

**5. PERFORMANCE AGAINST GOALS
OPERATIONAL OBJECTIVES FOR
THE 2007/08 FINANCIAL YEAR**

GOAL 1: THE CORPORATION MUST ACQUIRE DEFENCE MATERIEL, FACILITIES AND SERVICES

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
<p>1.1 Establish and implement capability management model by 01/09/2007</p>	<p>Fully deployed capability management model by 01/09/2007</p>	<ul style="list-style-type: none"> • The first two phases of the capability management initiative are essentially complete. • The integration of the system development with the business register has been completed and the rollout of the work authorization system is continuing well. • This system now enables management to gain information on resource loading and allocation to all elements of the business. • The next phase to define and generate job descriptions for all employees has commenced and is progressing well. • It is planned that this phase will be completed in the next six months. <p>Objective partially achieved – 97% completed.</p>

GOAL 1: THE CORPORATION MUST ACQUIRE DEFENCE MATERIAL FACILITIES AND SERVICES (continued)

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
<p>1.2 ARMSCOR is subjected to annual ISO 9001 audits. Zero significant audit findings allowed and ISO listing to be maintained at the end of each financial year.</p>	<p>Maintain ISO 9001 listing by 2008-08-31.</p>	<p>Scheduled internal audits according to the 3-year audit plan have been executed. No major findings were reported.</p> <p>Objective achieved – 100% completed.</p>

GOAL 1: THE CORPORATION MUST ACQUIRE DEFENCE MATERIAL, FACILITIES AND SERVICES (continued)

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
1.3 Establish a Naval Ship Support Agency	Project to be operational by 2007-08-31.	<ul style="list-style-type: none"> • The Naval Ship Support Centre was initiated in April 2007 at the Simon's Town Naval Base. • Armscor representatives are in place and the first phase was established. • Growth is ongoing and it is now regarded as a routine activity with ongoing monitoring. <p>Objective achieved – 100% completed.</p>

GOAL 2: THE CORPORATION MUST ESTABLISH A PROGRAMME MANAGEMENT SYSTEM

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
2.1 Improve tool to be integrated with DAPD Baseline Approval Data, Capability Management, Job Description and link to the tool to project document management system (SharePoint)	Work Authorisation Integrated System to be implemented 2008-03-31.	<ul style="list-style-type: none"> • An initial project management system was established utilising Microsoft Projects. This system did not meet expectations and it has been replaced by the Acquisition Business Register based on Microsoft Office products coupled to an SQL database. • Full implementation will only be achieved once the COMAS system is delivered. • The Business Register has been completed and extensions to it for Status Reporting and Works Authorisation and Intellectual Property Management have been completed and implementation and rollout is continuing well as mentioned under item 1.1. <p>Objective partially achieved – 95% completed.</p>

GOAL 3: THE CORPORATION MUST PROVIDE FOR A QUALITY ASSURANCE CAPABILITY

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
3.1 Accepted and approved Learnerships, by SETA, in Quality Assurance	Implement Learnerships by 2008-08-31.	<ul style="list-style-type: none"> • The learnership has been submitted to the South African Qualifications Authority. • The speed of the process is now determined by SAQA. Objective partially achieved – 90% completed.
3.2 Establish baseline for Quality Assurance competency, develop and implement Competency Management Model	Implement competency management model by 2008-03-31	By the end of March 2008 the capability management model was developed and implemented according to plan. Objective achieved – 100% completed.

GOAL 4: THE CORPORATION MUST DISPOSE OF DEFENCE MATERIEL IN CONSULTATION WITH THE ORIGINAL EQUIPMENT MANUFACTURER

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
<p>4.1 Sales turn-over to be reached set at 90% of Sales Plan.</p>	<p>90% of Sales Plan to be achieved by 2008-08-31. Sales plan was R123,7m and target of 90% is therefore R111,3m.</p>	<p>The sale target for the financial year was not achieved as at the end of March 2008. DMD only achieved sales to a value of R16,4m.</p> <p>Factors influencing performance:</p> <ul style="list-style-type: none"> • Changes regarding the sales approval process resulting in delay of sales to the value of R106m. • Restrictions imposed on the sale of Samil vehicles due to the classification as a controlled item. • SANDF vehicles to be disposed of not being registered by the arms of service on NATIS prior to their disposal. • Withdrawal of vehicles by the DOD to the value of approximately R40m included in the DMD sales plan to be donated.

GOAL 4: THE CORPORATION MUST DISPOSE OF DEFENCE MATERIEL IN CONSULTATION WITH THE ORIGINAL EQUIPMENT MANUFACTURER (continued)

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
<p>4.1 Sales turn-over to be reached set at 90% of Sales Plan.</p>	<p>90% of Sales Plan to be achieved by 2008-08-31. Sales plan was R123,7m and target of 90% is therefore R111,3m.</p>	<ul style="list-style-type: none"> • Processed approximately 209 stock lists and 132 transfer lists received from the offices of the Chief of Logistics and Log Support Formation. <p>Objective not achieved – factors beyond Armcor's control.</p>

GOAL 5: THE CORPORATION MUST SUPPORT, MAINTAIN AND MANAGE STRATEGIC AND ESSENTIAL DEFENCE INDUSTRIAL CAPABILITIES, RESOURCES AND TECHNOLOGIES

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
5.1 Take over the management of the Naval Dockyard Simon's Town	1. Management take-over by 2007-04-01	Transfer took place on 2007-09-01. (Scheduled transfer was later than planned due to court interdict.) Objective achieved – 100% completed.
	2. Consolidation phase to be completed by 2008-03-31 2.1 Staff take-over 2.2 HR processes and systems rollout 2.3 Business plans update	Staff take-over on 2007-09-01. Full support provided from Head Office, with local support at the Dockyard. The business plan has been developed and is in process of approval. It incorporates the re-organisation plan. Objective partially achieved – 95% completed.

GOAL 5: THE CORPORATION MUST SUPPORT, MAINTAIN AND MANAGE STRATEGIC AND ESSENTIAL DEFENCE INDUSTRIAL CAPABILITIES, RESOURCES AND TECHNOLOGIES (continued)

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
<p>5.1 Take over the management of the Naval Dockyard Simon's Town</p>	<p>3. Reorganisation plan to be developed by 2008-08-31</p> <p>Commercialisation plans and associated business plan to be developed by 2008-03-31</p>	<p>A memorandum of understanding was entered into between MBDA and Armcor to develop a business plan for possible opportunities.</p> <p>The business plan has not been completed and the process is being reviewed as some of the key partners have withdrawn.</p> <p>Objective not achieved – factors beyond Armcor's control.</p>

GOAL 6: THE CORPORATION MUST ESTABLISH A DEFENCE INDUSTRIAL PARTICIPATION PROGRAMME MANAGEMENT SYSTEM

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
6.1 Approval of DIP credits in line with Strategic Defence Packages and other acquisition contracts	R1,226 billion credits to be approved by 2008-03-31	DIP credits amounting to R1,414 billion were approved. Objective exceeded – 115% completed.

GOAL 7: CORPORATE GOVERNANCE

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
<p>7.1 Armcor's external audit report to contain zero Audit Report Matters</p>	<p>Not more than three (3) Audit Report Matters after the final audit exercise by the Auditor-General</p>	<ul style="list-style-type: none"> • The Auditor-General indicated that no material weaknesses were identified in the internal control systems. • The Audit Report contained no significant matters identified by the Auditor-General. ▪ The only negative matter of governance reported referred to recommended disclosure changes to the financial statements, which were addressed. <p>Objective achieved – 100% completed.</p>

GOAL 8: ARMSCOR STRATEGIC INITIATIVES IN SUPPORT OF NATIONAL INITIATIVES – BEE SPENDING

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
8.1 Increase Armscor's spending on BEE companies	Operating budget: 50%	<ul style="list-style-type: none"> • Spending on Armscor's operating budget achieved 59,43% against a target of 50%. • Total purchases excluding parastatals was R36 756 462. • The total spent on BEE companies was R21 845 998. <p>Objective exceeded – 119% completed.</p>

GOAL 8: ARMSCOR STRATEGIC INITIATIVES IN SUPPORT OF NATIONAL INITIATIVES – BEE SPENDING (continued)

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
8.1 Increase Armscor's spending on BEE companies	Special Defence Account and General Defence Account: 25%	<ul style="list-style-type: none"> • Spending on the SDA and GDA accounts achieved 26,28% against a target of 25%. • The target refers to BEE expenditure as a percentage of total acquisition project expenditure. • R1 169 421 731 is the net figure excluding SDPs, A400m, Maulstic, parastatals and multi-nationals and the figure in respect of expenditure on BEE companies was R307 324 031. <p>Objective exceeded - 105% completed.</p>

GOAL 8: ARMSCOR STRATEGIC INITIATIVES IN SUPPORT OF NATIONAL INITIATIVES – BEE SPENDING (continued)

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
<p>8.1 Increase Armcor's spending on BEE companies</p>	<p>Armcor Business: 40% of discretionary cost of sales</p>	<ul style="list-style-type: none"> • Spending of 48,07% achieved against a target of 40%. • The target of 40% was based on discretionary cost of sales and operating expenses which amounted to R118 608 875 (excluding Government departments, inter-departmental and foreign business). • The BEE spent was R57 020 994. <p>Objective exceeded – 120% completed.</p>

GOAL 8: ARMSCOR STRATEGIC INITIATIVES IN SUPPORT OF NATIONAL INITIATIVES – ENERGY SAVING

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
<p>8.2 Execute energy savings plan</p> <p>In support of:</p> <ul style="list-style-type: none"> • Cabinet initiative to implement energy efficiency measures in public buildings • National Energy Efficiency Strategy – 12% reduction by 2015 (i.e. 1.2% per annum from 2006). 	<p>Conform 90% to energy savings plan by 31 March 2008</p>	<p>The upgrading, replacement and intensified maintenance of the building systems started in October 2006. The execution of the plan included some of the following initiatives:</p> <ul style="list-style-type: none"> • Installation of an energy Management System to manage energy demand (peak demand). • Installation of an air-conditioning management system and upgrading of air-conditioning units. • Lighting control was implemented. <p>The impact of the energy savings initiatives executed resulted on average in a 6,9% reduction in maximum peak and 14,1% in energy consumption measured against the 2005 baseline.</p> <p>Objective achieved – 100% completed.</p>

GOAL 9: ARMSCOR'S OPERATIONAL STRATEGIC OBJECTIVES HUMAN RESOURCES

KEY PERFORMANCE INDICATOR	GOAL	PERFORMANCE AGAINST GOAL
9.1 Improve the demographic profile of Armcor to reflect the national and regional demographic profile	At least 80% of external appointments to be black	90,91% of external appointees were black. Objective exceeded – 114% completed.
	At least 20% of external appointments in the technical functional groups to be women	20% of external appointees in the technical functional group were women. Objective achieved – 100% completed.
	At least 65% of external appointments in the non-technical functional groups to be women	63,83% of external appointees in the non-technical functional groups were women. Objective not achieved – 98% completed.
	At least 29% of employees in the supervisory levels and above to be women	29,07% of employees in the STS (supervisory level) and above were women. Objective exceeded – 100% completed.