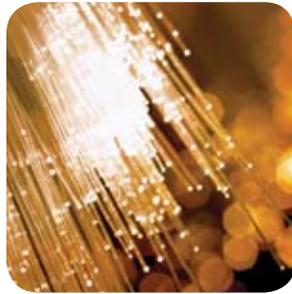


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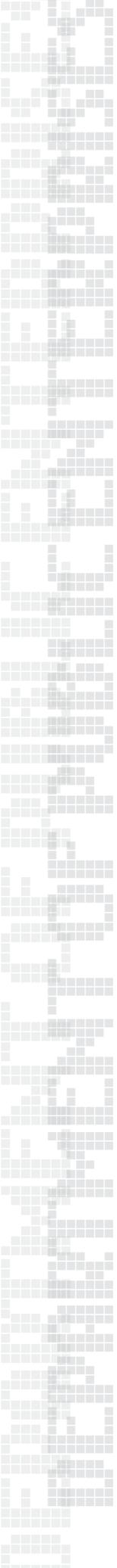
# ANNUAL REPORT

## DEPARTMENT OF PUBLIC ENTERPRISES



**public enterprises**

Department:  
Public Enterprises  
REPUBLIC OF SOUTH AFRICA



“Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has.”

Margaret Mead



c o n t e n t s

# ANNUAL REPORT



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## Minister's Foreword

The 2006/2007 financial year has been a challenging and productive one for the Department of Public Enterprises (DPE) and the State Owned Enterprises (SOE) that report to the DPE as their shareholder Ministry and Department. With the improvement in the growth rate and economic activity, the challenges facing our infrastructure capacity are very much more onerous than before. The key challenge facing the infrastructural SOE is to ensure that we do not act as a brake on growth prospects in what is now a very buoyant economic environment.

Over the last three years the Boards and the DPE have worked hard to strengthen the SOE, so that they can carry the burden for development that lies on their shoulders. Now the pace of actual investment is picking up and this means that attention has to be paid to maintaining existing infrastructure in good working order and building significant new capacity. This will stretch all to the limits. However, it is a very dynamic time offering endless opportunities to our people.

The activities of the SOE are critical to the sort of growth envisaged in the Accelerated and Shared Growth Initiative for South Africa (ASGISA). To ensure that we share the growth that will most certainly be generated by the infrastructure investment, we need to ensure that the investment programme has a wider impact on the South African economy and indeed the African economies. To this end we are focussing on four main areas: ensuring that the capital programmes keep to their time lines; introducing a Competitive Supplier Development Programme to facilitate competitive new manufacturing capacity open to all our people; investing heavily in skill development and human resources and paying more attention to research and development so that we deepen our economic capacity. In these programmes we're working closely with the Joint Initiative on Priority Skills in South Africa (JIPSA), and other government departments such as Trade & Industry and Science & Technology.

We are also working closely with policy departments in the development of new strategies and approaches to the questions of nuclear energy, the defence related industries, the forestry sector and the beneficiation of diamonds. This work has a bearing on Eskom, PBMR, Denel, Safcol and Alexkor respectively and means working with the Department of Minerals & Energy, Science & Technology, Defence, Trade & Industry and Water Affairs & Forestry. With the Department of Transport we have successfully completed the process of moving Metrorail across to the DOT and will follow this in the near future with Shosholozza Meyl.

We are also working with them to finalise our approach to ports and partnerships in ports and the future of low-density lines. We have commenced a very constructive engagement with the Department of Environmental Affairs and Tourism with regard to Environmental Impact Assessment and Airlift and believe that this will be of benefit to all.

We are pleased that we were finally able to sign the Settlement Agreement with the Richtersveld Community, after 10 years of negotiations. In the year ahead we will focus on its implementation, initially on the Pooling and Sharing Joint Venture (PSJV), in which Alexkor and the Community will hold a 51 % interest and 49% interest respectively.

Interesting developments are also occurring in the local broadband sector. As a result of improvements in technology, the world economy is increasingly integrated by the power of broadband communication. Access to broadband has thus become an essential requirement for any economy. The establishment of Broadband Infracore will give South African businesses a fair chance at competing in the global economy, and we are pleased at the progress made by the team thus far in ensuring that the work gets underway.

It was an exacting year for SAA, which has also been at the mercy of rising international oil prices. The airline has now embarked on its turnaround strategy, which should, when successfully implemented, yield a profitable, first-class airline with massive potential. It will be a tough few months ahead for the airline, but we are confident the team at SAA is up to the task.

The Transnet team has also managed to turn the entity around from its bleak position just a few years ago, and the focus is now on implementing key infrastructure investments in rails, ports and pipelines, after the disposal of non-core assets.

The workload in the DPE and in the SOE has increased exponentially and I am very pleased that despite the strain, we have largely kept up with the pace. This increased workload has provided a wealth of experience and insight into what role the SOE can realistically play in growth and development of our economy. It is clear that their role is central and this has given us further insight into the activities of a Developmental State and how we can build major new initiatives and partnerships with the private sector, both local and international. It is our intention to capture these lessons in new legislation that provides for the shareholder management of these key SOE.

In the year ahead we will focus on ensuring that the SOE press ahead with the programmes outlined and in further building the capacity of the DPE and its staff. The DPE under the energetic and innovative leadership of the Director-General Portia Molefe has more than performed to my expectations and I am sure will go onto new heights. The Boards, Management and Staff of the SOE have done amazing work as they reorganise the SOE to carry out this massive responsibility. They too will go onto new heights in the coming year.



Mr Alec Erwin |  
MINISTER OF PUBLIC ENTERPRISES



## Director-General's Report

Through the Accelerated and Shared Growth Initiative of South Africa (ASGISA), our economy is being positioned for a new and more sustainable growth trajectory. Our State Owned Enterprises (SOE) span a range of sectors from Transnet in logistics, Eskom in electricity generation, transmission and distribution, Denel in defence manufacturing to the Pebble Bed Modular Reactor (PBMR) in nuclear technology. These enterprises have a significant role to play in both facilitating and catalysing this economic growth.

The role of the Department of Public Enterprises (DPE) is that of providing shareholder oversight on the SOE, with the objective of ensuring their commercial sustainability, while optimising the enterprises' contribution to the growth process.

Eskom and Transnet in particular play a critical role in facilitating economic growth through the provision of adequate infrastructural capacity to support the requirements of a higher growth rate. This fundamental business objective in and of itself creates considerable challenges and risks to the SOE, particularly in a context where there has been limited investment in infrastructure over the last thirty years. These include:

- Risks to the SOE balance sheet in funding an aggressive investment programme without overly leveraging the enterprise.
- Inflationary risks, as at least a portion of the investment programme may need to be funded through significant tariff increases in the short term.
- Roll-out challenges relating to the capacity of the SOE to manage the implementation of the investment programmes timeously.
- Short to medium-term challenges relating to an adequate skills supply to meet the challenges of the infrastructure roll-out, both in the SOE and in their supplier industry.

The Department has invested considerable resources in order to be able to play an effective oversight role, and to ensure that these risks are adequately managed and the challenges are overcome.

In many respects the SOE are growth engines in the economy. This implies the need for the SOE to play a proactive catalytic role. Key strategic initiatives that have been undertaken in this regard include:

- The establishment of a new SOE, Broadband Infraco, to increase and bring down the cost of broadband, thereby ensuring accessibility.
- The Competitive Supplier Development Programme (CSDP) has been designed and implemented, whereby the SOE will proactively leverage their procurement programmes to develop their supplier communities, with South Africa and the continent.
- Denel has introduced a global strategic partner into the aerostructures business to enable the transfer of world-class manufacturing skills as well as composite-based aerostructure technologies, within the context of an over-arching defence related industry strategy.

In addition, over the last year significant progress was made in the design of a new shareholder management model for government as a whole.

With respect to the PBMR, we have spent the last year designing a new co-operation agreement between government and all the partners on the project. Our initial discussions with Sasol are very encouraging as it was always our ambition to bring in strong global South African companies into this world-class project.

In order to carry out our mandate more effectively, the Department was restructured into multi-disciplinary SOE-facing teams. These teams have the capacity to provide comprehensive assessments of the strategy, investment plans, governance processes and risk profiles of the SOE that report to the Department. The benefits of this approach are already visible as teams develop in-depth, specialist knowledge of the SOE and their related industries. In addition, the Joint Project Facility, which oversees the employment of specialised project managers to develop business cases for strategic initiatives, has been systematically integrated into the operations of the Department.

The achievements over the last year would not have been possible without the considerable effort of the Department's staff and the leadership and support of the Minister. To them, I wish to express my sincere thanks, and gratitude. Without you, the year would not have been as much fun, I am sure. It is indeed a privilege to serve with the people at DPE.

I would also like to thank the Chairperson of the Portfolio Committee and all the members. They have provided excellent support over the past year.

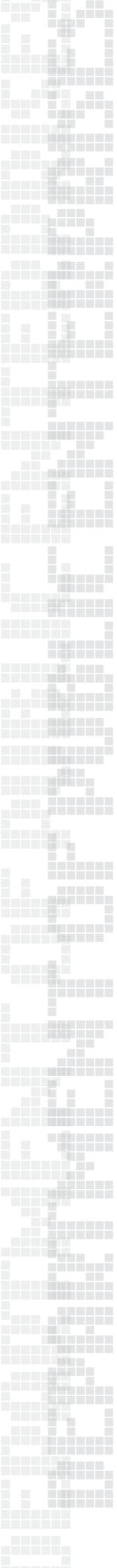
A clean audit does not just happen, so many thanks to the Chairperson of the Audit Committee and her committee members.

We would not have made as much progress as we have if we did not enjoy an excellent and challenging working relationship with the CEOs and Chairpersons of the SOE. I extend my thanks to the Directors-General of the Economics Cluster, who have been an invaluable support base. Special thanks goes to the co-chair of the Economics Cluster, Tshediso Matona.



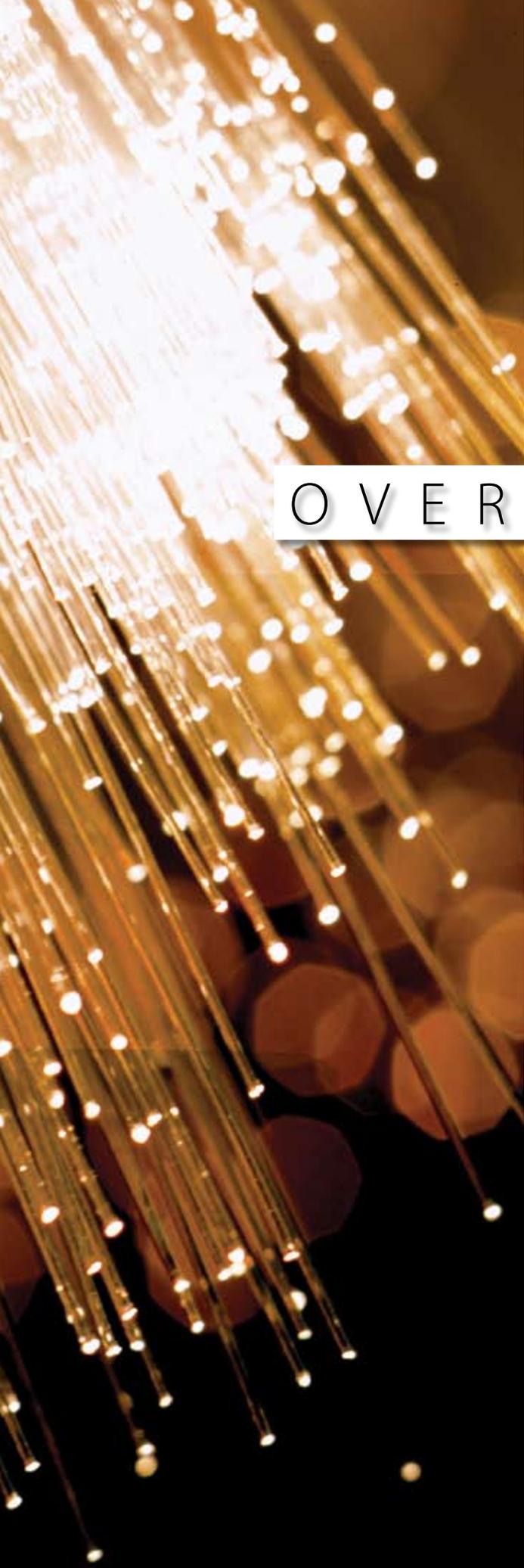
Portia Molefe |  
DIRECTOR-GENERAL





“Do your little bit of good  
where you are; it’s those  
little bits of good put  
together that overwhelm  
the world.”

Archbishop Desmond Tutu



# O V E R V I E W

The Department of Public Enterprises (DPE) is the shareholder representative for government with oversight responsibility for the following State Owned Enterprises (SOE): Alexkor, Denel, Eskom, the Pebble Bed Modular Reactor (PBMR), South African Airways (SAA), Safcol, Transnet and the soon-to-be-established Broadband Infracore and South African Express Airways (SAX).

SOE have a critical role to play in advancing economic growth, since they are responsible for the development of key infrastructure and manufacturing capacity. Infrastructure investments are a core part of the accelerated growth strategy, and SOE are implementing comprehensive investment programmes to ensure that there is adequate capacity to support the growth process. In addition, this will create opportunities for investment in SOE supplier industries, following on thirty years of declining government capital investment. In order to sustain economic growth into the future, it is crucial that the culture of maintenance & repair and catalytic infrastructure investment is entrenched into government's planning processes and systems,

# o v e r v i e w



## vision

Our vision is to have State Owned Enterprises (SOE) that:

- Are efficiently managed, meeting domestic and international industry operational benchmarks.
- Play a role in their industry that supports government policy relating to industry structure and private sector participation.
- Undertake investment programmes that provide the necessary capacity to accommodate faster economic growth.
- Implement their investment programmes in such a manner that the national economy is strengthened in a sustainable way.

In order to attain this vision, it is critical that the department develops a world-class shareholder management model that will enable strong coordination between the shareholder and the board.



## mission

Our mission as a department is to provide to SOE:

- Clear mandates.
- Effective performance management.
- Simple, understandable and implementable governance systems.

## mandate

The mandate of the DPE is to ensure alignment between the SOE business strategies and government policy objectives as well as regulatory requirements, while ensuring that the SOE are sustainable businesses that provide economic benefits to the country.

Overleaf follows a brief description of each SOE and key issues facing these enterprises:



## Alexkor

The core business of Alexkor is the mining of diamonds. The State has decided to use the company to promote the beneficiation of diamonds in the country. The implementation of the land claim agreement with the Richtersveld Community will be crucial if this is to be realised. After almost ten years of extensive negotiations and consultations, Government and the Richtersveld Community signed the settlement agreement, which is expected to unlock any unnecessary delays in restoring rights and the payment of compensation to the Community. An interim board, consisting of Alexkor and Richtersveld Community members, has been appointed to facilitate the establishment of a Pooling and Sharing Joint Venture. (PSJV)

## Broadband Infraco

The high cost of broadband locally means that South African businesses cannot successfully compete with their peers globally. South Africa lags behind its international counterparts in terms of ICT penetration as well as the rate of adoption of new technology. Broadband is viewed as a key driver of economic growth and wealth generation and it is therefore essential for SA to gain access to universally available, reliable and affordable broadband. Infraco has the mandate to both supply capacity and bring down the cost of broadband. Infraco will provide and own the long-distance Full Service Network (FSN) deployed by Eskom and Transnet. The company, which is already operational as a subsidiary of Eskom, is expected to become a stand-alone SOE, reporting to the DPE, in the next financial year.



## Denel

The South African Government considers Denel a strategic asset for its role as custodian of the country's technological capabilities, and as a driver for skills development in the engineering and high technology disciplines. The restructuring of the company and the disposal of non-core assets, are expected to streamline the company's focus and allow it to pay more attention to core capabilities. Denel will drive the establishment of manufacturing clusters that will be a catalyst for the transference of advanced manufacturing know-how and technologies to the broader manufacturing sector. This is the economy's second largest sector, accounting for just over 16% of gross domestic product (GDP).

## Eskom and PBMR

The State's key objective through Eskom and the Pebble Bed Modular Reactor is to secure long-term, environmentally sustainable electricity for the country, and Eskom's R150bn investment programme, which will be rolled out over the next five years (2006 – 2011), is critical in addressing this issue. An important component of the build and supply programme is the introduction of Independent Power Producers (IPP). Nuclear power is also expected to make a larger contribution as a primary source for electricity. This will be done through conventional nuclear technology and the new fourth-generation high temperature reactors offered by PBMR.



## Safcol

The State is in the process of disposing of the last remaining package of Safcol, namely Komatiland Forests. The process of disposal is expected to be concluded by end March 2009.

## South African Airways (SAA)

State ownership of the airline will allow for greater control in advancing national objectives such as promoting air links with South Africa's main trading partners, contributing to the growth of the tourism industry, and strengthening air transport capacity on the continent. SAA is in the process of a comprehensive and fundamental restructuring plan – an aggressive campaign to bring the airline back into profitability following significant losses in recent years. The support that Government is giving to the recapitalisation of SAA is contingent on its turnaround strategy being successfully implemented.

## South African Express Airways (SAX)

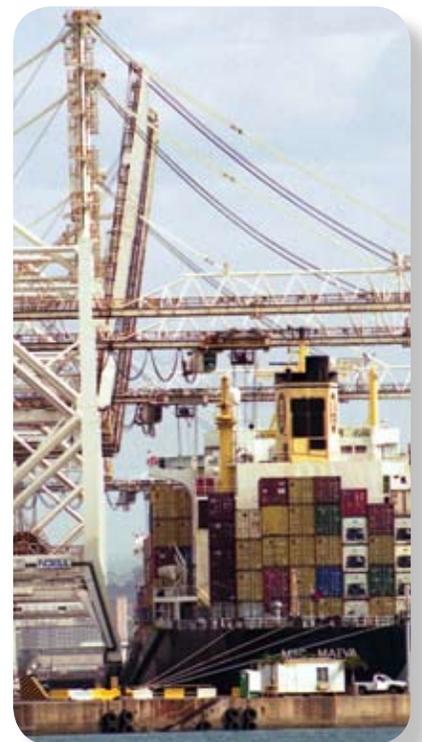
South African Express (SAX) is a regional airline that was established in 1994 as a feeder to South African Airways. SAX will be removed from Transnet's books this financial year and will be a stand-alone SOE. The airline operates on secondary routes – routes that cannot be served viably with larger aircraft and provides the necessary links on thinner routes, to smaller cities and towns such as Kimberley, Richards Bay and George. SAX has also been successful in opening up routes into Africa with services to regional destinations such as Walvis Bay in Namibia and Lubumbashi in the Democratic Republic of Congo. The airline is able to operate profitably on routes where major airlines, with larger aircrafts, have incurred losses. SAX is an important contributor to the country's socio-economic development, and is an ideal vehicle to help develop and sustain African air routes on a more economical basis.



## Transnet

Transnet, the rail, ports and pipeline utility, is uniquely positioned to provide integrated, seamless transport solutions for its customers in the bulk and manufacturing sectors as part of its drive to improve the efficiency and competitiveness of the South African economy. Transnet will spend R78bn over the next five years on an investment programme that is aimed at revitalising and extending its infrastructure and addressing the maintenance backlog. Transnet's investment programme is expected to be sustained well beyond the five years in order to meet the needs of a growing economy.

With the drop in gross fixed capital investment over the last twenty years, the South African capital goods industry has stagnated. The Competitive Supplier Development Programme (CSDP), headed up by the Joint Projects Facility (JPF), is aimed at addressing this issue. The SOE have the strongest interest in securing supplier industry development, as this will enhance their own competitiveness in their core activities and ensure security of supply of key inputs. Through total procurement spend, the SOE have a powerful instrument to secure investment in skills, plant and technology by suppliers. This should improve productivity and thus competitiveness of suppliers. It will also reduce the dependency on imports, and foreign exchange exposure, and develop niche export areas.







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

Woodrow Wilson



# ORGANISATIONAL STRUCTURE



# DPE ORGANISATIONAL STRUCTURE



**Alec Erwin**  
Minister  
Public Enterprises



**Neo Moono**  
Head:  
Office of the  
Minister



**Portia Molefe**  
Deputy Director-General  
Public Enterprises



**Femida Mohamed**  
Head:  
Office of the  
Director General



**James Theledi**  
Deputy Director General  
Energy & Mining  
Enterprises



**Sandra Coetzee**  
Deputy Director General  
Legal Governance  
& Secretariat



**Litha Mcwabeni**  
Deputy Director General  
Manufacturing  
Enterprises



**Andrew Shaw**  
Deputy Director General  
Transport  
Enterprises



**Katherine Venier**  
Co-ordinator  
Joint Projects  
Facility



**Vimla Maistry**  
Chief of  
Communications and  
International Relations



**Sandy Hutchings**  
Chief  
Financial Officer



**Keneiloe Hlalele**  
Chief Audit  
Executive



**Rashida Issel**  
Chief Operations  
Officer



# THE MINISTRY

The Minister's role is that of providing leadership and political oversight to State Owned Enterprises in his portfolio, in order to maximise their impact on economic growth and development. As the Executive Authority in the Department, his role is to ensure that it delivers on its vision and mission.

Effective interaction with various stakeholders of the DPE is an essential component of the Department's work programme, and where appropriate, the Minister plays a key role in such interactions, as part of his official engagements for the year. The Ministry supports the Minister in fulfilling his mandate through the following ways:

- Administration: administrative support to the Minister and staff of the Minister's office.
- Cabinet services: ensuring high-quality and timeous responses to Cabinet requests.
- Parliamentary services: coordinating the Department's and SOE interactions with Parliament

## internal audit team

**Left to right:** Daphney Bokaba, Keneiloe Hlalele, Livhuwani Maphaha.



## human resources team

**Left to right:** Dineo Masilo, Vincent Mabaso, Sharonne Scheepers, Siphon Ntombela, Shireen Crosson (standing), Dorah Mawela, George Malatsi, Zandarine Theron, Ingrid Mothiba, Anneline Stroebel.



## communications team

**Sitting left to right:** Marcus Motlhatlhedhi, Vimla Maistry, Christian Green, Mzimasi Ngqelu.  
**Standing left to right:** Yola Majali, Ayanda Shezi, Lulu Bam, Lorraine Mokhutsane.



## director-general's office

**Sitting:** Portia Molefe. **Standing left to right:** Femida Mahomed, Sarah Setshedi, Frans Malatsi, Miriam Maroga, Robyn Martin.



## finance team

**Sitting left to right:** Sally Thobakgale, Sandy Hutchings, Henry Stopford, Leah Maiwashe.

**Standing left to right:** Caroline Mokwena, Stephen Dolamo, Roelien Jordaan, Hanlie Bedford, Ntshebo Sekgothe, Lerato Tselangwe, Reginald Tong, Mumy Tshioma, Abel Makhafola, Lizette Goosen, Gerhard Julie.



transport enterprises team

**Standing left to right:** Andrew Shaw, Bill Fielding, Moeketsi Khoahli, Elvin Harris, Joachim Vermooten, Adam Seedat. **Sitting left to right:** Evelyn Mthimunye, Joel Maatjie, Linda Denga, Busisiwe Molapisi, Christinah Rammutla.



ministry

**Sitting left to right:** Grace Mashaba, Georgina Sylvester, Orcilla Ruthman. **Standing left to right:** Mpho Banda, Butie Tsalane, Agnes Motsamai, Dudu Mhlongo, Elsie Dikgomo.

defence team

**Left to right:** John Morris, Mohlala Tabudi, Llyoyd McPatie, Weekend Bangane, Charmaine Yssel.





joint projects facility team

**Sitting left to right:** Mehleli Mpofu, Katherine Venier, Joan Arrikum. **Standing left to right:** Santhragasen Reddy, Sean Phillips, Tsholofelo Mosadi, Caroline Richardson, Leah Khutoane.



legal governance and secretariat team

**Sitting left to right:** Lerato Lengweng, Sandra Coetzee, Letta Monama, Mateke Tema, Christo Loots. **Middle row left to right:** Bridget Holeni, Refilwe Mongale, Matsietsi Mokholo, Phahlani Mkhombo, Prudence Manyasha, Denzel Matjila, Ursula Fikelep. **Back row left to right:** Msekeli Willie, Rentia Solomon, Alfred Mmoto, Rebaone Gaoraelwe, Melanchton Makobe, Dali Mbelani, Dominic Steyn, Joseph Makoro.



information management team

**Sitting left to right:** Truly Mayimele, Vusi Magagula, Magdaline Mathobela. **Standing left to right:** Livhuwani Madzuhe, Alida Titus, Tshepo Chauke.

## ministry cape town

**Standing left to right:** Zanele Nyameli, Georgina Sylvester, Jumarié Botha.

**Sitting left to right:** Luvuyo Lupondwana, Reneva Fourie, Samuel Mandiwana.



## corporate services team

**Front row sitting:** Bontle Mali, Thomas Mabulana, Henriette Strauss and Sentle Majwafi. **Middle row standing:** Meisie Letsoko, Rebecca Maumakoe, Dinah Ndala, Kgaladi Watkins, Elizabeth Brown and Kganthipi Nkuna. **Back row standing:** Mojalefa Lekitlane, David Moima, Elias Nkosi, Vusi Khumalo, Heila Mare and Anna Maluleka.



## analysis and risk management team

**Sitting left to right:** Ester Sibiya, Anthony Kamungoma, Mantombi Dlamini.

**Back row standing:** Mbulelo Kibido, Stanley Mokgobu, Bongsi Gasa, Divashya Kanaye, Mvikeli Ngcamu, Simon Malete and Slingsby Mda.

# PROGRAMME 1

## ADMINISTRATION

This programme is responsible for providing key management and support services to the Ministry and Department in the following areas:

### 1. PLANNING, MONITORING AND EVALUATION

**Purpose** – the provision of proper business planning and review, in accordance with legislation, in order to achieve departmental goals.

#### Targeted outputs

- An integrated business plan that aligns the Department's objectives to broad government policies and objectives.
- The development of an integrated approach to managing and monitoring projects' performance.

#### Achievements

- All reports were presented to the Portfolio and Select Committees on time.
- The performance monitoring of programmes has been effectively reported on a monthly basis, and the three-year business plan was approved.

#### Challenges

- To have a Business Plan that is aligned to the Estimates of National Expenditure (ENE), which speaks to the Annual Report for a specific year.

### 2. HUMAN RESOURCES

**Purpose** – to analyse the skills needs of the DPE, and to recruit and retain valued staff.

#### Targeted outputs

- An approved Employment Equity Plan and organisational structure.
- A structured internship programme in line with the Skills Development Act.

#### Achievements

- The unit has implemented a more efficient and effective recruitment and selection process, which has positively impacted on the Department's ability to achieve its objectives.
- The implementation of the balanced score card system served as a vehicle to manage individual and team performance.
- A successful internship programme, in which 23 interns were recruited during the year under review.
- Improved Employment Equity status with regard to people with disabilities. The Department is continuing to improve its disability employment rate.

#### Challenges

- The structural constraints in a department with a growing mandate; retention and recruitment of scarce and skilled professionals, as well as the recruitment of people with disabilities and women at SMS level in a competitive and highly specialised environment.

### 3. COMMUNICATIONS

**Purpose** – to provide a communications and external relations plan of action that will support the Department's ability to fulfil its mandate.

#### Targeted outputs

- A successful Imbizo.
- To improve the Department's communications and external relations strategy.
- Tabling of the Budget Vote and the Annual Report in parliament.
- The formation and implementation of communications strategies on cluster projects as outlined in the Economic Cluster's Programme of Action.

#### Achievements

- The unit successfully tabled the Annual Report and coordinated the Budget Vote, Ministerial Imbizo, launched the DPE website, 16 days of Activism Against Women and Children Abuse and the launch of the Khanyiselani Development Trust Community Centre in Kokstad.
- The DPE/SOE Crisis Management Plan was approved.
- The International Relations sub-unit was re-established in the department in September 2006 and is located in the Communications Unit.

#### Challenges

- Given the fact that the IR Directorate was dormant for a while, the main challenges were to build the necessary institutional memory of the DPE and our SOE engagements aboard, as well as building relations with the relevant stakeholders, e.g. the Department of Foreign Affairs, foreign embassies, SOE, etc. These challenges were met by implementing an effective work process that enabled the International Relations Directorate to successfully manage the Minister's and Director-General's international engagements.

#### 4. INFORMATION MANAGEMENT

**Purpose** – to provide the required information and management systems.

**Targeted outputs**

- Network stability.
- IT and data availability.

**Achievements**

- The unit successfully achieved 98 % network availability, security and stability.
- The first phase of the Firewall Security Solution was implemented and completed in the Pretoria office.

#### 5. FINANCE and SUPPLY CHAIN MANAGEMENT

**Purpose** – to provide effective financial management and financial planning, as well as to ensure that transparent supply chain processes are maintained.

**Targeted outputs**

- Preparing financial statements for audits, and achieving unqualified financial statements without emphasis.
- Preparing and submitting Adjustments Estimates to National Treasury.

**Achievements**

- Supply Chain Management successfully completed the asset register on LOGIS and the targeted dates on all legislative reporting requirements were met.

#### 6. CORPORATE SERVICES

**Purpose** – to create an environment in which internal clients (staff) are provided with essential support services.

**Targeted outputs**

- The installation of a fire-detection system that is linked to the access control system.
- The installation of a new security and access control system, as well as the X-ray machine and metal detector.
- An electronic filing system, a centralised records centre, and a fully functional Resource Centre.

**Achievements**

- Renovations to the offices were completed and a new security access control system was implemented.
- A canteen was opened in February 2007.
- An off-site storage facility was implemented.
- The Express Shop (production room) has been fully functional since February 2007.
- The services of the departmental library were upgraded.

#### 7. INTERNAL AUDIT AND COMPLIANCE

**Purpose** – to provide impartial opinion, practical actions, and cost-effective solutions to assist the department in mitigating business risks and achieving its objectives.

**Targeted outputs**

- Effective risk management practice.
- Compliance with the Institute of Internal Auditors' Professional Practice standards.

**Achievements**

- A risk-based operational plan was approved and implemented which enabled the unit to evaluate the effectiveness of risk management, internal control and governance processes.

**Challenges**

- Due to capacity constraints within the unit, a co-sourcing arrangement was undertaken.



## BUSINESS UNITS overview

At the end of the first quarter of the 2006/07 financial year, the Department reviewed the effectiveness of its structure and a decision was taken to re-align the Programmes based on the SOE residing within the various sectors. This involved creating multi-disciplinary SOE-focused teams with the responsibility of providing comprehensive analyses of all aspects of the SOE of relevance to the shareholder.

The risk component currently residing within Programme 2 (Analysis and Risk Management (ARM)) will remain as a sub-programme within the new structure. Programme 3 (Legal Governance and Secretariat (LGS)) and Programme 5 (Corporate Finance and Transactions (CFT)) were merged into one programme headed up by one manager. The Programme Manager within CFT deals with special projects such as the resolution of Aventura, as well as Alexkor. In addition, the Joint Projects Facility will be treated as a separate programme.

For the year under review, the Pebble Bed Modular Reactor (PBMR) was shifted from the Department of Trade and Industry (DTI) to the DPE. A budget for Broadband Infracore was also allocated.

For the purpose of this Annual report, the business units will be classified according to the structure as approved in the Estimates of National Expenditure 2006.



# PROGRAMME 2

## ANALYSIS AND RISK MANAGEMENT (ARM)

### Purpose:

To analyse and monitor the financial, operational and socio economic performance of the SOE to ensure compliance with Corporate Plans, the Shareholder Compacts and actively mitigate key risks flowing from the SOE activities.

### Measurable Objective:

Analyse the financial, operational and socio-economic performance of the SOE and mitigate the key risk related to the SOE. The Analysis component continuously analyses the performance of the SOE, focusing on their operations and financials, as well as the role they play in socio-economic development. The Risk Management component is responsible for risk analysis; advising on section 54 of PFMA applications from the SOE and materiality frameworks. It reports on risks, vulnerabilities and potential shocks in and across the SOE, and advises on risk mitigation plans.

### Service delivery objectives, indicators and achievements:

Sub-programme	Output	Measure/Indicator	2006/07 Target/Milestone	Achievements
<b>Risk Management</b>	Finalise the risk management framework	Approved risk management framework	December 2007	The risk management framework was finalised and approved by the Risk Forum, the DG and the Minister. The risk management framework includes SOE risk reporting requirements, guidelines for risk management and treasury risk management in the SOE. An approval by a joint CEOs' and Chairpersons' forum scheduled for November 2006 was rescheduled to the 2007/08 financial year. It is envisaged that this will be achieved by June 2007.
	Maintain the Risk Forum	Quarterly meetings	Quarterly	Quarterly risk forum meetings between the Department and its SOE were held. The Department also established an internal Risk Management Committee. The Committee's inaugural meeting was held in July 2006.
	Review SOE Risk Management Plans	Assessment report for each SOE	May 06	The review of the risk management plans was completed. SOE risk profiles were also monitored on quarterly basis.
	Conduct an assessment of risk management practices of each SOE	Assessment reports for all SOE	Oct 06	A high level assessment of the risk management practices in the SOE was completed and tabled at the Department's Risk Management Committee and the Risk Forum.
<b>Analysis</b>	Government Financial Exposure in SOE	Approved recommendations by the Minister	Dec 06	Completed and ongoing checking of financial exposure.
	Analysis of the Corporate Plans for all SOE	Approved report on Corporate Plans	April 06	Completed.
	SKPI's & targets	Approval of the SKPI's & targets	April 06	Transnet and Eskom completed.
	Analysis of Quarterly Performance of SOE	Approval of report on the quarterly performance of SOE	March 06 Finalisation of targets for Transnet	Analysis of Eskom & Alexkor quarterly report completed.
	Analysis of Annual reports of SOE	Approved annual analysis reports	Aug 06	Analysis of annual reports for Eskom and Alexkor completed.
	5-year financial performance review	Approved review by the Minister	June 06 (Budget vote)	Completed.

# PROGRAMME 3

## LEGAL, GOVERNANCE AND SECRETARIAT (LGS)

### Purpose:

Provide clear SOE mandates and ensure alignment of SOE governance systems, compliance and performance with government policy objectives.

### Measurable Objective:

Develop effective governance and policy frameworks that ensure that all SOE activities are performed with integrity, honesty and in compliance with appropriate legislation.

### Legal, Governance and Secretariat (LGS) is comprised of three functional areas:

Corporate Governance, Legal Office and Secretariat. All three deliver internal services. Corporate Governance has a distinct role in the interface with the SOE, National Treasury and other Government Departments. A substantial portion of the Secretariat's workload relates to the Economic Cluster. The main focus of LGS is the interpretation of current law, monitoring of statutory/contractual compliance and the induction of good governance protocol.

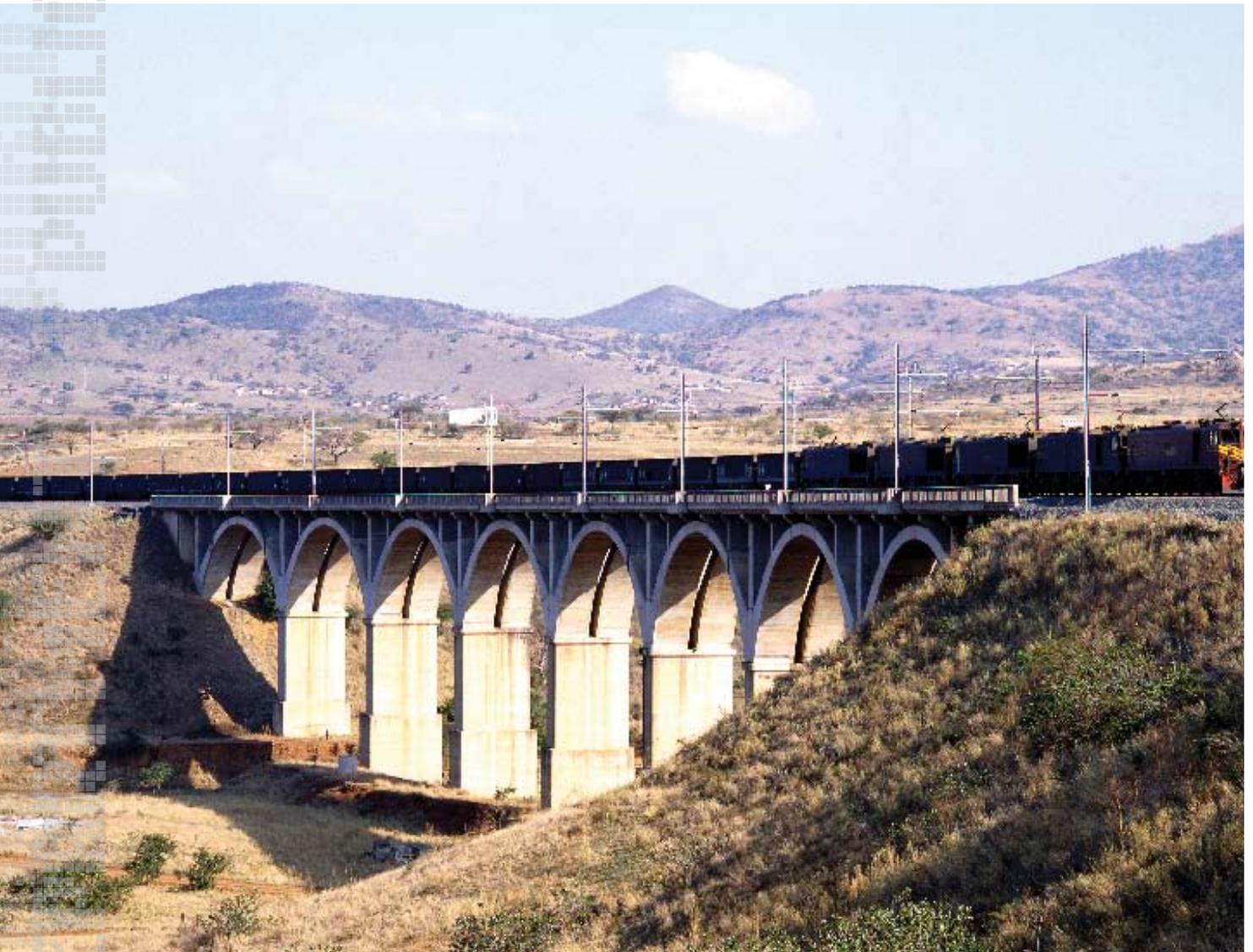
LGS is also a repository and disseminator of factual records and information supporting the functions of the Department and Ministry, as well as the Economic Cluster.

## Service delivery objectives, indicators and achievements:

Sub-programme	Output	Measure/Indicator	2006/07 Target/Milestone	Achievements
<b>Governance</b>	Shareholder Management model	Legislation on Shareholder management model	July 2006	Progress has been made on all modules, none completed.
	Updated protocol on corporate governance for the SOE	Updated protocol	October 2005	Completed.
<b>Legal</b>	Contract Management (incl. drafting, vetting and storage)	All contracts within DPE via legal	Ongoing	Successfully achieved, and completed.
<b>Eskom Finance Company</b>	Restructuring of funding mechanism through securitisation of loan book	Finalise term sheet & transaction documents Establishment of Special Purpose Vehicles for the securitisation	May 2006	Successfully achieved and completed.
<b>Implementation of Denel's business strategy</b>	Monitor progress on business agreements	Successful agreements Strategic Equity partners	Business agreement signed with partners	Finalisation of business all and establishment of New Cos.
	Provide advice on PFMA approvals Monitor establishment of New Cos & assist with PFMA approvals	NewCos established Monitoring of progress and input into ARM Quarterly report reviews	PFMA approvals	
<b>PBMR</b>	Reviewed Shareholders and Ancillary agreements	Amended and/or renewed agreements	December 2006	Successfully achieved and completed.
<b>Disposal of Metrorail</b>	Contributions to Share Sale Agreement	Cabinet Memo Keeping to date of sale	28 February 2006	Successfully achieved and completed.
<b>Separation of SAA from Transnet</b>	Transfer of SAA to Government	Concluded share sale agreement	31 March 2007	Share sale agreement successfully concluded.
		Transfer of Guarantees to Government Enactment of SAA & Transnet Pension Fund Amendment Bills		SAA and Transnet Pension Fund. Amendment Bills successfully adopted by Parliament.
<b>Establishment of Infraco</b>	Transfer Infraco from Eskom Enterprises & establish Infraco as a State Owned Enterprise	Enactment of Infraco Bill Conclude share sale agreement with Eskom Enterprises Conclude FSN sale agreements with Eskom Enterprises and Transnet	31 March 2008	Share sale agreement with Eskom Enterprises successfully concluded.

## Other achievements of the programme:

- Claim for R61 million by Century One Holdings was withdrawn in May 2006.
- A R2 million claim by Ramafolo for injuries sustained was settled in September 2006.
- Claim by Conference Call for R100 000 was settled in October 2006.
- A subpoena by ACSA and Equity Aviation against the DG was withdrawn in March 2007.
- Various claims by Paharpur/Londoloza Consortium, one application granted in favour of the Consortium in May 2006 and the other one still pending.
- Establishment of the Legal Panel was completed in July 2006.



# PROGRAMME 4

## CORPORATE STRATEGY AND STRUCTURE

### Purpose:

Define and implement industry structures, public/private services and SOE strategies that will optimise overall industry efficiency, service provision, and pricing and economic development.

### Measurable Objective:

Strategies and structures for the SOE and the industries in which they operate that will ensure delivery on government's economic growth objectives.

This programme is comprised of four components:

Energy, Transport, Defence and Forestry.

### Service delivery objectives, indicators and achievements:

Sub programme	Output	Measure/Indicator	2006/07 Target/ Milestone	Achievements
Transport	Performance management of Transnet & core divisions	Quarterly reporting assessment to Minister within 14 days of receipt	Quarterly	Completed.
	Procurement of private sector partner for the Coega container terminal	Approval for transaction structure RFP issued PSP awarded	Obtain approval for PSP  Establish joint transaction team with National Port Authority August 2006	Internal position papers developed but project not achieved. Framework will be revisited, agreed and implemented.
	Separation of SAA from Transnet	DPE, National Treasury & Transnet agreement on transaction	Signed Heads of Agreement between DPE, Transnet and SAA All contingent liabilities & assets confirmed July 2006	Successfully concluded.
Energy	Develop an integrated framework that aligns Eskom's strategies to government policies & objectives	Corporate strategy for Eskom and industry structure for the electricity sector agreed by DPE Minister and Eskom Board	April 2006	Good progress was made, however finalisation will be achieved during the coming financial year.
	Develop pricing policy for the electricity sector	NER approved pricing policy and multi-year tariff	October 2006	Eskom & Alcan signed the Electricity Supply Agreement under the DPF.
	Development of investment frameworks for SOE and financing arrangements for five year investments	25-year investment plan, forecast and financing arrangements approved by DPE Minister and Eskom Board	April 2006	A high level framework was developed. However the actual funding is approved annually via the corporate plans of the entity.
	Introduction of Private sector participation (PSP)	Power Purchase Agreement agreed by Eskom in tender documents PPA signed between Eskom and IPP Plant commissioned PSP framework in place	April 2006  June 2006	PPA finalisation postponed until end April 2007.  Briefing memo done on PPA negotiations, delays and remaining challenges.

Service delivery objectives, indicators and achievements:

Sub programme	Output	Measure/Indicator	2006/07 Target/ Milestone	Achievements
<b>Defence</b>	Oversight of the implementation of Denel's business strategy	Consolidation of Denel's business and increase in market share	Key partnerships identified July 2006	Denel Aerostructures/Saab transaction documents have been finalised and discussions with Treasury on Indemnity in process. PFMA approval provided for incorporation of the Aerostructures Newco, Denel in process of finalising transaction with the second global partner.
	Approval of sale of non-core assets	Disposal of all non-core assets, achievement of revenue projections from disposals and limited risk for Denel	Commencement of disposal process September 2006	Assessment of Section 54 applications and sale of the following non-core assets: Irengo Plastics, Irengo Electronics, Dendustri, Arrivia.kom, Bonaero Park, SPP, Cosource, Sybase achieving R400 m in revenue. Note SPP; remaining cash from buyer outstanding and Co source buyer could not raise funds (transaction to be restructured).
	Development of sector strategy	Defence policy alignment Industry collaboration	Scoping and implementation of short-term interventions Nov 2006	Defence sector strategy completed to be implemented in 2007/08.
<b>Forestry</b>	Development of Safcol strategy and mandate	Strategy and mandate finalised Effective strategy implementation	Research on global and local industry trends September 2006	Recommendations on the future role of SAFCOL approved on 20 March 2007. SAFCOL now has a new mandate – the company is to private KLF, its remaining subsidiary, and SAFCOL itself is to be wound up once all other responsibilities have been completed.
<b>Joint Project Facility – Rest of Africa</b>	Efficient SOE infrastructure investment on the continent	Clearly defined projects with respect to financial or developmental goals	Continental Investments Strategy	Lessons learnt report for investments made by SOE in African countries outside of South Africa.  Sector and country research undertaken and final report presented to CEO of the SOE.  Re-directed project strategy to examine infrastructure in Africa in a developmental sense to encompass infrastructure, economic development and capacity building.
<b>Human resources and capacity building</b>	Appropriate training facilities and opportunities for the SOE capital expansion programme	Adequate skills in the economy to facilitate the SOE capital expansion programmes	Programme of Action for the SOE	Skills requirements audit conducted among the SOE, and information given to Joint Initiative on Priority Skills Acquisition (JIPSA). Training programmes and facilities audit conducted among Eskom, Transnet and Denel to ensure sufficient training programmes and work place experience programmes put in place to increase the number of qualified artisans, technicians and technologists available.
	Provision of low cost telecommunications infrastructure	Price of telecoms reduced.		Establishment of Broadband Infracore.
<b>JPF ICTS</b>	Establishment of call centres in rural/poor communities			Reviewed business model for call centres in underprivileged areas. Two clients identified for call centres and negotiations underway.
	The SOE network and data warehouse rationalisation	Consolidated the SOE network and data warehouse	Investigated rationalisation of the SOE networks and data warehouses.	Concluded that this is not viable.

Service delivery objectives, indicators and achievements:

Sub programme	Output	Measure/Indicator	2006/07 Target/ Milestone	Achievements
<b>JPF - SOE Property Project</b>	Disposal of SOE non-core properties	Reduce the SOE property portfolios to include only core properties	First tranche non-core property sales. Initiate 5 development projects	Cabinet approval for Framework for Disposal of SOE non-core property and BBBEE guidelines for disposal.
<b>JPF – Competitive Supplier Development Programme (CSDP)</b>	Consolidate the SOE procurement for supplier industry development	Growth of local suppliers and reduction of imports (20%) for capital programme	Strategic procurement framework approved by the DPE Minister	Cabinet approval for Framework for Disposal of the SOE non-core property and BBBEE guidelines for disposal. Cabinet approval gained for Competitive Supplier Development Programme. Eskom and Transnet have committed themselves to participate in CSDP and have started to develop supplier development plans. Management procedures for the programme have been established between the DPE, DTI and SOE. Procurement capacity building programmes have been put in place.

Other achievements of the programme:

1) **PBMR**

- New Corporate Plan received 2 March 2007.
- Conclusion of a new licensing arrangement completed.
- Project Information Memorandum (PIM) was delivered in February 2007.
- PFMA listing and a Shareholders' Compact to be completed after the conclusion of a new Shareholders Agreement.

2) **Broadband Infraco**

- Signing of Sale Shares and Loan agreement with Eskom Enterprises and MoU and Heads of Agreement with Neotel.
- ICASA and Department of Communications approved the interim license conditions.
- Infraco Funding approved by Minister of Finance for 2007/08 in his Budget Speech.

# PROGRAMME 5

## CORPORATE FINANCE AND TRANSACTIONS (CFT)

### Purpose:

Oversee and execute shareholder-initiated transactions such as Initial Public Offerings (IPO), joint ventures and public-private partnerships (PPP's).

### Measurable Objective:

Successful government-led transactions through efficient and effective financial and project management, within the recommended time frames.

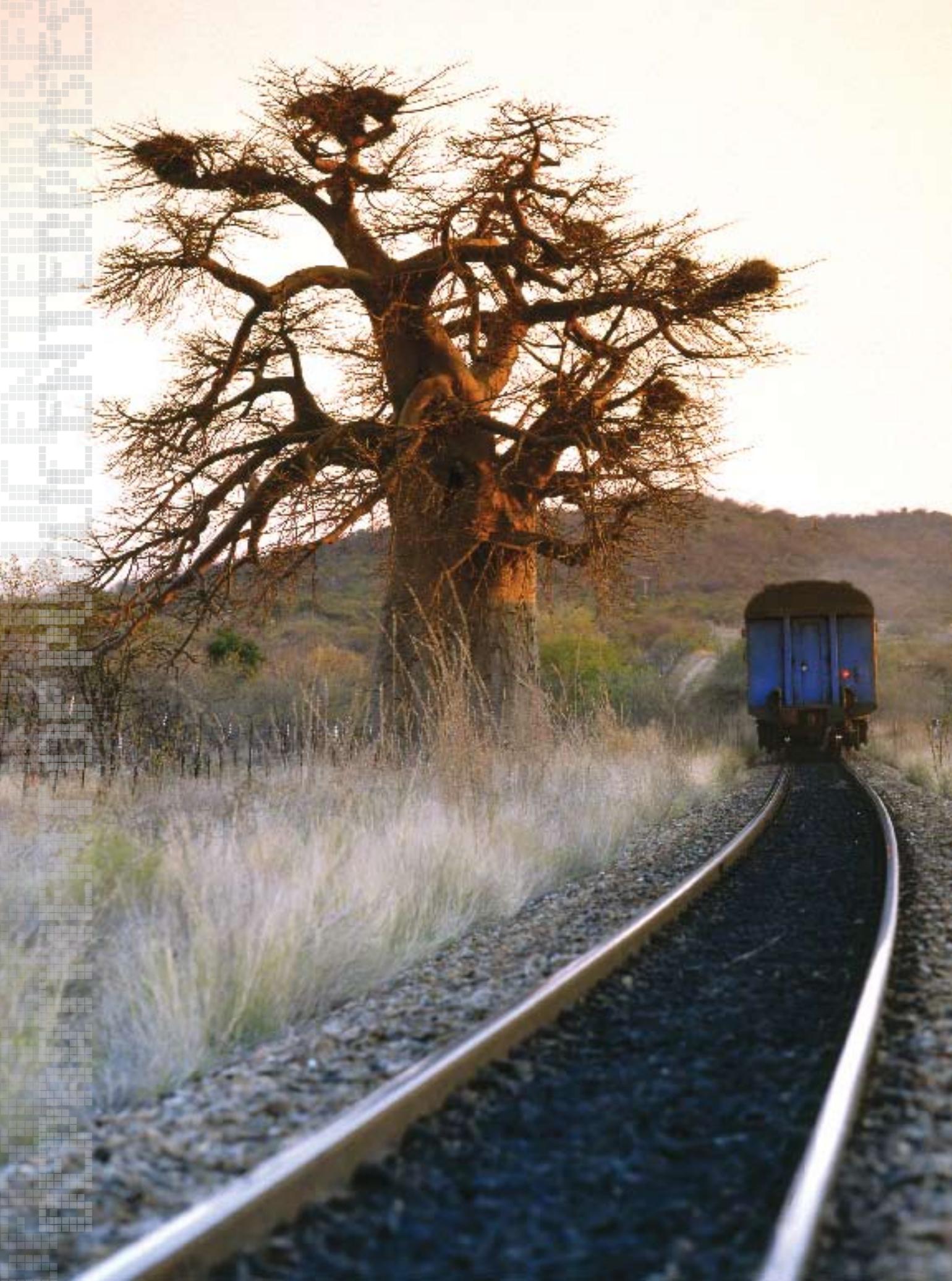
This programme is responsible for carrying out all the SOE-related transactions in the department. Corporate Finance develops optimal financing structures for the SOE, taking into account the nature and extent of their finance requirements, their ability to access capital markets, their financial position and the objective of the transaction (for example, promoting broad-based black economic empowerment (BBBEE). Transaction Specialist Services manages, executes and reports on approved SOE transactions, in accordance with the strategy, legal requirements and appropriate transaction model.

### Service delivery objectives, indicators and achievements:

Sub-programme	Output	Measure/Indicator	2006/07 Target/Milestone	Achievements
Corporate Finance	Optimal financing strategies aligned with corporate structure and strategy of the SOE	Financing strategy supported by research and benchmarked data	Annually	Successfully restructured funding mechanism of EFC.
	Reports on the optimal capital structure and adequacy of the SOE	Published report	Annually	All quarterly reports from the SOE were analysed.
Transactions	Winding down of Aventura Resorts	Successful government-led transactions through efficient and effective financial management	June 2006	Reviewed the amendment of the share sale agreement.
	Sale of equity by Denel in Arivia.kom	Successful government-led transactions through efficient and effective financial management	March 2006	Sold Denel's equity at Arivia.
	Sale of Cahora Bassa	Successful government-led transactions through efficient and effective financial management	December 2006	Concluded Proposed Funding Mechanism.
	Separation of SAA from Transnet	Successful government-led transactions through efficient and effective financial management	June 2006	Concluded share sale agreement.

### Other achievements of the programme:

- The finalisation of the Diabo Trust payment was concluded in March 2007 (under legal).





## Department of Public Enterprises Report by the Audit Committee

### introduction

We are pleased to present our report for the financial year ended 31 March 2007 in terms of the Public Finance Management Act, 1 of 1999 section 38 (1) a, 76 (4) d and 77, and Treasury regulations 3.1.11.

### membership and attendance

The Audit Committee consists of the five (5) independent members listed hereunder. During the year under review the Audit Committee held four (4) meetings as per the approved terms of reference. All the Audit Committee members are independent, which is line with the industry corporate governance practice.

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED	MEETING DATES			
		31/08/06	23/11/06	22/02/07	20/03/07
1. Zienzile Musamirapamwe (Chairperson)	4	31/08/06	23/11/06	22/02/07	20/03/07
2. Mattie Joubert	4	31/08/06	23/11/06	22/02/07	20/03/07
3. Cynthia Mbili	3	31/08/06	X	22/02/07	20/03/07
4. Richard Cascarino	3	31/08/06	23/11/06	X	20/03/07
5. Jerry Sithole	4	31/08/06	23/11/06	22/02/07	20/03/07

## committee responsibility

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

The Audit Committee has regulated its affairs in compliance with its approved charter and has discharged all its responsibilities as contained therein.

In executing its duties during the past financial year the committee has, inter alia, reviewed the following:

- The effectiveness of the internal control systems;
- The effectiveness of the internal audit function;
- The procedures for identifying enterprise-wide risks and measures put in place to mitigate the same;
- The risk areas of the Department to be covered in the scope of the internal and external audits;
- The independence, objectivity, organizational staffing plans, financial budget, audit plans and standing of the internal audit function to ensure adequate support is provided, to enable the Committee to meet its objectives;
- The results of the work performed by the internal audit function regarding financial reporting, risk management, governance processes and internal controls, and any significant investigations and management responses;
- The coordination between the internal audit function and the external auditors;
- The annual report and financial statements, which present a balanced and understandable assessment of the performance of the Department;
- The external auditor's management letter and management responses; and
- Problems and reservations arising from external audit, and any matters external auditors wished to discuss in the absence of management.

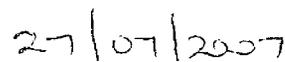
The review of the effectiveness of the system of internal control by the Audit Committee is informed by the reports submitted by Internal Audit and Management, who are responsible for the development and maintenance of the internal control system.

We would like to report that the Audit Committee has had the support of the Minister and Management, which is reflective of a positive tone at the top, critical to an effective control environment.

The Audit Committee has reviewed the annual financial statements of the Department and concurs with the conclusion of the Auditor-General. We therefore recommend that the annual financial statements as submitted be approved.

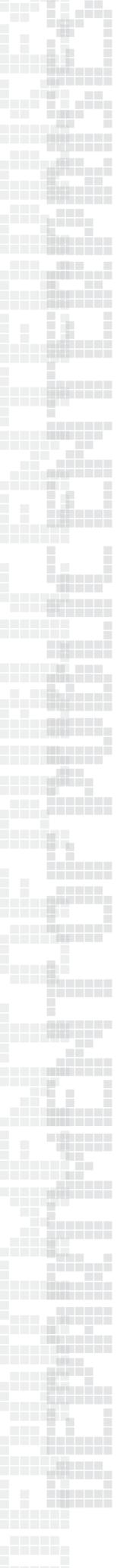


**Chairperson of the Audit Committee**



**Date**





“Action expresses priorities.”

Mahatma Gandhi



# ANNUAL FINANCIAL STATEMENTS

for the Department of Public Enterprises  
for the year ended 31 March 2007



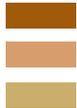
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# ANNUAL FINANCIAL STATEMENTS



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**report of the accounting officer  
for the year ended 31 March 2007**

Report by the Accounting Officer to the Executive Authority and Parliament/Provincial Legislature of the Republic of South Africa.

## 1. General review of the state of affairs

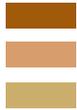
The State-Owned Enterprises (SOE) that report to the department are critical engines of growth in the South African economy and will have to play an important role in the Accelerated and Shared Growth Initiative of South Africa (ASGI-SA). One of the foremost objectives of the department is to ensure that the SOE enhance domestic levels of competitiveness and contribute optimally in their key sectors.

The department is responsible for the provision of clear mandates to the SOE in its portfolio by facilitating alignment between SOE corporate strategies and plans with sector policies and legislation as developed by the sector departments and the broader socio-economic objectives of government. The department also has to monitor the performance of the SOE against a range of financial, operational and strategic targets and key industry benchmarks. To ensure that all this work is undertaken, simple and implementable governance systems are developed that align both enterprise and national objectives. As part of the department's responsibility for effective performance management of the SOE, the framework for shareholder compacts has now been finalised. In 2007 the department will be introducing legislation that will cement the Shareholder Management Model, with respect to Schedule 2 entities, across the public sector.

The nature and content of the work performed by the Department of Public Enterprises has changed significantly since the latter part of 2004. Accordingly, a new set of skills had to be acquired and the organisation restructured to support this work. The department is now positioned to provide deeper sector specialisation and more focused technical oversight.

### Significant projects undertaken or completed during the year

- Cabinet approved the establishment of six wall to wall Regional Electricity Distributors as Public Entities to be regulated by the National Energy Regulator of South Africa (NERSA) on 25 October 2006.
- Eskom & Alcan signed the Electricity Supply Agreement under the Developmental Pricing Framework.
- PBMR provided its New Project Master Plan and Project Information Memorandum during February.
- The Nukem License was accepted by all parties.
- Determination of the future role for SAFCOL in forestry development was completed and submitted to Cabinet.
- Denel secured R400m on the disposal of non-core assets.
- Transnet's Shareholder compact was signed on 6 October 2006.
- The Transnet Pension Fund Amendment Bill was processed.
- The InfraCo and South African Express bills were submitted to Cabinet.
- Slurry pipelines - Letters of support for the Maputo Metallurgical Complex (MMC) from the SA and Mozambiquan Trade and Industry Ministers were acquired.
- Stakeholder engagements around SAA.
- The review of the risk management plans contained in 07/08 corporate plans has been completed, barring Eskom's and SAA's plans.
- Business plans for procurement capability and capacity upgrading for Transnet and Eskom were finalised.
- A framework for disposal of non-core SOE properties was approved by Cabinet; and the BBBEE guidelines for the disposals were also approved by Cabinet.
- An intensive training programme for procurement officers in the SOE was developed, and the first such training took place with Eskom and Transnet procurement officers.
- The Defence Industry Strategy was completed and will be implemented in 2007/08.
- The Benchmark study of SOE investments on the continent and a Lessons Learned Report were completed. A sector analysis and country analysis were also carried out for the Rest of Africa project.


**report of the accounting officer  
for the year ended 31 March 2007**

- The Competitive Supplier Development Programme (CSDP) was designed and launched in 2006 with the specific objective of leveraging the SOE capital expenditure programmes and maintenance requirements to develop the SOE supplier industries, particularly in the capital goods sector. The key objective of the CSDP is to create an environment for investment and learning in supplier industries. In January 2007 Cabinet approved the Competitive Supplier Development Programme. SOE wishing to participate in the CSDP will be able to achieve the objectives of the National Industrial Participation Programme (NIPP) through the Supplier Development Programme (SDP) and thus will not be subject to the requirements of the NIPP. Eskom and Transnet have indicated that they intend to develop SDPs. These will be finalised in 2008.
- The Environmental Issues project identified areas for improvement with respect to the Environmental Impact Analysis process. The Department of Environmental Affairs and Tourism, DPE and the SOE are now working together to ensure alignment to achieve an optimum balance in South Africa between infrastructure development for economic growth and environmental protection.
- The Human Resources & Capacity Building project entailed working with our SOE to determine the skills requirement and potential shortage in the artisan, technician and technologist spheres. This information has also been shared with the Joint Initiative on Priority Skills Acquisition (JIPSA) to ensure a co-ordinated approach to skills acquisition in South Africa that addresses all sectors. A comprehensive strategy related to the SOE is under development.

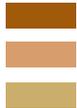
## Departmental Spending trends

The Department of Public Enterprises voted budget amounted to R2 869 923 000, which was allocated to the following Programmes:

- Programme 1: Administration
- Programme 2: Analysis and Risk Management
- Programme 3: Legal, Governance and Secretariat
- Programme 4: Corporate Strategy and Structure
- Programme 5: Corporate Finance and Transactions

The following table provides a summary of actual expenditure incurred for the 2006/07 and 2005/06 financial years vs budget appropriated for each programme:

Programme	2006/07		2005/06	
	Final Appropriation R'000	Actual R'000	Final Appropriation R'000	Actual R'000
Programme 1: Administration	50 736	50 681	43 241	43 056
Programme 2: Analysis and Risk Management	12 074	12 052	7 402	7 093
Programme 3: Legal, Governance and Secretariat	14 906	14 903	12 940	12 796
Programme 4: Corporate Strategy and Structure	1 856 993	1 856 989	8 587	8 268
Programme 5: Corporate Finance and Transactions	935 214	655 210	2 020 483	2 017 015
<b>Total</b>	<b>2 869 923</b>	<b>2 589 835</b>	<b>2 092 653</b>	<b>2 088 228</b>


**report of the accounting officer**  
 for the year ended 31 March 2007

The increase of R777,3 million in the annual appropriation from R2,093 billion (2005/06) to R2,870 billion (2006/07), is mainly due to an amount of R2,03 million which was provided for a court settlement to Mr MA Ramafolo for injuries sustained in 1993, in what was then the Lebowa Government, adjustments for VAT on previous transfer payments in respect of the PBMR (162,4m); Alexkor (R1,9m) and Denel (R280m) as well as funds rolled over from the previous year which include the completion of the departments' renovations R800 000; R184 000 for Alexkor for the completion of an environmental study and R3,152 million in respect of the transfer payment for the Diabo Trust. In addition, during the adjusted estimates, funding was approved for Alexkor, (R80m), PBMR (R462m), Denel (R567m) and InfraCo (R627m).

Under-spending, amounting to R280,088 million, was recorded in the current financial year. This amount is made up of current expenditure in the sum of R88 000 in the operational budget and the balance in the sum of R280 million is in respect of a transfer payment not having been made to Denel in respect of an allocation for VAT for the previous financial year's transfer payment. Subsequent to the adjusted estimates being approved it was established that the transfer was of a capital nature and therefore did not attract VAT, and for this reason the funds were not disbursed to Denel.

As a result of the R280 million not having been transferred to Denel, the department did not meet the 98 percent expenditure benchmark. Excluding this extraordinary item, 99.9 percent of the budget would have been spent.

**Administration:** provides strategic management, direction and administrative support to the department. The programme consists of the Ministry, the Office of the Director General and ministerial support staff as well as Corporate Services with its sub programmes: human resources, information technology, financial management, facility management and communications, as well as Property management .

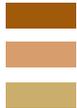
Expenditure for the programme for the year amounted to R50,7 million compared to R43,05 million (2005/06), an increase of 17.7 percent from the previous financial year. The increase was mainly due to provincial road shows and public relations related initiatives. Other projects included branded stationery with the department's new corporate identity, upgrading of the IT central hardware and software, upgrading of the security system and the devolution of accommodation related budgets to national departments. From April 1, 2006 costs for leases and accommodation charges were devolved from the Department of Public Works to individual departments. In 2006/07 the Department of Public Enterprises received R3.7 million.

**Analysis and Risk Management:** is responsible for analysing the financial operations and socio economic performance of the SOE to ensure that they are in line with performance compacts as well as managing key risks flowing from the SOE activities. In addition the unit is responsible for comparative benchmarking and the SOE related risk management and reporting at the macro level.

Expenditure for the programme for the year amounted to R12 million compared to R7,1 million (2005/06), an increase of 69,9 percent from the previous financial year. The increase is mainly due to vacancies having been filled and the implementation of benchmarking systems being put in place to improve the risk reporting by the SOE and improving the unit's analytical capabilities in relation to exercising oversight on the SOE.

**Legal, Governance and Secretariat:** is responsible for providing clear mandates and ensuring that the SOE governance systems comply with government policy. The unit also provides advisory and secretariat services to the department and the economic and employment cluster. The unit has a distinctly legal focus as it interprets, develops and records factual frameworks in relation to powers, functions and duties, and formal decisions. All legal activities were centralised in this unit.

Expenditure for the programme for the year amounted to R14,9 million compared to R12,8 million (2005/06), an increase of 16.4 percent from the previous financial year. The increase is mainly due to the restructuring of the department and transfer of functions and employees from other units as well as filling of vacancies during the year.


**report of the accounting officer**  
for the year ended 31 March 2007

**Corporate Strategy and Structure:** is responsible for optimising the contribution of the SOE to economic growth through ensuring that the SOE mandates and strategies are aligned with the objectives of overall industry efficiency, reliable service provision, competitive pricing of services and national economic development. This can include reviews of industry structures and possible models of public/private service provision.

Expenditure for the programme for the year, excluding the transfer payments to PBMR and InfraCo (R1.8 billion) amounted to R25.6 million compared to R8,3 million (2005/06), an increase of 208.43% percent from the previous financial year. The increase is mainly due to 3 additional sub programmes within this unit namely, the Joint Projects Facility (JPF) where earmarked funding was allocated from the fiscus, as well as Strategy and Economic Research.

**Corporate Finance and Transactions:** is responsible for carrying out all the SOE related transactions in the department through a specialist transactions execution and management unit.

Operational expenditure for the programme for the year, excluding the transfer payments to Denel for both years, (for comparison, 2005/06 R2 billion and 2006/07 R567 million) and the transfer payment to Alexkor in the current year (R82,084 million), amounted to R2,5 million compared to R3,2 million (2005/06), a decrease of 21.9% percent from the previous financial year. The decrease is due to the reduction of functions within the unit.

#### Virements

Programmes	Voted for 2006/07	Roll-overs and adjustments	Virement	Total voted	Actual Expenditure	Variance
Programme 1	44 329	800	5 607	50 736	50 681	55
Programme 2	16 723	-	(4 649)	12 074	12 052	22
Programme 3	15 204	2 030	(2 328)	14 906	14 903	3
Programme 4	600 764	1 251 400	4 829	1 856 993	1 856 989	4
Programme 5	6 437	932 238	(3 461)	935 214	655 210	280 004
<b>Total</b>	<b>683 457</b>	<b>2 186 468</b>	<b>0</b>	<b>2 869 923</b>	<b>2 589 835</b>	<b>280 088</b>

The main appropriation for the department changed substantially during the year, mainly due to the fact that funds were allocated for transfers to entities during the adjusted estimates process, as well as an amount allocated to Programme 3 for unforeseeable and unavoidable expenditure incurred with respect to a legal claim.

Furthermore, during the year the department started implementing certain changes to its programmes:

The transaction functions in Programme 5 were shifted to Programme 3, which resulted in a reduction in the operational budget of Programme 5, however transfer payments for Denel and Alexkor were disbursed through this programme. A portion of these transfers were made up of VAT accrued on previous transfer payments. However, in the case of Denel, it was later established that capital transfer payments do not attract VAT, accordingly the department did not draw the funds (R280m). Programme 4 also received funding for transfer payments during the adjusted estimates for PBMR and the newly established InfraCo.

It was decided to move the Risk component from Programme 2 to Programme 3 as this is a cross-cutting function. The department started preparing for the reorganisation of the programmes into specialised SOE teams to replace the cross cutting functional teams, for final implementation in the coming year. This resulted in the movement of funds between the programmes to accommodate the changes.

## Irregular / unauthorised/ fruitless expenditure

During the year under review the department incurred fruitless expenditure amounting to R80 000 in an out of court settlement, which was as a result of the late cancellation of a conference in 2003. The service provider had finalised all arrangements and in the process incurred various costs. (Refer paragraph 15 : Legal actions - Conference Call v Department of Public Enterprises)

The officials involved in this transaction have since left the department, and no further action was taken as the legal costs of recovery could very well exceed the amount claimed. Approval has been granted for this amount to be written off against the voted funds for the year. Refer Note 6 to financial statements.

The department continues to implement procedures to prevent irregular, unauthorised and/or fruitless expenditure. Procurement training is carried out annually and staff are informed of any updates or changes to the policy. In the event of any transgressions occurring, the department will implement the necessary disciplinary action.

The department did not incur any irregular or unauthorised expenditure during the year under review.

## 2. Service rendered by the department

### 2.1 Tariff Policy

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

### 2.2 Free Services

The department did not render any free services.

### 2.3 Inventories

The inventories of the department consist mainly of domestic consumables and stationery. The inventories on hand at 31 March 2007 are valued at the weighted average cost method and amounted to R354 426. During the year under review the department embarked on a strategy to procure consumables and stationery on a needs basis, which reduced the value of inventories by 47.5%.

## 3. Capacity constraints

The department continues to experience challenges in attracting highly specialised personnel that are required, given the nature and extent of the department's activities. This is mainly due to the rigid rules of appointment in the public sector and the fact that the packages in the private sector are more attractive. This is exacerbated by the discrepancy in bonuses between the private and public sector. These factors impede the department's ability to compete with the private sector when attracting highly specialised and scarce skills.

In response to this challenge, the department has practiced a fair amount of flexibility regarding the negotiation of packages to attract key resources. In addition, the department outsourced part of the recruitment process (e.g. headhunting services) to ensure that the most appropriately skilled and experienced candidates were identified. This approach was implemented as under the current public service rules the department would not be able to recruit the required specialised skills and remunerate them at the appropriate levels. The department has used the Department for International Development (DFID) funded Donor Programme and Support to the Restructuring of Public Enterprises in South Africa (SRPESA) to bring in highly specialised skills, many with global experience, to enhance the capacity of the department.

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

## 4. Utilisation of donor funds

The department continues to make use of local (SOE) funds and foreign donor technical support (SRPESA). During the year under review funds were received from the SOE in support of the JPF and foreign donor funding was received in kind.

### Foreign aid assistance

The department receives the benefit from a DFID funded programme called Support to the Restructuring of Public Enterprises in South Africa (SRPESA) in the form of technical assistance and no direct funds are transferred to the department. Over the period since 2003 that the programme has been in place, a process for approval of each component of technical assistance has been followed, under which approval by the Director General and then DFID is given, followed by implementation by the project management company Adam Smith International. Broad oversight of this programme is provided by a steering committee, which includes the Presidency and National Treasury.

### Local aid assistance

In the latter part of 2005, the Minister of Public Enterprises and the SOE established a Joint Projects Facility (JPF) that would enable the development of cross cutting projects that enhance the value of an industry or can leverage off the assets and/or capabilities of the SOE to the benefit of those SOE and the economy as a whole.

In 2005/6 the JPF was funded by the SOE directly and contributions received amounted to R13 million, during 2006/07 a further amount of R1 million was received as a late contribution to the fund. (Refer Annexure 1F of the Financial Statements).

In 2006/07 National Treasury allocated funds to the Facility, which resides in Programme 4. However, a portion of the funds received from the SOE during 2005/06 had not yet been disbursed as a number of the contracts entered into at the time were over a three year period. The department approached National Treasury requesting retention of the remaining funds for disbursement specifically in respect of the long term contracts entered into during the initial phase of this project and which terminate in 2008. This request was approved.

## 5. Trading entities and public entities

Specific achievements of the SOE in the period under review, are as follows:

### Transnet

Transnet is the SOE responsible for the core freight transport operations in South Africa. Its main business units are now Spoornet (rail transport), South African Port Operations, National Port Authority and Petronet (pipelines). Progress is being made in disposing of all non-core operations. The merger of Metrorail with South African Rail Commuter Corporation (SARCC), effective from May 2006, which removes Metrorail from Transnet's balance sheet is a major step forward for Transnet. The separation process of SAA from Transnet has progressed to a stage where with effect from 2006/2007, the entities will report as separate SOE. A key challenge for the company in the coming years is the implementation of the investment programme and operational improvement in all businesses, but particularly at Spoornet. On the whole, Transnet is making good progress in the implementation of its strategy, approved in 2004, particularly regarding improved governance and risk management processes and a significantly strengthened balance sheet.

### South African Airways

Significant progress has been made in respect of SAA's separation from Transnet. Parliament has completed the processing of legislation, and the bill is in the process of being submitted to the Presidency for approval. SAA is already reporting directly to the DPE on its new strategy, which primarily focuses on reducing operating costs and consolidation of operations on the Continent. The department is working with management at SAA to ensure alignment of governance systems with all other SOE.

### **Eskom**

Eskom remains South Africa's major electricity utility. Its operations are split into the generation, transmission, distribution and retail of electricity. Government aims to maintain a low-cost, high-quality electricity supply on a sustainable basis, whilst increasing generation via cleaner fuels. Eskom is making excellent progress in the construction of the two Open Cycle Gas Turbines (OCGT) in the Western Cape and in the procurement of the first major fossil fuel generators. In addition, the sourcing of Independent Power Producers (IPP) is well underway. This heralds the implementation of the 70 percent / 30 percent split of new generation capacity between Eskom and IPPs.

### **PBMR**

The Pebble Bed Modular Reactor (PBMR), our fourth generation inherently safe nuclear generator, has updated its market forecast to include the upsurge of interest in nuclear process heat for applications ranging from salt water desalination to hydrogen production. Both local and international interest in PBMR has continued to grow, and excellent progress has been made in aligning the Eskom PWR programme planning with PBMR's generation IV plans. This will maximize the localisation of key technologies that will allow South Africa to compete and partner in the new era of nuclear energy. In the next period PBMR will go on site for the construction of the Pilot Fuel Plant at Pelindaba and progress the approvals for the construction of the Demonstration Power Plant in the Western Cape.

### **Alexkor**

Alexkor principally mines diamonds in the Alexander Bay area. This includes marine mining and land mining operations. As part of the settlement agreement all the non-mining operations will be separated from the mining activities along with all municipal functions that are currently undertaken by the company. Progress is being made with the transfer of the school, hospital and other assets to the municipality. Alexkor is the only large enterprise in the area and supports communities in Alexander Bay and surrounding areas. This support includes employment, contracting opportunities and the provision of community services.

### **Denel**

Denel is a major player in South Africa's peace keeping and defence-related industries, providing both air and land based sub-systems and components. Denel's turnaround strategy was finalised in the latter part of 2005. Denel has made significant progress in implementing the strategy. This includes the assessment of the viability of its businesses, the disposal of non-core assets, cost cutting initiatives, the formation of equity partnerships with foreign companies and the securing of major local defence acquisition contracts. In implementing its turnaround strategy, Denel has realised R400 million in revenue from the disposal of non-core assets to date.

At the defence industry level, the DPE has finalised the defence sector strategy which was jointly funded by the DoD, dti, DST, the Association for Maritime and Defence Industries (AMD), Denel and the DPE. The findings of the study identified key defence capabilities that will be the focus for future government support. The strategy will also provide a framework for the further consolidation of Denel.

A key pillar of Denel's strategy is the formation of equity partnerships with global OEMs. In this respect, a partnership between Denel Aerostructures and Saab was finalised during the year. Negotiations on an equity partnership between Denel Optronics and Carl Zeiss Optronics are progressing well. Progress is also being made in terms of other equity partnership negotiations with foreign companies.

Significant defence acquisition contracts have been placed with Denel, including the Hoefyster Infantry Fighting Vehicle (IFV) which is valued at R8 billion (first order already placed) and the development of the A-Darter missile (R1 billion, which is jointly funded between the South African DoD and the Brazilian Government). The mechanical contract for the Oryx midlife upgrade (totalling R271m) has been placed and the avionics contract for this project is in the pipeline. These contracts will not only benefit Denel, but will have positive spin-offs for the wider SA Defence Related Industry (SADRI). The DPE, Denel and the DoD continue to work closely on policy and operational issues.

### **SAFCOL**

SAFCOL currently manages most of the state-owned commercial forestry plantations. The total area of forest in South Africa under SAFCOL management at the end of FY 2006-07 was some 129,000 hectares (equivalent to around 7 percent of the

country's commercial forest plantations). The great majority (over 90 percent) of this forest area falls under SAFCOL's Komatiland Forests (Pty) Ltd (KLF) subsidiary and is located in Mpumalanga Province and the Eastern part of Limpopo Province. KLF also manages small-scale sawmilling operations and has a small subsidiary in Mozambique.

KLF was the last remaining forestry package that was to be disposed of under the forestry restructuring programme, a majority stake in the other four main operations subsidiaries having been sold during the period 1999 to 2005. A majority stake in KLF was offered for sale in late 2003 and Bonheur 50 General Trading (Pty) Ltd (Bonheur) was subsequently chosen as the preferred bidder. Significant concerns about market structure were raised at the Competition Tribunal in 2005, during the process required for approval of the proposed merger of Bonheur and KLF. Bonheur withdrew from the Tribunal in February 2006. The DPE subsequently terminated the transaction on 17 March 2006.

In March 2007, Cabinet re-confirmed the role of the companies, under which KLF will be transferred to the private sector (as previously envisaged) and SAFCOL will be wound up.

#### **Broadband InfraCo**

InfraCo is a telecommunication infrastructure company that will operate a broadband (terrestrial and international) network service to reduce telecommunication prices in South Africa as well as providing access to undeveloped areas and bandwidth requirements for specific projects of national importance. These services will include, amongst others, scientific initiatives and video streaming of international events. Currently it houses the long-haul transmission assets of Eskom and Transnet. Legislation will be processed in the year 2007/08 to establish InfraCo as a fully fledged entity.

#### **Aventura**

The business of Aventura was sold in June 2003. The transaction was not finalised due to land claims. The Government then renegotiated the sale to allow the purchaser to purchase the Resorts with land claims on them. The sale of the business has now been concluded and Aventura Limited is in the process of finalising the transfer of the land to Forever Resorts. This is subject to the signature of the Addendum to the Sale Agreement by the Minister of Public Enterprises. The Auditors of Aventura have finalised the auditing of the financial statements which will be signed off by the Directors on finalising the Directors' Report during the course of this year. The finalisation of the financials are dependent on the signature of the agreement by the Minister of Public Enterprises.

## 6. Organisations to whom transfer payments have been made

#### **Diabo Trust**

The Diabo Trust was established in 2003. The Chairperson of the trust is Dr Danisa Baloyi.

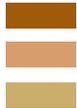
The purpose of the trust is to distribute approximately 11 million Telkom shares (the so-called 2% share scheme) to designated current and former employees of Telkom over a period of four years, ending in 2006.

The funding of the trust is sourced from the departmental budget and transfers are made to the trust annually. The funds are allocated for expenditure on administration of the trust affairs, such as maintenance of the database and exercise of share options.

The trustees provided the department with the audited financial statements of the trust and the transfer was disbursed accordingly.

During the course of the year the trustees approached the department with a view to extending the period of the trust as a large number of beneficiaries could not be traced. The department undertook to give consideration to the proposal.

Ngubane & Co continue to act as auditors of the trust.


**report of the accounting officer**  
for the year ended 31 March 2007
**Alexkor**

An amount of R 82,084 million was transferred to Alexkor during 2006/07, made up of R1.9 million for VAT accrued on previous transfer payments, R184 000 in respect of fees for an environmental study rolled over from the previous year and R80 million a portion of which is to support its proposed strategy to profitability. This strategy involves an extensive exploration programme and increased plant utilisation as well as costs for the township development, environmental rehabilitation process, community legal fees and other related costs.

**Denel**

An amount of R567 million was transferred to Denel during the current financial year for its working capital and insolvency requirements to implement its new (2005) business strategy, following the R2 billion allocated during 2005/06.

**Broadband InfraCo**

R627 Million was allocated in the adjusted Estimates during the year to purchase the full service network (FSN) national long distance (NLD) network from Eskom/Transtel. The intervention in national long distance and international connectivity infrastructure should significantly reduce South Africa's presently high broadband costs.

**PBMR**

The Pebble Bed Modular Reactor (PBMR) Company received R1,042 billion to support the project from basic design to acquiring long-lead materials and hardware which necessitated funding in excess of that committed by existing shareholders. In addition an amount of R162.4 million was transferred to the entity in respect of VAT on previous transfer payments.

## 7. Public Private Partnerships (PPP)

The department did not enter into any PPP agreements during the 2005/06 financial year.

## 8. Corporate Governance arrangements

**Risk Management Approach**

The department endeavours to minimise risks by ensuring that appropriate systems, personnel and controls are in place and risk management is integrated into day-to-day activities. A high-level risk profile was developed as a platform and foundation, to be used by the department in identifying, managing and controlling the business risks facing the department. A risk register is maintained and has resulted in management interventions to address those residual risks exceeding the department's risk appetite.

**Internal Audit, Internal controls and Audit Committee**

The department has an Internal Audit unit, which reports functionally to the Audit Committee and administratively to the Accounting Officer. The Internal Audit Unit consists of a full time head of internal audit and a co-sourcing arrangement with a registered firm of accountants and auditors. The unit provides the Audit Committee and management with assurance that internal controls are adequate and effective. This is achieved by means of an independent, objective appraisal and evaluation of the internal controls, risk management and governance processes and suggested enhancements of controls and processes.

As reported in the previous financial year, the internal audit unit conducted an audit on procurement, where certain weaknesses were identified. The Audit Committee requested that a special audit be conducted by the Auditor General to obtain assurance that these weaknesses had been adequately addressed by the department. The audit was completed during the year under review and no material weaknesses were identified. Management has however, taken the necessary steps to implement recommendations in the report.

**Fraud Prevention Initiatives**

A whistle blowing policy has been actively communicated to employees during the course of the financial year. The department is embarking on a process of updating the current fraud prevention plan into an integrated anti corruption and fraud strategy. The Internal Audit unit is the custodian of the whistle blowing policy and also the recipient of other whistle blowers' complaints.

### Other Governance Structures

The department has an Executive Committee and a Management Committee, both of which convene at least once a month and assist with the governance of the organisation. All employees have signed the department's code of ethics. The department operates on approved delegations of authority. In addition, the department has established the following forums with the SOE:

- Chairperson's Forum
- CEO's Forum
- CFO's Forum
- Risk Officer's Forum

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

## 9. Discontinued activities/activities to be discontinued

None.

## 10. New/proposed activities

None.

## 11. Asset management

- The department has done a full asset count of all assets for the past two years.
- An Asset management unit was established within Supply Chain Management (SCM) and is under the control of the SCM Management.
- All assets are captured on LOGIS on a personnel inventory basis to secure control of all assets. All assets in the department are purchased and accounted for through LOGIS.
- The department has met all the milestones in respect of Year 1 – ending 31 March 2006, save and except for an approved asset acquisition plan and approved asset operations and maintenance plan. The acquisition of assets are on a needs basis and projections are done particularly in respect of computer equipment. The department recently renovated and acquired new furniture where it was necessary and disposed of redundant and obsolete items. The department does not have any fixed capital assets to maintain and therefore the asset operations and maintenance plan was not developed.

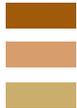
Milestones for year 2 ending 31 March 2007 have been met save and except for the authorisation of the implementation plans up to 31 March 2008, this will be addressed in the first quarter of 2007/08.

## 12. Events after the reporting date

Pursuant to the department's strategic planning held earlier this year, it was decided to move the Nuclear sub programme within Programme 4 to Programme 2 and the sub programme ICT Sector: Broadband within Programme 2 to Programme 4. The reason for the move was to align the energy functions within one programme. This change will be reflected when the department submits its adjusted estimates later this year.

The department was informed by National Treasury that its application for condonement of irregular expenditure in the sum of R228 000 was approved during May 2007. Refer Note 25 of Notes to the Annual Financial Statements.

On 31 March 2007, Act No 2 of 2007: Finance Act, 2007 was proclaimed condoning irregular expenditure incurred by the department in previous years between 1998 and 2000. The department will receive the funds during the 2007/08 financial year in the adjusted estimates process.


**report of the accounting officer  
for the year ended 31 March 2007**

Cabinet approved the InfraCo Bill on the 18th of April 2007.  
Cabinet approved the South African Express Bill on the 18th of April 2007.  
Dr Danisa Baloyi resigned as chairperson of the Diabo Trust.

The Richtersveld Community filed a land claim under the terms of the Restitution of Land Rights Act for a parcel of land situated in Alexander Bay. The Deed of Settlement between the Richtersveld Community and Alexkor Limited and the Government of the Republic of South Africa was signed on 22 April 2007 at Pretoria. The Minister of Public Enterprises signed on behalf of Government (mandated by Cabinet) and Alexkor (as shareholder representative of Government in Alexkor). This was subsequently ratified by the Minister of Land Affairs and Alexkor's Chairperson.

The settlement provides for a combination of cash payments (R190 million, R50 million and R45 million), transfer of assets (valuation still to be determined), legal and other implementation costs to be borne by the State. At this stage the department is consulting with other relevant State Departments regarding the implementation of the settlement and the final total of the settlement can only be determined once implementation is completed.

### 13. Performance information

The department has control systems designed to provide proper monitoring of Programme performance, as well as the financial statements.

The IT system (Project Management Dashboard) installed during the previous year is used to track performance of projects; this system provides the Executive with a tool to monitor progress on the work of the department.

The department submitted programme performance reports to the Portfolio and Select Committees on a quarterly basis. To enhance performance monitoring in the department, project meetings were held on a monthly basis and each project manager presented the status of his/her project(s) for discussion and further advice. Records of all reports are kept in the department, using the filing system approved by National Archives.

### 14. Scopa resolutions

The following table discloses the most recent SCOPA resolutions and recommendations:

Reference to previous audit report and SCOPA resolutions	Subject	Findings on progress
Twentieth Report – 10 February 2004	Unauthorised Expenditure	On 31 March 2007 Act 2 of 2007 was proclaimed condoning the irregular expenditure. The Department will receive the funds during the 2007/08 financial year in the adjusted estimates process.

### 15. Other - Legal actions

The following cases against Government are currently in process. The cases referred to below are not reflected in Note 28 of the financial statements. Cases which were finalised during the year are also reported.

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

Nabera instituted a claim against Government and Alexkor in 2004 for R119m for value addition during its tenure as management contractor at Alexkor, and another claim for R4m for management fees. The matter has not proceeded to court as yet as Nabera has failed to set the matter down for hearing. Alexkor and Government have decided not to take any initiative in taking the matter to court as by so doing, there is a possibility that the matter will not be raised again.

**Richtersveld Community v Government of RSA & Alexkor**

The Richtersveld community has claimed its land back in terms of the Restitution of Land Act, and the matter is proceeding in the Land Claims Court to determine whether the community should be given their land back or given alternative relief i.e other available land and/or compensation. The settlement negotiations are being conducted to settle the matter out of court.

**Paharpur/Londoloza Consortium v Safcol and the Department.**

The Paharpur/Londoloza Consortium has instituted three legal actions against Safcol and the Department. In the first action, the Consortium sought a declarator to the effect that the decision by Government to allow Bonheur to seek conditional approval of the Komatiland transaction with the competition authorities violated the transaction documents and was therefore unlawful. The Consortium also sought an order to the effect that there was a contractual obligation on Government to engage the Consortium in the transaction subsequent to the withdrawal by Bonheur from the transaction. The Court found in favour of the Consortium.

As a consequence of that victory, the Consortium instituted another action, seeking to review the termination of the Komatiland transaction by Safcol. The Consortium is arguing that as a party with vested interests, Safcol and Government did not afford the Consortium an opportunity to be heard before terminating the transaction. The matter has not been decided as yet. Flowing from this action, the Consortium sought to be provided with all the documents generated during the privatisation of Komatiland. Safcol and the Department have, to the extent reasonable, complied with the request, but have refused to give those records that they regard as privileged and not relevant to the court action. Consequently, the Consortium instituted another legal action to compel Safcol and Government to provide such outstanding records. Safcol and Government are opposing the matter and have already filed papers in this regard.

**Finalised matters:**
**Century One Holdings (Pty) Ltd v Minister of Public Enterprises and Aventura**

Century One Holdings (Pty) Ltd, the preferred bidder in the disposal of Aventura Roodeplaat, instituted legal action against the Minister of Public Enterprises and Aventura for breach of contract. Century One Holdings (Pty) Ltd was claiming R61 million. Century One Holdings (Pty) Ltd claimed that notwithstanding that it was appointed the preferred bidder for the acquisition of Aventura Roodeplaat, the Minister of Public Enterprises and Aventura chose to award the sale asset to another bidder. The matter has been resolved as the Department managed to negotiate with Century One Holdings to abandon its claim.

**Conference Call v Department of Public Enterprises**

The department appointed a company by the name of Conference Call on 28 November 2003 to assist the department with the planning and management of a conference on the restructuring of State-Owned Enterprises. Notwithstanding that Conference Call proceeded to plan the said conference as directed by the Department's instructions, the department decided to cancel the conference. The department did not make any payment to Conference Call and as a result Conference Call instituted legal action against the department for breach of contract. Conference Call claimed R100 000. The department did not have a valid defence to the matter and consequently reached an agreement with Conference Call. The claim was settled out of court in the sum of R80 000.00.

**Outcome of legal action Ramafolo v Government of RSA**

In this matter, Ramafolo sued the Government of the RSA, represented by the department, for damages sustained due to injuries occasioned as a result of electrocution. Judgement was given in favour of the Plaintiff on 12 May 2006, the settlement being in the sum of R2 032 574.00, which has been paid by the department. The department will also be liable for all legal costs in this matter. The department recovered the funds in the adjustments estimates process.

## 16. Approval

The Annual Financial Statements set out on pages 58 to 93 have been approved by the Accounting Officer.



**Portia Molefe**  
 Director General

31/05/07

**REPORT OF THE AUDITOR GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 9 Department OF PUBLIC ENTERPRISES FOR THE YEAR ENDED 31 MARCH 2007**

## Report on the financial statements

### Introduction

1. I have audited the accompanying financial statements of the Department of Public Enterprises which comprise the statement of financial position as at 31 March 2007, appropriation statement, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 58 to 93.

### Responsibility of the accounting officer for the financial statements

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

### Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 647 of 2007*, issued in *Government Gazette* No. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
- appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Basis of accounting

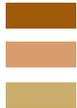
8. The department's policy is to prepare financial statements on the modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements.

### Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the Department of Public Enterprises as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the modified cash basis and in the manner required by the PFMA.

## Other matters

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:


**report of the auditor general**  
for the year ended 31 March 2007

## 10. Delay in finalisation of audit

Due to the national public sector strike action during June 2007 the Auditor-General had to delay the finalisation of affected departments. As a result, the Auditor-General's consistency review process of the audit reports could only be conducted subsequent to 31 July 2007, the consequence of which was a delay in the finalisation of the audit of this department for the 2008/07 financial year.

## Other reporting responsibilities

### Reporting on performance information

11. I have audited the performance information as set out on pages 27 to 34.

### Responsibilities of the accounting officer

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

### Responsibility of the Auditor-General

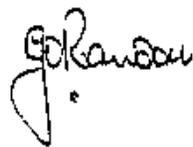
12. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette* No. 29919 of 25 May 2007.
13. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
14. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

### Audit findings

15. Nothing to report.

## Appreciation

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




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**GO Randall**  
**Business Executive: National B**

Pretoria

10 August 2007



**A U D I T O R - G E N E R A L**



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

## 1. Presentation of the Financial Statements

### 1.1 Basis of preparation

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

### 1.2 Presentation currency

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

### 1.3 Rounding

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

### 1.4 Comparative figures

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

### 1.5 Comparative figures - Appropriation Statement

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

## 2. Revenue

### 2.1 Appropriated funds

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

Total appropriated funds are presented in the statement of financial performance.

Unexpended appropriated funds are surrendered to the National/Provincial Revenue Fund. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the statement of financial position.

### 2.2 Departmental revenue

All departmental revenue is paid into the National/Provincial Revenue Fund when received, unless otherwise stated. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the statement of financial position. Amounts receivable at the reporting date are disclosed in the disclosure notes to the annual financial statements.

#### 2.2.1 Tax revenue

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

Tax receipts are recognised in the statement of financial performance when received.

### **2.2.2 Sales of goods and services other than capital assets**

The proceeds received from the sale of goods and/or the provision of services is recognised in the statement of financial performance when the cash is received.

### **2.2.3 Fines, penalties & forfeits**

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

### **2.2.4 Interest, dividends and rent on land**

Interest, dividends and rent on land is recognised in the statement of financial performance when the cash is received.

### **2.2.5 Sale of capital assets**

The proceeds received on sale of capital assets are recognised in the statement of financial performance when the cash is received.

### **2.2.6 Financial transactions in assets and liabilities**

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

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

Forex gains are recognised on payment of funds.

### **2.2.7 Gifts, donations and sponsorships (transfers received)**

All cash gifts, donations and sponsorships are paid into the National/Provincial Revenue Fund and recorded as revenue in the statement of financial performance when received. Amounts receivable at the reporting date are disclosed in the disclosure notes to the financial statements. All in-kind gifts, donations and sponsorships are disclosed at fair value in the annexures to the financial statements.

## **2.3 Local and foreign aid assistance**

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

All in-kind local and foreign aid assistance are disclosed at fair value in the annexures to the annual financial statement.

The cash payments made during the year relating to local and foreign aid assistance projects are recognised as expenditure in the statement of financial performance. The value of the assistance expensed prior to the receipt of the funds is recognised as a receivable in the statement of financial position.

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

## 3. Expenditure

### 3.1 Compensation of employees

Salaries and wages comprise payments to employees. Salaries and wages are recognised as an expense in the statement of financial performance when the payment is effected on the system (by no later than 31 March of each year).

All other payments are classified as current expense.

Social contributions include the employer's contribution to social insurance schemes paid on behalf of the employee. Social contributions are recognised as an expense in the statement of financial performance when the payment is effected on the system.

#### 3.1.1 Short term employee benefits

Short term employee benefits comprise of leave entitlements (including capped leave), thirteenth cheques and performance bonuses. The cost of short-term employee benefits is expensed as salaries and wages in the statement of financial performance when the payment is effected on the system (by no later than 31 March of each year).

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

#### 3.1.2 Long-term employee benefits

##### 3.1.2.1 Termination benefits

Termination benefits such as severance packages are recognised as an expense in the statement of financial performance as a transfer (to households) when the payment is effected on the system (by no later than 31 March of each year).

##### 3.1.2.2 Post employment retirement benefits

The department provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when the payment to the fund is effected on the system (by no later than 31 March of each year). No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National/Provincial Revenue Fund and not in the financial statements of the employer department.

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

### 3.2 Goods and services

Payments made for goods and/or services are recognised as an expense in the statement of financial performance when the payment is effected on the system (by no later than 31 March of each year). The expense is classified as capital if the goods and services were used for a capital project or an asset of R5000 or more is purchased. All assets costing less than R5 000 will also be reflected under goods and services.

### 3.3 Interest and rent on land

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

### 3.4 Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or under-

spending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but amounts are disclosed as a disclosure note.

Forex losses are recognised on payment of funds.

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

### **3.5 Unauthorised expenditure**

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

Unauthorised expenditure approved with funding is recognised in the statement of financial performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding it is recognised as expenditure, subject to availability of savings, in the statement of financial performance on the date of approval.

### **3.6 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

### **3.7 Irregular expenditure**

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

### **3.8 Transfers and subsidies**

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

### **3.9 Expenditure for capital assets**

Payments made for capital assets are recognised as an expense in the statement of financial performance when the payment is effected on the system (by no later than 31 March of each year).

## **4. Assets**

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

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

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

### **4.2 Prepayments and advances**

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made.

### **4.3 Receivables**

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party.

Revenue receivable not yet collected is included in the disclosure notes. Amounts that are potentially irrecoverable are included in the disclosure notes.

#### **4.4 Investments**

Capitalised investments are shown at cost in the statement of financial position. Any cash flows such as dividends received or proceeds from the sale of the investment are recognised in the statement of financial performance when the cash is received.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in disclosure note 36.

#### **4.5 Loans**

Loans are recognised in the statement of financial position at the nominal amount when cash is paid to the beneficiary. Loan balances are reduced when cash repayments are received from the beneficiary. Amounts that are potentially irrecoverable are included in disclosure note 36.

#### **4.6 Inventory**

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

#### **4.7 Capital assets**

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

Projects (of construction/development) running over more than one financial year relating to assets, are only capitalised as assets on completion of the project and at the total cost incurred over the duration of the project.

Disclosure Notes 37 and 38 reflect the total movement in the asset register for the current financial year.

## **5. Liabilities**

#### **5.1 Payables**

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

#### **5.2 Lease commitments**

Lease commitments represent amounts owing from the reporting date to the end of the lease contract. These commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

Operating and finance lease commitments are expensed when the payments are made. Assets acquired in terms of finance lease agreements are disclosed in the annexures and disclosure notes to the financial statements.

#### **5.3 Accruals**

Accruals represent goods/services that have been received, but where no invoice has been received from the supplier at the reporting date, or where an invoice has been received but final authorisation for payment has not been effected on the system.

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

#### **5.4 Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the department; or

A contingent liability is a present obligation that arises from past events but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - The amount of the obligation cannot be measured with sufficient reliability.
- Contingent liabilities are included in the disclosure notes.

### 5.5 Commitments

Commitments represent goods/services that have been approved and/or contracted, but where no delivery has taken place at the reporting date.

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

## 6. Net Assets

### 6.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are transferred to the National/Provincial Revenue Fund on disposal, repayment or recovery of such amounts.

### 6.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year.

## 7. Related party transactions

Related parties are departments that control or significantly influence entities in making financial and operating decisions. Specific information with regards to related party transactions is included in the disclosure notes.

## 8. Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the department.

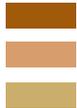
Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

## 9. Public private partnerships

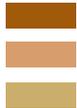
A public private partnership (PPP) is a commercial transaction between the department and a private party in terms of which the private party:

- performs an institutional function on behalf of the institution; and/or
- acquires the use of state property for its own commercial purposes; and
- assumes substantial financial, technical and operational risks in connection with the performance of the institutional function and/or use of state property; and
- receives a benefit for performing the institutional function or from utilizing the state property, either by way of:
  - consideration to be paid by the department which derives from a Revenue Fund;
  - charges fees to be collected by the private party from users or customers of a service provided to them; or
  - a combination of such consideration and such charges or fees.

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


**appropriation statement**  
for the year ended 31 March 2007

Appropriation per programme									
	Adjusted Appropriation	Shifting of Funds	Virement	2006/07				2005/06	
				Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
				R'000	R'000	R'000	R'000	R'000	R'000
<b>1. Administration</b>									
Current payment	47 530	(737)	816	47 609	47 570	39	99.9%	42 248	42 063
Transfers and subsidies	620	-	1	621	605	16	97.4%	171	171
Payment for capital assets	1 555	737	214	2 506	2 506	-	100.0%	822	822
<b>2. Analysis and Risk Management</b>									
Current payment	13 085	(17)	(1 048)	12 020	12 004	16	99.9%	7 354	7 067
Transfers and subsidies	10	-	-	10	6	4	60.0%	18	17
Payment for capital assets	28	17	(1)	44	42	2	95.5%	30	9
<b>3. Legal, Governance and Secretariat</b>									
Current payment	13 164	(18)	(434)	12 712	12 710	2	100.0%	12 756	12 704
Transfers and subsidies	2 038	-	1	2 039	2 039	-	100.0%	20	19
Payment for capital assets	156	18	(19)	155	154	1	99.4%	164	73
<b>4. Corporate Strategy and Structure</b>									
Current payment	24 169	-	1 378	25 547	25 543	4	100.0%	8 518	8 214
Transfers and subsidies	1 831 407	-	-	1 831 407	1 831 407	-	100.0%	17	15
Payment for capital assets	96	-	(57)	39	39	-	100.0%	52	39
<b>5. Corporate Finance and Transactions</b>									
Current payment	3 388	-	(849)	2 539	2 535	4	99.8%	3 262	3 234
Transfers and subsidies	932 677	-	(2)	932 675	652 675	280 000	70.0%	2 017 215	2 013 775
Payment for capital assets	-	-	-	-	-	-	-	6	6
<b>TOTAL</b>	<b>2 869 923</b>	<b>-</b>	<b>-</b>	<b>2 869 923</b>	<b>2 589 835</b>	<b>280 088</b>	<b>90.2%</b>	<b>2 092 653</b>	<b>2 088 228</b>
<b>Reconciliation with Statement of Financial Performance</b>									
<b>Add:</b>									
Departmental receipts				109	-			1 673 305	-
Local and foreign aid assistance received				1 000	-			13 000	-
<b>Actual amounts per Statements of Financial Performance (Total revenue)</b>				<b>2 871 032</b>				<b>3 778 958</b>	
<b>Add:</b>									
Local and foreign aid assistance					3 537				7 606
<b>Actual amounts per Statements of Financial Performance (Total expenditure)</b>					<b>2 593 372</b>				<b>2 095 834</b>


**appropriation statement**  
for the year ended 31 March 2007

Appropriation per economic classification									
	2006/07							2005/06	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	54 005	(4 965)	(1 866)	47 174	47 208	(34)	100.1%	42 614	42 442
Goods and services	47 301	4 115	1 729	53 145	53 046	99	99.8%	31 524	30 840
Financial transactions in assets and liabilities	30	78	-	108	108	-	100.0%	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	49	(2)	(1)	46	42	4	91.3%	134	129
Departmental agencies and accounts	3 589	-	-	3 589	3 589	-	100.0%	3 626	372
Public corporations and private enterprises	2 762 514	2	1	2 762 517	2 482 517	280 000	89.9%	2 013 581	2 013 396
Households	600	-	-	600	584	16	97.3%	100	100
<b>Payments for capital assets</b>									
Machinery and equipment	1 809	574	137	2 520	2 517	3	99.9%	1 061	936
Software and other intangible assets	26	198	-	224	224	-	100.0%	13	13
<b>Total</b>	<b>2 869 923</b>	<b>-</b>	<b>-</b>	<b>2 869 923</b>	<b>2 589 835</b>	<b>280 088</b>	<b>90.02%</b>	<b>2 092 653</b>	<b>2 088 228</b>

detail per programme 1 - administration  
for the year ended 31 March 2007

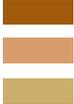
Programme per sub programme	2006/07							2005/06	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1.1 Minister</b>									
Current payment	887	-	-	887	885	2	99.8%	890	890
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>1.2 Management</b>									
Current payment	14 063	(810)	-	13 253	13 259	(6)	100.0%	14 162	14 144
Transfers and subsidies	6	-	-	6	6	-	100.0%	24	24
Payment for capital assets	139	(5)	-	134	134	-	100.0%	300	300
<b>1.3 Corporate Services</b>									
Current payment	28 384	568	816	29 768	29 760	8	100.0%	27 196	27 029
Transfers and subsidies	614	-	1	615	599	16	97.4%	147	147
Payment for capital assets	1 416	742	214	2 372	2 372	-	100.0%	522	522
<b>1.4 Property Management</b>									
Current payment	4 196	(495)	-	3 701	3 666	35	99.1%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>49 705</b>	<b>-</b>	<b>1 031</b>	<b>50 736</b>	<b>50 681</b>	<b>55</b>	<b>99.9%</b>	<b>43 241</b>	<b>43 056</b>

Economic Classification	2006/07							2005/06	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payment</b>									
Compensation of employees	26 430	(3 025)	-	23 405	23 403	2	100.0%	24 310	24 293
Goods and services	21 070	2 210	816	24 096	24 059	37	99.8%	17 938	17 770
Financial transactions in assets and liabilities	30	78	-	108	108	-	100.0%	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	20	-	1	21	21	-	100.0%	71	71
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Households	600	-	-	600	584	16	97.3%	100	100
<b>Payment for capital assets</b>									
Machinery and equipment	1 529	539	214	2 282	2 282	-	100.0%	809	809
Software and other intangible assets	26	198	-	224	224	-	100.0%	13	13
<b>Total</b>	<b>49 705</b>	<b>-</b>	<b>1 031</b>	<b>50 736</b>	<b>50 681</b>	<b>55</b>	<b>99.9%</b>	<b>43 241</b>	<b>43 056</b>

## detail per programme 2 - analysis and risk management for the year ended 31 March 2007

Programme per sub programme	2006/07							2005/06	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>2.1 Management</b>									
Current payment	4 357	(408)	(350)	3 599	3 589	10	99.7%	2 455	2 348
Transfers and subsidies	4	-	-	4	1	3	25.0%	5	5
Payment for capital assets	-	17	(1)	16	16	-	100.0%	-	-
<b>2.2 Analysis</b>									
Current payment	5 798	1 274	(218)	6 854	6 849	5	99.9%	2 742	2 721
Transfers and subsidies	4	-	-	4	4	-	100.0%	7	7
Payment for capital assets	28	-	-	28	26	2	92.9%	30	9
<b>2.3 Risk</b>									
Current payment	2 930	(883)	(480)	1 567	1 566	1	99.9%	2 157	1 998
Transfers and subsidies	2	-	-	2	1	1	50.0%	6	5
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>13 123</b>	<b>-</b>	<b>(1 049)</b>	<b>12 074</b>	<b>12 052</b>	<b>22</b>	<b>99.8%</b>	<b>7 402</b>	<b>7 093</b>

Economic Classification	2006/07							2005/06	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payment</b>									
Compensation of employees	6 941	(6)	(480)	6 455	6 440	15	99.8%	5 614	5 494
Goods and services	6 144	(11)	(568)	5 565	5 564	1	100.0%	1 740	1 573
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	10	-	-	10	6	4	60.0%	18	17
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-
<b>Payment for capital assets</b>									
Machinery and equipment	28	17	(1)	44	42	2	95.5%	30	9
Software and other intangible assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13 123</b>	<b>-</b>	<b>(1 049)</b>	<b>12 074</b>	<b>12 052</b>	<b>22</b>	<b>99.8%</b>	<b>7 402</b>	<b>7 093</b>


**detail per programme 3 - legal, governance and secretariat**  
 for the year ended 31 March 2007

Programme per sub programme	2006/07							2005/06	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>3.1 Management</b>									
Current payment	2 601	(448)	(7)	2 146	2 147	(1)	100.0%	5 558	5 556
Transfers and subsidies	2	(1)	-	1	1	-	100.0%	5	5
Payment for capital assets	-	-	-	-	-	-	-	49	49
<b>3.2 Legal and Litigation</b>									
Current payment	2 754	2824	(30)	5 548	5 547	1	100.0%	531	531
Transfers and subsidies	2 033	1	1	2 035	2 035	-	100.0%	2	2
Payment for capital assets	46	(13)	(18)	15	14	1	93.3%	-	-
<b>3.3 Governance and Secretariat</b>									
Current payment	4 596	132	195	4 923	4 922	1	100.0%	6 667	6 617
Transfers and subsidies	3	-	-	3	3	-	100.0%	13	12
Payment for capital assets	110	31	(1)	140	140	-	100.0%	115	14
<b>3.4 Legal Transactions</b>									
Current payment	3 213	(2 526)	(592)	95	94	1	98.9%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>15 358</b>	<b>-</b>	<b>(452)</b>	<b>14 906</b>	<b>14 903</b>	<b>3</b>	<b>100.0%</b>	<b>12 940</b>	<b>12 796</b>

Economic Classification	2006/07							2005/06	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payment</b>									
Compensation of employees	9 318	(1 204)	(947)	7 167	7 164	3	100.0%	6 008	6 000
Goods and services	3 846	1 186	513	5 545	5 546	(1)	100.0%	6 748	6 704
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	8	(2)	-	6	6	-	100.0%	20	19
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	2 030	2	1	2 033	2 033	-	100.0%	-	-
Households	-	-	-	-	-	-	-	-	-
<b>Payment for capital assets</b>									
Machinery and equipment	156	18	(19)	155	154	1	99.4%	164	73
Software and other intangible assets	-	-	-	-	-	-	100.0%	-	-
<b>Total</b>	<b>15 358</b>	<b>-</b>	<b>(452)</b>	<b>14 906</b>	<b>14 903</b>	<b>3</b>	<b>100.0%</b>	<b>12 940</b>	<b>12 796</b>

## detail per programme 4 - corporate strategy and structure for the year ended 31 March 2007

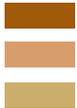
Programme per sub programme	2006/07							2005/06	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>4.1 Management</b>									
Current payment	2 330	105	(6)	2 429	2 434	(5)	100.2%	5 706	5 514
Transfers and subsidies	1	-	-	1	1	-	100.0%	12	10
Payment for capital assets	-	-	-	-	-	-	-	27	14
<b>4.2 Transport Unit</b>									
Current payment	3 310	(1 004)	(3)	2 303	2 300	3	99.9%	1 400	1 313
Transfers and subsidies	1	-	-	1	1	-	100.0%	2	2
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>4.3 Energy</b>									
Current payment	2 018	91	1 359	3 468	2 106	1 362	60.7%	1 412	1 387
Transfers and subsidies	1 831 401	-	-	1 831 401	1 831 401	-	100.0%	3	3
Payment for capital assets	96	-	(57)	39	39	-	100.0%	25	25
<b>4.4 Strategy</b>									
Current payment	4 256	1 068	28	5 352	6 682	(1 330)	124.9%	-	-
Transfers and subsidies	2	-	-	2	2	-	100.0%	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>4.5 Economic Research Unit</b>									
Current payment	847	(262)	-	585	613	(28)	104.8%	-	-
Transfers and subsidies	1	-	-	1	1	-	100.0%	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>4.6 Joint Project Facility</b>									
Current payment	11 408	2	-	11 410	11 408	2	100.0%	-	-
Transfers and subsidies	1	-	-	1	1	-	100.0%	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>1 855 672</b>	<b>-</b>	<b>1 321</b>	<b>1 856 993</b>	<b>1 856 989</b>	<b>4</b>	<b>100.0%</b>	<b>8 587</b>	<b>8 268</b>

Economic Classification	2006/07							2005/06	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payment</b>									
Compensation of employees	8 523	(566)	389	8 346	8 404	(58)	100.7%	4 637	4 617
Goods and services	15 646	566	989	17 201	17 139	62	99.6%	3 881	3 597
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	7	-	-	7	7	-	100.0%	17	15
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	1 831 400	-	-	1 831 400	1 831 400	-	100.0%	-	-
Households	-	-	-	-	-	-	-	-	-
<b>Payment for capital assets</b>									
Machinery and equipment	96	-	(57)	39	39	-	100.0%	52	39
Software and other intangible assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1 855 672</b>	<b>-</b>	<b>1 321</b>	<b>1 856 993</b>	<b>1 856 989</b>	<b>4</b>	<b>100.0%</b>	<b>8 587</b>	<b>8 268</b>

## detail per programme 5 - corporate finance and transactions for the year ended 31 March 2007

Programme per sub programme	2006/07							2005/06	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>5.1 Management</b>									
Current payment	1 520	(53)	(130)	1 337	1 336	1	99.9%	2 063	2 061
Transfers and subsidies	929 086	-	(1)	929 085	649 085	280 000	69.9%	2 013 585	2 013 400
Payment for capital assets	-	-	-	-	-	-	-	6	6
<b>5.2 Corporate Finance</b>									
Current payment	1 089	54	(30)	1 113	1 111	2	99.8%	679	671
Transfers and subsidies	2	-	(1)	1	1	-	100.0%	3	2
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>5.3 Transaction Specialist Services</b>									
Current payment	779	(1)	(689)	89	88	1	98.9%	520	502
Transfers and subsidies	-	-	-	-	-	-	-	1	1
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>5.4 Initial Public Offering</b>									
Current payment	-	-	-	-	-	-	-	-	-
Transfers and subsidies	3 589	-	-	3 589	3 589	-	100.0%	3 626	372
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>936 065</b>	<b>-</b>	<b>(851)</b>	<b>935 214</b>	<b>655 210</b>	<b>280 004</b>	<b>70.1%</b>	<b>2 020 483</b>	<b>2 017 015</b>

Economic Classification	2006/07							2005/06	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payment</b>									
Compensation of employees	2 793	(164)	(828)	1 801	1 797	4	99.8%	2 045	2 038
Goods and services	595	164	(21)	738	738	-	100.0%	1 217	1 196
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	4	-	(2)	2	2	-	100.0%	8	7
Departmental agencies and accounts	3 589	-	-	3 589	3 589	-	100.0%	3 626	372
Public corporations and private enterprises	929 084	-	-	929 084	649 084	280 000	69.9%	2 013 581	2 013 396
Households	-	-	-	-	-	-	-	-	-
<b>Payment for capital assets</b>									
Machinery and equipment	-	-	-	-	-	-	-	6	6
Software and other intangible assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>936 065</b>	<b>-</b>	<b>(851)</b>	<b>935 214</b>	<b>655 210</b>	<b>280 004</b>	<b>70.1%</b>	<b>2 020 483</b>	<b>2 017 015</b>


**notes to the appropriation statement**  
 for the year ended 31 March 2007
**1. Detail of transfers and subsidies as per Appropriation Act (after Virement):**

Detail of these transactions can be viewed in note 7 (Transfers and subsidies) and Annexure 1 (A-D) to the Annual Financial Statements.

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

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

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

Detail of these transactions per programme can be viewed in note 6 (Financial transactions in assets and liabilities) to the Annual Financial Statements.

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

4.1 Per Programme	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Variance as a % of Final Appropriation
1. Administration	50 736	50 681	55	99,9%
2. Analysis and Risk Management	12 074	12 052	22	99,8%
3. Legal, Governance and Secretariat	14 906	14 903	3	100,0%
4. Corporate Strategy and Structure	1 856 993	1 856 989	4	100,0%
5. Corporate Finance and Transactions	935 214	655 210	280 004	70,1%

**Programme 5:** Corporate Finance and Transactions: The underspending in this programme is due to the non transfer of an amount of R280 million to Denel which was provided for in the adjusted estimates for VAT on the transfer of R2 billion in March 2007. Subsequent to the adjusted estimates it was established with SARS that capital transfers do not attract VAT.

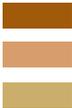
Per Economic classification	2006/07 R'000
<b>Current payment:</b>	
Compensation of employees	47 208
Goods and services	53 046
Financial transactions in assets and liabilities	108
<b>Transfers and subsidies:</b>	
Provinces and municipalities	42
Departmental agencies and accounts	3 589
Public corporations and private enterprises	2 482 517
Households	584
<b>Payments for capital assets:</b>	
Machinery and equipment	2 517
Software and other intangible assets	224

## statement of financial performance for the year ended 31 March 2007

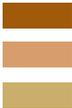
	<i>Note</i>	<b>2006/07</b> <b>R'000</b>	<b>2005/06</b> <b>R'000</b>
<b>REVENUE</b>			
Annual appropriation	1	2 869 923	2 092 653
Departmental revenue	2	109	1 673 305
Local and foreign aid assistance	3	1 000	13 000
<b>TOTAL REVENUE</b>		<b>2 871 032</b>	<b>3 778 958</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	4	47 208	42 442
Goods and services	5	53 046	30 840
Financial transactions in assets and liabilities	6	108	-
Local and foreign aid assistance	3	3 537	7 585
<b>Total current expenditure</b>		<b>103 899</b>	<b>80 867</b>
<b>Transfers and subsidies</b>	7	2 486 732	2 013 997
<b>Expenditure for capital assets</b>			
Machinery and equipment	8	2 517	936
Software and other intangible assets	8	224	13
Local and foreign aid assistance	3	-	21
<b>Total expenditure for capital assets</b>		<b>2 741</b>	<b>970</b>
<b>TOTAL EXPENDITURE</b>		<b>2 593 372</b>	<b>2 095 834</b>
<b>SURPLUS/(DEFICIT)</b>			
Add back unauthorised expenditure	9	-	-
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>277 660</b>	<b>1 683 124</b>
<b>Reconciliation of Surplus/(Deficit) for the year</b>			
Voted Funds to be surrendered to the revenue fund	14	280 088	4 425
Departmental Revenue to be surrendered to the revenue fund	15	109	1 673 305
Local and foreign aid assistance	3	(2 537)	5 394
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>277 660</b>	<b>1 683 124</b>


**statement of financial position**  
 as at 31 March 2007

	<i>Note</i>	<b>2006/07</b> <b>R'000</b>	<b>2005/06</b> <b>R'000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Unauthorised expenditure	9	26 548	27 180
Cash and cash equivalents	10	26 165	26 165
Prepayments and advances	11	44	31
Receivables	12	44	37
		295	947
<b>Non-current assets</b>			
Investments	13	19 681 309	19 114 309
		19 681 309	19 114 309
<b>TOTAL ASSETS</b>		<b>19 707 857</b>	<b>19 141 489</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Voted funds to be surrendered to the Revenue Fund	14	26 548	27 180
Departmental revenue to be surrendered to the Revenue Fund	15	88	4 425
Bank overdraft	16	1	20
Payables	17	22 212	16 730
Local and foreign aid assistance unutilised	3	1 390	611
		2 857	5 394
<b>TOTAL LIABILITIES</b>		<b>26 548</b>	<b>27 180</b>
<b>NET ASSETS</b>		<b>19 681 309</b>	<b>19 114 309</b>
<b>Represented by:</b>			
Capitalisation reserve		19 681 309	19 114 309
<b>TOTAL</b>		<b>19 681 309</b>	<b>19 114 309</b>


**statement of changes in net assets**  
 for the year ended 31 March 2007

	<i>Note</i>	<b>2006/07</b> <b>R'000</b>	<b>2005/06</b> <b>R'000</b>
<b>Capitalisation Reserves</b>			
Opening balance		19 114 309	17 114 309
Transfers:			
Movement in Equity	<i>Annexure 2A</i>	567 000	2 000 000
Closing balance		<u>19 681 309</u>	<u>19 114 309</u>
<b>TOTAL</b>		<b><u>19 681 309</u></b>	<b><u>19 114 309</u></b>


**cash flow statement**  
 for the year ended 31 March 2007

	<i>Note</i>	<b>2006/07</b> <b>R'000</b>	<b>2005/06</b> <b>R'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		2 591 014	2 105 958
Annual appropriated funds received	1.1	2 589 923	2 092 653
Departmental revenue received	2	91	305
Local and foreign aid assistance received	3	1 000	13 000
Net (increase)/decrease in working capital		1 424	391
Surrendered to Revenue Fund		(4 553)	(1 674 998)
Current payments		(103 899)	(80 867)
Transfers and subsidies paid	7	(2 486 732)	(2 013 997)
<b>Net cash flow available from operating activities</b>	<b>18</b>	<b><u>(2 746)</u></b>	<b><u>(1 663 513)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets		(2 741)	(970)
Proceeds from sale of capital assets	2	18	-
(Increase)/decrease in investments		(567 000)	(2 000 000)
(Increase)/decrease in other financial assests		-	-
<b>Net cash flows from investing activities</b>		<b><u>(569 723)</u></b>	<b><u>(2 000 970)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distribution/dividend received		-	1 673 000
Increase/(decrease) in net assets		567 000	2 000 000
<b>Net cash flows from financing activities</b>		<b><u>567 000</u></b>	<b><u>3 673 000</u></b>
Net increase/(decrease) in cash and cash equivalents		(5 469)	8 517
Cash and cash equivalents at the beginning of the period		(16 699)	(25 216)
<b>Cash and cash equivalents at end of period</b>	<b>19</b>	<b><u>(22 168)</u></b>	<b><u>(16 699)</u></b>

## notes to the annual financial statements for the year ended 31 March 2007

### 1. Annual Appropriation

#### 1.1 Annual Appropriation

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

	Final Appropriation	Actual Funds Received	Funds not requested/ not received	Appropriation received 2005/06
	R'000	R'000	R'000	R'000
1. Administration	50 736	50 736	-	43 241
2. Analysis and Risk Management	12 074	12 074	-	7 402
3. Legal, Governance and Secretariat	14 906	14 906	-	12 940
4. Corporate Strategy and Structure	1 856 993	1 856 993	-	8 587
5. Corporate Finance and Transactions	935 214	655 214	280 000	2 020 483
<b>Total</b>	<b><u>2 869 923</u></b>	<b><u>2 589 923</u></b>	<b><u>280 000</u></b>	<b><u>2 092 653</u></b>

Programme 5: R280 m was not requested. This was in respect of a transfer payment for Denel for VAT for previous years' recapitalisation amount. It was later established that capital transfers do not attract VAT.

### 2. Departmental revenue to be surrendered to revenue fund description

	<i>Note</i>	2006/07 R'000	2005/06 R'000
Sales of goods and services other than capital assets	2.1	33	27
Interest, dividends and rent on land	2.2	19	1 672 992
Sales of capital assets	2.3	18	-
Financial transactions in assets and liabilities	2.4	39	286
<b>Departmental revenue collected</b>		<b><u>109</u></b>	<b><u>1 673 305</u></b>

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

Sales of goods and services produced by the department	33	25
Administrative fees	<u>33</u>	<u>25</u>
Sales of scrap, waste and other used current goods	-	2
<b>Total</b>	<b><u>33</u></b>	<b><u>27</u></b>

#### 2.2 Interest, dividends and rent on land and buildings

Interest	19	(8)
Dividends	-	1 673 000
<b>Total</b>	<b><u>19</u></b>	<b><u>1 672 992</u></b>

Interest, dividends and rent on land includes dividends from 2005/06 Eskom (R1 643 million) and Safcol (R30 million) 2006/07 no dividends were declared.

#### 2.3 Sale of capital assets

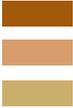
Other capital assets	18	-
<b>Total</b>	<b><u>18</u></b>	<b><u>-</u></b>

#### 2.4 Financial transactions in assets and liabilities

Nature of recovery		
Other Receipts including Recoverable Revenue	39	286
<b>Total</b>	<b><u>39</u></b>	<b><u>286</u></b>

## notes to the annual financial statements for the year ended 31 March 2007

	<i>Note</i>	<b>2006/07 R'000</b>	<b>2005/06 R'000</b>
<b>3. Local and foreign aid assistance</b>			
<b>3.1 Assistance received in cash: Other (Joint Project Facility)</b>			
<b>Local</b>			
Opening Balance		5 394	-
Revenue		1 000	13 000
Expenditure		3 537	7 606
Current		3 537	7 585
Capital		-	21
Closing Balance		<u>2 857</u>	<u>5 394</u>
<b>Total assistance</b>			
Opening Balance		5 394	-
Revenue		1 000	13 000
Expenditure		3 537	7 606
Current		3 537	7 585
Capital		-	21
Closing Balance		<u>2 857</u>	<u>5 394</u>
<b>Analysis of balance</b>			
Local and foreign aid unutilised		<u>2 857</u>	<u>5 394</u>
Closing balance	<i>Annex 1F</i>	<u>2 857</u>	<u>5 394</u>
<b>4. Compensation of employees</b>			
<b>4.1 Salaries and Wages</b>			
Basic salary		29 065	25 532
Performance award		2 380	1 198
Service based		171	1 818
Compensative/circumstantial		620	761
Periodic payments		177	484
Other non-pensionable allowances		11 837	9 821
<b>Total</b>		<u><b>44 250</b></u>	<u><b>39 614</b></u>
<b>4.2 Social contributions</b>			
<b>4.2.1 Employer contributions</b>			
Pension		2 081	1 922
Medical		873	902
Bargaining council		4	4
<b>Total</b>		<u><b>2 958</b></u>	<u><b>2 828</b></u>
<b>Total compensation of employees</b>			
		<u><b>47 208</b></u>	<u><b>42 442</b></u>
Average number of employees		<u>140</u>	<u>128</u>


**notes to the annual financial statements**  
for the year ended 31 March 2007

	<i>Note</i>	<b>2006/07</b> <b>R'000</b>	<b>2005/06</b> <b>R'000</b>
<b>5. Goods and services</b>			
Advertising		355	199
Attendance fees (including registration fees)		332	-
Bank charges and card fees		19	84
Bursaries (employees)		212	150
Communication		2 294	2 894
Computer services		1 190	1 634
Consultants, contractors and special services	**	23 248	6 502
Courier and delivery services		67	71
Drivers' licences and permits		7	-
Entertainment		530	479
External audit fees	5.1	1 372	1 220
Equipment less than R5 000		485	2 266
Inventory	5.2	1 160	1 280
Learnerships		3	2
Legal fees	**	3 130	281
Maintenance, repairs and running costs		1 857	5 425
Medical services		8	-
Operating leases	**	5 408	742
Personnel agency fees		180	-
Plant flowers and other decorations		67	19
Printing and publications		382	903
Professional bodies and membership fees		40	14
Resettlement costs		87	35
Subscriptions		94	81
Translations and transcriptions		12	-
Travel and subsistence	5.3	9 323	5 463
Venues and facilities		434	481
Training and staff development		750	615
<b>Total</b>		<b><u>53 046</u></b>	<b><u>30 840</u></b>

\*\* Note: The increase in Consultants, contractors and special services is due to the Joint Project Facility being included as part of the voted funds in the current year. The increase in legal fees is due to the Alexkor land claim and related legal costs. The increase in operating leases is due to the devolution of funds from Public Works for the leasing of the office accommodation.

**5.1 External audit fees**

Regulatory audits	1 372	1 220
<b>Total</b>	<b><u>1 372</u></b>	<b><u>1 220</u></b>

**5.2 Inventory**

Domestic consumables	16	28
Stationery and printing	1 142	1 252
Medical supplies	2	-
<b>Total</b>	<b><u>1 160</u></b>	<b><u>1 280</u></b>

**5.3 Travel and subsistence**

Local	5 519	4 160
Foreign	3 804	1 303
<b>Total</b>	<b><u>9 323</u></b>	<b><u>5 463</u></b>

## notes to the annual financial statements for the year ended 31 March 2007

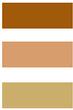
	<i>Note</i>	<b>2006/07 R'000</b>	<b>2005/06 R'000</b>
<b>6. Financial transactions in assets and liabilities</b>			
Other material losses written off	6.1	80	-
Debts written off	6.2	28	-
<b>Total</b>		<b>108</b>	<b>-</b>
<b>6.1 Other material losses written off</b>			
<b>Nature of losses</b>			
Fruitless Expenditure		80	-
<b>Total</b>		<b>80</b>	<b>-</b>
Expenditure incurred as a result of cancellation of a conference in 2003.			
<b>6.2 Debts written off</b>			
<b>Nature of debts written off</b>			
Transfer to debts written off			
Staff Debt		28	-
<b>Total</b>		<b>28</b>	<b>-</b>
<b>7. Transfers and subsidies</b>			
Provinces and municipalities	<i>Annex 1A</i>	42	129
Departmental agencies and accounts	<i>Annex 1B</i>	3 589	372
Public corporations and private enterprises	<i>Annex 1C</i>	2 482 517	2 013 396
Households	<i>Annex 1D</i>	584	100
<b>Total</b>		<b>2 486 732</b>	<b>2 013 997</b>
<b>8. Expenditure for capital assets</b>			
Machinery and equipment	29	2 517	936
Software and other intangible assets		224	13
Computer software	30	224	13
<b>Total</b>		<b>2 741</b>	<b>949</b>
<b>9. Unauthorised expenditure</b>			
<b>9.1 Reconciliation of unauthorised expenditure</b>			
Opening balance		26 165	26 165
Unauthorised expenditure awaiting authorisation		<b>26 165</b>	<b>26 165</b>
<b>9.2 Analysis of Current Unauthorised expenditure</b>			
<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>		<b>2006/07</b>
Various	Referred to SCOPA		26 165
<b>Total</b>			<b>26 165</b>
The unauthorised expenditure was approved and authorised by SCOPA as a direct charge against the National Revenue fund, as published in the Finance Act (Act no.2, 2007) on 31 March 2007. The funds will be requested from National Treasury during the 2007/08 financial year.			
<b>10. Cash and cash equivalents</b>			
Cash on hand		44	31
<b>Total</b>		<b>44</b>	<b>31</b>

## notes to the annual financial statements for the year ended 31 March 2007

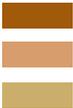
	<i>Note</i>	<b>2006/07</b> <b>R'000</b>	<b>2005/06</b> <b>R'000</b>
<b>11. Prepayments and advances</b>			
Travel and subsistence		28	22
Advances paid to other entities		16	15
<b>Total</b>		<b>44</b>	<b>37</b>
<b>12. Receivables</b>			
	<i>Note</i>	<b>2006/07</b> <b>Total</b>	<b>2005/06</b> <b>Total</b>
Staff debtors	12.1	251	148
Other Debtors	12.2	1	770
Intergovernmental receivables	Annex 4	43	29
<b>Total</b>		<b>295</b>	<b>947</b>
<b>12.1 Staff Debtors</b>			
Bursaries		88	118
Other		163	30
<b>Total</b>		<b>251</b>	<b>148</b>
<b>12.2 Other debtors</b>			
Medical aid		1	7
Portfolio Committee summer school for DFID		-	265
Tax debt		-	496
Financial institutions study loans		-	2
<b>Total</b>		<b>1</b>	<b>770</b>
<b>13. Investments</b>			
<b>Non-Current</b>			
<b>Shares and other equity</b>			
	<i>Annex 2A</i>		
Alexkor Limited		50 000	50 000
Aventura Limited		60 000	60 000
Denel (Pty) Ltd		4 543 310	3 976 310
SAFCOL (Pty) Ltd		318 013	318 013
ESKOM (Pty) Ltd *		-	-
Transnet Limited ^		14 709 986	14 709 986
<b>Total</b>		<b>19 681 309</b>	<b>19 114 309</b>
<b>Total non-current</b>		<b>19 681 309</b>	<b>19 114 309</b>
<b>Analysis of non-current investments</b>			
Opening balance		19 114 309	17 114 309
Additions in cash		567 000	2 000 000
<b>Closing balance</b>		<b>19 681 309</b>	<b>19 114 309</b>

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

^ R 2,049 billion for the sale of shares to Government in respect of SAA is included in the Transnet investment.


**notes to the annual financial statements**  
for the year ended 31 March 2007

	<i>Note</i>	<b>2006/07</b> <b>R'000</b>	<b>2005/06</b> <b>R'000</b>		
<b>14. Voted funds to be surrendered to the Revenue Fund</b>					
Opening balance		4 425	1 705		
Transfer from Statement of Financial Performance		280 088	4 425		
Voted funds not requested/not received	14.1	(280 000)	-		
Paid during the year		(4 425)	(1 705)		
Closing balance		<b>88</b>	<b>4 425</b>		
<b>14.1 Voted funds not requested/not received</b>					
Funds to be rolled over		-	4 136		
Funds not to be requested		(280 000)	-		
		<b>(280 000)</b>	<b>4 136</b>		
<b>15. Departmental revenue to be surrendered to the Revenue Fund</b>					
Opening balance		20	8		
Transfer from Statement of Financial Performance		109	1 673 305		
Paid during the year		(128)	(1 673 293)		
Closing balance		<b>1</b>	<b>20</b>		
<b>16. Bank overdraft</b>					
Consolidated Paymaster General Account		22 212	16 730		
<b>Total</b>		<b>22 212</b>	<b>16 730</b>		
<b>17. Payables – current</b>					
<b>Description</b>	<b>Notes</b>	<b>30 Days</b>	<b>30+ Days</b>	<b>2006/07</b> <b>Total</b>	<b>2005/06</b> <b>Total</b>
Advances received	17.1	-	1 377	<b>1 377</b>	<b>611</b>
Clearing accounts	17.2	13	-	<b>13</b>	-
<b>Total</b>		<b>13</b>	<b>1 377</b>	<b>1 390</b>	<b>611</b>
<b>17.1 Advances received</b>					
<b>Description</b>					
Department of Science and Technology				-	450
Advance received from SOE for 16 Days activism against women				810	161
Defence strategy				567	-
<b>Total</b>				<b>1 377</b>	<b>611</b>
<b>17.2 Clearing accounts</b>					
<b>Description</b>					
South African Revenue Service				13	-
<b>Total</b>				<b>13</b>	-


**notes to the annual financial statements**  
for the year ended 31 March 2007
**18. Net cash flow available from operating activities**

	<b>2006/07</b>	<b>2005/06</b>
	<b>R'000</b>	<b>R'000</b>
Net surplus/(deficit) as per Statement of Financial Performance	277 660	1 683 124
Add back non cash/cash movements not deemed operating activities	(280 406)	(3 346 637)
(Increase)/decrease in receivables – current	652	(269)
(Increase)/decrease in prepayments and advances	(7)	49
Increase/(decrease) in payables – current	779	611
Proceeds from sale of capital assets	(18)	-
Proceeds from sale of investments	-	(1 673 000)
Expenditure on capital assets	2 741	970
Surrenders to Revenue Fund	(4 553)	(1 674 998)
Voted funds not requested/not received	(280 000)	-
<b>Net cash flow generated by operating activities</b>	<b>(2 746)</b>	<b>(1 663 513)</b>

**19. Reconciliation of cash and cash equivalents for cash flow purposes**

Consolidated Paymaster General account	(22 212)	(16 730)
Cash on hand	44	31
<b>Total</b>	<b>(22 168)</b>	<b>(16 699)</b>

## disclosure notes to the annual financial statements for the year ended 31 March 2007

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

### 20. Contingent liabilities

Liable to	Nature	Note	2006/07 R'000	2005/06 R'000
Motor vehicle guarantees	Employees	Annex 3A	199	298
Housing loan guarantees	Employees	Annex 3A	278	315
Other guarantees		Annex 3A	21 214 508	19 200 152
Other departments (interdepartmental unconfirmed balances)		Annex 5	278	468
<b>Total</b>			<b>21 215 263</b>	<b>19 201 233</b>

### 21. Commitments

<b>Current expenditure</b>				
Approved and contracted			400	161
Approved but not yet contracted			-	800
			<u>400</u>	<u>961</u>
<b>Capital expenditure</b>				
Approved and contracted			-	7
			-	7
<b>Total Commitments</b>			<b>400</b>	<b>968</b>

### 22. Accruals

#### Listed by economic classification

	30 Days	30+ Days	Total	Total
Goods and services	40	1	41	83
<b>Total</b>	<b>40</b>	<b>1</b>	<b>41</b>	<b>83</b>

#### Listed by programme level

Administration	40	35
Analysis and Risk Management	1	27
Legal, Governance and Secretariat	-	21
	<u>41</u>	<u>83</u>

### 23. Employee benefits

Leave entitlement	678	706
Thirteenth cheque	577	646
Performance awards	3 277	2 339
Capped leave commitments	1 615	1 615
<b>Total</b>	<b>6 147</b>	<b>5 306</b>

### 24. Lease Commitments

#### 24.1 Operating leases

2006/2007	Machinery and equipment	Total
Not later than 1 year	1 543	1 543
Later than 1 year and not later than 5 years	788	788
<b>Total present value of lease liabilities</b>	<b>2 331</b>	<b>2 331</b>

2005/2006	Machinery and equipment	Total
Not later than 1 year	1 229	1 229
Later than 1 year and not later than 5 years	384	384
<b>Total present value of lease liabilities</b>	<b>1 613</b>	<b>1 613</b>

## disclosure notes to the annual financial statements for the year ended 31 March 2007

### 25. Irregular expenditure

#### 25.1 Reconciliation of irregular expenditure

	<b>2006/07</b>	<b>2005/06</b>
	<b>R'000</b>	<b>R'000</b>
Opening balance	356	128
Add: Irregular expenditure – current year	-	228
Less: Amounts condoned	128	-
Current expenditure	128	-
<b>Irregular expenditure awaiting condonement</b>	<b>228</b>	<b>356</b>

#### Analysis of awaiting condonement per classification

Current expenditure	228	356
	<u>228</u>	<u>356</u>

#### Analysis of awaiting condonement per classification

Current	-	228
Prior years	228	128
	<u>228</u>	<u>356</u>

#### 25.2 Irregular expenditure

##### Incident

Non compliance with Treasury Regulations – World summit  
Non compliance with Treasury Regulations – Pan Africa

##### Disciplinary steps taken/criminal proceedings

Condonement from State Tender board	-	128
Awaiting condonement from State Tender board	228	228
	<u>228</u>	<u>356</u>

### 26. Related party transactions

#### Revenue received/(paid)

Interest, dividends and rent on land

	-	1 673 000
<b>Total</b>	<b>-</b>	<b>1 673 000</b>

#### Movement of funds between department and related party

Investment	567 000	2 000 000
Creditor balances	12 010	2 061
Guarantees provided	1 525 490	1 768 959
<b>Total</b>	<b>2 104 500</b>	<b>3 771 020</b>

#### Balances between department and related party

Investment	19 681 309	19 114 309
Creditor balances	12 010	2 061
Guarantees provided	20 349 247	19 970 438
<b>Total</b>	<b>40 042 566</b>	<b>39 084 908</b>

### 27. Key management personnel

	<b>No. of Individuals</b>		
Political office bearers (provide detail below)	1	885	837
Officials			
Level 15 to 16 (Director General and Deputy Director General)	5	3 581	2 761
Level 14 (incl. CFO if at a lower level) (Chief Operating Officer and Chief Financial Officer)	2	1 062	819
<b>Total</b>		<b>5 528</b>	<b>4 417</b>

## disclosure notes to the annual financial statements for the year ended 31 March 2007

	2006/07 R'000	2005/06 R'000
<b>28. Provisions</b>		
<b>Provisions</b>		
Impairment of investments	26 400	1 378 699
<b>Total</b>	<b>26 400</b>	<b>1 378 699</b>

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

**Denel:** The previous years' impairment was restated due to an adjustment in their Net Asset Value as a result of IFRIS implementation. R 606,8 m Net asset value was impaired against the R2 billion investment in the 2005/06 financial year. The difference between the Net Asset Value of 2005/06 and 2006/07 was impaired in the 2006/07 Financial year.

**Alexkor:** An amount R14,5 million in respect of impairments in the 2004/05 financial year was reversed in 2005/06 due to the increase in the Net asset value in the 2005/06 financial year of R224 624. This was due to the IFRIS implementation and the revaluation of assets.

### 29. Tangible Capital Assets

#### MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2007

	Opening Balance	Current Year Adjustments to prior year balances	Additions	Disposals	Closing Balance
	Cost R'000	Cost R'000	Cost R'000	Cost R'000	Cost R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>9 158</b>	<b>(131)</b>	<b>2 517</b>	-	<b>11 544</b>
Transport assets	934	8	581	-	1 523
Computer equipment	7 652	(1 314)	1 109	-	7 447
Furniture and office equipment	544	1 175	827	-	2 546
Other machinery and equipment	28	-	-	-	28
<b>TOTAL TANGIBLE ASSETS</b>	<b>9 158</b>	<b>(131)</b>	<b>2 517</b>	-	<b>11 544</b>

#### 29.1 ADDITIONS TO TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2007

	Cash	Non-cash	(Capital Work in Progress current costs)	Received current, not paid (Paid current year, received prior year)	Total
	Cost R'000	Fair Value R'000	Cost R'000	Cost R'000	Cost R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>2 517</b>	-	-	-	<b>2 517</b>
Transport assets	581	-	-	-	581
Computer equipment	1 109	-	-	-	1 109
Furniture and office equipment	827	-	-	-	827
Other machinery and equipment	-	-	-	-	-
<b>TOTAL</b>	<b>2 517</b>	-	-	-	<b>2 517</b>

## disclosure notes to the annual financial statements for the year ended 31 March 2007

### 29.2 DISPOSALS OF TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2007

	Sold (Cash)	Non-Cash	Total Cost	Cash Received
	Cost R'000	Fair Value R'000	Cost R'000	Actual Cost R'000
<b>MACHINERY AND EQUIPMENT</b>				
Furniture and office equipment	-	-	-	18
<b>TOTAL</b>	-	-	-	<b>18</b>

### 29.3 MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2006

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>8 222</b>	<b>936</b>	<b>-</b>	<b>9 158</b>
Transport assets	934	-	-	934
Computer equipment	6 902	750	-	7 652
Furniture and office equipment	358	186	-	544
Other machinery and equipment	28	-	-	28
<b>TOTAL TANGIBLE ASSETS</b>	<b>8 222</b>	<b>936</b>	<b>-</b>	<b>9 158</b>

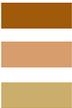
## 30. Intangible Capital Assets

### MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2007

	Opening Balance	Current Year prior Adjustments to prior year balances	Additions	Disposals	Closing Balance
	Cost R'000	Cost R'000	Cost R'000	Cost R'000	Cost R'000
COMPUTER SOFTWARE	998	-	224	-	1 222
<b>TOTAL INTANGIBLE ASSETS</b>	<b>998</b>	<b>-</b>	<b>224</b>	<b>-</b>	<b>1 222</b>

### 30.1 ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2007

	Cash	Non-Cash	(Development work in progress – current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	Cost R'000	Fair Value R'000	Cost R'000	Cost R'000	Cost R'000
COMPUTER SOFTWARE	224	-	-	-	224
<b>TOTAL</b>	<b>224</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>224</b>


**disclosure notes to the annual financial statements**  
 for the year ended 31 March 2007
**30.2 DISPOSALS OF INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2007**

	<b>Sold (Cash)</b>	<b>Non-Cash</b>	<b>Total Cost</b>	<b>Cash Received Actual</b>
	<b>Cost R'000</b>	<b>Fair Value R'000</b>	<b>Cost R'000</b>	<b>Cost R'000</b>
COMPUTER SOFTWARE	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**30.3 MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2006**

	<b>Opening balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing balance</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
COMPUTER SOFTWARE	985	13	-	998
<b>TOTAL</b>	<b>985</b>	<b>13</b>	<b>-</b>	<b>998</b>

## annexures to the annual financial statements for the year ended 31 March 2007

**ANNEXURE 1A****STATEMENT OF UNCONDITIONAL GRANTS AND TRANSFERS TO MUNICIPALITIES**

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT			2006/07
	Amount	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Tswane Metropolitan Municipality (Regional Services Council Levies)	49	-	-	49	42	85.7%	42	42	100.0%	129
	49	-	-	49	42	85.7%	42	42	100.0%	129

**ANNEXURE 1B****STATEMENT OF TRANSFERS TO DepartmentAL AGENCIES AND ACCOUNTS**

Department/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2006/07
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Diabo Trust	437	3 152	-	3 589	3 589	100.0%	3 152
Khulisa Trust	-	-	-	-	-	-	474
	437	3 152	-	3 589	3 589		3 626

The fund allocated to the Diabo Trust for the 2005/06 financial year in the sum of R3 152 000 were rolled over pending receipt of the audited financial statements of the Trust, which were subsequently received during the current financial year.

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

NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE				2005/06
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Public Corporations</b>									
Alexkor	82 084	-	-	82 084	82 084	100.0%	-	82 084	13 580
Denel	847 000	-	-	847 000	567 000	66.9%	280 000	567 000	2 000 000
InfraCo	627 000	-	-	627 000	627 000	100.0%	-	627 000	-
Pebble Bed Modular Reactor (PBMR)	1 204 400	-	-	1 204 400	1 204 400	100.0%	-	1 204 400	-
Eskom	2 033	-	-	2 033	2 033	100.0%	-	2 033	-
<b>TOTAL</b>	<b>2 762 517</b>	<b>-</b>	<b>-</b>	<b>2 762 517</b>	<b>2 482 517</b>		<b>280 000</b>	<b>2 482 517</b>	<b>2 013 580</b>

The underspending is due to the non-transfer to Denel which was provided for in the adjusted estimates for VAT on the transfer of R2 billion in March 2007. Subsequent to the adjusted estimates it was established that capital transfers do not attract VAT.

## annexures to the annual financial statements for the year ended 31 March 2007

**ANNEXURE 1D****STATEMENT OF TRANSFERS TO HOUSEHOLDS**

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2005/06
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
16 Days activism against women and child abuse	444	-	-	444	444	100.0%	85
Meetse A Bophelo Primary School	-	-	-	-	-	-	15
Other Sponsorships	156	-	-	156	140	89.7%	-
<b>Total</b>	<b>600</b>	<b>-</b>	<b>-</b>	<b>600</b>	<b>584</b>		<b>100</b>

**ANNEXURE 1E****STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED FOR THE YEAR ENDED 31 MARCH 2007**

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2006/07 R'000	2005/06 R'000
Received in kind			
SAA	Travel Rands	109	22
		109	22

**STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED FOR THE YEAR ENDED 31 MARCH 2006**

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2006/07 R'000	2005/06 R'000
Received in kind			
SAA	Travel Rands	22	-
		22	-

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

NAME OF DONOR	PURPOSE	OPENING BALANCE R'000	REVENUE R'000	EXPENDITURE R'000	CLOSING BALANCE R'000
<b>Received in cash</b>					
State-Owned Enterprises	Joint Project Facility	5 394	1 000	3 537	2 857
<b>Sub total</b>		<b>5 394</b>	<b>1 000</b>	<b>3 537</b>	<b>2 857</b>
<b>Received in kind</b>					
United Kingdom - DFID	Support to DPE	-	12 945	-	12 945
	Support to DPE - Electricity	-	1 775	-	1 775
	Support to DPE - Non Core (incl. Forestry)	-	1 577	-	1 577
	Support to DPE - Ports	-	655	-	655
<b>Sub total</b>		<b>-</b>	<b>16 952</b>	<b>-</b>	<b>16 952</b>
<b>Total</b>		<b>5 394</b>	<b>17 952</b>	<b>3 537</b>	<b>19 809</b>

## annexures to the annual financial statements for the year ended 31 March 2007

**ANNEXURE 1G****STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE FOR THE YEAR ENDED 31 MARCH 2007**

NATURE OF GIFT, DONATION OR SPONSORSHIP (Group major categories but list material items including name of organisation)	2006/07 R'000
Paid in cash	
16 Days activism against women and child abuse	444
Heinnermann Lapdesk Challenge	15
The Red Cross Children Hospital	15
Ndela Secondary School	15
GIBS Programme	15
Tapestry of Choices	15
Bright Lights Pofadder	15
COPEs-SA	15
Other	35
<b>TOTAL</b>	<b>584</b>

**ANNEXURE 2A****STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO NATIONAL/PROVINCIAL PUBLIC ENTITIES AS AT 31 MARCH 2007**

Name of Public Entity	State Entity's PFMA Schedule type (state year end if not 31 March)	% Held 06/07	% Held 05/06	Number of shares held		Cost of investment R'000		Net Asset value of investment R'000		Profit/(Loss) for the year R'000		Losses guaranteed Yes/No
				2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	
<b>Public Entity</b>												
Alexkor Limited	II	100.0%	100.0%	50 000 000	50 000 000	50 000	50 000	210 417	221 936	(11 354)	(205 535)	No
Aventura Limited	IIIB	100.0%	100.0%	60 000 000	60 000 000	60 000	60 000	Not Available	Not Available	Not Available	(11 463)	No
Denel (Pty) Ltd	II	100.0%	100.0%	1 016 340 210	889 503 920	4 543 310	3 976 310	580 400	606 800	(600 900)	1 377 400	No
SAFCOL	II	100.0%	100.0%	318 013 254	318 013 254	318 013	318 013	1 439 292	1 249 633	187 714	168 743	No
ESKOM	II	100.0%	100.0%	1	1	-	-	50 927 000	55 606 000	4 644 000	4 984 000	No
Transnet #	II	100.0%	100.0%	14 709 986 310	14 709 986 310	14 709 986	14 709 986	34 662 000	27 593 000	5 156 783	4 571 000	No
<b>Total</b>						<b>19 681 309</b>	<b>19 114 309</b>	<b>87 819 109</b>	<b>85 277 369</b>	<b>9 376 243</b>	<b>10 884 145</b>	

# R 2,049 billion for the sale of shares to Government in respect of SAA is included in the Transnet investment. The transaction is only going to be effected in 2007/08.

The net asset value of investment and profit/loss for the year ended 31 March 2007 is based on provisional amounts and is still subject to the SOE external audit processes, and may change during this process.

## annexures to the annual financial statements for the year ended 31 March 2007

**ANNEXURE 2B****STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES AS AT 31 MARCH 2007 (CONTINUED)**

Name of Public Entity	Nature of business	Cost of investment R'000		Net Asset value of Investment R'000		Amounts owing to Entities R'000		Amounts owing by Entities R'000	
		2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
<b>Controlled entities</b>									
Alexkor Limited	Mining	50 000	50 000	210 417	221 936	11 200	1 900	-	-
Aventura Limited	Leisure	60 000	60 000	Not available	Not available	-	-	-	-
Denel (Pty) Ltd	Manufacturing of Arms for Defence Industry	4 543 310	3 976 310	580 400	606 800	-	-	-	-
SAFCOL	Forestry	318 013	318 013	1 439 292	1 249 633	-	-	-	-
ESKOM	Energy	-	-	50 927 000	55 606 000	-	-	-	-
Transnet	Transport Succession	14 709 986	14 709 986	34 662 000	27 593 000	-	-	-	-
<b>Total</b>		<b>19 681 309</b>	<b>19 114 309</b>	<b>87 819 109</b>	<b>85 277 369</b>	<b>11 200</b>	<b>1 900</b>	-	-

**ANNEXURE 3A****STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2007 – LOCAL**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2006	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Currency revaluations	Closing balance 31 March 2007	Guaranteed interest for year ended 31 March 2007	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Motor Vehicles</b>									
STANNIC	Employees	296	298	-	99	-	199	-	-
		296	298	-	99	-	199	-	-
<b>Housing</b>									
ABSA	Employees	54	41	-	-	-	41	-	-
First National Bank	Employees	62	62	-	-	-	62	-	-
Natal Building Society	Employees	14	14	-	-	-	14	-	-
NEDCOR	Employees	90	90	-	-	-	90	-	-
Standard Bank	Employees	71	108	-	37	-	71	-	-
		291	315	-	37	-	278	-	-
<b>Other</b>									
Transnet	T004	Unlimited	5 621 809	-	32 323	-	5 589 486	197 212	-
	T001	Unlimited	1 858 754	-	282 151	-	1 576 603	131 005	-
	T018	6 000 000	6 000 000	-	-	-	6 000 000	121 932	-
	Transnet – Newshel (Pty) Ltd	1 511 000	2 031 139	175 490	-	-	2 206 629	2 880	-
SAA	SAA Recapitalisation	1 300 000	-	1 300 000	-	-	1 300 000	339	-
Denel	Working Capital *	233 000	-	50 000	50 000	-	-	-	-
	SAAB Aerostructures – indemnity ^	1 600 000	-	-	-	-	-	-	-
<b>Total</b>		<b>1 0644 000</b>	<b>15 511 702</b>	<b>1 525 490</b>	<b>364 474</b>	<b>-</b>	<b>16 672 718</b>	<b>453 368</b>	

# The accrued interest figures are estimates only, given that the maturities of repos/carriers cannot be determined with reasonable accuracy.

^ Government issued an indemnity in March 2007 but will only take effect if the 2007/08 financial year.

\* Guarantee expired on 31 March 2006 and original document was returned to National Treasury.

## annexures to the annual financial statements for the year ended 31 March 2007

### ANNEXURE 3A (continued)

#### STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2007 – FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2006	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Currency revaluations	Closing balance 31 March 2007	Guaranteed interest for year ended 31 March 2007	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Eskom	Smart Systems	284 584	10 287	-	10 287	-	-	-	-
	General Financing	541 615	122 000	-	-	-	122 000	10 890	-
Transnet	Financing of Harbours and Railways (JPY) *	132 881	56 163	-	10 906	9 272	54 529	811	-
	Euro-Rand medium-term note (Tranch1) #	2 000 000	2 000 000	-	-	-	2 000 000	252 247	-
	Euro-Rand medium-term note (Tranch2) #	1 500 000	1 500 000	-	-	-	1 500 000	147 945	-
	<b>Total</b>	<b>4 459 080</b>	<b>3 688 450</b>	<b>-</b>	<b>21 193</b>	<b>9 272</b>	<b>3 676 529</b>	<b>411 893</b>	<b>-</b>

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

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

The amount in Note 19 of the disclosure notes consists of the Closing balance on 31 March 2006 and the Guarantee interest

### ANNEXURE 4

#### INTER-GOVERNMENT RECEIVABLES

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2007	31/03/2006	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>						
Government Printer	14	14	-	-	14	14
Limpopo Province	-	13	-	-	-	13
Free State Province	2	2	-	-	2	2
National Treasury	2	-	-	-	2	-
Home Affairs	25	-	-	-	25	-
<b>TOTAL</b>	<b>43</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>43</b>	<b>29</b>


**annexures to the annual financial statements**  
for the year ended 31 March 2007

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

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2007	31/03/2006	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	R'000	R'000	R'000	R'000	R'000	R'000
<b>DepartmentS</b>						
<b>Current</b>						
Gauteng Provincial Government (Department of Public Transport, Roads and Works)	-	-	-	431	-	431
South African Police Services	-	-	-	3	-	3
Department of Foreign Affairs	-	-	43	13	43	13
Limpopo Provincial Government	-	-	-	21	-	21
Government Communications	-	-	(8)	-	(8)	-
Department of Public Works	-	-	243	-	243	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>278</b>	<b>468</b>	<b>278</b>	<b>468</b>





“Unless a commitment  
is made, there are only  
promises and hopes...  
but no plans.”

Peter Drucker



# HR OVERSIGHT

**TABLE 1.1 - Personnel costs by Programme**

Programme	Total Voted (R'000)	Compensation of Expenditure Expenditure (R'000)	Training Employees (R'000)	Professional and Expenditure (R'000)	Compensation of Special Services percent of Total Expenditure	Average Employees as of Employees Cost per Employee (R'000)	Employment Compensation
Programme 1: Administration	50,736	23,403	0	0	46.2	171	140
Programme 2: Analysis & Risk Management	12,074	6,440	0	0	53.4	47	140
Programme 3: Legal, Governance & Secretariat	14,906	7,164	0	0	48.1	52	140
Programme 4: Corporate Strategy & Structure	1,856,993	8,404	0	0	0.5	61	140
Programme 5: Corporate Finance & Transactions	935,214	1,797	0	0	0.3	13	140
Z=Total as on Financial Systems (BAS)	2,869,923	47,208	75,000	0	1.8	345	140

**TABLE 1.2 - Personnel costs by Salary band**

Salary Bands	Compensation of Employees Cost (R'000)	Percentage of Total Personnel Cost for Department	Average Compensation Cost per Employee (R)	Total Personnel Cost for Department including Goods and Transfers (R'000)	Number of Employees
Skilled (Levels 3-5)	748	1.6	106,857	46,183	7
Highly skilled production (Levels 6-8)	6,894	14.9	140,694	46,183	49
Highly skilled supervision (Levels 9-12)	9,679	21	293,303	46,183	33
Senior management (Levels 13-16)	5,708	12.4	1,427,000	46,183	4
Contract (Levels 9-12)	576	1.2	192,000	46,183	3
Contract (Levels 13-16)	21,498	46.5	488,591	46,183	44
Periodical Remuneration	682	1.5	22,733	46,183	30
<b>TOTAL</b>	<b>45785</b>	<b>99.1</b>	<b>269324</b>	<b>46183</b>	<b>170</b>

**TABLE 1.3 - Salaries, Overtime, Home Owners Allowance and Medical Aid by Programme**

Programme	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Ass. (R'000)	Medical Ass. as % of Personnel Cost	Total Personnel Cost per Programme (R'000)
Programme 1: Administration	14276	61.6	191	0.8	171	0.7	555	2.4	23172
Programme 2: Analysis & Risk Management	3759	59.1	0	0	173	2.7	96	1.5	6358
Programme 3 : Legal & Governance & Secretariat	4256	58.2	0	0	163	2.2	104	1.4	7310
Programme 4: Corporate Strategy & Structure	4518	59.1	0	0	124	1.6	96	1.3	7646
Programme 5: Corporate Finance & Transactions	990	58.3	0	0	96	5.7	15	0.9	1697
<b>TOTAL</b>	<b>27799</b>	<b>60.2</b>	<b>191</b>	<b>0.4</b>	<b>727</b>	<b>1.6</b>	<b>866</b>	<b>1.9</b>	<b>46183</b>

**TABLE 1.4 - Salaries, Overtime, Home Owners Allowance and Medical Aid by Salary Band**

Salary bands	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Ass. (R'000)	Medical Ass. as % of Personnel Cost	Total Personnel Cost per Salary (R'000)
Skilled (Levels 3-5)	500	66.7	23	3.1	14	1.9	19	2.5	750
Highly skilled production (Levels 6-8)	4753	68.7	77	1.1	93	1.3	344	5	6922
Highly skilled supervision (Levels 9-12)	6542	67.3	90	0.9	47	0.5	265	2.7	9714
Senior management (Levels 13-16)	3275	56.5	0	0	28	0.5	77	1.3	5798
Contract (Levels 9-12)	437	75.7	0	0	0	0	0	0	577
Contract (Levels 13-16)	12292	56.5	0	0	544	2.5	161	0.7	21738
Periodical Remuneration	0	0	0	0	0	0	0	0	683
<b>TOTAL</b>	<b>27799</b>	<b>60.2</b>	<b>190</b>	<b>0.4</b>	<b>726</b>	<b>1.6</b>	<b>866</b>	<b>1.9</b>	<b>46182</b>

**TABLE 2.1 - Employment and Vacancies by Programme at end of period**

Programme	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Programme 1: Administration, Permanent	90	84	6.7	0
Programme 2: Analysis & Risk Management, Permanent	15	15	0	0
Programme 3: Legal & Governance & Secretariat, Permanent	25	24	4	0
Programme 4: Corporate Strategy & Structure, Permanent	16	11	41.7	0
Programme 5: Corporate Finance & Transactions, Permanent	11	6	45.5	0
<b>TOTAL</b>	<b>157</b>	<b>140</b>	<b>10.8</b>	<b>0</b>

**TABLE 2.2 - Employment and Vacancies by Salary Band at end of period** Prog:5 corporate finance & transactions, Permanent

Salary Band	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Skilled (Levels 1-6), Permanent	11	9	18.2	0
Highly skilled production (Levels 7-8), Permanent	49	47	4.1	0
Highly skilled supervision (Levels 9-12), Permanent	39	36	7.7	0
Senior management (Levels 13-16), Permanent	4	4	0	0
Contract (Levels 13-16), Permanent	54	44	18.5	0
<b>TOTAL</b>	<b>157</b>	<b>140</b>	<b>10.8</b>	<b>0</b>

**TABLE 2.3 - Employment and Vacancies by Critical Occupation at end of period**

Critical Occupations	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Administrative related, Permanent	19	18	5.3	0
Authors journalists and other writers, Permanent	3	3	0	0
Client inform clerks (switchboard reception information clerks), Permanent	2	2	0	0
Computer System Designers and Analysts., Permanent	3	3	0	0
Finance and economics related, Permanent	3	3	0	0
Financial and related professionals, Permanent	5	3	40	0
Financial clerks and credit controllers, Permanent	6	6	0	0
Food services aids and waiters, Permanent	3	3	0	0
General legal administration & related professionals, Permanent	3	3	0	0
Head of Department/Chief Executive Officer, Permanent	1	1	0	0
Human Resources & Organisational Development & related professionals, Permanent	8	8	0	0
Human Resources related, Permanent	3	3	0	0
Library mail and related clerks, Permanent	3	3	0	0
Material-recording and transport clerks, Permanent	5	5	0	0
Messengers porters and deliverers, Permanent	4	3	25	0
Other administrat & related clerks and organisers, Permanent	4	4	0	0
Other information technology personnel, Permanent	3	3	0	0
Secretaries & other keyboard operating clerks, Permanent	19	16	0	0
Security officers, Permanent	2	2	0	0
Senior managers, Permanent	58	48	17.2	0
<b>TOTAL</b>	<b>157</b>	<b>140</b>	<b>10.8</b>	<b>0</b>

**TABLE 3.1 - Job Evaluation**

Salary Band	Number of Posts	Number of Jobs Evaluated	% of Posts Evaluated	Number of Posts Upgraded	% of Upgraded Posts Evaluated	Number of Posts Downgraded	% of Downgraded Posts Evaluated
Skilled (Levels 3-6)	11	3	27.3	3	100	0	0
Highly skilled production (Levels 7-8)	49	1	2	2	200	0	0
Highly skilled supervision (Levels 9-12)	39	2	5.1	2	100	0	0
Senior Management Service Band A	35	1	2.9	1	100	0	0
Senior Management Service Band B	16	16	100	0	0	0	0
Senior Management Service Band C	7	7	100	0	0	0	0
<b>TOTAL</b>	<b>157</b>	<b>30</b>	<b>19.1</b>	<b>8</b>	<b>26.7</b>	<b>0</b>	<b>0</b>

**TABLE 4.1 - Annual Turnover Rates by Salary Band**

Salary Band	Employment at Beginning of Period (April 2006)	Appointments	Terminations	Turnover Rate
Skilled (Levels 3-5), Permanent	10	0	0	0
Highly skilled production (Levels 6-8), Permanent	40	5	2	5
Highly skilled supervision (Levels 9-12), Permanent	29	1	1	3.4
Senior Management Service Band A, Permanent	6	0	2	33.3
Senior Management Service Band B, Permanent	4	0	1	25
Senior Management Service Band C, Permanent	1	0	0	0
Contract (Levels 9-12), Permanent	2	2	1	50
Contract (Band A), Permanent	16	9	5	31.3
Contract (Band B), Permanent	13	14	5	41.7
Contract (Band C), Permanent	4	2	3	75
Contract (Band D), Permanent	1	0	0	0
<b>TOTAL</b>	<b>126</b>	<b>33</b>	<b>20</b>	<b>15.9</b>

**TABLE 4.2 - Annual Turnover Rates by Critical Occupation**

Occupation	Employment at Beginning of Period (April 2006)	Appointments	Terminations	Turnover Rate
Administrative related, Permanent	11	0	0	0
Authors journalists and other writers, Permanent	0	1	0	0
Computer System Designers and Analysts, Permanent	1	1	1	100
Economists, Permanent	1	0	0	0
Finance and economics related, Permanent	2	0	0	0
Financial and related professionals, Permanent	12	4	3	25
Financial clerks and credit controllers, Permanent	6	1	0	0
Food services aids and waiters, Permanent	3	0	0	0
General legal administration & related professionals, Permanent	4	0	2	50
Head of department/chief executive officer, Permanent	1	0	0	0
Human Resources & Organisational Development & related professionals, Permanent	8	0	1	12.5
Human Resources clerks, Permanent	2	0	0	0
Human Resources related, Permanent	3	1	0	0
Librarians and related professionals, Permanent	1	0	0	0
Library mail and related clerks, Permanent	2	1	0	0
Logistical support personnel, Permanent	2	1	0	0
Material-recording and transport clerks, Permanent	1	0	1	100
Messengers porters and deliverers, Permanent	4	0	0	0
Other administrative & related clerks and organisers, Permanent	7	1	0	0
Other administrative policy and related officers, Permanent	1	0	0	0
Other Information Technology personnel, Permanent	3	0	0	0
Other occupations, Permanent	5	0	1	20
Secretaries & other keyboard operating clerks, Permanent	20	1	1	5
Security officers, Permanent	2	0	0	0
Senior managers, Permanent	24	21	10	41.7
<b>TOTAL</b>	<b>126</b>	<b>33</b>	<b>20</b>	<b>15.9</b>

**TABLE 4.3 - Reasons why staff are leaving the department**

Termination Type	Number	Percentage of Total Resignations	Percentage of Total Employment	Total	Total Employment
Resignation, Permanent	17	85	13.5	20	126
Expiry of contract, Permanent	1	5	0.8	20	126
Dismissal: Permanent	2	10	1.6	20	126
<b>TOTAL</b>	<b>20</b>	<b>100</b>	<b>15.9</b>	<b>60</b>	<b>126</b>
Resignations as % of Employment	15.9				

**TABLE 4.4 - Promotions by Critical Occupation**

Occupation	Employment at Beginning of Period (April 2006)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Administrative related	12	2	16.7	6	50
Cleaners in offices workshops hospitals etc.	4	0	0	3	75
Computer System Designers and Analysts.	1	0	0	0	0
Economists	1	0	0	1	100
Finance and economics related	2	2	100	2	100
Financial and related professionals	12	0	0	5	41.7
Financial clerks and credit controllers	6	3	50	6	100
Food services aids and waiters	3	0	0	3	100
General legal administration & related professionals	4	1	25	0	0
Head of Department/Chief Executive Officer	1	0	0	0	0
Human Resources & Organisational Development & related professionals	8	0	0	4	50
Human Resources clerks	2	1	50	1	50
Human Resources related	3	0	0	2	66.7
Librarians and related professionals	1	0	0	0	0
Library mail and related clerks	2	0	0	2	100
Logistical support personnel	2	3	150	1	50
Material-recording and transport clerks	1	1	100	1	100
Messengers porters and deliverers	3	1	33.3	2	66.7
Other administrative & related clerks and organisers	7	0	0	6	85.7
Other administrative policy and related officers	1	0	0	0	0
Other Information Technology personnel	3	1	33.3	1	33.3
Other occupations	5	0	0	3	60
Secretaries & other keyboard operating clerks	16	3	18.8	15	93.8
Security officers	2	0	0	1	50
Senior managers	24	0	0	7	29.2
<b>TOTAL</b>	<b>126</b>	<b>18</b>	<b>14.3</b>	<b>72</b>	<b>57.1</b>

**TABLE 4.5 - Promotions by Salary Band**

Occupation	Employment at Beginning of Period (April 2006)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Skilled (Levels 3-5), Permanent	10	0	0	9	90
Highly skilled production (Levels 6-8), Permanent	40	10	25	33	82.5
Highly skilled supervision (Levels 9-12), Permanent	29	5	17.2	12	41.4
Senior management (Levels 13-16), Permanent	11	1	9.1	8	72.7
Contract (Levels 9-12), Permanent	2	0	0	1	50
Contract (Levels 13-16), Permanent	34	2	5.9	9	26.5
<b>TOTAL</b>	<b>126</b>	<b>18</b>	<b>14.3</b>	<b>72</b>	<b>57.1</b>

**TABLE 5.1 - Total number of Employees (incl. Employees with disabilities) per Occupational Category (SASCO)**

Occupational Categories	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Legislators, senior officials and managers, Permanent	19	4	1	19	5	9	3	3	9	4	48
Professionals, Permanent	12	0	0	12	0	14	2	3	14	5	36
Clerks, Permanent	9	1	0	9	0	29	3	0	29	5	47
Service and sales workers, Permanent	3	0	0	3	0	6	0	0	6	0	9
<b>TOTAL</b>	<b>43</b>	<b>5</b>	<b>1</b>	<b>43</b>	<b>5</b>	<b>58</b>	<b>8</b>	<b>6</b>	<b>58</b>	<b>14</b>	<b>140</b>

	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Employees with disabilities	0	0	0	0	0	0	0	1	0	1	2

**TABLE 5.2 - Total number of Employees (incl. Employees with disabilities) per Occupational Bands**

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top Management, Permanent	0	0	0	0	1	0	0	0	0	0	1
Contract (Senior Management), Permanent	19	4	1	19	4	9	3	3	9	4	47
Professionally qualified and experienced specialists and mid-management, Permanent	12	0	0	12	0	14	2	3	14	5	36
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	9	1	0	9	0	29	3	0	29	5	47
Semi-skilled, Permanent	3	0	0	3	0	6	0	0	6	0	9
<b>TOTAL</b>	<b>43</b>	<b>5</b>	<b>1</b>	<b>43</b>	<b>5</b>	<b>58</b>	<b>8</b>	<b>6</b>	<b>58</b>	<b>14</b>	<b>140</b>

**TABLE 5.3 - Recruitment**

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Contract (Senior Management), Permanent	8	2	1	8	2	5	1	1	5	0	20
Professionally qualified and experienced specialists and mid-management, Permanent	3	0	0	3	0	1	1	2	1	0	7
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	0	0	0	0	0	4	0	1	4	1	6
Semi-skilled, Permanent	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>11</b>	<b>2</b>	<b>1</b>	<b>11</b>	<b>2</b>	<b>10</b>	<b>2</b>	<b>4</b>	<b>10</b>	<b>1</b>	<b>33</b>

	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Employees with disabilities	0	0	0	0	0	0	0	1	0	1	2

**TABLE 5.4 - Terminations**

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Senior Management, Permanent	1	0	0	1	0	1	1	0	2	0	3
Professionally qualified and experienced specialists and Mid-Management, Permanent	0	0	0	0	0	1	0	0	1	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	2	0	0	1	0	0	0	1	1	0	3
Contract (Top Management), Permanent	3	0	0	3	0	0	0	0	0	0	3
Contract (Senior Management), Permanent	5	0	0	5	1	3	0	0	3	0	9
Contract (Professionally qualified), Permanent	1	0	0	1	0	0	0	0	0	0	1
<b>TOTAL</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>0</b>	<b>20</b>

**TABLE 5.5 - Disciplinary Action**

Disciplinary action	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
No outcome	1	0	0	1	0	1	0	0	1	0	2
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>2</b>

**TABLE 6.1 - Performance Rewards by Race, Gender and Disability**

Demographics	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
African, Female	50	58	89.3	920	18,398
African, Male	37	43	86	810	21,903
Asian, Female	3	6	60	88	29,213
Asian, Male	0	1	0	0	0
Coloured, Female	7	8	87.5	154	22,023
Coloured, Male	2	5	40	35	17,562
Total Blacks, Female	58	58	87	1,162	19,361
Total Blacks, Male	39	43	79.6	846	21,681
White, Female	11	14	91.7	246	22,339
White, Male	4	5	80	94	23,574
Employees with a disability	1	2	50	33	32,582
<b>TOTAL</b>	<b>115</b>	<b>140</b>	<b>83.9</b>	<b>2,380</b>	<b>20,694</b>

**TABLE 6.2 - Performance Rewards by Salary Band for Personnel below Senior Management Service**

Salary Band	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
Skilled (Levels 3-5)	6	7	85.7	46	7,667
Highly skilled production (Levels 6-8)	49	49	100	549	11,204
Highly skilled supervision (Levels 9-12)	29	33	87.9	706	24,345
Contract (Levels 9-12)	1	3	33.3	30	30,000
Periodical Remuneration	0	30	0	0	0
<b>TOTAL</b>	<b>85</b>	<b>122</b>	<b>69.7</b>	<b>1331</b>	<b>15659</b>

**TABLE 6.3 - Performance Related Rewards (Cash Bonus) by Salary Band for Senior Management Service**

SMS Band	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)	% of SMS Wage Bill	Personnel Cost SMS (R'000)
Band A	20	29	69	537	2,685	4.3	12,547
Band B	12	15	80	355	2,958	4	8,924
Band C	3	3	100	119	3,967	2.9	4,056
Band D	0	1	0	38	0	1.9	2,009
<b>TOTAL</b>	<b>35</b>	<b>48</b>	<b>72.9</b>	<b>1049</b>	<b>2997.1</b>	<b>3.8</b>	<b>27536</b>

**TABLE 7.1 - Foreign Workers by Salary Band**

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

**TABLE 7.2 - Foreign Workers by Major Occupation**

Major Occupation	Employment at Beginning Period	Percentage of Total	Employment at End of Period	Percentage of Total	Change in Employment	Percentage of Total	Total Employment at Beginning of Period	Total Employment at End of Period	Total Change in Employment
Professionals and managers	0	0	1	100	1	100	0	1	1
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>1</b>	<b>1</b>

**TABLE 8.1 - Sick Leave for Jan 2006 to Dec 2006**

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Sick Leave	% of Total Employees using Sick Leave	Average Days per Employee	Estimated Cost (R'000)	Total number of Employees using Sick Leave	Total number of days with medical certification
Skilled (Levels 3-5)	13	76.9	3	3.2	4	3	94	10
Highly skilled production (Levels 6-8)	211	88.2	35	37.2	6	86	94	186
Highly skilled supervision (Levels 9-12)	167	86.8	24	25.5	7	170	94	145
Senior management (Levels 13-16)	19	89.5	5	5.3	4	36	94	17
Contract (Levels 9-12)	3	0	1	1.1	3	3	94	0
Contract (Levels 13-16)	125	76.8	26	27.7	5	231	94	96
<b>TOTAL</b>	<b>538</b>	<b>84.4</b>	<b>94</b>	<b>100</b>	<b>6</b>	<b>529</b>	<b>94</b>	<b>454</b>

**TABLE 8.2 - Disability Leave (Temporary and Permanent) for Jan 2006 to Dec 2006**

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Disability Leave	% of Total Employees using Disability Leave	Average Days per Employee	Estimated Cost (R'000)	Total number of days with medical certification	Total number of Employees using Disability Leave
Highly skilled production (Levels 6-8)	110	100	3	42.9	37	54	110	7
Highly skilled supervision (Levels 9-12)	8	100	2	28.6	4	11	8	7
Senior management (Levels 13-16)	7	100	1	14.3	7	13	7	7
Contract (Levels 13-16)	11	100	1	14.3	11	20	11	7
<b>TOTAL</b>	<b>136</b>	<b>100</b>	<b>7</b>	<b>100</b>	<b>19</b>	<b>98</b>	<b>136</b>	<b>7</b>

**TABLE 8.3 - Annual Leave for Jan 2006 to Dec 2006**

Salary Band	Total Days Taken	Average days per Employee	Number of Employees who took leave
Skilled (Levels 3-5)	129	22	6
Highly skilled production (Levels 6-8)	1000	19	52
Highly skilled supervision (Levels 9-12)	748	21	36
Senior management (Levels 13-16)	192	21	9
Contract (Levels 9-12)	34	11	3
Contract (Levels 13-16)	699	14	49
<b>TOTAL</b>	<b>2802</b>	<b>18</b>	<b>155</b>

**TABLE 8.4 - Capped Leave for Jan 2006 to Dec 2006**

	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2006	Number of Employees who took Capped leave	Total number of capped leave available at 31 December 2006	Number of Employees as at 31 December 2006
Highly skilled production (Levels 6-8)	5	2	19	3	303	16
Highly skilled supervision (Levels 9-12)	17	4	37	4	702	19
<b>TOTAL</b>	<b>22</b>	<b>3</b>	<b>29</b>	<b>7</b>	<b>1005</b>	<b>35</b>

**TABLE 8.5 - Leave Payouts**

Reason	Total Amount (R'000)	Number of Employees	Average Payment per Employee (R)
Current leave payout on termination of service for 2006/07	308	14	22000
<b>TOTAL</b>	<b>308</b>	<b>14</b>	<b>22000</b>

**TABLE 9.1 - Misconduct and Discipline Hearings Finalised**

Outcomes of disciplinary hearings	Number	Percentage of Total	Total
Dismissal	1	100	1
Demotion	1	100	1
<b>TOTAL</b>	<b>2</b>	<b>100</b>	<b>2</b>

**TABLE 9.2 - Types of Misconduct Addressed and Disciplinary Hearings**

Type of misconduct	Number	Percentage of Total	Total
Prejudices administration of organisation or department	0	0	0
Wilfully or negligently mismanages finances	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TABLE 9.3 - Grievances Lodged**

Number of grievances addressed	Number	Percentage of Total	Total
Abuse of Power	1	100	1
<b>TOTAL</b>	<b>1</b>	<b>100</b>	<b>1</b>

**TABLE 9.4 - Disputes Lodged**

Number of disputes addressed	Number	% of total
Upheld	0	0
Dismissed	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>

# acronyms

AGM	Annual General Meeting	IPP	Independent Power Producers
ARM	Analysis and Risk Management (DPE)	JHB	Johannesburg
CER	Communications and External Relations (DPE)	JIA	Johannesburg International Airport
CFO	Chief Financial Officer	JPF	Joint Project Facility
CFT	Corporate Finance and Transactions	KPI	Key Performance Indicator
CSDP	Competitive Supplier Development Programme	LGS	Legal, Governance and Secretariat (DPE)
CSIR	Council for Scientific and Industrial Research	MANCO	Management Committee
CSS	Corporate Strategy and Structure	Min	Minister
DDG	Deputy Director General	MOU	Memorandum of Understanding
DME	Department of Minerals and Energy	MYPD	Multi-Year Price Determination
DOD	Department of Defence	NIA	National Intelligence Agency
DOT	Department of Transport	NT	National Treasury
DPE	Department of Public Enterprises	PBMR	Pebble Bed Modular Reactor
DTI	Department of Trade and Industry	PFMA	Public Finance Management Act
DWAF	Department of Water Affairs and Forestry	PPP	Public-Private Partnerships
EDI	Electricity Distribution Industry	PSP	Private Sector Participation
ExCo	Executive Committee	RED	Regional Electricity Distributors
FET	Further Education and Training	SAA	South African Airways
FSN	Full Services Network	SAFCOL	South African Forestry Corporation Ltd
GCIS	Government Communication and Information Services	SMM	Stakeholder Management Model
HR	Human Resources	SNO	Second Network Operator
ICT	Information and Communication Technology	SOE	State Owned Enterprise(s)
IIA	Institute of International Auditors	UK	United Kingdom
INK	Inanda, Ntuzuma and KwaMashu (URP)	URP	Urban Renewal Programme
IPO	Initial Public Offering	WEF	World Economic Forum



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