ANNUAL REPORT

DEPARTMENT of public ENTERPRISES

2002 / 2003

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CHAPTER 1

MANDATE, VISION, MISSION & STRATEGY

MANDATE

The Department of Public Enterprises is a Schedule 1 department responsible for the development and implementation of an integrated and coherent approach to maximising the contribution of state-owned enterprises (SOEs) to the socio-economic development of South Africa. The Department's mandate is to:

- Develop and implement a coherent approach to the restructuring of SOEs to ensure the maximum economic and social impact
- Create and implement restructuring frameworks for SOEs
- Develop a systematic method to monitor the performance of SOEs and to ensure the most effective alignment of the activities of SOEs with Government policy

OUR VISION

To have restructured state-owned enterprises in a globally competitive environment that promote economic growth and a better life for all.

OUR MISSION

To direct and manage the accelerated restructuring of SOEs in order to maximise shareholder value.

OUR STRATEGY

Our programmes have been designed around multiple strategies in order to further the developmental agenda of our country and to maximise shareholder interest.

Restructuring refers to the matrix of options that includes the following:

- The redesign of business management principles within enterprises
- The implementation of various turnaround strategies
- Attracting strategic equity partners or concessionaires
- The divestment of equity either in whole or in part where appropriate

At the enterprise and sector level, restructuring involves the following:

- Improving the efficiency and effectiveness of the entity
- Accessing globally competitive technologies
- Mobilising private sector capital and expertise
- Creating effective market structures in sectors

At the macroeconomic level restructuring aims to:

- Attract private sector investment
- Reduce public borrowing requirements
- Develop an economic context that promotes industrial competitiveness, fuels economic growth and creates sustainable employment opportunities

In order to assist SOEs in achieving the above, the Department will actively promote and institute the following:

- Sound corporate governance, ethics and probity
- Rigorous performance monitoring of SOEs

CHAPTER 2

MINISTER'S REPORT

Jeff Radebe, MP – Minister of Public Enterprises

Again we end our financial year on a high note. The goals we set in our 2002 Budget Vote have largely been achieved and those that are in the advanced stage of completion were only delayed by adverse market conditions.

The growing emphasis on shareholder management while giving space to the Boards of the State-owned Enterprises to exercise their full fiduciary responsibilities, underpinned by various policy instruments; the King Report and government's Protocol on Corporate Governance, the Public Finance Management Act, and Shareholder Compacts, marks a decided shift in my Department's duties. This change from primarily restructuring activities to primarily performance monitoring duties will necessitate some policy development and internal change from 2003.

Minister's Report

We continue to keep up to date with the latest corporate governance issues, both for the Ministry and the Department, and for those SOEs who report to us. The people who keep us in check are those for whom we hold these assets – the people of South Africa. We are therefore better placed than most to respond to the increasing vigilance of our shareholders and, as we have in previous years, to respond to their guidance.

The Telkom IPO was the flagship of Government's programme of restructuring this year with the listing of a percentage of this asset on both the JSE Securities Exchange and on the New York Stock Exchange. The IPO opened up opportunities previously denied to the majority. Disadvantaged individuals and saving clubs such as stockvels had preferential access to the stock, becoming serious business partners contributing to the restructuring of state-owned assets, rather than mere recipients and spectators.

Tremendous progress has been made in the restructuring of the electricity sector, with impact studies at an advanced stage. Alternative methods of energy market construction have been identified, and this will assist in making this vital resource even more accessible to our people.

The restructuring of State forests has been brought back on track, but this time with stricter measures to ensure that the methods of choosing suitable and qualified business partners are transparent and fair.

Probity measures for both officials and bidders have been drastically improved across the board.

Government's commitment to divest down the line from non-strategic assets has continued and the financial year ended with thorough groundwork having been made to exit these businesses.

Exit from the mining sector in the Northern Cape awaits the outcome of a Land Claims Court challenge lodged by the community. Meanwhile, the business has gradually turned around, through business reengineering and new discoveries.

For their part, the SOEs have improved on both their financial management and their social delivery obligations. It is now even clearer that the need for prudent financial management must go in tandem with social delivery obligations. Their role in support of the New Partnership for Africa's Development (NEPAD) has grown, without jeopardizing domestic economic and social objectives.

Internally, control mechanisms in the areas of internal audit and financial management have been further strengthened and we are proud, once more, to have passed our audits without qualification.

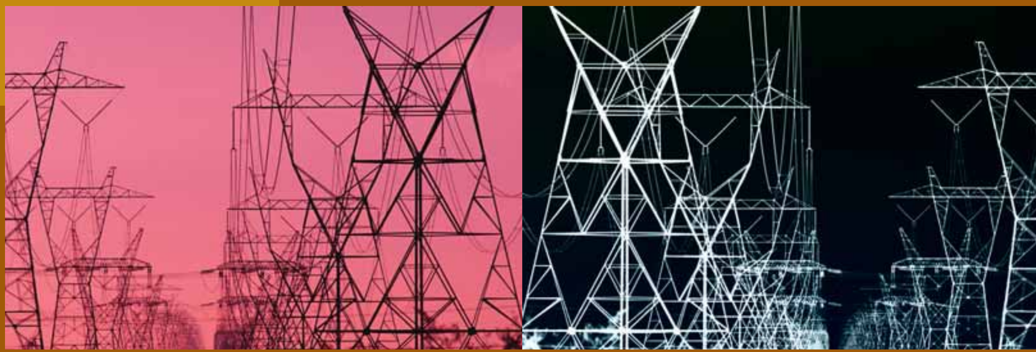
In our previous financial year (2001/2002), I reported that we had contributed about R20 billion to the National Revenue Fund since 1997. This financial year total proceeds to date have just exceeded R34.5 billion, with the National Revenue Fund receiving R24 billion. This increase is attributable to the State's exit from the hospitality sector, but the bulk of these proceeds were from the listing of Telkom.

These figures should not be seen as the only measurement of our restructuring success, they should be seen within the broader context of improving the South African economy, and making South African companies globally competitive. For instance, the Government's exit from the hospitality sector led to the retirement of state overdraft obligations to a banking institution, but more importantly, has been broadened the sector through the entry of new economic players.

We owe much of this success to the support that we get from my Ministerial Colleagues, my Director-General, Dr Sivi Gounden, development assistance partners and officials across all departments that oil the workings of such a challenging experience as restructuring state assets. This Annual Report is a tribute to the long hours and hard work that they put in to achieve Government's mandate and objectives.

J. Radebe

Jeff Radebe, MP
Minister of Public Enterprises



CHAPTER 3

KEY ACHIEVEMENTS

Some Key Achievements of the Department in the Year Under Review

CORPORATE GOVERNANCE:

- The Protocol on Corporate Governance revised and published
- Eskom Ltd established as a legal corporate entity
- Corporate Governance practices in SOEs reviewed
- SOE database developed and initial testing undertaken
- Guidelines for SOE Investments developed
- Policy framework for ESOPs formulated

RESTRUCTURING:

- Turbomeca/Denel Airmotive transaction closed, raising R30 million
- Eskom Generation and Transmission ring-fenced within Eskom Ltd
- Generating Plant Clustering study completed
- Generic Concessioning principles for Port Restructuring finalized
- Komatiland forestry transaction renewed
- Preferred bidders identified for the Amatola and MTO transactions
- Four Aventura resorts sold (Eiland, Heidelbergkloof, Kareekloof and Roodeplaat)
- Listing of Telkom Ltd on the JSE and the NYSE
- R7,4 billion raised from restructuring activities

INTERNAL PERFORMANCE ENHANCEMENTS:

- New Performance Management and Development System implemented
- An Integrated Document Management System introduced
- An unqualified audit achieved for the third successive year

CHAPTER 4

DIRECTOR-GENERAL REPORT

DIRECTOR-GENERAL REPORT

Dr Sivi Gounden – Director General

It is my pleasure to formally submit this, the third Annual Report of the Department of Public Enterprises, to the Minister of Public Enterprises.

Director-General Report

The year under review has not provided ideal circumstances for the Department, characterized as it was by moderate economic growth and instability in local and international capital markets. Nevertheless, significant progress has been made on a number of key projects. This progress must be credited to the hard work of the team at DPE, and the support we have received from our colleagues in Government and the various SOEs.

During the year, it became increasingly apparent that the DPE would have to consider most seriously its role as the shareholder representative for state corporate assets. In line with this changing role, emphasis was placed on developing suitable frameworks to discharge our shareholder responsibilities and duties.

The objective is to have a coherent policy framework that informs SOEs of the expectations of the State and provides guidelines for achieving these. Thus the SOE Corporate Governance framework was further refined, and work has turned towards the financial and socio-economic framework governing performance within SOEs. In order to achieve this, DPE has developed a database that allows electronic interaction between the SOEs and ourselves. This database will function as the central reporting mechanism and allow the State to monitor financial performance more frequently than the current reliance on financial statements.

Additionally, we have developed guidelines for SOE investment, designed to ensure sound financial planning and reconcile this with socio-economic objectives, and developed a policy for implementing Employee Share Ownership programmes as an integral part of restructuring ownership. This work has highlighted the need for a stricter monitoring process, not only of financial performance, but also of the extent of government exposure through debt guarantees underpinning SOE borrowings. These monitoring measures will enhance our ability to manage the State's corporate assets.

The restructuring programme has moved forward in the face of an adverse economic climate. Our most notable success has been the successful listing of Telkom Limited on the JSE and NYSE. This was the largest South African initial public offer in recent history, and represents a significant step forward in restructuring our telecommunications industry. It also represents the largest empowerment transaction to date, a fact of which we are justifiably proud.

In the Defence sector, we continued negotiations with strategic partners for Denel. This led to the creation of Turbomeca Africa, a new joint venture to maintain and service engines in Africa, but we were unable to reach amicable terms with BAE Systems. Whilst regrettable, this highlights our determination to proceed cautiously with restructuring initiatives.

The manifest short-term problems facing Transnet and its subsidiaries have mitigated against a speedy resolution of this corporate end state. Agreement is slowly being forged on an end state that would meet the performance criteria of the State. Nevertheless, significant progress has occurred in unlocking the blockages in our port infrastructure, and, but for the fire that damaged assets, concessioning the Blue Train to a hospitality sector operator.

In the energy sector, we have completed Eskom's incorporation as a limited company and appointed the new Board. The restructuring plan for Eskom is being thoroughly researched in preparation for implementation. This preparatory work will ensure that electricity sector restructuring occurs in a measured and responsible manner.

Regrettably, allegations of improper conduct against DPE staff led us to cancel existing proceedings and restart the Komatiland Forestry transaction. This was necessary to maintain the integrity of DPE's transactions and of the State's restructuring programme. My thanks to the Auditor General's team for their immediate response, audit and recommendations that have led us to strengthen the processes associated with bid evaluations.

Arising from this, the Department has put much effort into strengthening existing internal control systems. We have paid particular attention to security and risk management to ensure that our internal processes are complied with and that we act in all instances with the utmost integrity. I believe our unqualified audit report, for the third successive year, bears testimony to our achievements in this field.

This year has laid a solid foundation for significant progress in the coming period, both for the completion of our existing restructuring programme, and for the evolution of the DPE in order to fulfill its shareholder management duties. I will be moving on to pursue new opportunities, and take this opportunity to express my sincere appreciation to those who have made my time at DPE such a fruitful and rewarding period: to the DPE team, Minister Radebe, my colleagues in Government, and in the SOEs, our partners in organized labour, business and civil society, thank you for the support that you have extended to me.

Dr Sivi Gounden
Director General: Public Enterprises

CHAPTER 5
THE DEPARTMENT IN BRIEF

OUR AIM

The aim of the Department of Public Enterprises is to direct and manage the accelerated restructuring of state-owned enterprises (SOEs) in order to maximise shareholder value.

SUMMARY OF PROGRAMMES

Programme 1: Administration

This programme is aimed at providing direction to and improving the management of the Department and the Ministry. The following offices and units are involved:

- Ministry
- Office of the Director-General
- Communications
- Internal Audit unit
- Financial Management
- Corporate Services units

Programme 2: Restructuring of State-Owned Enterprises

The aim of this programme is to develop and implement the restructuring programme to meet Government's economic and social objectives. The following units are involved:

- Energy and Telecommunications
- Transport
- Financial Modelling and Risk Analysis
- Defence
- Legal Services units

Programme 2(b): Initial Public Offering (IPO) Office

The IPO office is responsible for formulating and managing the implementation and execution of government's decisions with respect to the listing of state-owned enterprises on domestic and international equity markets.

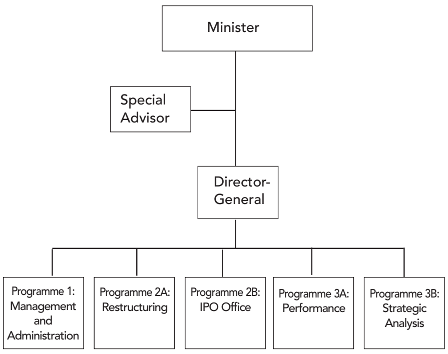
Programme 3: Performance Monitoring and Strategic Analysis

This programme has been introduced to monitor and evaluate the financial, socio-economic and non-financial performance of SOEs, and to promote best performance-management practices to enhance shareholder value through improved corporate governance structures.

Programme 3(b): Strategic Analysis

The aim of this programme is to develop strategic policy frameworks and to analyse sector strategies and economic issues to facilitate the accelerated restructuring of state-owned enterprises.

ORGANISATIONAL STRUCTURE



VOTED FUNDS

Amount appropriated for the year 2002/2003 R249,078,000

Programme	Preliminary Outcome	Adjusted Appropriation (R 000)	Medium-term Expenditure Estimate		
	2001/02	2002/03	2003/04	2004/05	2005/06
1 Administration	27,127	26,018	28,676	30,675	32,526
2 Restructuring of SOEs	161,769	207,583	15,847	17,307	18,147
3 Performance Monitoring and Strategic Analysis	7,519	15,477	15,682	16,200	17,417
Total	**196,415**	**249,078**	**60,205**	**64,182**	**68,090**

STRATEGIC OBJECTIVES OF DPE

The DPE has translated its vision and mission into the following strategic objectives, which are spread across the four perspectives of the departmental 'balanced scorecard':

Economic Perspective

- Ensure the realisation of government's socio-economic objectives through SOEs
- Monitor the performance of SOEs
- Promote economic empowerment of historically disadvantaged individuals

Stakeholder Perspective

- The management of stakeholder relations
- The promotion of SOEs nationally and internationally
- The dissemination of information about the Department of Public Enterprises

Internal Business Processes

- Maintain sound financial management
- The effective management of resources and systems

Innovation and Learning

- Development of the human capital available in the Department of Public Enterprises
- Maintenance of a culture of continuous service delivery improvement

CHAPTER 6
THE MINISTRY

Nomvume Magaqa – Director: Minister's Office

OVERVIEW

The purpose of the Ministry is to provide services to the Minister in support of his parliamentary and departmental duties. The Ministry has five main functional areas:

- Administration: Administrative support to the Minister and staff in the Minister's Office
- Parliamentary Services and Stakeholder Liaison: The coordination of stakeholder interaction and parliamentary liaison
- Cabinet Services: Ensuring high-quality and timeous responses to Cabinet requests
- Advisory Support: Technical and policy advice to the Minister
- Public Relations & Media Liaison: Managing and coordinating the Ministry's public relations function

The International Relations and Rural Development Directorate is also housed in the Ministry.

Lucky Montana – Director: Parliamentary Services and Stakeholder Liaison

HIGHLIGHTS OF 2002/2003

The year under review was an extremely active one for the Ministry. The Minister and Department were both very busy and the Ministry was faced with the challenge of coordinating their activities. Sound support played a vital part in the success of the year under review.

Administration

The Administration unit focused mainly on improving the flow of documentation between the Minister and his Department. The document flow greatly improved during the year, resulting in a much improved response time from the Ministry and the Department's Pretoria and Cape Town offices. This improvement in document flow was maintained after the Minister had been requested to act as Minister of Transport in February 2003.

Parliamentary Services and Stakeholder Liaison

Despite the demands of a busy Department, the Minister maintained a 90% attendance record for Cabinet Committee and Parliamentary meetings. During this period he responded timeously to all 99 questions put to him by both houses.

House of Parliament	Questions for Written Reply	Questions for Oral Reply	TOTAL
National Assembly	62	30	92
National Council of Provinces	6	1	7
TOTAL	68	31	99

The Ministry communicated with Cabinet through memoranda about a variety of topics related to restructuring. A total of 36 memoranda on restructuring and SOE corporate governance issues were brought before Cabinet, allowing Cabinet to exercise its authority over the Department and the restructuring programme. As part of his duties the Minister also tabled annual reports from a number of SOEs.

In addition, there were 10 parliamentary briefings during the financial year. They were the following:

- The Denel Restructuring Briefing
- The DPE International Relations and Rural Development Unit Briefing
- Employee Share Ownership Schemes
- Aventura Financial Management Discussion
- The Restructuring of the Forestry Sector Briefing
- Telkom IPO and Education Campaign
- The Restructuring of SOEs Briefing
- Annual Report Adoption
- The DPE Strategic Plan Briefing
- The National Ports Authority Bill Briefing by Transnet

The Ministry ensured that all gifts to the Minister were declared and notifications of his business interests submitted.

Further Engagements

The Ministry's duties include coordinating the Minister's engagements with communities through *imbizos*, and coordinating his duties as the political nodal principal in the Free State. The Minister opened a school sponsored by Denel in Lusikisiki in the Eastern Cape, and he was on hand to donate more than R4 million to the North West Education Development Trust, a trust that had received support in excess of R8 million from Transnet.

As the executive authority for many SOEs, the Minister was in attendance at general meetings and special occasions, including the following:

- o SAA receiving the first of its new Airbus fleet on 25 January 2003
- o The launch of the Telkom employee share option scheme on 4 February 2003
- o The announcement of the maiden financial results of Eskom Ltd on 10 March 2003

INTERNATIONAL RELATIONS AND RURAL DEVELOPMENT

Thembi Msibi – Director: International Relations and Rural Development

Promoting SOEs in Africa

The International Relations unit is responsible for promoting SOEs internationally. It achieves this by:

- Ensuring that SOEs participate in bilateral agreements, bi-national commissions (BNCs) and joint bilateral commissions (JBCs), which are coordinated by the Department of Foreign Affairs
- Developing its own initiatives with SOEs and international partners

Bi-National Commissions and Related Bilateral Forums

Nigeria/RSA BNC March 2002

In 2001 the DPE and Nigeria's Bureau of Public Enterprises established a BNC and signed a Memorandum of Understanding (MOU). Article VII of the MOU required the parties to develop a mechanism for staff exchange. This was accomplished during the fourth session of the BNC in March 2002. It is expected that the staff exchange will commence in 2003/2004.

Libya/RSA May 2002

In December 2002 Eskom and GESCOL signed a joint venture agreement that initially covered consultancy services. Eskom then submitted proposals for the rehabilitation of equipment at a number of power stations to the value of 100 million Euro. The Khoms power plant project was awarded to Eskom and launched in October 2002. The expected date of completion was June 2003.

Algeria/RSA August 2002

Comezar (Pty) Ltd prepared a due diligence report on a project involving the National Railway of Algeria (SNTF) and the joint operation of the line between the port of Annaba and the phosphate mine site, Djebel Onk. A feasibility study has been presented to Algeria. Comezar and SNTF are preparing an MOU to be signed during the next session of the BNC in October 2003.

Eskom Enterprises signed a cooperation agreement with Sonelgaz, Algeria's national power utility. The agreement covered the exchange of information, the training of staff and the establishment of joint projects. This has led to various discussions between the two utilities and the exploration of further business opportunities.

West African Region

This initiative began in 2002 when SOEs were introduced to the West African region, and it has given rise to several business opportunities. Through the initiative arivia.kom has signed a collaboration agreement with Netwyze, a Senegalese IT company, which has tendered to provide intranet facilities to the Senegalese government. SAA launched its Johannesburg-New York route via Dakar, Senegal, in January 2003.

The following official trips were undertaken during the year:

Date	Country	Reason
21/3/02 -23/3/02	USA	Negotiations with Thintana on Telkom IPO
10/6/02 - 15/6/02	Libya	State visit
15/6/02 - 21/6/02	France	Discussions with Airbus and BAES
1/7/02 - 8/7/02	UK	Attend the Africa Energy Conference and visit Warwick University
19/9/02 - 23/9/02	Canada	A National Department of Transport trip
20/10/02 - 24/10/02	Algeria	State visit
4/3/03 - 6/3/03	New York	Telkom IPO listing on the NYSE

Portcon, a subsidiary of the National Ports Authority, has identified potential ports projects in the region. Portcon representatives visited the Cape Verde Islands and met with their counterpart, ENAPOR, to discuss possible projects. In January 2003 a broad cooperation agreement was signed when ENAPOR's CEO visited South Africa. Portcon is currently sourcing funding for project feasibility studies.

SADC Driver's License

The unit and arivia.kom are still focusing on the project to provide a regional driver's license for the SADC region.

Information-sharing on Restructuring

In December 2002, DPE hosted the Zimbabwe Privatisation Agency. The purpose of the Agency's visit was to share information on restructuring initiatives. Meetings were held with different units within the Department and with the executives of Transnet, SAA, Eskom and Spoornet.

Rural Development/Community Involvement

During its first year of existence the National Coalition for Municipal Service Delivery (the Coalition) joined some existing projects, namely:

Description	Budget	Funding	Location	Status
Electric Substation	R48 300 000	NEF	Tsheseng	80%
Setsing Shopping Complex	R46 000 000	FDC & Private Enterprise	Puthaditshaba	100%
Maluti Sports Facility	R2 900 000	Dept of Sports	Blugumbosch	95%

In the same period the Coalition also identified new projects. In some cases it has already sourced funds for the implementation of projects, including the following:

Description	Budget	Funding	Approved
Electrical Master Plan	R550 000	DBSA	9/2002
Road Master Plan	R825 000	DBSA	9/2002
Development of Transportation	R250 000	DBSA	9/2000

LEGISLATION PROMULGATED

No new legislation emanated from the DPE during the reporting period. In conjunction with the Department of Home Affairs, a draft bill on the incorporation of the Government Printing Works has been prepared, but has not yet been presented for consideration.

ACTS ADMINISTERED BY THE MINISTER

- Alexkor Limited Act (116 of 1992)
- Alexkor Amendment Act (29 of 2001)
- Eskom Conversion Act (13 of 2001)
- Legal Succession to the South African Transport Services Act as amended (9 of 1989)
- Management of State Forests Act (128 of 1992)
- Overvaal Resorts Limited Act (127 of 1993)
- Transnet Pension Fund Amendment Act (41 of 2000)

CHAPTER 7

PROGRAMME 1: MANAGEMENT AND ADMINISTRATION

PROGRAMME 1: MANAGEMENT AND ADMINISTRATION

CORPORATE SERVICES

Moretlo Mokuele – Chief Director: Corporate Services

INTRODUCTION

During the year under review, the highest priority of the Chief Directorate: Corporate Services was to give strategic direction and render support services to the entire Department in order to deliver on the DPE mandate.

Staffing and Employment Equity

The Department started the financial year with a staff complement of 115. Of these 107 posts were filled by the end of the financial year. Despite this decline in staff numbers, the Department largely succeeded in achieving its equity targets.

Race and Gender	Actual No. 1 April 2002	Target set for 31 March 2003	Actual No. 31 March 2003
Black: Male	34	5	39
Female	48	2	42
Indian: Male	3	–	2
Female	2	–	2
Coloured: Male	5	–	4
Female	5	2	3
White: Male	7	–	6
Female	11	–	9
Employees with disabilities	–		–
TOTAL	**115**	**9**	**107**

At the end of March 2003 there were two female chief directors (black), six female directors (5 black, 1 white), nine deputy directors (7 black, 2 white) and six assistant directors (4 black, 2 white). The Department continues to demonstrate its commitment towards achieving the targets outlined in the Employment Equity Act of 1988. The Department hopes that at least 30% of its management echelon will be female by 2005. It remains a challenge to appoint people with disabilities.

The tables and figures required by Regulation III J.3 of the Public Service Regulations of 2001 are reported in Appendix 1.

Human Resources Development

The Department invested R500 000 in the development of its human resources. The amount was spent as follows:

Salary levels	No. of Bursaries	Employees as at 31 March 2003
1-2	–	7
3-5	6	13
6-8	23	30
9-12	28	34
13-16 (SMS)	10	23
TOTAL	**67**	**107**

Performance Management

The Department has implemented a new performance management and development system. This greatly improved the approach towards performance management. The supporting policy framework for all levels in the Department was also revised and improved.

Organisational Development

The Department succeeded in meeting 80% of the requirements of the Skills Development Act of 1998. In accordance with the Workplace Skills Plan, training has been provided to staff to enhance their respective competencies. A customer

satisfaction software tool has been installed to facilitate the improvement of internal service delivery.

Special Programmes

Transformation Committee

The several different transformation committees that had existed before were disbanded and replaced by one committee that deals with all transformation issues.

HIV/Aids

In addition to the existing HIV/Aids policy, a software tool has been developed and installed to give officials in the Department the opportunity to educate themselves privately, in their own time, about this pandemic. There has been a marked increase in the utilisation of this software tool by staff members.

The following are some of the Department's HIV/Aids-related activities:

- The first Friday of the month was adopted as HIV/Aids Awareness Day
- Continuous staff counselling to encourage voluntary testing
- The Department participated in the Commitment Campaign, World Aids Day and the Candlelight Memorial

Batho Pele

The Department has a relationship with the South African Quality Institute (SAQI), which have developed tools to assist DPE in evaluating customer satisfaction with regard to its services.

Gender

A budget for gender programmes was secured for 2002/2003. A programme of action covering a range of activities was compiled. The Director of Corporate Services and the Transformation Committee approved and adopted the programme as well as a gender policy.

The Department participated in annual national events such as National Women's Day, 16 Days of Activism and the No Violence Against Women campaign.

Labour Relations

As part of the restructuring of Corporate Services, a specialist labour relations sub-directorate was created. Its purpose is to develop and manage policies, guidelines and best practices that promote sound employee relations within the Department.

The unit will align existing public service labour relations policies and regulations with the DPE culture. This function will champion the development and maintenance of core values to shape the behaviour and attitudes of line managers and other employees of the Department. The unit is currently developing a labour relations and staff satisfaction strategy. This will be monitored on an ongoing basis.

The job evaluation unit also resides within the labour relations sub-directorate, thus ensuring fairness and consistency in the manner in which job weights are evaluated to ensure that they are commensurate with job levels and grades.

Information Technology

Overview

DPE embraces the e-Government initiative. During this financial year the Department began to align its Information Management and Information Technologies with the e-Government initiative. The introduction of the Integrated Document Management System was the first step towards a fully integrated Information Management System.

The Chief Information Technology Officer (GITO) Function

The position of the Government Information Technology officer was formalised and finalised in December 2002. This move was in line with the Government's requirement for sound and effective information management and the promotion of efficient Government service delivery.

Information Systems

The Department's Information Technology division focused on implementing SOE monitoring systems. The following systems were fully implemented:

- SOE Financial Performance Monitoring
- SOE Investment Monitoring (includes GIS)
- SOE Procurement Monitoring

Information/Data Security

Security plays a critical role in Government information sharing. A corporate Information Security System (Firewall) was introduced during the financial year.

Information Systems and Technology Annual Audits

This ongoing annual exercise was carried out in December 2002. The audit findings indicated that certain areas could still be strengthened. The risk management task team was created and partnered with the State IT Agency (SITA) and the office of the Auditor-General to enhance information security ahead of the e-Government/SOE monitoring initiatives.

COMMUNICATIONS

The Directorate Communications performs various public relations functions for the DPE and the Minister of Public Enterprises. These include the provision of basic communication services to DPE staff members, public education and image-building exercises for internal and external audiences, issues management and media training.

The unit manages the flow of information between the DPE and the public on a daily basis. It raises awareness of the DPE amongst key constituencies, and identifies challenges and opportunities that may impact on the organisation's ability to achieve its mission. The Directorate is heavily involved in public outreach campaigns that aim at raising the profile of the Minister and the Department.

Key Achievements

- In conjunction with the Public Relations Institute of South Africa, the unit conducted an in-house media skills training course for DPE managers
- It completed a public awareness survey about attitudes towards DPE and the restructuring programme
- Exhibition at the World Summit on Sustainable Development
- Exhibition at the NAFCOC National Road Show
- Assistance to the IPO Office during the listing of Telkom on JSE and NYSE
- Support to the Minister during national *Imbizo* Focus Weeks.

DPE has received an unqualified audit report every year since its establishment.

FINANCIAL MANAGEMENT

Ike Nxedlana
Chief Director: Financial Management

Overview

The Financial Management unit is committed to providing effective, economic and transparent financial management systems that promote value for money and maximise shareholder value in the Department. We are responsible for providing financial support to the line functions in accordance with the overall strategic objectives of the Department.

Our endeavour has been to improve financial management and comply fully with the PFMA. During the year the unit has undertaken the following:

- Improved the quality of monthly reports to National Treasury and DPE management
- Successfully converted from FMS to BAS on National Treasury instructions
- Prepared for the integration of the BAS and LOGIS payment systems
- Submitted Annual Financial Statements within the prescribed time frame
- Dramatically reduced the number of audit queries
- Initiated an electronic asset management system
- Reorganised the structure of the branch for effective service delivery
- Provided budget management training to programme managers

INTERNAL AUDIT

Janet Bezuidenhout
Internal Auditor

Objective

The Internal Audit unit is committed to acting with integrity, objectivity, confidentiality and competency. The unit evaluates the adequacy and effectiveness of controls encompassing the Department's internal governance, operations and information systems. The unit focuses on the following:

- The reliability and integrity of financial and operational information
- The effectiveness and efficiency of operations
- Safeguarding state assets
- Compliance with laws, regulations and contracts

Developments during the Year

During the 2002/2003 financial year, the Internal Audit unit undertook 21 audits and issued corresponding reports. Internal systems in the areas of human resource management, financial control and security were strengthened. This was achieved by developing and adopting specific policies in these areas. Existing internal procedures relating to document flow in the Minister's Office, activities related to restructuring projects and financial management processes were also reviewed and strengthened.

Systems were established to monitor the levels of staff indebtedness to the Department as well as incidents of fruitless and

wasteful expenditure. Processes exist to recover these costs from the responsible persons.

An Information Technology Risk Assessment was performed and a committee established to ensure that the action plans that had been developed were implemented.

Security has been substantially boosted with the implementation of fingerprint-based access control, internal surveillance systems, an incident register of lost and stolen departmental assets, and ongoing security awareness programmes.

The Department's governance structures are in the form of committees and sub-committees. They are responsible for the coordination, integration and implementation of policies and rules. The governance structures in the Department were established to achieve, *inter alia*, accountability, a culture of good conduct, value for money and the enhancement of management capacity.

Audit Opinion on Internal Controls

Based on the above improvements, the Head of Internal Audit is of the opinion that the overall effectiveness of internal controls within the Department improved during the year under review.

Fraud Prevention

A further focus of the unit during the year was to develop and implement a revised Fraud Prevention Policy and Plan. This was done in compliance with the provisions of Treasury Regulation 3.2.1 issued in terms of the Public Finance Management Act.

The Department recognises that it cannot eliminate the risk of fraud and corruption, and therefore realises the need to focus on fraud prevention initiatives to limit its overall exposure.

The Fraud Prevention Plan lists and discusses several fraud prevention initiatives that the Department will initiate in the process of managing and reducing internal fraud and corruption. A comprehensive risk assessment was performed and a Fraud Response Plan developed as a generic guideline on dealing with cases of fraud. A Code of Conduct provides the conceptual framework to which the Plan will aspire.

CHAPTER 8

PROGRAMME 2: RESTRUCTURING OF SOES

Malixole Gantsho – Head: Restructuring
James Theledi – Chief Director: Transaction Marketing

RESTRUCTURING PROGRAMME OVERVIEW

This year was dominated by the successful listing of Telkom Limited. Our IPO Office crafted the largest IPO in South Africa's recent history despite adverse market conditions. This transaction saw 125 000 South Africans buying into the largest telecommunications company in the country, contributing towards the more than R4 billion raised for the fiscus, and helping to entrench a culture of contestable markets where none had existed previously. The positive impact of this listing, on share ownership, towards BEE, and for the telecoms consumer, will be felt far into the future.

Significant progress was also made in other sectors. In the Defence sector, options were explored with securing strategic partners for Denel, leading to the establishment of a new venture, Turbomeca Africa, but regrettably failing to reach agreement with BAE Systems.

In the energy sector, much preparatory work has been done on restructuring the electricity generation sector, and thus Eskom. This included impact studies and designs for new market mechanisms. Given the importance of this sector, a slow and steady approach has been adopted that will ultimately introduce competitive markets into electricity generation.

In the transport sector, Transnet's restructuring remains a difficult issue. The immediate problems facing the organization have to be resolved so that the correct long-term solution can be found. Thus, progress with this sector has been slower than anticipated, and was further hampered by a disastrous fire on the Blue Train. Nevertheless, port restructuring has moved forward in order to address a serious bottleneck in our trade infrastructure.

During the course of the year various non-core assets were dealt with. Four Aventura resorts have been disposed of, the remaining forestry assets have reached advanced stages of disposal, and the future of Alexkor has been decided. The work put into these, and the larger projects, will see fruition during the coming year.

DIRECTORATE: DEFENCE

Overview

Denel (Pty) Ltd is a strategic high-technology defence company that accounts for more than half the output of South Africa's defence-related industries. The restructuring model selected for Denel was to introduce strategic equity partners to support it in competing internationally from a strong South African base. The partners were selected on the basis of their excellent manufacturing, technology and systems capabilities in select areas. BAE Systems ("BAES") was selected for Denel's Aerospace and Ordnance businesses in order to assist the company in acquiring skills, expanding its technology base and globalising effectively in the context of international consolidation within the defence sector. Turbomeca was selected for Denel's Airmotive division in order to expand the turbine engine manufacturing facilities.

In August 2002, the Turbomeca transaction was concluded with the creation of a new company, Turbomeca Africa. Turbomeca holds 51% for a consideration of R30 million in cash and a package of strategic contributions, and Denel holds the remaining 49% after contributing the Denel Airmotive division. Turbomeca Africa will manufacture components and will repair, maintain and overhaul helicopter engines for the African continent and southern hemisphere markets.

Proceeding from the adoption of heads of agreement in May 2002, the BAES transaction reached an advanced stage by the end of the year under review. By the end of the financial year all but three contractual details had been settled.

Shortly after the year end, Government terminated the transaction because an agreement on outstanding contractual and strategic considerations relating to important export markets could not be reached.

DIRECTORATE: ENERGY

Justice Mavhungu
Director: Energy Sector

Overview

Based on the White Paper on Energy Policy (1998), Cabinet approved proposals for electricity generation and transmission sector reforms in April 2001. The 'managed liberalisation' approach outlined by Cabinet has driven restructuring in this sector to date. Cabinet policy on energy sector restructuring includes the following objectives:

- To introduce competition into the generation sector
- To divest 30% of generation capacity, with a minimum of 10% to Black Economic Empowerment (BEE) Groups
- To establish the multi-market model (MMM) for wholesale electricity trading
- To create a separate national transmission company

In accordance with these objectives two separate restructuring processes were established, namely the Electricity Distribution Industry (EDI) restructuring project (led by the Department of Minerals and Energy [DME]) and the Electricity Supply Industry restructuring project (led by DPE).

Electricity Supply Industry (ESI)
The ESI Restructuring Implementation Plan outlined the following main deliverables for 2002:

Eskom Generation Ringfencing and Generation Clusters
Eskom's Generation division will be established as several separate generation companies, which will be able to compete in the electricity wholesale market. Eskom will initially retain 70% of these companies; the remaining 30% will be divested to a combination of private sector partners and BEE owners.

An independent study was commissioned to assess what the configuration of Eskom's clusters should be in order to ensure that no generation company would obtain excessive market power, but also to ensure the financial viability of the various cluster arrangements. The ESI project identified which power plants should be clustered and completed the ringfencing of generation plants within Eskom.

A key objective of ESI restructuring is to ensure the involvement of BEE companies in the generation sector. A minimum of 10% of the existing electricity generating capacity has been reserved for this. The DPE, in consultation with other government departments, is in the process of designing the BEE transaction. This transaction will be the most significant BEE transaction thus far and is an expression of the Government's desire to see real economic empowerment, not just in equity, but also in management and operations.

Eskom Transmission Ringfencing
Eskom Transmission is responsible for four main functions, namely wires, systems operations, market operations and the international trader. In 2002 its main objective was to ringfence these functions within Eskom Transmission. This has been achieved from an operational point of view.

The two tasks that still need to be completed before formal ringfencing can be achieved are the due diligence and the financial ringfencing. It is expected that these will be completed in the next financial year.

Establishing the Multi-market Model and Market Rules
To ensure the most efficient use of existing generation and to provide the most appropriate basis for future investment decisions by investors in generation, Government agreed to the establishment of a wholesale electricity market based on the multi-market model (MMM). This market will facilitate trade between large buyers (retail companies and industrial customers) and sellers (generators) of electricity.

The DPE and the DME were actively involved in the design of the market. Both international and local experts were appointed to assist in designing and developing the model and in drafting market rules. Stakeholders were invited to participate and give inputs into the process.

The ESI restructuring project has completed the first phase of the project, namely the technical design, and is ready for implementation. In keeping with Government's 'managed liberalisation' approach, changes in industry structure will be implemented gradually to ensure that the technical complexities and stakeholders' concerns are adequately addressed.

Eskom Enterprises
Eskom Enterprises (Pty) Ltd (EE), the wholly owned subsidiary of Eskom Limited, houses the non-regulated business of Eskom. EE focuses mainly on three strategic themes:

- Provision of support services to the ESI
- Development of a globalisation capability to drive the growth of EE and Eskom as a whole
- New enterprise development and management

Restructuring activities have been aimed at the internal alignment of EE divisions with the broader vision and strategy of energy sector reform. This alignment will ultimately enable Eskom Holdings to realise its strategic objective to expand to international markets. The rationalisation of EE's non-core divisions and the partial sale of core divisions remain a goal.

DIRECTORATE: TRANSPORT

Richard Goode
Chief Director: Restructuring

Overview
During the year under review, DPE's efforts in the restructur-

ing of the Transport Sector were directed at raising the efficiency and delivery capacity of systems. This had become critical in a year that was increasingly characterised by cargo owner dissatisfaction with the levels and quality of service provided by state-owned transport companies. Similarly, passenger rail transport faced severe criticism, with additional concerns about passenger security and service predictability.

These pressures shifted the team's focus from long-term restructuring model development to short-term optimisation and decongestion initiatives. The incremental enhancements achieved are expected to deliver efficiency improvements in the short term, but owing to the nature of the infrastructure, the improvements will mainly be witnessed in the medium term.

Spoornet

Spoornet, the largest division of Transnet, is responsible for the entire state rail freight transport and long-distance passenger services. It also operates the Blue Train, a luxury train service that is in the process of being concessioned to a hospitality sector operator. Spoornet includes the following divisions:

- GFB, the general freight rail service
- OREX, the dedicated iron-ore export line
- Shosholoza Meyl, the long-distance passenger rail service
- CoalLink, the coal export line
- Luxrail, the operator of the Blue Train

Spoornet had a year of turmoil and challenges on an unprecedented scale. The division was without a permanent CEO for the major part of the period, which slowed down processes targeted at raising the quality and efficiency of its service. Spoornet's major challenge over the period was its recapitalisation needs and subsequent capacity problems. In the reporting period some critical upgrades and refurbishment were completed to maintain current capacity levels, with expansion in certain areas critical to the economy and clients. However, the bulk of the recapitalisation programme is expected to commence in the next financial year.

The deteriorating position of light and low-density lines is currently being addressed by the National Government, Provincial Governments, Spoornet management and organised labour. Negotiations about the establishment of a separate division that will concentrate on these lines are at an advanced stage and the division should be established in the next financial year. This intervention will focus management, capital expenditure and operations on aligning rail operations with the development strategies and initiatives of Provincial Government. This will increase traffic on these lines; reduce the degradation of provincial secondary roads; and act as a stimulus and support to local and regional economic development.

Luxrail's concession was suspended following a fire on one of the train sets. All preparatory accounting and legal work for the concession had been completed, but the fire occurred prior to the planned issuance of public invitations to bidders. This caused the suspension of the process to assess the damage and investigate the repair implications for the time frame. The process will be revived after Spoornet has repaired the train set.

The development and implementation of the Spoornet efficiency programme projects, including job loss mitigation projects, continued during the reporting period. These are multiyear projects comprising discrete parts and will continue into the next financial year.

Ports Restructuring

The work carried out on Transnet's port assets focused on the implementation of the White Paper on National Commercial Ports Policy. The policy seeks to ensure that there is an affordable, internationally competitive, efficient and safe port service to national and international shippers and receivers.

Central to the new Ports Policy is the establishment of a National Ports Authority to perform a landlord role. The National Ports Authority will also assume responsibility for infrastructure provision and the management of the publicly owned port estate. New legislation to give effect to the policy was prepared, subjected to public comment and submitted to Parliament in March 2003. This National Ports Authority

Bill is enabling legislation to establish and empower a Ports Authority to perform landlord functions. In time this Authority will be separated from Transnet and become an independent SOE.

The legislation will also establish an interim port regulator to prevent conflicts of interest in the period during which Transnet is the holding company for the Ports Authority, acts as concessor and Port Operations division, and transfers operations to the private sector.

Severe congestion problems experienced with container handling in the port of Durban in the latter part of 2002 drew attention to the damaging effects of bottlenecks in the transport system on the economy and job creation. In May 2002 Minister Radebe announced that the first port operation facility to be restructured would be the Durban Container Terminal.

In May 2002, a key deliverable was completed: the finalisation of generic concessioning principles, or architecture, to govern the terms and conditions for private sector participation in port operations. In October 2002 the Department launched the Economic Impact Appraisal and Ports Packaging Study to lay a basis for the concession of port operations. This study is scheduled for completion in June 2003. The study has generated recommendations on an overall concession strategy plan and a transaction framework for the Durban Container Terminal. These recommendations and the framework were submitted to Government for consideration. The Department has briefed representatives of organised labour about Government's plans for the restructuring of port operations.

In the next year the focus will be on the concession of the Durban Container Terminal to private sector operators in order to increase productivity, to mobilise private sector capital for port terminal infrastructure and to accelerate black economic empowerment in the marine sector.

SAA

During the year under review the SAA Restructuring Task Team concentrated its efforts on the structural alignment of SAA operations with government objectives for SOEs. It is expected that the final SAA restructuring model will be completed in the next financial year. It will have to take into account global aviation problems and the currency volatility that impact negatively on SAA's revenues, as well as the requirements of the fleet upgrade programme. It will also focus on developing air services in Africa (in support of NEPAD).

Transnet End-state

Finality on the Transnet End-state was delayed by issues impacting on the restructuring models of some of Transnet's underlying entities. Many of these issues had fundamental financial and capital investment implications. As a result the Transnet End-state will be finalised during the next financial year.

DIRECTORATE: FORESTRY

James Patterson
Manager: Forestry

Overview

The restructuring of the State's commercial forestry assets in the year under review centered around three significant forestry assets, namely Komatiland Forests (Pty) Ltd, MTO (Pty) Ltd and Amatola Forestry (Pty) Ltd. It is anticipated that the restructuring of all three forestry assets will be completed and the assets transferred to successful bidders in the next financial year.

During the year, two forestry packages were sold to successful bidders, namely Singisi Forests (Eastern Cape North) and Siyaqhubeka (KwaZulu-Natal).

Progress on the Restructuring of Remaining Assets

Komatiland (Limpopo/Mpumalanga)

The second round of the restructuring of Komatiland Forests commenced in February 2003. More than 30 companies expressed interest in the package. The Bid Evaluation Committee recommended six bidders for short-listing and Cabinet approved the short list in March 2003.

The six short-listed bidders are currently involved in the due diligence process. Cabinet is expected to announce the preferred bidder by the end of December 2003 and negotiations should be completed before 31 March 2004.

After the implementation of the transaction, 75% of the equity in Komatiland will be disposed of, employees will hold 9%, a Community Trust will hold 10% and Government will hold the remaining 6%.

Mountain to Ocean

In December 2002 Cabinet approved a preferred bidder for Mountain to Ocean (MTO), the Southern and Western Cape forestry package. The preferred bidder is Cape Timber Resources (Pty) Ltd (CTR). CTR is a consortium comprising Wild Peach as the BEE partner and Cape Sawmills as the strategic investor. Wild Peach and Cape Sawmills have an equal shareholding (50% each) in CTR.

CTR has offered R17.5 million for 75% of the shares in MTO. Negotiations are at an advanced level and agreements might be reached by 31 July 2003. Negotiations about the final lease and the completion of the policy on exit areas in the Southern and Western Cape might take longer, but the MTO transaction, including the signing of the lease by the Minister of Water Affairs and Forestry, should be completed by 31 March 2004.

Eastern Cape South (Amatola)

The preferred bidder for Amatola Forestry Company (Pty) Ltd is Amathole Timber Holdings, a BEE company.

SAFCOL and Amathole Timber Holdings will sign a share sale agreement in April 2003. The completion of the share sale agreement is subject to the conclusion of the lease agreement. The Minister of Water Affairs and Forestry should complete the lease agreement before 31 December 2003.

Land Conversion

The conversion of land usage programme is a long-term process that will achieve the Government's aim to make significant land available to historically disadvantaged individuals (HDIs) and communities in both the Western and Southern Cape. Areas were identified and the following land uses proposed:

- Conservation
- Agriculture
- Housing
- Forestry/Agriculture

A programme manager will be appointed for a two-year period to coordinate the project and to liaise with all parties involved.

DIRECTORATE: FINANCIAL MODELLING AND RISK ANALYSIS

Overview

The Financial Modelling and Risk Analysis unit prepares financial models and business plans for the DPE, and undertakes risk analyses. In the year under review, the unit assisted directly with several restructuring transactions.

Transmed

In April 2002, Cabinet resolved to dispose Transmed Pharmacies (Virtual Care) through a management buy-out (MBO). The transaction was delayed because a suitable financier could not immediately be found, but this problem was resolved. The transaction should be completed in November 2003.

Alexkor

Cabinet approved the disposal of a 51% stake in Alexkor to a Strategic Equity Partner (SEP). The main role of the SEP will be to inject the capital required for exploration programmes.

The disposal process should have been completed in June 2003, but land claims lodged by the Richtersveld community resulted in the suspension of the transaction. The outcome of the process will be determined by the ruling of the Constitutional Court, probably in September 2003. Of critical importance for DPE is whether the Constitutional Court will rule in favour of Alexkor and the Government, or whether a successful out-of-court agreement can be negotiated with the Richtersveld community.

Transnet Housing and Eskom Finance Company

In November 2002, Cabinet approved the separate disposal of Transnet Housing, a division of Transnet, and Eskom Finance

Total Proceeds to Date

The following table reflects restructuring proceeds from 1997 to date:

Restructuring Proceeds since 1997 (R' million)					
State-Owned Enterprise	Date	% Sold	Proceeds	N.R.F.	Form
SABC Stations	Mar-97	100%	510.00	510.00	SEP/BEE
Telkom	May-97	30%	5,631.00	1,165.00	SEP
Sun Air	Nov-97	100%	42.00	21.00	BEE
Viamax	May-98	30%	12.00		BEE
ACSA	Jun-98	20%	819.00	819.00	SEP
ACSA	Oct-99	4%	173.00	173.00	BEE
ACSA	Oct-99	1%	44.00	44.00	ESOP
SAA	Jul-99	20%	1,400.00	611.00	SEP
Connex	Aug-99	100%	15.00		SEP/BEE
SASRIA	Feb-00	N/A	7,100.00	7,100.00	Dividend
M-Cell/MTN	Jun-00	6%	2,400.00	2,000.00	BEE
Transnet's Production House	Jul-00	100%	11.00		BEE
Transnet's Chemical Services	Aug-00	100%	3.00		SOE - TSI
Transnet's Transwerk Perway	Sep-00	65%	19.00		SEP
Telkom (Ucingo)	Mar-01	3%	565.00	565.00	BEE
SASRIA	Apr-01	N/A	3,200.00	2,200.00	Dividend
SAFCOL - KZN	Oct-00	75%	100.00	75.00	SEP/BEE
SAFCOL - ECN	Oct-00	75%	45.00		SEP/BEE
MTN	Jan-02	20%	5,300.00	2,000.00	Monetisation
Turbomeca/Aerospace	Apr-02	51%	30.00		SEP
MTN	Aug-02	-	1,100.00	1,100.00	Dividend
Apron Services	Nov-02	51%	117.00		SEP
Aventura Kareekloof	Jan-03	100%	1.75		Sale
Aventura Eiland	Jan-03	100%	5.60		Sale
Aventura Heidelbergkloof	Jan-03	100%	6.50		Sale
Aventura Roodeplaat	Jan-03	100%	16.20		Sale
CEF	Mar-03	-	1,500.00	1,500.00	Dividend
ESKOM	Mar-03	-	549.00	549.00	Dividend
Telkom	Mar-03	25%	4,100.00	4,100.00	IPO
TOTAL			34,815.05	24,532	

Acronyms

NRF	=	National Revenue Fund
SEP	=	Strategic Equity Partner
BEE	=	Black Economic Empowerment
ESOP	=	Employee Share Ownership Programme
SASRIA	=	South African Special Risks Insurance Association
N/A	=	Proceeds not paid to the National Revenue Fund, or no percentage stake is applicable
TSI	=	Technology Services International, a division of Eskom Enterprises

NOTE: The SAA Buy-back reduced total proceeds from R27 billion to R26,6 billion, representing a significant profit of over R1 billion, that is, Sale price in 1999 less Purchase price in 2002 (R1 4b - R0 4b).

Company, a subsidiary of Eskom. The book value of Transnet Housing is R3.4 billion and that of Eskom Finance Company is R2.6 billion.

Negotiations with representatives from organised labour and suitable bidders were initiated and have progressed steadily. Both these transactions should be finalised within the next year.

Restructuring Proceeds

The fiscal year 2002/2003 has yielded R7.4 billion in proceeds. The bulk of this amount comes from Telkom's IPO (R4.1 billion) and the MTN MBO (R1.1 billion).

In addition, the disposal of 51% of Apron Services yielded R117 million and the Turbomeca/Denel Aerospace joint venture resulted in R50 million accruing to the fiscus. The disposal of four Aventura resorts (Eiland, Heidelbergkloof, Roodeplaat, and Kareekloof) yielded a further R31 million.
Eskom declared a dividend of R549 million and PetroSA (formerly the Central Energy Fund) a dividend of R1.5 billion.

DIRECTORATE: LEGAL SERVICES

Denzel Matjila
Manager: Legal Services

Overview

This unit offers legal services to the Department. In the year under review, the Directorate Legal Services was instrumental in resolving some of the impediments to the successful restructuring of SOEs.

Aventura Land Claims

The unit intervened in resolving land claims instituted against Aventura Blydepoort and Swadini that had the potential of preventing the sale of those resorts. Following engagements between the unit and representatives of the affected communities, agreements were reached that allowed the sale of these resorts to be finalised.

Komatiland Transaction

As a result of irregularities during the process, DPE cancelled the sale of SAFCOL's Komatiland assets. The unit addressed the legal consequences of this action. Because of the lessons learnt, the unit could improve the integrity of processes by developing confidential agreements and disclosure documents for Evaluation Committee members.

Incorporation of Government Printing Works

The unit, in collaboration the Department of Home Affairs, started the process of incorporating Government Printing Works by developing a Draft Bill and the Memorandum and Articles of Association for the enterprise. It is anticipated that this process will be finalised early next year.

DIRECTORATE: NON-STRATEGIC ASSETS

Mjongile Dangazele
Manager: Non-Core Restructuring

Aventura

At the beginning of this financial year, 12 of the original 15 Aventura resorts were still state assets.

Four of these, namely Eiland, Heidelbergkloof, Kareekloof and Roodeplaat, were sold to individual buyers. The Kareekloof properties, purchased by the Gauteng's Department of Agriculture and Land Affairs, still have to be transferred. Certain portions of the Roodeplaat property have notarial ties. Once these notarial ties have been lifted, all property will be transferred to the purchasers, who have already paid the required deposit and submitted the required guarantees.

Land claims lodged by communities in respect of Swadini and Blydepoort could be resolved. All bidders agreed to lease the properties for a period of 99 years, whereafter the properties (with all improvements) would belong to the communities. An agreement to this effect was entered into by Aventura and the communities, as represented by the Legal Resources Centre. This agreement will be ceded to successful bidders in due course. The Department of Land Affairs will enter into a similar agreement with the communities and will compensate them for the loss of usage of the land.

The sale of the eight remaining resorts is in process and the short-listing of bidders is expected to take place in the next financial year.

Government Printing Works (GPW)

During the previous financial year, Government decided to incorporate GPW as a fully-fledged public enterprise. To achieve this, a legal framework had to be established. Work has commenced on the development of a business plan for the entity. This will be finalised during the next financial year.

RESTRUCTURING AND BLACK ECONOMIC EMPOWERMENT

The restructuring programme for SOEs were implemented in the context of Government's BEE objectives. All the restructuring transactions undertaken during the period under review benefited BEE partners. In addition, SOEs have been implementing and continue to implement internal transformation aimed at ensuring empowerment of historically disadvantaged groups. In line with the government policy framework, SOEs have been playing a leading role in BEE procurement aimed at enhancing enterprises owned by HDIs.

Government's commitment to the creation of investment opportunities that will promote BEE can be demonstrated by some examples:

A consortium consisting of Forever Resorts (70%) and Siyonwaba Leisure (30%) bought a package of eight Aventura resorts. Siyonwaba is a 100% black-owned leisure group. This package comprises the following prime resorts: Warmbaths, Tshipise, Blydepoort, Badplaas, Swadini, Loskopdam, Plettenberg and Gariep.

Transaction Name	BEE Equity Ownership	BEE Management (Race)	BEE Management (Gender)	BEE Procurement
Aventura	30%	–	25%	–
Eskom	10%*	51%	29%	21%
Safcol	25%	11%	8%	–
Alexkor	30%*	49%	49%	–
Denel	–	16%	10%	15%
Arivia.kom	–	44%	25%	–
Transnet (Group)	–	46%	21%	55%

* = Restructuring process still current

A critical requirement for the disposal of 51% share in Alexkor is that the successful bidder should have a substantial BEE component. A further 10% of Alexkor has been offered to the community of Alexander Bay through a community trust structure.

In the restructuring of SAFCOL communities around the forests are expected to benefit from the offer of 10% shareholding in the respective forestry packages. Appropriate trusts will be established to house the shareholding stakes for the various communities. The restructuring of Eskom Generation will allow at least 10% BEE participation in this segment of the electricity sector.

The Telkom IPO has ushered in a new era for approximately 100 000 ordinary South Africans who took up a share retail offer amounting to almost 9% of the total deal. About 58% of this offer came through the Khulisa share scheme. This scheme enabled HDIs to buy Telkom shares at a substantial discount.

Major strides have been achieved by SOEs on the transformation front over the past few years. This is reflected in the rising proportion of both blacks and women in the management echelons of SOEs. SOEs continue to promote empowerment of enterprises owned by HDIs through preferential procurement. As a result, 55% of Transnet's discretionary spending went to HDI suppliers. For Eskom this figure was 21%.

PROGRAMME 2B: IPO OFFICE

Dr Eugene Mokeyane
Head: IPO Office

Overview

The Initial Public Offerings (IPO) Office was established in 2000 to formulate and implement the listing of Telkom. At its inception it was anticipated that the IPO Office would also manage subsequent SOE listings. The Office was tasked with achieving defined commercial and social objectives during the execution of its listing activities. The key objectives in each category are listed below.

Commercial objectives:

- Obtaining the optimum net proceeds from share offerings
- Securing quality share investors
- Subjecting SOEs to public investor scrutiny in order to improve efficiency
- Promoting South Africa as an attractive investment destination
- Establishing the South African government as a credible and professional vendor in international capital markets

Social objectives:

- Raising public awareness and interest in equities as a form of saving
- Ensuring sustainable BEE through equity ownership, procurement and skills transfer
- Ensuring HDIs maximum participation in equity investments

Key achievements in 2002

Telkom Listing

Amidst turbulent equity markets, the government of South

6 March 2003 : Telkom lists on the NYSE

Africa finalised the listing of the country's dominant telecommunications company, Telkom. Telkom's primary listing on the JSE Securities Exchange (JSE) took place on 4 March 2003 and was followed by a secondary listing on the New York Stock Exchange.

Proceeds from Share Offerings

A total of 154,199,467 ordinary shares were offered to the public at a listing price of R28 per share (above the bottom of the range initially announced). Despite difficult global market conditions, the IPO was more than twice oversubscribed. A total of R4.3 billion was raised through the offering. To date, this was the largest global IPO and the largest telecommunications IPO in the Europe Middle East Africa (EMEA) region since Burberry listed in July 2002.

Although the absolute level of proceeds was lower than anticipated, it was high in comparison with other equity placements in prevailing market conditions. Telkom's aftermarket performance has been strong, with several large domestic and international buyers supporting the share price in the secondary market. The share has been the best performing IPO in 2003, outperforming global markets.

SA Retail and Institutional Investor Participation

Accessing over 125,000 individuals was a significant step in the development of a new equity investment culture in South Africa. A demand amounting to more than R720 million was generated from retail investors in South Africa and the USA.

The South African retail offer represented 12,012,992 shares, or 8% of the offering, which was at the top end of the anticipated 5% - 10% range. More than 100,000 applications were received from new participants in the equity market. More than 80,000 applications were received under the Khulisa offer, including applications from stokvels, which received full allocations. Approximately 56% of Khulisa applications were from HDIs. The success of the retail uptake underscores the efforts that went into the extensive education campaign.

The offering was marketed to South African institutions. In three weeks during the premarketing phase, analysts visited 41 accounts in Johannesburg, Cape Town and Pretoria. These accounts were targeted throughout the offer phase. The 'road show' included 37 South African institutions. All major accounts participated in the IPO, accounting for 58% of institutional allocations.

Subjecting SOEs to Public Scrutiny

The Telkom IPO was executed in accordance with the highest international standards. The company has been listed on the JSE and NYSE, and now complies with JSE and SEC listing regulations. The offering was syndicated, structured and executed in line with international best practices.

Promoting South Africa as an Investment Destination

Telkom was marketed extensively to institutional and retail investors, and a broad investor base was established to meet the JSE free float and public spread requirements. During the premarketing and road show phases, one-to-one or group meetings were held with over 250 institutional investors worldwide. A total of 168 institutional investors from South Africa, the United States and Europe participated in the offering. The transaction was marketed extensively to retail investors in the US, who subscribed for approximately 13.2 million shares.

A broad base of high-quality retail and institutional investors was established and contributed to the strong and stable share price performance in the aftermarket.

International Awareness of the South African Market and Restructuring Programme

The Telkom offering was an opportunity to develop awareness among international investors of the South African capital markets and of Telkom's role in the wider restructuring process. The IPO was extensively marketed internationally, with staff and advisors meeting over 200 accounts in 18 foreign cities during the premarketing and road show phases.

The success of the Telkom IPO has provided the ideal base for ongoing restructuring and has positioned South Africa as a country embracing international market principles while remaining sensitive to local conditions.

The South African Government as a Vendor in Capital Markets

The Government has established itself as a credible and professional vendor by adopting internationally recognised capital market techniques. Furthermore, the Government has established itself as a responsible seller in difficult market conditions, prepared to take difficult decisions in order to achieve the success of the offering. The resulting international acclaim was reflected by the positive share price reaction and the positive response of the world's press.

Public Awareness of Equity Markets as a Form of Saving

An education campaign was designed and implemented. The campaign comprised the following:

- A launch event
- 200 educational road shows, reaching 50,000 people directly
- Tailored TV, radio and print advertising
- The distribution of more than 11 million share guides in eight languages
- Integration into the READ and Outreach programmes
- The use of call centre and Internet-based information tools

A registration phase was introduced to ensure that all South Africans, particularly HDIs, had the opportunity to receive a prospectus. South Africans were encouraged to subscribe for the offer and to receive a prospectus and an application form. This included a registration guide (7.8 million guides in six languages were distributed) on the salient details of the 'General' and 'Khulisa' offers, targeted at informing HDIs of the benefits of the offer. Actual registrations exceeded 1.5 million.

The three-week offer period gave all individuals who had registered, and those who had not, the opportunity to participate in the offering. A two-tiered offering was structured to target HDIs as well as the general retail investor. A low minimum application amount of R500 was set to increase affordability and, for the first time in South Africa, bonus shares were introduced to reward long-term share ownership. In addition, a share dealing service was established to facilitate the sale of Telkom shares.

Participation by Historically Disadvantaged Individuals

The following key measures were taken to encourage and maximise HDI participation:

- Successful negotiations were entered into with the Financial Services Board, the JSE and STRATE to permit *stokvels* to participate in the offering
- Educational, registration and offer campaigns were aimed at HDIs, with educational leaflets in eight languages and registration leaflets in six languages
- Educational road shows were held to encourage the participation of HDIs
- An infrastructure was established to ensure that all documentation was available nationwide and to ensure that all individuals had an opportunity to register and apply no matter where they lived (450 Standard Bank branches and 1,500 SA Post Office branches nationwide assisted with the offering)
- A call centre with the capacity to answer questions in all official languages, was established to ensure that all queries could be addressed
- Over 200 regional radio stations were used to reach rural areas and all advertising material was translated into target languages
- All precedent South African HDI offerings were reviewed, architects of previous offerings were met and international precedents were assessed to devise an appropriate offer structure
- Special discounts for HDIs and a bonus share scheme were devised
- A share-dealing service was established to facilitate aftermarket trading

Ensuring Sustainable Black Economic Empowerment

DPE's commitment to BEE extended beyond Telkom share ownership. Throughout the listing exercise, DPE contracted experts and included reputable local empowerment banks, financial services groups, local PR companies, advertising agencies and printers in numerous aspects of the offering to ensure appropriate skill transfers.

CHAPTER 9

PROGRAMME 3: PERFORMANCE MONITORING & BENCHMARKING

PROGRAMME 3: PERFORMANCE MONITORING & BENCHMARKING

Nonkululeko Msomi –
Deputy Director-General: Performance Monitoring and Benchmarking

OVERVIEW

The mission of the Performance Monitoring and Benchmarking (PMB) programme is to entrench a performance culture in SOEs through best practice monitoring and evaluation processes.

The key strategic objectives of the Programme are the following:

- To safeguard Government's ownership portfolio in SOEs
- To manage the shareholder's interests both during and after restructuring
- To ensure the effective implementation of Government's socio-economic objectives

These strategic objectives are encompassed in five broad perspectives: Financial, Corporate Governance, Processes, Socio-Economic, and SOE Portfolio Management.

Programmed 3A: Performance Monitoring & Benchmarking

In the year under review PMB built upon the successes it had achieved in the past. The key objective remained to serve as a vehicle for managing Government's shareholding interests by monitoring and evaluating the overall performance of SOEs. This involves promoting and advocating best performance management practices in SOEs within a sound corporate governance environment in order to enhance shareholder value.

The key projects during the year under review were:

- To review corporate governance in SOEs
- To complete the SOE database
- To revise the protocol on corporate governance in the public sector
- To research best practices and benchmarks for SOEs
- To develop investment evaluation guidelines
- To develop the SOE investment map monitoring system.

In addition, the Programme continues to be involved in increasing public awareness of the role of Government as shareholder in the context of the Public Finance Management Act. PMB was responsible for evaluating and monitoring the implementation of and compliance with the Act by all SOEs, and in addressing and resolving other governance issues.

CORPORATE GOVERNANCE AND LEGAL ADMINISTRATION

Celeste Appollis
Director: Corporate Governance

Overview

The directorate's mission is to develop, implement, monitor and manage good corporate governance policies, protocols and guidelines during and after restructuring in order to maximise shareholder value within SOEs. This is to ensure that a culture of compliance exists and that SOEs contribute to the economic, social, security and investment climate required for good governance in South Africa.

Key achievements in 2002

Revision of Corporate Governance Protocol

The directorate completed the revision of the Protocol on Corporate Governance and published the draft Protocol for public comment in the Government Gazette in April 2002. There was widespread public support for the principles enshrined in the Protocol and very few changes were necessary. The Protocol was submitted to Cabinet and approved in September 2002. It has since been communicated to stakeholders in order to promote an understanding of the Protocol en to ensure its effective implementation. A formal launch of the document is planned for the next financial year.

Establishment of Eskom Limited

One of the highlights of the year was the successful conversion of Eskom into Eskom Holdings Ltd. This process commenced with the adoption of the Eskom Conversion Act (13 of 2001). Although the Act had been adopted and promulgated, its effective implementation date was delayed because a date still needed to be determined by Presidential Proclamation and notice in the Government Gazette.

Upon final approval of the Memorandum and Articles of Eskom Holdings Ltd by the outgoing Electricity Council, the Minister and other key government stakeholders, 1 July 2002 was set as the date of conversion. A new Board was appointed by the Minister and approved by Cabinet, and board members will assume their duties on 1 July 2003.

SOE Corporate Governance Review

The SOE Corporate Governance Review process had begun during the previous financial year and was finalised during September 2002. Although a few governance challenges were identified, the general finding was that SOEs were complying with good corporate governance practices.

Remedial measures were proposed to address the governance challenges faced by SOEs. Key amongst these was the induction and training of new appointees to SOE boards. Other remedial measures were introduced through the framework of the Protocol on Corporate Governance in the Public Sector and the Shareholder Compacts. The revision of these Shareholder Compacts began during the financial year, particularly for new boards such as Eskom's. It is expected that these will be finalised and signed early in the new financial year.

Policy Development

The directorate's other achievements include the following:

- The development of a framework for ensuring governance and integrity in restructuring bid processes
- The development of a remuneration policy for SOE boards
- The development of a materiality framework

The latter two will be submitted to Cabinet for approval in the new financial year.

FINANCIAL AND SOCIO-ECONOMIC PERFORMANCE MONITORING

Makhensa Mabunda
Director: Financial Performance

Financial Performance Monitoring

Overview

The mission of this directorate is to entrench a sound financial performance regime in SOEs and to improve the financial reporting systems between SOEs, DPE and Cabinet. One of the key projects of the directorate is the development of the SOE database.

SOE Database

Cabinet mandated the DPE to establish an SOE database that would provide information on all government shareholdings. The database had to be a repository of information for use by management and decision-makers. It would enable executive authorities to establish the financial status of an SOE immediately, while SOEs could submit statutory reports to the database via the Internet. The benefit of such a user-friendly reporting system is that it would save administrative time, would provide easy access to key stakeholders and could easily be updated.

The directorate completed the development of the system during the previous financial year and is preparing to launch the system in collaboration with 10 SOEs by the end of March 2003. SOEs were selected from DTI, DPSA and the Department of Arts, Culture, Science and Technology, all of which are interested in ensuring the success of the system. A Cabinet memorandum was prepared to inform Cabinet of the progress made and the intended launch date of the system.

Socio-economic Performance Monitoring

The key focus of socio-economic performance monitoring is

the establishment of a socio-economic performance regime between the SOEs, DPE and Cabinet. The main focus of the sub-directorate is to analyse the performance of SOEs in the context of the broader economic policies of Government. In order to do so, the sub-directorate is in the process of developing various benchmarks for reporting on the socio-economic contributions made by SOEs.

The development of the Benchmarking and Performance Measurement System started in January 2003. It is envisaged that the system will be ready for testing by SOEs in July 2003. After the system has been completed and tested, it will be used to set targets for SOEs. These targets will be included in Shareholder Compacts and used to evaluate and benchmark their performance.

Investment and Financial Risk Management

The Department has developed an Investment Evaluation Guidelines document, which will be used in the approval of SOE investment proposals as per the PFMA. This document prescribes the format and methodology that must be followed by SOEs when submitting their investment proposals. The guidelines will be implemented in SOEs during the first or second quarter of the next financial year.

Following this, work began on the development of an SOE Investment Map Monitoring System. The key objective of the investment map is to provide the Department with an electronic platform for the ongoing evaluation and monitoring of SOE investments globally. By integrating this tool with the SOE database, it will also serve as a reporting tool for the Department.

The Department awarded a tender to develop and implement the SOE Investment Map. The system is currently being developed and will be completed in the second or third quarter of the next financial year.

CHAPTER 10

PROGRAMME 3B: STRATEGIC ANALYSIS

Dr Jabulani Mzaliya – Director: Strategic Analysis

OVERVIEW

The Strategic Analysis directorate is responsible for developing strategic policy frameworks, and analysing sector strategic and economic issues to enable the accelerated restructuring of state-owned enterprises.

Programmed 3B: Strategic Analysis

Key Achievements in 2002

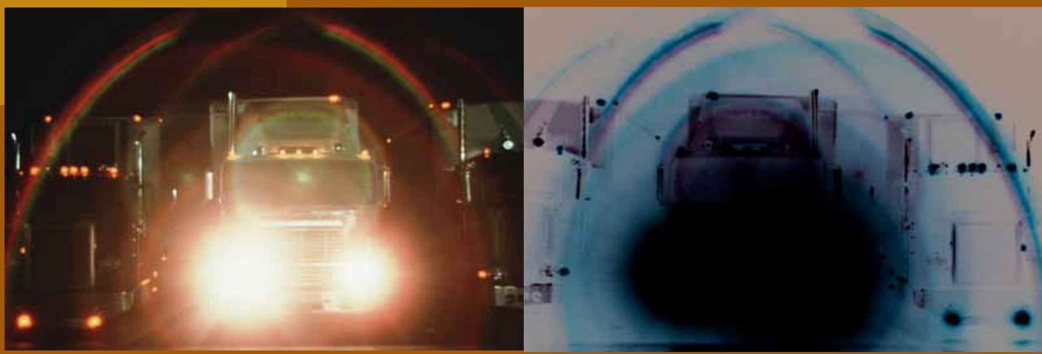
The unit has been involved in policy-related research to inform restructuring. The following studies were concluded:

- Employment Impact Study: The purpose of the study was to investigate the impact of restructuring on employment trends in SOEs. This study has been concluded and results will be published in the next period
- Employee Share Ownership Programmes (ESOPS): The unit developed a policy framework on ESOPS to guide the distribution of shares among workers during the restructuring of state assets
- Forestry Restructuring Case Study: The UK's Department for International Development (DFID) completed this study with assistance from the unit. It determined whether transactions in forestry restructuring met the objectives set by Government
- Ten-Year Review: The Office of the President invited the unit to assist with this project, which aimed at reviewing government policy implementation over the 10 years of democratic governance
- Shareholder Models: The unit completed research into shareholder models for the Department in preparation for defining the future role of the Department as a state equity asset manager
- Consultation with other stakeholders: Presentations were made to the Public Enterprises Portfolio Committee and various other stakeholders

The following projects were started during the financial year:

- Knowledge management: During the year, the directorate initiated a project to implement knowledge management as a business practice. The project is ongoing
- Pricing and Quality of Public Goods study: This study examines the quality and affordability of public goods, and their role in inflation

L-R: Mr Richard Grasso, Chairman of NYSE
Ms Nomazizi Mtshotshisa, Chairperson of Telkom
Minister Jeff Radebe



CHAPTER 11

SOES IN THE MINISTER'S PORTFOLIO

SOES IN THE MINISTER'S PORTFOLIO

Denel (Pty) Limited

The 2002 financial year was both a difficult and an exciting year for Denel. The company's gross revenue increased by R332,1 million during 2002. This increase was directly related to its export initiatives. Exports accounted for 52% of the total revenue of R3 953,2 million (47% in 2001). In 2001 Denel earned a net income of R24,1 million, but in 2002 it showed a net loss of R363,2 million. The decline in Denel's net income can mainly be attributed to the cost involved in the restructuring of Datam and Airmotive, which was accounted for in the year under review. In addition, a total of R126 million was provided for inventory and risk associated with the Rooivalk helicopter programme.

Denel had an asset base of R4,0 billion and incurred debt amounting to R2,58 billion for the financial year.

SAFCOL

SAFCOL consists of five processing plants, three agro-forestry assets and one ecotourism asset. (A bid for the Komatiland assets was resubmitted during the year under review.) SAFCOL reported reasonable profits in three of the last five financial years. It is anticipated that SAFCOL will continue its sound performance while the company completes its restructuring.

Financial statements for 1999, 2000 and 2001 were only completed late in 2001. This was attributed to restructuring, which had involved SAFCOL's contingent liabilities (relating to pension and medical aid liabilities) and the transfer of land to Government. Late in 2001, Government and SAFCOL reached an agreement about contingent liabilities pertaining to the pension and medical aid obligations, clearing the way to finalising the outstanding financial statements.

The overall performance of SAFCOL is satisfactory and the company reflects a strong balance sheet as of 30 June 2001. In 1999 SAFCOL reported an after-tax loss of R10.6 million. This was followed by after-tax profits of R14.9 million and R31.9 million during 2000 and 2001 respectively. In 2002 SAFCOL reported profits amounting to R32.9 million after declaring a special restructuring dividend of R66.7 million. This dividend came from the proceeds of the Siyaqhubeka Restructuring transaction.

The restructuring of SAFCOL is proceeding fast, although the company had no government guarantee as at 30 June 2002.

Aventura Limited

According to their draft financial statements for the year ended 30 June 2002, Aventura had a total asset base of R115,7 million. Its total debt amounted to R174,9 million. Aventura reported a turnover of R138,8 million and a net profit of R1, 6 million for the said period. A profit of R7,7 million was reported on the sale of resorts (including the sale of Aventura Christiana to Nkolo Developments (Pty) Ltd).

After the end of the financial year, the company finalised the sale of Aventura Kareekloof for a consideration price of R1,7 million. Aventura Bloemfontein and Aventura Aldam were sold in July for R3 million and R7 million respectively. Management intends selling all the remaining resorts during the year ending 30 June 2003.

Alexkor

Alexkor had a total asset base of R92,9 million and total debt of R92,9 million as per their draft financial statements for the financial year ended 30 June 2002. Included in the total debt was a provision of R52,5 million for staff costs. It reported profits amounting to R1,7 million from a turnover of R287,9 million for the period.

Land claims were lodged against the company, but at the time when this report was finalised, the amount and possible liability of these claims were not yet determined. An amount of R1 million was provided for legal costs.

An amount could become payable for added value in terms of the management contract with Nabera Mining (Pty) Ltd. No liability was raised for this, as the directors believed that no substantial value had been added during the contract.

Transnet

Transnet has a total asset base of R72 billion and total debt of R51 billion as per their financial statements for the financial year ended 31 March 2002. It reported a turnover of R35,8 billion for the period.

Profits from operations rose by R593 million, from R1,973 million to R2,566 million. Impairment provisions amounting to R448 million (R173 million in 2001) were raised in the year under review. These were primarily the impairment of aircraft and related spares, which had been impaired as a result of the decision to phase out selected aircraft from SAA's fleet, and the impairment of certain specialised airline software.

Spoornet, the largest division of Transnet, reported a turnover of R10,6 billion, 4.8% higher than last year, and a 151% increase in net income to R779 million.

SAA passenger revenue increased by 25.8% to R11,2 billion during the 2002 financial year. SAA's net profit after tax increased by 182% to R409 million.

Eskom

Eskom has consistently reported profits during the last three years. Eskom's positive performance was limited by market conditions characterised by high costs of debt service and minimal market share growth. Gearing ratios were high as the result of the addition of debt to finance high capital investment. Eskom increased its net after-tax profit from R1.8 billion to R2.5 billion during the financial year despite tough trading conditions and depressed commodity markets.

This increase was achieved as the result of strict cost control, ongoing improvements in productivity and sound financial management. The debt/equity ratio within the regulated business was less than 0.5 at the end of the 2001 financial year. Eskom Enterprises, a non-regulated Eskom subsidiary, made positive contributions to NEPAD (New Partnership For African Development) initiatives through infrastructure development in Africa.

Eskom is among the lowest cost electricity producers globally due to excess capacity arising from power plant development in the late 1970s and 1980s. A further factor that contributes to low electricity costs and prices is the improvement of power station efficiencies, which has extended the lifespan and outputs of existing stations. However, it is anticipated that Eskom will reach its maximum capacity by 2007 and new power stations will then be required. The Department works closely with Eskom to ensure that strategic plans are made to deal with capacity planning issues.

Eskom's tax-exempt status was withdrawn in 2000 and it now pays dividends. It declared a maiden dividend of R549 million for Government.

CHAPTER 12

AUDIT COMMITTEE

AUDIT COMMITTEE

The Executive Authority, the Honourable Minister, Mr JT Radebe appointed the Audit Committee on 23 May 2000. During the financial year under review, the Committee met on 30 May 2002, 6 August 2002 and 27 March 2003.

The Committee consists of Ms T Mokgabudi (Chairperson), Ms J Kathan, Ms P Mnxasana, Mr S Gorven and Mr S Kajee. The Accounting Officer of the Department is an *ex officio* member of the Committee. This was Dr S Gounden until 31 May 2003 and is now the current Director-General, Dr ME Mokeyane.

Persons in attendance regularly include the Head of Internal Audit, the Chief Financial Officer and representatives of the Office of the Auditor-General.

The Audit Committee reports that it has complied with its responsibilities arising from section 38 (1)(a) of the PFMA and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The risk assessment of the Department was tabled before the Committee. Based on this assessment, the Committee approved the strategic internal audit plan and the annual internal audit plan for the financial year. These plans have been implemented in the Department.

The Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer and the Department during the year under review. However, it was noted that suspense accounts were not cleared on a monthly basis.

The Committee has also completed the following tasks:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and the Accounting Officer;
- Reviewed the Auditor-General's management letter and management response
- Reviewed significant adjustments resulting from the audit

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and recommends that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

T Mokgabudi

Chairperson of the Audit Committee
DEPARTMENT OF PUBLIC ENTERPRISES

CHAPTER 13

MANAGEMENT REPORT

DEPARTMENT OF PUBLIC ENTERPRISES-VOTE
MANAGEMENT REPORT
for the year ended 31 March 2003

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa

1. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

1.1 Important policy decisions and strategic issues facing the Department

The state and its SOEs face a changing economic environment and new policy directions have necessitated a restructuring of the SOE sector. Whilst the restructuring programme is not complete, consideration has to be given to government methods for holding interests in business. The DPE currently fulfills this role but has a limited mandate that has to be addressed.

Government policy to date indicates that SOEs will continue to operate in a highly regulated environment for the foreseeable future. This is because South Africa still has to address the provision of basic needs to the majority of its people. However, to achieve this within the mixed economy envisaged by current policy calls for the separation of policy making, regulation and ownership in order to more fully mobilize private and public sector capital. Policy direction indicates that the state will place greater emphasis on financial performance, achieving social objectives, and on sound corporate governance. Progress with the restructuring programme has been such that the state's shareholding function must now be given careful consideration.

1.2 Spending trends

The following amounts were appropriated to each of the Department's programmes:

Programme 1: Administration	R 29 261 000
Programme 2: Restructuring of SOEs	R 205 417 000
Programme 3: Performance Monitoring and Strategic Analysis	R 11 811 000
Programme 4: Alternative Service Delivery	R 2 589 000
TOTAL	**R 249 078 000**

The budget for 2003/04 is R60,2 million, a major drop from the total budget of R249 078 000 allocated to the Department for the 2002/03 financial year.

During the 2001/02 financial year, 67 percent of the appropriated amount of R293 million was spent while 84 percent (R210 million) of the appropriated amount of R249 million was spent during the current financial year. The 2002/03 budget increased from a main appropriation of R55 million to R249 million as a result of funds rolled over from 2001/02 to cater for the Telkom initial public offering (IPO) which took place in March 2003. R21 million (8 percent of the total budget) of the unspent/saved funds (R39 million : 16% of the total budget) is being rolled over to meet the outstanding expenses of the Telkom IPO. The net saving for the financial year is, therefore, 8 percent (R18 million).

1.2.1 Creation of Trusts

Diabo Trust

On 14 May 1997, the Government, Thintana and Telkom entered into a shareholders' agreement. Clause 8.01(b) of the agreement, determined inter alia to transfer 2% of the issued capital of Telkom to former and current employees. Such determination was made by Government in contemplation of an initial public offering (IPO) of Telkom shares.

In October 2001, a Cabinet memorandum outlining the allocation principles of the allotted shares was approved. On 5 December 2001, approval was given for the appointment of nine (9) trustees who administer the Diabo Trust created for executing the transfer of shares.

An amount of R1 500 000 was transferred during the financial year to assist in setting up this trust in this financial year.

Khulisa Trust

In order to meet the Government objectives for historically disadvantaged individuals (HDIs), a dedicated HDI retail offer was designed with built-in incentives that would enable HDIs to access the Telkom IPO. To this end, Cabinet approved the general principles of the HDI offer on 27 June 2001. On 21 November 2001, Cabinet further approved the structure and formation of a trust as a vehicle for the implementation of the HDI offer. Accordingly, the **Khulisa Trust** has been established. The Trust will officially run for two years, from March 2003 until April 2005.

The primary purpose of the Trust is to award bonus shares to those HDI investors who had purchased Telkom shares during the Telkom IPO and held on to their shares for two years. Since Telkom shares were listed at the JSE Securities Exchange on 4 March 2003, the bonus share will be awarded in March 2005 and the Trust will be duly wound up thereafter.

The two Trusts are the responsibility of the Department of Public Enterprises.

1.3 Performance Information

The Department implemented the new Performance Management and Development (PMD) System with effect from July 2001. The employees of the Department are evaluated and rewarded in accordance with the PMD Policy and the relevant prescripts. The Department is also in the process of adopting the Balanced Scorecard for performance management for SMS.

2. SERVICES RENDERED BY THE DEPARTMENT

The Department does not render any services for which a tariff can be charged. No free services were rendered during the 2002/03 financial year.

3. UNDER/(OVER) SPENDING

3.1 Under-spending and its impact on programmes

As in the previous years the Department has made significant use of donor funds, reducing its reliance on statutory allocations and has experienced difficulties in filling all posts with appropriate personnel. Some of the contracts entered into between our IPO office and service providers expire at the end of May 2003 thus forcing payments to be effected in the new financial year 2003/04. This is the major cause of our under-spending necessitating the application for the roll over of funds.

The strengthening of the Rand also contributed to the savings as the substantial amount of our budget was utilised to pay overseas-based service providers whose claims (Telkom IPO) were settled mainly in U.S. Dollars, Euros and British Sterling.

The under-spending does not impact on our core mandate and projects.

3.2 Actions taken or planned to avoid recurrence

The existing policies are being revised and greater attention will be given to service delivery achievements. Emphasis will be placed upon adherence to policies, procedures and regulations. The Performance Management System, in line with the Department's objectives, will be used to measure performance. Financial management is now part of the Performance Agreements of all senior managers.

4. CAPACITY CONSTRAINTS

Due to the unique nature of our business, our personnel find themselves head-hunted by other organisations and this contributes to the high staff turnover rate. The Department experiences difficulties in finding relevant candidates to fill vacancies. However, the recruitment process to acquire qualified personnel has been accelerated to ensure that positions are filled as soon as possible.

5. UTILISATION OF DONOR FUNDS

Although the Department continues to make use of donor funds, these funds were managed by the donors and the Department consequently received the benefit in kind and not in money. Notwithstanding this, funds are effectively utilized since all applications are subjected to a vigorous investigation process and prioritised according to the Department's activities.

6. PUBLIC ENTITIES

6.1 Entities under the control of the department and purpose of each entity

The Department has oversight over six public entities. These are Transnet, Eskom, Denel, SAFCOL, Alexkor and Aventura.

6.1.1 Transnet Limited

Transnet Limited is the largest single transport company in Southern Africa; a holding company with seven main transport businesses, as well as other businesses. The government entity, South African Transport Services, was transformed into a public company by the Legal Succession to the South African Transport Services Act, 1989. The company became Transnet on 1 April 1990. Transnet is governed by the Companies Act and functions in every way as a public company with a Board of Directors.

Transnet as whole is being reviewed by Government to define the end-state of the company. A number of businesses that are seen as non-core are already under the restructuring process to seek private sector participation.

6.1.2 Eskom

Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers, and to redistributors. Eskom is regulated in terms of licenses granted by the National Electricity Regulator (NER), the Eskom Act of 1987 and the Electricity Act of 1987 (as amended). The objective of Eskom is to provide the means and systems by which the electricity needs of the consumer may be satisfied in the most cost-effective manner, subject to resource constraints and the national interest, and to perform such other functions as may be assigned to it by or under the Eskom Act or the Electricity Act.

The restructuring of the energy sector, as approved by Cabinet , is underway. The plan is to sell 30% of the existing generation capacity of Eskom to BEE (10%) and 20% to private sector participants. Transmission will be a subsidiary of Eskom in the medium term, but will be an independent state-owned company in future. The distribution side will see an establishment of six regional electricity distributors owned by both Eskom and municipalities.

6.1.3 Denel

On 1 April 1992, Denel (Pty) Ltd was established as a private company, incorporated in terms of the Companies Act. The State is the sole shareholder. The Company is managed by a Board of Directors, appointed by the Minister of Public Enterprises. Denel's diverse industrial base, advanced technological skills and an appropriate infrastructure enables it to provide clients with complete solutions. Denel is an autonomous group, managed in accordance with sound business principles. Government offered its 25% stake to BAE Systems and the negotiations broke down. Nonetheless, BAE Systems is still working with Denel on other commercial issues and Government is still considering its next steps in the restructuring of Denel.

6.1.4 SAFCOL

SAFCOL, a company charged with the management and development of the State's investment in forestry, is dedicated to growing its business in the forestry and forest products industry through technical and business excellence and sensitive customer service, thereby achieving recognition as a leader and top performer in the forestry industry. SAFCOL is regulated in terms of The Management of State Forests Act (Act 128 of 1992).

The company is under the restructuring process where geographical packages, where 75% of each package is sold to private forestry players, 10% is set aside for the community, and 9% for employees. The State will still own the 6 %. To date, two transactions have been sold, R100m for Siyaqhubeka and R45m for Singisi. The other three, Komatiland, MTO and Amathole, are still under the sale process.

As a result of irregularities during the previous Komatiland process, DPE cancelled the sale of SAFCOL's Komatiland assets. The Restructuring Unit has strengthened the integrity of processes by developing, amongst others, confidential agreements and disclosure documents for Evaluation Committee members.

DPE requested the assistance of the Auditor-General during July 2002 in conducting an investigation into the awarding of a contract for SAFCOL/Komatiland. The purpose of the Auditor-General's report was to make known the findings emanating from an independent investigation that was conducted pertaining to the bidding process as well as the set processes.

DPE furthermore accepted the recommendations made by the Office of the Auditor-General and implemented the following:

- The Policy and Procedure Manual for the Restructuring of State Owned Enterprises had been updated to ensure that it is relevant to transactions of a restructuring nature;
- Independent parties evaluated the first phase of the Komatiland bidding process;
- Administrative arrangements, such as the taking and safekeeping of minutes, have been given the necessary attention; and
- The project managers responsible for restructuring transactions were made aware of specific requirements proposed by the Office of the Auditor-General to enhance the credibility and transparency of the bidding process.

From a corporate governance point of view the Department also developed a set of procedures to furthermore ensure the achievement of legal and ethical compliance. These procedures were approved by the Oversight Committee and also distributed extensively in the Department with explicit strategies to support and enhance the transparency of transactions guided by the Department.

6.1.5 Alexkor

The core business of Alexkor is the mining of diamonds on land, along rivers, on beaches and in the sea along the northwest coast of South Africa. These activities are complemented by geology, exploration, ore reserve planning, rehabilitation and environmental management. Alexkor is regulated in terms of the Alexkor Limited Act (Act 116 of 1992).

The company is under the restructuring process where Government is selling its 51% shareholding to the Strategic Equity Partner. This process is advanced with a recommendation to appoint two preferred bidders by June 2003. However, the community has also won the land claim case which is challenged at the constitutional court, This is a risk to the ongoing restructuring process.

6.1.6 Aventura

Aventura Resorts is a State Owned Enterprise, which was originally born from the Statutory Board of Public Resorts, which was then amalgamated into Overvaal Limited through the Overvaal Act promulgated in 1983. Aventura Limited was formed in 1993, after it was decided by Government in 1992 to steer the then Overvaal Resorts into a more corporate environment. The Board for Public Resorts was incorporated as a public company in terms of Act 127 of 1993. Each resort operates as an independently functioning unit, responsible for its own profitability, but supported by Head Office. Where appropriate, agreements have been entered into with major franchises, which have assisted in improving standards.

Government has sold several resorts and is now finalising the sale of the last eight resorts of Aventura. The plan is make sure that Government is out of the holiday-resort business by the of this fiscal year, 2003/2004.

6.2 Financial/Accounting Arrangements

Government took a view that the operational costs of all State-Owned Enterprises be reduced in order for them to be sustainable. The challenge was how to balance the financial with other developmental objectives of Government in the light of the developmental role that the SOEs have to play. It was anticipated that this challenge will be addressed through a process of consultation in the drafting of the Shareholder Compacts for the 2002/03 financial year. Currently, negotiations are under way to sign new Shareholder Compacts. Unfortunately, the SOE's financial years are not in line with that of the shareholder (DPE), thus the renewal of Shareholder Compacts sometimes falls outside the shareholder's financial year. A model to address additional information on the accountability of public entities, e.g. reports to be submitted to the Department, compliance with the Public Finance Management Act, 1999, and financial targets agreed between the parties is in its final stage.

6.3 Summary of impact of the financial performance of each public entity on the department

6.3.1 Transnet

Transnet has a total asset base of R72, 286 billion and total debt of R51, 085 billion as per their financial statements for the financial year ended 31 March 2002. It reported a turnover of R 35, 811 billion and a profit of R3, 437 billion for the said period.

Group operating profit before miscellaneous revenue and retirement costs rose by R593 million from R1, 973 million to R2, 566 million. Impairment provisions amounting to R448 million (2001: R173 million) were raised in the current year. These impairments were primarily in relation to aircraft and related spares, which have been impaired as a consequence of the decision to phase out selected aircraft from SAA's fleet and the impairment of certain specialized airline software.

Spoornet, the largest division of Transnet reported a turnover of R10, 6 billion, which is 4.8% higher than last year and together with a 151% increase in net income of R779 million.

Passenger revenue for SAA increased by 25.8% to R11, 2 billion for the 2002 financial year. SAA's net profit after tax increased by 182% to R409 million.

6.3.2 Eskom

Eskom continues to report profits for the last three-years. Eskom's positive performance was limited by market conditions marked by high costs of debt service and minimal market share growth. The leverage ratios are high, due to the addition of debt to finance high capital investment. During the 2001 financial year, despite tough trading and depressed commodity markets, Eskom's net after-tax profit was higher than last year increasing to R2.5 billion from R 1.8 billion (2001 financial year).

This increase was achieved through strong cost control, ongoing productivity improvements and sound financial management. The debt-equity ratio within the regulated business was less than 0.5 at the end of the 2001 financial year. Eskom Enterprises, a non-regulated Eskom business unit, is positively contributing to NEPAD initiatives (The New Partnership For Africa Development) through infrastructure development in Africa.

Eskom is the lowest cost electricity producer globally due to power plant development in the late 1970s and 80s, which resulted in huge capacity availability. Another factor contributing to low electricity prices are improvements in power station efficiencies that have extended the lifespan and outputs of existing stations. However, it is anticipated that by 2007 Eskom will reach its maximum production capacity, and new power stations will need to be brought on line. The department is working closely with Eskom to ensure that strategic plans are made to deal with capacity planning issues.

Eskom is now obliged to pay dividends and its tax-exempt status was withdrawn effective 1 January 2000, in the terms of the Taxation Laws Amendment Act, 2000 that came into effect July 2000.

6.3.3 Denel

The 2002 financial year under review was a difficult one for Denel in which they experienced both excitement and disappointment. Gross revenue increased by R332, 1 million compared to the previous year. This increase can be directly related to their export initiatives. Exports contributed 52% (47%: 2001) to the total revenue of R3 953,2 million. Net income, however, decreased from R24, 1 million in 2001 to a disappointing net loss of R363, 2 million this year. The decline in Denel's net income can mainly be attributed to the restructuring cost of Datam and Airmotive accounted for in the year under review. In addition, a total of R126 million was provided for inventory and risk associated with the Rooivalk helicopter programme.

Denel has a total asset base of R4, 0 billion and total debt of R2, 58 billion for the said financial year.

6.3.4 SAFCOL

Government of South Africa is proceeding swiftly to restructure and dispose its shareholding in SAFCOL. The company consists of five processing Plants, three Agro-Forestry, one EcoTourism asset with the reissued bid for the Komatiland Plants. SAFCOL over the last five years have reasonable reported profits in the last three financial years. It is anticipated that SAFCOL will continue to report profits in the near future and that SAFCOL transaction is unique as the company is reporting profits, which will maximize the return to government.

SAFCOL financial statements for the years ending 1999, 2000 and 2001 were only completed late 2001. This was as a result of the restructuring process, which triggered SAFCOL contingent liabilities (relating to pension and medical aid liabilities), and the transfer of land to Government. Late 2001, Government and SAFCOL reached an agreement to settle the contingent liabilities pertaining to the pension and medical aid obligations, and Government has since set off this liabilities paving the way to complete the set of financial statements due.

The overall performance of SAFCOL is satisfactory considering a strong balance sheet as of 30 June 2001 and 2002. In 1999 SAFCOL reported an after-tax loss of R 10.6 million followed by after-tax profits of R 14.9 million and R 31.9 million respectively for the 2000 and 2001 financial years. In 2002, SAFCOL reported profits of R 32.9 million after the company declared a special restructuring dividend of R 66.7 million. The dividend was declared by the company in a general meeting on the 14th of November 2001 and paid to the shareholder on the 16th of November 2001 from the proceeds of the Siyaqhubeka Restructuring transaction.

Government is proceeding swiftly to finalize the restructuring of SAFCOL. The company had no government guarantee as at 30 June 2002.

6.3.5 Alexkor

Alexkor has a total asset base of R92, 9 million and total debt of R92, 9 million as per their draft financial statements for the financial year ended 30 June 2002. Included in the total debt is a provision of R52, 5 million for staff costs. It reported a turnover of R 287, 9 million and a profit of R1, 7 million for the said period.

Land claims have been lodged against the company and as at the date of this report, the amount and possible liability of these claims have not been determined. An amount of R1 million was provided for legal costs.

An amount could become payable for added value in terms of the management contract with Nabera Mining (Pty) Ltd. No liability has been raised for this, as the directors believe that no substantial value was added during the contract.

The poor performance over the years was due to insufficient capital injection for exploration to determine the value of the diamonds that can be extracted. The Department is in the process of identifying a strategic equity partner to invest in the business.

6.3.6 Aventura

Aventura has a total asset base of R115, 7 million and total debt of R174, 9 million as per their draft financial statements for the financial year ended 30 June 2002. It reported a turnover of R 138,8 million and a net profit of R1, 6 million for the said period. A profit of R7, 7 million was reported on the sale of resorts. This is inclusive of the sale of Aventura Christiana to Nkolo Developments (Pty) Ltd valued at R13 million.

Post Balance Sheet events

Subsequent to the year-end, the company finalized the sale of Aventura Kareekloof for a consideration price of R1, 7 million. Aventura Bloemfontein and Aventura Aldam were sold in July for R3 million and R7 million respectively. Management has taken steps to sell all the remaining resorts during the year ending 30 June 2003.

7. GOVERNANCE ARRANGEMENTS

7.1 Risk management approach

The Business Plan of the Department has been revised for the 2003/04 MTEF period. The Business Plan builds on the successes that the Department has achieved in implementing programmes over the past three financial years. The Plan has been cascaded down to activity level and the risk assessment was consequently done by identifying specific risks pertaining to specific activities within the different programmes.

The Plan incorporates the provision of an independent, objective assurance and consulting activity designed to add value and improve the Department's operations. The risk methodology involved analyzing a list of risks and assigning values to determine priorities for the purposes of effective risk management and to guide the audit effort.

The risk assessment and management approach was based on a control self-assessment process whereby the managers identified areas where weaknesses exist, performed a self-assessment of the risks and identified existing internal controls or possible controls to implement. The risk dimensions method was adopted in the Department where every risk was assessed in terms of severity, distribution and imminence. Priorities were assigned according to the assessment of the risk-sensitive activities and loss generating areas to guide the internal audit effort.

The assessment included all processes, activities and systems within the line function as well as the support function units.

7.2 Fraud prevention policies

Fraud prevention policies that were implemented during the 2000/01 financial year have been emphasised by not only being communicated to all staff members but by ensuring that workshops and presentations are organised. These policies and plans are annually reviewed by the Chief Financial Officer and the Head of the Internal Audit Unit to ensure currency and applicability of these documents. Most of the staff, particularly new recruits, attended a Fraud Prevention course presented by the University of Pretoria, between February and March 2003.

7.3 Effectiveness of internal audit and audit committee

The continued effectiveness of the internal audit unit and the audit committee can be perceived through the implementation of more efficient and effective internal control measures in the Department. A follow-up system has been implemented where managers have to report on progress made with the implementation of controls recommended by the internal auditors and the audit committee members. Internal audit strategic and annual plans have been approved by the audit committee and these plans serve to guide the audit effort. A quality assurance of the internal audit function, that was planned for the 2002/03 financial year, was reviewed.

7.4 Other governance structures

Various committees and monitoring mechanisms that have been established and implemented in the Department, to ensure compliance with sound governance practices, are being improved and strengthened. Among the newly established committees are the Budget, Loss Control and Knowledge Management committees. A corporate governance audit has been executed in both the Department as well as the SOEs under the Department's jurisdiction. The audit report and findings are being addressed by the Performance Monitoring Unit with the cooperation of all personnel in the Department.

8. DISCONTINUED ACTIVITIES/ACTIVITIES TO BE DISCONTINUED

The end of the financial year 2002/03 sees the discontinuation of programme four, the Alternative Service Delivery unit. Therefore, the Department will have three programmes from the financial year 2003/04 onwards.

9. NEW/PROPOSED ACTIVITIES

Programme four, the Alternative Service unit is incorporated into sub-programme 3A, Performance Monitoring and Benchmarking, with effect from April 2003, the new 2003/04 financial year. No other new/proposed activities were implemented during the financial year.

10. EVENTS AFTER THE ACCOUNTING DATE

10.1 Appointment of Dr. M Eugene Mokeyane as Director-General

At the time of submitting this report Dr. S Gounden resigned as Director-General of Department of Public Enterprises effective 31 May 2003. Dr. M Eugene Mokeyane was appointed as the new Director-General on 1st June 2003.

10.2 Proceeds from the sale of Bop-Air (Pty) Ltd.

The Balance of the proceeds from the sale of Bop Air (Pty) Ltd (that traded as Sun-Air at the time), amounting to R21 062 500, was payable on 15 January 2000 by the consortium that bought Bop-Air (Pty) Ltd. Due to various circumstances, the balance of the proceeds was not paid on the specified date. Legal action was taken against the consortium to recover the balance of the outstanding proceeds.

The Department accepted an offer of R 6 million as full and final settlement. This decision was taken after having sought the advice of stakeholders such as the Office of the State Attorney, National Treasury, Accountant General's Office and our legal counsel. The settlement offer was received on 14 May 2003 and the amount of R6 million was received on 3 July 2003 by the Office of the State Attorney.

11. FINANCIAL MANAGEMENT IMPROVEMENT PROGRAMME

The following measures were reviewed and updated consistently in the Department to ensure applicability and to adhere to legislative requirements relating to effective and efficient financial and administrative management:

- The Finance Chief Directorate has a complement of about 95 percent and the following financial management systems were or are being updated:
- Procedure manuals and policies were compiled, revised and are fully utilised;
- A Departmental Budget and Loss Control Committees were established to control and direct the management of the budget within the Department.
- The Chief Financial Officer reports directly to the Accounting Officer.
- The Audit Committee meets on a regular basis to discuss audit findings and material matters according to the Terms of Reference.
- Departmental instructions and policies related to the Public Finance Management Act, 1999 (Act No. 1 of 1999) are utilised to ensure compliance.
- Procedural manuals pertaining to day-to-day functions, which were compiled and implemented to improve internal controls, were amended to ensure compliance with legislation.
- Delegations were reviewed in accordance with legislation. The updated and signed delegations were distributed to all staff members.
- A new Director: Financial Management, reporting directly to the CFO commenced duties at the beginning of May 2003.
- The risk assessment and management document, as well as the risk policy were reviewed and implemented.

Managers are responsible for ensuring that the following internal control elements are established and functioning to achieve the mission and objectives of the Department:

11.1 Personnel

Personnel must be competent and trustworthy, with clearly established lines of authority and responsibility documented in written job descriptions and procedure manuals.

11.2 Authorisation procedures

Procedures must include a thorough review of supporting information to verify the propriety and validity of transactions. Approval authority must be commensurate with the nature and significance of the transactions and in compliance with the Departmental policy.

11.3 Policies, guidelines and prescripts

Written departmental policies, guidelines and prescripts must be re-visited and improved to guide activities. These documents must be evaluated on a regular basis, to ensure that they support the Departmental objectives and goals.

11.4 Segregation of duties

No individual staff member should be in a position where he/she processes, input and check own work. An individual will not have responsibility for more than one of the three transaction components: authorisation, custody and record keeping. This will reduce the likelihood of errors and irregularities and fraud/corruption.

11.5 Physical restrictions

Physical restriction measures were implemented. The finger-print reading machine and the closed-circuit television were installed to prevent and detect unauthorised entry into the Departmental premises. These are the most important type of protective measure for safeguarding Departmental assets, processes and data.

11.6 Documentation and record retention

The Inter-departmental Document Management System (IDMS) has been implemented. This procedure provides reasonable assurance that information/assets are controlled and transactions are correctly recorded.

11.7 Monitoring operations

Continuation of monitoring of operations is essential to verify that controls are operating properly. Reconciliation, confirmation and exception reports provide this type of information. Managers are also responsible to address risks identified and taken up in the risk management approach document implemented in the Department.

12. APPROVAL

The attached financial statements set out on pages 59 to 86 have been approved.

DR EUGENE M MOKEYANE
ACCOUNTING OFFICER
DATE: 28 July 2003

CHAPTER 14

REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 9 – DEPARTMENT OF PUBLIC ENTERPRISES

FOR THE YEAR ENDED 31 MARCH 2003

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 59 to 86, for the year ended 31 March 2003, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Department of Public Enterprises at 31 March 2003 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice and in a manner required by the Public Finance Management Act 1999 (Act No. 1 of 1999).

4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

4.1 Dividends received

The dividends received from Transnet to the amount of R1 620 342 627, as included in note 2 on page 73 of the financial statements, include a dividend amounting to R94 842 500, which was declared by Transnet during March 2002 but only received by the Department during March 2003. The internal control measures to ensure that the Department receives all the dividends declared by SOEs on time did not identify these dividends until the actual payment was received from Transnet during March 2003. At the time of the audit it could not be verified if interest was payable on the late payment.

4.2 Receivables

Attention is drawn to paragraph 10 on page 53 of the Management Report and to note 16 to the financial statements on page 77 which disclose that an amount of R6 million was received by the Office of the State Attorney from the buyers of Bop-Air (Pty) Ltd (that traded as Sun-Air at the time during July 2003. This payment represents the full and final settlement of the R21 062 500 outstanding for the sale of Bop-Air (Pty) Ltd. The unrecovered balance will be written off during the 2003-04 financial year.

4.3 Special investigation

A special investigation into the awarding of a contract for the SAFCOL/Komatiland package was conducted during the 2002/2003 financial year. The restructuring of the commercial forestry assets of SAFCOL was initially split into seven packages. The Northern Province (now Limpopo) and Mpumalanga packages were combined at the request of Cabinet on 24 August 2000. Three bidders were selected for this combined package. The Cabinet decision of 27 June 2001 confirmed that the bidding process for the combined SAFCOL/Komatiland package should proceed as soon as possible. On 6 March 2002 Cabinet approved the bid evaluation committee's recommendation for the final approval of the successful bidder.

The purpose and objectives of the investigation was firstly to investigate whether the formal bidding process for the restructuring of state assets and the policy framework that underpins it, can ensure overall integrity. This was done through an evaluation of the actual bidding process followed in respect of the SAFCOL/Komatiland package and the identification of any deviations from the policy framework that has been adopted by the Department for such bidding processes. Secondly, aspects of the set process that need to be improved upon was investigated via a substantive audit programme designed to address such concerns.

After consensus had been reached on the factual correctness of the findings during the second meeting of the steering committee, the findings were brought to the attention of the accounting officer in the form of a management report on 11 December 2002. The comments of the accounting officer were received on 30 January 2003. According to paragraph 6.1.4 of the management report, the department has implemented various corrective measures in this regard.

5. APPRECIATION

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

Shauket Fakie

S A Fakie
Auditor-General
Pretoria
29 / 07 / 2003

CHAPTER 15
ANNUAL FINANCIAL STATEMENTS

DEPARTMENT OF PUBLIC ENTERPRISES-VOTE 9
STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS
for the year ended 31 March 2003

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material respects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act and the Division of Revenue Act, Act 5 of 2002.

1. BASIS OF PREPARATION

The financial statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The reporting entity is in transition from reporting on a cash basis of accounting to reporting on an accrual basis of accounting. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. Under the accrual basis of accounting transactions and other events are recognised when incurred and not when cash is received or paid.

2. REVENUE

Voted funds are the amounts appropriated to a department in accordance with the final budget known as the Adjusted Estimates of National Expenditure. Unexpended voted funds are surrendered to the National Revenue Fund.

Interest and dividends received are recognised upon receipt of the funds, and no accrual is made for interest or dividends receivable from the last receipt date to the end of the reporting period. They are recognised as revenue in the financial statements of the department and then transferred to the National Revenue Fund.

3. DONOR AID

Donor Aid is recognised in the income statement in accordance with the cash basis of accounting.

4. CURRENT EXPENDITURE

Current expenditure is recognised in the income statement when payment is made.

5. UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

Unauthorised expenditure means:

- the overspending of a vote or a main division within a vote, or
- expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is treated as a current asset in the balance sheet until such expenditure is recovered from a third party or funded from future voted funds.

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or not in accordance with a requirement of any applicable legislation, including:

- The Public Finance Management Act,
- The State Tender Board Act, or any regulations made in terms of this act, or
- Any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is treated as expenditure in the income statement.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure must be recovered from a responsible official (a debtor account should be raised), or the vote if responsibility cannot be determined.

6. DEBTS WRITTEN OFF

Debts are written off when identified as irrecoverable. No provision is made for irrecoverable amounts.

7. CAPITAL EXPENDITURE

Expenditure for physical items on hand on 31 March 2003 to be consumed in the following financial year, is written off in full when they are received and are accounted for as expenditure in the income statement. Physical assets acquired are expensed i.e. written off in the income statement when the payment is made.

8. INVESTMENTS

Marketable securities are carried at market value. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date.

Non-current investments excluding marketable securities are shown at cost and adjustments are made only where in the opinion of directors, the investment is impaired. Where an investment has been impaired, it is recognised as an expense in the period in which the impairment is identified.

Increases in the carrying amount of marketable securities classified as non- current assets are credited to revaluation and other reserves in the shareholder's equity. Decreases that offset previous increases of the same marketable securities are charged to the income statement. Increases/decreases in the carrying amount of marketable securities classified as current assets are credited/charged to the income statement.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to income statement. On disposal of a marketable security classified as a none current asset, amounts in revaluation and other reserves relating to that marketable security, are transferred to retained earnings.

9. INVESTMENTS IN CONTROLLED ENTITIES

Investments in controlled entities are those entities where the reporting entity has the ability to exercise any of the following powers to govern the financial and operating policies of the entity in order to obtain benefits from its activities:

- To appoint or remove all, or the majority of, the members of that entity's board of directors or equivalent governing body;
- To appoint or remove the entity's chief executive officer;
- To cast all, or the majority of, the votes at meetings of that board of directors or the equivalent governing body; or
- To control all, or the majority of, the voting rights at a general meeting of that entity.

Investments in controlled entities are shown at cost.

10. RECEIVABLES

Receivables are not normally recognised under the cash basis of accounting. However, receivables included in the balance sheet arise from cash payments that are recoverable from another party.

Receivables for services delivered are not recognised in the balance sheet as a current asset or as income in the income statement, as the financial statements are prepared on a cash basis of accounting, but are disclosed separately in the notes to enhance the usefulness of the financial statements.

11. PAYABLES

Payables are not normally recognised under the cash basis of accounting. However, payables included in the balance sheet arise from cash receipts that are due to either the National Revenue Fund or another party.

12. PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are not normally recognised under the cash basis of accounting, but are disclosed separately in the notes to enhance the usefulness of the financial statements.

13. LEASE COMMITMENTS

Lease commitments for the period remaining from the accounting date until the end of the lease contract are disclosed as a note to the financial statements. These commitments are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on the cash basis of accounting.

14. ACCRUALS

This amount represents goods/services that have been delivered, but no invoice has been received from the supplier at year end, OR an invoice has been received but remains unpaid at year end. These amounts are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on a cash basis of accounting, but are however disclosed.

15. EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits is expensed in the income statement in the reporting period that the payment is made. Short-term employee benefits, that give rise to a present legal or constructive obligation, are deferred until they can be reliably measured and then expensed. Details of these benefits and the potential liabilities are disclosed as a note to the financial statements and are not recognised in the income statement.

Termination benefits

Termination benefits are recognised and expensed only when the payment is made.

Retirement benefits

The department provides retirement benefits for its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the employer department.

Medical benefits

The department provides medical benefits for its employees through defined benefit plans. These benefits are funded by employer and/or employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. No provision is made for medical benefits in the financial statements of the department.

Post retirement medical benefits for retired civil servants are expensed when the payment is made to the fund.

16. CAPITALISATION RESERVE

The capitalisation reserve represents an amount equal to the value of the investments and/or loans capitalised, or deposits paid on behalf of employees of a foreign mission, for the first time in the previous financial year. On disposal, repayment or recovery, such amounts are transferable to the Revenue Fund.

17. RECOVERABLE REVENUE

Recoverable revenue represents payments made and recognised in the income statement as an expense in previous years, which have now become recoverable from a debtor due to non-performance in accordance with an agreement. Repayments are transferred to the Revenue Fund as and when the repayment is received.

18. COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements and such other comparative figures that the department may reasonably have available for reporting.

DEPARTMENT OF PUBLIC ENTERPRISES-VOTE 9

APPROPRIATION STATEMENT

for the year ended 31 March 2003

	Programme							
	2002/03						2001/02	
	Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
1 **Administration**								
Current	25 008	4 983	29 991	29 259	732	98%	23 737	24 350
Capital	1 010	70	1 080	1 043	37	97%	3 394	2 777
2 **Restructuring of SOE's**								
Current	207 534	(4 184)	203 350	170 273	33 077	84%	254 906	161 390
Capital	49	208	257	230	27	89%	379	379
3 **Performance Monitoring and Strategic Analysis**								
Current	12 440	(885)	11 555	7 738	3 817	67%	9 247	5 830
Capital	275	(19)	256	235	21	92%	120	680
4 **Alternative Service Delivery**								
Current	2 722	(173)	2 549	1 507	1 042	59%	1 770	883
Capital	40	–	40	15	25	38%	69	126
Total	**249 078**	**–**	**249 078**	**210 300**	**38 778**	**84%**	**293 622**	**196 415**

	2002/03						2001/02	
Economic classification	Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
Current								
Personnel	27 490	–	27 490	25 525	1 965	93%	23 644	20 420
Transfer payments	–	1 500	1 500	1 500	–	100%	3 907	–
Other	220 214	(1 759)	218 455	181 751	36 704	83%	262 109	172 033
Capital								
Transfer payments	–	–	–	–	–	–	–	–
Acquisition of capital assets	1 374	259	1 633	1 524	109	93%	3 962	3 962
Total	**249 078**	**–**	**249 078**	**210 300**	**38 778**	**84%**	**293 622**	**196 415**

	2002/03						2001/02	
Standard item classification	Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
Personnel	27 490	–	27 490	25 525	1 965	93%	23 644	20 420
Administrative	11 267	2 851	14 118	13 315	803	94%	11 855	11 515
Inventories	2 563	(434)	2 129	1 350	779	63%	2 258	1 092
Equipment	1 732	476	2 208	2 493	(285)	113%	2 407	4 929
Land and buildings	–	20	20	8	12	40%	–	–
Professional and special services	205 504	(4 079)	201 425	166 109	35 316	82%	252 823	158 458
Transfer payments	–	1 500	1 500	1 500	–	100%	100	–
Miscellaneous	522	(334)	188	–	188	0%	535	1
Total	**249 078**	**–**	**249 078**	**210 300**	**38 778**	**84%**	**293 622**	**196 415**

DEPARTMENT OF PUBLIC ENTERPRISES-VOTE 9

DETAIL PER PROGRAMME 1: ADMINISTRATION

for the year ended 31 March 2003

Programme per subprogramme	2002/03 Adjusted Appropriation R'000	2002/03 Virement R'000	2002/03 Revised Allocation R'000	2002/03 Actual Expenditure R'000	2002/03 Savings (Excess) R'000	2002/03 Expenditure as % of revised allocation	2001/02 Revised Allocation R'000	2001/02 Actual Expenditure R'000
1.1 Corporate services								
Current	18 805	4 948	23 753	25 159	(1406)	106%	19 369	19 811
Capital	952	70	1 022	1 005	17	98%	3 394	2 777
1.2 Management								
Current	5 518	(100)	5 418	3 284	2 134	61%	3 601	3 772
Capital	58	–	58	38	20	66%	–	–
1.3 Minister								
Current	685	135	820	816	4	100%	767	767
Capital	–	–	–	–	–	–	–	–
Total	**26 018**	**5 053**	**31 071**	**30 302**	**769**	**98%**	**27 131**	**27 127**

Economic classification	2002/03 Adjusted Appropriation R'000	2002/03 Virement R'000	2002/03 Revised Allocation R'000	2002/03 Actual Expenditure R'000	2002/03 Savings (Excess) R'000	2002/03 Expenditure as % of revised allocation	2001/02 Revised Allocation R'000	2001/02 Actual Expenditure R'000
Current								
Personnel	12 089	1 848	13 937	13 785	152	99%	11 251	10 833
Transfer payments	–	–	–	–	–	–	3 907	–
Other	12 919	3 135	16 054	15 474	580	96%	8 579	13 517
Capital								
Transfer payments	–	–	–	–	–	–	–	–
Acquisition of capital assets	1 010	70	1 080	1 043	37	97%	3 394	2 777
Total	**26 018**	**5 053**	**31 071**	**30 302**	**769**	**98%**	**27 131**	**27 127**

Standard item classification	2002/03 Adjusted Appropriation R'000	2002/03 Virement R'000	2002/03 Revised Allocation R'000	2002/03 Actual Expenditure R'000	2002/03 Savings (Excess) R'000	2002/03 Expenditure as % of revised allocation	2001/02 Revised Allocation R'000	2001/02 Actual Expenditure R'000
Personnel	12 089	1 848	13 937	13 785	152	99%	11 251	10 833
Administrative	6 761	2 505	9 266	9 247	19	100%	8 048	8 767
Inventories	1 605	(370)	1 235	935	300	76%	1 483	914
Equipment	1 364	340	1 704	1 461	243	86%	1 993	3 583
Land and buildings	–	–	–	–	–	–	–	–
Professional and special services	3 870	1 035	4 905	4 874	31	99%	3 907	3 030
Transfer payments	–	–	–	–	–	–	100	–
Miscellaneous	329	(305)	24	–	24	–	349	–
Total	**26 018**	**5 053**	**31 071**	**30 302**	**769**	**98%**	**27 131**	**27 127**

DEPARTMENT OF PUBLIC ENTERPRISES-VOTE 9

DETAIL PER PROGRAMME 2: RESTRUCTURING OF STATE OWNED ENTERPRISES

for the year ended 31 March 2003

Programme per subprogramme	2002/03 Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	2001/02 Revised Allocation R'000	Actual Expenditure R'000
2.1 Initial Public Offering Office								
Current	196 083	(180)	195 903	163 276	32 627	83%	150 397	29 719
Capital	–	90	90	88	2	–	–	–
2.2 Management								
Current	5 011	(3 108)	1 903	1 662	241	87%	98 772	96 474
Capital	32	2	34	33	1	97%	379	379
2.3 Restructuring								
Current	4 337	(26)	4 311	2 980	1 331	69%	3 335	33 415
Capital	10	26	36	24	12	67%	–	–
2.4 Specialist Services								
Current	2 103	(870)	1 233	2 355	(1 122)	191%	2 402	1 782
Capital	7	90	97	85	12	88%	–	–
Total	**207 583**	**(3 976)**	**203 607**	**170 503**	**33 104**	**84%**	**255 285**	**161 769**

Economic classification	2002/03 Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	2001/02 Revised Allocation R'000	Actual Expenditure R'000
Current								
Personnel	10 159	(1 675)	8 484	7 076	1 408	83%	8 254	6 071
Transfer payments	–	1 500	1 500	1 500	–	100%	–	–
Other	197 375	(4 009)	193 366	161 697	31 669	84%	246 652	155 319
Capital								
Transfer payments	–	–	–	–	–	–	–	–
Acquisition of capital assets	49	208	257	230	27	89%	379	379
Total	**207 583**	**(3 976)**	**203 607**	**170 503**	**33 104**	**84%**	**255 285**	**161 769**

Standard item classification	2002/03 Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	2001/02 Revised Allocation R'000	Actual Expenditure R'000
Personnel	10 159	(1 675)	8 484	7 076	1 408	83%	8 254	6 071
Administrative	1 943	324	2 267	2 938	(671)	130%	1 791	1 854
Inventories	398	(61)	337	110	227	33%	357	81
Equipment	53	155	208	375	(167)	180%	222	436
Land and buildings	–	20	20	8	12	40%	–	–
Professional and special services	194 856	(4 210)	190 646	158 496	32 150	83%	244 494	153 327
Transfer payments	–	1 500	1 500	1 500	–	100%	–	–
Miscellaneous	174	(29)	145	–	145	–	167	–
Total	**207 583**	**(3 976)**	**203 607**	**170 503**	**33 104**	**84%**	**255 285**	**161 769**

DEPARTMENT OF PUBLIC ENTERPRISES-VOTE 9

DETAIL PER PROGRAMME 3: PERFORMANCE MONITORING AND STRATEGIC ANALYSIS

for the year ended 31 March 2003

	2002/03						2001/02	
Programme per subprogramme	Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
3.1 Management (3a)								
Current	3 395	(904)	2 491	1 190	1 301	48%	2 484	1 414
Capital	70	–	70	43	27	61%	–	–
3.2 Performance Monitoring and Benchmarking								
Current	4 942	–	4 942	4 486	456	91%	3 306	2 296
Capital	161	–	161	76	85	47%	60	340
3.3 Management (3b)								
Current	2 851	19	2 870	1 310	1 560	46%	2 306	1 440
Capital	19	(19)	–	116	(116)	–	60	340
3.4 Strategic Analysis								
Current	1 252	–	1 252	752	500	60%	1 151	680
Capital	25	–	25	–	25	–	–	–
Total	12 715	(904)	11 811	7 973	3 838	68%	9 367	6 510

	2002/03						2001/02	
Economic classification	Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
Current								
Personnel	4 244	–	4 244	3 925	319	92%	3 371	2 915
Transfer payments	–	–	–	–	–	–	–	–
Other	8 196	(885)	7 311	3 813	3 498	52%	5 876	2 915
Capital								
Transfer payments	–	–	–	–	–	–	–	–
Acquisition of capital assets	275	(19)	256	235	21	92%	120	680
Total	12 715	(904)	11 811	7 973	3 838	68%	9 367	6 510

	2002/03						2001/02	
Standard item classification	Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
Personnel	4 244	–	4 244	3 925	319	92%	3 371	2 915
Administrative	2 089	22	2 111	1 066	1 045	50%	1 417	749
Inventories	478	(3)	475	286	189	60%	320	84
Equipment	275	(19)	256	636	(380)	248%	120	767
Land and buildings	–	–	–	–	–	–	–	–
Professional and special services	5 622	(904)	4 718	2 060	2 658	44%	4 132	1 994
Transfer payments	–	–	–	–	–	–	–	–
Miscellaneous	7	–	7	–	7	–	7	1
Total	12 715	(904)	11 811	7 973	3 838	68%	9 367	6 510

DEPARTMENT OF PUBLIC ENTERPRISES-VOTE 9
DETAIL PER PROGRAMME 4: ALTERNATIVE SERVICE DELIVERY
for the year ended 31 March 2003

Programme per subprogramme	2002/03 Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	2001/02 Revised Allocation R'000	Actual Expenditure R'000
4.1 Management								
Current	929	(173)	756	1 208	(452)	160%	1 314	845
Capital	40	–	40	8	32	20%	69	126
4.2 Alternative Service Delivery								
Current	1 793	–	1 793	299	1 494	17%	456	38
Capital	–	–	–	7	(7)	–	–	–
Total	**2 762**	**(173)**	**2 589**	**1 522**	**1 067**	**59%**	**1 839**	**1 009**

Economic classification	2002/03 Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	2001/02 Revised Allocation R'000	Actual Expenditure R'000
Current								
Personnel	998	(173)	825	739	86	90%	768	601
Transfer payments	–	–	–	–	–	–	–	–
Other	1 724	–	1 724	767	957	44%	1 002	282
Capital								
Transfer payments	–	–	–	–	–	–	–	–
Acquisition of capital assets	40	–	40	16	24	40%	69	126
Total	**2 762**	**(173)**	**2 589**	**1 522**	**1 067**	**59%**	**1 839**	**1 009**

Standard item classification	2002/03 Adjusted Appropriation R'000	Virement R'000	Revised Allocation R'000	Actual Expenditure R'000	Savings (Excess) R'000	Expenditure as % of revised allocation	2001/02 Revised Allocation R'000	Actual Expenditure R'000
Personnel	998	(173)	825	739	86	90%	768	601
Administrative	474	–	474	64	410	14%	599	145
Inventories	82	–	82	19	63	23%	98	13
Equipment	40	–	40	21	19	53%	72	143
Land and buildings	–	–	–	–	–	–	–	–
Professional and special services	1 156	–	1 156	679	477	59%	290	107
Transfer payments	–	–	–	–	–	–	–	–
Miscellaneous	12	–	12	–	12	–	12	–
Total	**2 762**	**(173)**	**2 589**	**1 522**	**1 067**	**59%**	**1 839**	**1 009**

1 Detail of current and capital transfers as per Appropriation Act (after Virement):

Detail of these transactions can be viewed in note 9 (Transfer payments) to the annual financial statements.

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

Detail of these transactions can be viewed in note 1 (Charge to National Revenue Fund) to the annual financial statements.

3 Explanations of material variances from Amount Voted (after virement):

3.1 Per Programme:

Programme 2:

The savings in Professional Services are due to the appreciation of the Rand and also the roll-over of certain IPO activities to the 2003/04 fiscal year. The foreign exchange transactions occurred when the activities with respect to the Telkom IPO that occurred.

Programme 3:

This savings is due to over-projection under professional services on the SOE's Benchmarking and Evaluation unit.

Programme 4:

The saving in this program is due to termination of the Conceptualisation Project (ASD). The unit has now been abolished and its functions have now been incorporated in program 3.

3.2 Per standard item:

Personnel:

Saving are due to the vacant posts not filled within Programme 2.

Inventories:

Saving occurred due to the vacant positions within Programme 2.

Equipment:

Overspending due to the purchase of the server to host SOE's database within Programme 3.

Professional and special services:

The savings is due to the appreciation of the Rand and also the roll-over of certain IPO activities to the 2003/04 fiscal year.

4 Reconciliation of appropriation statement to income statement:

	2002/03 R'000	2001/02 R'000
Actual expense per appropriation statement	210,300	196,415
Total expenditure per income statement	210,300	196,415

DEPARTMENT OF PUBLIC ENTERPRISES-VOTE 9

INCOME STATEMENT (Statement of Financial Performance)

for the year ended 31 March 2003

	NOTE	2002/2003 R'000	2001/2002 R'000
REVENUE			
Voted funds		**249 078**	**293 622**
Charge to National Revenue Fund	1	249 078	293 622
Non-voted funds		**2 169 386**	**1 435 245**
Other revenue to be surrendered to the revenue fund	2	2 169 386	1 435 245
TOTAL REVENUE		**2 418 464**	**1 728 867**
EXPENDITURE			
Current		**208 776**	**192 453**
Personnel	4	25 525	20 420
Administrative		13 315	11 515
Inventories	5	1 350	1 092
Machinery and Equipment	6	969	967
Land and buildings	7	8	–
Professional and special services	8	166 109	158 458
Transfer payments	9	1 500	–
Miscellaneous	10	–	1
Capital		**1 524**	**3 962**
Machinery and Equipment	6	1 524	3 962
TOTAL EXPENDITURE		**210 300**	**196 415**
NET SURPLUS /(DEFICIT) FOR THE YEAR	12	**2 208 164**	**1 532 452**

DEPARTMENT OF PUBLIC ENTERPRISES-VOTE 9

BALANCE SHEET (Statement of Financial Position)

as at 31 March 2003

	NOTE	2002/2003 R'000	2001/2002 R'000
ASSETS			
Current assets		**38 882**	**26 319**
Unauthorised, fruitless and wasteful expenditure	11	26 165	26 165
Cash and cash equivalents	13	7 785	12
Receivables	14	4 932	142
Non-current assets		**14 893 371**	**14 893 371**
Receivables	16	21 062	21 062
Investments in controlled entities	15	14 872 309	14 872 309
TOTAL ASSETS		**14 932 253**	**14 919 690**
LIABILITIES			
Current liabilities		**38 882**	**26 319**
Voted funds to be surrendered	17	38 778	(71 062)
Revenue funds to be surrendered	18	30	20
Bank overdraft	19	–	97 331
Payables	20	74	30
TOTAL LIABILITIES		**38 882**	**26 319**
NET ASSETS/LIABILITIES		**14 893 371**	**14 893 371**
EQUITY		**14 893 371**	**14 893 371**
Capitalisation reserve		14 872,309	14 872,309
Recoverable revenue		21 062	21 062
TOTAL EQUITY		**14 893 371**	**14 893 371**

DEPARTMENT OF PUBLIC ENTERPRISES-VOTE 9
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
for the year ended 31 March 2003

	NOTE	2002/2003 R'000	2001/2002 R'000
Capitalisation reserve			
Opening balance		14 872 309	14 872 309
Closing balance		**14 872 309**	**14 872 309**
Recoverable revenue			
Opening balance		21 062	21 062
Closing balance		**21 062**	**21 062**
TOTAL EQUITY		**14 893 371**	**14 893 371**

DEPARTMENT OF PUBLIC ENTERPRISES-VOTE 9

CASH FLOW STATEMENT

for the year ended 31 March 2003

	NOTE	2002/2003 R'000	2001/2002 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flow generated by operating activities	21	2 209 688	1 368 145
Cash generated (utilised) to (increase)/ decrease working capital	22	(4 746)	156
Voted funds and Revenue funds surrendered	23	(2 098 314)	(1 442 223)
Net cash flow available from operating activities		**106 628**	**(73 922)**
CASH FLOWS FROM INVESTING ACTIVITIES		**(1 524)**	**(3 962)**
Capital expenditure		(1 524)	(3 962)
Net cash flows from operating and investing activities		**105 104**	**(77 884)**
Net increase/(decrease) in cash and cash equivalents		**105 104**	**(77 884)**
Cash and cash equivalents at beginning of period		(97 319)	(19 435)
Cash and cash equivalents at end of period		**7 785**	**(97 319)**

1 Charge to National Revenue Fund

1.1 Included in the above are funds specifically and exclusively appropriated for National Departments (Voted funds):

Programmes	Total Appropriation 2002/03 R'000	Actual 2002/03 R'000	Variance over/(under) 2002/03 R'000	Total Appropriation 2001/02 R'000
Administration	31 071	30 302	(769)	27 131
Restructuring of SOE's	203 607	170 503	(33 104)	255 285
Performance Monitoring and Strategic Analysis	11 811	7 973	(3 838)	9 367
Alternative Service Delivery	2 589	1 522	(1 067)	1 839
TOTAL	249 078	210 300	(38 778)	293 622

1.2 Explanation of material variances

Activities were scheduled for implementation towards the last 3 months of the financial year with respect to the Initial Public Listing of Telkom shares (Telkom IPO). Due to logistical reasons these activities could not be implemented fully during the 3 month period and were carried forward to the 2003/2004 financial year. This resulted in a savings of R 20 889 million for which a roll-over has been applied for from National Treasury. The net saving of unutilised funds therefore amounts to R 17 889 million.

2 Other revenue to be surrendered to Revenue Fund

	NOTE	2002/2003 R'000	2001/2002 R'000
Description			
Cheques written back/stale cheques		25	25
Dividends received		2 169 343	1 435 109
Other		18	111
		2 169 386	1 435 245
2.1 Gifts, donations and sponsorships received in kind excluding RDP funds by the department (Total not included above)			
Nature of gift, donation and sponsorship			
SAA		99	14
		99	14
2.2 Dividends paid directly to National Treasury			
SAFCOL Restructuring Dividend		–	66 667
		–	66 667

		NOTE	2002/2003 R'000	2001/2002 R'000
3	**Local and foreign aid assistance**			
3.1	**Foreign aid assistance received in kind**			
	United Kingdom - DFID - Support to DPE		519	230
	United Kingdom - DFID - Energy Sector Specialist		2 649	919
	United Kingdom - DFID - Ports Specialists		2 718	427
	United Kingdom - DFID - ODI		419	329
	United Kingdom - DFID - Corporate Governance		–	116
	United Kingdom - DFID - Performance Monitoring		1 037	–
	USAID		10 629	7 883
	Total Foreign aid assistance received in kind		**17 971**	**9 904**
4	**Personnel**			
4.1	**Current expenditure**			
	Appropriation to Executive and Legislature		792	685
	Basic salary costs		16 869	13 252
	Pension contributions		1 280	1 173
	Medical aid contributions		660	481
	Other salary related costs		5 924	4 829
	Total Personnel Costs		**25 525**	**20 420**
	Average number of employees		107	115
5	**Inventories**			
5.1	**Current expenditure**			
	Inventories purchased during the year			
	Printing		513	384
	Publications		81	133
	Computer consumables		67	22
	Stationary		542	476
	Other		147	77
	Total cost of inventories		**1 350**	**1 092**
5.2	**Inventories on hand at year end (for disclosure purposes only)**	**Costing method used**		
	Stationary	Average	197	418
			197	**418**
	The inventory on hand disclosed is for all stores			

	NOTE	2002/2003 R'000	2001/2002 R'000
6 Machinery and Equipment			
Current (Rentals, maintenance and sundry)		969	967
Total current expenditure		969	967
Capital	6.1	1 524	3 962
Total current and capital expenditure		**2 493**	**4 929**
6.1 Capital machinery and equipment analysed as follows:			
Computer equipment		824	2 879
Furniture and office equipment		690	433
Other machinery and equipment		10	650
		1 524	**3 962**
7 Land and buildings			
Current expenditure			
Rental		8	–
Total current expenditure		8	–
Total current and capital expenditure		**8**	**–**
8 Professional and Special Services			
8.1 Current expenditure			
Auditors' remuneration		849	410
Contractors		235	407
Consultants and advisory services		163 645	61 866
Commissions and committees		1	–
Computer services		1 302	380
Other	8.2	77	95 395
Total Professional and special services		**166 109**	**158 458**
8.2 Other - Professional Services			
Other		77	–
SAFCOL Pension and Provident Funds		–	95 395
		77	**95 395**

Government funded deficits of SAFCOL Pension and Provident funds in accordance with contractual commitments and to ensure a fair and effective restructuring process to maximise shareholder and stakeholder value.

		NOTE	2002/2003 R'000	2001/2002 R'000
9	**Transfer payments**			
	Transfers to public entities and institutions	Annexure 1	1 500	–
	Analysis of payments			
	Current		1 500	–
10	**Miscellaneous**			
10.1	**Current Expenditure**			
	Loss on foreign exchange rate differences		–	1
	Total miscellaneous expenditure		**–**	**1**
11	**Unauthorised, fruitless and wasteful expenditure disallowed**			
11.1	**Reconciliation of unauthorised expenditure balance**			
	Opening balance		26 165	26 165
	Closing balance		**26 165**	**26 165**
12	**Analysis of surplus**			
	Voted funds to be surrendered to the National Revenue Fund		38 778	97 207
	Non-voted funds		2 169 386	1 435 245
	Other revenue to be surrendered to the Revenue Fund		2 169 386	1 435 245
	Total		**2 208 164**	**1 532 452**
13	**Cash and cash equivalents**			
	Paymaster General Account		7 773	–
	Cash on hand		12	12
			7 785	12
14	**Receivables - current**			
	Staff debtors	14.3	164	35
	Other debtors	14.4	4 721	42
	Advances	14.5	47	65
			4 932	**142**

14.1 The amount of R 42 922 (01/02: R 16 771) included above may not be recoverable, but has not been written of in the income statement.

		NOTE	2002/2003 R'000	2001/2002 R'000
14.2	**Age analysis – receivables current**			
	Less than one year		4 855	64
	One to two years		9	68
	More than two years		68	10
			4 932	**142**
14.3	**Staff debtors**			
	Salary over payment		9	9
	Motor finance		16	16
	Other		139	10
			164	**35**
14.4	**Other debtors**			
	Telkom		4 676	–
	Transport		42	42
	Tax		3	–
			4 721	**42**
14.5	**Advances**			
	Nature of advances			
	Subsistence and transport		37	55
	Government Printers		6	6
	Department of Justice		4	4
			47	**65**
15	**Investments in controlled entities**			
	Total investments in controlled entities	Annexure 2	14 872 309	14 872 309
16	**Receivables – non-current**			
	Outstanding proceeds from the sale of State assets			
	CNI		5 068	5 068
	COMAIR		6 582	6 582
	Rethabile Consortium		9 412	9 412
			21 062	**21 062**

The balance of the proceeds from the sale of Bop-Air (Pty) Ltd (that traded as Sun-Air at the time), amounting to R 21 062 500, was payable on 15 January 2000 by the consortium that bought Bop-Air (Pty) Ltd. Due to the various circumstances the balance of the proceeds was not paid on the specified date. Legal action was taken against the consortium to recover the balance of the outstanding proceeds.

The Department accepted an offer of R6 million as full and final settlement. This decision was taken after having sought the advice of stakeholders such as the Office of the State Attorney, National Treasury, Accountant General's Office and our legal counsel. The settlement offer was received on 14 May 2003 and the amount of R6 million was received on 3 July 2003 by the Office of the State Attorney.

		NOTE	2002/2003 R'000	2001/2002 R'000
17	**Voted funds to be surrendered**			
	Opening balance		(71 062)	6 998
	Transfer from income statement	12	38 778	97 207
	Voted funds not requested / not received		–	(168 269)
	(Paid) / Received during the year	23	71 062	(6 998)
	Closing balance		**38 778**	**(71 062)**
18	**Revenue funds to be surrendered**			
	Opening balance		20	–
	Transfer from income statement for revenue to be surrendered	12	2 169 386	1 435 245
	(Paid) / Received during the year	23	(2 169 376)	(1 435 225)
	Closing balance		**30**	**20**
19	**Bank overdraft**			
	Paymaster General Account (Exchequer account)		–	97 331
20	**Payables - Current**			
	Other payables	20.1	74	30
			74	**30**
20.1	**Other payables**			
	PAYE		–	27
	Pension		–	3
	Other		74	–
			74	**30**
21	**Net cash flow generated by operating activities**			
	Net surplus as per Income Statement		2 208 164	1 532 452
	Adjusted for items separately disclosed		1 524	3 962
	Purchase of equipment		1 524	3 962
	Voted funds not requested / not received		–	(168 269)
	Net cash flow generated by operating activities		**2 209 688**	**1 368 145**
22	**Cash generated (utilised) to (increase)/decrease working capital**			
	(Increase) / decrease in receivables – current		**(4 790)**	**133**
	Increase/(decrease) in payables		44	23
			(4 746)	156
23	**Voted funds and Revenue funds surrendered**			
	Voted funds surrendered / (received)		(71 062)	6 998
	Revenue funds surrendered		2 169 376	1 435 225
			2,098,314	**1,442,223**

These amounts are not recognised in the financial statements, and are disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999(as amended by Act 29 of 1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act and the Division of Revenue Act, Act 5 of 2002.

		NATURE	NOTE	2002/2003 R'000	2001/2002 R'000
24	**Contingent Liabilities**				
	Liable to				
	Motor Vehicle guarantees	Employees	Annexure 3A	377	508
	Housing loan guarantees	Employees	Annexure 3A	407	366
	Other guarantees	Public Entities	Annexure 3A&B	15 185 815	20 767 846
				15 186 599	**20 768 720**
25	**Commitments**				
	Current Expenditure				
	Approved and contracted/ordered			20 889	91 501
	Approved but not yet contracted			–	300
	Total Commitments			**20 889**	**91 801**
26	**Accruals**				
	Listed by Standard Item:				
	Personnel			19	–
	Administration			478	29
	Inventory			53	7
	Equipment			35	4
	Professional and Special Services			7	–
				592	**40**
	Listed by Programme Level:				
	Program 1 - Administration			425	17
	Program 2 - Restructuring of State Owned Enterprises			69	16
	Program 3 - Performance Monitoring and Strategic Analysis			95	7
	Program 4 - Alternative Service Delivery			3	–
				592	**40**
27	**Employee Benefits**				
	Leave Entitlement			1 730	1 122
	Thirteenth cheque			348	252
				2 078	**1 374**

	PROPERTY	EQUIPMENT	TOTAL 2002/2003 R'000	TOTAL 2001/2002 R'000
28 Leases				
28.1 Operating leases				
Not later than 1 year	–	21	21	71
Later than 1 year and not later than 3 years	–	409	409	29
Later than 3 years	–	30	30	29
	–	460	460	129
Future finance charges	–	–	–	–
Present value of lease liabilities	–	460	460	129

	NOTE	2002/2003 R'000	2001/2002 R'000
29 Irregular Expenditure			
29.1 Movement Schedule of Irregular Expenditure			
Opening balance		–	–
Irregular Expenditure - current year		203	–
Expenditure condoned		75	–
Expenditure awaiting condonement		128	–
Analysis			
Current year		128	–
29.2 Not condoned expenditure			
Incident	**Disciplinary steps taken/ criminal proceedings**		
Non compliance with Treasury Regulations	Awaiting condonement from State Tender Board	128	–
		128	–
30 Key Management Personnel			
30.1 Remuneration			
Minister		513	477
Director-General		411	411
2 Deputy Directors-General		698	657
4 Chief Directors		958	1 051
		2 580	2 596

	NOTE	2002/2003 R'000	2001/2002 R'000
30.2 Other Remuneration and Compensation provided to Key Management and close members of the family of key management personnel			
Minister		**339**	**361**
Motor Allowance		138	129
Medical Aid		24	23
Pension		90	81
Other Allowances		87	128
Director-General		**439**	**367**
Motor Allowance		167	167
Pension		62	59
Other Allowances		210	141
2 Deputy Directors-General		**483**	**423**
Motor Allowance		204	195
Medical Aid		7	7
Other Allowances		272	221
4 Chief Directors		**658**	**774**
Motor Allowance		180	204
Medical Aid		8	9
Pension		49	73
Other Allowances		421	488
		1 919	1 925

ANNEXURE 1

STATEMENT OF TRANSFERS TO PUBLIC ENTITIES AND INSTITUTIONS BY NATIONAL DEPARTMENTS AS AT 31 MARCH 2003

NAME OF PUBLIC ENTITY AND INSTITUTION	TRANSFER ALLOCATION				CURRENT EXPENDITURE				
	Appropriation Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000
Diabo Trust	–	1 500	–	1 500	1 500	–	100%	–	1 500
TOTAL:	–	1 500	–	1 500	1 500	–	100%	–	1 500

ANNEXURE 2

STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO CONTROLLED/PUBLIC ENTITIES AS AT 31 MARCH 2003

Name of public Entity	Nature of public entitles business	Relevant Act	Entity's PFMA Schedule type	% Held	Number of shares held		Cost of investment		Profit / Loss for the year		Financial year end of SOE	Are the losses guaranteed	Amount of losses guaranteed	Amounts owing to		Amounts owing by		AO Value of Investment R000's	Audit Report Status U/Q/A/D
					2002/2003	2001/2002	2002/2003	2001/2002	2003	2002				2002/ 2003	2001/ 2002	2002/ 2003	2001/ 2002		
Alexkor Limited	Mining	Act 116 of 1992	II	100	50 000 000	50 000 000	50 000 000-00	50 000 000-00	Not available	1 769 653-00	30 June	No	N/A	–	–	–	–	50 000	U
Aventura Limited	Leisure	Act 127 of 1993	IIIB	100	60 000 000	60 000 000	60 000 000-00	60 000 000-00	Not available	Not available	30 June	No	N/A	–	–	–	–	60 000	Not available
Denel (Pty) Limited	Manufacturing of Arms for the Defence Industry	Companies Act 1 April 1992	II	100	442 110 000	442 110 000	442 110 000-00	442 110 000-00	Not available	(363 200 000-00)	31 March	No	N/A	–	–	–	–	442 110	U
SAFCOL	Forestry	Act 128 of 1992	II	100	318 013 000	318 013 000	318 013 000-00	318 013 000-00	Not available	32 945 797-00	30 June	No	N/A	–	–	–	–	318 013	U
ESKOM	Energy	Act 13 of 2001	II	100	1	–	1-00	–	Not available	3 739 000 000-00	31 December	No	N/A	–	–	–	–	1	U
Transnet Limited	Transport	Legal succession to the South African Transport Services Act 9, of 1989 as amended	II	100	14 002 186 000	14 002 186 000	14 002 186 000-00	14 002 186 000-00	Not available	3 437 000 000-00	31 March	No	N/A	–	–	–	–	14 002 186	U
							14 872 309 001-00	14 872 309 000-00						–	–	–	–	14 872 310-00	

Legend

U: Unqualified Audit opinion

Q: Qualified Audit opinion

A: Adverse Audit opinion

D: Disclaimer Audit opinion

Note: Only information available at time of preparation is disclosed.

DEPARTMENT OF PUBLIC ENTERPRISES-VOTE 9

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2003

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2003

DOMESTIC

Guaranteed institution	Guarantee in respect of:	Original Guaranteed capital amount R'000	Opening balance 01/04/2002 R'000	Guarantees issued during the year R'000	Guarantees released during the year R'000	Closing balance 31/03/2003 R'000	Guaranteed interest outstanding as from last date of interest until 31/03/2003 R'000	Realised losses i.r.o. claims paid out R'000
STANNIC	Employees (Motor)	508	508	–	131	377	–	–
ABSA	Employees (Housing)	134	134	37	65	106	–	–
Cape Hope	Employees (Housing)	76	76	–	76	–	–	–
First National Bank	Employees (Housing)	82	82	15	–	97	–	–
National Building Society	Employees (Housing)	14	14	–	–	14	–	–
NEDCOR	Employees (Housing)	26	26	102	–	128	–	–
Standard Bank	Employees (Housing)	34	34	28	–	62	–	–
	Subtotal:	**366**	**366**	**182**	**141**	**407**	**–**	**–**
Transnet	T001	Unlimited	2 953 898	–	2 953 898	–	–	–
	T004	Unlimited	5 484 374	–	–	5 484 374	205 664	–
	T011	Unlimited	1 656 000	–	–	1 656 000	136 620	–
	T017 (Note 1)	3 000 000	1 600 000	1 127 000	–	2 727 000	13 525	–
	Coupon Stock (Funding)	Unlimited	2 114 000	6 296 000	7 689 000	721 000	3 044	–
	Coupon Stock (Trading)	Unlimited	151 073	198 927	–	350 000	3 610	–
	Subtotal:	Unlimited	13 959 345	7 621 927	10 642 898	10 938 374	362 463	–
Aventura (Note 2)	Banking and Financing	42 000	41 799	–	41 799	–	–	–
Total:		**3 042 874**	**14 002 018**	**7 622 109**	**10 684 969**	**10 939 158**	**362 463**	**–**

Note 1: Included in the amount of R 1 127 000 000, representing guarantees issued during the year, are bonds issued by Transnet to the amount of R 195 000 000 on 27 March 2003, but the actual cash effect of the issued bonds only realised on 1 April 2003, after the financial year.

Note 2: The guarantees issued with respect to Aventura has been restated from R37 000 000 to R41 799 000, due to information made available to the Department after the 2001/2002 financial year

ANNEXURE 3B

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2003
FOREIGN

Guaranteed institution	Guarantee in respect of	Guaranteed capital amount R'000	Opening balance as at 01/04/2002 R'000	Guarantees issued during the year R'000	Guarantees released during the year R'000	Exchange rate gain/(loss) R'000	Closing balance 31/03/2003 R'000	Guaranteed interest outstanding as from last date of interest until 31/3/2003 R'000	Realised losses i.r.o.
Eskom:	Smart System	250 602	77 563	–	29 733	–	47 830	1 262	–
	Majuba PS	2 779 000	189 646	–	166 308	–	23 338	970	–
	General Financing	483 724	122 000	–	–	–	122 000	10 897	–
	General Financing	–	1 971 957	–	1 971 957	–	–	–	–
	Kendal PS	–	5 884	–	5 884	–	–	–	–
	Subtotal:	**3 513 326**	**2 367 050**	**–**	**2 173 882**	**–**	**193 168**	**13 129**	**–**
Transnet: (Note 1)	Financing of Harbours & Railways	132 881	213 306	–	23 622	(47 952)	141 732	1 399	–
	Financing of Aircraft	284 938	311 732	–	61 935	(94 959)	154 838	93	–
	Financing of Aircraft	31 659	90 239	–	2 798	(27 488)	59 953	180	–
	Financing of Dividend to Government	287 658	284 375	–	–	(86 625)	197 750	793	–
	Partially Refinancing of T016	2 000 000	2 000 000	–	–	–	2 000 000	257 424	–
	Refinancing	1 500 000	1 500 000	–	–	–	1 500 000	819	–
	Subtotal:	**4 237 136**	**4 399 652**	**–**	**88 355**	**(257 024)**	**4 054 273**	**260 708**	**–**
Total		**7 750 462**	**6 766 702**	**–**	**2 262 237**	**(257 024)**	**4 247 441**	**273 837**	**–**

Note 1: The guarantees issued with respect to 2001/2002 M-Cell guarantees of Transnet has been restated from R 5 403 125 000 to R Nil , due to the fact that no contract between Government and Transnet existed in this regard. Transnet included the M_Cell guarantees for the 2001/2002 financial year on the basis that the transactions were initiated by the Government and that the Government would guarantee these transactions.

ANNEXURE 4

PHYSICAL ASSET MOVEMENT SCHEDULE

PHYSICAL ASSETS ACQUIRED DURING FINANCIAL YEAR 2002/03	Opening Balance R'000	Additions R'000	Disposals R'000	Transfer In R'000	Transfers Out R'000	Closing Balance R'000
MACHINERY AND EQUIPMENT	–	1 524	–	–	–	1 524
Computer Equipment	–	824	–	–	–	824
Furniture and Office Equipment	–	690	–	–	–	690
Other Machinery and Equipment	–	10	–	–	–	10

PHYSICAL ASSETS ACQUIRED DURING FINANCIAL YEAR 2001/02	Opening Balance R'000	Additions R'000	Disposals R'000	Transfers In R'000	Transfers Out R'000	Closing Balance R'000
MACHINERY AND EQUIPMENT	–	3 962	–	–	–	3 962
Computer Equipment	–	2 879	–	–	–	2 879
Furniture and Office Equipment	–	433	–	–	–	433
Other Machinery and Equipment	–	650	–	–	–	650

APPENDIX 1 & 2

APPENDIX 1 & 2

APPENDIX 1:
STATISTICS AND INFORMATION AS REQUIRED IN TERMS OF REGULATION IIIJ.3 OF THE PUBLIC SERVICE REGULATIONS,2001

TABLE 2.1 - Personnel costs by programme, 2002/ 03

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Professional and Special Services (R'000)	Personnel Cost as % of Total Expenditure	Average Personnel cost per Employee (R'000)
1. Administration	30,302	13,785	1,012	4,874	45.5	219
2. Restructuring of SOEs	170,503	7,076	564	158,496	4.2	283
3. Performance Monitoring	7,973	4,244	366	2,060	53.2	250
4. Alternative Service Delivery	1,522	825	23	679	54.2	413
Total	**210,300**	**25,525**	**1,965**	**166,109**	**12.1**	**239**

TABLE 2.2 - Personnel costs by salary bands, 2002/ 03

Salary Bands	Personnel Expenditure (R'000)	% of Total Personnel Cost	Average Personnel Cost per Employee (R'000)
Lower skilled (Levels 1-2)	345	1.4	49
Skilled (Levels 3-5)	792	3.1	61
Highly skilled production (Levels 6-8)	4,249	16.8	142
Highly skilled supervision (Levels 9-12)	6,352	25.0	187
Senior management (Levels 13-16)	13,622	53.7	592
Total	**25,360**	**100.0**	**237**

TABLE 2.3 - Salaries, Overtime, Home Owners' Allowance and Medical Assistance by programme, 2002/ 03

Programme	Salaries		Overtime		Home Owners' Allowance		Medical Assistance	
	Amount (R'000)	As % of personnel cost	Amount (R'000)	As % of personnel cost	Amount (R'000)	As % of personnel cost	Amount (R'000)	As % of personnel cost
1. Administration	8,649	63.8	58	0.4	153	1.1	494	3.6
2. Restructuring of SOEs	4,833	68.6	5	0.1	39	0.6	145	2.1
3. Performance Monitoring	3,052	75.6	4	0.1	18	0.4	90	2.2
4. Alternative Service Delivery	501	70.3	-	-	9	1.3	19	2.7
Total	**17,035**	**67.2**	**67**	**0.3**	**219**	**0.9**	**748**	**2.9**

TABLE 2.4 - Salaries, Overtime, Home Owners' Allowance and Medical Assistance by salary bands, 2002/ 03

Salary Bands	Salaries		Overtime		Home Owners' Allowance		Medical Assistance	
	Amount (R'000)	As % of personnel cost	Amount (R'000)	As % of personnel cost	Amount (R'000)	As % of personnel cost	Amount (R'000)	As % of personnel cost
Lower skilled (Levels 1-2)	204	59.1	5	1.4	-	-	37	10.7
Skilled (Levels 3-5)	491	62.0	12	1.5	18	2.3	77	9.7
Highly skilled production (Levels 6-8)	2,810	66.1	18	0.1	75	1.8	298	7.0
Highly skilled supervision (Levels 9-12)	4,702	74.0	32	0.5	81	1.3	234	3.7
Senior management (Levels 13-16)	8,828	64.8	-	-	44	0.3	102	0.7
Total	**17,035**	**67.2**	**67**	**0.3**	**218**	**0.9**	**748**	**2.9**

TABLE 3.1 - Employment and vacancies by programme, 31 March 2003

Programme	Number of Posts	Number of Posts Filled	Vacancy Rate (%)	Number of Posts Filled Additional to the Establishment
1. Administration	76	63	15	1
2A. Restructuring of SOEs	28	17	40	3
2B. IPO Office	8	8	1	1
3A. Performance Monitoring	19	10	52	-
3B. Strategic Analysis	8	7	13	-
4. Alternative Service Delivery	12	2	84	-
Total	**151**	**107**	**30**	**4**

TABLE 3.2 - Employment and Vacancies by Salary Bands, 31 March 2003

Programme	Number of Posts	Number of Posts Filled	Vacancy Rate (%)	Number of Posts Filled Additional to the Establishment
Lower skilled (Levels 1-2)	7	7	1	-
Skilled (Levels 3-5)	13	13	1	-
Highly skilled production (Levels 6-8)	49	30	39	-
Highly skilled supervision (Levels 9-12)	49	34	31	2
Senior management (Levels 13-16)	34	23	33	2
Total	**151**	**107**	**30**	**4**

TABLE 4.1 - Job Evaluation, 1 April 2002 to 31 March 2003

Salary Band	Number of posts	Number of Jobs Evaluated	% of Posts Evaluated by Salary Bands	Posts Upgraded		Posts Downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower skilled (Levels 1-2)	7	5	71	4	80	-	-
Skilled (Levels 3-5)	13	9	69	7	77	-	-
Highly skilled production (Levels 6-8)	49	3	6	-	-	-	-
Highly skilled supervision (Levels 9-12)	49	10	20	1	10	-	-
Senior Management Service Band A	25	14	56	3	21	-	-
Senior Management Service Band B	6	2	33	1	50	-	-
Senior Management Service Band C	2	2	1	-	50	-	-
Senior Management Service Band D	1	-	-	-	-	-	-
Total	**151**	**45**	**29**	**16**	**35**	**-**	**-**

TABLE 4.2 - Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2002 to 31 March 2003

Beneficiaries	Black	Indian	Coloured	White	Total
Female	6	-	-	-	6
Male	8	-	1	1	10
Total	**14**	**-**	**1**	**1**	**16**

TABLE 4.3 - Employees whose salary level exceeds the grade determined by job evaluation, 1 April 2002 to 31 March 2003 (in terms of PSR 1.V.C.3)

Occupation	Number of Employees	Job Evaluation Level	Remuneration Level	Reason for Deviation
Administrative Officer/Secretary	1	7	8	Retention of high-level minute writing skills
Office Manager	1	9	11	
Total number of employees whose salaries exceeded the level determined by job evaluation in 2002/ 2003				2
Percentage of total employment				1.8

TABLE 4.4 - Profile of employees whose salary level exceeds the grade determined by job evaluation, 1 April 2002 to 31 March 2003 (in terms of PSR 1.V.C.3)

Beneficiaries	Black	Indian	Coloured	White	Total
Female	-	-	-	2	2
Male	-	-	-	-	-
Total	**-**	**-**	**-**	**2**	**2**

TABLE 5.1 - Annual turnover rates by salary band for the period 1 April 2002 to 31 March 2003

Salary Band	Number of Employees per Band as on 1 April 2002	Appointments in and Transfers to the Department	Terminations and Transfers out of the Department	Turnover Rate %
Lower skilled (Levels 1-2)	4	2	-	-
Skilled (Levels 3-5)	14	2	2	14
Highly skilled production(Levels 6-8)	35	2	9	25
Highly skilled supervision(Levels 9-12)	38	2	7	18
Senior Management Service Band A	18	2	4	22
Senior Management Service Band B	3	1	1	33
Senior Management Service Band C	2	-	-	-
Senior Management Service Band D	1	-	-	-
Total	**115**	**11**	**23**	**20**

Table 5.3 - Reasons why staff are leaving the department

Termination Type	Number	% of total
Death	-	-
Resignation	8	36
Expiry of contract	1	5
Dismissal - operational changes	-	-
Dismissal - misconduct	-	-
Dismissal - inefficiency	-	-
Discharged due to ill-health	-	-
Retirement	-	-
Transfers to other Public Service Departments	5	23
Other	8	36
Total	22	100
Total number of employees who left as a % of the total employment		21

Table 5.5 - Promotions by salary band

Salary Band	Employees 1 April 2002	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by salary band
Lower skilled (Levels 1-2)	4	4	100	1	25.0
Skilled (Levels 3-5)	14	8	57.1	2	14.2
Highly skilled production (Levels 6-8)	35	16	45.7	20	57.1
Highly skilled supervision (Levels 9-12)	38	2	5.3	30	78.9
Senior management (Levels13-16)	24	1	4.2	-	-
Total	**115**	**31**	**26.9**	**53**	**46.1**

Table 6.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2003

Occupational categories (SASCO)	Male				Female				Total
	Black	Coloured	Indian	White	Black	Coloured	Indian	White	
Legislators, senior officials and managers	11	1	1	2	6	1	-	1	23
Professionals	12	2	1	4	8	1	2	4	34
Clerks	14	1	-	-	23	1	-	4	43
Elementary occupations	2	-	-	-	5	-	-	-	7
Total	**39**	**4**	**2**	**6**	**42**	**3**	**2**	**9**	**107**

Table 6.4 Promotions for the period 1 April 2002 to 31 March 2003

Occupational Bands	Male				Female				Total
	Black	Coloured	Indian	White	Black	Coloured	Indian	White	
Top Management	-	-	-	-	-	-	-	-	-
Senior Management	1	-	-	-	-	-	-	-	1
Professionally qualified and experienced specialists and mid-management	1	-	-	-	1	-	-	-	2
Skilled technical and academically qualified workers, junior management and supervisors	2	-	-	-	14	-	-	-	16
Semi-skilled and discretionary decision making	-	1	-	-	7	-	-	-	8
Unskilled and defined decision making	-	-	-	-	4	-	-	-	4
Total	4	1	-	-	26	-	-	-	31
Employees with disabilities									0

Table 6.5 Terminations for the period 1 April 2002 to 31 March 2003

Occupational Bands	Male				Female				Total
	Black	Coloured	Indian	White	Black	Coloured	Indian	White	
Top Management	-	-	-	-	-	-	-	-	-
Senior Management	3	-	1	-	-	-	-	1	5
Professionally qualified and experienced specialists and mid-management	3	-	-	-	3	1	-	-	7
Skilled technical and academically qualified workers, junior management, and supervisors	-	-	-	-	8	-	-	1	9
Semi-skilled and discretionary decision making	2	-	-	-	-	-	-	-	2
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Total	8	-	1	-	11	1	-	2	23
Employees with disabilities									0

Table 6.6 Disciplinary action for the period 1 April 2002 to 31 March 2003

	Male				Female				Total
	Black	Coloured	Indian	White	Black	Coloured	Indian	White	
Disciplinary action	-	-	-	-	1	-	-	-	1

Table 6.7 Skills development for the period 1 April 2002 to 31 March 2003

Occupational categories	Male				Female				Total
	Black	Coloured	Indian	White	Black	Coloured	Indian	White	
Legislators, senior officials and managers	12	5	-	-	10	5	-	-	32
Professionals	18	5	1	1	32	2	-	3	62
Clerks	22	2	-	-	29	2	-	3	58
Elementary occupations	2	1	-	-	3	2	-	-	8
Total	54	13	1	1	74	11	-	6	160
Employees with disabilities									0

Table 7.1 - Performance Rewards by race, gender, and disability, 1 April 2002 to 31 March 2003

		Beneficiary Profile			Cost	
		Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee
Black:	Male	11	39	28.2	175	15,909
	Female	25	42	59.5	281	11,240
Indian:	Male	1	2	50.0	64	64,000
	Female	1	2	50.0	17	17,000
Coloured:	Male	1	4	25.0	4	4,000
	Female	2	3	66.7	57	28,500
White:	Male	5	6	83.3	122	24,400
	Female	9	9	100.0	158	15,880
Total		**56**	**107**	**52.3**	**878**	**15,579**

Table 7.2 - Performance Rewards by salary bands for personnel below Senior Management Service, 1 April 2002 to 31 March 2003

Salary Bands	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost (R'000)	Average cost per employee	Total cost as % of total personnel expenditure
Lower skilled (Levels 1-2)	4	7	57.1	14	3,580	0.06
Skilled (Levels 3-5)	4	13	30.8	25	6,250	0.10
Highly skilled production (Levels 6-8)	23	30	76.7	257	11,174	1.01
Highly skilled supervision (Levels 9-12)	15	23	65.2	338	22,533	1.33
Total	**46**	**73**	**63.0**	**634**	**13,783**	**2.49**

Table 7.4 - Performance-related rewards (cash bonuses) by salary band for Senior Management Service

Salary Band	Beneficiary Profile			Total Cost (R'000)	Average Cost per Employee	Total Cost as a % of Total Personnel Expenditure
	Number of beneficiaries	Number of employees	% of total within band			
Band A	9	11	81	206.4	22,936	0.008
Band B	5	5	100	123.6	24,715	0.004
Band C	2	2	100	77.4	38,702	0.003
Band D	-	-	-	-	-	-
Total	**16**	**18**	**88**	**407.4**	**25,462**	**-**

Table 8.1 - Foreign Workers, 1 April 2002 to 31 March 2003, by salary band

Salary Band	1 April 200231		March 2003		Change	
	Number	% of total	Number	% of total	Number	% Change
Lower skilled (Levels 1-2)	-	-	-	-	-	-
Skilled (Levels 3-5)	-	-	-	-	-	-
Highly skilled production (Levels 6-8)	-	-	-	-	-	-
Highly skilled supervision (Levels 9-12)	1	100	-	-	-1	-100
Senior management (Levels 13-16)	-	-	-	-	-	-
Total	1	100	0	0	-1	-100

Table 9.1 - Sick leave, 1 January 2002 to 31 December 2002

Salary Band	Total days	% days with medical certification	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated cost (R'000)
Lower skilled (Levels 1-2)	14	100	6	8.5	2	2
Skilled (Levels 3-5)	50	90.0	8	11.3	6	7
Highly skilled production (Levels 6-8)	148	77.7	24	33.8	6	44
Highly skilled supervision (Levels9-12)	78	89.7	13	18.3	6	43
Senior management (Levels 13-16)	74	68.9	20	28.2	4	100
Total	364	81.0	71	100.0	5	196

Table 9.3 - Annual Leave, 1 January 2002 to 31 December 2002

Salary Bands	Total days taken	Average per employee
Lower skilled (Levels 1-2)	165	24
Skilled (Levels 3-5)	149	12
Highly skilled production (Levels 6-8)	633	17
Highly skilled supervision (Levels 9-12)	478	16
Senior management (Levels 13-16)	625	16
Total	2,050	16

Table 9.4 - Capped leave, 1 January 2002 to 31 December 2002

Salary Bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2002
Lower skilled (Levels 1-2)	48	4	23
Skilled (Levels 3-5)	5	0	22
Highly skilled production (Levels 6-8)	20	2	25
Highly skilled supervision (Levels 9-12)	5	0	65
Senior management (Levels 13-16)	36	3	20
Total	114	10	36

Table 9.5 - Leave payouts for the period 1 April 2002 to 31 March 2003

REASON	Total Amount (R'000)	Number of Employees	Average payment per employee
Leave payout for 2002/03 due to non-utilisation of leave for the previous cycle	24	3	8,000
Capped leave payouts on termination of service for 2002/03	-	-	-
Current leave payout on termination of service for 2002/03	83	19	4,368
Total	**107**	**22**	**4,864**

Table 10.2 - Details of Health Promotion and HIV/AIDS Programmes

Question	Yes	No	Details, if yes
1. Has the Department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.		X	
2. Does the Department have a dedicated unit or has it designated specific staff members to promote the health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		10 employees, R400,000
3. Has the Department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.		X	
4. Has the Department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	X		HIV/Aids, Gender, EE
5. Has the Department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X		
6. Has the Department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.		X	
7. Does the Department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.	X		
8. Has the Department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.		X	

Table 11.1 - Collective agreements, 1 April 2002 to 31 March 2003

Total collective agreements	None

Table 11.2 - Misconduct and disciplinary hearings finalised, 1 April 2002 to 31 March 2003

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	-	-
Verbal warning	-	-
Written warning	-	-
Final written warning	-	-
Suspended without pay	1	100
Fine	-	-
Demotion	-	-
Dismissal	-	-
Not guilty	-	-
Case withdrawn	-	-
Total	1	100

Table 11.3 - Types of misconduct addressed at disciplinary hearings

Type of misconduct	Number	% of total
Fraud	1	100
Total	1	100

Table 11.4 - Grievances lodged for the period 1 April 2002 to 31 March 2003

	Number	% of Total
Number of grievances resolved	1	50
Number of grievances not resolved	1	50
Total number of grievances lodged	2	100

Table 11.5 - Disputes lodged with Councils for the period 1 April 2002 to 31 March 2003

	Number	% of Total
Number of disputes upheld	1	100
Number of disputes dismissed	-	-
Total number of disputes lodged	1	100

Table 11.6 - Strike actions for the period 1 April 2002 to 31 March 2003

Total number of person working days lost	-
Total cost (R'000) of working days lost	-
Amount (R'000) recovered as a result of no work no pay	-

Table 11.7 - Precautionary suspensions for the period 1 April 2002 to 31 March 2003

Number of people suspended	1
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	174
Cost of suspensions (R'000)	102

Table 12.1 Training needs identified 1 April 2002 to 31 March 2003

Occupational categories	Gender	Number of employees as at 1 April 2002	Training needs identified at start of reporting period			
			Learnerships	Skills programmes & other short courses	Other forms	Total
Legislators, senior officials and managers	Female	5	-	5	-	5
	Male	5	-	5	-	5
Professionals	Female	15	-	15	-	15
	Male	17	-	17	-	17
Clerks	Female	12	-	12	-	12
	Male	10	-	10	-	10
Elementary occupations	Female	3	-	3	-	3
	Male	3	-	3	-	3
Subtotal	Female	35	-	35	-	35
	Male	35	-	35	-	35
Total		70	-	70	-	70

Table 12.2 Training provided 1 April 2002 to 31 March 2003

Occupational categories	Gender	Number of employees as at 1 April 2002	Training needs identified at start of reporting period			
			Learnerships	Skills programmes & other short courses	Other forms	Total
Legislators, senior officials and managers	Female	15	-	15	-	15
	Male	17	-	17	-	17
Professionals	Female	40	-	40	-	40
	Male	22	-	22	-	22
Clerks	Female	34	-	34	-	34
	Male	25	-	25	-	25
Subtotal	Female	89	-	89	-	89
	Male	64	-	64	-	64
Total		153	-	153	-	153

Table 13.1 - Injury on duty, 1 April 2002 to 31 March 2003

Nature of injury on duty	Number	% of total
Required basic medical attention only	-	-
Temporary Total Disablement	-	-
Permanent Disablement	-	-
Fatal	-	-
Total	0	0

Table 14.3: Report on consultant appointments using donor funds

Project title	Total number of consultants that worked on the project	Duration	Donor and contract value in Rand
1. Communications Specialist	1	2 months	DFID = R76,795
2. Website Redesign	*	6 months	DFID = R128,028
3. Energy Sector Specialist	1	2001 - 2003	DFID = R 2,660,798 (for total period to date)
4. Ports Sector Study	*	2002 - 2003	DFID = R2, 309,417
5. Ports Concessioning Model	1	3 months	DFID = R49,397
6. Revision of Protocol on Corporate Governance (extension)	3	2 months	DFID = R297,482
7. IPO Project Support	2	2001 - 2003	USAID = R4, 500,000
8. Communications Support - PR (GGI)	7	2002 - 2003	USAID = 3,375,000
9. Communication Support-Minister's Budget Vote 2002 (Sasani)	3	1 month	USAID = R79,650
10. Ports Sector Study - CPCS Transcom	*	2002-2003	USAID = R4,200,577
11. Ports Sector Work	1	1 month	USAID = R192,093
12. ESOPs Study	3	2 months	USAID= R268,371
13. Transport Sector work	1	1 month	USAID= R244,125
14. Director's Training	1	10 days	USAID = R28,459
14	See notes	See notes	18,410,195

Notes:

1. The amounts reflected are approximates and not exact figure,s as they are estimated at the exchange rate of 7.5 for USAID
2. Some projects were initiated in the previous financial year and some may only be completed in the next financial year. However, the contract value reflected is for the life of the project from inception date to likely completion date.

* For the Ports Sector Study, the advisors are a firm of specialists and the project is co-funded by DFID and USAID.

Table 14.4: Analysis of consultant appointments using donor funds, in terms of historically disadvantaged individuals (HDIs)

Project title	Percentage ownership	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
1. Communications Specialist	Not applicable	Not applicable	0
2. Website Redesign	*	*	*
3. Energy Sector Specialist	Not applicable	Not applicable	0
4. Ports Sector Study	*	*	*
5. Ports Concessioning Model	Not applicable	Not applicable	0
6. Revision of Protocol on Corporate Governance (extension)	50%	66%	2
7. IPO Project Support	Not applicable	Not applicable	0
8. Communications Support - PR (GGI)	*	*	4
9. Communication Support- Minister's Budget Vote 2002 (Sasani)	25%	*	1
10. Ports Sector Study - CPCS Transcom	*	*	*
11. Ports Sector Work	Not applicable	Not applicable	0
12. Employment Study	Not applicable	Not applicable	1
13. ESOPs Study	Not applicable	Not applicable	1
14. Transport Sector Work	Not applicable	Not applicable	0
15. Director's Training	Not applicable	Not applicable	0

* *For the Ports Sector Study, the advisors are a firm of specialists and the project is co-funded by DFID and USAID.*

APPENDIX 2: OPEN RESTRUCTURING PROJECTS FOR THE YEAR UNDER REVIEW

PROJECT NAME	
ENERGY	**DEFENCE**
ESI Restructuring Phase 1	BAE Systems
Roshcon	Turbomeca
Roshprop	
Roschon Vehicle Services	**TRANSPORT**
	Transnet End-State
FORESTRY	
Komatiland	**Spoornet**
MTO	Luxrail
Amatola	Linkrail
Cape Conversion	Orex Options
MetroRail	
MINING	MLPS/Shosholoza Meyl +A40
Alexkor	
	NON-CORE
TELECOMS	Aventura
Telkom IPO	Government Printing Works
MTN	Transmed
Autopax	
PORTS	
Durban Container Terminal	

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