



ARMSCOR
Armaments Corporation of South Africa SOC Ltd



CORPORATE PLAN **2019**

Gateway to Defence Solutions

“GATEWAY TO DEFENCE SOLUTIONS”



DATE OF TABLING:
Tabling date to be confirmed by the
6th Administration

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1. Foreword by the Minister of Defence and Military Veterans

- Armscor as an entity remains well positioned and maintains a solid track record in responding to its mandate. The Corporation has continued to execute its mandate within a framework of good governance and fiscal discipline. Whilst maintaining principles of good leadership, transformation, service delivery, financial sustainability and collaboration with the defence family. ◀



The South African Defence Review 2015, (Defence Policy) and implementation plan, which further inform Armscor's Strategy and implementation plans, continue to be guided by the National Development Plan (Vision 2030), Medium-Term Strategic Framework, and the Key National Documents.

In this regard, Armscor's Corporate Plan is premised in the context of Armscor's capacity to support the overall thrust of the National Development Plan (Vision 2030), the Medium-Term Strategic Framework 2015 – 2020 and the State of the Nation Address. It captures the key performance outputs, outcomes, and impact of Armscor during the 2019/20 Financial Year.

Armscor remains responsive to the Development State agenda by contributing to job creation and transformation during this reporting period, through its successful Human Capital Development programme and implementation of several other programmes that are developing young professionals and women employees. Armscor's Military Veterans Enterprise Development Incubator and the Enterprise Supplier Development, ensure that this designated group is supported and included in the defence industry.

Furthermore, my Ministry's Priorities provides the Department of Defence (DOD) and Armscor with strategic direction to be pursued by Armscor over a given period of time. These priorities are directly related to the South African Defence Review 2015, which is mandate driven rather than finance driven and helps address the defence policy that is supportive of government's priorities and strategic intent. Armscor's Corporate Plan is aligned to the South African Defence Review 2015, thereby ensuring that Armscor deals with the constraints that confront the Corporation in a systematic and efficient manner.

Armscor provided support to the development of the National Defence Industry Strategy, which directs the transformation of the defence industry through the introduction of Small, Medium and Micro-Enterprises (SMMEs) that are supported through government initiatives and nurtured by existing major companies.

This Strategy is in the phase of being converted into an implementation framework.

My Ministry and DOD fully support Armscor to implement the Defence Sector Charter to transform the South African Defence Industry, in line with other sectors of economic activity, as far as broad-based black economic empowerment is concerned. The Defence Industry Fund was launched on 5 June 2018 and is currently in the process of raising capital, to support, boost exports and provide ease of entry to newcomers into the Defence Industry.

The declining fiscal allocation to the armed forces is an international phenomenon. Currently, the DOD is focused on an adjustment of expenditure in reaction to the substantially reduced defence allocation. Armscor recognises the overall financial limitations and, therefore, strives to ensure that its own processes are effective, efficient, and economical. Armscor's Strategy, entitled "On-Time, In-Time: Towards a Sustainable Future", has reinforced Armscor's mandate and has brought about greater efficiency in the manner in which the Corporation operates. Hence, Armscor's Corporate Plan is aligned with the said strategy, and represents the significant step in implementing the Armscor Strategy. Furthermore, the Plan outlines the outcomes and outputs in the 2019/20 Financial Year, which are aligned to government's National Planning, Budgeting and Reporting Cycle.

Finally, I fully commit myself and my department on behalf of the Government of the Republic of South Africa to provide the necessary shareholder support and political guidance to Armscor, so it can meet its mandate and maintain shareholder confidence. I am confident that Armscor will execute its mandate through the Corporate Plan 2019/20 Financial Year with professionalism and commitment and I wish Armscor a successful year ahead.



Ms NN Mapisa-Nqakula

Minister of Defence and Military Veterans, MP

Date: 28 February 2019

2. Foreword by the Acting Chairperson

- After extensive consultation with various stakeholders, the Board of Armscor is happy to present the 2019/20 Corporate Plan. ◀



As the fiscal allocation for the defence sector continues to decline year on year, the Corporation under the direction of the Board and the shareholder is compelled to manage its limited resources with the requisite prudence and intellect that will improve its sustainability.

In the words of the writer Robert Jordan (1948-2007) who said: "The oak fought the wind and was broken, the willow bent when it must and survived", we have adopted a pragmatic posture and thus changed our strategic initiatives to focus on being efficient, effective and sustainable in the future. The increasing geopolitical tensions and demand for military equipment will increase defence spending globally, which has amplified the need to carefully consider other avenues of remaining relevant and doing business such as venturing into the international arena and offering our services to a broader array of government institutions. All this is done within the context of our mandate as stipulated in the Armaments Corporation of South Africa Limited, Act 51 of 2003 (as amended). We will do this without compromising our core mandate of servicing our primary client, the South African National Defence Force (SANDF).

Industry support and sustainability remains a high priority for the Board. To this end, the Board will continue to engage and partner with organisations within the defence industry, with a view of unlocking access to economic opportunities. The introduction and development of SMME's and companies owned by military veterans into the industry, reduction of potential barriers to entry and supporting the local defence industry remains a key imperative of the Board. In an effort to achieve this, Armscor has been pivotal in the development of the Defence Sector Code, which has been gazetted by the Minister of Trade and Industry. The Code, not only aims to promote Black-Owned business

but also to develop black industrialists, indigenisation of design and localisation of technical capability within the defence sector.

Furthermore, the establishment of the Defence Industry Fund is a significant step towards the support and transformation of the defence industry, especially the SMMEs operating in the defence environment.

The transformation of Armscor's ethos and culture that we have undertaken has laid a solid foundation to transfigure the corporation into a centre of excellence with values that underpin our strategy of "On-Time, In-Time: Towards a Sustainable Future". This is being addressed through the implementation of our turnaround strategy that started in 2017.

All these achievements and plans will not be possible without the leadership of our Chief Executive Officer and his team. We remain committed to ensuring that we provide the direction and leadership required to achieve our vision of a strong, sustainable Armscor and competitive defence industry.



Ambassador T Skweyiya

Acting Chairperson: Board of Directors

Date: 28 February 2019

3. Foreword by the Chief Executive Officer



- › Armscor herewith presents the Corporate Plan for the Medium-Term Expenditure Framework period 2019 – 2022 to the Minister of Defence and Military Veterans, National Treasury, Department of Planning, Monitoring and Evaluation (DPME) and the Portfolio Committee on Defence and Military Veterans. ◀

This is the last Corporate Plan that I have the honour and privilege to submit. It has been a very productive four years, during which I have had the privilege of working with some of the brightest and capable people this country has to offer.

I am pleased to say that it was a privilege to work with the current Board and Executive Management, to engage with all Armscor stakeholders and year after year, to report to the Honourable Minister, National Treasury, DPME and Parliament on Armscor's achievements.

The Corporate Plan builds on the foundation that Armscor has laid in the last financial year and continues to pursue its strategic direction. In this regard, Armscor reviewed its strategic focus to ensure alignment with the strategic focus of the DOD and in support of the Minister

of Defence and Military Veterans Priorities. Furthermore, the strategic initiatives selected address the specific challenges Armscor faces.

Armscor's continued sustainability is in part umbilically linked to the prospects of the DOD/SANDEF. In this regard, the fiscal squeeze has placed a lot of pressure on the DOD's operating and capital budgets. The majority of the budget is currently consumed by the Human Resources costs. In the main, the reduction in the capital budget has placed the majority of the capital programmes at risk and hence, the need for Armscor to focus on retaining skills through diversifying its market place.

This challenge has spilt over into the defence industry as a whole. Fifty percent of Armscor's order book resides with Denel, which itself is experiencing grave cash flow

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challenges, hence placing some of our current projects at Denel at risk in terms of non-performance and delays.

Armcor continues to consider different mitigational measures to prevent these risks from compromising the operational readiness of the SANDF. Denel's supply chain, which is heavily dependent on steady payments from Denel, are experiencing similar cash flow challenges and placing their sustainability at risk.

In 2015, Armcor proposed an asset sweating plan to derive revenues from Defence endowment properties, intellectual property and redundant or underutilised equipment. This plan was approved by all the necessary governance structures of the DOD. However, the necessary assets have yet to be transferred to Armcor for leveraging purposes. To this end, we eagerly await this great commission and will do everything possible to assist the DOD in realising significant revenue in order to implement the various imperatives of the South African Defence Review Policy of 2015. These interventions remain critical to the success of the Corporate Plan as presented.

Armcor remains committed to its vision, mission and four strategic objectives, namely Revenue Generation, Cost Management, Efficient and Effective Delivery and Stakeholder Management, which are embedded in the Corporate Plan. In addition, Armcor's strategy, "On-Time, In-Time: Towards a Sustainable Future" underpins the Corporate Plan and has its own independent significance. The strategy is based on its relevance and the sustainability of the Corporation, hence the focus on the commercialisation and expansion of Armcor services to a wider client base.

This Corporate Plan is a roadmap towards realising the Armcor future – the Armcor that will strengthen its core and position for the future. Armcor's Executive Committee and staff will focus on strategy execution.

Armcor played a role in the development of the Defence Industry Charter. The Minister of Defence and Military Veterans approved the Charter in March 2017 for further action by the Department of Trade and Industry (DTI). On 2 October 2018, the DTI approved the Defence Sector Charter for gazette in terms of Section 9(1) of the B-BBEE Amendment Act (Act 46 of 2018). The approval means

that upon publication of the Amended Defence Sector Code, entities in the defence sector will be measured using the Defence Sector Code. Armcor forms part of the key role players in implementing the Defence Sector Charter, as an overarching policy for transformation. This will finally provide a regulated way of transforming the defence industry and bringing in new entrants in support of our national imperatives.

Armcor has provided support to the development of the National Defence Industry Strategy and will continue to do so in the year ahead as the implementation framework unfolds. The Defence Industry Strategy is in the phase of being converted into an implementation framework. Armcor is providing uninterrupted capacity to activities such as these that can improve the situation within the local defence industry. The focus of the framework was, until recently, mostly on the longer term. The focus has been amended on request of Armcor to also include more immediate issues. Members of industry were identified who may be in financial dire straits in the period while the implementation framework is under development. Potential solutions for them and financial concepts for industry as a whole are currently receiving attention in the development of the implementation framework.

Armcor played a role in the development of the Defence Industry Fund. The Defence Industry Fund was established and the fund is currently in the process of raising capital. It reduces the capital limitations of the smaller defence industry player. Armcor has nominated members for the fund's advisory committee. These nominations are currently under consideration. The Defence Industry Fund will provide the necessary financial support, boost exports and provide ease of entry to newcomers into the defence industry.

In conclusion, I thank the Board for robust oversight and support in defining the direction of the organisation. Furthermore, we put reliance on our employees whom I thank for their commitment to deliver on our strategic goals.



Mr KPE Wakeford

Chief Executive Officer

Date: 28 February 2019

Official sign-off

It is hereby certified that this Armscor Corporate Plan:

- a. was developed by Armscor Strategic Planning, with the Executive Committee, under the guidance of the Armscor CEO;
- b. was prepared in line with the relevant Armscor policies, legislation, and other mandates for which Armscor is responsible;
- c. accurately reflects the performance information (performance indicators and targets) Armscor will endeavour to achieve, within the available resources for the 2019/20 Financial Year framework; and
- d. that the performance information included in this Corporate Plan has been and will be developed, managed, and stored.



Ms K Neonakis

Senior Manager

Corporate Strategy and Planning

Date: 28 February 2019



Mr JG Grobler

Chief Financial Officer

Date: 28 February 2019



Mr KPE Wakeford

Chief Executive Officer

Date: 28 February 2019



Ambassador T Skweyiya

Acting Chairperson: Board of Directors

Date: 28 February 2019



Ms NN Mapisa-Nqakula

Minister of Defence and Military Veterans, MP

Date: 28 February 2019

01

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STRATEGIC OVERVIEW





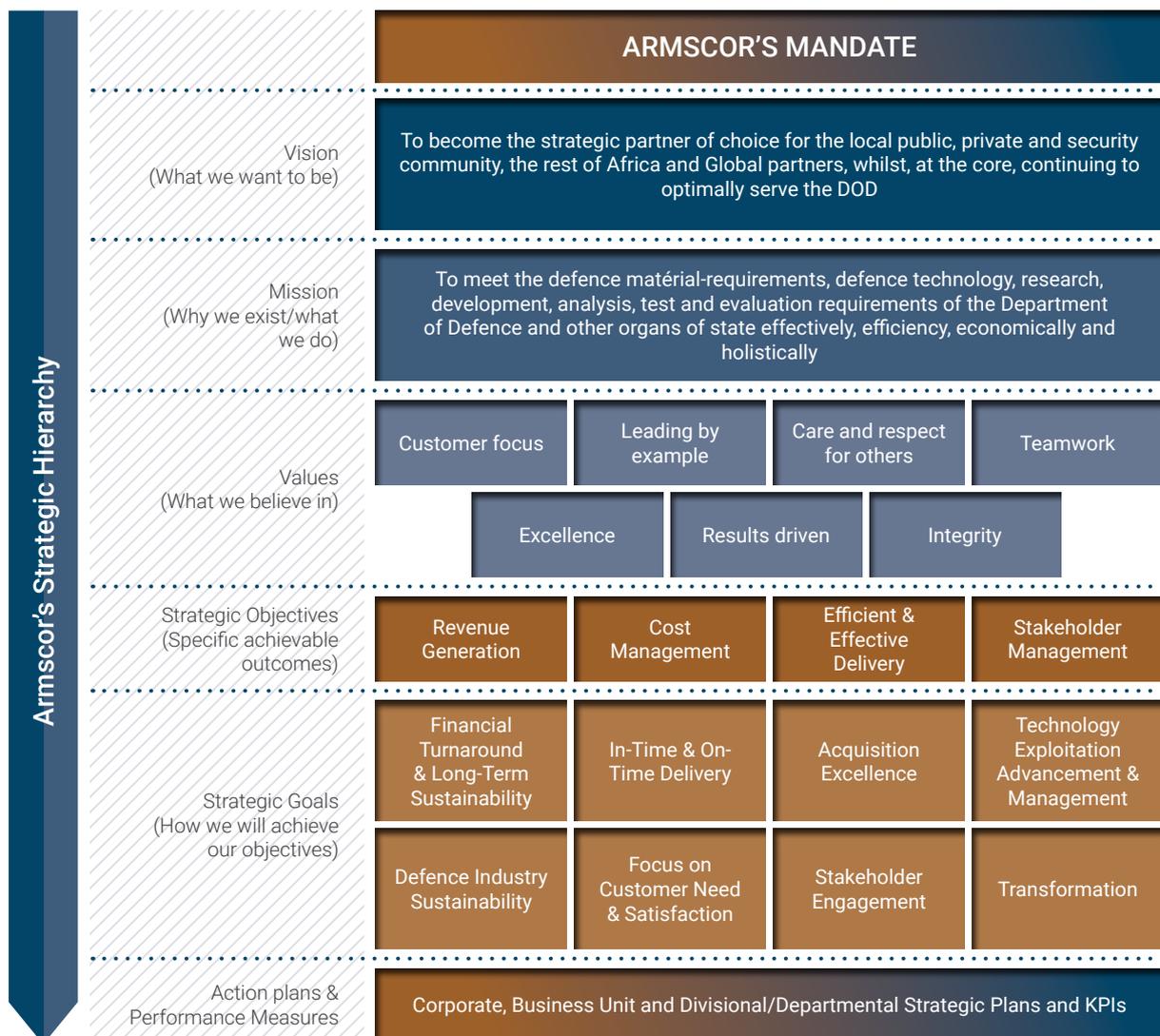
4. Strategic Overview

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

Sustainable Future", which is Armcor's mandate, vision, mission and values. Furthermore, the Corporate Plan is aligned to the South African Defence Review 2015. The Strategic Plans for the sub-levels of the Corporation are aligned with the Corporate Plan and, therefore, are also aligned to the Corporation's mandate, vision, mission and values. Figure 1 summarises the components of Armcor's Strategy.

The current plan details the objectives and goals at the Corporate Level. The Corporate Plan is aligned to Armcor's Strategy of "On-Time, In-Time: Towards a

Figure 1: Components of Armcor's Strategy



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5. Armscor's Mandate

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

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

5.1.1 The objectives of Armscor are to meet:

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

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

Armscor must:

- acquire such defence matériel on behalf of the DOD, as the DOD may require.
- manage such technology projects, as may be required by the DOD.
- maintain a programme management system in support of acquisition and technology processes.
- provide for quality assurance capability in support of:
 - a. the acquisition and technology processes; and
 - b. any other service contemplated in this section required by the DOD.
- maintain a system for tender and contract management in respect of defence matériel and, if required in a service level agreement or if requested in writing by the Secretary for Defence, the procurement of commercial matériel.
- dispose of defence matériel in consultation with the instance which originally manufactured the matériel.
- maintain the compliance administration system for the DOD, as required by the applicable international law, the National Conventional Arms Control Act (Act No. 41 of 2002), and the Non-Proliferation of Weapons of Mass Destruction Act (Act No. 87 of 1993).
- support and maintain such strategic and essential defence industrial capabilities, resources and technologies as may be identified by the DOD.
- provide defence operational research.
- maintain the defence industrial participation programme management system.
- provide marketing support to defence-related industries, in respect of defence matériel, in consultation with the DOD, and the defence-related industries in question.
- manage facilities identified as strategic by the DOD in the service level agreement.
- maintain such special capabilities and facilities as regarded by Armscor not to be commercially viable, but which may be required by the DOD for security or strategic reasons.

5.

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

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

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

5.3 Armscor's mandate entails the following:

5.3.1 Product Life Cycle:

- Armscor renders acquisition management to the DOD and the South African National Defence Force (SANDF) throughout the life cycle of a product. These services are reflected in Figure 2 below:

Figure 2: Acquisition Management through the Life Cycle of the Product



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6. Armscor's Vision

Armscor's vision is to become the strategic partner of choice for the local public, private, and security community, and the rest of Africa and global partners, while at the core, continuing to optimally serve the DOD.

7. Armscor's Mission

Armscor's mission is to proactively meet the defence matériel requirements, defence technology, research, development, analysis, and T&E requirements of the DOD and other organs of state effectively, efficiently, economically, and holistically.

8. Armscor's Value System

Armscor's values are the building blocks of the manner in which it conducts its business. Armscor believes in the highest standards and is committed to transformation, transparency, and accountability. We, members of Armscor, pledge commitment to the values as set out in Figure 3.

Figure 3: Armscor's Value system



9. Updated 2019 Situational Analysis

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

- **Economic Recession:** The worldwide recession is expected to lower economic growth for South Africa in 2019. Foreign investment into the economy is expected to slow down due to political instability and the possible further negative rating by Rating Agencies. Job reductions within the traditional work force, mining, and agriculture sectors will relate to industrial strikes, which will further adversely affect the economy. These economic factors will slow job creation in the country and create the possibility for conflict from the unemployed youth demographic.
- **Defence Budget Allocation:** It is foreseen that the defence allocation will follow the assumed inflation rate over the medium term. DOD HR expenditure, however, is foreseen to continue to keep on rising, slightly above the inflation rate, effectively reducing the operating and capital budgets. This introduces an era where the ability of the SANDF to conduct operations is substantially curtailed, possibly negatively influencing the demand for Armscor capacity related to the contracting of maintain, repair and overhaul (MRO) services. The impact of this, the most probable scenario, on the Strategic Capital Acquisition Master Plan (SCAMP) may be severe. The number of active acquisition projects could be reduced substantially with the bulk of the previous projects being delayed extensively or potentially even cancelled. This reduces the demand for Armscor acquisition services. There may possibly be an increased demand for Armscor acquisition services beyond the medium term, if DOD HR expenditure could reduce, freeing up funds for capital expenditure. By then, the dominant form of acquisition required, may be expedited acquisition.

There are no additional resources available for allocation over the 2019 Medium-Term Expenditure Framework (MTEF) period within the expenditure ceiling set in the 2018 budget. This means that additional allocations to a programme will need to be funded by reductions in funding for another programme, either within the department's budget, or from another department's budget. This may involve the scaling down of non-priority programmes and projects, changing service delivery models, using technology more effectively, etc.

Baseline reductions must provide proposals for programmes and projects to be scaled down or closed. These proposals must in aggregate, amount to 1.6 per cent in 2019/20; 1.5 per cent in 2020/21 and 1.4 per cent in 2021/22 of the budget baseline.

Armscor's principal client's – the DOD – budget allocation for the 2019/20 Financial Year will remain insufficient to fully fund force preparation and renewal in support of the required operations ordered by government. This shall negatively affect Armscor's income. Armscor has supported the DOD in developing a new Defence Funding Model to alleviate the funding burden on the national fiscus and to supplement the Defence Budget Vote. Alternative funding solutions for the short, medium, and long term will be addressed within the policy and strategy of the Defence Funding Model. This model, as informed by the South African Defence Review 2015, will be developed, in consultation with internal and external stakeholders to enable the identification and attraction of financial resourcing, through various streams of revenue generation to fund the defence portfolio.

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The situational analysis bearing on the 2019/20 – 2021/22 Financial Years is as follows:

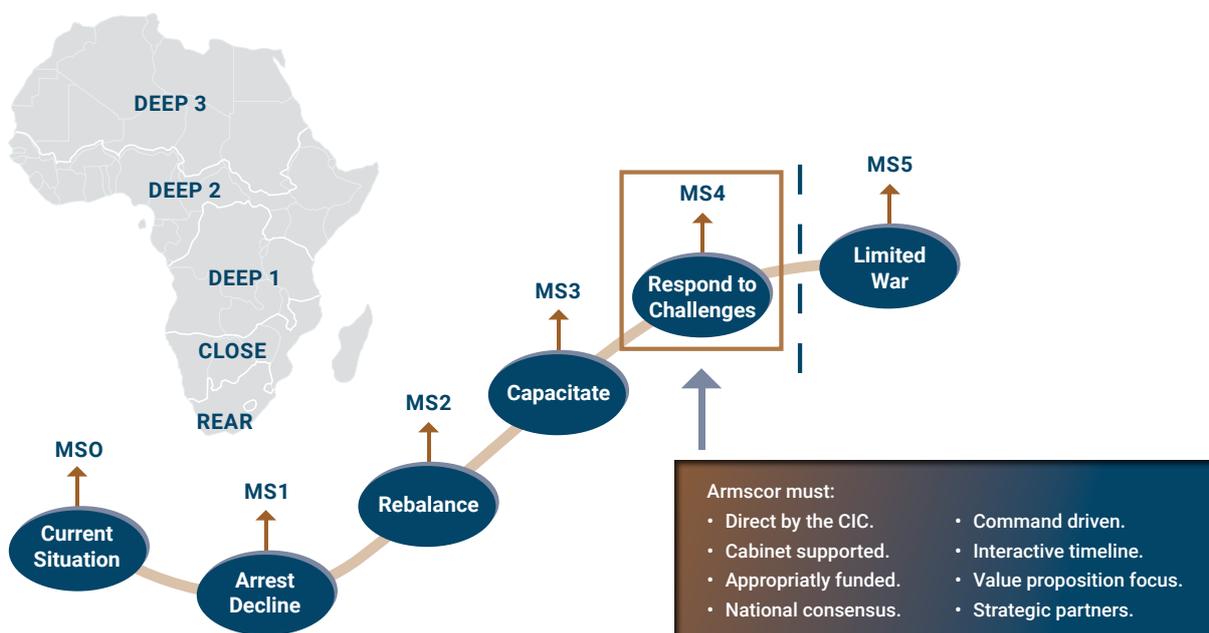
9.1 The South African Defence Review, 2015

The South African Defence Review 2015 was approved by Parliament in June 2015.

South African Defence Review 2015 is now in existence for nearly a full Medium-Term Strategic Framework (MTSF). The review itself indicated multiple possible futures (trajectories and milestones) as determined by aspects such as the central role of defence in a given timespan, different levels of funding and possible alliances. To date funding has not been provided for the higher trajectories. De facto, defence finds itself on the so called Red Trajectory. The focus is therefore on strategic rebalancing of the DOD within an austere financial environment, while meeting the immediate force employment requirements, being border safeguarding, peace missions and honouring pledges for Africa intervention forces. Currently, the focus is on a Sustainability Strategy. It focuses on interventions that do not require additional funding, such as organisational and efficiency improvements and further policy development, including the continuous refinement of the future role of defence. Operating and capital expenditure may continue to diminish; directly impacting on Armscor and the local defence industry. The SCAMP may diminish in the foreseeable future in terms of both the number of projects being active and the total amount allocated to the Special Defence Account. Armscor remains constructive in such a context, focusing on delivering more agile and innovative services to defence, bringing down the cost of ownership of Armscor to the DOD as well as diversifying its client base and income streams. Without interruption, Armscor continues to deliver research and analysis services to both the DOD and to the defence industry, supporting them in defining their reaction to this emerging future.

The South African Defence Review 2015 provides the defence policy for South Africa, which informs the defence trajectory of pursuit over multiple MTSF periods. The South African Defence Review 2015 maps out five strategic planning milestones as firm foundations to direct the development of South Africa's defence capabilities through a DOD Extended Long-term Defence Development Plan, inclusive of an aligned funding trajectory integrated into the national and departmental planning, budgeting, and reporting cycle. These five strategic planning milestones are depicted in Figure 4 below.

Figure 4: Planning DOD Development Trajectory



The five milestones informing the long-term defence trajectory that will remain the priority of the DOD are:

- Arrest the decline in critical capabilities through immediate, directed interventions;
- Rebalance and re-organise the Defence Force as the foundation for future growth;
- Create a sustainable Defence Force, which is able to meet ordered defence commitments;
- Enhance the Defence Force's capacity to respond to emerging threats and a wide-range of strategic challenges; and
- Defend the Republic of South Africa against any directed threat.

The DOD, together with Armscor, completed "The DOD Plan to Arrest the Decline", which was approved for implementation. This plan is fully costed and contains five work packages that will inform the departmental focus over the remainder of the current MTSF and the subsequent MTSF period. These work packages are depicted in Figure 5 below.

Figure 5: Logic Model for the DOD Plan to Arrest the Decline



The implementation of the South African Defence Review 2015 will be enabled through a Departmental Defence Review Implementation Plan, of which Armscor forms part of providing strategic departmental direction to inform the further development and implementation of appropriate defence policy, strategy, and planning imperatives within the MTSF periods under consideration.

The DOD is currently focused on adjustment of expenditure in reaction to the substantially reduced defence allocation. The Secretary for Defence has declared the Defence Review as unaffordable in the current financial context. The ongoing expenditure adjustments by the DOD are reducing the number of active projects within the SCAMP. Downward changes in the SCAMP influence the demand for Armscor services. Armscor is currently undertaking investigations on how to adjust to this situation.

To meet the requirements of the South African Defence Review 2015 in the short to medium term and the pledges already made by South Africa to various continental countries and institutions, the SANDF will likely require capital infusion estimated at 50% of its current budget.

The South African Defence Review 2015 expresses particular guidance relating to Armscor's role in meeting the requirements of the SANDF, as well as implementation actions to be pursued.

Armscor will play a leading role in equipping the SANDF to meet the requirements of the South African Defence Review. This will be supported by a paradigm shift in Armscor's approach to the SANDF's needs. Internally, Armscor will

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improve its operational capacity, expand its sources of funding, and improve its facilities, Information Communication and Technology (ICT) infrastructure, and business processes. Externally, Armscor will assist the South African Defence Industry (SADI) to equip itself to meet the new demands of the SANDF and will facilitate processes and schemes necessary to rejuvenate and reposition the industry for this purpose.

In order to ensure efficiency and effectiveness in the operational area, Armscor has to adapt its acquisition processes to enable quick and legally compliant acquisition.

9.2 Corporate Governance and Accountability

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

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

9.3 National Cost Containment Measures

In his medium-term budget policy speech on 23 October 2013, the Minister of Finance stated that government must also provide value for money and that, although most government spending was being effectively managed, there were many opportunities to cut or minimise costs and to stop abuse. National Treasury subsequently released an instruction relating to cost containment measures effective from 1 January 2014, which was replaced with amended versions, applicable from 1 November 2016, that are also relevant to Armscor. Armscor implemented all initial identified mandatory cost containment measures. Armscor will review and align with National Treasury's new instructions.

9.4 Service Delivery Improvement Plan (SDIP)

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

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

9.5 Armscor's contribution to National Imperatives of Government

- The National Growth Path (NGP):

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

- Armscor Internships;
- Youth Development Programme; and
- SADI Support.

Armscor has continued to execute its mandate within a framework of good governance and fiscal discipline. Between Armscor and the industry, over 120 science and engineering university bursaries have been awarded to new students the previous financial year. Over 130 schools were reached nationally through Science, Technology, Engineering and Mathematics (STEM) initiatives assisting educators and learners to safeguard the future talent pool for scientists and engineers for the defence industry.

Armscor has established a Military Veterans Enterprise Development Incubator and the Enterprise Supplier Development to ensure that this designated group is supported and included in the defence industry.

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

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

In April 2016, the Charter Steering Committee was established to drive the development of the Defence Sector Charter process. Public proclamation was gazetted by the Minister of Trade and Industry to inform the public about the intention to develop the Defence Sector Charter. There were robust stakeholder consultations to obtain input, followed by the adoption of the Charter by the Steering Committee and stakeholders in January 2017. The MOD&MV approved the Charter in March 2017 for further action by the DTI. On 2 October 2018, the DTI approved the Defence Sector Charter for gazette in terms of Section 9 (1) of the B-BBEE Amendment Act (Act 46 of 2018). The approval means that upon publication of the amended Defence Sector Code, entities in the defence sector will be measured using the Defence Sector Code.

- The Industrial Policy Action Plan (IPAP):

The IPAP is located in the National Development Vision Plan 2030 and forms one of the principal pillars of the NGP. Armscor will play a role and support the IPAP in Public Procurement, where a Defence Industry Policy will be developed to guide long-term acquisition and procurement of defence capabilities. The National Defence Industry Council (NDIC) will constitute the highest consultative body between the DOD, Armscor, SADI, and the Department of Small Business Development on matters of policy formulation and compliance, export support, armament acquisition, and joint planning. Armscor will be directed by the functions of the NDIC relating to SADI

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matters. The NDIC will focus on the work streams, stated below, for development and co-operation with other state departments, such as, but not limited to, the DTI and the Department of Public Enterprises:

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

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

The Action Plan (2014 – 2019) was adopted by government and finds expression in the DOD Strategic Plan 2015 – 2020, Annual Performance Plan (APP), and individual performance agreements. Armscor supports the following FOSAD Action Plan deliverables:

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

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conduct occurring in the Corporation. These concerns are investigated by a committee and the relevant parties informed.

- This is done to improve operational efficiency and effectiveness.
- » Armscor supports FOSAD and aims to maintain a clean audit.

9.6 National Development Plan (NDP) Vision 2030

The NDP Vision 2030 and its related policies provide a national framework that will inform the envisaged contribution by national departments to the objectives of the NDP Vision 2030. Figure 6 indicates the aspects that form the cornerstone of the NDP Vision 2030 to which the defence portfolio, where relevant, will contribute.

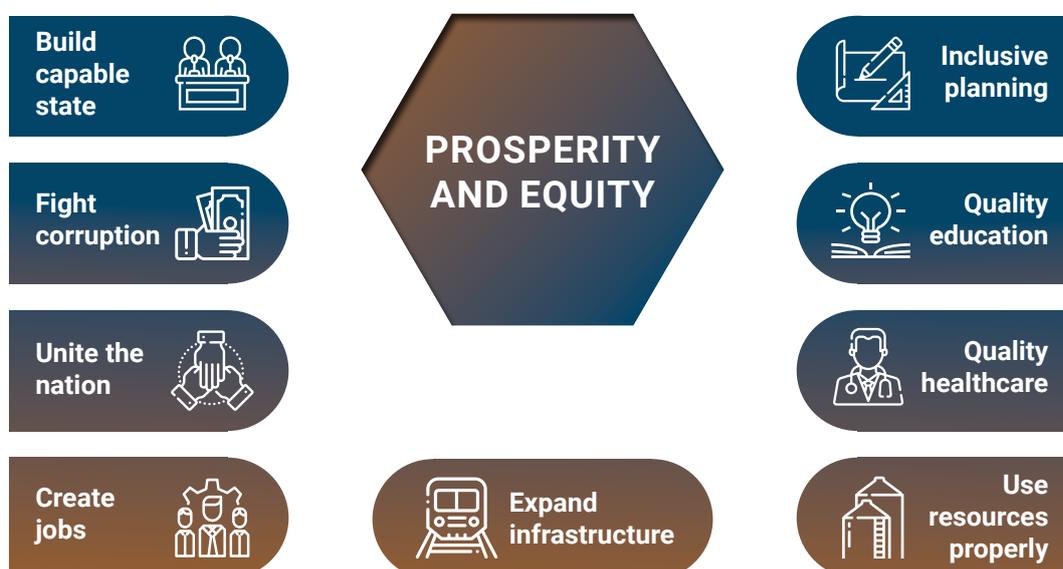
Armscor is, as all departments must be, directing its planning towards the NDP Vision 2030. The Corporation supports government's goals, as expressed in the NDP Vision 2030, and will contribute to the following initiatives:

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

The Strategy is, therefore, informed by:

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

Figure 6: Aspects that form the cornerstone of the National Development Plan (NDP) Vision 2030



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- The Medium-Term Strategic Framework 2014 – 2019:

Cabinet approved the MTSF on 23 July 2014 that was designed to be the mechanism through which departments are expected to align their planning instruments in support of the NDP Vision 2030. The Governmental MTSF Outcomes, to which the DOD will contribute, is supported by Armscor. The Outcomes are:

- » Outcome 3: “All people in South Africa are and feel safe”
 - South Africa’s borders are effectively defended, protected, secured, and well-managed: Armscor supports this outcome with regard to providing technology and equipment to the DOD in support of the overarching strategy to defend, protect, secure, and ensure well-managed borders by securing the land, airspace, and maritime borders.
 - Secure cyber space: Armscor provides support for capacitating a Cyber Security Institution in the establishment of the Cyber Command Centre Headquarters.
 - Corruption in the public and private sectors is reduced: Armscor will prevent corruption where prevalent and in the execution of Armscor’s mandate.
- » Outcome 11: “Creating a better South Africa and contributing to a better and safer Africa in a better world”
 - Political cohesion in Southern Africa, to ensure a peaceful, secure, and stable Southern African region: Armscor supports the DOD by supplying the necessary security equipment.

The Armscor Strategy directly supports the above, but also the following broader governmental outcomes:

- MTSF Outcome 2: “A long and healthy life for all South Africans”;
- MTSF Outcome 4: “Decent employment through inclusive economic growth”;
- MTSF Outcome 5: “A skilled and capable workforce to support an inclusive growth path”;
- MTSF Outcome 12: “An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship”.
- The State of the Nation Address (SONA) (2014 – 2019): During the SONAs – held on 17 June 2014, 12 February 2015, 11 February 2016, 9 February 2017, 16 February 2018 and 8 February 2019 respectively – the President indicated government had embarked on a radical socio-economic transformation to address the triple challenges of poverty, inequality, and unemployment. The pronouncements of the SONAs that continue to have a bearing on the defence portfolio are:
 - » promotion of local procurement;
 - » employment of the youth;
 - » expansion of Internship Programmes in government;
 - » resourcing of defence mandates;
 - » improving implementation of the financial disclosures framework;
 - » support the employment of SANDF (Interim ACIRC, conflict prevention, and peacekeeping of the African continent);
 - » spending of public funds and reducing expenditure;
 - » acknowledgement that the African continent remains central to government’s foreign policy engagements; and
 - » unlocking growth and peacekeeping operations.

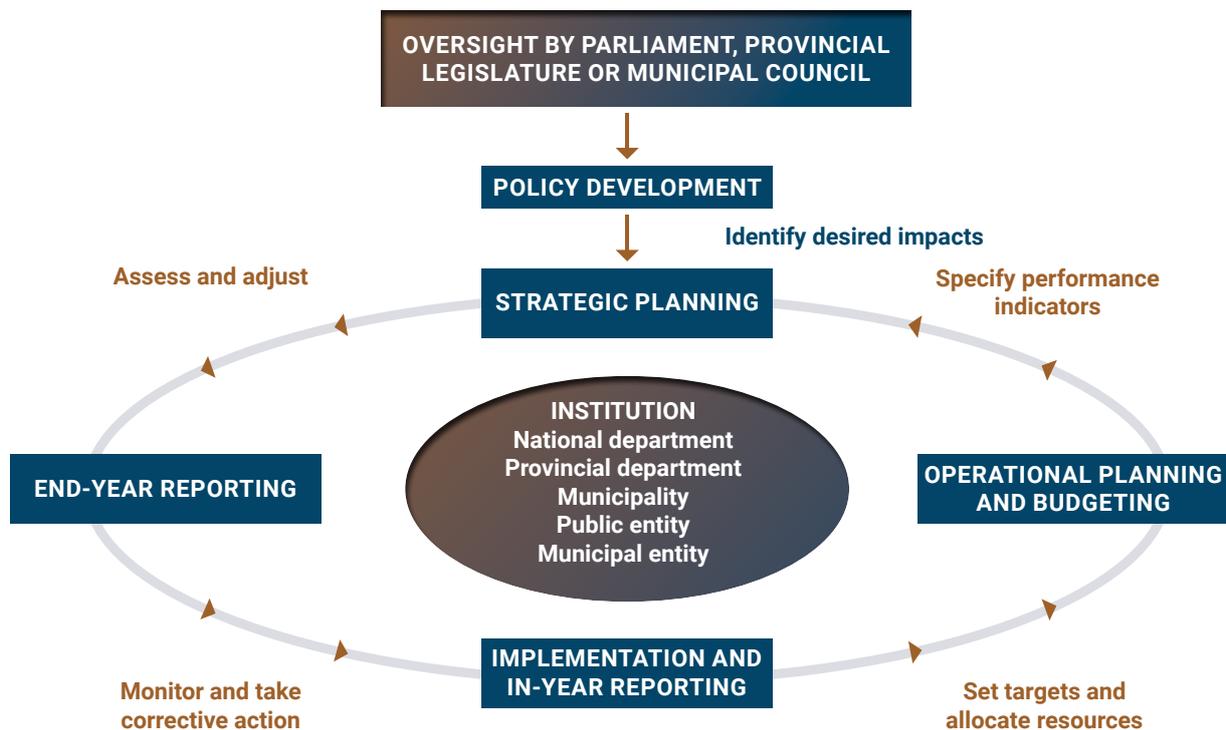
Armscor supports the DOD to achieve pronouncements of the SONAs.

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

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

- the implementation of departmental outcomes-based (logical model) planning, budgeting, reporting, and risk management within Armscor;
- the alignment of planning, budgeting, monitoring, and evaluation (reporting) processes and risk management of Armscor within the requirements of national legislation; and
- the improvements of output delivery accountability.
- Armscor performance information management, focused strategically on meeting Armscor's mandate and support the defence mandate, as aligned with the intent and priorities of government, to ensure the delivery of value to the citizens of South Africa. The National Planning, Budgeting, and Reporting Cycle is outlined in Figure 7 below, to which Armscor is aligned to.

Figure 7: National Planning, Budgeting and Reporting Cycle



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The Armscor Cycle is outlined in Figure 8 below, with a subsequent brief description of each of the main components of the cycle.

Figure 8: The Armscor Planning, Budgeting, and Reporting Cycle



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

- National Oversight:** National oversight is a constitutionally mandated function over legislative organs of state and public entities. Numerous national institutions have a legislative oversight over Armscor's institutional performance, thereby ensuring that desired departmental outputs are achieved commensurate to the resource

allocation and value to citizens. National oversight entities evaluate the content of Armscor's planning instruments, performance reports, and reviews and address the adherence to that which was planned and that which was ultimately achieved. Evaluation feedback by the national oversight entities includes inputs, which relate to adherence and compliance or nonadherence and noncompliance to the departmental change and sustained agenda.

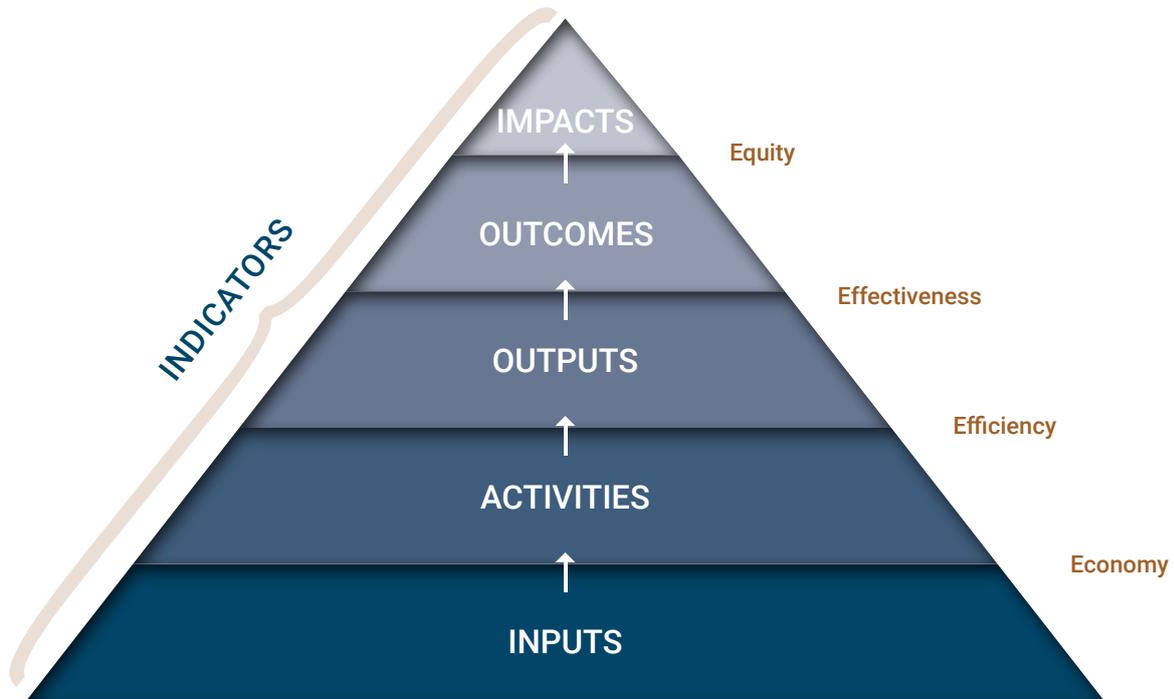
- **Armscor Policy Development:** Armscor's policy development entails the development and maintenance of policies and guidelines, formulated as a result of the annual environmental analysis of the prevailing internal and external environment and associated factors that have a bearing on operations and plans. The corporate policy (core and functional) directs the further development of strategies, plans, and management interventions in support of the Armscor mandate through formulated output deliverables.
- **Armscor Strategy Development:** The strategy development component of the Armscor Cycle addresses the turnaround strategy that informs subsequent long-term (core and functional) strategies. This component takes into consideration the annual assessment of the prevailing departmental strengths, weaknesses, opportunities and threats (SWOT) analysis to which Armscor is exposed and which are taken into consideration during the strategy formulation and adjustment processes.
- **Armscor Planning and Budgeting:** The planning and budgeting component of the Armscor Cycle informs the development of the Extended Long-Term Development Plan (20 – 30 years) and the Corporate Plan (three-year period). The planning process is the resourced implementation mechanism, through which strategy is enabled within the prevailing resource considerations for the period under consideration. The annual departmental review of the external and internal environment, as informed by the annual SWOT and environmental scanning process, is conducted and informs the annual adjustments, when and if so required, to the annual Armscor Corporate Plan, inclusive of resourced performance information (Performance Indicators and Targets). The revised performance information is formally endorsed through the relevant management forums and is finally affixed to the Armscor Corporate Plan.
- **Implementation:** This component of the Armscor Cycle addresses the in-year implementation of the approved Armscor Corporate Plan. The performance agreement sets specific, agreed-upon performance information (measures and targets), linked to Armscor's Strategy, Corporate Plan, operational plans and annual budget that are to be attained by the individual.
- **Monitoring and Evaluation:** This component of the Armscor Cycle consists of in-year, end-term, and long-term performance reporting and evaluation. In-year performance reporting consists of the following three subfunctions: monthly financial performance reporting and evaluation, quarterly performance reporting, annual reporting and evaluation, and additional performance reporting and evaluation, when and if so required. Long-term Performance Reviewing consists of the End of Term Performance Reviewing and Performance Reviewing since 1994.

9.8 National outcomes and results-based planning (Logic Model)

The Armscor Logic Model (Armscor Strategy Map) was developed in alignment with National Treasury requirements, as prescribed in the National Treasury Framework, for Managing Programme Performance Information. Armscor's outcomes-based planning, budgeting, risk management, and reporting processes will be executed in the realisation of the Armscor mandate as translated into the Armscor Strategy Map. The Logic Model concepts as implemented in Armscor are depicted in Figure 9, as appear in the Armscor Corporate Plan.

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Figure 9: Key Performance Information Concepts (Logic Model)



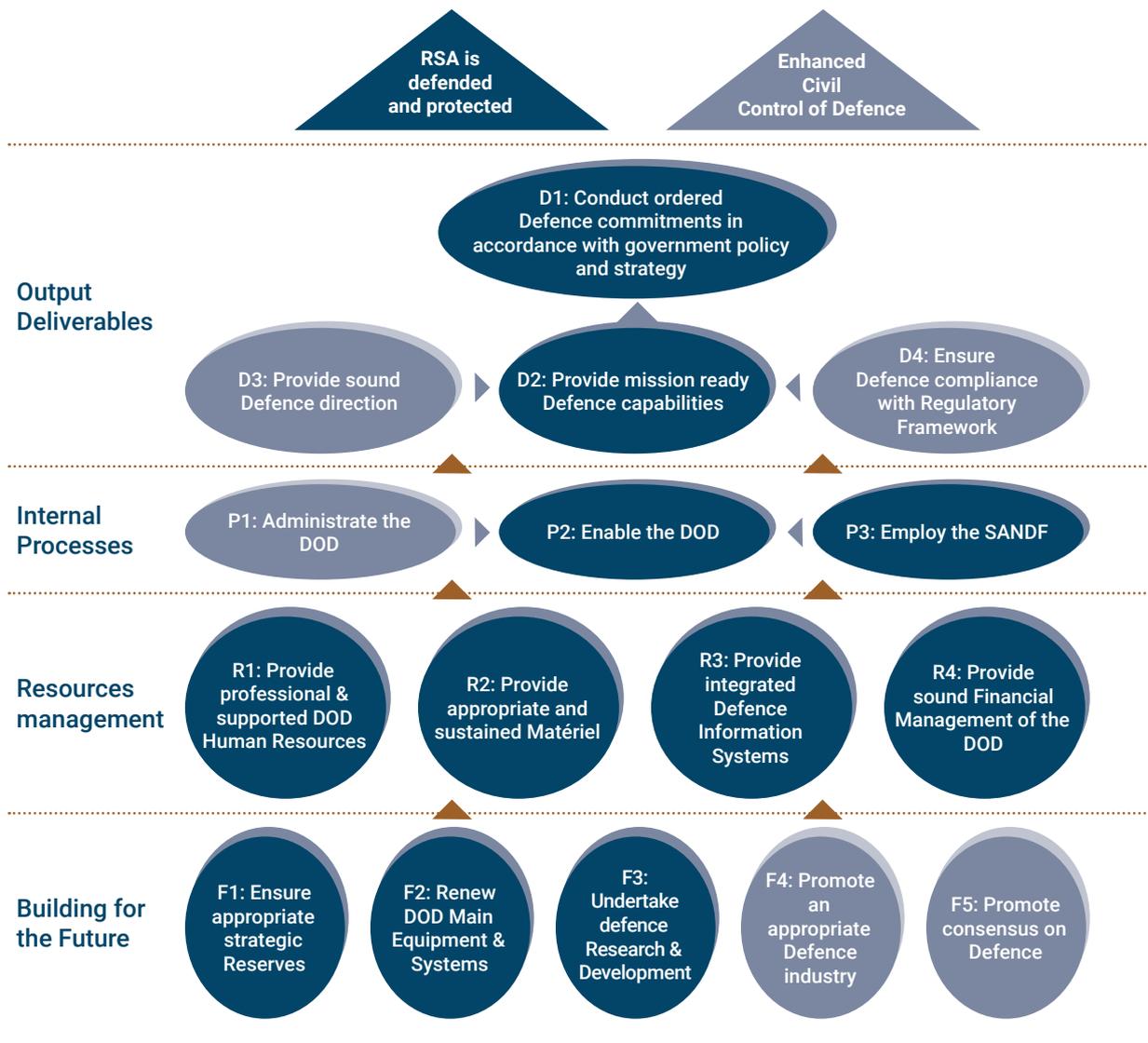
The following key components of the logic model are:

- **Inputs:** Armscor Inputs (resources) are defined as “what we use to do work with on a daily basis” and include the resources that contribute to the production and delivery of outputs.
- **Activities:** Armscor Activities are defined as “what we do on a daily basis” and include the processes or actions that utilise a range of inputs to produce the desired outputs and, ultimately, outcomes. “Economy” indicators at the “input/activity” level of the models explore whether specific inputs are acquired at the lowest cost and at the right time and whether the method of producing the requisite outputs is economical.
- **Outputs:** Armscor Outputs are defined as “what we produce or deliver” and include the final products, goods, and services produced for delivery. Outputs, as with activities and inputs, are planned and budgeted for and implemented under the control of Armscor.
- **Outcomes:** Armscor Outcomes are defined as “that which we wish to achieve” and are the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs.
- **Impacts:** Armscor Impacts are managed through the achievement of planned outcomes. “Equity” indicators at the “outcome/impact” level of the model explores whether services are being provided impartially, fairly, and equitably to all stakeholders.

9.9 Armscor’s Strategy Map

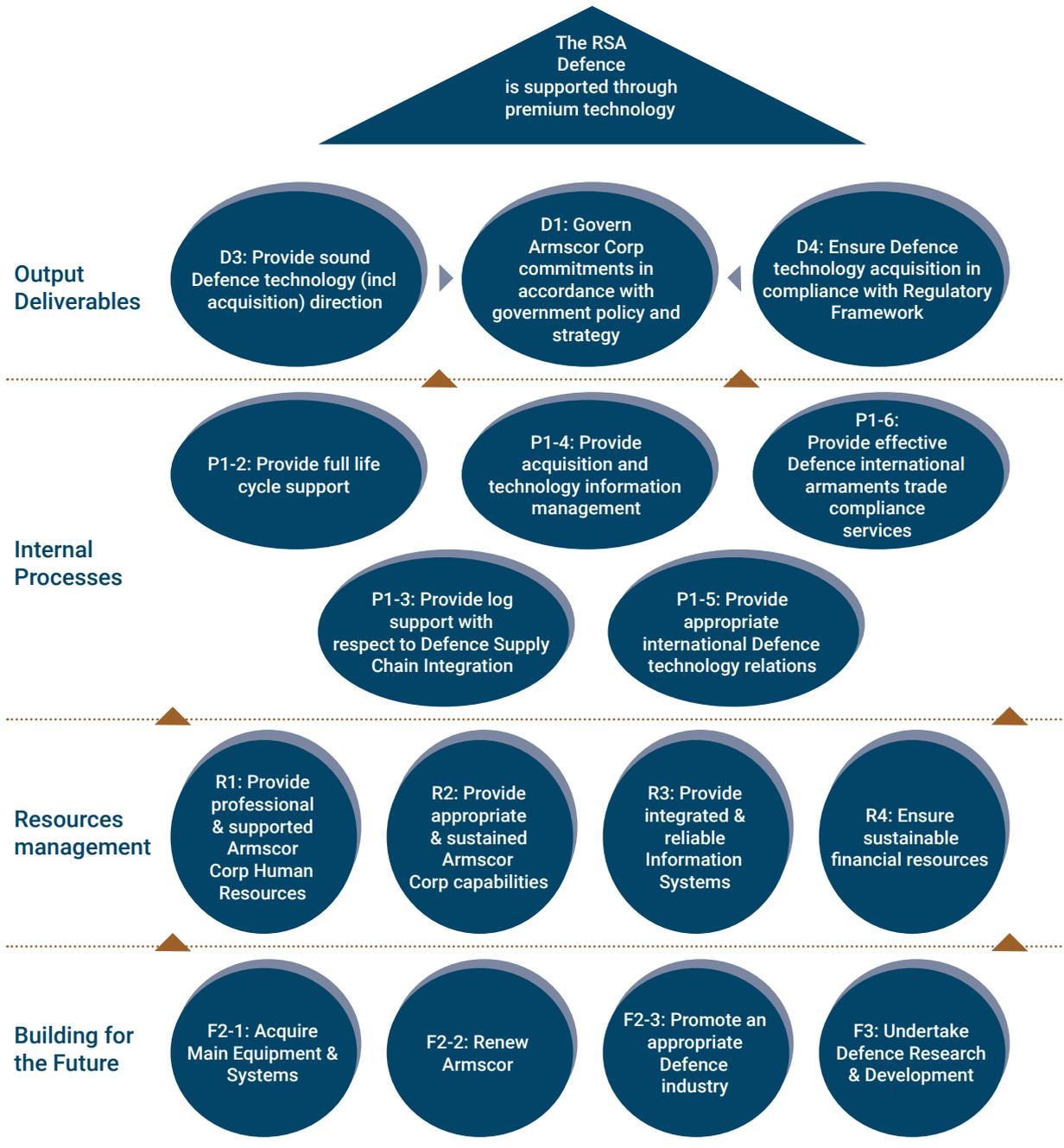
The Armscor’s Strategy Map (Figure 11) was developed in conjunction with the DOD. It is in support and aligned with the DOD Strategy Map (Figure 10), which is also in accordance with the National Treasury Framework on Strategy and Programme Performance Information.

Figure 10: Department of Defence Strategy Map for 2019/20 – 2021/22 Financial Years



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Figure 11: Armscor Strategy Map for 2019/20 – 2021/22 Financial Years



10. Armscor's Environmental Scan

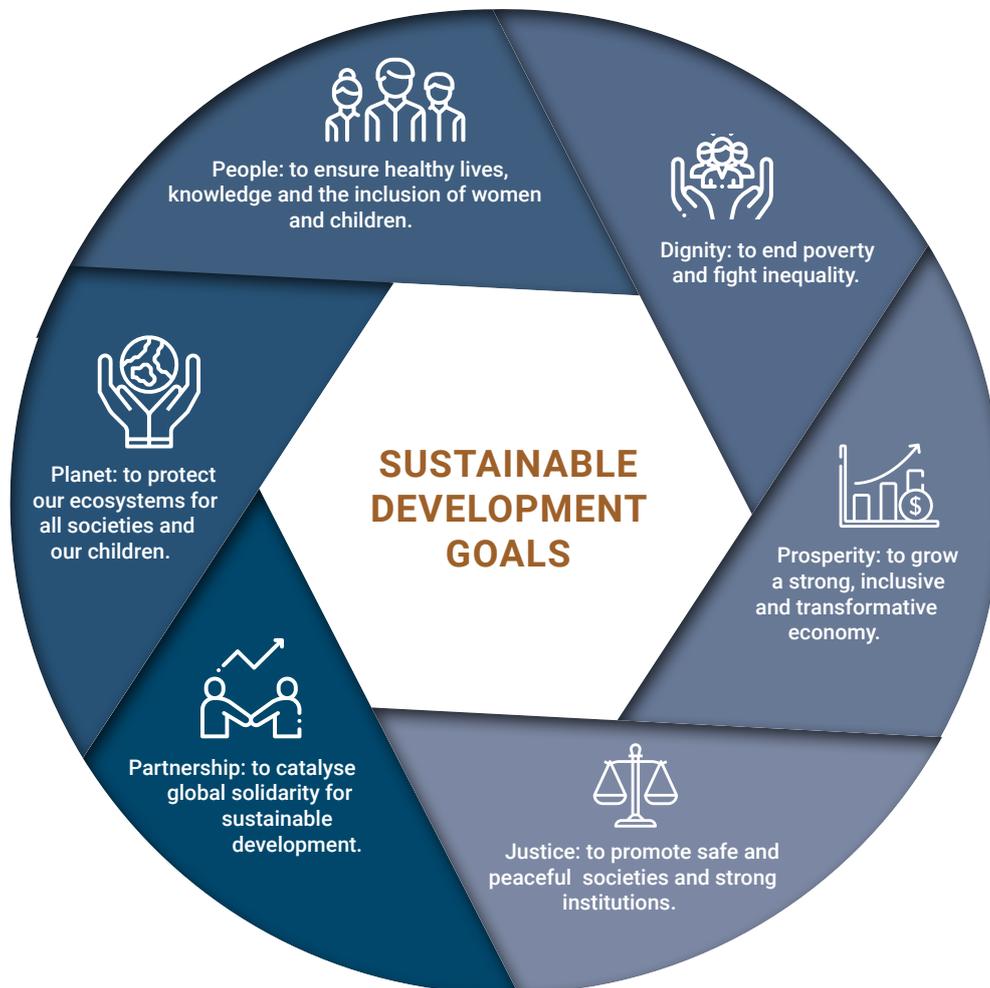
10.1 The basis of Armscor's environmental scan

The environmental scan for 2019 focused on the following dimensions: political, economic, social, technological, legal, environmental, and military. The following elements emerged from the environmental scan:

- Owing to competing priorities of government and slowing economic growth, the defence budget and the allocation to Armscor, in terms of the existing funding model, are unlikely to increase.
- Political uncertainty in the run up to the 2019 elections will result in a slow-down of decision making at government entities and could see amendments to the governments priorities for the next MTSF (2020 - 2025), after the elections.
- South Africa's global competitiveness ranking has increased, indirectly resulting in a potential increase in Foreign Direct Investment and ease of securing work.
- Increased competition from the People's Republic of China and skills shortages in the African markets hamper South Africa's ability to compete in the African market.
- Crime and corruption, unavailability of power and complex tax, and legal and excise regulations continue to impact negatively on the ease of doing business in Africa, thus impacting on Armscor's pursuit of business in this market.
- Modern African conflict is focused in Mali, Niger, Nigeria, Chad, Central African Republic, Sudan, South Sudan, Democratic Republic of Congo, Kenya and Somali. These conflicts are potential areas for acquisition service solutions from Armscor.
- Large emerging African economies represent potential opportunities for provision of products and services to these markets.
- Approximately 70% of the local defence industry's revenue is from the export market, with suppliers relying less and less on the domestic economy.
- The improvement of the quality of corporate governance and accountability will remain high priorities.
- The conduct of peacekeeping missions in the region and assistance to other government departments, as and when required, are likely to remain important components of DOD activities for the foreseeable future.
- Defence technology investment and support for industry will be required to sustain key capabilities.
- There is a need for SANDF to bridge its supply lines and appreciate the varying terrains and climates for its deployments. Armscor must become the knowledgeable partner that proactively supports SANDF with the development or acquisition of equipment to meet variations and complexity in SANDF's operating environment. While there is general acceptance that some level of interoperability is required for greater success with African Union peacekeeping deployments, this has not been translated into common platforms, regionally and continentally. This presents an opportunity for Armscor to assist with its acquisition and technology expertise.
- SANDF is expected to participate in border protection and maritime surveillance. It is expected that technology, agility, early response, and situation management will be key to SANDF's success. Armscor must provide the necessary support, as the repository of SANDF's technology base.
- Armscor needs to align its people capabilities with future needs of SANDF and reorganise its operating structure to meet emerging opportunities and risks.
- Armscor will require new competencies to ensure that it is financially sustainable into the future.

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Figure 12: Sustainable Development Goals



Sustainable Development Goals

- The Heads of State met at the UN Headquarters in New York from 25 to 27 September 2015 to develop the new global Sustainable Development Goals (SDGs) that will build on the current Millennium Development Goals (MDGs). The SDGs is an agenda for a plan of action for people, planet and prosperity as reflected in Figure 12. The SDGs recognise that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development. All countries and stakeholders acting in collaborative partnership will implement the SDGs plan.
- The 17 Sustainable Development Goals (SDGs) and associated 169 targets, which form the SDGs, demonstrate the scale and ambition of this new universal agenda. These SDGs seek to build on the Millennium Development Goals and complete what they did not achieve. These SDGs and targets will stimulate action over the next 15 years in areas of critical importance for humanity and the planet. The SDGs, as published by the Presidency, consist of the following goals:
 - » Goal 1: End poverty in all its forms, everywhere.
 - » Goal 2: End hunger, achieve food security, and improved nutrition, while promoting sustainable agriculture.
 - » Goal 3: Ensure healthy lives and promote well-being for all at all ages.

- » Goal 4: Ensure inclusive and equitable quality education and promote life-long learning opportunities for all.
 - » Goal 5: Achieve gender equality and empower all women and girls.
 - » Goal 6: Ensure availability and sustainable management of water and sanitation for all.
 - » Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all.
 - » Goal 8: Promote inclusive and sustainable economic growth, full and productive employment, and decent work for all.
 - » Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.
 - » Goal 10: Reduce inequality within and among countries.
 - » Goal 11: Make cities and human settlements inclusive, safe, resilient, and sustainable.
 - » Goal 12: Ensure sustainable consumption and production patterns.
 - » Goal 13: Take urgent action to combat climate change and its impacts.
 - » Goal 14: Conserve and sustainably use the oceans, seas, and marine resources for sustainable development.
 - » Goal 15: Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss.
 - » Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels.
 - » Goal 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development.
- Armscor, by virtue of its legislative mandate and inherent defence capabilities, will indirectly support SDG 16. The Corporation aims to “Promote peaceful and inclusive societies for sustainable development,” and “provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels” into the future trajectory of defence. Armscor will also participate in the work established by Stats SA by providing statistics of the SDGs as and when required. Armscor indirectly supports SDG 16 through its mandate and inherent acquisition and procurement capabilities.
 - Armscor, because of its mandate, will indirectly support selected SDGs into the future trajectory of defence. Armscor supports SDG 4 by granting bursaries and donations to schools of previously disadvantaged communities, as well as SDG 5 by adhering to its Employment Equity (EE) Policy, whereby Armscor targets to grant 33 bursaries per year.
 - Corporate governance is enshrined in the King IV Report on Corporate Governance for South Africa. Armscor embraces the principles in this report and continues to strengthen its departmental role and function in the governance, risk, and compliance functions through ethics and integrity.
 - The implementation of the Public Service Integrity Management Framework in all government departments also informs Armscor’s Code of Conduct. The approval and implementation of the Armscor’s Code of Conduct during the 2016/17 Financial Year demonstrates its commitment to the highest ethics and integrity aspirations. Armscor also has the mechanisms, as state below, to facilitate ethical execution of its mandate:
 - » Audit and Risk Committee;
 - » Risk Management Register, which also lists actions to mitigate risks;
 - » regularly conducted internal audits, of divisions and internal controls;
 - » continuous management of issues relating to corruption and fraud, ranging from awareness training to the structured reporting of incidents through the “whistle-blowing” mechanism and other established departmental channels; and
 - » continuously refined organisational financial processes, systems, and policies, with the view to ensure alignment with the Public Finance Management Regulatory Framework, in order to improve service delivery.

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10.2 Armscor's SWOT analysis

In order for the Corporation to cope with the strategic environment and to succeed in its operation, it is important for the strategy to directly or indirectly address issues that arose in its SWOT analysis. At the July 2018 Board of Directors strategic session, the SWOT analysis was revised, and the following was deemed important to take cognisance of:

Table 1: Armscor's SWOT Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Clear mandate is defined in terms of an Act of Parliament • World-class technical expertise in defence, security, and engineering technology areas • International recognition for technical capability • Established governing processes • World-class research and T&E facilities • Established business and quality management systems • Governance record • Powerful relationships at the highest level • A politically palatable entity - rejuvenated and representative • Personnel with pragmatic and entrepreneurial profiles for the incubation of Armscor 	<ul style="list-style-type: none"> • Skills shortage in specialised defence and business areas • Aspiring to a business culture • Lack of resourcing for the South African Defence Review 2015 for the DOD • Sensitive stakeholder environment • Responsiveness and agility, especially when it comes to third-party potential clients • Unwillingness to reinvent and re-organise • Lack of a central focus on turnaround projects • Insufficient sense of urgency • Absence of acknowledgement of "failures" and root cause analysis of reasons
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Providing holistic support to SADI and Security Sectors • Expand existing capabilities to meet emerging demands in target geographies • Leverage internal capabilities and SADI expertise in border management solutions • Position as acquisition agent nationally and internationally • Expand advisory services in acquisition and defence analysis to the African and global markets • Financial brokering of defence contracts • Powerful relationships at the highest level 	<ul style="list-style-type: none"> • Denel's sustainability and current performance on defence contracts • Inadequate information and communication technologies • Insufficient funds to sustain facilities • Industry performance • Potential reputational risk on new opportunity, third-party potential clients • Lack of understanding of Armscor's role in SADI • Sweating the Assets/Turnaround ideas are being overtaken by developments • Reduction in the DOD budget allocation and the postponement of non-contracted DOD projects to the next MTSF

11. Minister of Defence and Military Veterans Priorities for 2019/20 Financial Year

Armcor fully supports the MOD&MV priorities, as established in the South African Defence Review 2015, being:

- Defence Strategic Direction;
- Strategic Resourcing Direction;
- Organisational Renewal Direction;
- Human Resources (HR) Renewal Direction;
- Capability Sustainment Direction; and
- Ordered Defence Commitments Direction.

Armcor will, in terms of the Service Level Agreement (SLA) with the DOD, play a supporting role in contributing to the following MOD&MV priorities:

- **Defence Strategic Direction:** This priority relates to ensuring the provision of ministerial strategic direction to the DOD over the short, medium, and long term. The following evolving end-states will, among others, be pursued in support of this MOD&MV priority:
 - » Defence command and governance accountability relationships clarified in policy;
 - » strategic communication direction provided to inform the conceptualisation and rollout across all levels of command, such as a departmental communication intervention; and
 - » strategic direction provided to guide the implementation of the South African Defence Review 2015 (Milestone 1).
- **Strategic Resourcing Direction:** This priority relates to directing the developing of an appropriate Defence Funding Model, thereby ensuring the adequate resourcing of the defence function over multiple MTSF periods, aligned with prevailing defence policy. The direction provided to guide the development of a Defence Funding Model will, among others, be pursued in support of this MOD&MV priority.
- **Capability Sustainment Direction:** This priority relates to reviewing the defence direction of SADI, technology developments, and directing defence acquisition in line with the four milestones of the South African Defence Review 2015. In support of this MOD&MV priority, these evolving end-states will, among others, be pursued:
 - » Defence capability sustainment and renewal;
 - » Defence facilities maintenance;
 - » SADI engagement; and
 - » development and maintenance of strategic reserves.

The increasing need of the DOD for specialised services are having a substantial influence on Armcor's strategic direction, which also has the imperative that Armcor's human capital base be continually reviewed as a priority to ensure the emergence of a rejuvenated, dependable, technical human capital base. This is also important in order for Armcor to have the required capability to support the selected upgrading of equipment programmes.



12. Organisational Environment

12.1 The Board of Directors

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

- to act as a tender board; and
- to act as a corporate governance board.

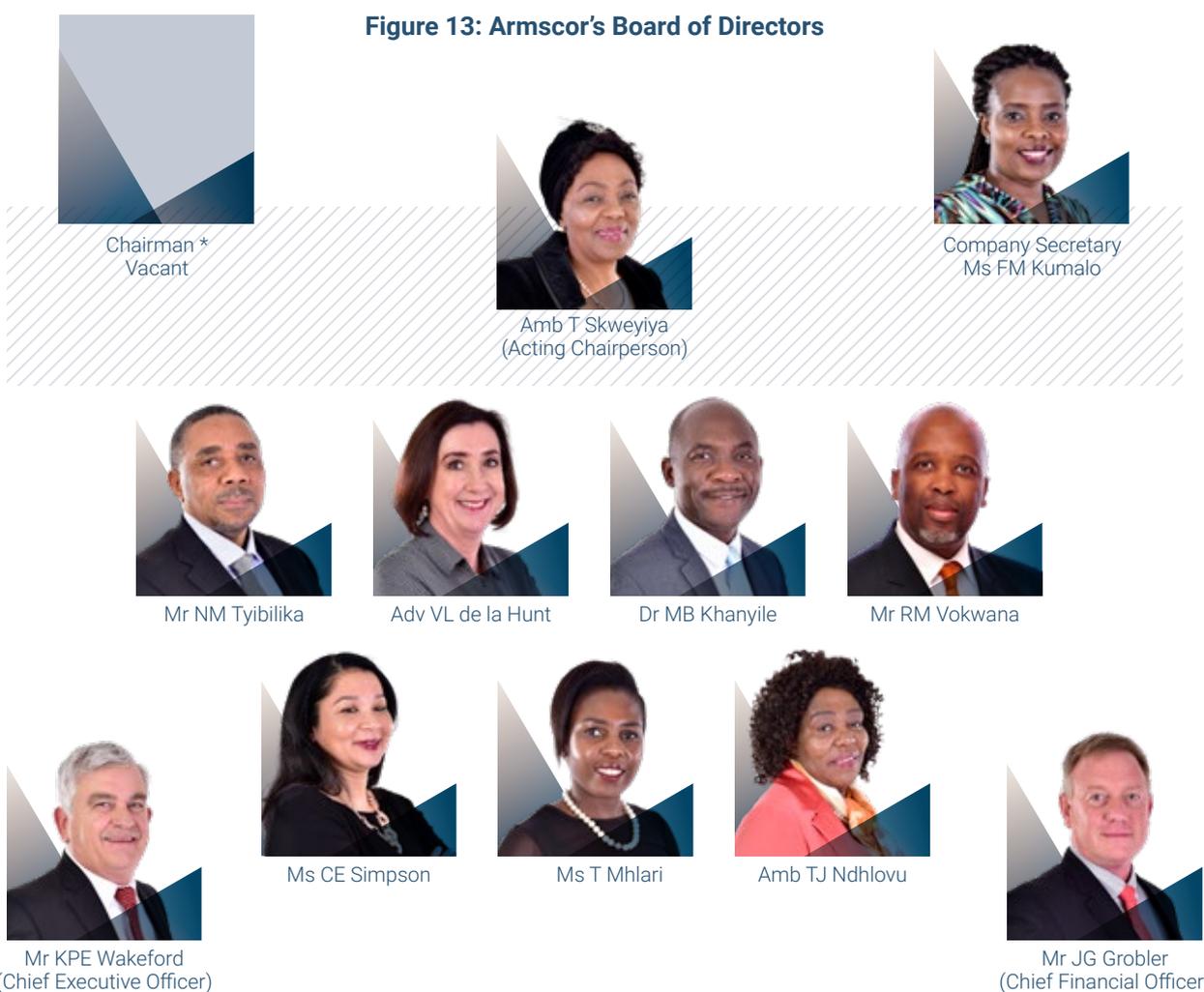
The management and control of Armcor resides with the Board of Directors, led by a non-executive chairperson and a deputy chairperson. To execute its responsibilities effectively and maintain accountability, the Board established a number of committees:

- the Acquisition Committee;
- the Audit and Risk Committee;

- the Technology and Industry Support Committee; and
- the Human Resources, Social, and Ethics Committee.

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

Figure 13 represents Armcor's current Board of Directors and an abridged curriculum vitae of each Board member is attached as Annexure B.



* The Chairman Vice Admiral (Ret) R.J. Mudimu has resigned from Armcor with effect from 1 October 2018.

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12.2 Executive Committee

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

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

Based on the outcome of Turnaround Planning Phase (Phase 1), it was proposed that the structure be amended and aligned to the new Armscor Strategy. This new organisational structure was approved at the Board of Directors' meeting in July 2017 and implemented with immediate effect.

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

The Business Units are as follows:

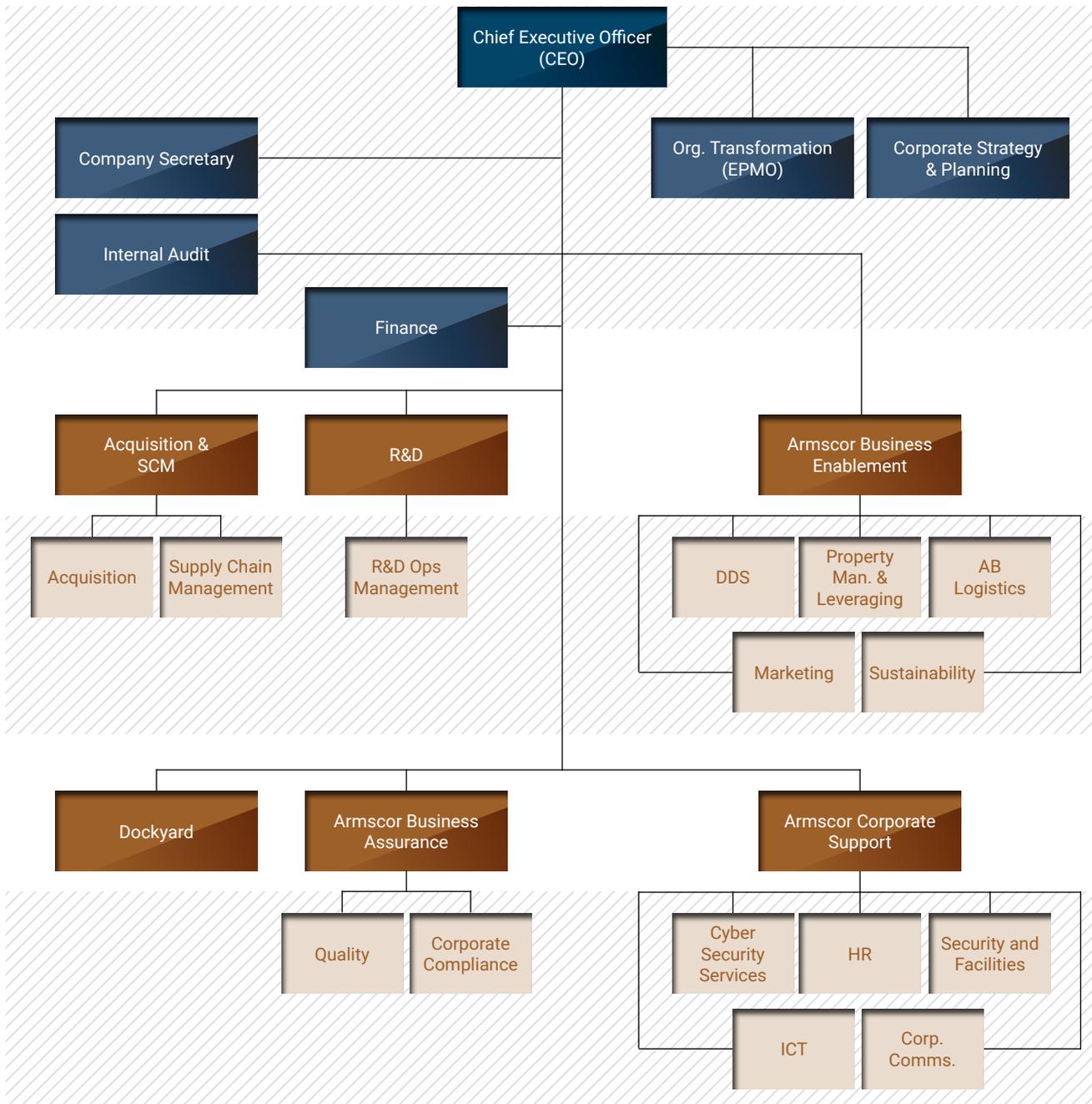
- Acquisition & SCM;
- R&D;
- Finance;
- Corporate Support;
- Business Assurance;
- Business Enablement; and
- Armscor Dockyard.

Business Units are divided into departments or facility-unit levels. It is, therefore, Armscor's policy to minimise levels of management in the Corporation and to provide for broad bands in its personnel categories. Figure 14 represents Armscor's organisational and reporting structure.

12.3 Armscor Schedule 2 Public Entity.

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

Figure 14: Armscor's Organisational Structure



12.4 Armscor's resources

Armscor derives its income from the following sources:

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

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

- » Primary services:
 - a. acquisition of Category 1 Defence matériel, facilities, and services, including the management of all technology development and retention projects for the DOD;
 - b. procurement of Category 1 Defence matériel, facilities, and services, in accordance with the operational requirements of the DOD;
 - c. acquisition and procurement of Category 2 matériel, as specifically tasked by the DOD (provided for in the Armscor Act);
 - d. provision of Product System Management Support services, as tasked and reflected in the appropriate requirement plans of the services of SANDF;
 - e. quality management related to the primary functions;
 - f. management and monitoring of the DIP programmes in order to maintain a defence industrial base, focused on strategically essential technologies, capacities, and capabilities;
 - g. administration and assurance of Arms Control Compliance requirements for Category 1 matériel acquisition, procurement, and Product System Management Support;
 - h. disposal of excess, forfeited, redundant, or surplus Defence materiel, in consultation with the DOD and the relevant industries;
 - i. support and maintenance of such strategically essential defence industrial capabilities, resources, and technologies, as may be directed by the DOD;
 - j. maintenance of such special capabilities and facilities as Armscor may regard as not being commercially viable, but which may be required by the DOD for security or strategic reasons, currently as follows:
 - i. The Gerotek Test Facilities – vehicle and component testing;
 - ii. Armour Development – R&D to maintain and advance armour protection technologies;
 - iii. Fluid and Mechanical Engineering group (Flamengro) – maintaining a minimum sustainable level of capability in the numerical simulation of fluid dynamics and structures for artillery systems;
 - iv. Alkantpan Test Range – ballistic testing;
 - v. Institute for Maritime Technology (IMT) – maritime research;
 - vi. Protechnik Laboratories – chemical and biological defence research;
 - vii. Ergonomics Technologies (Ergotek) – ergonomics research;
 - viii. Hazmat – impregnation of activated carbon and manufacturing respiratory products; and
 - ix. Defence Decision Support Institute (DDSI) – delivers decision support, operational research, defence analysis, capability analysis, systems engineering analysis, and products system management support to the DOD.
 - k. management of the capabilities mentioned in h) and i) above;
 - l. development and implementation of export support services and mechanisms, which will promote and benefit the South African Government and SADI, managed by means of a partnership between the DOD, Armscor, and the Aerospace, Maritime and Defence Industries Association (AMD), who meet on a regular basis in structured forums;
 - m. provision of defence operational research; and
 - n. provision of the Defence Matériel Tender Board functions and associated Procurement Secretariat.

12.

» Support services:

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

- a. financial management related to the primary and other functions;
- b. provide legal services relating to the primary functions;
- c. industrial and project security;
- d. configuration management services related to the primary functions;
- e. management of project assets;
- f. management of IP acquired in the course of rendering services to the DOD; and
- g. the rendering of freight forwarding services.

» Corporate functions:

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

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

12.5 Manpower resources provided for the 2019/2020 Financial Year (Table 2):

Table 2: Armscor's Manpower Resources

Armscor Group	Total Permanent Employees	Total Contract Employees (excl. TDPs)	Talent Development Programme (TDP)	Total Employees
Armscor (including R&D)	1 046	50	43	1 139
Armscor Dockyard	439	87	2	528
TOTAL	1 485	137	45	1 667

SECTION 01

13. Armscor's Strategic Priorities

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

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

13.2 Armscor's key strategic initiatives:

Armscor's key strategic initiatives, as reviewed, and programmes are set out under each of the Corporation's four strategic objectives, as reflected in Table 3.

13.2.1 Strategic priorities:

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

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

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

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

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

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

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

Phase 2 of the turnaround is driven internally by Armscor staff. The turnaround objectives, key focus areas, and current turnaround initiatives are reflected in Figures 15 and 16.

13.

13.3 The main focus areas of Armscor are:

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

Figure 15: Turnaround Objectives

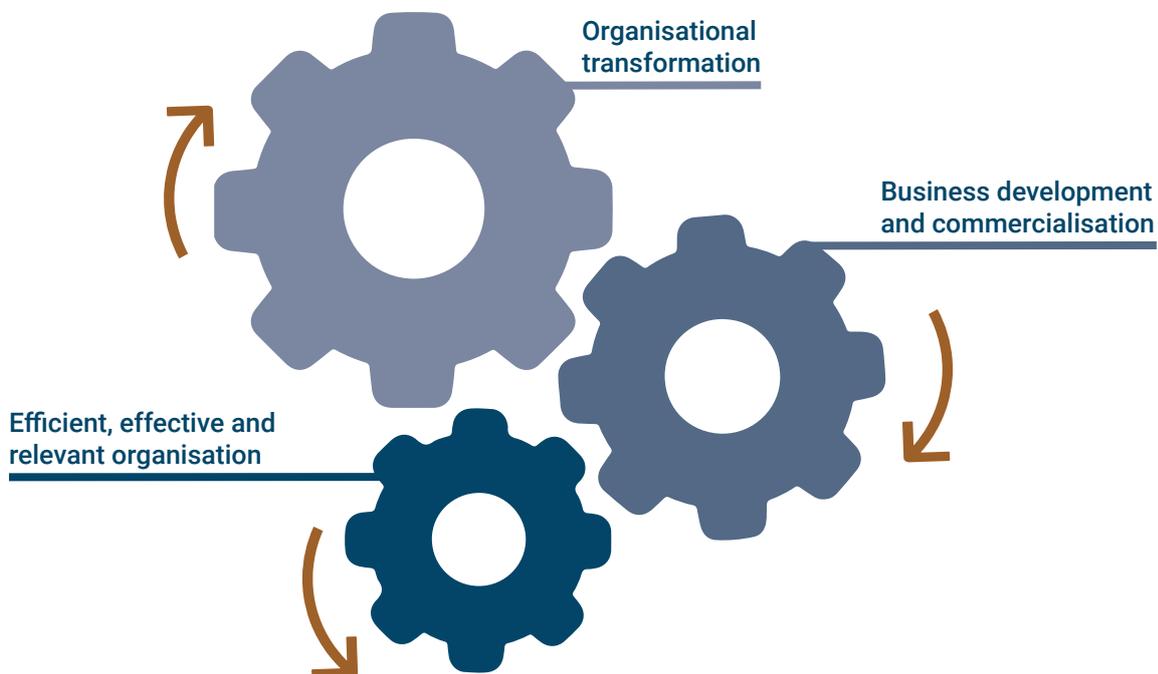
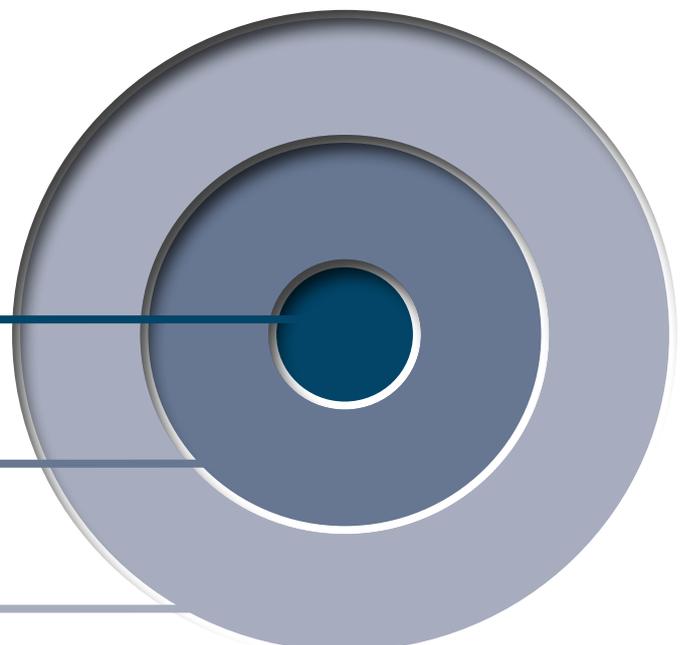


Figure 16: Key Focus Areas

Organisational Transformation for efficiency and effectiveness of the Turnaround Strategy

Business development and commercialisation for financial sustainability, support of national objectives and support of industry

National, Continental, Global Growth and expansion of Armscor services in support of its mandate



SECTION 01

13.4 Categories of Performance Indicators

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

13.5 Armcor's Strategic Objectives:

In order to best achieve the Armcor Strategy, Armcor reviewed its Strategic Objectives as stated in the 2017 Corporate Plan and aligned them to the following four strategic objectives as laid out in the table below:

Table 3: The Four Strategic Objectives

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

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

Table 4: Armcor's Strategic Objectives

Strategic Objective 1: Revenue Generation

Strategic initiative		Objective			Target
1.1	Generate additional realisable revenue	Generate additional income from existing and new sources			31 March 2020
Measurement of success:		Current year	Estimate medium-term targets		
		2018/19	2019/20	2020/21	2021/22
1.1.1	Group Revenue (transfer payment, other income, and finance income)	R1 383,9m	R1 338,5m	R1 406,1m	R1 477m
1.1.2	Increase income, including commercial income, from the existing facilities of Armcor R&D (baseline based on the planned figure for 2017/18)	5% (R139 849 187) <i>(Baseline based on planned figure of 2017/18)</i>	N/A	N/A	N/A
1.1.3	Revenue from existing facilities of Armcor R&D	N/A	R385 113 130	5% increase on baseline based on planned figure of 2019/20	5% increase on baseline based on planned figure of 2020/21
1.1.4	Revenue generated from the Business Enablement Business Unit	R110,2m	R85,2m	R140,3m	R100m

Quarterly Performance Targets

Measurement of success:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		2019/20	1 st	2 nd	3 rd	4 th
1.1.1	Group Revenue (transfer payment, other income, and finance income)	R1 338,5m	R315m	R334m	R315m	R374m
1.1.2	Increase income, including commercial income, from the existing facilities of Armscor R&D (baseline based on the planned figure for 2017/18)	N/A	-	-	-	-
1.1.3	Revenue from existing facilities of Armscor R&D	R385,1m	R71,8m	R94,2m	R94,5m	R124,6
1.1.4	Revenue generated from the Business Enablement Business Unit	R85,2m	-	-	-	R85,2m

- 1.1.3 is not reflecting only commercial income. It reflects total income generated (including DOD income but excluding the Primary Transfer Payment)
- Due to the reduction in income, R&D is not able to maintain the total revenue of 2018/19 for the 2019/20 Financial Year
- The total budgeted income for the 2019/20 Financial Year is R385 113 130

Strategic Objective 2: Cost Management

Strategic initiative		Objective	Target		
2.1	Strategic maintenance and reduction of capital and operating costs	Reduce Group costs, including finance, capital, and operating costs, to ensure zero financial deficit	31 March 2020		
Measurement of success:		Current year	Estimate medium-term targets		
		2018/19	2019/20	2020/21	2021/22
2.1.1	Improve net financial position (2018/19 Financial Year – deficit of R25,5m)	Break even	Break even	R15m	R27m

Quarterly Performance Targets

Measurement of success:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		2019/20	1 st	2 nd	3 rd	4 th
2.1.1	Improve net financial position (2017/18 financial year – deficit of R25,5m)	Break even	-	-	-	Break even

SECTION 01

Strategic Objective 3: Efficient and Effective Delivery

Strategic initiative		Objective	Target		
3.1	Effective Technology and IP Management	<ul style="list-style-type: none"> Participate and execute the Technology Development Master Plan, conduct research to sustain and grow defence technology base, and maintain and sustain strategic test capabilities Effective management of IP-related technologies 	31 March 2020		
			31 March 2020		
3.2	Infrastructure Renewal	<ul style="list-style-type: none"> Renew application systems to improve effectiveness and efficiency Investigate and implement e-procurement Improve Information Security 	31 March 2020		
			31 March 2020		
			31 March 2020		
Measurement of success:		Current year	Estimate medium-term targets		
		2018/19	2019/20	2020/21	2021/22
3.1.1	Development and Test Services: Percentage compliance with Technology Development Master Plan, in accordance with SLA between Armcor and DOD	90%	90%	90%	90%
3.1.2	Completion of IP requests in terms of Armcor process	80%	80%	80%	80%
3.1.3	Maintain a complete and comprehensive IP register, which ensures the maintenance of an unqualified audit opinion, in respect of Armcor and DOD Intangible Capital Assets under Armcor's management	31 March 2019	31 March 2020	31 March 2021	31 March 2022
3.2.1	Renew application systems to improve effectiveness and efficiency:	N/A	30 April 2019	N/A	N/A
	<ul style="list-style-type: none"> Obtain approval of the new Enterprise Resource Planning (ERP) implementation plan from the Board of Directors 				
	<ul style="list-style-type: none"> Implementation of the approved application system renewal plan 	N/A	80%	80%	80%
	<ul style="list-style-type: none"> Development of SCM 	31 March 2019	N/A	N/A	N/A
3.2.2	<ul style="list-style-type: none"> Development of SCM (e-procurement, and commercial/military off-the-shelf procurement), dependant on SCM solution 	N/A	31 March 2020	N/A	N/A
	Improve Information Security:	30 June 2018	N/A	N/A	N/A
	<ul style="list-style-type: none"> Finalise data leakage solution 				
	<ul style="list-style-type: none"> Implement Information Technology (IT) security operations centre 	30 June 2018	N/A	N/A	N/A
	<ul style="list-style-type: none"> Approval of the IT security architecture plan 	N/A	31 March 2020	N/A	N/A
	<ul style="list-style-type: none"> 80% Implementation of the approved security architecture plan 	N/A	N/A	N/A	30 June 2021

Quarterly Performance Targets

Measurement of success:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)							
		2019/20	1 st	2 nd	3 rd	4 th				
3.1.1	Development and Test Services: Percentage compliance with Technology Development Master Plan, in accordance with SLA between Armscor and DOD	90%	-	-	-	90%				
3.1.2	Completion of IP requests in terms of Armscor process	80%	-	-	-	80%				
3.1.3	Maintain a complete and comprehensive IP register, which ensures the maintenance of an unqualified audit opinion, in respect of Armscor and DOD Intangible Capital Assets under Armscor's management	31 March 2020	-	-	-	31 March 2020				
3.2.1	Renew application systems to improve effectiveness and efficiency	30 April 2019	30 April 2019	-	-	-				
	• Obtain approval of the new ERP implementation plan from the Board of Directors									
	• Implementation of the approved application system renewal plan						80%	-	-	80%
	• Development of SCM						N/A	-	-	-
	• Development of SCM (e-procurement, and commercial/military off-the-shelf procurement), dependant on SCM solution	31 March 2020	-	-	-	-				
3.2.2	Improve Information Security:	N/A	-	-	-	-				
	• Finalise data leakage solution									
	• Implement Information Technology (IT) security operations centre									
	• Approval of the IT security architecture plan						31 March 2020	-	-	-
	• 80% Implementation of the approved security architecture plan	N/A	-	-	-	-				

SECTION 01

Strategic Objective 4: Stakeholder Management

Strategic initiative		Objective	Target		
4.1	Stakeholder Engagement Strategy	Armcor endeavour to build, maintain, and strengthen relationships with all its stakeholders.	31 March 2020		
4.2	Transformation of Corporation	Transformation of the Corporation, in accordance with the EE Act, to reflect the community it represents by implementing and monitoring the Armcor EE Plan.	31 March 2020		
Measurement of success:		Current year	Estimate medium-term targets		
		2018/19	2019/20	2020/21	2021/22
4.1.1	Implement approved Stakeholder Engagement Strategy	31 March 2019	31 March 2020	31 March 2021	31 March 2022
4.1.2	Stakeholder Satisfaction Improvement Survey (conducted every second year)	31 March 2019 (2% improvement)	N/A	31 March 2021 (2% improvement)	N/A
4.1.3	Conduct integrated employee engagement survey and determine new baseline (2020)	1,5% improvement	New baseline	% improvement to be determined	% improvement to be determined
4.2.1	Achievement of approved Equity Plan that is directed towards: <ul style="list-style-type: none"> increasing black representation, and improving female representation (overall) 	72%	78%	78%	80%
		37%	40%	40%	40%
4.2.2	Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4,5%)	<4,5%	<4,5%	<4,5%	<4,5%
4.2.3	Skills Development Programme: <ul style="list-style-type: none"> Provision of bursaries for full-time studies (number) 	33	33	33	33
	<ul style="list-style-type: none"> Appointment and development of employees' Talent Development Programme (number of employees in programme) 	40	40	40	40
4.2.4	Succession Planning Development: Percentage compliance with Succession Planning Development (key identified positions)	80%	80%	80%	80%
4.2.5	Total number of people with disabilities	22	25	28	28

Quarterly Performance Targets

Measurement of success:		Annual Target	Quarterly Targets (Progress reported quarterly and final progress is reported annually)			
		2019/20	1 st	2 nd	3 rd	4 th
4.1.1	Implement approved Stakeholder Engagement Strategy	31 March 2020	-	-	-	31 March 2020
4.1.2	Stakeholder Satisfaction Improvement Survey (conducted every second year)	N/A	-	-	-	-
4.1.3	Conduct integrated employee engagement survey and determine new baseline (2020)	New baseline	-	-	-	New baseline
4.2.1	Achievement of approved Equity Plan that is directed towards:					
	<ul style="list-style-type: none"> increasing black representation, and improving female representation (overall) 	78%	-	-	-	78%
		40%	-	-	-	40%
4.2.2	Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4,5%)	<4,5%	-	-	-	<4,5%
4.2.3	Skills Development Programme:					
	<ul style="list-style-type: none"> Provision of bursaries for full-time studies (number) 	33	-	-	-	33
	<ul style="list-style-type: none"> Appointment and development of employees' Talent Development Programme (number of employees in programme) 	40	-	-	-	40
4.2.4	Succession Planning Development:					
	<ul style="list-style-type: none"> Percentage compliance with Succession Planning Development (key identified positions) 	80%	-	-	-	80%
4.2.5	Total number of people with disabilities	25	-	-	-	25

SECTION 01

14. Armscor's Business Standards

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

15. Armscor's Critical Success Factors

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

15.1 Funding:

The external environmental scan reflected a decline in SA defence budget. This is also reflected in the decline in the economic outlook for South Africa over the medium-term, which has resulted in the significant funding reductions over this period. Although Armscor strives to supplement its current funding model through commercial endeavours, the risk of funding is beyond the direct control of the Corporation, is acknowledged.

15.2 Effective Information and Physical Security:

- Cyber security threats: Cyber security remains a major risk for the Corporation, as it does for the world. Armscor will work in conjunction with Defence Intelligence to strengthen its capability to mitigate the risks related to cyber security.
- Leakage of information: Leakage of information by personnel is a risk to the Corporation and will be managed by awareness, ethics, and other related actions, as deemed necessary.
- Physical security: The physical environment in which Armscor operates requires secure facilities, therefore, it is imperative that all requisite actions are taken to safeguard these environments.

15.3 Effective ICT Systems:

The ICT systems in Armscor are outdated and affect the productivity of the Corporation. Reduction in funding has affected strategic imperatives to address the issue, and due to continued reduction in funding, the full realisation of these imperatives is still under threat.

15.4 Effective stakeholder engagement:

Effective stakeholder engagement is essential to the success of the strategy, as a number of strategic imperatives require stakeholder support.

02

SECTION

PROGRAMME AND SUB-PROGRAMME PLANS



SECTION 02

16. Armscor's Service Delivery Indicators ¹

The SLA between Armscor and the DOD specifies targets to be aimed for:

16.1 Acquisition activities (Goal 1 and 2)

The outputs are defined as follows:

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

16.2 Goal 3 – Schedule Placement

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

16.3 Goal 4 – Management of DIP

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

16.4 Goal 5 – Management and execution of defence technology, research, and T&E requirements of the DOD

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

16.5 Goal 6 – Performance against mandate

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

¹ Aligned to National Treasury Regulations for Public Entities Schedule 2, with a three-year focus.

Table 5: Armscor's Service Delivery Indicators**GOAL 1: CAT 1 CAPITAL DEFENCE MATÉRIEL ACQUISITION, EXCLUDING STRATEGIC DEFENCE ACQUISITION, INCLUDING TECHNOLOGY ACQUISITION**

Key performance indicator	Programme/ Objective/ Activity	Audited/actual performance			Current year	Medium-term targets		
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
1.1 Percentage of DOD capital requirements converted into orders placed, including: <ul style="list-style-type: none"> • receipt of requirement, • assessment and confirmation of requirement, • submission of a top-level project schedule (Planning Document) to DMD within 14 working days, • initiation of sourcing solution, and • approval and placement of order <p>(Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD)</p>	Service Level Agreement	98,04%	100%	99,99%	95%	95%	95%	95%
1.2 Execution of contracts as measured through actual cash flow on DOD orders placed <p>(Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD)</p>	Service Level Agreement	98,77%	98,93%	99,50%	95%	95%	95%	95%

SECTION 02

GOAL 2: SYSTEM SUPPORT ACQUISITION AND PROCUREMENT

Key performance indicator	Programme/ Objective/ Activity	Audited/actual performance			Current year	Medium-term targets		
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
2.1 Percentage of DOD system support and procurement requirements converted into orders placed including: <ul style="list-style-type: none"> • receipt of requirement, • assessment and confirmation of requirement, • submission of a top-level project schedule (Planning Document) to DMD within 10 working days, • initiation of sourcing solution, and • approval and placement of order (Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD)	Service Level Agreement	99,16%	99,90%	99,49%	95%	95%	95%	95%
2.2 Execution of contracts as measured through actual cash flow on DOD orders placed (Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armcor's control. Any adjustment deemed to be beyond Armcor's control that is due to the user or the DOD will be done with the consent of the DOD)	Service Level Agreement	94,51%	101,77%	98,71%	95%	95%	95%	95%

SECTION 02

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

Key performance indicator	Programme/ Objective/ Activity	Audited/actual performance			Current year	Medium-term targets		
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
5 Percentage of execution of technology requirements (R&D to achieve contractual milestones/deliveries as per agreed MoA and orders received for the financial year)	Service Level Agreement	99,6%	96,67%	97,17%	95%	95%	95%	95%

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

Key performance indicator	Programme/ Objective/ Activity	Audited/actual performance			Current year	Medium-term targets		
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
6.1 Percentage of contractual milestones executed (Adherence to project contractual milestones planned dates as approved in project plan)	Service Level Agreement	97,35%	95,20%	93,60%	90%	90%	90%	90%
6.2 Percentage of compliance to project finance (Manage project finances in accordance with approved financial authorities and cash-flow plan)	Service Level Agreement	98,65%	97,10%	94,84%	90%	90%	90%	90%
6.3 Percentage of ancillary services executed (Provision of ancillary services as defined by South African Navy (power generation station, air supply, water supply, carnage support requirements, etc.) as per Dockyard funded business plan)	Service Level Agreement	100%	100%	100%	95%	95%	95%	95%

Key performance indicator	Programme/ Objective/ Activity	Audited/actual performance			Current year	Medium-term targets		
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
6.4 Percentage of training requests executed (Training provided in accordance with the plan and requirements submitted by South African Navy during the reporting period)	Service Level Agreement	100%	100%	100%	90%	90%	90%	90%
6.5 Percentage compliance with quarterly report timelines (Supply quarterly reports to Fleet Officer Flag that addresses project performance status, financial statements, risks with mitigating plans, capabilities, facilities, ancillary services status reporting, etc., as per reporting timeline schedule)	Service Level Agreement	100%	100%	100%	90%	90%	90%	90%

/03

SECTION

LINKS TO OTHER PLANS



17. Public-Private Partnerships

17.1 It is envisaged that Armscor will not enter into any Public-Private Partnerships for the 2019/20 Financial Year.

18. Risk Management And Fraud Prevention

18.1 An integrated process for risk management and fraud prevention has been implemented in Armscor and the execution of risk management and fraud prevention is an on-going process. To this end, the various levels within the Corporation participate and report to the Executive Committee, which is responsible for ensuring that all risks, both internal and external, are effectively managed.

18.2 The Executive Committee reports to the Audit and Risk Committee of the Board of Directors on progress made with the management of existing risks and the identification of new risks. The Audit and Risk Committee evaluates the progress reports and makes the necessary recommendations and comments to Armscor's Board of Directors.

18.3 Armscor's Board of Directors is ultimately accountable for risk management and fraud prevention in the Corporation. Armscor's fraud prevention is based on the following principles (the Procedure detailing actions is available on request):

- control measures to prevent fraud;
- fraud detection and subsequent investigation;
- maintenance of implemented fraud prevention measures; and
- whistle-blowing procedures.

18.4 Armscor's Risk Management Report comprises of nine identified corporate risks. Although a summarised version is set out in Table 6, a detailed report is available and will be made available to those authorised entities that wish to have insight into it.

18.5 The identified corporate risks are as follows:

- Risk 1: Financial sustainability of Armscor and loss of capabilities due to a reduction in the transfer payment and other DOD funding.
- Risk 2: Inability to effectively and efficiently execute strategic and operational objectives due to non-supportive IT systems.
- Risk 3: Non-payment of monies owed by DOD and Department of Public Works (DPW) resulting in Armscor incurring losses.
- Risk 4: Non-performance by contractors, which impacts on the operational readiness of the client, as well as cash flow.
- Risk 5: Vulnerability to counter intelligence threats resulting in the compromise of security classified information.
- Risk 6: Data breach - Security threats that compromise availability, confidentiality and integrity of services, which may cause reputational damage.
- Risk 7: Deterioration of systems in the HQ building due to aged infrastructure, which may lead to impact on operations and health and safety of employees.
- Risk 8: Non-compliance with SHE statutory and regulatory requirements resulting in inability to deliver on the mandate.
- Risk 9: Unavailability of IT systems, which may result in the Corporation being unable to operate.

SECTION 03

Table 6: Risk responses

No	Corporate risk	Mitigating actions
1.	Financial sustainability of Armscor and loss of capabilities due to a reduction in the transfer payment and other DOD funding.	<ul style="list-style-type: none"> a. Implement cost cutting measures: <ul style="list-style-type: none"> i. Strict monitoring of spending. ii. Moratorium on vacancies. b. Commercialisation of business through: <ul style="list-style-type: none"> i. Development of fact sheets for each initiative. ii. Development and monitoring of a plan for each initiative. c. Implement the Business Remodelling Process. (30 June 2019) d. Implement the short-term Dockyard renewal plan. (31 March 2020)
2.	Inability to effectively and efficiently execute strategic and operational objectives due to non-supportive IT systems.	<ul style="list-style-type: none"> a. Issuance of a Request for Information (RFI) to test the market for possible Enterprise Resource Plan (ERP) solutions and pricing thereof. b. Issuance of a Request for Bid (RFB). (31 March 2019) c. Board approval of the service provider. (30 June 2019) d. An interim arrangement with the current service provider will be negotiated before the end of the expiry period. (30 September 2019)
3.	Non-payment of monies owed by DOD and DPW resulting in Armscor incurring losses.	<ul style="list-style-type: none"> a. Armscor will seek assistance and guidance from National Treasury to recover the money from DPW. (30 August 2019) b. The issue of the long outstanding DOD amount in respect of a separate rental agreement, will again be raised at Ministerial level and DOD structures. (30 August 2019) c. Conclusion of new rental agreement between DPW and Armscor. (Ongoing)
4.	Non-performance by contractors, which impacts on the operational readiness of the client, as well as cash flow.	<ul style="list-style-type: none"> a. Influence client with decision making during the User Requirements Review (URR) and negotiate with the client for realistic project timelines. (Ongoing) b. Perform benchmarking exercise on development projects. (Ongoing) c. Implement a new process on supplier capability/performance assessment. (Ongoing)
5.	Vulnerability to counter intelligence threats resulting in the compromise of security classified information.	<ul style="list-style-type: none"> a. Appointment of freelancers. (30 September 2019) b. Engage Chief of Defence Counter Intelligence (CDCI) with regards to the delays in the adjudication process and inform EXCO on the outcome. (Ongoing) c. Monitoring of Limited Access Authority (LAA) process of dual/foreign citizens. (Ongoing) d. Implement information security awareness sessions. (31 March 2020)

No	Corporate risk	Mitigating actions
6.	Data breach-security threats that compromise availability, confidentiality and integrity of services, which may cause reputational damage.	<ul style="list-style-type: none"> a. Implementation of secure technology. (31 March 2021) b. Integration of technologies at the Security Operations Centre. (31 March 2020) c. Set up cyber security centre for Armscor. d. Assist the DOD to set up a Cyber Command Centre. (31 March 2020) e. Develop and implement cyber security training programs for various levels. (Ongoing)
7.	Deterioration of systems in the HQ building due to aged infrastructure, which may lead to impact on operations, and health and safety of employees.	<ul style="list-style-type: none"> a. Implementation of the five years facilities management plan: (31 March 2020) <p>The following are priority areas:</p> <ul style="list-style-type: none"> i. Roof waterproofing. ii. Gondolas (cage and ropes). iii. Air-conditioning system. iv. Lifts (replacement of controllers). v. Access Control Systems.
8.	Non-compliance with SHE statutory and regulatory requirements resulting in inability to deliver on the mandate.	<ul style="list-style-type: none"> a. Conduct audit, as well as quarterly reviews as per the approved SHE audit plan: (31 March 2020) <ul style="list-style-type: none"> i. Conduct planned annual SHE legal compliance reports. ii. Monitor the implementation of corrective actions. (2018 – 2019) b. Maintain ISO SHE certification (31 March 2020) <ul style="list-style-type: none"> i. Recertification of ISO standards every three years. ii. Bi-annual surveillance of ISO certificates. c. Develop and implement SHE Awareness and Training Plan. (31 March 2020)
9.	Unavailability of IT systems, which may result in the Corporation being unable to operate.	<ul style="list-style-type: none"> a. Conduct annual mainframe: DR test. (30 November 2019) b. Obtain DR plan approval. c. Conduct annual open systems: DR tests. (31 March 2019) d. Update Disaster Recovery Plan (DRP) with post-test information. (30 June 2019) e. Ensure ISP services contract is in place with SLAs and ISP security prescriptions. (30 April 2019)

19. Armscor's Materiality and Significance Framework

19.1 Introduction

- In terms of Regulation 28.3 of the Treasury Regulations, the accounting authority must develop and agree on a framework of acceptable levels of materiality and significance with the executive authority. The framework adopted for purposes of materiality and significance by Armscor and its subsidiaries, in compliance with the relevant sections of PFMA, follows:
- The materiality and significance framework implies recognition by the regulator that materiality and significance may differ from one entity to another. It also affords each public entity the opportunity to negotiate levels of materiality and significance with its respective executive authorities.
- The sections of PFMA mentioned in Regulation 28.1.6 deal with specific issues of disclosure to the executive authority, in the annual report and financial statements, as well as approval of certain transactions.
- It is apparent that certain parts of Section 50(1) and all of Section 66(1) might not be relevant for the purposes of this framework. The framework is, therefore, developed to define material facts for the purposes of Section 50(1)(c), material losses through criminal conduct, and any irregular, fruitless, and wasteful expenditure for the purposes of Section 55(2)(b)(ii), as well as significance for the purposes of Section 54(2).
- Materiality is defined in the framework for the preparation and presentation of financial statements (International Accounting Standards Board framework), as well as in the General Auditing Standards (ISA320) as follows:
 - » "Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstance of its omission or misstatement. Thus, materiality provides the threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."
- Significance may contain elements of quantitative materiality, but it may require more qualitative considerations, which, in turn, requires professional judgment and particular actions within the context of Armscor's business.

19.2 Framework

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

- **Materiality**
 - » Material facts:

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

Armscor defines material facts that will be disclosed as:

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

These activities include, but are not restricted to:

- a. corruption perpetrated by members of the accounting authority;
 - b. mismanagement by members of the Board of Directors; and
 - c. any problem/discrepancy experienced with the South African Defence-related industry that may impact negatively on SANDF.
- » Material losses and irregular, fruitless, and wasteful expenditure
In terms of Section 55(2)(b) of PFMA, the annual report and financial statements of Armscor must include particulars of material losses through criminal conduct, as well as any irregular, fruitless, and wasteful expenditure.

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

- **Significance**

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

- » Section 54(2)(a) – Any establishment or participation in the establishment of a company

Any transaction of this nature that causes any interest (equity or loans) to be taken by Armscor in the company to be established will be submitted for the approval of the executive authority, irrespective of its materiality or significance.

- » Section 54(2)(b) – Participation in a significant partnership, trust, unincorporated joint venture, or similar arrangement

Significance, in this context, will be if the participation (initial or future) exceeds a rand amount calculated as the lesser of 2% of Armscor's total assets or 1% of the total revenue. However, participation in any partnership, trust, unincorporated joint venture, or similar arrangement that is located outside the Republic of South Africa is to be regarded as significant, thus necessitating approval.

- » Section 54(2)(c) – Acquisition or disposal of a significant shareholding in a company

(In terms of Section 21(1) of the Armscor Act, No 51 of 2003, Armscor may only form wholly owned subsidiaries.) Any transaction of this nature is regarded as significant, thus necessitating approval.

- » Section 54(2)(d) – Acquisition or disposal of a significant asset (excluding items addressed under sections 54(2)(b), (c) and (f))

The value of a significant asset (excluding current assets) is determined as a rand amount exceeding an amount determined as 2% of Armscor's total assets (based on previous year's audited figures). Assets classified as current assets according to generally accepted accounting practices will not be regarded as falling under this subsection.

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- » Section 54(2)(e) – Commencement or cessation of a significant business activity
 - Significance in this context refers to a business activity that falls outside Armscor’s core business (functions as defined in the Armscor Act) or exceeding a rand amount as determined by the lesser of 2% of the total assets or 1% of the total revenue in the case of subsidiaries.
 - The cessation of any business activity that is regarded as strategically important to SANDF is regarded as significant.
 - A business activity that falls within Armscor’s core business is not regarded as falling under this subsection.

- » Section 54(2)(f) – A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture, or similar arrangement

Significance in this context refers to:

- any change in interest in the rand value that exceeds the rand amount determined by the lesser of 2% of Armscor’s total assets or 1% of the total revenue, as well as if the significance of change was originally regarded as significant;
- change in the nature of any of the vehicles (i.e. between a partnership, trust, unincorporated joint venture, or similar arrangement); or
- any transaction that results in a cumulative interest of at least 20% in the vehicle (partnership, trust, unincorporated joint venture, or similar arrangement).

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

20. Financial Plan

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

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

- » Revenue

The plan reflects an increase in revenue with the main source of revenue still being the transfer payment received to defray the cost of the group operating expenditure, the acquisition of fixed assets, and expenditure to maintain certain strategic facilities. In addition, Armscor R&D facilities render specific decision support and other similar services to the DOD from which revenue is generated. Revenue is also supplemented with interest earned on investments, as well as other sundry income, as the transfer payment is insufficient to fund the activities of the group. The group is also investigating new revenue opportunities to supplement the revenue required to sustain the Corporation.

- » Operating expenditure

Cost growth has been carefully managed over the planning period in response to the negative outlook. The Corporation's cost base has been maintained by containment and limiting the filling of vacancies to critical areas, while also making provision to address the risk of the aging Corporation. However, personnel costs represent a significant portion of the total cost structure, which limits the ability to reduce cost as the minimum capacity is maintained in an effort to still execute its mandate. In the event that the organisation is not successful in its efforts to generate sufficient additional revenue to supplement the projected shortfall, the organisation may have to downscale certain functions performed.

- Capital expenditure

Capital expenditure provides for:

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

- Dividends

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

- Borrowing requirements

The three-year cash flow forecast is indicating a declining trend position, which will result in Armcor making use of its cash resources to fund its operating activities. Furthermore, it is not foreseen that Armcor will make use of borrowing facilities to fund its required capital expenditure. However, if borrowings are required to fund specific activities, which Armcor is now engaging in, the scope of such borrowing will be determined on a case-by-case basis, when such requirements are finalised.

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SECTION

ANNEXURES



ARMAMENTS CORPORATION
OF SOUTH AFRICA SOC LIMITED

» GROUP FINANCIAL « INFORMATION

SECTION 04

Annexure A1

Overview of 2019 Budget

Table 7: Statement of Comprehensive Income of the Armscor Group for the 2019/20 Financial Year

DETAIL	2019/20 BUDGET			
	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT
INCOME	(1 520,8)	(988,8)	(273,6)	(258,4)
Sales	(925,1)	(479,5)	(60,4)	(385,1)
Less: Cost of Sales	702,8	450,7	31,1	221,0
Gross Contribution	(222,3)	(28,9)	(29,3)	(164,1)
Transfer Payment	(1 186,8)	(837,6)	(247,7)	(101,5)
SLA Income Payments	-	(17,6)	3,5	14,1
Other Income	(90,9)	(84,0)	-	(7,0)
Recoveries	(20,8)	(20,8)	-	-
OPERATING EXPENDITURE	1 489,6	966,9	264,5	258,2
Direct Personnel Costs	1 161,9	731,5	245,2	185,3
Indirect Personnel Costs	31,4	23,1	4,5	3,9
Subsistence and Travel	36,4	26,0	1,7	8,7
Postage and Communication	3,6	2,4	-	1,2
Stationery and Printing	12,0	8,8	0,8	2,3
Publications and Advertising	9,6	6,4	0,1	3,1
Rental	26,1	21,8	0,0	4,3
Maintenance	22,4	3,3	6,0	13,0
Computer Services	15,2	11,6	1,0	2,5
External Services	103,7	84,9	2,4	16,4
Water and Electricity	44,7	35,6	-	9,1
Other Smaller Expenditure	22,7	11,5	2,8	8,4
SHORTFALL/(SURPLUS) BEFORE FINANCING ACTIVITIES	(31,2)	(21,9)	(9,1)	(0,3)
FINANCING ACTIVITIES	(60,8)	(45,9)	(5,0)	(9,9)
NON CASH - FLOW ITEMS	91,8	42,4	14,1	35,2
Surplus/Loss On Post Retirement	-	-	-	-
Depreciation	91,7	42,4	14,1	35,2
Bad Debt Written Off	0,1	-	-	0,1
Previous Year Adjustments	-	-	-	-
NET SHORTFALL/(SURPLUS)	(0,2)	(25,3)	(0,0)	25,1

Annexure A2

Table 8: Overview of 2019 Budget and Medium-Term Strategic Framework Estimates

DETAIL	2019/20 BUDGET				2020/21 PLAN				2021/22 PLAN			
	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT	ARMSCOR GROUP TOTAL	ARMSCOR CORPORATE	DOCKYARD	RESEARCH & DEVELOPMENT
INCOME	(1 520,8)	(988,8)	(273,6)	(258,4)	(1 596,8)	(1 038,2)	(287,3)	(271,3)	(1 676,7)	(1 090,1)	(301,6)	(284,9)
Sales	(925,1)	(479,5)	(60,4)	(385,1)	(971,3)	(503,5)	(63,4)	(404,4)	(1 019,9)	(528,7)	(66,6)	(424,6)
Less: Cost of Sales	702,8	450,7	31,1	221,0	737,9	473,2	32,6	232,1	774,8	496,9	34,2	243,7
Gross Contribution	(222,3)	(28,9)	(29,3)	(164,1)	(233,4)	(30,3)	(30,8)	(172,3)	(245,0)	(31,8)	(32,3)	(180,9)
Transfer Payment	(1 186,8)	(837,6)	(247,7)	(101,5)	(1 246,2)	(879,5)	(260,1)	(106,5)	(1 308,5)	(923,5)	(273,1)	(111,9)
SLA Income Payments	-	(17,6)	3,5	14,1	-	(18,4)	3,6	14,8	-	(19,4)	3,8	15,5
Other Income	(90,9)	(84,0)	-	(7,0)	(95,5)	(88,2)	-	(7,3)	(100,3)	(92,6)	-	(7,7)
Recoveries	(20,8)	(20,8)	-	-	(21,8)	(21,8)	-	-	(22,9)	(22,9)	-	-
OPERATING EXPENDITURE	1 489,6	966,9	264,5	258,2	1 594,5	1 041,4	280,2	272,9	1 697,3	1 112,0	296,8	288,5
Direct Personnel Costs	1 161,9	731,5	245,2	185,3	1 231,6	775,3	259,9	196,4	1 305,5	821,9	275,5	208,2
Indirect Personnel Costs	31,4	23,1	4,5	3,9	33,0	24,2	4,7	4,0	34,6	25,5	4,9	4,3
Subsistence and Travel	36,4	26,0	1,7	8,7	38,2	27,2	1,8	9,2	40,1	28,6	1,8	9,6
Postage and Communication	3,6	2,4	-	1,2	3,8	2,5	-	1,3	4,0	2,6	-	1,3
Stationery and Printing	12,0	8,8	0,8	2,3	12,6	9,3	0,9	2,4	13,2	9,8	0,9	2,5
Publications and Advertising	9,6	6,4	0,1	3,1	10,1	6,7	0,1	3,3	10,6	7,1	0,1	3,4
Rental	26,1	21,8	0,0	4,3	27,4	22,9	0,0	4,5	28,8	24,0	0,0	4,7
Maintenance	22,4	3,3	6,0	13,0	23,5	3,5	6,3	13,6	24,6	3,7	6,6	14,3
Computer Services	15,2	11,6	1,0	2,5	15,9	12,2	1,1	2,7	16,7	12,8	1,1	2,8
External Services	103,7	84,9	2,4	16,4	127,7	107,9	2,5	17,3	144,9	124,1	2,7	18,1
Water and Electricity	44,7	35,6	-	9,1	46,9	37,4	-	9,5	49,3	39,3	-	10,0
Other Smaller Expenditure	22,7	11,5	2,8	8,4	23,8	12,1	2,9	8,8	25,0	12,7	3,1	9,2
SHORTFALL/(SURPLUS) BEFORE FINANCING ACTIVITIES	(31,2)	(21,9)	(9,1)	(0,3)	(2,4)	3,2	(7,1)	1,6	20,6	21,9	(4,9)	3,6
FINANCING ACTIVITIES	(60,8)	(45,9)	(5,0)	(9,9)	(64,4)	(48,6)	(5,3)	(10,5)	(68,3)	(51,6)	(5,7)	(11,1)
NON CASH - FLOW ITEMS	91,8	42,4	14,1	35,2	96,3	44,6	14,9	36,9	101,2	46,8	15,6	38,8
Depreciation	91,7	42,4	14,1	35,2	96,3	44,6	14,9	36,9	101,2	46,8	15,6	38,8
Bad Debt Written Off	0,1	-	-	0,1	-	-	-	-	-	-	-	-
NET SHORTFALL/(SURPLUS)	(0,2)	(25,3)	(0,0)	25,1	29,5	(0,9)	2,4	28,1	53,5	17,1	5,1	31,3
ASSETS	163,9	79,5	44,4	39,9	81,9	39,8	22,2	20,0	57,4	27,8	15,5	14,0

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

DETAIL	AMOUNT (Rm)			
	31 March 2019	31 March 2020	31 March 2021	31 March 2022
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	1 615,9	1 686,0	1 671,1	1 626,8
Intangible assets	15,8	17,8	18,3	18,8
Investment in joint venture	0,1	0,1	0,1	0,1
OTHER NON CURRENT ASSETS				
Post retirement medical benefit asset	0,0	0,0	0,0	0,0
CURRENT ASSETS	892,8	789,3	765,6	747,5
Inventories	13,3	12,7	12,0	11,4
Trade and other receivables	110,0	117,7	125,9	134,7
Cash and short term deposits	769,5	659,0	627,6	601,3
TOTAL ASSETS	2 524,6	2 493,2	2 455,1	2 393,2
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Ordinary share capital	75,0	75,0	75,0	75,0
Non-distributable reserve	1 812,0	1 812,2	1 782,7	1 729,2
Ordinary shareholders' interest	1 887,0	1 887,2	1 857,7	1 804,2
NON CURRENT LIABILITIES	198,9	174,1	173,8	177,5
Post retirement medical benefit liability	165,6	154,8	162,5	167,4
Deferred income	33,3	19,3	11,3	10,1
CURRENT LIABILITIES	438,7	431,9	423,5	411,5
Trade and other payables and provisions	384,2	380,5	377,1	370,0
Deferred income	54,5	51,5	46,5	41,5
TOTAL EQUITY AND LIABILITIES	2 524,6	2 493,2	2 455,1	2 393,2

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Table 10: Armscor Group Cash Flow Statement: Three-Year Plan for 2019/20 to 2021/22 Financial Years

DESCRIPTION	Notes	31 March 2019	31 March 2020	31 March 2021	31 March 2022
		(12 months) Rm	(12 months) Rm	(12 months) Rm	(12 months) Rm
OPERATING ACTIVITIES					
NET CASH FLOWS FROM OPERATING ACTIVITIES					
		149,4	53,3	50,5	31,1
Cash receipts from customers		2447,6	2195,3	2304,7	2419,8
Cash paid to suppliers and employees		(2350,5)	(2202,8)	(2318,7)	(2457,1)
Cash generated from/(used in) operations	1	97,1	(7,4)	(13,9)	(37,2)
Net finance income		52,3	60,8	64,4	68,3
INVESTING ACTIVITIES					
Purchase of property, plant, equipment and intangible assets		(123,0)	(163,9)	(81,9)	(57,4)
Proceeds from sale of property, plant and equipment		0,0	0,0	0,0	0,0
TOTAL CASH MOVEMENT FOR THE YEAR		26,4	(110,5)	(31,4)	(26,3)
CASH AT BEGINNING OF THE YEAR		743,1	769,5	659,0	627,6
TOTAL CASH AT END OF THE YEAR		769,5	659,0	627,6	601,3

1. Notes to the Armscor Group Cash Flow Statements

DESCRIPTION	31 March 2019	31 March 2020	31 March 2021	31 March 2022
	(12 months) Rm	(12 months) Rm	(12 months) Rm	(12 months) Rm
1. CASH GENERATED FROM/(USED IN) OPERATIONS				
(Loss)/Profit for the year	(18,1)	0,2	(29,5)	(53,5)
Adjustments for:				
Depreciation, amortisation and impairment reversals	77,8	91,7	96,3	101,2
Net finance income	(52,3)	(60,8)	(64,4)	(68,3)
Movement in retirement benefit assets and liabilities	18,7	(10,8)	7,7	4,9
Operating surplus/(deficit) before working capital changes	26,2	20,3	10,1	(15,7)
Changes in working capital:	71,0	(27,8)	(24,0)	(21,5)
(Increase)/Decrease in trade and other receivables	86,3	(7,7)	(8,2)	(8,8)
Increase/(Decrease) in deferred income	21,9	(17,0)	(13,0)	(6,2)
(Increase) in inventories	(4,5)	0,7	0,6	0,6
Increase/(Decrease) in accounts payable and provisions	(32,7)	(3,8)	(3,4)	(7,1)
Cash generated by operations	97,1	(7,4)	(13,9)	(37,2)

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Annexure A5

Table 11: Group Capital Expenditure for the 2019/20 Financial Year

TOTAL ARMSCOR GROUP	NEW BUDGET 2019/20	CURRENT 2018/19 BUDGET
Office Equipment	3 517 637	2 569 940
Computer Equipment	35 579 541	21 312 088
Office Furniture	1 395 950	1 501 475
Computer Software	35 246 200	33 482 064
Capital Assets	19 250 000	48 415 000
Machinery And Equipment	54 705 714	20 208 012
Motor Vehicles	14 164 822	7 750 000
Total	163 859 864	135 238 579

Note: Capital expenditure budgeted for in 2019/20 include items not executed in 2018/19.

Annexure B

Armcor Board of Directors | Abridged Curriculum Vitae

Non-Executive members:

Chairperson: Board of Directors - Vacant

Name:	Ambassador T Skweyiya
Age:	64
Gender:	Female
Race:	African
Academic Qualifications:	MSc
Areas of Expertise:	Foreign Relations
Position on the Armcor Board:	Deputy Chairperson of the Board Member of the Technology and Industry Support Committee Member of the Human Resources, Social and Ethics Committee
Appointment Date:	1 May 2014 (re-appointed: 1 May 2017)
Position on other Boards:	None

Name:	Dr MB Khanyile
Age:	51
Gender:	Male
Race:	African
Academic Qualifications:	PhD MA MBL
Areas of Expertise:	Strategic Management Executive Project Management Defence Planning Executive Coaching and Mentoring
Position on Armcor Board:	Non-Executive Director Member of the Acquisition Committee Member of the Audit and Risk Committee
Appointment Date:	1 May 2014 (re-appointed: 1 May 2017)
Position on other Boards:	Executive Chairman: Masharps Holdings

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Name:	Adv VL de la Hunt
Age:	57
Gender:	Female
Race:	White
Academic Qualifications:	LLM LLB BA
Areas of Expertise:	Administrative Law and Regulatory Compliance Refugee Studies
Position on Armscor Board:	Non-Executive Director Chairperson of the Human Resources, Social and Ethics Committee Member of the Technology and Industry Support Committee
Appointment Date:	1 May 2014 (re-appointed: 1 May 2017)
Positions on other Boards:	None

Name:	Mr RM Vokwana
Age:	51
Gender:	Male
Race:	African
Academic Qualifications:	NDip Human Resources
Areas of Expertise:	Construction Mining Supplies Intelligence
Position on Armscor Board:	Non-Executive Director of the Board Chairperson of the Acquisition Committee Member of the Audit and Risk Committee
Appointment Date:	1 May 2014 (re-appointed: 1 May 2017)
Positions on other Boards:	None

Name:	Mr NM Tyibilika
Age:	55
Gender:	Male
Race:	African
Academic Qualifications:	Executive Development (UNISA SBL) BSc Mech Eng
Areas of Expertise:	Production Maintenance
Position on Armscor Board:	Non-Executive Director of the Board Chairperson of the Technology and Industry Support Committee Member of the Acquisition Committee
Appointment Date:	1 May 2014 (re-appointed: 1 May 2017)
Positions on other Boards:	None

Name:	Ms T Mhlari
Age:	36
Gender:	Female
Race:	African
Academic Qualifications:	Higher Diploma: Tax Law CA (SA) BCom Accounting Honours BCom Financial Accounting
Areas of Expertise:	Taxation Financial management Accounting and business advisory
Position on Armscor Board:	Non-Executive Director of the Board Member of the Audit and Risk Committee Member of Human Resources, Social and Ethics Committee
Appointment Date:	1 May 2017
Positions on other Boards:	PSTM Chartered Accountants PSTM Auditors INC PSTM Investment South African Airways SOC Limited

Name:	Ms CE Simpson
Age:	45
Gender:	Female
Race:	Coloured
Academic Qualifications:	Bachelor of Accounting Science Bachelor of Accounting Science Honours Certificate Theory Accounting – CTA Post Graduate Diploma in Auditing CA (SA)
Areas of Expertise:	Management Accounting Financial Accounting Asset and Liability Management Investment Management Supplier Chain Management
Position on Armscor Board:	Non-Executive Director Chairperson of the Audit and Risk Committee Member of the Acquisition Committee
Appointment Date:	1 May 2017
Positions on other Boards:	None

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Name:	Ambassador TJ Ndhlovu
Age:	65
Gender:	Female
Race:	African
Academic Qualifications:	Bachelor of Arts Political Science Bachelor of Science Public Administration Master of Arts Counselling Psychology Executive Leadership Training Programme Middle Management Course Heads of Mission Orientation Course
Areas of Expertise:	Foreign Relations
Position on Armscor Board:	Non-Executive Director of the Board Member of the Human Resources, Social and Ethics Committee Member of Technology and Industry Support Committee
Appointment Date:	1 May 2017
Positions on other Boards:	None
Executive members:	Mr KPE Wakeford Mr JG Grobler
Company Secretary:	Ms FM Kumalo

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

Annexure C

Armcor Executive Committee | Abridged Curriculum Vitae

Executive Committee members:

Name: Mr KPE Wakeford	Chief Executive Officer
Age:	57
Gender:	Male
Race:	White
Academic Qualifications:	BA BA (Hons)
Areas of Expertise:	Financial Management Strategic Management
Positions on other Boards:	Coega IDZ Initiative NPC Faranani Trading and Projects Co-operative Limited Kerford Financial (PTY) Ltd Northern Ocean Investments 76 (PTY) Ltd Pride Holdings South Africa (PTY) Ltd Simmer and Jack Mines (PTY) Ltd

Name: Mr JS Mkwazi	Acting Group Executive: Acquisition and SCM
Age:	62
Gender:	Male
Race:	African
Academic Qualifications:	BSc MBL Total Quality Management (TQM) Programme MSc (with specialisation in Project Management)
Areas of Expertise:	Strategic Management Operations Management Project Management Quality Management Acquisition

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Name: Mr JG Grobler	Chief Financial Officer
Age:	55
Gender:	Male
Race:	White
Academic Qualifications:	CA (SA) MBL MCom (Tax)
Areas of Expertise:	Financial Management Corporate Governance
Positions on other Boards:	Directorships: Armscor Defence Institutes (Pty) Ltd (Dormant) Erasmusrand Properties (Pty) Ltd (Dormant) Sportrand (Pty) Ltd (Dormant) Oospark (Pty) Ltd (Dormant)

Name: Dr H Van Rensburg	Executive Manager: Dockyard
Age:	55
Gender:	Male
Race:	White
Academic Qualifications:	DBL, MBL, BSC (Hons), HDip Eng (Mech)
Areas of Expertise:	Operations Management Operations Research Strategic Management Manufacturing Engineering

Name: Adv. SP Mbada	Group Executive: Corporate Support
Age:	46
Gender:	Male
Race:	African
Academic Qualifications:	B Juris BA (Hons) MAP LLB LLM
Areas of Expertise:	Strategic Management HR Management IR Management Training Management

Name: Ms JL Mzili	Group Executive: Business Enablement
Age:	43
Gender:	Female
Race:	African
Academic Qualifications:	Master's in Business Administration BCom (Hons) in Business Management BCom Certificate in Strategic Management Certificate in Financial Performance Measurement and Control
Areas of Expertise:	Strategic Management Strategic Marketing Business Development Financial Management

Name: Prof. NM Mkaza	Group Executive: Research and Development
Age:	50
Gender:	Male
Race:	African
Academic Qualifications:	BSc (Education) BSc (Hons) MSc (Materials Science) Post Graduate Diploma in Electrical Engineering PhD (Nuclear Physics) MBA
Areas of Expertise:	Coaching Emotional Intelligence Strategic leadership and management Management in the Science and Technology Environment

Name: Adv. NB Senne	Group Executive: Business Assurance
Age:	48
Gender:	Male
Race:	African
Academic Qualifications:	B Juris LLB Bar Exam (Society of Advocates)
Areas of Expertise:	Governance Legal Strategy

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Annexure D

Table 12: Amendment to the Performance Indicators that are Reflected in the Armscor Corporate Plan 2018 to 2021

Serial No	Location of Amendment	Performance Indicator as reflected in Armscor Corporate Plan 2018 – 2021	Amendment as reflected in Armscor Corporate Plan for 2018	Remarks	Location of amendment
1	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021	Efficient and Effective Service Delivery	<ul style="list-style-type: none"> • Reduce turnaround times of core processes • Reduce Defence Industrial Participation (DIP) Agreements turnaround time • Reduce Acquisition Project baselines turnaround time • Reduce DOD Project Amendments turnaround time • Reduce DOD Cancellations turnaround time 	The performance indicator is omitted due to scaling down of projects by the DOD and targets are achieved satisfactorily	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021
2	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021	Efficient and Effective Service Delivery	<ul style="list-style-type: none"> • Establish baseline turnaround times • Establish baseline turnaround times for core processes within the following Business Units/Divisions: <ul style="list-style-type: none"> • Business Enablement • Business Assurance • Finance • Corporate Support • R&D • Internal Audit • Corporate Strategy and Planning • SCM 	The performance indicator is omitted as it does not reflect the mandate of the organisation.	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021

Serial No	Location of Amendment	Performance Indicator as reflected in Armscor Corporate Plan 2018 – 2021	Amendment as reflected in Armscor Corporate Plan for 2018	Remarks	Location of amendment
3	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021	Efficient and Effective Service Delivery	<ul style="list-style-type: none"> • Effective Technology and IP Management • Percentage of all IP requests received processed • Monitor and issue quarterly reports against targets on procurement spend on ESD Beneficiaries (SMMEs) 	<p>The performance indicator is rephrased to read as "completion of IP requests in terms of Armscor process" in order to meet the SMART principle.</p> <p>(Transferred to business unit strategic goal)</p>	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021
4	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021	Efficient and Effective Service Delivery	<ul style="list-style-type: none"> • Infrastructure renewal • Renew application systems to improve effectiveness and efficiency • Completion of implementation of Finance Model • Development of HR Modules (Performance Management, Succession Planning, and Employee Relations) • Investigate and implement e-procurement for identified commercial and military off-the-shelf procurement • Develop security architecture • Implement security architecture 	<p>The order with the implementing contractor has been cancelled due to non-performance. A new plan will be developed.</p> <p>The performance indicator is rephrased to read as "Approval of the IT security architecture plan" in order to meet the SMART principle</p> <p>The performance indicator is rephrased to read as "80% Implementation of the approved security architecture plan" in order to meet the SMART principle</p>	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021

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Serial No	Location of Amendment	Performance Indicator as reflected in Armscor Corporate Plan 2018 – 2021	Amendment as reflected in Armscor Corporate Plan for 2018	Remarks	Location of amendment
5	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021	Stakeholder Management	<ul style="list-style-type: none"> Customer engagement One contract must be successfully concluded out of every 10 business leads obtained Convert contracts to repeat work at a ratio of at least 1:2 	The performance indicators are omitted and will be measured in monetary value.	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021
6	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021	Stakeholder Management	<ul style="list-style-type: none"> Stakeholder Engagement Strategy Employee satisfaction measurement (2015/16 Financial Year used as baseline for measurement: 68,71%) 	The performance indicator is rephrased to read as "Conduct integrated employee engagement survey and determine new baseline (2020)" in order to meet the SMART principle.	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021
7	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021	Stakeholder Management	<ul style="list-style-type: none"> Stakeholder Engagement Strategy Shows and Exhibitions: Facilitation of industry participation at international shows (as approved by DTI) and exhibitions (as approved by the Board). Marketing of R&D facilities through the Military Attaché and Advisor Corps sessions and touring at least three R&D facilities 	The performance indicators are omitted as they do not reflect the mandate of the organisation.	Table 2: The Four Strategic initiatives in Armscor's Corporate Plan 2018 – 2021

Annexure E

Performance Information Related to the “Defence Plan to Arrest the Decline”: Non-Cost Deliverables

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

Ser	DR 2015 End State	DR 2015 Deliverables/ Output	MOD&MV Priority	Owner	Performance Indicator	2019/20 Target	Linkage to Armscor Strategy Map	Armscor Support	National Development Plan linked to MTSF Outcome
1	Strategic Guidance (As reflected in the DOD APP 2016: Defence Strategic Direction for the implementation of the South Africa Defence Review (MS1))	Defence Plan to arrest the decline with targets and timelines (L1)	Defence Strategic Direction	CSANDF Sec-Def (CDPSP)	L1, D3-05: Percentage compliance with submission of accountability documents (Plan) Sub-Indicator to D3-01B: South African Defence Review 2015 Implementation Status	Monitor and review the Defence Plan to arrest the decline and funding trajectory against consultation with the Department of Planning, Monitoring and Evaluation and National Treasury	D3	Senior Manager: Corporate Strategy and Planning	
2	Strategic Guidance (As reflected in the DOD APP 2016: Strategic Communication Intervention)	Strategic Defence Communication Enhanced	Defence Strategic Direction	HOC	L1, D3-05: Percentage adherence to DOD governance promulgation schedule (Plan)	Strategic Communication Plan rolled out across all levels of command	D3	Group Executive: Corporate Support	
3	Support (As reflected in the DOD APP 2016: Capability Sustainment renewal)	Defence National Industry Strategy established	Capability Sustainment Direction	SecDef (NDIC)	L1, D3-01B: Percentage adherence to DOD governance promulgation schedule (Strategy)	National Defence Industry Strategy submitted for approval	D1	Group Executive: Acquisition and SCM, R&D and Senior Manager: Corporate Strategy and Planning	MTSF Outcome 3 and 11
4	Support (As reflected in the DOD APP 2016: Capability Sustainment renewal)	Revised Armaments Acquisition and Technology Policies Promulgated	Capability Sustainment Direction	C Def Mat	L1, D3-01A: Percentage adherence to DOD governance promulgation schedule (Policy)	Acquisition of Armaments in the DOD Policy [DAP 1000] monitor the implementation as approved	D3	Group Executive: Acquisition and SCM	MTSF Outcome 3 and 11
					L1, D3-01A: Percentage adherence to DOD governance promulgation schedule (Policy)	Revised DAP 5000 Policy on Defence Technology submitted for approval	D3	Group Executive: R&D	MTSF Outcome 3 and 11

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Ser	DR 2015 End State	DR 2015 Deliverables/ Output	MOD&MV Priority	Owner	Performance Indicator	2019/20 Target	Linkage to Armscor Strategy Map	Armscor Support	National Development Plan linked to MTSF Outcome
5	Support (As reflected in the DOD APP 2016: Defence Academy)	Establish the Defence Academy	Human Resources Renewal	CHR	R1-(new): Defence Academy Status	100 % (Comprehensive studies, strategies and plans to establish the Defence Academy developed)	R1	Group Executive: Corporate Support	
6	Support (As reflected in the DOD APP 2016: Defence Funding Model Developed)	Budgeting and Costing Tool	Strategic Resourcing direction	C Log	D3-01A: Percentage progress with the development of the Defence Funding Model (Budgeting and Costing Tool Status)	100% (Costing Tool submitted for approval)	R4	CFO and Group Executive: R&D	
7	Support (As reflected in the DOD APP 2016: Defence Funding Model Developed)	Defence Funding Model developed (L1)	Strategic Resourcing Direction	CFO	L1 D4-(new): Percentage establishment of DOD Funding Model	Defence Funding Model Implementation Policy	R4	CFO and Group Executive: R&D	
8	Promulgated Joint Force Employment Strategy	Developed	Strategic Resourcing Direction	CSANDF CJoint Ops	D3_01B: Percentage adherence to DOD governance schedule (Strategy) New Indicator	Approved and Promulgated	D1	Group Executive: R&D	MTSF Outcome 3 and 11
9	Promulgated Border Safeguarding Strategy	Developed	Strategic Resourcing Direction	CSANDF CJoint Ops	D3_01B: Percentage adherence to DOD governance schedule (Strategy)	Submitted for approval	D1	Group Executive: Acquisition and SCM Group Executive: R&D	MTSF Outcome 3 and 11

Ser	DR 2015 End State	DR 2015 Deliverables/ Output	MOD&MV Priority	Owner	Performance Indicator	2019/20 Target	Linkage to Armscor Strategy Map	Armscor Support	National Development Plan linked to MTSF Outcome
10	Establish Cyber Warfare Capability in SANDF	Strategy submitted for approval	Capability Sustainment Direction	CSANDF (CDI)	D3_01B: Percentage adherence to DOD governance schedule (Strategy)	Strategy submitted for approval to the JCPS Cluster Ministers	D1	Group Executive: R&D	MTSF Outcome 3 and 11
11	Promulgated Defence Industry Policy	Developed	Strategic Resourcing Direction	SecDef (NDIC) (CDefMat)	D3_01B: Percentage adherence to DOD governance schedule (Policy) New Indicator	Developed	D1	Group Executive: R&D and Senior Manager: Corporate Strategy and Planning	MTSF Outcome 3 and 11
12	Promulgated Defence Secretariat Strategy	Developed	Defence Strategic Direction	SecDef (CDPSP)	D3_01B: Percentage adherence to DOD governance schedule (Strategy) New Indicator	Submitted for approval	D1	Group Executive: R&D and Senior Manager: Corporate Strategy and Planning	MTSF Outcome 3 and 11
13	Costed Defence Force Establishment Tables	New Indicator	Strategic Resourcing Direction	SecDef and SANDF	D3_01B: Percentage compliance with progress of Military Strategic Direction Register New Indicator	New indicator	R4	Group Executive: R&D	

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Annexure F

GLOSSARY

Abbreviation	Description
Armcor	Armaments Corporation of South Africa SOC (Ltd)
BBBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
COTS	Commercial off-the-shelf
DDSI	Defence Decision Support Institute
DIP	Defence Industrial Participation
DOD	Department of Defence
DOD APP	Department of Defence: Annual Performance Plan
DTI	Department of Trade and Industry
DPW	Department of Public Works
EE	Employment Equity
EPMO	Enterprise Project Management Office
ERP	Enterprise Resource Planning
ESD	Enterprise Supplier Development
Flamengro	Fluid and Mechanical Engineering Group
FOSAD	Forum for South African Director-Generals
GDA	General Defence Accounts
HR	Human Resources
IP	Intellectual Property
ICT	Information and Communication Technology
IT	Information Technology
IMT	Institute for Maritime Technology
MoA	Memorandum of Agreement
MOD&MV	Minister of Defence and Military Veterans
MTSF	Medium-Term Strategic Framework
NEHAWU	National Education, Health and Allied Workers' Union

Abbreviation	Description
NDIC	National Defence Industry Council
NDP	National Development Plan (NDP) Vision 2030
NGP	National Growth Plan
PFMA	Public Finance Management Act (Act No. 1 of 1999)
R&D	Research and Development
Ret.	Retired
SADI	South African Defence Industry
SANDF	South African National Defence Force
SCAMP	Strategic Capital Acquisition Master Plan
SCM	Supply Chain Management
SDA	Special Defence Account
SDGs	Sustainable Development Goals
SDIP	Service Delivery Improvement Plan
SHE	Safety, Health, and Environment
SLA	Service Level Agreement
SMMEs	Small, Medium, and Micro-sized Enterprises
SOC	State Owned Company
SONA	State of the Nation Address
SWOT	Strengths, Weaknesses, Opportunities and Threats
TDP	Talent Development Programme
T&E	Test and Evaluation



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CONTACT DETAILS

Corporate Communication division
Private Bag X337, Pretoria, 0001, Republic of South Africa
T +27 (0) 12 428 1911 E info@armscor.co.za

www.armscor.co.za

