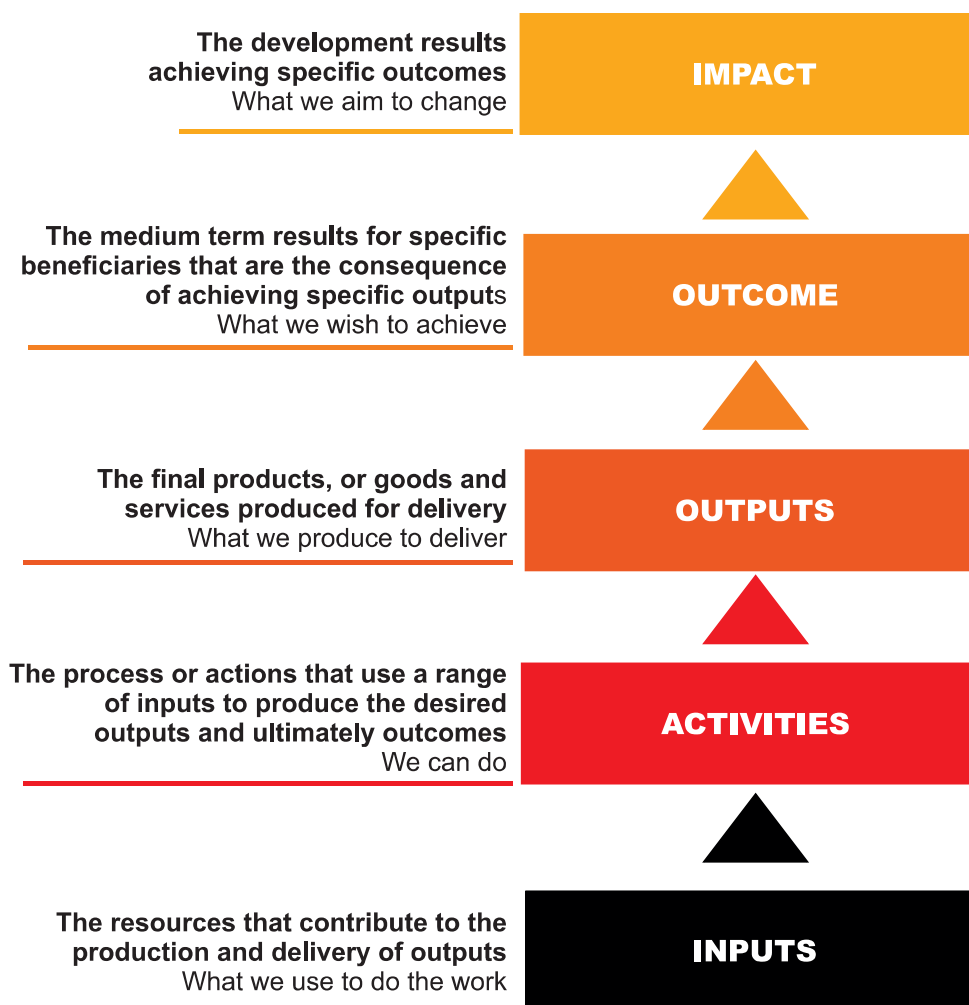
The Armscor Results-Based Model was developed in alignment with DPME requirements, as prescribed in the DPME revised framework for Managing Programme Performance Information. However, from a governance perspective, Armscor has ensured alignment with DPME's revised framework. Armscor's outcomes-based planning, budgeting, risk management, and reporting processes will be executed in the realisation of the Armscor mandate as translated into the Armscor's Results-Based Model. The Results-Based Model concepts as implemented in Armscor are depicted in Figure 15, as stated in the Armscor Corporate Plan.

- **Armscor Results-Based Model Overview**

Armscor Results-Based Model¹⁰ is developed in alignment with the National Treasury "Logic/Results-Based Model" (Figure 15) requirements as prescribed in the National Treasury Framework for Managing Programme Performance Information and the Results-Based Concepts as articulated in the Revised Framework for Strategic Plans and APPs as directed by the DPME

¹⁰ Terminology aligned to the DPME Revised Framework 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.

Figure 15: Key Performance Information Concepts (Results-Based Model)



The inputs and building for the future are done through the internal process. The key components of the logic model are as follows:

- **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.

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 Results-Based Model

The Armscor’s Results-Based-Model (Figure 17) was developed in conjunction with the DOD. It is in support and aligned with the DOD Results-Based Model (Figure 16), which is also in accordance with the National Treasury Framework on Strategy and Programme Performance Information.

Figure 16: Department of Defence Results-Based Model

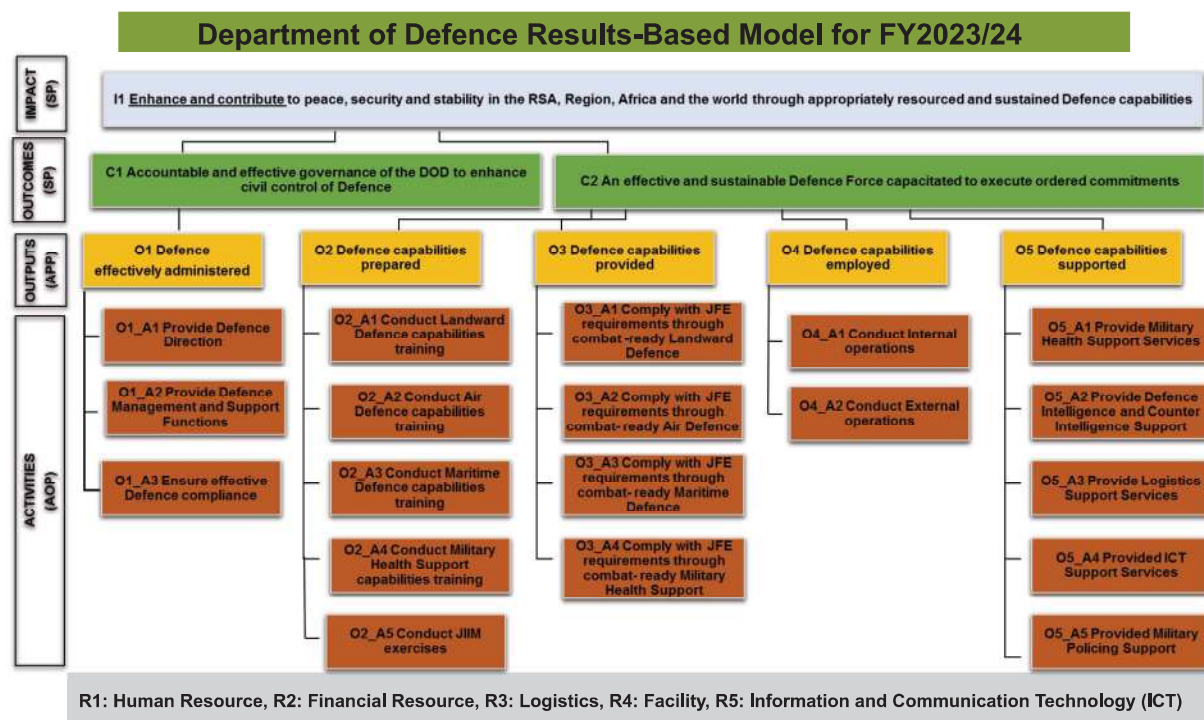
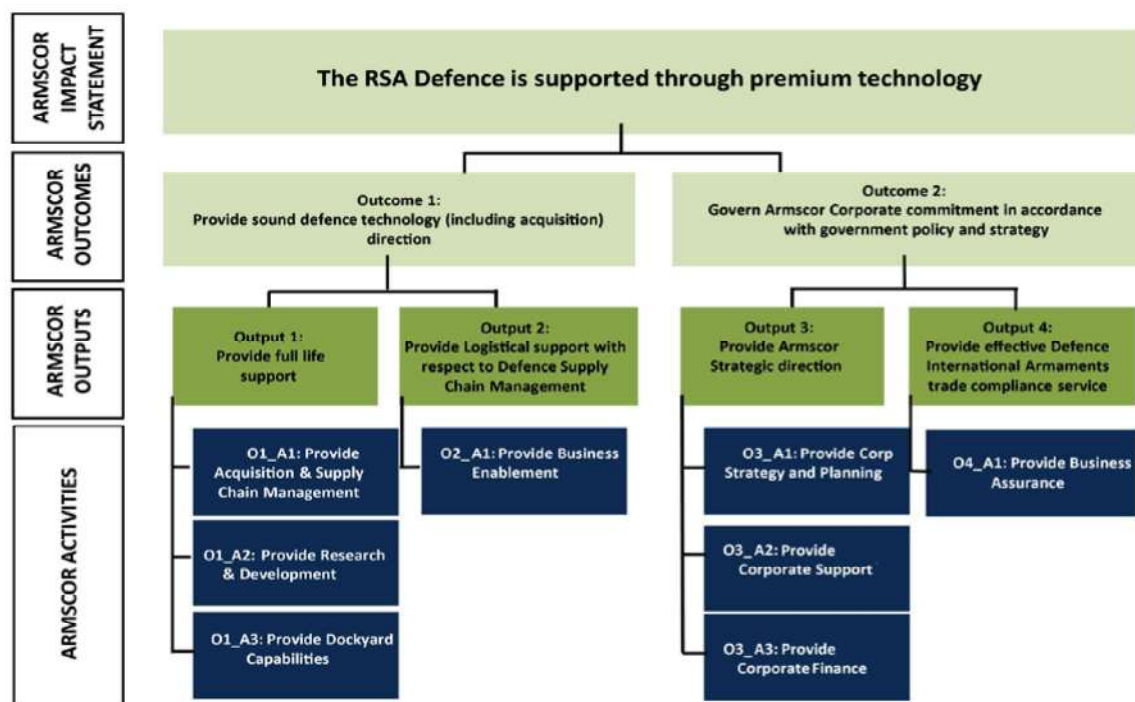


Figure 17: Armscor Results-Based Model



16. ARMSCOR'S SERVICE DELIVERY INDICATORS¹¹

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

Output 1: Provide full life support

16.1 Output (A1): 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 Output (A1): 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 Output (A1): Management of Defence Industrial Participation (Goal 4)

The output is defined as follows:

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

16.4 Output (A2): Management and execution of defence technology, research, and test and evaluation 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 Output (A3): Performance against mandate (Goal 6)

The output is defined as follows:

The Service Level Agreement between Armscor and the South African Navy specifies targets to be reached for the Dockyard

¹¹ Aligned to National Treasury Regulations for Public Entities Schedule 2, with a three-year focus.

Table 3: Armscor's Service Delivery Indicators

GOAL 1 (A1): CAT 1 CAPITAL DEFENCE MATÉRIEL ACQUISITION, EXCLUDING STRATEGIC DEFENCE ACQUISITION, INCLUDING TECHNOLOGY ACQUISITION (2023)

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2019/20	2020/21	2021/22		2023/24	2024/25	2025/26
1.1 Percentage of DOD Capital requirements converted into orders placed. Capital requirements will be registered upon approval of the Project Study Report by the DOD and the Functional Baseline by Armscor, and confirmation by the DOD of funds availability. (Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid 3A requirements from the DOD).	Service Level Agreement	99,97%	98,23%	100%	95%	95%	95%	95%
1.2 Percentage execution of contracts as measured through actual cash flow on DOD orders placed. (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	Service Level Agreement	103,18%	97,39%	107,42%	95%	95%	95%	95%

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2019/20	2020/21	2021/22		2023/24	2024/25	2025/26
Armcor's control that is due to the user or the DOD will be done with the consent of the DOD).					2022/23			

Quarterly Targets

Output Indicator:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 st	2 nd	3 rd	4 th
1.1 Percentage of DOD Capital requirements converted into orders placed. Capital requirements will be registered upon approval of the Project Study Report by the DOD and the Functional Baseline by Armcor, and confirmation by the DOD of funds availability. (Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid 3A requirements from the DOD).	95%	-	-	-	95%
1.2 Percentage execution of contracts as measured through actual cash flow on DOD orders placed. (Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armcor's control. Any adjustment deemed to be beyond Armcor's control that is due to the user or the	95%	-	-	-	95%

Output Indicator:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 st	2 nd	3 rd	4 th
DOD will be done with the consent of the DOD).	2023/24				

GOAL 2 (A1): SYSTEM SUPPORT ACQUISITION AND PROCUREMENT (2023)

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2019/20	2020/21	2021/22		2023/24	2024/25	2025/26
2.1 Percentage of DOD system support and procurement 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. (Target set to measure the actual commitment of funds against the formally planned value of commitments,	Service Level Agreement	92,45%	98,34%	96%	95%	95%	95%	95%

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2019/20	2020/21	2021/22		2023/24	2024/25	2025/26
which is based on requirements received and confirmed as valid requirements from the DOD).					2022/23			
2.2 Percentage execution of contracts as measured through actual cash flow on DOD orders placed. (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).	Service Level Agreement	123,35%	96,27%	103,20%	95%	95%	95%	95%

Quarterly Targets

Output Indicator:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 st	2 nd	3 rd	4 th
2023/24					
95%		-	-	-	95%
2.1 Percentage of DOD system support and procurement requirements converted into orders placed including:					

Output Indicator:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
			1 st	2 nd	3 rd	4 th
2.2	<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>					
	<p>Percentage 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>	95%	-	-	-	95%

GOAL 3 (A1): SCHEDULE PLACEMENT (2023)

Output indicator	Programme/Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2019/20	2020/21	2021/22		2023/24	2024/25	2025/26
3.1 Average time taken to convert DOD requirements into orders including: <ul style="list-style-type: none"> confirmation of requirement; submission of a top-level project schedule (Planning Document) to DMD within 14 working days; completion of sourcing process; and approval and placement of order. (Time taken from registration of requirement to placement of contract-excluding time required for FA approval).	Service Level Agreement Days for shortened process commercial off-the-shelf (COTS) items Days for non-COTS and Product Support General Defence Accounts (GDA) procurement Days for Special Defence Account (SDA) acquisition programmes (SDA acquisition includes capital and technology acquisition)	88,48 days for shortened process COTS items	64,65 days for shortened process COTS items	78 days for shortened process COTS items	90 days for shortened process COTS items	90 days for shortened process COTS items	90 days for shortened process COTS items	90 days for shortened process COTS items
		83,84 days for non-COTS and Product Support GDA procurement	104,42 days for non-COTS and Product Support GDA procurement	74 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	120 days for non-COTS and Product Support GDA procurement	120 days for non-COTS and Product Support GDA procurement
		150 days for SDA acquisition programmes	147,47 days for SDA acquisition programmes	128 days for SDA acquisition programmes	140 days for SDA* acquisition programmes	140 days for SDA* acquisition programmes	140 days for SDA* acquisition programmes	140 days for SDA* acquisition programmes

Note: * Relates to historical programmes

Quarterly Targets

Output Indicator:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 st	2 nd	3 rd	4 th
3.1 Average time taken to convert DOD requirements into orders including: <ul style="list-style-type: none"> confirmation of requirement; submission of a top-level project schedule (Planning Document) to DMD within 14 working days; completion of sourcing process; and approval and placement of order. (Time taken from registration of requirement to placement of contract-excluding time required for FA approval).	90 days for shortened process COTS items	-	-	-	90 days for shortened process COTS items
	120 days for non-COTS and Product Support GDA procurement	-	-	-	120 days for non-COTS and Product Support GDA
	140 days for SDA* acquisition programmes	-	-	-	140 days for SDA* acquisition programmes

Note: * Relates to historical programmes

GOAL 4(A1): MANAGEMENT OF DEFENCE INDUSTRIAL PARTICIPATION (2023)

Output indicator	Programme/Output/Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2019/20	2020/21	2021/22		2023/24	2024/25	2025/26
4.1 Value of Defence Industry Participation credits to be granted.	Service Level Agreement	R116,27m	R95,76m	R260,04m	R111,31m	R50,33m	R9,51m	R31m

NOTES:

- On Project Bandsman, there is a risk of non-performance with regards to this discharge. DIP is addressing this issue in order to recover the situation.
- In November 2022, Harder Digital has submitted requests for extension of discharge due to various challenges they are facing to discharge the activities.
- On Project Hotel, the Acquisition Project's Contractor has challenges with the Sub-Contractors who are the Obligor, and it requires changes to the planning and as such the targets aren't stable.

Quarterly Target

Output Indicator:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
			1 st	2 nd	3 rd	4 th
4.1	Value of Defence Industry Participation credits to be granted.	R50,33m	-	R3,5m	R3,3m	R43,53m

GOAL 5 (A2): MANAGEMENT AND EXECUTION OF DEFENCE TECHNOLOGY, RESEARCH, TEST AND EVALUATION AND IP MANAGEMENT REQUIREMENTS (STRATEGIC FACILITIES AND CAPABILITIES) OF THE DOD (2023)

Output indicator	Programme/Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2019/20	2020/21	2021/22		2023/24	2024/25	2025/26
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	96,54%	97,50%	97,86%	95%	95%	95%	95%

Quarterly Target

Output Indicator:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 st	2 nd	3 rd	4 th
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).	95%	-	-	-	95%

GOAL 6(A3): MANAGEMENT AND PERFORMANCE AGAINST DOCKYARD MANDATE (SOUTH AFRICAN NAVY/DOCKYARD PERFORMANCE MANAGEMENT IN TERMS OF SERVICE LEVEL AGREEMENT WITH THE SOUTH AFRICAN NAVY) (2023)

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2019/20	2020/21	2021/22		2023/24	2024/25	2025/26
6.1 Percentage of project tasking and job cards executed. (Adherence to project tasking as approved in the project plan & execution of the adhoc activities).	Service Level Agreement	93%	92,5%	82%	90%	90%	90%	90%
6.1.1 Projects (Special projects/Docking Essential Defects (DED)/Refit).								
6.1.2 Adhoc activities (daily job requests: Assisted Maintenance Period (AMP) support, Operational Defect								

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2019/20	2020/21	2021/22		2023/24	2024/25	2025/26
(OPDEF).								
6.2 Percentage of compliance to project finance. (Manage project finances in accordance with approved financial authorities and cash-flow plan).	Service Level Agreement	90%	99,9%	50%	90%	90%	90%	90%
6.3 Percentage of ancillary services executed. (Provision of ancillary services as defined by South African Navy [power generation, air supply, water supply, crane support requirements, etc.] as per Dockyard funded business plan).	Service Level Agreement	97%	100%	100%	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%	100%	100%	100%	100%
6.5 Percentage compliance	Service Level	100%	100%	100%	100%	100%	100%	100%

Output indicator	Programme/ Output/ Activity	Audited/Actual performance			Current Year	Medium-term targets		
		2019/20	2020/21	2021/22		2023/24	2024/25	2025/26
with quarterly report timelines. (Supply quarterly reports to Flag Officer Fleet that addresses inter-alia project performance status, financial statements, risks with mitigating plans, capabilities, facilities and ancillary services status reporting as per reporting timeline schedule).	Agreement				2022/23			

Quarterly Target

Output Indicator:	Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		1 st	2 nd	3 rd	4 th
6.1 Percentage of project tasking and job cards executed. (Adherence to project tasking as approved in the project plan & execution of the adhoc activities). 6.1.1 Projects (Special projects/Docking Essential Defects (DED)/Refit). 6.1.2 Adhoc activities (daily job requests: Assisted Maintenance Period (AMP) support, Operational Defect (OPDEF)).	90%	-	-	-	90%

Output Indicator:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
			1 st	2 nd	3 rd	4 th
6.2	Percentage of compliance to project finance. (Manage project finances in accordance with approved financial authorities and cash-flow plan).	90%	-	-	-	90%
6.3	Percentage of ancillary services executed. (Provision of ancillary services as defined by South African Navy [power generation, air supply, water supply, crane support requirements, etc.] as per Dockyard funded business plan).	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).	100%	-	-	-	100%
6.5	Percentage compliance with quarterly report timelines. (Supply quarterly reports to Flag Officer Fleet that addresses project performance status, financial statements, risks with mitigating plans, capabilities, facilities, ancillary services status reporting, etc., as per reporting timeline schedule).	100%	100%	100%	100%	100%

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 Minister of Defence and Military Veterans; and
 - the Service Level Agreement between Armscor and the DOD, as also agreed upon in the Memorandum of Agreement 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 Figure 18.

17.2.1 Strategic priorities:

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

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

"In Time" – ensuring that the 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. This included 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, as a result of a national economic downturn.

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 test and evaluation support to acquisition and SANDF operational users.
- Business Enablement Unit has been established to fast-track exploitation of opportunities identified for revenue generation.

17.4 Categories of Performance Indicators:

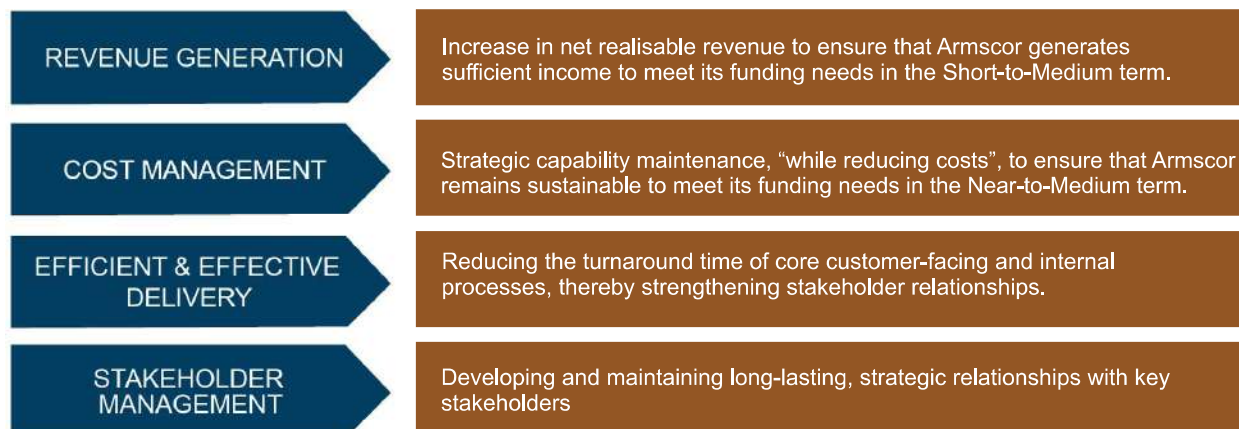
Armscor's Corporate Plan defines two categories of performance indicators. The first category addresses performance indicators that measure the execution of Armscor's functions as defined in the Armscor Act and as agreed on in the Service Level Agreement with the DOD. The second category measures the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

Output 3: Provide Armscor Strategic direction

17.5 Armscor's Strategic Outputs:

In order to best achieve the Armscor Strategy, Armscor identified four strategic outputs as reflected in Figure 18:

Figure 18: The Four Strategic Outputs



Armscor's key strategic initiatives, set out under each of the Corporation's four strategic outputs, are reflected in Table 4.

Table 4: Armscor's Strategic Outputs

Strategic Output 1 (A1): Revenue Generation (2023)

Outcome		Output					Target
1.1	Generate additional realisable revenue.	Generate additional income from existing and new sources.					31 March 2024
Output Indicators:		Audited/Actual performance		Current year	Estimated medium-term targets		
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
1.1.1	Group Revenue (transfer payment, other income, and finance income).	R1 370,5m	R1 289m	R1 429,4m	R1 401,9m	R1 430,1m	R1 481,3m
1.1.2	Percentage increase in revenue from existing facilities of Armscor R&D.	R393 588 057	R341m	R238,3m	R206,5m	R371,3m	5% increase on baseline based on planned figure of 2023/24
1.1.3	Revenue generated from the Business Enablement Unit.	R31,8m	R16,9m	R17,6m	R31,4m	R31,5m	R32,8m
							R34,1m

Quarterly Targets

Output Indicators:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		2023/24	1 st	2 nd	3 rd	4 th
1.1.1	Group Revenue (transfer payment, other income, and finance income).	R1 430,1m	R357,6m	R358,2m	R357,8m	R356,5m

1.1.2	Percentage increase in revenue from existing facilities of Armscor R&D.	R371,3m	R71,7m	R87,5m	R88,7m	R123,5m
1.1.3	Revenue generated from the Business Enablement Unit.	R31,5m	R7,7m	R8,1m	R7,7m	R8,1m

- 1.1.2 Revenue is not reflecting only commercial income. It reflects total income generated (including DOD income, but excluding the Primary Transfer Payment).

Strategic Output 2 (A1): Cost Management (2023)

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 2024	
Output Indicator:		Audited/Actual Performance			Current year	
		2019/20	2020/21	2021/22	2022/23	2023/24
2.1.1	Improve net financial position.	R178,6m surplus	R124,3m surplus	R12,5 surplus	R16,1m deficit	R24,3m surplus
					R19m surplus	R17,4m surplus

Quarterly Targets

Output Indicator:		Annual Target		Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		2023/24		1 st	2 nd	3 rd	4 th
2.1.1	Improve net financial position.	R24,3m surplus		R14,7m surplus	R1,1m surplus	R25,8m deficit	R34,3m surplus

Strategic Output 3 (A2): Efficient and Effective Delivery (2023)

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. Effective management of IP-related technologies. 		31 March 2024	31 March 2024
3.2	Infrastructure Renewal.	<ul style="list-style-type: none"> Renew application systems to improve effectiveness and efficiency. Investigate and implement e-procurement. Improve Information Security. 		31 March 2024	31 March 2024
Output Indicators:		Audited/Actual Performance		Current year	
		2019/20	2020/21	2021/22	2022/23
3.1.1	Percentage Development and Test Services: <ul style="list-style-type: none"> Percentage compliance with DOD contracted work, in accordance with SLA between Armscor and DOD. 	121%	98,68%	99,72%	90%
3.1.2	Table IP exploitation requests received from Industry at EXCO. (provided that the request was received by Armscor before the beginning of Quarter 4 of the financial year).	100%	100%	100%	80%
				2023/24	2024/25
				2025/26	

Output Indicators:		Audited/Actual Performance			Current year	Estimated medium-term targets		
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
3.1.3	Maintain a complete and comprehensive IP register, which ensures the maintenance of an unqualified audit opinion, in respect of DOD Intangible Capital Assets under Armscor's management.	31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024	31 March 2025	31 March 2026
3.1.4	Commercialise one IP Technology. (provided that there is an Armscor owned dual-use technology that is at Technology Readiness Level 9 and can be commercialised).	New Indicator	New Indicator	21 April 2021	31 March 2023	31 March 2024	31 March 2025	31 March 2026
3.2.1	Renew application systems to improve effectiveness and efficiency: <ul style="list-style-type: none"> Appoint an Enterprise Resource Planning (ERP) Service Provider. 	New Indicator	New Indicator	Target not achieved	31 March 2023	-	-	-

Output Indicators:		Audited/Actual Performance			Current year	Estimated medium-term targets		
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	<ul style="list-style-type: none"> Implementation of the approved Digitisation plan: Human Resource and Payroll Finance Supply Chain Management	40%	60%	0%	80%	30 September 2023 31 March 2024	- - 31 July 2024	- - -
	Implement IT Infrastructure Renewal in line with Business Continuity Plan (BCP): <ul style="list-style-type: none"> Complete implementation of BCP. 	New Indicator	New Indicator	17 March 2022	31 March 2023	30 September 2023	-	-
3.2.2	Percentage Improvement in Cybersecurity Capability: <ul style="list-style-type: none"> Percentage Implementation of the annually approved Cybersecurity Capability Implementation plan. 	New Indicator	New Indicator	31 March 2022	31 March 2023	80%	80%	80%

Quarterly Targets

Output Indicators:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		2023/24	1 st	2 nd	3 rd	4 th
3.1.1	Percentage Development and Test Services: Percentage compliance with DOD contracted work, in accordance with SLA between Armscor and DOD.	90%	90%	90%	90%	90%
3.1.2	Table IP exploitation requests received from Industry at EXCO. (provided that the request was received by Armscor before the beginning of Quarter 4 of the financial year).	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 DOD Intangible Capital Assets under Armscor's management.	31 March 2024	-	-	-	31 March 2024
3.1.4	Commercialise one IP Technology. (provided that there is an Armscor owned dual-use technology that is at Technology Readiness Level 9 and can be commercialised).	31 March 2024	-	-	-	31 March 2024
	Renew application systems to improve effectiveness and efficiency:					

Output Indicators:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
			1 st	2 nd	3 rd	4 th
3.2.1	<ul style="list-style-type: none"> Implementation of the approved Digitisation plan: 	30 September 2023	-	30 September 2023	-	-
	<ul style="list-style-type: none"> Human Resource and Payroll Finance 	31 March 2024	-	-	-	31 March 2024
3.2.2	<ul style="list-style-type: none"> Implement IT Infrastructure Renewal in line with Business Continuity Plan (BCP): 	30 September 2023	-	30 September 2023	-	-
	<ul style="list-style-type: none"> Complete implementation of BCP. 					
3.2.2	<ul style="list-style-type: none"> Percentage Improvement in Cybersecurity Capability: 	80%	-	-	-	80%
	<ul style="list-style-type: none"> Percentage Implementation of the annually approved Cybersecurity Capability Implementation plan. 					

Strategic Output 4 (A2): Stakeholder Management (2023)

Outcome		Output	Target
4.1	Stakeholder Engagement Strategy.	Armcor to build, maintain, and strengthen relationships with all its stakeholders.	31 March 2024
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 Armcor Employment Equity Plan.	31 March 2024

Output Indicators:		Audited/Actual Performance			Current year	Estimated medium-term targets		
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
4.1.1	Stakeholder Survey (conducted every second year).	-	26 March 2021	-	1% improvement	-	1% improvement	-
4.1.2	Employee engagement survey (conducted every third year): Percentage implementation of identified interventions based on 2020/21 survey.	No opportunity to perform	% improvement remained unchanged	% improvement based on 2020/21 remained unchanged	60%	90%	Employee engagement survey to be conducted	-
4.2.1	Achievement of approved Employment Equity Plan that is directed towards:							
	<ul style="list-style-type: none"> Percentage improvement for female representation. 	38,43% female employees	39,20% female employees	40% female employees	40%	40%	40%	40%
4.2.2	Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4%).	2,78%	1,55%	2,03%	≤4%	≤4%	≤4%	≤4%
4.2.3	Skills Development Programme:							
	<ul style="list-style-type: none"> Provision of bursaries for full-time studies (cumulative number). 	37	34	29	23*	23*	23*	23*

	<ul style="list-style-type: none"> Contracting and development of graduate as interns, i.e. Talent Development Programme (Cumulative number). <p>(Note: Armscor to proactively accommodate youth and Military Veterans in contracting TDPs).</p>	40	40	31	30*	30*	30*	30*
4.2.4	Succession Planning Development: Percentage compliance with Succession Planning Development (key identified positions).	81,01%	87,50%	83,01%	80%	80%	80%	80%
4.2.5	Total number of people employed with disabilities (including TDPs and Learnerships).	25	25	23	28	28	28	28
4.2.6	Military Veterans (MV): <ul style="list-style-type: none"> Preferential Procurement from Military Veterans entities. (Percentage of total procurement spend). 	New indicator	New indicator	New indicator	New indicator	2%	2%	2%

Note: * The targets for Bursaries and Talent Development Pool have been reduced due to budget constraints.

Quarterly Targets

Output Indicators:		Annual Target 2023/24	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
			1 st	2 nd	3 rd	4 th
4.1.2	Employee engagement survey (conducted every third year): Percentage implementation of identified interventions based on 2020/21 survey.	90%	-	-	-	90%
4.2.1	Achievement of approved Employment Equity Plan that is directed towards: <ul style="list-style-type: none"> Percentage improvement of female representation. 	40%	-	-	-	40%
4.2.2	Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4%).	≤4%	-	-	-	≤4%
4.2.3	Skills Development Programme: <ul style="list-style-type: none"> Provision of bursaries for full-time studies (Cumulative number). Contracting and development of graduate as interns, i.e. Talent Development Programme (Cumulative number). <p>(Note: Armscor to proactively accommodate youth and Military Veterans in contracting TDPs)</p>	23 30	-	-	-	23 30

Output Indicators:		Annual Target 2023/24	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
			1 st	2 nd	3 rd	4 th
4.2.4	Succession Planning Development:					
	Percentage compliance with Succession Planning Development (key identified positions).	80%	-	-	-	80%
4.2.5	Total number of people employed with disabilities (including TDPs and Learnerships).	28	-	-	-	28
4.2.6	Military Veterans (MV): <ul style="list-style-type: none"> • Preferential Procurement from Military Veterans entities. (Percentage of total procurement spend).	2%	-	-	-	2%

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 Minister of Defence and Military Veterans 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 which 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 the 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.
- 19.6 Timelines to achieve contractual obligations:
- Shortened delivery timelines to achieve contractual obligations.

20. PUBLIC-PRIVATE PARTNERSHIPS

- 20.1 It is envisaged that Armscor will not enter into any Public-Private Partnerships for the 2023/24 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 8 identified corporate risks. Although a summarised version is set out in Table 5, a detailed report will be available to those authorised entities that wish to have insight into it.

Table 5: Risk responses

No.	Corporate risk	Mitigating actions
1.	Obsolete ICT business applications.	1.1 Install new licence versions. 1.2 Decommission legacy systems that are outdated and unsupported. 1.3 Roll out of the BI Tool. 1.4 Implement the Revised Digitisation Strategy.
2.	Financial sustainability of Armscor.	2.1 Implementation of Armscor's Commercialisation Strategy. 2.2 Capability assessment within Business Enablement. 2.3 Service delivery improvement measured through the stakeholder survey. 2.4 Motivate to National Treasury for additional funding in collaboration with the DOD. 2.5 Engage the Minister of Public Works through the CEO. 2.6 Service delivery improvement measured through the stakeholder survey.
3.	Cyber and Information Security Risk.	3.1 Implementation of the Cyber Maturity Plan. 3.2 Alignment of the Cyber Maturity Plan to the Digitisation Strategy. 3.3 Implementation of the POPIA plan. 3.4 Conduct Information Security Risk Assessments.

No.	Corporate risk	Mitigating actions
4.	Loss of industry capabilities and Security of Supply.	<p>4.1 Motivate to National Treasury for additional funding in collaboration with the DOD.</p> <p>4.2 Strengthen the IP management governance regime.</p> <p>4.3 Collaborate with NCACC in monitoring the movement of IP (declared export licences).</p> <p>4.4 Reviewing of the Stakeholder Engagement Strategy.</p> <p>4.5 Identifying strategic project partners (local and international).</p>
5.	Incomplete and Fragmented Business Continuity Management.	<p>5.1 Review and update the BCPs to include all facilities.</p> <p>5.2 Testing of the Integrated BCP.</p> <p>5.3 Awareness campaigns on business continuity.</p> <p>5.4 Implementation of the Upgrade and Maintenance Plan.</p>
6.	Vulnerability to counter intelligence threats.	<p>6.1 Engage Chief Defence Counter Intelligence (CDCI) about the delays in the adjudication process and inform EXCO of the outcome. Continuously, submit files that are ready for evaluation to the Panel for consideration.</p> <p>6.2 Monitoring of Limited Access Authority (LAA) process of dual/foreign citizens.</p> <p>6.3 Implement Information security awareness sessions.</p>
7.	Reputational risk by association with the SOE's and other critical stakeholders e.g. Denel.	<p>7.1 Implement proactive media monitoring tool.</p> <p>7.2 Cultivate media relations (no. of meetings).</p> <p>7.3 Media training for Management.</p> <p>7.4 Obtain a clean audit (EXCO).</p> <p>7.5 Implementation of the Marketing and Communication Strategy.</p> <p>7.6 Develop a centralised stakeholder database.</p> <p>7.7 Biennial stakeholder survey.</p> <p>7.8 Search engine optimisation for the Armscor website.</p>
8.	Non-compliance with Armscor Policies.	<p>8.1 Review the Whistle blowing procedure.</p> <p>8.2 Review the Whistle blowers hotline filtering process for reporting incidents.</p> <p>8.3 Training on Whistle Blower and Grievance Practice process.</p> <p>8.4 Continuous training on SCM instruction notes.</p> <p>8.5 Updating of system controls for the Declaration of Interest System to include escalation.</p> <p>8.6 Monitoring the implementation of recommendations from the Irregular expenditure reports.</p> <p>8.7 Targeted communication on management document changes.</p> <p>8.8 Disciplinary procedure training.</p>

22. ARMSCOR'S MATERIALITY AND SIGNIFICANCE FRAMEWORK

22.1 Introduction

In terms of Regulation 28.3 of the National 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), and 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 the 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, and any irregular, fruitless, and wasteful expenditure.

Material losses through criminal conduct above R100 000.00 per incident, and 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 RSA 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 Recognised Accounting Practices (GRAP) will not be regarded as falling under this subsection.
- Section 54(2)(e) – Commencement or cessation of a significant business activity:
 - a. 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.
 - b. The cessation of any business activity that is regarded as strategically important to SANDF is regarded as significant.
 - c. 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:
 - a. 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 is originally regarded as significant;
 - b. change in the nature of any of the vehicles (i.e. between a partnership, trust, unincorporated joint venture, or similar arrangement); or
 - c. 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).
- Research & Development.
- Dockyard.

- Revenue

The plan reflects a stable 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 and 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. Due to the significant reduction of the main client's funding, Armscor may be impacted in terms of the nature and volume of acquisition work performed.

In the event that the Corporation 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 ERP system. Provision was made to start with the replacement of critical modules that are not supportable any more.
- 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.

- General

- Conditional Grants:

Armscor has no Conditional Grants for the 2023/24 Financial Year.

- Consolidated Indicators

Armscor has no Consolidated Indicators for the 2023/24 Financial Year.

- District Development Model

Armscor has no District Development Model for the 2023/24 Financial Year. However, Armscor has only a maintenance plan which focuses on the maintenance and repair of Armscor facilities.



ANNEXURE A

**Armaments Corporation of South Africa SOC Limited
Group Financial Information**

Overview of 2023/24 to 2025/26 Budget

Table 6: Statement of Comprehensive Income of the Armscor Group for the 2023/24 Financial Year

DETAIL	2022/2023 BUDGET	BUDGET 2023/2024			
	ARMSCOR GROUP TOTAL	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT
REVENUE					
Revenue from exchange transactions					
Sale of goods	15,1	13,9	-	-	13,9
Rendering of services	198,8	367,4	12,5	6,0	348,9
Deferred income recognised	11,7	1,9	-	1,9	-
Rental income	63,1	65,9	61,9	-	4,1
Other income	28,2	29,0	24,4	0,3	4,4
Interest received	57,3	82,4	72,6	2,4	7,4
Dividends received	-	-	-	-	-
Total revenue from exchange transactions	374,1	560,5	171,4	10,6	378,6
Revenue from non-exchange transactions					
Transfer revenue					
Government grant	1 241,6	1 250,8	848,4	277,4	125,1
TOTAL REVENUE	1 615,8	1 811,4	1 019,8	288,0	503,6
OPERATING EXPENDITURE					
Employee related costs	(1 059,7)	(1 167,5)	(661,0)	(246,7)	(259,7)
Depreciation and amortisation	(111,3)	(108,6)	(55,4)	(14,0)	(39,1)
Finance costs	0,0	0,0	0,0	0,0	0,0
Lease rentals on operating leases	(4,0)	(4,3)	(2,9)	0,0	(1,4)
Impairment losses reversed	(0,0)	(0,2)	0,0	0,0	(0,2)
Cost of sales	(90,9)	(130,2)	0,0	(0,9)	(129,3)
General expenses	(367,4)	(376,4)	(246,1)	(29,0)	(101,3)
TOTAL EXPENDITURE	(1 633,4)	(1 787,1)	(965,5)	(290,7)	(531,0)
Operating surplus/ (deficit)	(17,6)	24,2	54,3	(2,7)	(27,4)
Gain on disposal of assets and liabilities	0,0	0,0	0,0	0,0	0,0
Profit on foreign exchange transactions	1,5	0,0	0,0	0,0	0,0
Fair value adjustments	-	-	0,0	0,0	0,0
Inventories losses/write-downs	-	-	0,0	0,0	0,0
SURPLUS/ (DEFICIT) FOR THE YEAR	(16,1)	24,3	54,3	(2,7)	(27,3)
ASSETS	276,9	350,1	235,5	40,8	73,9

Table 7: Overview of 2023/24 to 2025/26 Budget and Medium Term Strategic Framework Estimates
Armcor Group

DETAIL	2023/24 BUDGET				2024/25 PLAN				2025/26 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
REVENUE												
Revenue from exchange transactions												
Sale of goods	13.9	-	-	13.9	14.6	-	-	14.6	15.3	-	-	15.3
Rendering of services	367.4	12.5	6.0	348.9	399.7	13.2	6.3	380.2	398.5	13.8	6.6	378.1
Deferred income recognised	1.9	-	1.9	-	2.0	-	2.0	-	2.1	-	2.1	-
Rental income	65.9	61.9	-	4.1	69.2	64.9	-	4.3	72.7	68.2	-	4.5
Other income	29.0	24.4	0.3	4.4	30.4	25.6	0.3	4.6	32.0	26.9	0.3	4.8
Interest received	82.4	72.6	2.4	7.4	86.5	76.3	2.5	7.7	90.9	80.1	2.6	8.1
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue from exchange transactions	560.5	171.4	10.6	378.6	602.5	180.0	11.1	411.4	611.4	189.0	11.6	410.8
Revenue from non-exchange transactions												
Transfer revenue												
Government grant	1 250.8	848.4	277.4	125.1	1 293.1	882.3	280.7	130.1	1 344.8	917.6	292.0	135.3
TOTAL REVENUE	1 811.4	1 019.8	288.0	503.6	1 895.6	1 062.3	291.8	541.5	1 956.2	1 106.6	303.6	546.1
OPERATING EXPENDITURE												
Employee related costs	(1 167.5)	(661.0)	(246.7)	(259.7)	(1 225.9)	(694.1)	(259.1)	(272.7)	(1 255.7)	(728.8)	(272.0)	(254.9)
Depreciation and amortisation	(108.6)	(55.4)	(14.0)	(39.1)	(114.0)	(58.2)	(14.7)	(41.1)	(119.7)	(61.1)	(15.5)	(43.1)
Finance costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lease rentals on operating leases	(4.3)	(2.9)	0.0	(1.4)	(4.5)	(3.0)	0.0	(1.5)	(4.7)	(3.2)	0.0	(1.6)
Impairment losses reversed	(0.2)	0.0	0.0	(0.2)	(0.2)	0.0	0.0	(0.2)	(0.2)	0.0	0.0	(0.2)
Cost of sales	(130.2)	0.0	(0.9)	(129.3)	(136.7)	0.0	(0.9)	(135.8)	(143.5)	0.0	(1.0)	(142.5)
General expenses	(376.4)	(246.1)	(29.0)	(101.3)	(395.2)	(258.4)	(30.4)	(106.3)	(415.0)	(271.4)	(32.1)	(111.5)
TOTAL EXPENDITURE	(1 787.1)	(965.5)	(290.7)	(531.0)	(1 876.5)	(1 013.7)	(305.2)	(557.5)	(1 938.8)	(1 064.4)	(320.5)	(553.9)
SURPLUS/ (DEFICIT) FOR THE YEAR	24.3	54.3	(2.7)	(27.4)	19.1	48.5	(13.4)	(16.1)	17.4	42.1	(16.9)	(7.8)
ASSETS	350.1	235.5	40.8	73.9	262.6	176.6	30.6	55.4	196.9	132.5	22.9	41.5

Table 8: Armscor Group Statement of Financial Position: Three-Year Plan

DETAILS	AMOUNT (Rm)			
	31 March 2023	31 March 2024	31 March 2025	31 March 2026
ASSETS				
NON-CURRENT ASSETS	2 119,8	2 288,2	2 412,7	2 512,2
PROPERTY, PLANT AND EQUIPMENT	1 392,4	1 525,8	1 540,7	1 485,3
INTANGIBLE ASSETS	45,3	80,3	89,8	94,8
INVESTMENT IN JOINT VENTURE	0,1	0,1	0,1	0,1
FINANCIAL INSTRUMENTS	682,0	682,0	782,0	932,0
CURRENT ASSETS	1 029,2	904,5	816,8	759,1
Inventories	13,5	14,1	14,7	15,3
Trade and other receivables	256,4	267,9	280,0	292,6
Cash and short term deposits	759,3	622,4	522,1	451,3
TOTAL ASSETS	3 149,0	3 192,7	3 229,4	3 271,3
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
ORDINARY SHARE CAPITAL	75,0	75,0	75,0	75,0
NON-DISTRIBUTABLE RESERVE	2 351,5	2 375,9	2 394,9	2 412,3
ORDINARY SHAREHOLDERS' INTEREST	2 426,5	2 450,9	2 469,9	2 487,3
NON CURRENT LIABILITIES	393,7	430,6	462,2	496,3
Employee benefit liability	394,0	425,5	459,6	496,3
Deferred income	-0,3	5,1	2,6	0,0
CURRENT LIABILITIES	328,7	311,1	297,3	287,7
Trade and other payables and provisions	292,8	284,2	277,1	270,6
Deferred income	35,9	26,9	20,2	17,2
TOTAL EQUITY AND LIABILITIES	3 149,0	3 192,7	3 229,4	3 271,3

Table 9: Armscor Group Cash Flow Statement: Three-Year Plan for 2023/24 to 2025/26 Financial Years

DESCRIPTION	31 March 2023 (12 months) Rm	31 March 2024 (12 months) Rm	31 March 2025 (12 months) Rm	31 March 2026 (12 months) Rm
OPERATING ACTIVITIES				
NET CASH FLOWS FROM OPERATING ACTIVITIES	189,2	139,9	138,1	148,5
Cash receipts from customers	2136,0	2210,0	2314,1	2260,0
Cash paid to suppliers and employees	(2024,4)	(2152,5)	(2262,5)	(2202,3)
Cash generated from/(used in) operations	111,5	57,5	51,6	57,7
Net finance income	77,7	82,4	86,5	90,9
INVESTING ACTIVITIES				
Purchase of property, plant , equipment and intangible assets	(255,0)	(276,9)	(138,5)	(69,2)
Proceeds from sale of property, plant and equipment	0,0	0,0	0,0	0,0
Decrease/(increase) in other non- current financial assets	100,0	0,0	(100,0)	(150,0)
TOTAL CASH MOVEMENT FOR THE YEAR	34,3	(137,0)	(100,3)	(70,7)
CASH AT BEGINNING OF THE YEAR	344,2	378,5	241,5	141,2
TOTAL CASH AT END OF THE YEAR	759,3	622,4	522,1	451,3

1. Notes to the Armscor Group Cash Flow Statements

DESCRIPTION	2023/03/31 (12 months) Rm	2024/03/31 (12 months) Rm	2025/03/31 (12 months) Rm	2026/03/31 (12 months) Rm
1. CASH GENERATED FROM/(USED IN) OPERATIONS				
(Loss)/Profit for the year	89,4	24,3	19,0	17,4
Adjustments for:				
Depreciation, amortisation and impairment reversals	109,2	108,6	114,0	119,7
Net finance income	(77,7)	(82,4)	(86,5)	(90,9)
Movement in employee benefit assets and liabilities	29,2	31,5	34,0	36,8
Operating surplus/(deficit) before working capital changes	150,1	82,0	80,5	83,0
Changes in working capital:	(38,6)	(24,5)	(28,9)	(25,4)
(Increase)/Decrease in trade and other receivables	(13,4)	(11,5)	(12,1)	(12,6)
Increase/(Decrease) in deferred income	(17,0)	(3,6)	(9,2)	(5,7)
(Increase) in inventories	0,7	(0,7)	(0,6)	(0,6)
Increase/(Decrease) in accounts payable and provisions	(8,9)	(8,7)	(7,1)	(6,5)
Cash generated by operations	111,5	57,5	51,6	57,7

Table 10: Group Capital Expenditure for the 2023/24 Financial Year

TOTAL ARMSCOR GROUP	NEW BUDGET 2023/2024	CURRENT BUDGET 2022/2023
OFFICE EQUIPMENT	7 187 814	9 156 982
COMPUTER EQUIPMENT	36 232 620	16 975 036
OFFICE FURNITURE	2 845 198	2 725 260
COMPUTER SOFTWARE	118 437 000	79 650 000
BUILDINGS AND INFRASTRUCTURE	109 353 981	125 898 000
MACHINERY AND EQUIPMENT	35 473 000	32 613 500
MOTOR VEHICLES	4 868 000	2 800 000
CAPITAL ASSETS	35 731 675	7 084 971
Total	350 129 288	276 903 749

Note: Capital expenditure budgeted for in 2023/24 financial year include items not executed in 2022/23 financial year.

Armcor's Board of Directors

Abridged Curriculum Vitae

Name:	Dr. P.D. Dexter - Chairperson
Gender:	Male
Race:	White
Academic Qualifications:	PhD MPhil BA
Areas of Expertise:	Project Management Strategic Leadership Financial Management Research and Analysis Human Resources Change Management
Position on Armcor Board:	Chairperson of the Board
Appointment Date:	1 December 2020
Positions on other Boards:	South African Weather Service African Energy Corporation Global Beef One Vision Investment Emerald Panther Investment NIH Subsidiaries Lighthouse Emporium Primary Co-Operative Limited Mpower Music and Sound Primary Co-Operative Limited Mpower Five Point Films Primary Co-Operative Limited MAARIFA Resources Opiconsivia Trading 255 Africa-China Friendship Association Therez House Company African-Chinese People's Friendship Association Orbis Mining NEHAWU Investment Partners NEHAWU Investment- Managers Agrowvest NEHAWU Investment Company Tailspin Trading 23 Maxshell 121 Investments Ivyjewel 30 Emerald Panther Investments 7 NEHAWU Investment Company SPV Boshof Solar Power (RF)

Name: Adv. S.P. Mbada - Chief Executive Officer

Gender: Male

Race: African

Academic Qualifications: B Juris
BA (Hons)
MAP
LLB
LLM

Areas of Expertise: Strategic Management
Business Restructuring
Mediation/Negotiation
Training/Change Facilitation
Mentorship
HR Management
IR Management
Training Management

Appointment Date: 1 September 2009

Position on Executive Committee: Chief Executive Officer

Position on other Boards: Directorships: Armscor Defence Institutes (Pty) Ltd (*Dormant*)
Erasmusrand Eiendomme (Pty) Ltd (*Dormant*)
Sportrand (Pty) Ltd (*Dormant*)
Oospark (Pty) Ltd (*Dormant*)

Name: Mr J.G. Grobler

Gender: Male

Race: White

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

Areas of Expertise: Financial Management
Corporate Governance

Appointment Date: 1 July 1990

Positions on other Boards: Directorships: Armscor Defence Institutes (Pty) Ltd (*Dormant*)
Erasmusrand Eiendomme (Pty) Ltd (*Dormant*)
Sportrand (Pty) Ltd (*Dormant*)
Oospark (Pty) Ltd (*Dormant*)

Position on Executive Committee: Chief Financial Officer

Name: Ambassador T.J. Ndhlovu

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

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

Position on other Boards: None

Name: Dr. R.C. Lubisi

Gender: Male

Race: African

Academic Qualifications: Bachelor of Science
Higher Diploma in Education
Bachelor of Education
Doctor of Philosophy

Areas of Expertise: Project Management
Strategic Management

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

Appointment Date: 1 December 2020

Position on other Boards: Chairperson for Morar Incorporated
Maziwa Holdings
ThemoPharm

Name: Ms R. Matenche

Gender: Female

Race: African

Academic Qualifications: CA (SA)
Bachelor of Accounting

Areas of Expertise: Financial Management

	Taxation
	Auditing
	Strategy
	Gender Transformation
Position on Armscor Board:	Non-Executive Director of the Board
	Chairperson of the Audit and Risk Committee
	Member of the Human Resources, Social and Ethics Committee
Appointment Date:	1 December 2020
Positions on other Boards:	South African Institute of Chartered Accountants (SAICA)
	Social Housing Regulatory Authority (SHRA)
	Commission for Gender Equality (CGE - Chairperson of Audit and Risk)
Name:	Ms F. Skweyiya-Gushu
Gender:	Female
Race:	African
Academic Qualifications:	Post Graduate Diploma
	Master's in International Political Communications
Areas of Expertise:	Communications and Marketing
	Campaigning
	Research
	Project Management
	Media Relations
	Public Diplomacy
Position on Armscor Board:	Non-Executive Director of the Board
	Member of the Audit and Risk Committee
	Member of the Technology, Industry Support and Sustainability Committee
Appointment Date:	1 December 2020
Positions on other Boards:	20 Media Incubation
Name:	Mr T.M. Sukazi
Gender:	Male
Race:	African
Academic Qualifications:	B. Proc.
	LLB
	LLM
Areas of Expertise:	Corporate Governance and Regulatory
	Mergers and Acquisitions
	Corporate and Commercial Law
	Banking and Finance
Position on Armscor Board:	Non-Executive Director of the Board
	Chairperson of the Acquisition Committee

	Member of the Audit and Risk Committee
Appointment Date:	1 December 2020
Positions on other Boards:	Social Housing Regulatory Authority Council Member
Name:	Ms P.N. Mashinini
Gender:	Female
Race:	African
Academic Qualifications:	Post Graduate Diploma Diploma in Project Management Executive Management Development Programme Master's in Business Administration
Areas of Expertise:	Corporate Services Strategy Human Resources Transformation Performance Management Operations Management
Position on Armscor Board:	Non-Executive Director of the Board Chairperson of the Human Resources, Social and Ethics Committee Member of the Acquisition Committee
Appointment Date:	1 December 2020
Positions on other Boards:	Thebe Investment Company
Name:	Adv. S.P. Matsane
Gender:	Female
Race:	African
Academic Qualifications:	B Juris LLB
Areas of Expertise:	Law Governance Strategic Leadership and Management
Appointment Date:	2 January 2023
Position on Armscor Board:	Company Secretary
Positions on other Boards:	None

Armcor's Executive Committee Abridged Curriculum Vitae

Name:	Adv. S.P. Mbada - Chief Executive Officer
Gender:	Male
Race:	African
Academic Qualifications:	B Juris BA (Hons) MAP LLB LLM
Areas of Expertise:	Strategic Management Business Restructuring Mediation / Negotiation Training / Change Facilitation Mentorship HR Management IR Management Training Management
Appointment Date:	1 September 2009
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 (<i>Dormant</i>) Erasmusrand Eiendomme (Pty) Ltd (<i>Dormant</i>) Sportrand (Pty) Ltd (<i>Dormant</i>) Oospark (Pty) Ltd (<i>Dormant</i>)

Name:	Mr J.G. Grobler
Gender:	Male
Race:	White
Academic Qualifications:	CA (SA) MBL MCom (Tax)
Areas of Expertise:	Financial Management Corporate Governance
Appointment Date:	1 July 1990
Position on Armcor Board:	Executive Director of the Board
Positions on other Boards:	Directorships: Armcor Defence Institutes (Pty) Ltd (<i>Dormant</i>) Erasmusrand Eiendomme (Pty) Ltd (<i>Dormant</i>) Sportrand (Pty) Ltd (<i>Dormant</i>) Oospark (Pty) Ltd (<i>Dormant</i>)
Position on Executive Committee:	Chief Financial Officer

Name: **Mr M. Teffo**
Gender: Male
Race: African
Academic Qualifications: Bachelor of Law
 LLB
 Higher Diploma in Tax Law
 Master of Laws (LLM)
Areas of Expertise: Governance
 Legal/Risk and Compliance
 Strategic Leadership and Management
Appointment Date: 1 September 2003
Position on Executive Committee: Group Executive: Acquisition and SCM

Name: **Dr. N.M. Mkaza**
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
Appointment Date: 1 June 2016
Position on Executive Committee: Group Executive: Research and Development

Name: **Adv. N. Mvambo**
Gender: Male
Race: African
Academic Qualifications: B Juris
 LLB
 Advanced Diploma in Project Management
 Management Advancement Programme (MAP)
Areas of Expertise: Labour Relations Management
 HR Management
 Projects Management and Disputes Management
Appointment Date: 1 January 2013
Position on Executive Committee: Group Executive: Corporate Support

Name: **Ms Q. Sitsila**
Gender: Female
Race: African
Academic Qualifications: Risk Management Diploma
BBA
LLB
MBA
Areas of Expertise: Compliance and Risk Management
Corporate Governance
Legal
Strategy Management
Appointment Date: 1 July 2022
Position on Executive Committee: Acting Group Executive: Business Assurance

Name: **Ms S. Tire**
Gender: Female
Race: African
Academic Qualifications: BSc (Biological Science)
BEng (Electronics); MEng
Executive Leadership Programme
Areas of Expertise: Strategic Leadership and Management
Stakeholder Management
Business Intelligence
Business Development
Engineering Management
Digital Transformation
Appointment Date: 1 August 2022
Position on Executive Committee: Executive Manager: Business Enablement

Name: **Mr M. Peecha**
Gender: Male
Race: African
Academic Qualifications: Master of Business Leadership (MBL)
B Tech Degree Engineerig – Metallurgy
Executive Development Programme
Graduate Diploma in Management
Areas of Expertise: Engineering
Corporate Compliance
Arms control
Organisational Transformation
Appointment Date: 1 February 2007
Position on Executive Committee: Acting Executive Manager: Dockyard

ANNEXURE D

ARMSCOR TECHNICAL INDICATOR DESCRIPTIONS FOR THE 2023/24 FINANCIAL YEAR

SERVICE LEVEL AGREEMENT

GOAL 1 (A1): CAT 1 CAPITAL DEFENCE MATÉRIEL ACQUISITION, EXCLUDING STRATEGIC DEFENCE ACQUISITION, INCLUDING TECHNOLOGY ACQUISITION (2023)

INDICATOR TITLE	1.1 PERCENTAGE OF DOD CAPITAL REQUIREMENTS CONVERTED INTO ORDERS PLACED.
DEFINITION	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. The Capital requirements from DOD is registered after approval of the Project Study by the DOD and functional baseline by Armscor, and confirmation by the DOD of funds availability.
PURPOSE	To measure the percentage of DOD Capital requirements converted into orders placed.
SOURCE OF DATA	Signed Service Level Agreement. Reports: SLAR1.Report; SLAR1A.Report and SLAR1B.Report. AGSA report.
METHOD OF CALCULATION/ ASSESSMENT	The total of column "Amount on Req (v1)" on report SLAR1B.Report: Client 60: Chief Acquisition is the total of the requirements received from the DOD. The total of column "Amount on order (v1)" on report SLAR1B. Report: Client 60: Chief Acquisition is the total of the amount that was committed. Divide the amount committed by the amount received for % achieved.
MEANS OF VERIFICATION	Signed Service Level Agreement. Reports: SLAR1.Report; SLAR1A.Report and SLAR1B.Report. AGSA report.
ASSUMPTIONS	To measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid 3A requirements from the DOD.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	95%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Acquisition and SCM.

INDICATOR TITLE	1.2 PERCENTAGE EXECUTION OF CONTRACTS AS MEASURED THROUGH ACTUAL CASH FLOW ON DOD ORDERS PLACED.
DEFINITION	The actual cash flow 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. The actual cash flow will determine progress in terms of the actual spend of the planned cash flow.
PURPOSE	To measure the percentage execution of contracts as measured through actual cash flow on DOD orders placed.
SOURCE OF DATA	Signed Service Level Agreement. Reports: MXXR3B.Report; MXXR3C.Report and DXXR3A.Report. AGSA report.
METHOD OF CALCULATION/ ASSESSMENT	Add the "Total" of column "1st Revision Version 19" (reports MXXR3B. Report (projects) and MXXR3C. Report (SDP's)) together to get the planned cash flow for orders placed.

INDICATOR TITLE	1.2 PERCENTAGE EXECUTION OF CONTRACTS AS MEASURED THROUGH ACTUAL CASH FLOW ON DOD ORDERS PLACED.
	<p>Add the total "Paid" (reports MXXR3B. Report (projects) and MXXR3C. Report (SDP's)) together to get the cash flow that realised.</p> <p>Deduct the rollovers from the 1st revision to get a new measurement.</p> <p>Divide the cash flow that realised by the new measurement for % achieved.</p>
MEANS OF VERIFICATION	Signed Service Level Agreement. Reports: MXXR3B.RPT; MXXR3C.RPT and DXXR3A.RPT AGSA report.
ASSUMPTIONS	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.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	<ol style="list-style-type: none"> 1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	95%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Acquisition and SCM.

GOAL 2 (A1): SYSTEM SUPPORT ACQUISITION AND PROCUREMENT (2023)

INDICATOR TITLE	2.1 PERCENTAGE OF DOD SYSTEM SUPPORT AND PROCUREMENT REQUIREMENTS CONVERTED INTO ORDERS PLACED.
DEFINITION	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. Percentage of DOD system support and procurement requirements converted into orders placed.
PURPOSE	To measure the percentage of DOD system support and procurement requirements converted into orders placed.
SOURCE OF DATA	Signed Service Level Agreement. Reports: SLAR1.Report; SLAR1A.Report and SLAR1B.Report AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	<p>Subtract the total of requirements received from the DOD in Goal 1 point 1.1 from the total of column "Amount on Req (v1)" (report SLAR1B.RPT 3A Requirements vs Commitments) to get the value of the requirements received from the DOD.</p> <p>Subtract the total of funds committed in Goal 1 point 1.1 from the total of column "Amount on order (v1)" (report SLAR1B.RPT 3A Requirements vs Commitments) to get the amount committed.</p> <p>Divide the amount committed by the amount received for % achieved.</p>
MEANS OF VERIFICATION	Signed Service Level Agreement. Reports: MXXR3B.RPT; MXXR3C.RPT and DXXR3A.RPT. AGSA/Internal Audit report.
ASSUMPTIONS	To measure the actual commitment of funds against the formally planned value of commitments, this is based on requirements received and confirmed as valid requirements from the DOD.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	<ol style="list-style-type: none"> 1. Target for Women: N/A. 2. Target for Youth: N/A.

INDICATOR TITLE	2.1 PERCENTAGE OF DOD SYSTEM SUPPORT AND PROCUREMENT REQUIREMENTS CONVERTED INTO ORDERS PLACED.
APPLICABLE)	3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	95%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Acquisition and SCM.

INDICATOR TITLE	2.2 PERCENTAGE EXECUTION OF CONTRACTS AS MEASURED THROUGH ACTUAL CASH FLOW ON DOD ORDERS PLACED.
DEFINITION	Actual cash flow measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armcor's control. Percentage of execution of contracts as measured through actual cash flow on DOD orders placed.
PURPOSE	To measure percentage execution of contracts as measured through actual cash flow on DOD orders placed.
SOURCE OF DATA	Signed Service Level Agreement. Reports: SLAR1.RPT; SLAR1A.RPT and SLAR1B.RPT AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	Total of planned cash flow is in column "1st Revision Version 19" on report (MXXR3D.Report). Total of cash flow realised is in column "Paid" on report (MXXR3D. Report). Deduct the rollovers from the 1st revision to get a new measurement. Divide the cash flow that realised by the new measurement for % achieved.
MEANS OF VERIFICATION	Signed Service Level Agreement. Reports: MXXR3D.RPT (point 1.2). AGSA/Internal Audit report.
ASSUMPTIONS	The actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armcor's control. Any adjustment deemed to be beyond Armcor's control that is due to the user or the DOD will be done with the consent of the DOD.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	95%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Acquisition and SCM.

GOAL 3 (A1): SCHEDULE PLACEMENT (2023)

INDICATOR TITLE	3.1 AVERAGE TIME TAKEN TO CONVERT DOD REQUIREMENTS INTO ORDERS.
DEFINITION	Time taken from registration of requirement (3A) to placement of contract - excluding time required for FA approval. Average time taken to convert DOD requirements into orders.
PURPOSE	To measure the average time taken to convert DOD requirements into orders.
SOURCE OF DATA	Signed Service Level Agreement. Reports: SLAR1.RPT; SLAR1A.RPT and SLAR1B.RPT AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	Per category:

	Add "Total days taken" e.g. 2 880 days. Add "Total orders" e.g. 20 orders. Divide "orders" into "days taken" to get an average achievement.
MEANS OF VERIFICATION	Signed Service Level Agreement. Report: Armscor Requirement Summary Monitor Report. AGSA/Internal Audit report.
ASSUMPTIONS	The time taken from registration of requirement (3A) to placement of contract - excluding time required for FA approval.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	90 days for shortened process COTS items. 120 days for non-COTS and Product Support GDA procurement. 140 days for SDA acquisition programmes.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Acquisition and SCM.

GOAL 4 (A1): MANAGEMENT OF DEFENCE INDUSTRIAL PARTICIPATION (2023)

INDICATOR TITLE	4.1 VALUE OF DEFENCE INDUSTRIAL PARTICIPATION CREDITS TO BE GRANTED.
DEFINITION	The value of DIP credits to be granted to overseas suppliers.
PURPOSE	To measure the value of Defence Industry participation credits to be granted.
SOURCE OF DATA	Signed Service Level Agreement. Active Portfolio Summary Report. AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	On the report "Active Portfolio Summary Report 2023/24" under the heading "Running Active Agreements – Special Defence Account" add the total of column "achievement 2023/24" to the total (running SAPS Agreement) under the heading "Running active agreements - SAPS, or use the total under the heading "Total active portfolio (completed and running agreements" Achievement 2023/24 which gives the cumulative total [SDA and SAPS]).
MEANS OF VERIFICATION	Signed Service Level Agreement. Active Portfolio Summary Report. AGSA/Internal Audit report.
ASSUMPTIONS	The value of DIP credits to be granted to overseas suppliers.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	R50,33m.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Acquisition and SCM.

GOAL 5 (A2): MANAGEMENT AND EXECUTION OF DEFENCE TECHNOLOGY, RESEARCH, TEST AND EVALUATION AND IP MANAGEMENT REQUIREMENTS (STRATEGIC FACILITIES AND CAPABILITIES) OF THE DOD (2023)

INDICATOR TITLE	5.1 PERCENTAGE OF EXECUTION OF TECHNOLOGY REQUIREMENTS.
DEFINITION	Execution of contractual milestones/deliveries in accordance with the operational requirements of the DOD as per agreed in the SLA, MoA and orders received for the financial year. Percentage of execution of technology requirement.
PURPOSE	To measure the percentage of execution of technology requirements.
SOURCE OF DATA	Signed Service Level Agreement. Group order covers report per Divisions/Business Units. AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	Quarterly Reporting: Consolidated Actual Financial Performance divided by Consolidated Estimate Financial Performance. Annual Reporting: Consolidated Order Amount Invoiced (YTD) divided by Consolidated Orders Received. Performance expressed as a percentage.
MEANS OF VERIFICATION	Signed Service Level Agreement, MoA and orders received for the financial year. Group order covers report per Divisions/Business Units. AGSA/Internal Audit report.
ASSUMPTIONS	R&D to achieve contractual milestones/deliveries as per agreed MoA and orders received for the financial year.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	95%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Research and Development.

GOAL 6 (A3): MANAGEMENT AND PERFORMANCE AGAINST DOCKYARD MANDATE (SOUTH AFRICAN NAVY/DOCKYARD PERFORMANCE MANAGEMENT IN TERMS OF SLA WITH THE SOUTH AFRICAN NAVY) (2023)

INDICATOR TITLE	6.1 PERCENTAGE OF PROJECT TASKING AND JOB CARD EXECUTED: 6.1.1 Projects (Special projects/DED/Refit). 6.1.2 Adhoc activities (daily job requests: AMP support, OPDEFS)
DEFINITION	Adherence to project tasking as approved in the project plan & execution of the adhoc activities. This includes Projects (Special projects/Docking Essential Defects (DED)/Refit) as well as Adhoc activities (daily job requests in a form of Assisted Maintenance Period (AMP) support and Operational Defect (OPDEF).
PURPOSE	To measure the percentage of project tasking and job cards executed.
SOURCE OF DATA	Signed Service Level Agreement. Signed performance management agreements by Project Manager and Manager Technical Upkeep Section, SA Navy. SHOPDCAP web report (Project Personnel Performance Management Report). AGSA/Internal Audit report.

METHOD OF CALCULATION/ ASSESSMENT	The % performance is obtained by taking number of jobs completed divided by number of jobs allocated to the Dockyard for the reporting period on an accumulated basis and expressed as a percentage.
MEANS OF VERIFICATION	Signed Service Level Agreement. Signed performance management agreements by Project Manager, and Manager Technical Upkeep Section, SA Navy. SHOPDCAP web report (Project Personnel Performance Management Report). AGSA/Internal Audit report.
ASSUMPTIONS	Ensure adherence to project contractual milestone planned dates as approved in project plan.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	90%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Executive Manager: Dockyard.

INDICATOR TITLE	6.2 PERCENTAGE OF COMPLIANCE TO PROJECT FINANCE.
DEFINITION	Management of project finances in accordance with approved financial authorities and cash-flow plan. Percentage of compliance to project finance.
PURPOSE	To measure the percentage of compliance to project finance.
SOURCE OF DATA	Signed Service Level Agreement. Report: DXXR12A.RPT. AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	The % performance is calculated by taking the actual spending divided by the allocated amount for the reporting period on a cumulative basis and expressed as a percentage.
MEANS OF VERIFICATION	Signed Service Level Agreement. Report: DXXR12A.RPT. AGSA/Internal Audit report.
ASSUMPTIONS	To manage project finances in accordance with approved financial authorities and cash-flow plan.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	90%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Executive Manager: Dockyard.

INDICATOR TITLE	6.3 PERCENTAGE OF ANCILLARY SERVICES EXECUTED.
DEFINITION	It refers to as the ancillary services provided as defined by SA Navy (power generation station, air supply, water supply, crane support requirements, etc.) as per Dockyard funded business plan. Percentage of auxiliary services executed.
PURPOSE	To measure the percentage of ancillary services executed.
SOURCE OF DATA	Signed Service Level Agreement. Flag Officer Command sign off on ancillary services delivered. AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	The performance is calculated by expressing the requests completed to requests allocated as a percentage on a cumulative basis over the reporting period.

MEANS OF VERIFICATION	Signed Service Level Agreement. Flag Officer Command sign off on ancillary services delivered. AGSA/Internal Audit report.
ASSUMPTIONS	To provide the ancillary services as defined by SA Navy.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	95%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Executive Manager: Dockyard.

INDICATOR TITLE	6.4 PERCENTAGE OF TRAINING REQUESTS EXECUTED.
DEFINITION	Training provided in accordance with the plan and requirements submitted by SA Navy during the reporting period. Percentage of training requests executed.
PURPOSE	To measure the percentage of training requests executed.
SOURCE OF DATA	Signed Service Level Agreement. Signed training schedules by Director Fleet, Human Resources, SA Navy and Divisional Manager: Human Resources, Dockyard. AGSA/Internal Audit report.
METHOD OF CALCULATION/ ASSESSMENT	The performance is calculated by expressing the requests completed to requests allocated as a percentage on a cumulative basis over the reporting period.
MEANS OF VERIFICATION	Signed Service Level Agreement. Signed training schedules by Director Fleet, Human Resources, SA Navy and Divisional Manager: Human Resources, Dockyard. AGSA/Internal Audit report.
ASSUMPTIONS	To provide 100% training in accordance with the plan and requirements submitted by SA Navy during the reporting period.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	100%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Executive Manager: Dockyard.

INDICATOR TITLE	6.5 PERCENTAGE COMPLIANCE WITH QUARTERLY REPORT TIMELINES.
DEFINITION	Supply quarterly reports to Flag Officer Fleet that addresses project performance status, financial statements, risks with mitigating plans, capabilities, facilities, ancillary services status reporting, etc., as per reporting timeline schedule. Percentage compliance with quarterly report timelines.
PURPOSE	To measure the percentage compliance with quarterly report timelines.
SOURCE OF DATA	Signed Service Level Agreement. Signed "Acknowledgement of Receipt" by Flag Officer Fleet. AGSA/Internal Audit report
METHOD OF CALCULATION/ ASSESSMENT	Performance is calculated by taking the amount of reports delivered on the 15 th of July, 15 th of October, 15 th of January and 15 th of April to the amount of reports required expressed as a percentage in a cumulative manner over the reporting period.
MEANS OF VERIFICATION	Signed Service Level Agreement. Signed "Acknowledgement of Receipt" by Flag Officer Fleet. AGSA/Internal Audit report.

ASSUMPTIONS	To supply the quarterly reports to Flag Officer Fleet that addresses inter-alia project performance status, financial statements, risks with mitigating plans, capabilities, facilities and ancillary services status reporting as per reporting timeline schedule.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	100%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Executive Manager: Dockyard.

STRATEGIC OUTPUT 1 (A1): REVENUE GENERATION (2023)

INDICATOR TITLE	1.1.1 GROUP REVENUE (TRANSFER PAYMENT, OTHER INCOME, AND FINANCE INCOME).
DEFINITION	Increasing the net realisable revenue to ensure that Armscor generates sufficient income to meet its funding needs in the short-to-medium term.
PURPOSE	To measure the Armscor group revenue including (transfer payment, other income, and finance income).
SOURCE OF DATA	Armscor Financial Statements.
METHOD OF CALCULATION/ ASSESSMENT	Addition of amounts reflected as transfer payment (including differed income), other income (including other income, dividend received and rental income) and finance income.
MEANS OF VERIFICATION	Financial statements. AGSA/Internal Audit report.
ASSUMPTIONS	To generate additional income from existing and new sources.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	R1 430,1m.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Chief Financial Officer.

INDICATOR TITLE	1.1.2 PERCENTAGE INCREASE IN REVENUE FROM EXISTING FACILITIES OF ARMSCOR R&D.
DEFINITION	Realisable increase in revenue from the existing facilities of Armscor R&D to ensure that Armscor meet its funding needs in the short-to-medium term.
PURPOSE	To measure the percentage increase in revenue from existing facilities of Armscor R&D.
SOURCE OF DATA	Armscor Financial Statement.
METHOD OF CALCULATION/ ASSESSMENT	Score = Total of "consolidated order amount invoiced (YTD)" which is Service Level Agreement with the dtic; Non-DOD Government Orders; Local Commercial Work; and Foreign Commercial Work.
MEANS OF VERIFICATION	Gross sales and Other Income for R&D.
ASSUMPTIONS	To generate additional income from existing facilities of Armscor R&D. AGSA/Internal Audit report.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	R371,3m.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Research and Development.

INDICATOR TITLE	1.1.3 REVENUE GENERATED FROM THE BUSINESS ENABLEMENT UNIT.
DEFINITION	The generated revenue from Business Enablement Unit to ensure that Armscor meet its funding needs in the short-to-medium term.
PURPOSE	To measure the revenue generated from the Business Enablement Unit.
SOURCE OF DATA	Armscor Financial Statement.
METHOD OF CALCULATION/ ASSESSMENT	Add "Other Income" "Gross Contribution from Sales" and Logistics Division's specific allocation of transfer payment together.
MEANS OF VERIFICATION	Armscor Financial Statement. AGSA/Internal Audit report.
ASSUMPTIONS	The generated revenue from Business Enablement Unit.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	R31,5m.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Business Enablement.

STRATEGIC OUTPUT 2 (A1): COST MANAGEMENT

INDICATOR TITLE	2.1 IMPROVE NET FINANCIAL POSITION.
DEFINITION	Strategic capability maintenance, “while reducing costs”, to ensure that Armscor remains sustainable to meet its funding needs in the short-to-medium term.
PURPOSE	To measure the improvement of the net financial position.
SOURCE OF DATA	Statement of Financial Performance for the Armscor Group.
METHOD OF CALCULATION/ ASSESSMENT	Surplus or deficit for the year.
MEANS OF VERIFICATION	Statement of Financial Performance for the Armscor Group. AGSA/Internal Audit report.
ASSUMPTIONS	To reduce Group costs, including finance, capital, and operating costs, to ensure zero financial deficit.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	R24,3m surplus.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Chief Financial Officer.

STRATEGIC OUTPUT 3 (A2): EFFICIENT AND EFFECTIVE DELIVERY

INDICATOR TITLE	3.1.1 PERCENTAGE DEVELOPMENT AND TEST SERVICES: • PERCENTAGE COMPLIANCE WITH DOD CONTRACTED WORK, IN ACCORDANCE WITH SLA BETWEEN ARMSCOR AND DOD.
DEFINITION	The percentage of compliance with the Technology Development Master Plan (TDMP) according to the SLA between Armscor and DOD. The TDMP captures the DOD technology requirements and their associated budget allocations. Performance is indicated through the commitment of budgeted funds, i.e. order placement.
PURPOSE	To measure the percentage compliance with DOD contracted work, in accordance with SLA between Armscor and DOD.
SOURCE OF DATA	Report DXXR7A. RPT: Financial report providing proof of 90% compliance with the TDMP in accordance with SLA between DOD and Armscor.
METHOD OF CALCULATION/ ASSESSMENT	Actual value committed divided by the planned value to be committed. Performance expressed as a percentage.
MEANS OF VERIFICATION	Report DXXR7A. RPT: Financial report providing proof of 90% compliance with the TDMP in accordance with SLA between DOD and Armscor. Internal Audit report.
ASSUMPTIONS	To participate and execute the Technology Development Master Plan, conduct research to sustain and grow defence technology base, maintain and sustain strategic test capabilities.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	90%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Research and Development.

INDICATOR TITLE	3.1.2 TABLE IP EXPLOITATION REQUESTS RECEIVED FROM INDUSTRY AT EXCO (PROVIDED THAT THE REQUEST WAS RECEIVED BY ARMSCOR BEFORE THE BEGINNING OF QUARTER 4 OF THE FINANCIAL YEAR).
DEFINITION	The processing of IP Exploitation requests - emanating from industry in line with the Armscor IP Exploitation Governance Process.
PURPOSE	To measure Processing of IP Exploitation requests received from Industry.
SOURCE OF DATA	Proof of all requests and submissions tabled at EXCO.
METHOD OF CALCULATION/ ASSESSMENT	Number of IP related technologies tabled at EXCO, divided by number of requests received.
MEANS OF VERIFICATION	Proof of all requests received and processed.
ASSUMPTIONS	Effective management of IP-related technologies.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Quarterly.
DESIRED PERFORMANCE	80%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Research and Development.

INDICATOR TITLE	3.1.3 MAINTAIN A COMPLETE AND COMPREHENSIVE IP REGISTER, WHICH ENSURES THE MAINTENANCE OF AN UNQUALIFIED AUDIT OPINION, IN RESPECT OF DOD INTANGIBLE CAPITAL ASSETS UNDER ARMSCOR'S MANAGEMENT.
DEFINITION	Maintenance of complete and comprehensive IP register.
PURPOSE	To measure the maintenance of a complete and comprehensive IP register, which ensures the maintenance of an unqualified audit opinion, in respect of DOD Intangible Capital Assets under Armscor's management.
SOURCE OF DATA	IP register and Letter from the Director of the Assets Management of the DOD.
METHOD OF CALCULATION/ ASSESSMENT	Unqualified audit opinion.
MEANS OF VERIFICATION	Letter from the DOD's Director Asset Management confirming the audit outcome in respect of Intangible Assets. AGSA report.
ASSUMPTIONS	Effective management of IP-related technologies.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	31 March 2024.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Research and Development.

INDICATOR TITLE	3.1.4 COMMERCIALISE ONE IP TECHNOLOGY (PROVIDED THAT THERE IS AN ARMSCOR OWNED DUAL-USE TECHNOLOGY THAT IS AT TECHNOLOGY READINESS LEVEL 9 AND CAN BE COMMERCIALISED).
DEFINITION	The conclusion of an agreement for commercialisation of at least one IP Technology which is at Technology Readiness Level (TRL) 9 (ready for market) in the new market. This involves finding a partner, negotiating the terms and the conditions of the agreement and following the Armscor IP exploitation governance process to obtain the approval of the agreement.
PURPOSE	To measure the commercialisation of one IP Technology.
SOURCE OF DATA	Proof of submission to GE, EXCO, TISS or Board of Directors.
METHOD OF CALCULATION/ ASSESSMENT	Number of IP technology submissions to either one of the following: GE, EXCO, TISS or Board of Directors by 31 March 2024.
MEANS OF VERIFICATION	Proof of any of the following steps undertaken pursuant to advancing an

	Armcor technology from one technology readiness level (TRL) to the next, or identification of a potential partner, or negotiation and drafting an agreement, or obtaining approval of an agreement or placement of orders for the technology based products, or a progress report to the GE on IP commercialisation activities that have been pursued.
ASSUMPTIONS	Effective management of IP-related technologies.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	31 March 2024.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Research and Development.

INDICATOR TITLE	3.2.1 RENEW APPLICATION SYSTEMS TO IMPROVE EFFECTIVENESS AND EFFICIENCY: • IMPLEMENTATION OF THE APPROVED DIGITISATION PLAN.
DEFINITION	The implementation of the digitisation plan as approved by the Board of Directors.
PURPOSE	To measure the renewal of the application systems to improve effectiveness and efficiency.
SOURCE OF DATA	The approved digitisation plan.
METHOD OF CALCULATION/ ASSESSMENT	The approved digitisation plan to be implemented as follows: Human Resources and pay roll by 30 September 2023., Finance by 31 March 2024
MEANS OF VERIFICATION	Proof of the implementation phases in line with the digitisation plan. Internal Audit report.
ASSUMPTIONS	Renewal of application systems to improve efficiency and effectiveness.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	30 September 2023. 31 March 2024.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	3.2.1 IMPLEMENT IT INFRASTRUCTURE RENEWAL IN LINE WITH BUSINESS CONTINUITY PLAN: • COMPLETE IMPLEMENTATION OF BCP.
DEFINITION	Measuring the implementation of the IT infrastructure renewal in line with the Business Continuity plan.
PURPOSE	To measure the implementation of the IT infrastructure renewal in line with the Business Continuity plan.
SOURCE OF DATA	Complete implementation of BCP. IT report confirming the full implementation of BCP signed by the Chief Information Officer (CIO).
METHOD OF CALCULATION/ ASSESSMENT	Complete implementation of BCP by 30 September 2023.
MEANS OF VERIFICATION	Proof of the IT report signed by the CIO. Internal Audit report.
ASSUMPTIONS	Effective implementation of IT infrastructure renewal.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION	N/A.

(WHERE APPLICABLE)	
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	30 September 2023.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	3.2.2 PERCENTAGE IMPROVEMENT IN CYBERSECURITY CAPABILITY: PERCENTAGE IMPLEMENTATION OF THE ANNUALLY APPROVED CYBERSECURITY CAPABILITY IMPLEMENTATION PLAN.
DEFINITION	Measuring the improvement of the information security in Armscor through the implementation of the annually approved Cybersecurity Capability Implementation plan. The activities in the plan are as follows: <ul style="list-style-type: none"> • Addressing the audit findings from the Auditor General. • Addressing the Internal Audit findings. • Cybersecurity Maturity Improvement Plan (Development of cybersecurity capability, process and governance controls, people controls and monitoring, intelligence and incident recovery).
PURPOSE	To measure the percentage implementation of the annually approved Cybersecurity Capability Implementation plan.
SOURCE OF DATA	The annually approved Cybersecurity Capability Implementation plan.
METHOD OF CALCULATION/ ASSESSMENT	Percentage implementation of the annually approved Cybersecurity Capability Implementation Plan by 31 March 2024. Performance will be calculated based on the average percentage of the three activities identified in the Cybersecurity Capability Implementation plan.
MEANS OF VERIFICATION	The annually approved Cybersecurity Capability Implementation plan. Internal Audit report.
ASSUMPTIONS	To improve information security.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	80%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Research and Development

STRATEGIC OUTPUT 4 (A2): STAKEHOLDER MANAGEMENT

INDICATOR TITLE	4.1.2 EMPLOYEE ENGAGEMENT SURVEY (CONDUCTED EVERY THIRD YEAR): PERCENTAGE IMPLEMENTATION OF IDENTIFIED INTERVENTIONS BASED ON 2020/21 SURVEY.
DEFINITION	Improvement of long-lasting strategic relationships with internal stakeholders of Armscor and determining the baseline going forward.
PURPOSE	To measure the percentage implementation of identified interventions based on 2020/21 survey.
SOURCE OF DATA	Employee engagement survey results measured against the list of activities per financial year.
METHOD OF CALCULATION/ ASSESSMENT	Add up final scores of all categories and divide by total of categories to get an overall average. Divide overall average by objective to get overall average percentage.
MEANS OF VERIFICATION	Employee engagement survey results. Internal Audit report.
ASSUMPTIONS	Developing and maintaining long-lasting, strategic relationships with internal stakeholders.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	90%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	4.2.1 ACHIEVEMENT OF APPROVED EMPLOYMENT EQUITY PLAN THAT IS DIRECTED TOWARDS: • PERCENTAGE IMPROVING FEMALE REPRESENTATION.
DEFINITION	Monitor and manage the improvement of female representation in line with the approved Employment Equity Plan.
PURPOSE	To measure the percentage improvement for female representation.
SOURCE OF DATA	Staff profile for permanent employees report.
METHOD OF CALCULATION/ ASSESSMENT	Total number of female employees divided by total number of employees = % achieved.
MEANS OF VERIFICATION	Human Capital profile for permanent employees report. Internal Audit report.
ASSUMPTIONS	Transformation of the Corporation, in accordance with the Employment Equity Act, to reflect the community it represents by implementing and monitoring the Armscor Employment Equity Plan.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: 40% female employees. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	40%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	4.2.2 CONTROLLABLE STAFF TURNOVER IN TECHNICAL POSITIONS, EXCLUDING RETIREMENTS (LESS THAN OR EQUAL TO 4%).
DEFINITION	Monitor the incoming controllable staff in technical positions by excluding the retirements in a margin of less than or equal to 4%.
PURPOSE	To measure the controllable staff turnover in technical positions, excluding retirements (less than or equal to 4%).
SOURCE OF DATA	Human resource report: resignations in technical categories.
METHOD OF CALCULATION/ ASSESSMENT	Total technical resignations divided by total technical positions multiply by 12 months divide by 12 months multiply by 100.
MEANS OF VERIFICATION	Human resource report: resignations in technical categories. Internal Audit report.
ASSUMPTIONS	To monitor and ensure retention of controllable staff turnover in technical positions with the exclusion of resignations.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	≤4%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	4.2.3 SKILLS DEVELOPMENT PROGRAMME: • PROVISION OF BURSARIES FOR FULL-TIME STUDIES (CUMULATIVE NUMBER).
DEFINITION	Monitor and manage the skills development programme through providing the number of bursaries to the number of students studying full-time.
PURPOSE	To measure the provision of bursaries for full-time studies.
SOURCE OF DATA	Detailed Armscor bursary holders list.
METHOD OF CALCULATION/ ASSESSMENT	Actual number of awarded bursary for full-time studies.
MEANS OF VERIFICATION	Detailed Armscor bursary holders list. Internal Audit report.
ASSUMPTIONS	To provide bursaries to the number of full-time students with an aim to ensure skills development.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: 23 bursaries issued. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	23.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	4.2.3 SKILLS DEVELOPMENT PROGRAMME: • CONTRACTING AND DEVELOPMENT OF GRADUATE AS INTERNS, I.E. TALENT DEVELOPMENT PROGRAMME (CUMULATIVE NUMBER).
DEFINITION	Monitor and manage the skills development programme through providing the appointment and development of employees in the talent development programme.
PURPOSE	To measure the contracting and development of graduates as interns, i.e. Talent Development Programme.
SOURCE OF DATA	Detailed Armscor talent and development candidate list.
METHOD OF CALCULATION/ ASSESSMENT	Actual number of employees on Talent Development Programme at the end of the financial year.
MEANS OF VERIFICATION	Detailed Armscor talent and development candidate list. Internal Audit report.

INDICATOR TITLE	4.2.3 SKILLS DEVELOPMENT PROGRAMME: • CONTRACTING AND DEVELOPMENT OF GRADUATE AS INTERNS, I.E. TALENT DEVELOPMENT PROGRAMME (CUMULATIVE NUMBER).
ASSUMPTIONS	To develop graduates through the skills development programme by appointing them in the Talent Development Programme.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: 30 TDPs employed per year. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	30.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	4.2.4 SUCCESSION PLANNING DEVELOPMENT: • PERCENTAGE COMPLIANCE WITH SUCCESSION PLANNING DEVELOPMENT (KEY IDENTIFIED POSITIONS).
DEFINITION	Ensure and monitor compliance of succession planning process in Armscor through developing and mentoring potential successors identified.
PURPOSE	To measure the percentage compliance with Succession Planning Development on key identified positions.
SOURCE OF DATA	Memo reflecting overall performance signed by Manager: Performance & Succession Planning; supported by Executive Manager: Human Resource.
METHOD OF CALCULATION/ ASSESSMENT	Development rating divided by total successors = % achieved.
MEANS OF VERIFICATION	Memo reflecting overall performance signed by Manager: Performance & Succession Planning; supported by Executive Manager: Human Resource. Internal Audit report.
ASSUMPTIONS	To ensure critical business continuity functions through the development of successors and talent management process.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	80%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	4.2.5 TOTAL NUMBER OF PEOPLE EMPLOYED WITH DISABILITIES (including TDPs and Learnerships).
DEFINITION	To monitor the number of employees with disabilities employed by Armscor during the period under review.
PURPOSE	To measure the total number of people employed with disabilities.
SOURCE OF DATA	Detailed Armscor list of employees employed with disabilities.
METHOD OF CALCULATION/ ASSESSMENT	Number of people with disabilities including TDPs and Learnerships.
MEANS OF VERIFICATION	Detailed Armscor list of employees employed with disabilities. Internal Audit report.
ASSUMPTIONS	To ensure transformation of the Corporation through employing people with disabilities, in accordance with the Employment Equity Act, to reflect the community it represents by implementing and monitoring the Armscor Employment Equity Plan.

INDICATOR TITLE	4.2.5 TOTAL NUMBER OF PEOPLE EMPLOYED WITH DISABILITIES (including TDPs and Learnerships).
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: 28 people employed with disabilities (including TDPs and Learnerships).
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	28.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Corporate Support.

INDICATOR TITLE	4.2.6 MILITARY VETERANS (MV): PREFERENTIAL PROCUREMENT FROM MILITARY VETERANS ENTITIES. (Percentage of total procurement spend)
DEFINITION	To monitor and measure the percentage of total procurement spend on the preferential procurement from military veterans entities.
PURPOSE	To measure the percentage of total procurement spend on military veterans entities.
SOURCE OF DATA	The total procurement spend report on military veteran's entities.
METHOD OF CALCULATION/ ASSESSMENT	The amount spent against the amount allocated for preferential procurement of military veterans entities multiply by percentage.
MEANS OF VERIFICATION	The total procurement spend report on military veteran's entities. Internal Audit report.
ASSUMPTIONS	To provide support to the Military Veterans entities through the preferential procurement.
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)	1. Target for Women: N/A. 2. Target for Youth: N/A. 3. Target for People with Disabilities: N/A.
SPATIAL TRANSFORMATION (WHERE APPLICABLE)	N/A.
CALCULATION TYPE	Non-Cumulative.
REPORTING CYCLE	Annually.
DESIRED PERFORMANCE	2%.
INDICATOR RESPONSIBILITY OWNER	Chief Executive Officer. Group Executive: Business Assurance.

ANNEXURE E

Table 11: AMENDMENT TO THE PERFORMANCE INDICATORS THAT ARE REFLECTED IN THE ARMSCOR CORPORATE PLAN 2022/23 TO 2025/26 FINANCIAL YEARS

Serial No.	Location of Amendment	Performance Indicator as reflected in Armscor Corporate Plan 2022 – 2025	Amendment as reflected in Armscor Corporate Plan for 2023	Remarks
1.	Table 3: Armscor's Service Delivery Indicators.	Execution of contracts as measured through actual cash flow on DOD orders placed.	Execution of contracts as measured through actual cash flow on DOD orders placed.	The performance indicator is revised to read "Percentage execution of contracts as measured through actual cash flow on DOD orders placed" in line with the DOD evaluation report.
2.	Table 3: Armscor's Service Delivery Indicators.	Execution of contracts as measured through actual cash flow on DOD orders placed.	Execution of contracts as measured through actual cash flow on DOD orders placed.	The performance indicator is revised to read "Percentage execution of contracts as measured through actual cash flow on DOD orders placed" in line with the DOD evaluation report.
3.	Table 4: The Four Strategic Outputs in Armscor's Corporate Plan 2022 – 2025.	Revenue from existing facilities of Armscor R&D.	Revenue from existing facilities of Armscor R&D.	The performance indicator is revised to read "Percentage increase in revenue from existing facilities of Armscor R&D" in line with the DOD evaluation report.
4.	Table 4: The Four Strategic Outputs in Armscor's Corporate Plan 2022 – 2025.	Revenue generated from the Business Enablement Business Unit.	Revenue generated from the Business Enablement Business Unit.	The performance indicator is revised to read "Revenue generated from the Business Enablement Unit".
5.	Table 4: The Four Strategic Outputs in Armscor's Corporate Plan 2022 – 2025.	Completion of IP requests in terms of Armscor process.	Completion of IP requests in terms of Armscor process.	The performance indicator is revised to read "Table IP exploitation requests received from Industry at EXCO. (provided that the request was received by Armscor before the beginning of Quarter 4 of the financial year)".
6.	Table 4: The Four Strategic Outputs in Armscor's Corporate Plan 2022 – 2025.	Commercialise one IP Technology. (provided that there is an Armscor owned IP that is already at Technology Readiness Level 9 and can be commercialised).	Commercialise one IP Technology. (provided that there is an Armscor owned IP that is already at Technology Readiness Level 9 and can be commercialised).	The performance indicator is revised to read "Commercialise one IP Technology. (provided that there is an Armscor owned dual-use technology that is at Technology Readiness Level 9 and can be commercialised)".

7.	Table 4: The Four Strategic Outputs in Armscor's Corporate Plan 2022 – 2025.	Implementation of the approved application system renewal plan.	Implementation of the approved application system renewal plan.	The performance indicator is revised to read "Implementation of the approved digitisation plan." As amended by the Business Unit.
8.	Table 4: The Four Strategic Outputs in Armscor's Corporate Plan 2022 – 2025.	Renew application systems to improve effectiveness and efficiency: • Implement IT Infrastructure Renewal in line with Business Continuity Plan in times of crises.	Renew application systems to improve effectiveness and efficiency: • Implement IT Infrastructure Renewal in line with Business Continuity Plan in times of crises.	The performance indicator is revised to read "Full Implementation of BCP."
9.	Table 4: The Four Strategic Outputs in Armscor's Corporate Plan 2022 – 2025.	Improve Cybersecurity Capability: • 80% Implementation of the annually approved Cybersecurity Capability Implementation plan. Target: 31 March 2023	Improve Cybersecurity Capability: • 80% Implementation of the annually approved Cybersecurity Capability Implementation plan. Target: 31 March 2023	The performance indicator and the target is revised to read "Percentage Improvement of Cybersecurity Capability: Percentage Implementation of the annually approved Cybersecurity Capability Implementation plan." Target: 80% instead of 31 March 2024 " in line with the DOD evaluation report.
10.	Table 4: The Four Strategic Outputs in Armscor's Corporate Plan 2022 – 2025.	Achievement of approved Employment Equity Plan that is directed towards: Percentage improvement for female representation.	Achievement of approved Employment Equity Plan that is directed towards: Improvement for female representation.	The performance indicator is revised to read "Achievement of approved Employment Equity Plan that is directed towards: Percentage improvement for female representation" in line with the Armscor Employment Equity Plan."
11.	Table 4: The Four Strategic Outputs in Armscor's Corporate Plan 2022 – 2025.	Total number of people with disabilities.	Total number of people with disabilities.	The performance indicator is revised to read "Total number of people employed with disabilities (including TDPs and Learnerships)".

ANNEXURE F

PERFORMANCE INFORMATION RELATED TO THE SOUTH AFRICAN DEFENCE REVIEW 2015: "DEFENCE PLAN TO ARREST THE DECLINE": NON COST DELIVERABLES

Table 12: Pledge of Support by Armscor to the Defence Plan to Arrest the Decline

No.	DR 2015 End State	DR 2015 Deliverables/ Output	MOD&MV Priority	Owner	Performance Indicator	2023/24 Target	Linkage to Armscor Strategy Map	Armscor Support	National Development Plan linked to MTSF Priority
1.	Promulgated Defence Secretariat Strategy	Developed	Defence Strategic Direction	SecDef (CDPSP)	D3_01B: Percentage adherence to DOD governance schedule (Strategy) New Indicator	Submitted for approval	D1	Group Executive: R&D and Senior Manager: Corporate Strategy and Planning	MTSF Priority 6 and 7
2.	Promulgate Military Strategy, Force Design and Structure	Developed	Defence Strategic Direction Resourcing Direction	SANDEF (CoS)	D3_01B: Percentage compliance with progress of Military Strategic Direction Register New Indicator	Submitted for approval	D1 & R4	Group Executive: R&D and Senior Manager: Corporate Strategy and Planning	MTSF Priority 6 and 7
3.	Support (As reflected in the DOD APP 2016: Capability Sustainment renewal)	Defence National Industry Strategic Implementation Framework	Capability Sustainment Direction	SecDef (NDIC)	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 and Group Executive: R&D and	MTSF Priority 6 and 7

No.	DR 2015 End State	DR 2015 Deliverables/ Output	MOD&MV Priority	Owner	Performance Indicator	2023/24 Target	Linkage to Armscor Strategy Map	Armscor Support	National Development Plan linked to MTSF Priority
								Senior Manager: Corporate Strategy and Planning	
4.	Promulgated Border Safeguarding Strategy	Developed	Strategic Resourcing Direction	CSANDF (CJOps)	D3_01B: Percentage adherence to DOD governance schedule (Strategy)	Submitted for approval	D1	Group Executive: Acquisition and SCM, and Group Executive: R&D	MTSF Priority 6 and 7
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 Priority 6 and 7
6.	Support (As reflected in the DOD APP 2016: Defence Academy Established)	Establish the Defence Academy	Human Resources Renewal	CHR (CDHRD)	R1-(new): Defence Academy Status	100 % (Comprehensive studies, strategies and plans to establish the Defence Academy developed)	R1	Group Executive: Corporate Support	MTSF Priority 6 and 7

ANNEXURE G

GLOSSARY

Armcor	Armaments Corporation of South Africa SOC (Ltd)		MoA	Memorandum of Agreement
AGSA	Auditor-General South Africa		MTSF	Medium-Term Strategic Framework
AU	African Union		MTEF	Medium Term Expenditure Framework
AMD	South African Aerospace Maritime and Defence Industries Association		MRO	Maintenance, Repair and Overhaul
AMP	Assisted Maintenance Period			
APPs	Annual Performance Plans			
B-BBEE	Broad-Based Black Economic Empowerment		NCACC	National Conventional Armaments Control Committee
			NDP	National Development Plan, Vision 2030
			NDIC	National Defence Industry Council
			NGP	National Growth Path
			No.	Number
CEO	Chief Executive Officer		OPDEF	Operational Defect
COTS	Commercial off-the-shelf		PFMA	Public Finance Management Act (Act No. 1 of 1999)
COVID-19	Coronavirus Disease 2019		PPGI	Public-Private Growth Initiative
DDSI	Defence Decision Support Institute		R&D	Research and Development
DED	Docking and Essential Defects		Ret.	Retired
DIF	Defence industry Fund		RFB	Request for Bid
DIP	Defence Industrial Participation		RISDP	Regional Indicative Strategic Development Plan
DOD	Department of Defence		RSA	Republic of South Africa
DMD	Defence Matériel Division		SA	South Africa
DOD APP	Department of Defence: Annual Performance Plan		SADC	Southern African Development Community
			SADI	South African Defence Industry
			SAMHS	South African Military Health Services
			SAPS	South African Police Services
DPME	Department of Planning, Monitoring and Evaluation		SANDEF	South African National Defence Force
DPWI	Department of Public Works and Infrastructure		SCM	Supply Chain Management
DR	Defence Review		SDA	Special Defence Account
DRP	Disaster Recovery Plan		SDG	Sustainable Development Goal
DSCC	Defence Sector Charter Council		SDIP	Service Delivery Improvement Plan
dtic	Department of Trade, Industry and Competition		SDP	Strategic Defence Packages
			SIU	Special Investigating Unit
			SLA	Service Level Agreement
			SME	Small-and-Medium Enterprises
			SMMEs	Small, Medium, and Micro-sized Enterprises
EE	Employment Equity		SOC	State Owned Company
ERP	Enterprise Resource Planning			
ESD	Enterprise Supplier Development			
Excl.	Excluding			
EXCO	Executive Committee			
Etc.	Et cetera			
FA	Financial Authority		SONA	State of the Nation Address
Flamengro	Fluid and Mechanical Engineering Group			
FMEA	Failure Mode and Effect Analysis		SPs	Strategic Plans
FOSAD	Forum of South African Directors-General			

GDA GRAP	General Defence Accounts Generally Recognised Accounting Practices		TDPs T&E	Talent Development Programmes Test and Evaluation
HR HQ	Human Resources Head Office		UN	United Nations
IP i.e	Intellectual Property id est		YTD	Year to date
ICT	Information and Communication Technology			
ISO SHE IT ITSCM	International Organisation for Standardisation Safety Health and Environment Information Technology Information Technology Service Continuity Management			
IMT	Institute for Maritime Technology			
JCPS	Justice Crime Prevention and Security			





ARMSCOR
Armaments Corporation of South Africa SOC Ltd

Contact Information

Tel: +27 12 428 1911

Fax: +27 12 428 5635

Email: info@armscor.co.za

Website: www.armscor.co.za

Physical Address:

Cnr. Delmas Drive & Nossob Street
Erasmuskloof Ext. 4, Pretoria

Postal Address:

Private Bag x337, Pretoria, 0001