Annual Report 2024-2025

ARMSCOR
Armaments Corporation of South Africa SOC Ltd

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PART A
GENERAL INFORMATION

1.1 COMPANY DETAILS

Registered Name:	Armaments Corporation of South Africa SOC Limited
Physical Address:	Corner of Delmas Drive and Nossob Street, Erasmuskloof Extension 4, Pretoria
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Contact Telephone Numbers:	012 428 1911
Email Address:	Info@armscor.co.za
Website Address:	www.armscor.co.za
External Auditor:	Auditor-General of South Africa
Banker:	ABSA
Company Secretary:	Adv. Clara Victoria Vuyisa Ramphele

1.2 MINISTER OF DEFENCE AND MILITARY VETERANS REPORT

I am pleased to present Armscor's Annual Report, which provides a strategic overview of Armscor's performance outcomes achieved during the reporting period.

The importance of a strong and capable defence force for South Africa's sovereignty and security is vital. The Department ensures the country's defence and security by maintaining a disciplined and combat-ready force. To this end, the DOD is developing a Defence Industry Sector Policy as part of the National Industrial Policy Action Plan to maintain and develop essential industry capabilities. The Defence Industry Sector Strategy indicates how the Department intends to maintain and develop industry capabilities that are essential to its strategic Capital Acquisition Master Plan. Armscor has been instrumental in the development of the Defence Industry Strategy.

The SA Defence Review 2015 called for a review, specifically chapters 9, 10 and 15. We acknowledge the dynamic global environment and the challenges facing the defence sector, and the need for a strong defence capability is emphasised.

The DOD has been working on a Defence Public-Private Partnership (PPP) Policy and Strategy to facilitate collaboration with the private sector. Defence PPP, in alignment with the national framework, includes developing the necessary nodal point and processes thereto.

The Armscor Board was appointed in January 2025 to drive innovation and excellence within Armscor, contributing to the nation's security and technological advancement.

Armscor should remain committed to the prioritisation of the safety and security of our people, which is achieved through providing the armed forces with state-of-the-art defence matériel to conduct safety, security and peacekeeping missions in maintaining the sovereignty of South Africa.

Armscor is entrusted with the vital tasks of managing the acquisition of defence prime mission equipment, the development and maintenance of critical defence technologies and the management of strategic defence facilities. These services are regulated by a Service Level Agreement (SLA) between the Department of Defence (DOD) and Armscor. This agreement concludes at the end of this financial year and provides an ideal opportunity for Armscor to reevaluate its deliverables within the context of financial constraints. The new-value-proposal or strategic direction of Armscor should find its way into the new SLA to render greater value for money, enhance governance and internal controls. Specific areas of focus for Armscor, amongst others, include strategic support to the SANDF, improved value proposition for defence, and effective project management.

There is an increasing requirement for the rapid modification or application of commercial technologies for military-use, which implies a reconceptualisation of the role that Armscor plays in research and technology development.

Repositioning Armscor as an entity for SANDF Equipment and Capability Modernisation must be intensified to ensure that MRO for midlife upgrades and modernisation of air, land, and naval domains guarantees the longevity and mission effectiveness for the SANDF. The DOD is focused on digitising its administrative processes to improve efficiency and restore public trust.

SADI must be positioned as a vital economic asset, ready for expansion to drive national development and support government priorities for a capable state and become a strong local defence industry that creates jobs, develops new technologies, and ensures that the SANDF is well-equipped. Initiatives must also be embarked upon to reposition some aspects of the defence industry as a foundation for a different and better future.

I, as a Minister, reaffirm the government's commitment to Armscor's mission and its vital role in supporting the SANDF.

I hereby present the Armscor Annual Report for the 2024/25 financial year.

MS ANGELINA MATSIE MOTSHEKGA
MINISTER OF DEFENCE AND MILITARY VETERANS

1.3 CHAIRPERSON'S REPORT

It is with pleasure that I present the Annual Report for Armscor, reflecting on a year of noteworthy progress and growth. The report outlines the entity's milestones in fulfilling its mandates and responsibilities.

Although the report relates to the period preceding my assumption of office on 1 January 2025, it allows me to map new areas and possibilities for Armscor. Furthermore, this allows me to fortify and defend what has been achieved, and to forge ahead in pursuance of the mandate given to us by the Minister of Defence and Military Veterans, Ms Angelina Matsie Motshekga.

In this regard, I wish to thank the Minister for the confidence she has shown by designating me as Chairperson of this important state institution. I am ably assisted by Ms Margaret Ndlovu as Deputy Chairperson. Together, we are supported in this important task by competent Board Members.

Armscor's primary mandate is to meet the defence matériel and technology requirements of the South African National Defence Force (SANDF) in time and on time.

I am aware of the strategic importance of Armscor within the defence family and the need for Armscor to work closely and cooperatively with the many role players that are involved in the provision of state-of-the-art equipment to the SANDF.

The Board remains committed and resolute in discharging its fiduciary duties by exercising due care and diligence, in providing oversight over the implementation of Armscor strategies and policies.

SA DEFENCE REVIEW 2015 – THE ROADMAP FOR DEFENCE INDUSTRY GROWTH

The SA Defence Review 2015 maps the way for the defence environment and force rejuvenation, in which we are called upon to play our part in support of the mandate of the SANDF. We intend to play our supportive role with patriotism, diligence and enthusiasm.

Armscor works with the SANDF to determine their needs and provide strategic direction on acquiring landward, maritime, and air assets. To this end, Armscor operates as a key entity within South Africa's defence and security establishment, focusing on acquiring and managing defence matériel, developing technology, and building maintenance, repair, and overhaul capabilities. Its strategic overview centres on aligning with national development plans and defence reviews, while ensuring good governance and fiscal discipline. Armscor also prioritises supporting the DOD and other organs of state, fostering innovation, and contributing to the broader goals of safety, security, and economic development.

ARMSCOR'S KEY CONTRIBUTIONS TO SANDF MODERNISATION

Armscor modernises the SANDF through its acquisition, research and development and testing and evaluation services. It ensures the SANDF is equipped with state-of-the-art defence matériel and innovative solutions by managing the acquisition process, conducting research and testing new technologies. In essence, Armscor acts as the procurement agency for the SANDF, managing the acquisition process, facilitating research and development, and ensuring the SANDF is equipped with the latest technology and capabilities to meet its operational research.

RESEARCH AND DEVELOPMENT

Armscor emphasises its research and development capabilities to ensure it remains at the forefront of defence technology and provides the SANDF with cutting-edge solutions. Armscor's strategy is cemented on progressive research, development and the exploitation of intellectual property for the benefit of the SANDF and the maintenance of the country's sovereignty.

STRENGTHENING SOUTH AFRICA'S DEFENCE THROUGH PUBLIC-PRIVATE PARTNERSHIPS

Armscor establishes strategic partnerships and collaborations with both local and international entities, including state agencies and the broader defence industry, to foster innovation and address industry challenges.

We welcomed the Minister of Finance's announcement in the Medium-Term Budget Policy Statement of 2024, regarding the revisions to the South African Private-Public Partnerships framework. The opportunities accompanying Public-Private Partnerships (PPPs), should result in a larger and financially stronger industry that export products, some of which will meet the strategic and operational requirements of SANDF and cost effectively so. PPPs offer a viable path to revitalising the SANDF while stimulating South Africa's defence industry. Strengthening PPPs ensures that military innovations benefit both national security and economic growth.

STAKEHOLDER ENGAGEMENT

Armscor's stakeholder engagement is crucial for its role as a strategic partner, driving innovation, transformation, and economic development within the defence and security sector.

The Board went out to meet as many of our stakeholders as possible and a variety of industry players, both locally and internationally. Our engagements have begun to bear fruit. An atmosphere of inclusiveness, camaraderie and partnership has already started permeating our dealings with everyone who has a legitimate interest in the defence environment in South Africa.

Armscor continues to pursue and maintain strategic partnerships and collaborations locally and internationally. The global conferences and exhibitions remain one of the windows through which Armscor monitors some of the renowned developments in the industry. We have remained resolute in pursuing business and strategic partnerships in an effort to catapult, not only our research and development strategies, but also to support our revenue diversification strategy.

To enhance Armscor's value proposition and engage key role players in the defence and security cluster, Armscor participated in the International Defence Exhibition and Conference (IDEX) 2025 and the 1st edition of the International Exhibition on Artificial Intelligence, Defence and Space (SIADE) in Côte d' Ivoire. To strengthen defence relations between RSA and the Republic of Côte d' Ivoire, a letter of cooperation was signed between Armscor and the Ministry of Defence of the Republic of Côte d' Ivoire to work together to explore potential business opportunities. The SAIDE exhibition served as an energetic platform for displaying state-of-the-art innovations in Artificial Intelligence (AI), defence, and space technologies, drawing in a varied crowd of industry experts, government officials, researchers, and investors. In this 1st edition, South Africa was chosen as the guest country to acknowledge its skills and leadership in defence, technological progress, and the use of AI in security. The aim was to exchange knowledge, explore potential collaborations and enhance relationships between the defence industries.

LOOKING AHEAD

As we move forward, Armscor remains committed to its mission to meet the defence matériel, technology requirements of the DOD, organs of state and other entities and the management of strategic capabilities of the DOD. We will focus on identifying future industry potential, developing new relationships, sustainable growth, driving innovation, modernising the SANDF, while also considering regional and continental markets.

STAKEHOLDER ACKNOWLEDGEMENT

To the Minister of Defence and Military Veterans, Ms Angelina Matsie Motshekga, Deputy Ministers, Mr Richard Hlophe and Major General (retired) Bantubonke Harrington Holomisa, I would like to express my heartfelt gratitude for their leadership and support to Armscor.

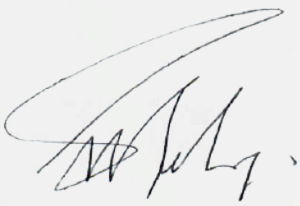
The members of the Board have all been pivotal in steering this national asset, Armscor, in a direction that enabled us to fulfil our mandate with professionalism, dedication and integrity.

It is a pleasure to have served our primary clients and secondary clients.

The Portfolio Committee on Defence and Military Veterans contributed to the successful execution of our mandate. Its oversight role is appreciated. I also thank the defence industry through the South African Aerospace, Maritime and Defence Industries Association for having been a valuable partner.

The Executive Committee and staff are thanked for their contribution to what has been achieved during the past year. It has been full of challenges but was handled commendably.

As we navigate the demands of an increasingly changing world, we are optimistic about the future and believe that Armscor is well-positioned for continued success.



DR. LESIBA ALEX MAHAPA
CHAIRPERSON OF THE BOARD

1.4 CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to present the Armscor Annual Report for the 2024/25 financial year. This Annual Report summarises Armscor's performance and activities during the past year, a period of growth and progress.

Looking ahead, we are committed to building upon this momentum, focusing on sustainable growth, and delivering exceptional (sustainable) value to our clients (stakeholders). We are confident in our ability to navigate the evolving landscape and achieve our strategic objectives.

This report provides a comprehensive overview of our corporate performance, operational highlights, and future strategic direction.

STRATEGIC OVERVIEW

Considering our Corporate Plan, we thoroughly evaluated our accomplishments and opportunities for improvement. We have defined a roadmap for the future by recognising the challenges that lie ahead. We aim to position Armscor as a forward-thinking, reliable service provider for our clients.

The current and future requirements of the DOD and the viability of the local defence-related industry dictate a repositioning and restructuring of Armscor to ensure that it remains relevant and valuable to its stakeholders as they pursue their strategic priorities. We recognise that a restructured Armscor with better streamlined activities and a refocused mandate can only improve its delivery of service. The review of the organisational structure is underway and is envisaged to be completed in the next financial year.

PERFORMANCE REVIEW-HIGHLIGHTS AND CHALLENGES

Armscor has remained committed to upholding the precepts of good corporate governance in its overall operations, which has resulted in the organisation achieving an unqualified audit opinion outcome for the 2024/25 financial year. This milestone has been acknowledged by the office of the Auditor-General of South Africa (AGSA).

CORPORATE PERFORMANCE

In line with our operational requirements and for performance, we set ourselves specific goals and targets which we use as a basis for carrying out our mandate. I am pleased to report that during the period under review, most of the corporate goals were met in accordance with the Corporate Plan.

In accordance with the Service Level Agreement (SLA), all three strategic capabilities – Acquisition, Research and Development (R&D) and Dockyard - were able to meet most of their strategic goals despite the varying challenges that they faced along the way.

A new rolling three-year SLA with the DOD was reviewed for implementation. This SLA needs to be updated every year and is presently being enhanced with a new value proposition for Armscor.

PROJECT HIGHLIGHTS

Armscor is proud to announce the following achievements, new initiatives and strategic directions for the period under review:

- **Multi-Mission Inshore Patrol Capability**

In so far as the multi-mission inshore patrol vessel (MMIPV) programme is concerned, the third vessel was successfully delivered at the end of the reporting period. This vessel will enhance the SA Navy's capability to patrol South African shores. This initiative aims to safeguard the country against criminal activities, piracy, and terrorism, to name a few.

The SAS ADAM KOK III will be taken into operation by the SA Navy to join the other two vessels, i. e., SAS King Sekhukhune and SAS King Shaka Zulu, delivered in May 2022 and September 2023, respectively.

- **New Sniper System for the South African (SA) Army**

The SA Army now owns a new "cutting-edge sniper rifle system" delivered through Project Tedu. This capability is a force multiplier and will provide the SANDF with a competitive advantage during the execution of operations.

Armscor overcame obstacles, including supplier disruptions and budget pressure, to ensure " timely delivery" of the new sniper system. The SA Army, Armscor and the broader defence community remain committed to ensuring that the men and women entrusted with this cutting-edge equipment have the necessary skills, resources and support to safeguard the nation effectively.

- **Research and Development**

Armscor's research and development contribute to the SANDF and the broader defence industry, ensuring the country maintains sovereign defence capabilities. They focus on operational and scientific research, testing and evaluation, and developing intellectual property for the benefit of the SANDF.

The SA National Authority to represent Protechnik in the United Nations Secretary-General's Mechanism (UNSGM) roster. This relationship is crucial and continues to benefit Protechnik as it maintains the laboratory's capabilities to the same standard as other international biodefence laboratories.

STRATEGIC PARTNERSHIPS AND COLLABORATION

Armscor's strategic partnerships focus on supporting the SANDF and contributing to national resilience, economic growth, and the well-being of citizens. These partnerships are crucial for maintaining and enhancing SA's defence capabilities, promoting the local defence industry, and ensuring the effective management of defence resources.

- **Côte d' Ivoire visit to Armscor strengthens defence relations**

The SA government's defence and security acquisition and Armscor hosted a Côte d' Ivoire delegation as part of strengthening defence relations between the countries. To this end, a letter of co-operation was signed between the country's Ministry of Defence and Armscor. This milestone once again reassures Armscor's commitment to assist with procurement needs and other requirements, using its decades of acquisition experience.

PUBLIC-PRIVATE PARTNERSHIPS

The defence and security stakeholders gathered at the CSIR International Convention Centre for a pivotal dialogue on Public-Private Partnerships (PPPs) in defence and security. The Deputy Minister addressed the forum, highlighting the urgent need for collaboration between the government, industry and financiers to ensure a sustainable modernisation of the SANDF.

The future of South Africa's defence sector depends not only on how effectively it is funded but also on how strategically investment is made in partnerships that ensure its sustainability.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement was vital for Armscor's sustainability, and it formed a critical element in the organisation's dialogue and communication with key stakeholders. The period under review allowed Armscor to forge close and cordial working relationships with our principals and key stakeholders in the DOD. This relationship paved the way for Armscor to establish and maintain positive relationships with other key stakeholders.

Armscor's mandate is to ensure that the SANDF is equipped with high-quality, reliable and technologically advanced defence matériel. The corporation plans to continue ensuring that the procurement of capital assets for the defence force over the next three years is cost-efficient and meets its operational needs. Providing support to the SA defence industry involves facilitating its participation in international defence exhibitions and events and managing requests from the private sector to use the SANDF equipment, personnel and facilities for marketing purposes.

- **Africa Aerospace and Defence**

Lead partner, Armscor, together with its partners, was supported by the DOD during the 2024 AAD exhibition. Delegates from various countries across the globe visited our shores to witness cutting-edge technologies and the latest innovations available in the aerospace, defence and security cluster. There is no doubt that the defence industry plays a key role as a catalyst for innovation. Our technologies have proven to be a game-changer for both defence and commercial sectors.

- **The Portfolio Committee on Defence and Military Veterans**

The PCDMV has remained a trusted overseer of our work. During the period under review, we were delighted by the opportunity to host an oversight visit by members of the Committee. We hope to have many more such visits, which enable the Committee to see the strategic importance of our work.

We are grateful to the PCDMV for its oversight work, guidance and support. We remain committed to an accountable delivery of services under its watchful eye.

FUTURE OUTLOOK AND INNOVATION

The unwavering commitment of our team breathes life into our mandate. It inspires us to generate meaningful solutions for real-world challenges, allowing us to make the transformative impact we aspire to achieve. We are dedicated to continuously enhancing the societal impact of our work, not only by delivering outstanding service but also by actively contributing to improved defence outcomes and upholding principles of good governance.

ACKNOWLEDGEMENTS

To the Minister of Defence and Military Veterans, Ms Angelina Matsie Motshekga, Deputy Ministers, Mr Richard Hlophe and Major General (retired) Bantubonke Harrington Holomisa, I want to express my sincere appreciation for their support and guidance.

A word of thanks is directed to the members of the Plenary Defence Staff Council for their support and willingness to assist in matters of departmental procedure. Our support and commitment can be assured.

I also extend my gratitude to the Parliament's Portfolio Committee on Defence and Military Veterans for their oversight role.

The Board of Directors, under the leadership of Dr. Lesiba Alex Mahapa, is welcomed and we are confident that your contributions will help us achieve our goals and make a positive impact.

Thank you to the Executive Committee and staff for their valuable contribution to Armscor's successes.

It was a pleasure to have served Armscor's primary clients, namely the DOD, SAPS and Border Management Authority during the reporting period. We thank them for their support and confidence in Armscor as a trusted service provider. The SADI is commended for delivering quality defence equipment to the SANDF under challenging circumstances. The defence-related industry, spearheaded by AMD, is thanked for its contributions to the defence team's recorded successes.

ADV. SOLOMZI PHINEAS MBADA
CHIEF EXECUTIVE OFFICER

1.5 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

The Armscor Board of Directors recognises and acknowledges its responsibility for the Group's internal control system.

Management is responsible for preparing the separate Annual Financial Statements and the Group Annual Financial Statements in accordance with South African Statements of Generally Recognised Accounting Practices (GRAP).

The directors, supported by the Audit and Risk Committee, are satisfied that management introduced and maintained adequate internal control to ensure that dependable records exist for the preparation of the financial statements, to safeguard the assets of the Group and to ensure that all transactions are duly authorised.

Against this background, the directors of Armscor accept responsibility for the financial statements. The information on pages 37-48, 85-101 and 148-233 was approved by the Armscor Board of Directors on 31 July 2025.

DR. LESIBA ALEX MAHAPA
CHAIRPERSON OF THE BOARD

CERTIFICATE

In terms of Section 88 (2) (e) of the Companies Act (Act No. 71 of 2008) (as amended), (the Act), it is hereby certified that for the year ended 31 March 2025, the Armaments Corporation of South Africa SOC Limited lodged with the Commissioner all required returns and notices in terms of the Act and that all such returns and notices appear to be true, correct and up to date.

ADV. CLARA VICTORIA VUYISA RAMPHELE
COMPANY SECRETARY

1.6 ABOUT ARMSCOR

The Armaments Corporation of South Africa SOC Limited (Armscor) is a statutory body established by an Act of Parliament to be the designated acquisition agency of the South African Department of Defence (DOD).

Armscor is a State-Owned Company (SOC) as contemplated in the Companies Act (Act No. 71 of 2008). The Minister of Defence and Military Veterans is the sole shareholder and the executive authority of Armscor.

Armscor is governed and controlled by a Board of Directors, which reports to the Minister of Defence and Military Veterans.

Armscor's mandate is to efficiently and effectively provide the armed forces with state-of-the-art defence matériel to conduct safety, security and peacekeeping missions in maintaining the sovereignty of South Africa. Armscor has six decades of experience in acquisition, development, enhancement, sustainment, and disposal of products.

The Corporation provides turnkey defence solutions, and its research and development focus on producing cutting-edge technology products. Armscor prides itself on maintaining high-quality international standards through rigorous testing and evaluation processes on all its technology management projects.

Armscor is committed to driving creativity and innovation in collaboration with its strategic partners. The Corporation provides marketing support to the South African Defence Industry (SADI).

1.7 STRATEGIC OVERVIEW

The Vision and Mission statements of Armscor are succinctly captured in Figure 1, clearly defining the intent of the Corporation. Figure 2 illustrates Armscor's Value System.

Figure 1: Armscor's Vision and Mission Statements

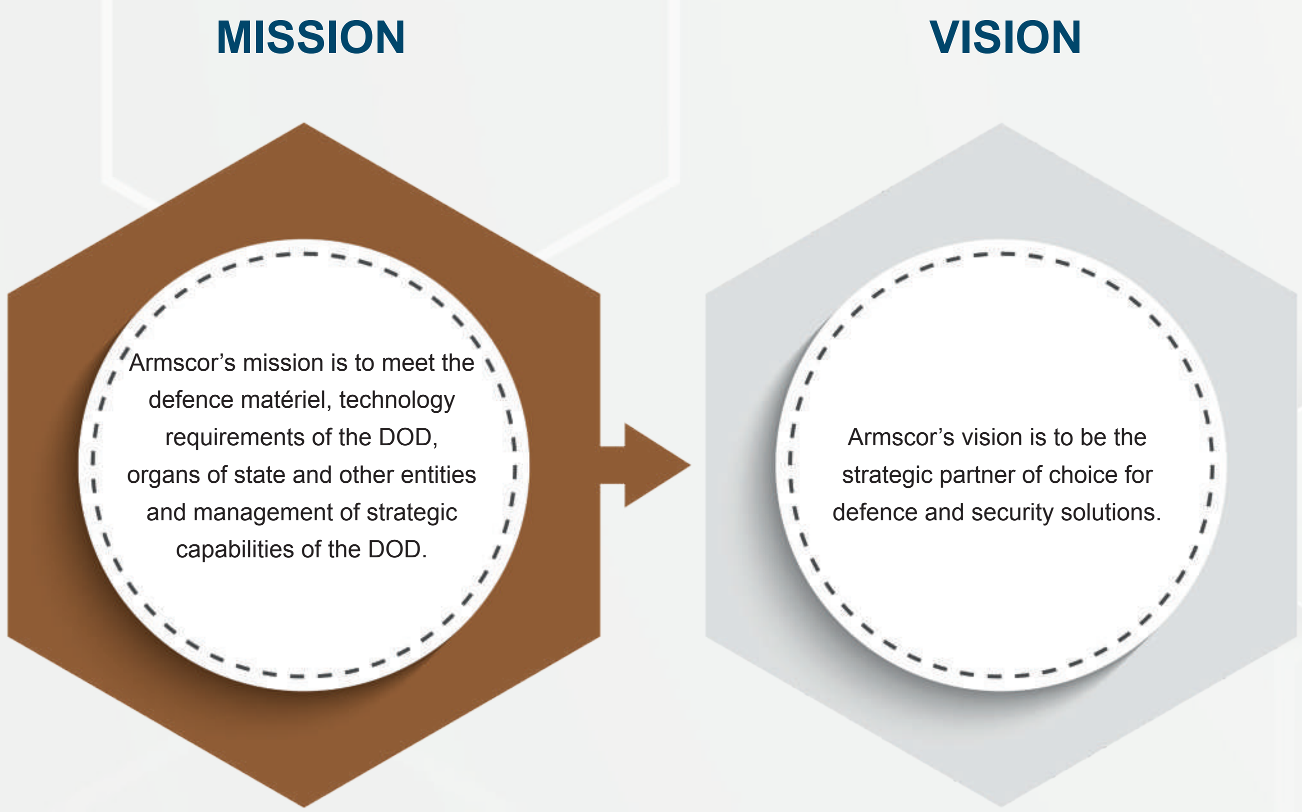
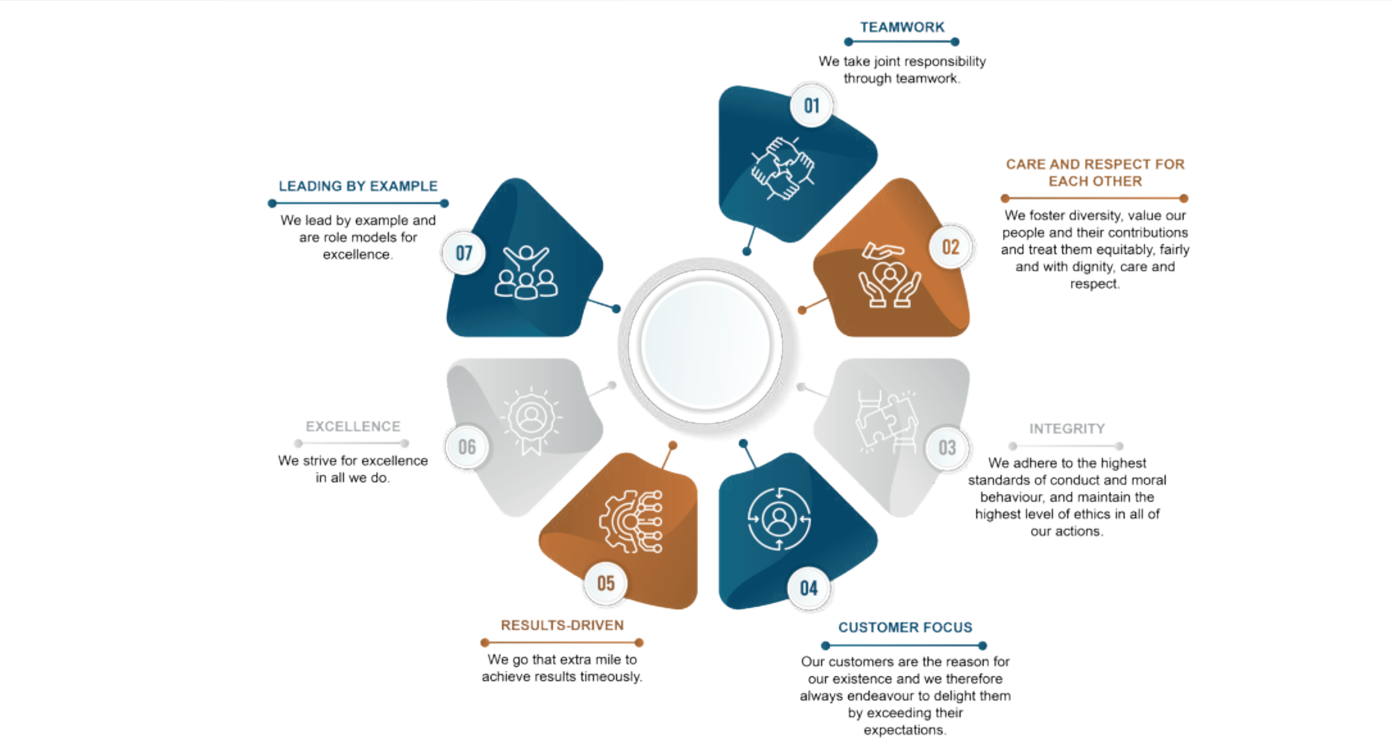


Figure 2: Armscor's Value System



1.8 LEGISLATIVE AND ARMSCOR's MANDATE

The Armaments Corporation of South Africa SOC Limited (Armscor) is a statutory body, wholly owned by the state, established in terms of the Armaments Development and Production Act (Act No. 57 of 1968). It continues its existence through the Armaments Corporation of South Africa Ltd Act (Act No. 51 of 2003), as amended (called the Armscor Act). It is therefore a SOC as contemplated in the Companies Act, 2008. Furthermore, it is listed as a Schedule 2 public entity in terms of the Public Finance Management Act (Act No. 1 of 1999), as amended (the PFMA). It is further regulated by the regulations issued in terms of the PFMA and those of the Companies Act, 2008.

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

The objectives of Armscor are to meet:

- the defence matériel requirements of the DOD effectively, efficiently, and economically;
- the defence technology, research, development, analysis, and test and evaluation requirements of the DOD effectively, efficiently, and economically.

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

Armscor must:

- acquire such defence matériel on behalf of the DOD, as the DOD may require;
- manage such technology projects, as may be required by the DOD;

- maintain a programme management system in support of acquisition and technology processes;
- provide for quality assurance capability in support of:
    - the acquisition and technology processes, and
    - any other service contemplated in this section required by the DOD;

- maintain a system for tender and contract management in respect of defence matériel and, if required in a service level agreement or if requested in writing by the Secretary for Defence, the procurement of commercial matériel;

- dispose of defence matériel in consultation with the instance which originally manufactured the matériel;

- maintain the compliance administration system for the DOD, as required by the applicable international law, the National Conventional Arms Control Act (Act No. 41 of 2002), and the Non-Proliferation of Weapons of Mass Destruction Act (Act No. 87 of 1993);

- support and maintain such strategic and essential defence industrial capabilities, resources and technologies as may be identified by the DOD;

- provide defence operational research;

- maintain the defence industrial participation programme management system;

- provide marketing support to defence-related industries, in respect of defence matériel, in consultation with the DOD, and the defence-related industries in question;

- manage facilities identified as strategic by the DOD in the service level agreement; and

- maintain such special capabilities and facilities as regarded by Armscor as not to be commercially viable, but which may be required by the DOD for security or strategic reasons.

Armscor may, with the approval of the Minister of Defence and Military Veterans:

- exploit such commercial opportunities as may arise out of Armscor's duty to acquire defence matériel or to manage technology projects; and

- procure commercial matériel on behalf of any organ of state, at the request of the organ of state in question.

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

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

1.9 ARMSCOR'S CONTRIBUTION TO NATIONAL IMPERATIVES OF GOVERNMENT

1.9.1 The 7th Administration 2024 – 2029

The outcome of the 29 May 2024 General Elections led to the establishment of a Government of National Unity (GNU). The GNU is guided by a Statement of Intent (SoI), which outlines its fundamental principles and a Minimum Programme of Priorities.

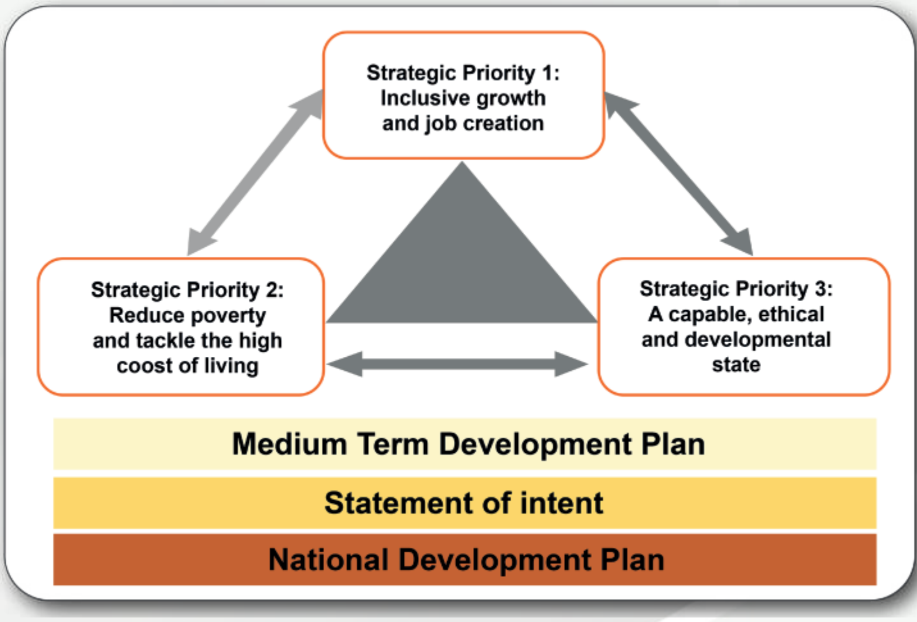
On 10 and 11 June 2024, the Forum of South African Directors-General (FOSAD) approved the draft Medium-Term Development Plan (MTDP) as a proposal for the first GNU Cabinet Lekgotla's review. During the Cabinet Lekgotla held from 13 to 14 July 2024, a Minimum Programme of Priorities was agreed upon, with approval to develop the draft MTDP 2024-2029 into a more comprehensive plan. This MTDP will serve as the government's 5-year plan, 2024-2029, and as the implementation framework for the National Development Plan (NDP): Vision 2030.

The planning process for the MTDP has included a shift in approach from the Medium-Term Strategic Framework (MTSF) 2019-2024 to the MTDP 2024-2029 as the implementation vehicle of the NDP. It also seeks to align with international best practices in naming conventions. The development of the MTDP included the analyses of the current development context using reports that include, amongst others, the Department of Planning, Monitoring and Evaluation (DPME) 30-Year Review, the NDP 10-Year Review, and the Indlulamithi Scenarios 2035, along with feedback from various strategic sessions and steering committees as outlined in Figure 3. Following the President's Opening of Parliament Address (OPA) on 18 July 2024, the three Strategic Priorities for the 7th Administration were confirmed.

Specific interventions and targets support these MTDP priorities. The MTDP will remain closely aligned with the goals and objectives of the NDP and the Programme of Priorities outlined by the GNU. However, with a stronger emphasis placed on achieving tangible development outcomes and positioning itself as a strategic economic plan aimed at addressing South Africa's pressing socio-economic challenges.

Moreover, the MTDP adopts a focused approach by streamlining the number of interventions, enabling a clearer concentration on high-impact areas. This refined plan features a robust results framework, providing measurable targets and indicators that will guide and assess the progress of the 7th Administration in realising its priorities.

Figure 3: 7th Administration MTDP Strategic Priorities 2024-2029



1.9.2 Armscor's deliverables aligned with the 7th administration MTDP 2024-2029 Strategic Priorities

Emanating from the Minimum Programme of Priorities, three MTDP Strategic Priorities have been confirmed, which the DOD will endeavour to support, and are as follows:

- **Strategic Priority 1:** Inclusive growth and job creation. This priority aims to place inclusive economic growth and job creation at the forefront of its agenda. This involves pursuing actions that contribute to sustainable and rapid economic growth while removing obstacles that hinder such growth. The focus is on ensuring that economic growth is inclusive and transformational, supporting the redistribution of wealth and opportunities. This priority emphasises empowering marginalised groups, thereby enabling their full participation in the economy.
  - No direct DOD or Armscor Contribution for MTDP Strategic Priority 1.
- **Strategic Priority 2:** Reduce poverty and tackle the high cost of living. This priority focuses on implementing a comprehensive poverty alleviation strategy to provide protection and support to the most vulnerable in society.
  - No direct DOD or Armscor Contribution for MTDP Strategic Priority 2.
- **Strategic Priority 3:** Build a capable, ethical and developmental state. This priority aims to build a capable, ethical, and developmental state by professionalising the public service and attracting skilled individuals with integrity into state roles. Efforts will be made to fight corruption and prevent undue political interference in state administration. The 7th Administration plans to restore the financial position and operational performance of state-owned enterprises through a new centralised ownership model to improve accountability, transparency, and governance. This priority also involves fostering strong leadership, improving governance and accountability, and engaging citizens and stakeholders to build public trust and legitimacy.

The Governmental Strategic Priorities, to which the DOD will contribute, are supported by Armscor. The priorities are:

  - **Strategic Priority 3:** " Build a capable, ethical and developmental state"
  - **Trust in the public sector:** Armscor will seek to review and improve processes and policies to ensure good governance and alignment with public service prescripts emanating from the Department of Public Service Administration, the National Treasury, and other governance frameworks. Furthermore, as Armscor seeks to finalise the review of its Operating Model, implementation of the National Framework professionalisation will also be assured as part of the process. This includes the filling of critical vacancies and cascading organisational performance management to individual performance management to ensure alignment. Critical to this is also optimising the productivity of Armscor so that the finite resources afforded to the SOE are deployed towards the execution of the Armscor mandate.
  - **South Africa's borders are effectively defended, protected, secured, and well-managed:** Armscor supports this outcome concerning providing technology and equipment to the DOD in support of the overarching strategy to defend, protect, secure, and ensure well-managed borders by securing the land, airspace, and maritime borders.
  - **Secure cyberspace:** Armscor provides support for capacitating a Cyber Security Institution in the establishment of the Cyber Command Centre Headquarters. Armscor also could offer its cybersecurity capabilities to the broader public service, to contribute to the development and implementation of the National Cybersecurity Strategy.
  - **Corruption in the public and private sectors is reduced:** Armscor will prevent corruption where prevalent and in the execution of Armscor's mandate.
  - **Political cohesion in Southern Africa, to ensure a peaceful, secure, and stable Southern African region:** Armscor supports the DOD by supplying the necessary security equipment to enable successful operations within the region. This is ultimately linked to the core mandate of Armscor.

1.9.3 National Development Plan, Vision 2030

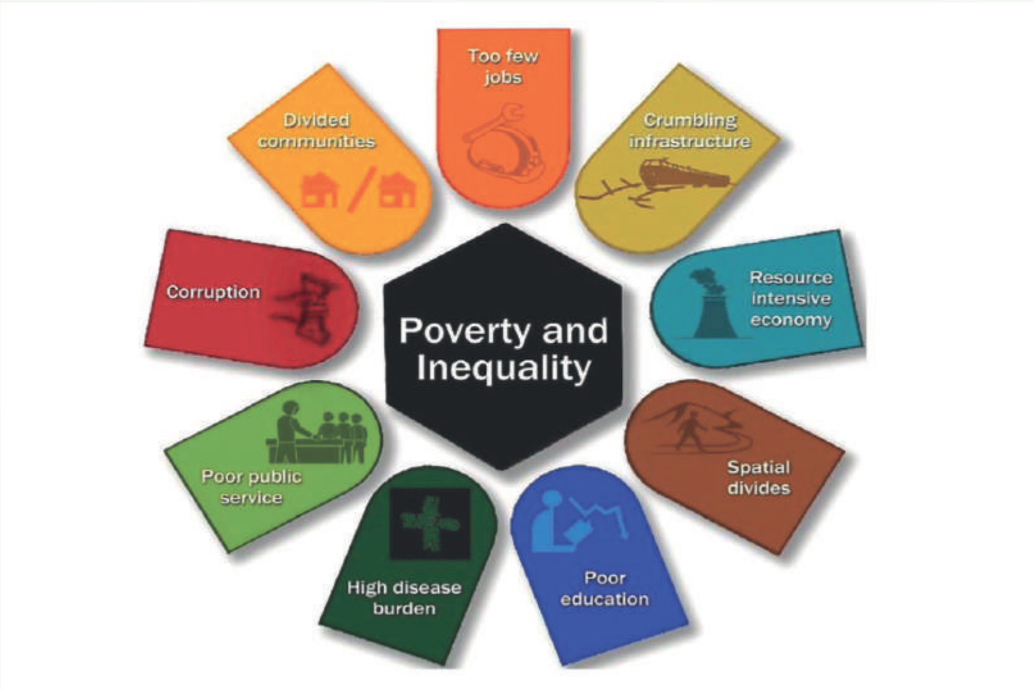
The NDP, “Vision 2030”, remains the national long-term country plan towards 2030 and is aligned to South Africa’s international commitments on the continent and globally.

The NDP, Vision 2030-“ Our Future – Make it Work” and its related policies provide a national framework that will inform the envisaged contribution by National Departments to the objectives of the NDP, Vision 2030, which include the reduction in unemployment, elimination of poverty and the reduction in inequality. Figure 4 indicates the aspects that form the cornerstone of the NDP, Vision 2030, to which the defence portfolio, where relevant, will contribute.

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

- Sharpening South Africa’s innovative edge by continuing its contribution to global scientific and technological advancement.
- Implementing greater investment in research and development and better use of existing resources.
- Facilitating innovation and enhanced co-operation between public service and technology institutions.
- Committing to procurement approaches that stimulate domestic industry and job creation.
- Procuring from and supporting SMMEs, black-owned and black-managed enterprises, and female-led enterprises, the youth, and military veterans.

Figure 4: Aspects that form the cornerstone of the NDP, Vision 2030



1.9.4 Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs), developed to support the United Nations 2030 Agenda, are aimed at ending poverty and inequality, protecting the planet, and ensuring peace and prosperity for all. These SDGs and targets will stimulate action in areas of critical importance for humanity and the planet.

- Armscor, under its legislative mandate and inherent defence capabilities, will indirectly support SDG 16. The Corporation aims to “Promote peaceful and inclusive societies for sustainable development” and “provide access to justice for all, and build effective, accountable and inclusive institutions at all levels” into the future trajectory of defence. Armscor will also participate in the work established by Stats SA by providing statistics of the SDGs as and when required, and through its mandate and inherent acquisition and procurement capabilities.

- Armscor, because of its mandate, will indirectly support selected SDGs in the future trajectory of defence. Armscor supports Goal 4 by granting bursaries and donations to schools of previously disadvantaged communities, as well as Goal 5 by adhering to its Employment Equity (EE) Policy, whereby Armscor aims to grant 23 bursaries per year.

- Corporate Governance is enshrined in the King IV Report on Corporate Governance for South Africa. Armscor embraces the principles in this report and continues to strengthen its departmental role and function in the governance, risk and compliance functions through ethics and integrity.

- The implementation of the Public Service Integrity Management Framework in all government departments also informs Armscor's Code of Conduct. The approved Armscor's Code of Conduct demonstrates its commitment to the highest ethical and integrity aspirations. Armscor also has the mechanisms, as stated below, to facilitate ethical execution of its mandate through:

    - The Audit and Risk Committee.
    - The Risk Management Register, which also lists actions to mitigate risks.
    - Regularly conducted internal audits of divisions and internal controls.
    - Continuous management of issues relating to corruption and fraud, ranging from awareness training to the structured reporting of incidents through the "whistleblowing" mechanism and other established departmental channels.
    - Continuously refined organisational financial processes, systems, and policies, with the view to ensuring alignment with the Public Finance Management Regulatory Framework, to improve service delivery.

Figure 5: Sustainable Development Goals

1.10 ARMSCOR'S STRATEGY

Armscor's sustainability strategy was designed to respond to changing client needs, growing demand to improve developmental impact, persistently challenging economic conditions and an increasingly competitive environment. The strategy aligns with global trends, which have seen the world reviewing its purpose and mission to increase its developmental impact.

As a state-owned company, Armscor is strategically positioned between African governments, the private sector and fellow local and international defence industry companies, with the common objective to meet the defence matériel requirements of the DOD effectively, efficiently, and economically; and the defence technology, research, development, analysis, and test and evaluation requirements of the DOD effectively, efficiently, and economically.

Developing strategic partnerships is integral to the value that Armscor delivers. Leveraging these partnerships to maximise value considerably extends the scope of Armscor's potential development impact.

Armscor's Strategy emphasises creating innovative pathways for a sustainable future, as well as to build, strengthen and enhancing relationships.

Employees are key drivers of the strategy and are required to fully understand the gist of the strategy to implement it successfully and become proud brand ambassadors. Furthermore, employees are encouraged to work together to build new sustainable pathways towards sustainable defence solutions.

The DOD's reduced budget requires Armscor to find ways of being financially viable and independent. In essence, Armscor should explore new revenue streams and robustly exploit its capabilities to its current and prospective clients, such as the Southern Africa Development Community (SADC).

To move ahead exponentially, Armscor should improve its decision-making process and adopt a flexible system that will be responsive to urgent requirements from all clients. Efficient and effective delivery will contribute significantly to reaching the overall goal of moving Africa towards peace, stability and growth.

The Armscor's Strategy is, therefore, informed by:

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

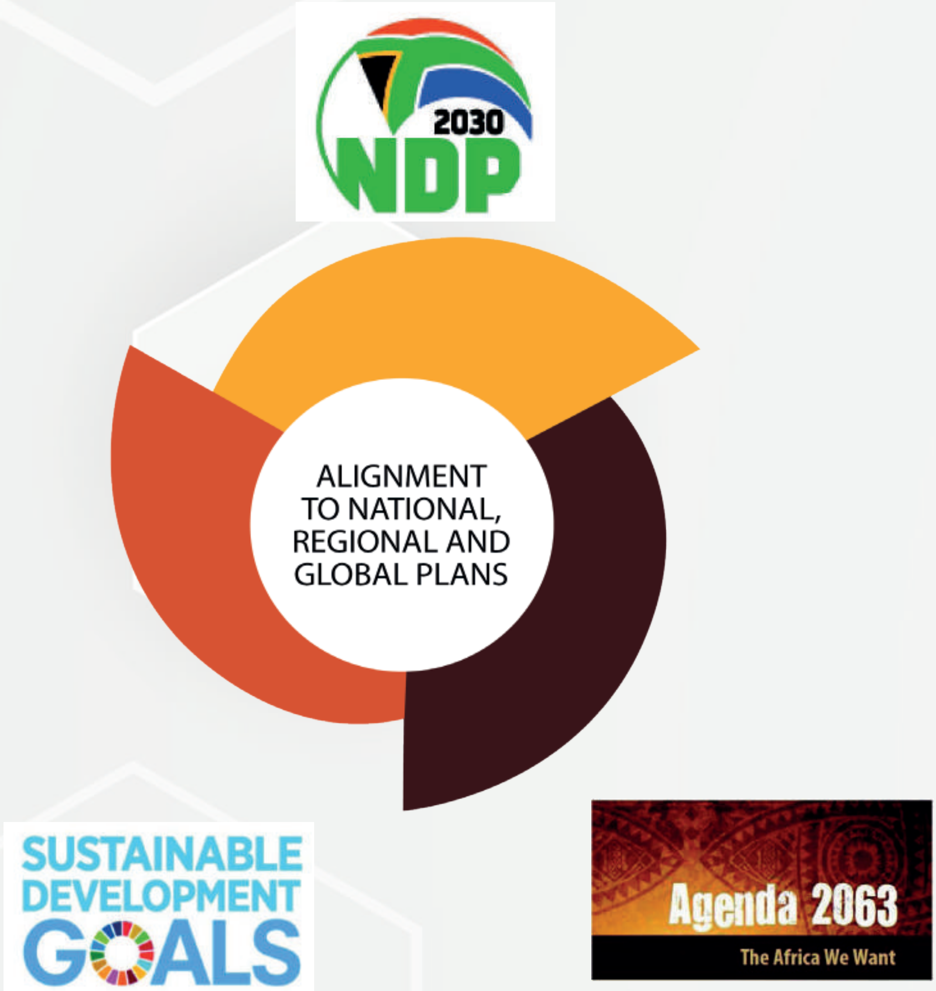
Focus Areas:

- Hold people accountable
- Simplification – client-driven
- Improved service delivery
- Catalogue of services and products
- Improved partnerships

1.11 ARMSCOR'S CONTRIBUTION TO NDP, VISION 2030, SUSTAINABLE DEVELOPMENT GOALS (SDGs) AND AU AGENDA 2063

Armscor's mandate and strategy are linked to the objectives of South Africa's NDP, Vision 2030, which sets out an integrated strategy for accelerating economic growth, eliminating poverty and reducing inequality. Faster economic growth is both a key objective of the NDP and a necessary condition to raise the resources needed to fund the country's social and economic transformation. Armscor directs its planning towards the NDP, Vision 2030, and the Corporation supports the government's goals. Strategic Priority 3 is directly supported by Armscor.

Figure 6: NDP, Vision 2030, SDG and AU agenda 2063



The 17 SDGs, developed to support the United Nations 2030 Agenda are aimed overall, at ending poverty and inequality, protecting the planet and ensuring peace and prosperity for all. Goals 4, 5 and 16 are indirectly supported by Armscor.

The African Union's (AU) Agenda 2063, is a blueprint and master plan for transforming Africa is becoming the global powerhouse of the future. The aim of the strategic framework is to effect the socio-economic transformation of the continent over the next 50 years. It was adopted by the AU Summit in January 2015. The African Continental Free The Trade Area Agreement (CFTA) that came into force on 30 May 2019, is a flagship project of Agenda 2063. CFTA is a treaty between consenting countries, whereby a free trade area is constituted that allows member countries to conduct trade with each other without tariffs or other hindrances.

1.12 ARMSCOR'S STAKEHOLDERS

Stakeholder engagement is a critical element of Armscor's business. Armscor's stakeholders contribute to its value-creation process, which is articulated through projects' business processes and procedures. Across the holistic end-to-end value chain, Armscor fulfils many roles: acquisition, procurement, maintenance, and technology know-how, which ranges from technology services to disposal of products.

The Corporation prides itself on long standing and well-established relationships with various government departments for partnering in service delivery.

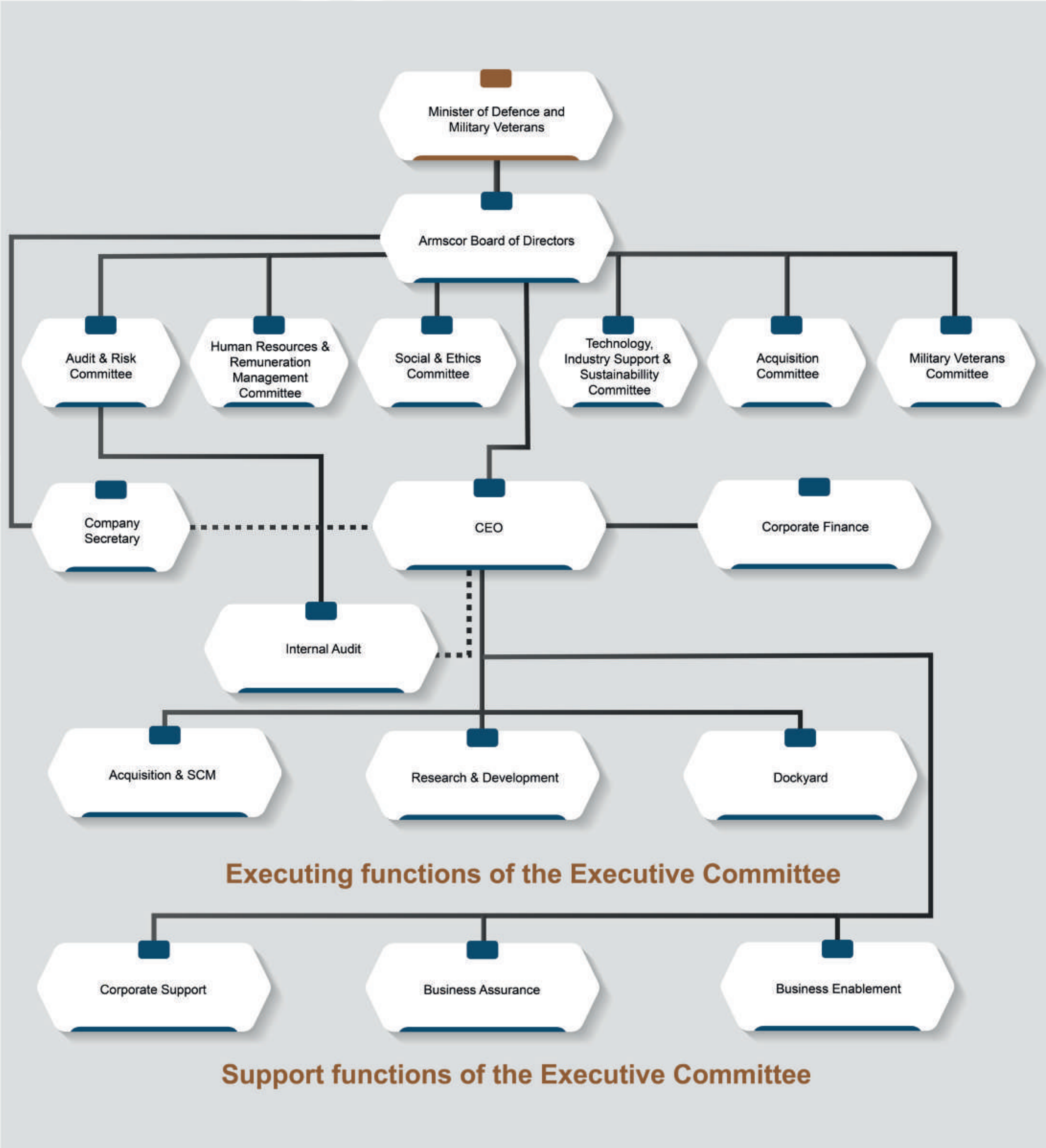
Strategic partnerships are valued and considered as a key strategic advantage. As a public entity, accountable to the public, the Corporation will ensure that its privileged position is utilised as a bridge between the private and the public sectors to drive impact.

Table 1: Armscor's Stakeholder List

Stakeholder	Stakeholder expectations	How Armscor engages
Regulators: • Shareholder • Government Departments/ SOCs • Parliamentary Committees • NCACC	• Delivery on mandate • Governance • Leadership and Strategic direction	• Shareholder's Compact • Annual Report • Corporate Plan • Corporate Strategy • AGM • Portfolio Committee meetings • Council on Defence and Plenary on Defence Staff Council • NDIC meetings
Clients: • SANDF • SAPS • DCS • Government /Departments / • Institutions	• Timeous delivery of products and services • Value for money	• SLA • MOAs • Direct customer engagement • Customer feedback and reports/presentations • Stakeholder satisfaction survey • Participation in industry forums and committees • Social events
Employees: • Internal • Labour Unions	• Fair employment standards and remuneration • Career prospects • Communication	• Employment Equity Committee • Marketing support and sustainability team • Reward and recognition • Training and skills development initiatives • Stakeholder satisfaction survey • Newsletters • Intranet/Internet
Defence Industry: • South African Defence Industry • International Defence Industry	• Transparency and fairness • Communication	• Regular Board engagement with industry association board • Industry forums and committees • Export marketing support initiatives • Stakeholder satisfaction survey • International dignitaries' engagements • Social events
Strategic Business Partners: • SOCs • Research and Academic Institutions • International Government Organisation	• Governance • Transparency	• MOU • Bilateral/collaborative engagements
General Public: • Communities	• Employment opportunities • Socially and environmentally responsible actions	• Employment • Awareness campaigns • CSI initiatives
Media: • Local and international media	• Transparency • Honesty • Accessibility	• Media releases • Media briefings • Media responses

1.13 ORGANISATIONAL STRUCTURE

Figure 7: Armscor/DOD Organisational Structure



1.14 BOARD MEMBERS

The Minister of Defence and Military Veterans appoints the Board. The management and control reside with the Board of Directors, under the leadership of the non-executive Chairperson and the Deputy Chairperson. To execute its responsibilities effectively and maintain accountability, the Board established the following committees:

- Acquisition Committee
- Audit and Risk Committee
- Technology, Industry Support and Sustainability Committee
- Human Resources and Remuneration Management Committee;
- Social and Ethics Committee;
- Military Veterans Committee

BOARD OF DIRECTORS

Non-Executive Members:

Dr. Lesiba Alex Mahapa
Chairperson

Gender: Male

Race: African

Academic Qualifications:
PhD in Psychology of Education
Diploma in Secondary Teaching
B. Ed. in Education, Training & Development Honours
Post Graduate Diploma in Law
Teachers Diploma

Areas of Expertise:
Knowledge of the public sector regulatory environment and turnaround interventions, defence industry, stakeholder liaison,
serving on various Boards, labour relations strategies
Economics
Business Economics
Education & Diversity
Research Methodology
Socio-economic Supplementary Services
Collective Bargaining
Human Resource & Organisational Development

Appointment Date: 1 January 2025

Position on Armscor Board:
Chairperson of the Board
Member of the Military Veterans Committee

Directorships/Other Roles:
- Former Vice Chairperson: Safety and Security Bargaining Council;
- Former Vice Chairperson: PSCBC;
- Chief Negotiator: COSATU
- GEPF
- Housing Development Agency and PSSETA.
- Special Advisor to former Ministers Richard Baloyi, Ayanda Dlodlo, Lindiwe Sisulu, Thulas Nxesi
- Former member of the (DMV) Military Veterans Advisory Council

Ms Margaret Ndlovu
Deputy Chairperson

Gender: Female

Race: African

Academic Qualifications:
BA degree in Social Sciences
Management Programme
Study in Leadership, Authority and Organisation
Ethics Officer Certificate

Areas of Expertise:
Experience in serving private sector boards
Strategic Oversight
Finance and Budgeting
Risk Management
Talent Management
Governance and Ethics
Social and Environmental
Regulatory Knowledge

Appointment Date: 1 January 2025

Position on Armscor Board:
Deputy Chairperson of the Board
Member of the Social and Ethics Committee

Directorships/Other Roles:
- South African Special Risk Insurance Association SOC Ltd
- (SASRIA): Chairperson of the Remuneration Committee, Member of the Social and Ethics Committee, and Investment Committee
- Simmer & Jack Pty Ltd: Board member;
- Barloworld Equipment RSA: Divisional Board Member (5yrs)

Ms Peta Nonceba Mashinini

Gender: Female

Race: African

Academic Qualifications:
Post Graduate Diploma: Human Resource Management
Management Development Programme
Master's degree in Business Administration
Public Sector Governance Short Course
International Executive Short Course on Good Governance and
Poverty Alleviation
Programme in Finance and Accounting

Areas of Expertise:
Continuity from former Armscor Board
Financial Management and Reporting
Strategic and Business Planning
SDBIP Planning and Implementation
Risk Management and Assurance
Legislative Compliance
Resource Planning, Mobilisation,
Management and Human Capital
Performance Planning, Management and Reporting
Facilities Management
Diverse Communication Skills

Appointment Date: 1 January 2025

Position on Armscor Board:
Non-Executive Member of the Board
Chairperson of the Human Resources and Remuneration Committee
Member of the Audit and Risk Committee
Member of the Acquisition Committee

Directorships/Other Roles:
- Intersite Asset Investments (SOC) Ltd
- City of Johannesburg
- SASOL Inzalo Groups Funding
- Thebe Investment Corporation
- Batho Trust
- International Women Forum of South Africa

Mr Zane Oswald Cleophas

Gender: Male

Race: Coloured

Academic Qualifications:
Certificate for Military Studies
Post Graduate International Migration Policy and Management Programme
Postgraduate in Fraud Investigations and Auditing
Masters of Arts Criminal Justice – Criminology and Security Management
Doctor of Philosophy in Criminal Justice – Criminology (in progress)
Safety Management Training Course
Risk Auditors (Cum Laude)
Intensive Fire Prevention
Privacy in the Workplace
Corporate Counterintelligence
Computer Fraud and Data Processing Investigations
SANS (BS) 17799-2 Compliance/ Standards, South African Bureau of Standards
SANS (BS) 17799-2 Auditing, South African Bureau of Standards (1st in class Cum Laude)

Areas of Expertise:
Safety, Defence and Security (consultancy locally and internationally)
Border Security
Aviation, Maritime and Rail Technologies
Intelligence and Counter-Intelligence Advisory Services
Offensive and Defensive Communication Advisory and Technologies
Innovative and Futuristic Technologies for Security and Defence
Stakeholder Management
Threat Assessment Co-ordination
Project and Client Budgetary Assessment and Requirements
Assessment of Local and International Market Trends
Counter Terrorism Advisory Service
Workplace Violence Advisory Services
Cybersecurity Consultancy, Training and Interventions
Physical and Electronic Advisory Services
ICT practitioner

Appointment Date: 1 January 2025

Position on Armscor Board:
Non-Executive Member of the Board
Member of the Human Resources and Remuneration Committee
Member of the Acquisition Committee
Member of the Technology, Industry Support and Sustainability Committee

Directorships/Other Roles:
- Co-Founder and CEO Areta Holdings (Pty) Ltd
- Safety, Security and Defence Consulting and Technology
- Member of National Defence Industry Council (WS01)
- Member SBIDZ Innovation Think Tank
- Member of the National Defence Industry Council (NDIC)

Mr Raymond Mlungwana Vokwana

Gender: Male

Race: African

Academic Qualifications:
Post Graduate Diploma in Business Administration
National Diploma: Human Resource Management

Areas of Expertise:
Continuity from the former Armscor Board,
Geo-political Strategist and Military Veteran
Armscor & Arms of Services Strategic Experience
Social & Ethics
Human Resources Management
Business Administration
South African Foreign Policy
Regional Counter Terrorism Strategy

Appointment Date: 1 January 2025

Position on Armscor Board:
Non-Executive Member of the Board
Chairperson of the Military Veterans Committee
Member of the Human Resources and Remuneration Committee
Member of the Technology, Industry Support and Sustainability Committee

Directorships/Other Roles:
- Upahla Construction (Pty) Ltd

Ms Masande Booi

Gender: Female

Race: African

Academic Qualifications:
Master's in Business Administration
Post Graduate Diploma in Management
HR Management Programme
BSc degree
B-BBEE Champions Course
Executive & Management Coaching
Organisational Design & Development
Project Management Fundamentals

Areas of Expertise:
Human Resource Management and Transformation
Social & Ethics
Financial Investments
Financial Services
Business Strategies
Compliance
Risk Management
Audit Policies

Appointment Date: 1 January 2025

Position on Armscor Board:
Non-Executive Member of the Board
Chairperson of the Social and Ethics Committee
Member of the Audit and Risk Committee
Member of the Military Veterans Committee

Directorships/Other Roles:
- Member of the SA Institute of Directors
- Member of the SA Board for People Practise

Dr. Pulane Elsie Molokwane

Gender: Female

Race: African

Academic Qualifications:
PhD in Chemical Technology (Env. Eng-Water Utilisation)
M. Sc. in Applied Radiation Science & Technology
Post-Graduate Diploma in Applied Radiation Sciences & Technology
B. Sc. in Physics & Chemistry

Areas of Expertise:
Director Governance
Enterprise Risk Management
Performance Management
Corporate Governance and Compliance
Project Management
Hazard Identification
Business Development & Implementation
Finance and Budgeting for Non-Financial Managers
Nuclear Physicist,
Nuclear Energy Advisory Services
Consultant on Waste, Water and Sanitation Related Projects
Strategic Planning, Implementation and Monitoring
Technical Due Diligence Services
Technology Intelligence
Management of the Technical Facet of Incubated Businesses for Global Technology Commercialisation
Financial Management
Regulatory Experience
Corporate governance
Stakeholder Management
Risk Management
Business Development
Research, Development and Implementation
PFMA

Appointment Date: 1 January 2025

Position on Armscor Board:
Non-Executive Member of the Board
Chairperson of the Technology, Industry Support and Sustainability Committee
Member of the Acquisition Committee
Member of the Human Resources and Remuneration Committee

Directorships/Other Roles:
- Non-Executive Director: Public Investment Corporation (PIC)
- Non-Executive Director: Sublime Technologies Pty Ltd
- Non-Executive Director: South Africa National Biodiversity Institute (SANBI)
- Board Member: Lepelle Northern Water
- Non-Executive Director: Eskom SOC Limited
- Commissioner National Planning Commission, The Presidency
- Governance Work Stream
- Chairperson: National Planning Commission, The Presidency
- Non-Executive Director: Nuclear Energy Corporation of South Africa (NECSA)
- Non-Executive Director: South Africa Forestry Company SOC Limited

Ms Mmathabo Abigail Sukati

Gender: Female

Race: African

Academic Qualifications:
Master's in Business Administration
CA(SA)
BCom Honors: Accounting
BCom: Financial Accounting & Information Systems
Lean 6 Sigma
Certificate in Customer Relationship Management
Programme in Leadership Development

Areas of Expertise:
Strategic Planning & Execution
Financial Accounting & Reporting
Financial Management
Auditing
Governance, Risk & Compliance
Process & Internal Control Improvement
Ethics Management
Business Continuity
Crisis Management
Forensic Investigators
Project Risk Management & Assurance

Appointment Date: 1 January 2025

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

Directorships/Other Roles:
- Member of SAICA (South African Institute of Chartered Accountants)
- Member of CISA (Compliance Institute of South Africa)
- Member of IIA SA (Institute for Internal Auditors South Africa)
- Member of Institute of Directors (IoD)
- Member of Institute of Risk Management South Africa (IRMSA)
- Member of Compliance Institute of South Africa
- Member of The Ethics Institute
- Senior Vice President IIA SA Board (Apr 2011-Mar 2013)
- Board Member IIA SA (Apr 2009-Mar 2011)
- Chairperson of Public Sector Sub-committee IIA(SA) (Apr 2009-Mar 2011)
- Member The IIA International Public Sector Committee (Jul 2010– Jun 2016)
- Audit Committee Member KZN Legislature (Dec 2011-Jul 2013)
- Audit Committee Member Government Employees Medical Scheme (GEMS) (Apr 2012-Mar 2013)
- Chairperson of the Audit Committee Government Employees Medical Scheme (GEMS) (Apr 2013-Dec 2017)
- Chairperson of the Audit Committee MEDiPOS (Apr 2019-Sep 2021)
- Board Member Comric (Dec 2019-Oct 2023)
- Audit Committee Member Department of Tourism (Mar 2023-to date)
- Chairperson of the Finance Risk Committee MTN SA (Nov 2019-Jul 2022)

Mr Ntshengedzeni Anthony Michael Tshivhase

Gender: Male

Race: African

Academic Qualifications:
B. Proc. Degree
Post Graduate Diploma in Tax Law
Masters in Law
Advanced Diploma in International Taxation and Offshore Financial Centre
Advanced Management Programme
Diploma in Insolvency Law and Practice
Certificate in Competition law
Certificate in Advanced Trust Law
Certificate in Banking Law and Financial markets
Certificate in Mediation and Negotiation
Advanced Certificate in Mining and Exploration
Advanced Diploma in Business Rescue Law

Areas of Expertise:
Commercial Law Practitioner and Contracting
Corporate and Commercial Law
Civil Litigation and Collection
Insolvency Law
Tax Law
Aviation Law
Competition Law
Structured Complex Financial Transactions
Trust Law
Mediation and Negotiation
Banking Law
Mining and Exploration Law
Business Rescue Law
Liability of Auditors and Accountants to Third Parties in Respect of Financial Statements

Appointment Date: 1 January 2025

Position on Armscor Board:
Non-Executive Member of the Board
Chairperson of the Acquisition Committee
Member of the Audit and Risk Committee
Member of the Social and Ethics Committee

Directorships/Other Roles:
- Naledi Ring Rollers (Pty) Ltd
- Naledi Founder (Pty) Ltd
- Naledi Inhlanganiso (Pty) Ltd
- Mosoeneng Bill Inc.

Executive Members:

Adv. Solomzi Phineas Mbada
Chief Executive Officer

Gender: Male

Race: African

Academic Qualifications:
LLM
LLB
MAP
BA Hons
B Juris

Areas of Expertise:
Strategic Management
Business Restructuring
Mediation /Negotiation
Change Management
Organisational Dynamics /Psychology

Appointment Date: 1 September 2009

Position on Executive Committee:
Chief Executive Officer

Position on Armscor Board:
Executive Director of the Board

Directorships/Other Roles:
Armscor Defence Institutes (Pty) Ltd (Dormant)
Erasmusrand Properties (Pty) Ltd (Dormant)
Sportrand (Pty) Ltd (Dormant)
Oospark (Pty) Ltd (Dormant)

Mr Jacobus Gerhardus Grobler
Chief Financial Officer

Gender: Male

Race: White

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

Areas of Expertise:
Financial Management
Corporate Governance

Appointment Date: 1 July 1990

Position on Executive Committee:
Chief Financial Officer

Position on Armscor Board:
Executive Director of the Board

Directorships/Other Roles:

- Armscor Defence Institutes (Pty) Ltd (Dormant)
- Erasmusrand Properties (Pty) Ltd
- (Dormant)
- Sportrand (Pty) Ltd (Dormant)
- Oospark (Pty) Ltd (Dormant)

1.15 EXECUTIVE MANAGEMENT

The main function of the office of the Chief Executive Officer (CEO) is the overall management of the Corporation. The responsibilities include, but not limited to providing strategic direction and leadership, formulating policies, directing operations of the Corporation, and developing strategic plans to achieve the Corporation's mission and objectives.

In undertaking these responsibilities, the CEO is supported by an executive management structure, called the Executive Committee. All Business Units are represented at this level.

Adv. Solomzi Phineas Mbada
Chief Executive Officer

Gender: Male

Race: African

Academic Qualifications:
LLM
LLB
MAP
BA Hons
B Juris

Areas of Expertise:
Strategic Management
Business Restructuring
Mediation/Negotiation
Change Management
Organisational Dynamics/Psychology

Appointment Date: 1 September 2009

Position on Executive Committee:
Chief Executive Officer

Position on Armscor Board:
Executive Director of the Board

Directorships/Other Roles:
- Armscor Defence Institutes (Pty) Ltd
- (Dormant)
- Erasmusrand Properties (Pty) Ltd
- (Dormant)
- Sportrand (Pty) Ltd (Dormant)
- Oospark (Pty) Ltd (Dormant)

Mr Jacobus Gerhardus Grobler
Chief Financial Officer

Gender: Male

Race: White

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

Areas of Expertise:
Financial Management
Corporate Governance

Appointment Date: 1 July 1990

Position on Executive Committee:
Chief Financial Officer

Position on Armscor Board:
Executive Director of the Board

Directorships/Other Roles:
- Armscor Defence Institutes (Pty) Ltd
- (Dormant)
- Erasmusrand Properties (Pty) Ltd
- (Dormant)
- Sportrand (Pty) Ltd (Dormant)
- Oospark (Pty) Ltd (Dormant)

Mr Meshack Phuti Teffo

Gender: Male

Race: African

Academic Qualifications:
Master of Law (LLM)
Bachelor of Law
LLB
Higher Diploma in Tax Law

Areas of Expertise:
Governance
Legal/Risk and Compliance
Strategic Leadership and Management

Appointment Date: 1 September 2003

Position on Executive Committee:
Group Executive: Acquisition and SCM

Dr. Noel Mkhululi Mkaza

Gender: Male

Race: African

Academic Qualifications:
PhD (Nuclear Physics)
MBA
MSc (Materials Science)
BSc (Education)
BSc (Hons)
Post Graduate Diploma in Electrical Engineering
Cybersecurity: Managing Risk in the Information Age

Areas of Expertise:
Coaching
Emotional Intelligence
Strategic Leadership and Management
Management in the Science and Technology Environment

Appointment Date: 1 June 2016

Position on Executive Committee:
Group Executive: Research and Development

Adv. Ndodomzi Mvambo

Gender: Male

Race: African

Academic Qualifications:
LLB
B Juris
Advanced Diploma Project Management
Management Advancement Programme (MAP)

Areas of Expertise:
Labour Relations Management
HR Management
Projects Management and Disputes Management

Appointment Date: 1 January 2013

Position on Executive Committee:
Group Executive: Corporate Support

Dr. Adv. Linda Mbana

Gender: Female

Race: African

Academic Qualifications:
PHD in policing
LLM in labour law
LLB
B Juris (Bachelor of law)

Areas of Expertise:
Legal
Governance, Risk and Compliance
Labour Specialist
Law Enforcement
Crime Investigation
Regulatory Services
Strategic Leadership and Management
Prosecution
Research
Board and Committee member (different committees)

Appointment Date: 1 January 2025

Position on Executive Committee:
Group Executive: Business Assurance

Ms Mmabore Evelyn Motsatsing

Gender: Female

Race: African

Academic Qualifications:
BSc
PG Dip (Bus Management)

Areas of Expertise:
Strategic Leadership and Management
Stakeholder Management
Business Intelligence
Corporate Support Services
Business Development
Leadership Coach
Marketing and Sales

Appointment Date: 1 February 2024

Position on Executive Committee:
Group Executive: Business Enablement

Mr Justice Ramakokovhu

Gender: Male

Race: African

Academic Qualifications:
BTech (Eng Mech)
BTech (Project Management)
BSc Hons (Appl Metall)
MSc (Eng Man)

Areas of Expertise:
Operations and Production Engineering
Fabrication Engineering
Engineering and Maintenance Management,
Strategic Leadership and Management

Appointment Date:
1 August 2024

Position on Executive Committee:
Acting Executive Manager: Dockyard

PART B

PERFORMANCE INFORMATION

2.1 PERFORMANCE AGAINST GOALS 2024/25

Operational outputs for the 2024/25 financial year

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

2.1.1 Performance against Outputs

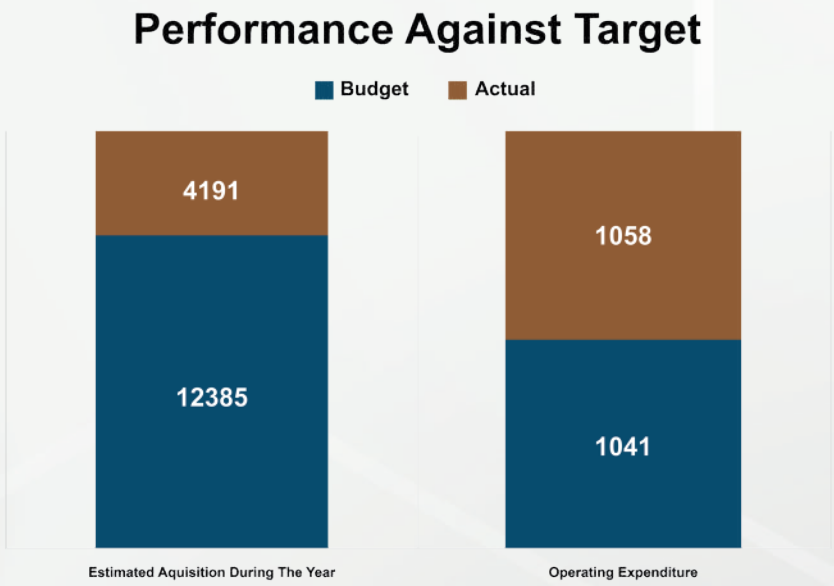
In addition to the above, Armscor uses an overall efficiency measure which is the cost of acquisition. This measure reflects the ratio of operating costs incurred versus the acquisition cash flow during (industry can deliver as contracted) the reporting period based on the total forecasted acquisition activities (revised baseline). A cost of 8.41% was budgeted for the 2024/2025 financial year taking into consideration the baseline for contracting and the agreed performance requirement to commit 95% thereof while contractual payments should be 95% of the committed amount.

Table 2: Acquisition Cost

Acquisition cost:	2024/25	2023/24	2022/23
Budgeted acquisition cost based on calculated cash flow:	8.41%	8.36%	8.53%
Acquisition cost based on actual cash flow:	25.23%	31.09%	29.00%
Note: *Budgeted figure which was a result of lower actual expenditure due to reasons as stated in the performance measurement.*			

The actual operating expenditure of R1 058,2 million furthermore represents a 1.65% increase from the budgeted operating expenditure of R1 041,1 million, which is primarily due to employee vacancies that were filled during the current financial year. The acquisition cost was similar to that of previous financial years, significantly influenced by the industry's inability to execute the contracted work, which prevented cash flow from taking place.

Figure 8: Performance against Target



2.1.2 PERFORMANCE INDICATOR: MANDATED FUNCTIONS (SLA)

Figure 9 summarises the SLA Outputs as per approved Corporate Plan (Tabled on 15 March 2024 with Performance against the SLA Outputs presented in Table 4.

Figure 9: Service Level Agreement Outputs

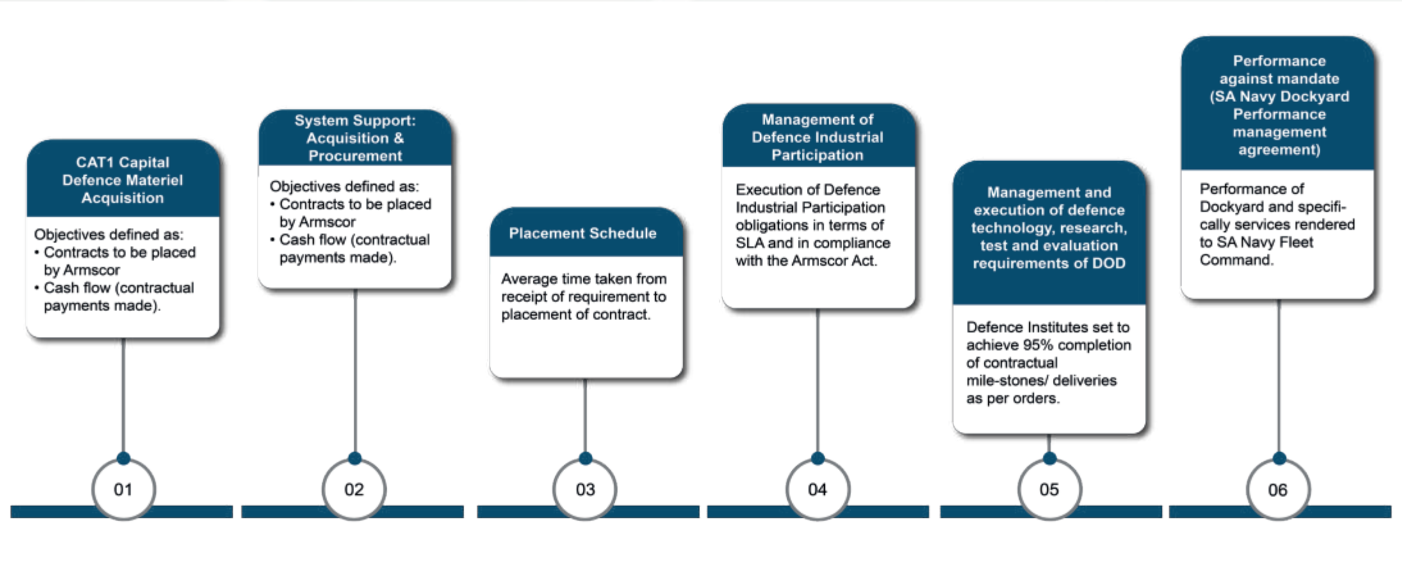


Table 3: Summary Armscor Performance against the Service Level Agreement Outputs

GOAL	OUTPUT DESCRIPTION	SUB-GOAL	OUTPUT INDICATOR
Goal 1	Cat 1 capital defence matériel acquisition excluding strategic defence acquisition but including technology acquisition	• Contracts to be placed by Armscor • Cash flow (contractual payments made)	Armscor's target of 95% of commitment of funds to be measured against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD. Armscor's target of 95% cash flow would be measured against the formally planned cash flow in terms of achieved commitments for the financial year.
Goal 2	System support: Acquisition and Procurement	• Contracts to be placed by Armscor • Cash flow (contractual payments made)	Armscor's target of 95% of commitment of funds to be measured against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD. Armscor's target of 95% cash flow would be measured against the formally planned cash flow in terms of achieved commitments for the financial year.
Goal 3	Placement schedule	• Average time taken	Target set to measure the average time taken from receipt of requirement to placement of contract.
Goal 4	Management of Defence Industrial Participation (DIP)	• Value of DIP credits granted	Target set to measure the execution of DIP obligations in terms of the SLA and in compliance with the Armscor Act.
Goal 5	Management and execution of defence technology, research, test and evaluation requirements of the Department of Defence	• Execution of technology requirements	The target of Armscor Defence Institutes is set to achieve 95% completion of contractual milestones/ deliveries as per orders received.
Goal 6	Performance against mandate (SA Navy/Dockyard performance management agreement)	• SA Navy Dockyard performance management in terms of SLA with SA Navy	The target set to measure the performance of the Dockyard and more specifically the services rendered to the SA Navy Fleet Command.

Table 4: Performance against the Service Level Agreement Goals

Output 1: Defence matériel product life cycle provided
O1 A1: Provide Defence Acquisition and Supply Chain Management

Goal 1: Category 1 capital defence matériel acquisition excluding strategic defence acquisition but including technology acquisition

Output description (Projects)	Annual target 2024/25	Achievement against target	Performance against output (Remarks)
1.1 Percentage of DOD Capital requirements converted into orders placed. Capital requirements will be registered upon approval of the Project Study Report by the DOD and the Functional Baseline by Armscor, and confirmation by the DOD of funds availability. (Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid 3A requirements from the DOD). (Factors beyond Armscor's control preventing the conversion into orders will be excluded from the achievement against the target, i. e., receipt of requirement, cancellation of requirement, insufficient/ lack of funding, provided that the request has been received by Armscor before the beginning of Quarter 4 of the financial year).	95%	100%	DOD requirements to the value of R448,000,708 were received. Armscor committed R448,000,708 of the above-mentioned funds resulting in an achievement of 100%. **Target achieved.**
1.2 Percentage execution of contracts as measured through actual cash flow on DOD orders placed. (Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD). Letters signed by the DOD and indicating the estimated amounts that will roll over per contract will support adjustments deemed to be beyond Armscor's control.	95%	107.72%	The planned cash flow for the first revision was R1,408,772,412. Armscor managed to realise cash flow to the value of R1,221,245,842 resulting in an achievement of 86.69%. Adjustments for factors beyond Armscor's control amounted to R275,085,512. This resulted in a final achievement of 107.72%. **Target achieved.**

Output 1: Defence matériel product life cycle provided
O1 A1: Provide Defence Acquisition and Supply Chain Management

Goal 2: System support: Acquisition and procurement

Output description (Projects)	Annual target 2024/25	Achievement against target	Performance against output (Remarks)
2.1 Percentage of DOD system support and procurement requirements converted into orders placed including: • Receipt of requirement; • Assessment and confirmation of requirement; • Submission of a top-level project schedule (Planning document) to DMD within 14 days; • Initiation of sourcing solution: and • Approval and placement of order. (Target set to measure the actual commitment of funds against the formally planned value of commitments, which is based on requirements received and confirmed as valid requirements from the DOD). (Factors beyond Armscor's control preventing the conversion into orders will be excluded from the achievement against the target, i. e., receipt of requirement, cancellation of requirement, insufficient /lack of funding, provided that the request has been received by Armscor before the beginning of Quarter 4 of the financial year).	95%	99.87%	DOD requirements to the value of R3,135,516,245 were received. Armscor committed R2,632,099,157 of the above-mentioned funds resulting in an achievement of 83.94%. Adjustments for factors beyond Armscor's control amounted to R500,000,000. This resulted in a final achievement of 99.87%. **Target achieved.**
2.2 Percentage execution of contracts as measured through actual cash flow on DOD orders placed. (Actual cash flow will be measured against planned cash flow, in terms of first revision, and adjusted for factors beyond Armscor's control. Any adjustment deemed to be beyond Armscor's control that is due to the user or the DOD will be done with the consent of the DOD). Letters signed by the DOD and indicating the estimated amounts that will roll over per contract will support adjustments deemed to be beyond Armscor's control.	95%	83.13%	The planned cash flow for the first revision was R3,737,994,341. Armscor managed to realise cash flow to the value of R2,970,177,872 resulting in an achievement of 79.46%. Adjustments for factors beyond Armscor's control amounted to R165,006,160. This resulted in a final achievement of 83.13%. The underperformance is mainly due to the Frigate and Submarine refits not proceeding as planned. **Target not achieved.**

Output 1: Defence matériel product life cycle provided
O1 A1: Provide Defence Acquisition and Supply Chain Management

Goal 3: Schedule placement

Output description (Projects)	Annual target 2024/25	Achievement against target	Performance against output (Remarks)
3.1 Average time taken to convert DOD requirements into orders including: • Confirmation of requirement; • submission of a top-level project schedule (Planning Document) to DMD within 14 working days; • Completion of sourcing process; and • Approval and placement of order. (Time taken from registration of requirement (3A) to placement of contract excluding time required for FA Approval, as measured on the Armscor Business Register).	90 days for shortened process COTS items.	72 days	An average of 72 days is taken from receipt of the requirement to placement of a contract. **Target achieved.**
	120 days for non-COTS and Product Support GDA procurement.	146 days	An average of 146 days is taken from receipt of the requirement to placement of a contract. **Target not achieved.**
	140 days for SDA acquisition programmes.	120 days	An average of 120 days is taken from receipt of the requirement to placement of a contract. **Target achieved.**

Output 1: Defence matériel product life cycle provided
O1 A1: Provide Defence Acquisition and Supply Chain Management

Goal 4: Management of Defence Industrial Participation (DIP)

Output description (Projects)	Annual target 2024/25	Achievement against target	Performance against output (Remarks)
4.1 Value of Defence Industry Participation credits to be granted.	R1,21m	R16,25m	DIP credits to the value of R16,253,262 have been awarded during the 2024/25 financial year; a performance of 113,4% against target. **Target achieved.**

Output 1: Defence matériel product life cycle provided
O1 A1: Provide Defence Research and Development

Goal 5: Management and execution of defence technology, research, and test and evaluation requirements of the DOD

Output description (Projects)	Annual target 2024/25	Achievement against target	Performance against output (Remarks)
5.1 Percentage of execution of technology requirements. (R& D to achieve contractual milestones / deliveries as per agreed Memoranda of Agreement and orders received for the financial year.	95%	63%	DOD orders to the value of R342,240,575 have been awarded during the 2024/25 financial year. Amount invoiced and executed during the year: R217,140,577. The performance was mainly due to: • the late order placement, which is exacerbated by human resource constraints. This affects the achievement of the required work and the invoicing to meet the target. **Target not achieved.**

Output 1: Defence matériel product life cycle provided
O1 A1: Manage Defence related strategic facilities

Goal 6: Management and performance against Dockyard Mandate (South African Navy /Dockyard Performance Management in terms of Service Level Agreement with the South African Navy Agreement)

Output description (Projects)	Annual target 2024/25	Achievement against target	Performance against output (Remarks)
6.1 Percentage of project tasking and job cards executed. (Adherence to project tasking as approved in the project plan & execution of the ad hoc activities). 6.1.1 Projects (Special projects/Docking Essential Defects (DED)/Refit). 6.1.2 Adhoc activities (daily job requests: Assisted Maintenance Period (AMP) support, Operational Defect (OPDEF).	90%	72%	The performance for this objective is dependent upon the availability of spare parts and financing for their procurement for ad hoc activities. The bulk FA was presented to the South African Navy at the commencement of the financial year; however, it was not approved. Requests were subsequently submitted for FAs, with approvals obtained for the second and third quarters. Furthermore, delays by the KSEK DED contractor have adversely affected the progress of DYD work. Dockyard achieved an overall 72% for project tasking in line with the project plan as well as ad hoc activities. A further breakdown of the goal includes the following achievements: • A 74% achievement for projects. • A 72% achievement for ad hoc activities executed. **Target not achieved.**

Output description (Projects)	Annual target 2024/25	Achievement against target	Performance against output (Remarks)
6.2 Percentage of compliance to project finance. (Manage project finances in accordance within approved financial authorities and cash-flow plan)	90%	84%	The majority of the FAs were approved in the third quarter of the financial year. The value of the FA approved in the third quarter amounts to R1 250 000, representing 37% of the approved FAs. The funds are committed through order placement. **Target not achieved.**
6.3 Percentage of Ancillary Services executed. (Provision of Ancillary Services as defined by the South African Navy [power generation station, air supply, water supply, crane support requirements, etc.] as per Dockyard funded business plan)	95%	100%	Ancillary Services were delivered and signed off by the South African Navy. **Target achieved.**
6.4 Percentage of training requests executed. (Training provided in accordance with the plan and requirements submitted by the South African Navy during the reporting period).	100%	100%	Training requirements requested were provided and signed off by the South African Navy. **Target achieved.**
6.5 Percentage compliance with quarterly report timelines. (Supply quarterly reports to Flag Officer Fleet that addresses inter-alia project performance status, financial statements, risks with mitigating plans, capabilities, facilities and ancillary services status reporting as per reporting, etc., as per the reporting timeline schedule).	100%	100%	All quarterly reports submitted to Flag Officer Fleet on or prior to the delivery date and signed off by the South African Navy. **Target achieved.**

Output 1: Defence matériel product life cycle provided
O1 A1: Management of DOD owned Intellectual Property

- **Effective Technology and IP Management**

Output description (Projects)	Annual target 2024/25	Achievement against target	Performance against output (Remarks)
7.1 Percentage Development and Test Services: Percentage compliance with DOD contracted work, in accordance with SLA between Armscor and DOD.	90%	100%	Target: R1,123,303m Achieved: R1,123,302m Performance: 100% **Target achieved.**

Output description (Projects)	Annual target 2024/25	Achievement against target	Performance against output (Remarks)
7.2 Maintain a complete and comprehensive IP Register, which ensures the maintenance of an unqualified audit opinion, in respect of DOD Intangible Capital Assets under Armscor's management.	31 March 2025	31 March 2025	Complete and comprehensive IP register maintained. **Target achieved.**
7.3 Commercialise one IP Technology (Provided that there is an Armscor owned IP dual-use that is already at Technology Readiness Level 9 and can be commercialised).	31 March 2025	-	No IP was commercialised in the 2024/25 financial year. **Target not achieved.**

2.1.3 Performance Indicator: Strategic Outputs

Armscor focuses on four specific areas (Figure 10), a clear expression of its strategic intent and output. Table 5 summarises Armscor's performance in its strategic key area:

Figure 10: Strategic Outputs

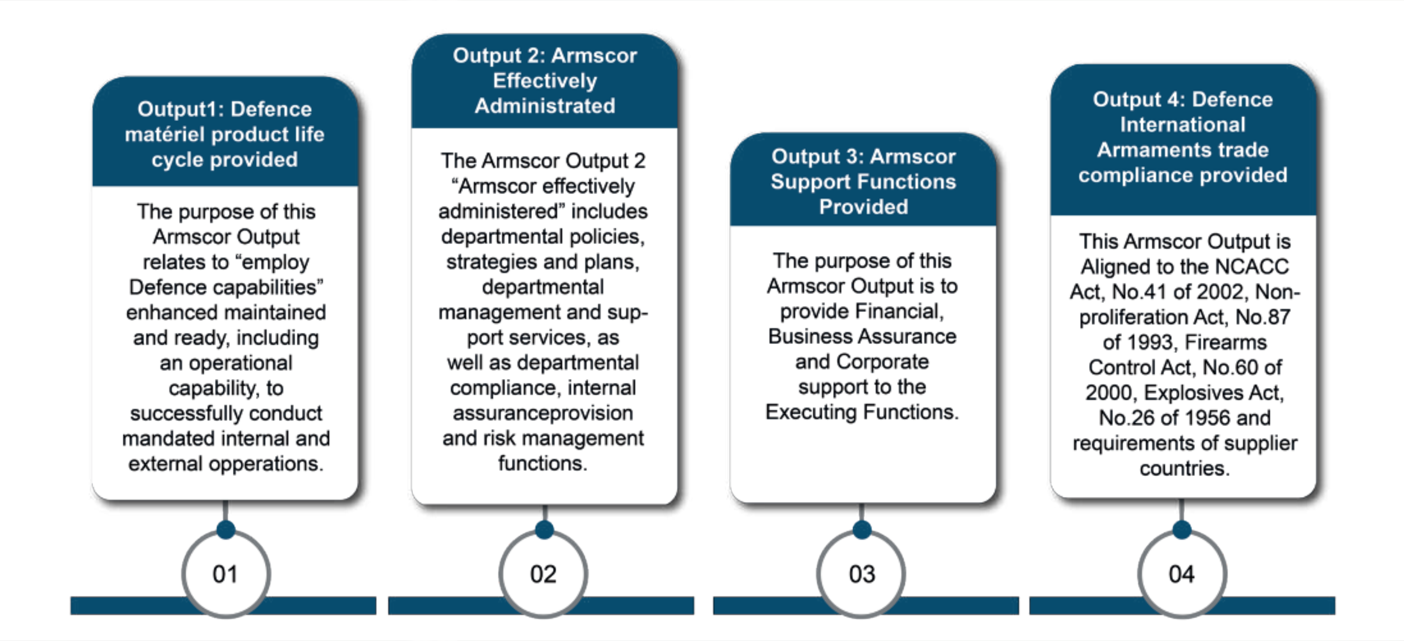


Table 5: Summary of Armscor Performance against the Strategic Outputs

OUTPUT	OUTPUT DESCRIPTION	TOOLS	OUTPUT INDICATOR
Output 1: Defence matériel product life cycle provided	The purpose of this Armscor Output relates to " employ defence capabilities" enhanced maintained and ready, including an operational capability, to conduct mandated internal and external operations successfully.	• Leverage Strengths • Commercialise IP • Diversify client base	This output relates to the degree to which the ordered defence commitments contribute to promoting peace, stability and security in the RSA, the SADC region, the African continent and the World.

OUTPUT	OUTPUT DESCRIPTION	TOOLS	OUTPUT INDICATOR
Output 2: Armscor Effectively Administered	The Armscor Output 2 " Armscor effectively administered" includes departmental policies, strategies and plans, departmental management and support services, as well as departmental compliance, internal assurance provision and risk management functions.	• Statutory documents • Implementation of the Service Level Agreement	The importance of output relates to the degree to which Armscor adheres to and abides by the National Legislation and Regulatory Frameworks, to ensure transparency, accountability, governance, compliance and good citizenship in general.
Output 3: Armscor Support Functions provided	The purpose of this Armscor Output is to provide Financial, Business Assurance and Corporate Support to the Executing Functions.	• Implement cost containment measures • Reduced turnaround times • Implement ERP solution • Transformation	This output relates to reducing the turnaround time of core customer-facing and internal processes, thereby strengthening stakeholder relationships.
Output 4: Defence International Armaments trade compliance provided	This Armscor Output is aligned to the NCACC Act, No. 41 of 2002, Non-proliferation Act, No. 87 of 1993, Firearms Control Act, No. 60 of 2000, Explosives Act, No. 26 of 1956 and requirements of supplier countries.	• Communication engagements	The importance of this output is developing and maintaining long-lasting, strategic relationships with key stakeholders. Furthermore, the degree to which Armscor adheres to and abides by the National Legislation and Regulatory Frameworks, to ensure transparency, accountability, governance, compliance and good citizenship in general.

Table 6: Performance against Armscor Strategic Outputs

Performance against the approved Armscor Strategic Outputs is stated below.

Output 2: Armscor Effectively Administered **O2 A1: Provide Strategic Direction**				
No.	**Output description**	**Annual target 2024/25**	**Achievement against target**	**Performance against output**
1. 1	Armscor's accountability documents aligned with the PFMA prescriptions.	31 March 2025	31 March 2025	All statutory documents per quarter were submitted timeously. **Target achieved.**
1. 2	Percentage compliance of Armscor to Parliamentary activities.	100%	100%	All Parliamentary question responses and Tabling were submitted timeously. **Target achieved.**

Output 2: Armscor Effectively Administered **O2 A2: Manage the Service Level Agreement**				
No.	**Output description**	**Annual target 2024/25**	**Achievement against target**	**Performance against output**
2. 1	Review and finalise DOD and Armscor Service Level Agreement 2025/26 – 2027/28	31 March 2025	31 March 2025	SLA was reviewed with the DOD and approved by the Armscor Board and supplied to DOD for signature. A three-month extension of the SLA was signed while awaiting feedback from DOD. **Target not achieved.**

Output 3: Armscor Support Functions provided **O3 A1: Provide Corporate Finance** • **Revenue Generation: Generate additional income from existing and new sources. Payment to Suppliers.**				
No.	**Output description**	**Annual target 2024/25**	**Achievement against target**	**Performance against output**
3.	**Group Revenue**			
3. 1	Other revenue	R1 341,1m	R1 400,7m	Other revenue of R1 400,7m was received. **Target achieved.**
3. 2	Revenue from existing facilities of Armscor R&D.	R424,7m	R425,9m	Total income generated is R425,9m. **Target achieved.**
3. 3	Revenue generated from the Business Enablement Business Unit.	R59,1m	R90m	A total of R90m was realised. **Target achieved.**
3. 4	Percentage Payments within 30 days of receipt of legitimate invoices.	95%	100%	All legitimate invoices were paid within 30 days of receipt. **Target achieved.**

Output 3: Armscor Support Functions provided **O3 A1: Provide Corporate Finance** • **Cost Management: Reduce Group costs, including finance, capital, and operating costs, to ensure zero financial deficit.**				
No.	**Output description**	**Annual target 2024/25**	**Achievement against target**	**Performance against output**
4. 1	Improve net financial position.	R88,8m deficit	R85,7m surplus	Surplus of R85,7m was realised. **Target achieved.**

Output 3: Armscor Support Functions provided O3 A2: Provide Corporate Support • Efficient and Effective Delivery: Infrastructure Renewal and Transformation of Corporation				
No.	**Output description**	**Annual target 2024/25**	**Achievement against target**	**Performance against output**
5. 1	Renew application systems to improve effectiveness and efficiency: • Implementation of the approved Digitisation Plan: • Complete implementation of the Human Resource and Payroll ERP modules.	30 September 2024	-	Payroll is implemented. Completion of the HR module is pending user acceptance testing (UAT). **Target not achieved.**
	• Complete installation of a new ICT network.	30 September 2024	-	Procurement of the ICT Network is being completed by SCM with implementation in the next financial year. **Target not achieved.**
5. 2	Percentage Improvement in Cybersecurity Capability maturity level: Percentage Implementation of the annually approved Cybersecurity Capability Implementation Plan in order to achieve Armscor desired Cybersecurity Capability maturity level.	80%	34,54%	Cumulative Performance of 34,54% as at end of the 2024/25 financial year has been achieved for the implementation of the approved Cybersecurity Capability Implementation Plan. The market for Cybersecurity management and technical skills is very competitive. The correctly qualified resources are in high demand. This has resulted in the department not being able to adequately perform the cybersecurity strategic initiatives and services that are supporting the entity's business operations. **Target not achieved.**
5. 3	Achievement of approved Employment Equity Plan that is directed towards: • improving female representation.	40%	41,49%	Overall, female representation totals 41,49%. **Target achieved.**
5. 4	Controllable staff turnover in technical positions, excluding retirements (less than or equal to 4%).	≤ 4%	4,91%	There were 26 (out of 529 technical positions) resignations during the reporting period. **Target not achieved.**
5. 5	Skills Development Programme: • Provision of bursaries for full-time studies (Cumulative number).	23	25	25 students were enrolled on the Armscor Bursary Scheme as at 31 March 2025. **Target achieved.**

Output 3: Armscor Support Functions provided O3 A2: Provide Corporate Support • Efficient and Effective Delivery: Infrastructure Renewal and Transformation of Corporation				
No.	**Output description**	**Annual target 2024/25**	**Achievement against target**	**Performance against output**
5. 5	• Contracting and development of graduate as interns, i. e., Talent Development Programme (Cumulative number). *(Note: Armscor to proactively accommodate youth and Military Veterans in contracting TDPs)*	30	33	33 candidates were appointed to the Talent Development Programme. **Target achieved.**
5. 6	Total number of people employed with disabilities (including TDPs and Learnerships).	28	32	The total number of people with disabilities amounts to 32. **Target achieved.**
5. 7	Conduct organisational structure review. Approved organisational structure.	31 March 2025	26 March 2025	The Board approved the organisational structure on the 26 March 2025. **Target achieved.**

Output 3: Armscor Support Functions provided O3 A3: Provide Business Assurance • Efficient and Effective Delivery: Governance of Armscor Corporate				
No.	**Output description**	**Annual target 2024/25**	**Achievement against target**	**Performance against output (Remarks)**
6. 1	• **Military Veterans (MV):** • Preferential Procurement from Military Veterans entities. (Percentage of total procurement spend).	2%	2,3%	2,3% of the total procurement spend. **Target achieved.**

Output 4: Defence International Armaments trade compliance provided O4 A1: Provide Stakeholder Management • Stakeholder Management: Armscor to build, maintain, and strengthen relationships with all its stakeholders				
No.	**Output description**	**Annual target 2024/25**	**Achievement against target**	**Performance against output (Remarks)**
7. 1	Stakeholder Survey (conducted every second year).	1% improvement	1% improvement	Stakeholders'satisfaction is rated 73% from the 2024/25 financial year. This is a 1% improvement compared to 72% of 2022/23 financial year. **Target achieved.**
7. 2	Employee engagement survey (conducted every third year): Percentage implementation of identified interventions based on 2020/21 survey.	100 %	100%	100% of identified interventions based on 2020/21 survey have been implemented. **Target achieved.**

EXECUTING FUNCTIONS

2.2 CORE CAPABILITY FUNCTIONS

Armscor focuses on providing defence turnkey solutions, undergirded by a substantial research and development capability focused on producing relevant, sustainable and technologically advanced products to meet evolving industry needs. Its technologies have evolved from the defence sector to serve both the commercial and domestic sectors. Armscor's core functions are captured as:

CORE FUNCTIONS

ACQUISITION & SCM

RESEARCH & DEVELOPMENT

NAVAL DOCKYARD

2.3 OPERATIONAL REVIEW

2.3.1 Acquisition

The core function of Armscor is to acquire defence matériel and related services, primarily for the SANDF but also for other Government departments and services with permission from the Minister of Defence and Military Veterans.

The acquisition role of Armscor entails all the actions that need to be taken to satisfy the need for defence matériel or services intended for use in meeting or support of client requirements. This includes the design, development and production of new products and product systems, upgrading of existing systems to mitigate obsolescence or to meet changed requirements, as well as the acquisition of product system support for user systems during the operational lifetime of the systems.

a. Responsibilities of Acquisition Functions

The acquisition responsibility can be broadly classified into two main categories being capital acquisition (funded by the Special Defence Account (SDA)) which entails projects that cater for technology development, directed systems development and the subsequent production of new defence matériel, and operating procurement and maintenance and support of existing equipment and systems (funded by the General Defence Account (GDA)).

Capital equipment acquisition entails projects or programmes that are aimed at the development and production of complex systems that meet the stated capability requirements of the SANDF. During the execution of these development projects, a formal risk-reduction process is followed, which eventually leads to the contracting of suitable suppliers to develop, industrialise and manufacture the products or product systems. Procurement entails the procurement of goods and services from industry in response to taskings from the respective Services and Divisions of the DOD. Product support activities entail the contracting of industry to maintain and support existing products and systems of the DOD, and these activities are performed in response to taskings from the respective users within the SANDF.

b. Performance Overview of Acquisition Function

During the reporting period, Armscor managed and executed contracts to a total order value of R19 449 billion. The total acquisition and procurement portfolio comprises two primary components, being technology and capital acquisition contracts, which amounted to R12 730 billion. In contrast, maintenance and support contracts amounted to R6 719 billion.

c. Status and Progress

The funding allocation for projects on the SDA (Capital Budget) has been continually decreasing over the past five years. Although the capital acquisition portfolio appears to be relatively high, the bulk of this portfolio, R11 797 billion, comprises multi-year Denel orders, of which the order values (i. e., funds) have been accumulating over the past number of years due to non-expenditure on those orders.

Funding for technology development was allocated to the SDA during the reporting period. This funding will serve to partly maintain at least the most critical capabilities in industry and ensure that some measure of renewal takes place.

d. Risks and Concerns

The reduction of the DOD budget allocation and specifically the significant reduction in capital projects funded from the SDA, has necessitated Armscor to evaluate the impact of this continued and considerable change in its operating environment. In this regard, the Acquisition & SCM Business Unit developed a new strategy during the 2021/22 financial year and several initiatives emanating from the strategy is currently being implemented and this is by servicing some of the security cluster departments (SAPS, BMA, Correctional Services etc.) championed by the Business Enablement Business Unit.

The continued decline in the capabilities of Denel remains a concern, specifically with regards to Denel's ability to execute its contracted obligations as well as with the maintenance of the capabilities required to support and renew the Prime Mission Equipment (PME) of the SANDF for which Denel is the OEM. In this regard, Armscor has developed several initiatives aimed at maintaining the essential capabilities established in Denel. These initiatives furthermore seek to support Denel's turnaround initiatives.

e. Opportunities

During the reporting period, Armscor has taken the lead with the exploitation of several substantial export opportunities which have the potential to provide significant stimulation to both Denel and the broader domestic defence industry. In response to the declining international image of Denel as a reliable supplier of defence systems, Armscor is capitalising on its good reputation in the international marketplace as a reliable, professional and capable state entity, and intends to act as an interface and main contractor to foreign defence forces and to consolidate capabilities in the domestic defence industry to provide integrated and comprehensive solutions to those potential foreign clients. In this regard, Armscor has had promising interactions and has strengthened relations with several potential foreign clients who have indicated an interest in working with Armscor to obtain niche defence systems from South Africa.

The reduction of the DOD budget continues to have a significant impact on the domestic defence industry, and several companies in the defence industry were forced to downscale capacity, some closed, during the reporting period and to focus more on the export market simultaneously. This downscaling, as well as a shift in focus, has had a marked impact on the ability of the industry to meet contractual commitments for the DOD, and the reduction in capacity is continuing to impact negatively on Armscor's ability to meet the DOD's cash flow expectations for the financial year.

The decline in the Capital budget over the past number of years has precipitated a shift in focus away from traditional capital acquisition projects and more towards maintenance and support, and the life extension of existing products and systems of the SANDF. Armscor has been positioning itself to provide a more comprehensive service to the SANDF concerning maintenance and life extension of products and systems which are currently in use, as well as to develop and implement processes and mechanisms to facilitate rapid acquisition of new capabilities to meet the changing operational requirements of the SANDF. The Defence Acquisition Handbook has been upgraded by the introduction of a shortened acquisition process, and Armscor has positioned itself to provide greater assistance to the DOD with regard to the utilisation of emerging technologies that have the potential to meet current operational requirements more efficiently and cost-effectively.

f. Financial Performance of Acquisition Function

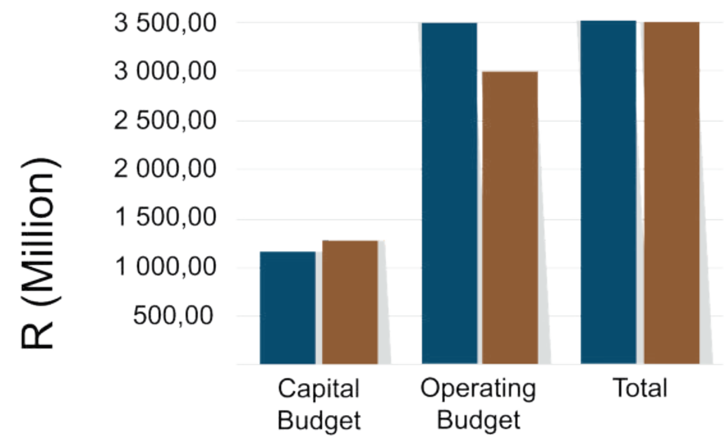
An important objective of the Acquisition Department remains the commitment to all DOD requirements and full achievement of the planned expenditure of DOD funds. In terms of the Service Level Agreement (SLA) between Armscor and the DOD, Armscor's cash flow performance is measured against the joint Armscor/DOD cash flow planning that occurs during May/June of every year, adjusted with mutually agreed deductions due to factors beyond Armscor's control.

In addition to poor performance by Industry, factors beyond Armscor's control that inhibit planned cash flow from realising would typically be factors such as:

- Requirements that are received too late in a financial year to allow the industry to execute the full extent of work within the financial year,
- Planned funds not spent because of improvements in the predicted rate of exchange, or where ceiling amounts are contracted,
- Or where the full extent of work provided for does not materialise (e. g., maintenance contracts).

A total amount of R1 547 billion, which was planned during the first revision in May/June 2024 as cash flow for the 2024/25 financial year, is regarded as not being achievable due to factors beyond Armscor's control and is supported by agreements from the DOD. Taking this reduction of the planned cash flow target into consideration, Armscor achieved most its targets for the year of 95%. Figure 11 reflects the planned cash flow that has been adjusted by deducting the value of orders that could not achieve planned payments due to factors beyond Armscor's control versus actual cash flow achieved.

Figure 11: Achieved vs Planned Cash Flow



	Capital Budget	Operating Budget	Total
Adjusted Planned Cashflow	1133,60	3 572,99	4 706,68
Actual Cash Flow	1221,25	2 970,18	4 191,42

The reduction in the DOD's budget allocation resulted in the respective Services having to continually reprioritise their budgets to comply with the various priorities of meeting their constitutional mandate. This continuous re-prioritising of the allocation of the limited available funding has resulted in many requirements received by Armscor being underfunded, and in many cases, funds were re-allocated after Armscor having received requirements. These factors resulted in many contracts (especially requirements funded from the DOD's operating budget) being placed later than planned or sometimes not materialising at all. These delays consequently on both the industry's ability to deliver on planned commitments and the achievement of planned cash flow at the end of the financial year.

At the end of the 2024/25 financial year 59,17% (R11 508 billion excluding Hensoldt and RDM orders) of the total DOD order book for the financial year, comprised orders placed on Denel. The continuous loss of capacity and capability at Denel, has again resulted in suboptimal performance against their contractual obligations. Denel managed to invoice for only 8,65% of the total value of orders for the 2024/25 financial year.

This significant under performance by Denel continues to place considerable strain on Armscor's ability to improve on total cash flow due to slow programme execution during the financial year.

A significant portion of the capital acquisition order book (R9 Billion) comprises order values for the New Generation Infantry Combat Vehicle and new Air-to-Air Missile projects at Denel where unspent order values from previous financial years have been accumulating due to delays and under expenditure on these projects, which reflect the extraordinarily high order values in the current financial year. As during the past three years, these programmes have shown very little progress during the reporting period. Non-expenditure against this portion of the total order book also forms part of the total order book for which no cash flow was planned for the financial year under review.

In addition to the goal of achieving more than 95% of the planned cashflow by the end of a financial year, the SLA between Armscor and the DOD also set a goal of contracting more than 95% of received requirements during the financial year. During the 2024/25 financial year, Armscor managed to achieve this goal by contracting 107,72% and 83,13% respectively of the requirements from the capital and operating budgets. This was achieved despite significant delays in receiving requirements due to re-prioritising of the budget allocation by the DOD.

a. Status of Significant Acquisition Projects

i. General

The reduction in the capital budget is having a significant and continuously increasing impact, not only on the local defence industry and on the maintenance of strategic and sovereign capabilities within the industry, but also on the operational readiness of the SANDF in the future.

ii. Maritime Systems

- **Multi-Mission Inshore Patrol Capability**

The Multi-Mission Inshore Patrol Capability programme is progressing well with the third vessel delivered in March 2025 and the naming thereof scheduled for the month of April 2025. SAS ADAM KOK III will be taken into operation by the SA Navy to join the other two vessels i. e., SAS King Sekhukhune and SAS King Shaka Zulu, delivered in May 2022 and September 2023, respectively. The logistic support elements are still being delivered progressively for each vessel. The MMIPV project is entering its final interim support phase and is progressing under the contracted functional performance and cost.

- **Hydrographic Capability**

This programme comprises the acquisition of a Hydrographic Survey Vessel (HSV) with two organic Survey Motor Boats (SMBs), a third fully operational inshore SMB, kept ashore in reserve, one sea boat, upgrading of the South African Navy Hydrographic Office (SANHO) infrastructure and the associated logistic support.

The project is facing challenges, which are impacting the schedule. However, Armscor has engaged with the main contractor, and a revised strategy is currently being formulated to map a recovery plan in the form of a Project Execution Plan. The Armscor team has reviewed and analysed the documents. It is awaiting the contractor to factor in the changes, after which a new delivery date will be determined and tabled for consideration and approved by the Board.

iii. Airborne Systems

- **New Generation Short Range Air-to-Air Missile**

This project entails the development of the A-Darter 5th generation short-range air-to-air missile system for the South African Air Force (SAAF), which was co-funded by the Brazilian Air Force, and the subsequent manufacture thereof for the SAAF.

The development phase of the missile system was completed during August 2019 with the completion of the Airworthiness Certification process by both the South African and Brazilian Air Forces. Completion of the development phase of the missile furthermore signified the end of the co-operation with the Brazilian Air Force on the development programme.

Contractually, the full complement of contracted missiles was scheduled to be delivered by October 2017. The project, however, experienced significant delays of some technical challenges encountered by Denel, but primarily as a result of the financial challenges experienced by Denel, which resulted in non-delivery of components and sub-systems by suppliers. The project almost came to a complete stop during the previous financial year.

iv. Landward Systems

- **New-Generation Infantry Combat Vehicle**

This project provides for a New Generation Infantry Combat Vehicle Products System to replace the Ratel Infantry Combat Vehicle that has been in service since circa 1976. The project comprised initially five combat variants, including their logistic support and ammunition, but four new variants were added when the industrialisation and production phase of the project was activated during 2013. The originally contracted number of vehicles was subsequently increased from 238 to 244 as a quid pro quo for an increase in the advance payment awarded to the contractor.

This programme has been plagued by delays over the past six years. The development phase of the programme was contractually scheduled to be completed by May 2012 (original date), with extensions to 2016-2017-2018, but has still not been completed. The delays were mainly attributed to both technical and financial challenges within Denel Land Systems (DLS), as well as to their suppliers and sub-contractors not supplying the required subsystems and services due to non-payment by DLS. DLS experienced capacity and capability challenges due to experienced personnel who left the organisation. National Treasury have given Denel a financial bailout. Denel is busy with implementing a turnaround strategy and is slowly re-capacitating projects and the organisation with personnel.

Armscor has also lost several support resources over the last few years. Armscor HR is busy with the recruitment process to source Project Managers, Systems and Logistics engineers. A Service Level Agreement (SLA) with Armscor Acquisition and Armscor DDSI was created at the end of October 2024 to mitigate the Armscor resource risks and to support completion of Phase 1 Development. This SLA will be extended into the 2025/26 financial year.

Additional funding for VAT, Escalation, Landmine blast tests, Servicing of Badger vehicles, repairs to some project equipment and testing to finalise the Phase 1 Development Product Baselines (PBLs) has been requested.

DLS has not yet fully reported on the extent of obsolescence. The obsolescence risks will have an impact on the Phase 2 Production schedule and costs if the Phase 2 continues.

Network problems at DLS from July 2024 have also impacted progress. Project documentation was not accessible and available for reviews. Manual processes are being used and are taking longer.

The delivery of the first Battalion, consisting of 88 vehicles, was contractually scheduled to be completed by May 2019. This date was, however, not achieved due to delays in the development and industrialisation process. Only the 30mm ammunition, 60mm mortar bombs and RADIATE Communication equipment were delivered to DOD Stores. There are several other project deliverables (vehicle platforms, turret platforms, weapons, etc) that have been manufactured but remain as work in progress waiting to be integrated into higher-level systems.

DLS is proceeding with outstanding Phase 1 Development work to complete the product baselines (PBL) for the 5 Badger combat variants. Armscor has also added the landmine tests to be incorporated at PBL and not during Industrialisation/production phase.

The estimated Phase 1 Development PBL completion dates are:

Combat Variants	Baseline Dates at Denel Land Systems	Baseline Dates at Armscor
• Section Variant (SV)	31 May 2025	31 August 2025
• Fire Support Variant (FSV)	31 July 2025	31 October 2025
• Command Variant (CV)	31 January 2027	30 April 2027
• Missile Variant (MSLV)	31 January 2027	30 April 2027
• Mortar Variant (MV)	28 February 2027	31 May 2027
• All Variants Integrated Logistics Support (ILS)	31 August 2027	31 November 2027

The above DLS baseline completion dates are extended to allow for Armscor Quality Engineering Services audits and presentation to Armscor PRC, as well as BRB for baseline acceptance.

During the reporting period, there have been several high-level engagements between all stakeholders to determine if and how the programme can be resuscitated.

The Project Control Board (PCB) held on 6 April 2023 recommended that Phase 1 Development of Project HOEFYSTER be completed with acceptance of indicated specification deviations and that the project deliver 1 Battalion of 88 Vehicles to the SA Army with the funding available.

The initial re-costing of the reduced requirement of 1 Battalion of Badger vehicles by DLS for the Phase 2 Production was determined to be unaffordable, given the reduced SCAMP funding.

Armscor presented an Information Brief to the Chief Army, acting Chief Defence Materiel, Chief Director Defence Acquisition Management and Director Army Acquisition on 12 September 2024. Discussions were held thereafter and guidance given to the project on the way forward.

Another PCB was held on 25 September 2024 to present the project status, provide feedback on the viability of recommendations made at the PCB of 6 April 2023 and recommend the way forward. The PCB, as well as SA Army had given its approval to present the recommendations to the Armaments Acquisition Control Board (AACB), Armaments Acquisition Steering Board (AASB) and Armaments Acquisition Council (AAC).

The recommended PCB decisions with the addendum to the Development Plan and the Addendum to the Acquisition Plan were presented to the AACB on 14 November 2024. The AACB approved the Addendum to the Development Plan and supported that the Addendum to the Acquisition Plan be presented to the AASB and AAC for approval.

The addendum to the Development Plan allowed for the completion of Phase 1 Development of Project HOEFYSTER up until 30 November 2027, with the establishment of PBL for each of the combat variants at an additional cost of R174 million to be funded from Phase 2 Production funds. The additional costs provisions are for VAT, at an additional an escalation, landmine blast tests, servicing of vehicles, equipment repairs and testing to complete the development baseline.

On 20 February 2025, the Addendum to the Acquisition Plan was recommended by the AASB to be presented to the AAC for approval. The decision for the continuation of Phase 2 Production, taking into consideration the challenges on hand, will be taken by the AAC when convened.

A Project Steering Committee (PSC) chaired by the Director of Army Acquisition was convened on 17 March 2025 to provide guidance on Phase 1 Development.

An oversight visit by the Joint Standing Committee on Defence was held at DLS on 24 March 2025. Both Denel and Armscor made project presentations before viewing the project assets.

Acceptance of the recommendations by the AAC will determine the way forward on the programme. A resolution is expected to be achieved early in the 2025/26 financial year.

- **Ground-Based Air Defence System for the SA Army**

The Ground-Based Air Defence (GBADS) project was divided into three distinct phases. The first phase of the programme, namely the Local Warning Segment, has been delivered to the end user, the South African Army Air Defence Artillery Formation and is operational. Phase two of the GBADS programme entails the upgrade of the Gun Fire Control System of the 35 mm Anti-Aircraft guns currently in service with the end user and has been successfully completed and delivered to the client.

The third phase of the GBADS programme addresses the Design and Development of the Battle Management, Command & Control, Communications, Computers and Information integration within the Mobile Air Defence System Regiment. The development of this system is currently in process and should be completed with the establishment of a verified product baseline, which has been delayed to the end of June 2025.

In March 2024, Armscor approved the contracting of the Production and transition phase of the project, which has three sub-phases. The first phase provides for the GBADS Simulator Facility and preparation of Client Furnished Equipment vehicles, local warning radars and radios for the project, which is currently funded. This work is in process.

The second sub-phase partly provides for the establishment of a final production baseline (fPBL) and the initial Operational Baseline (iOBL) as part of the Partial Acquisition Plan 1. This includes the commissioning and interim support for two years. Sub-phase 3 consists of the balance of the acquisition and the fPBL /iOBL. Sub-phases 2 and 3 have since been funded and will be activated once the vPBL has been completed and the approval for expenditure of the funds has been granted by the forums of the DOD (AACB, AASB).

v. Common Weapon Systems

- **New Generation Tactical Communication System**

This project addresses the acquisition of a completely new generation tactical communication system for the SANDF. This system will make provision for all tactical communication requirements for all arms of service and will ensure interoperability between all users.

The communication system encompasses state-of-the-art transmission and information security techniques, whilst incorporating semi-real-time data link performance characteristics as well as digital voice communication. Development, integration and qualification of the various elements of this system have been completed. Design test and evaluation have been demonstrated successfully, whilst system performance has been verified and accepted by the user during preliminary operational test and evaluation and final operational test and evaluation. Backwards compatibility with legacy systems was demonstrated, and interoperability between the different services was verified. The establishment of the fPBL and the iOBL has commenced. The interim support contract has been established and is in progress until 31 March 2027.

This is the first tactical communications system that will provide complete interoperability between all elements of the battlefield (Air Force, Army, Navy, etc.) without using gateways or protocol converters.

DEFENCE INDUSTRIAL PARTICIPATION

Defence Industrial Participation (DIP) entails the obligation incurred by a foreign supplier to reciprocate defence related business in South Africa because of foreign Defence Acquisition, and forms an integral part of the DOD's policy framework for the retention and development of the South African Defence Industry (SADI).

Armscor is currently managing 14 existing Active DIP agreements resulting from capital acquisition projects, and one DIP agreement resulting from the procurement of pistols on behalf of the SAPS.

Under the project for the acquisition of an HSV, three of the four obligors have registered DIP credits already. The non-payment of suppliers by the main contractor (SAS) as reported in the previous financial year, is persisting in this financial year and for the immediate future. This requires that targets be revised downwards. The risk of non-performance against the total obligation and final completion dates is high, as most of the DIP activities are directly linked to the main acquisition programme, and there have been delays on the project milestones. The situation is unpredictable and will be monitored and assessed continuously.

For other DIP activities, on aviation rescue and firefighting vehicles, the joint venture has collapsed, and as such, it could not fully discharge its pending DIP obligation. The DIP Division will compile a submission in the next financial year to request closure of the DIP agreement and possibly request to set off the performance penalty from future JV acquisition contracts.

In terms of the acquisition of night vision equipment, the Obligor experienced various challenges and has since shown no interest in continuing with the DIP programme. Furthermore, the DIP beneficiary is no longer in a position to continue, as the resources who received knowledge transfer are no longer in the employment of the company. As a result, freezing of activities or postponement to future dates will be requested.

Table 7: The status of the four DIP Portfolios as at 31 March 2025

Portfolio	Number of current contracts	Number of completed contracts	Total obligation	Credits passed during the current financial year	Total credits passed to date	Outstanding obligation
			Rm	Rm	Rm	Rm
SDPs	0	8	15 111	0	15 111	0
Active (SDA)	14	43	8 010	0	7 603	407
Police Contracts	1	3	184	2	170	14
Total	17	54	23 305	2	22 958	421
Proactive [1]	2	0	n/a	(74)	0	n/a
Historic Proactive	1	48	n/a	0	868	n/a

***Note:** 1 During the 2024/25 financial year, the total value of Proactive DIP credits (R74m) under the New Proactive Portfolio has expired.*

2.3.2 Research and Development

2.3.2.1 Alkantpan Test Range

Alkantpan Test Range (Alkantpan) is a strategic facility that provides client-focused ordinance test and evaluation to add value to the product of the client through cost-effective service. It provides a controlled environment to assess performance, safety and specifications to both local and international clients.

The highlights for 2024/25 financial year include a weapons capability demonstration hosted by European and Asia-based clients. These included the execution of insensitive munition tests, such as slow cook-off tests, for the first time since 2019.

- an increase in UAV testing, as Alkantpan is closed from any unauthorised air traffic.
- Alkantpan has increased their high-speed imaging recording capabilities by acquiring latest 4k cameras.
- Alkantpan is now fully certified for ISO 9001 (Quality), 14001 (Environment), and ISO 45001 (Health & Safety).

Alkantpan continues to be a lead participant during Nelson Mandela Day commemorations to uphold Corporate Social Investment within its municipal boundaries. These initiatives assist in maintaining cordial relationship with local communities.

2.3.2.2 ARMENGRO

i. Armour Development

Armour Development leverages the latest materials and methodologies to design and manufacture advanced armour systems for the SANDF to address both the current and emerging threats. These conceptual armour designs are rigorously tested against light, medium, and heavy-calibre weapons, explosives, and warheads under controlled conditions.

Key highlights for the reporting period:

- **Completion of Critical Angle Project:**

  In collaboration with the Swedish Steel Company, Armour Development successfully completed the Critical Angle Project. The project's objective was to determine the critical angles of various armour steels for STANAG Level 2. Over 8 000 shots were fired, resulting in a comprehensive database now available for DOD to use. The project's scope is expanding to develop an industry-standard database over the next three years, incorporating medium-calibre ammunition.

- **Commercial specialised ballistic testing and qualification:**
  Armour Development has seen a steady influx of new orders for specialised ballistic testing and qualification. Notably, there has been renewed interest in the next-generation body armour package developed by Armour Development for the SANDF. This innovation highlights the ability to meet evolving defence needs.

- **Strategic skill development**
  Two armour specialists have completed a ballistic course at Cranfield University in the United Kingdom, further strengthening the team's expertise. By combining cutting-edge research, robust testing capabilities, and skilled personnel, Armour Development remains at the forefront of armour system innovation, addressing the diverse and demanding needs of its military and commercial clients.

ii. Fluid and Mechanical Engineering Group (FLAMENGRO)

Flamengro's expertise spans the development and maintenance of internal and external ballistics codes, advancements in ammunition technology, weapon systems launch response, artillery range extension mechanisms, and weapon mount dynamics. Furthermore, Flamengro offers mechanical engineering design and material testing services for commercial clients.

In the reporting period, the following can be highlighted:

- **Dynamic Calibration Laboratory Expansion:**
  A recent acquisition of a quasi-static universal testing machine expands the capabilities of its advanced mechanical characterisation laboratory. This cutting-edge equipment, capable of testing materials up to 10 kN under tensile, compression, and torsion loads, uniquely supports the testing of soft materials and plastics.

- **Development of a biomechanics finite element analysis model:**
  In collaboration with ERGOTECH, Flamengro has successfully developed a biomechanics finite element analysis (FEA) model using state-of-the-art modelling and simulation software. This model focuses on the human ankle, simulating biomechanical responses under dynamic loading conditions during under-body blasts. Through FEA, this research enhances the understanding of injury mechanisms, stress distribution, and the effectiveness of protective strategies for lower limb injuries under blast loading. The findings underscore the potential applications for biomechanical research in injury prevention and military safety.

- **Nano-Material Research for Defence Applications**
  Flamengro is at the forefront of developing graphene-enhanced armour materials through the DRDB-funded project code-named Nano-Material Research for Defence Applications. This ongoing initiative aims to incorporate nanomaterials into traditional polymers, metals and ceramics, significantly improving their mechanical and ballistic performance properties.

- **Training and development:**
  Flamengro remains committed to advancing the skills of its engineers through specialised training programmes. Six Flamengro engineers have successfully completed the Armour Materials Theory and Design and Advanced Gun Systems Design courses at the University of New South Wales (UNSW) in Canberra, Australia, ensuring that the team remains at the cutting edge of defence engineering and innovation.

2.3.2.3 Defence Decision Support Institute

The Defence Decision Support Institute (DDSI) renders the following services in support of the SANDF and other South African government departments:

- Defence capability analysis, environmental scanning, operational data analysis, operational research services, policy development and/or support, regional analysis and strategy development support.
- Configuration and data management, logistics and systems engineering services.

Highlights:

DDSI's presentation, "Why PPPs in Defence? Why Now?" was well received by the Defence and Security audience during the Public-Private Partnership (PPP) for Defence and Security Conference held at CSIR Convention Centre on 6 March 2025. It was key in setting the tone and the spirit of discussions towards adopting the PPP concept as a way of modernising and sustaining the military under conditions of a funding shortfall in the DOD. Since the conference, DDSI has been supporting the operationalisation of PPPs in both the SANDF and the RSA defence industry.

At the end of the previous financial year, DDSI developed an updated Defence Policy, which was well received by the President and the Minister of Defence and Military Veterans. The Defence Policy updates are modernising certain aspects of SA Defence Review 2015. The work progressed in the reporting year to a first-ever Defence Capstone concept to operationalise the updated Defence Policy. Similarly, updates to Military Policy were also converted into a first ever Military Capstone concept, supported by innovative defence funding and costing models being developed by DDSI. Empirical tools are under development for measuring and portraying the status of the SANDF to better conduct an SANDF SWOT analysis. The SANDF requested DDSI to support the application of this work in an updated Military Strategy in the next financial year.

DDSI plays an increasing role in conveying the South African security and defence paradigm to the RSA DEFCOM and international study groups visiting the DOD.

DDSI presented a Capability Development course for all planners in the SANDF, it resulted in a proposal that it be a routine event in the SANDF.

2.3.2.4 ERGOTECH

Ergonomics Technologies (ERGOTECH) is a strategic institute that continues to provide and maintain a professional, scientific ergonomics capability, primarily for the SANDF and in a secondary capacity to the broader South African Defence community. The institute provides scientific solutions in the following areas of ergonomics, human factors and occupational health and safety services for military and commercial clients. The main objective is to optimise human performance, reduce work-related risks and improve overall worker productivity.

Highlights during the reporting period include:

ERGOTECH acquired physiological monitoring equipment to enable real-time, in-field physiological evaluation of soldiers, to detect critical physiological threshold parameters for their health monitoring. A new body armour prototype was developed for the SANDF. This aims to capacitate the SANDF in terms of various levels of functionality and protection thresholds.

Actively exploring machine learning algorithms for the prediction of facial measurements for design purposes, such as head and facial PPE design. The machine learning algorithms have other applications, which are useful for the design of vehicles, military equipment and weapons, and in other industry environments.

Procurement of an eye tracker system enables further research into workload impact, critical for soldier situation awareness and performance. The virtual reality technology has been upgraded, and research has been conducted to establish its use as a training tool within the SANDF.

Advances have been made in the development of computational methods for biomechanical modelling. This allows for ergonomics assessments in military field conditions. The development phase of anthropometric and biomechanical tools for the fitment of soldiers in different vehicles is in progress (e. g., aircraft, armoured vehicles and shipping vessels, etc.).
Ergonomics inputs were provided towards a boot specification for the SANDF.

Additionally, databases on anthropometric, strength and noise are maintained. These databases are used in specification development within the military and commercial sector. Overall, the research, tools and equipment serve to enhance human performance and decrease injury within the defence force. Moreover, equipment serves to drive initiatives in design of wearables (e. g., uniform, body armour, etc.) and physical stress assessment in the workplace.

2.3.2.5 Hazmat Protective Systems

Hazmat Protective Systems (Hazmat) manufactures and markets a comprehensive range of air-purifying respiratory products that protect employees who are exposed to toxic particles and chemicals in the workplace. Hazmat was initially established to manufacture military respiratory products. However, Hazmat sales during the period under review were mainly to commercial clients and distributors of PPE in the safety industry.

Hazmat continues to maintain its uniquely designed and developed carbon impregnation plant, critical in the manufacturing of air purifying respiratory filters.

The planned capital replacements on the canister and cartridge filter assembly lines were concluded. Hazmat has managed to increase sales by approximately 17% on a year-on-year basis, with an increase in sales on most of the products, including the latest developed products that were added to the product range. Hazmat has continued to make significant progress in recovering from the liquidation of one of its major clients, which was responsible for approximately 25% of turnover as reported in the previous financial year. Although Hazmat had a few manufacturing constraints during the year (e. g., power, water and other interruptions), which could have negatively influenced client satisfaction, Hazmat was still able to deliver goods on time and returned to profitability with a modest net profit. This is considered an achievement given the current difficult market conditions with low growth in most of the industries that make use of Hazmat's products.

Hazmat has maintained its ISO 9001: 2015 (Quality Management System) certification, ensuring it provides consistent high-quality products.

In the future, the availability of critical raw materials at an affordable price are uncertain within the new world political environment. A significant effort will have to be made to ensure manufacturing costs (cost of sales) are kept at affordable levels to remain competitive given the significant number of new entrants (competitors) entering the South African safety equipment market, especially from the Far East.

2.3.2.6 Protechnik Laboratories

Protechnik Laboratories, a division of Armscor SOC Ltd., remains a cornerstone in South Africa's chemical and biological defence research landscape. Accredited to ISO/IEC 17025: 2017 for over 30 years, Protechnik operates as a Defence Evaluation and Research Institute (DERI) with a world-class laboratory and a multidisciplinary team of highly qualified scientists. These experts have been trained by globally recognised institutions such as the National Institute for Communicable Diseases (NICD) [South Africa], VERIFIN [Finland], Spiez (Switzerland), the Center for Disease Control (CDC) [United States of America] and Nederlandse Organisatie voor Toegepast-Natuurwetenscahppelijk Onderzoek (TNO) [The Netherlands].

As the global chemical threat landscape evolves, with increasing incidents of chemical warfare agent (CWA) use in violation of the Chemical Weapons Convention, Protechnik has remained proactive. Its research focus includes both the development of technologies and the refinement of analytical methodologies aimed at detecting and neutralising chemical and biological threats. In response, the laboratory has transitioned many of its innovations into field application testing, aiming to translate bench-scale advancements into practical tools for defence and civilian protection.

Advancing Field Testing and Operational Capabilities

This year marked significant progress in field-deployable chemical detection. Protechnik, in partnership with Flamengro, developed and tested the Wireless Information System for Emergency Responders (WISER) application software, which now includes a growing list of toxic industrial chemicals (TICs). Training on the updated WISER platform will be rolled out to first responders within the SAMHS, strengthening national readiness in chemical incident response.

At the same time, analytical methods for the detection of CWA metabolites in biomedical matrices are under development, with the clear objective of attaining recognition through the Organisation for the Prohibition of Chemical Weapons (OPCW) Biomedical Proficiency Testing Programme. In parallel, environmental analysis methods, initially developed for soil and water samples, are being adapted for testing contaminants in food such mycotoxins and pesticides. Moreover, Protechnik is reviewing and refining sampling procedures to improve rapid on-site assessments. This includes optimising procedures for the newly acquired air sampler intended for use by SAMHS personnel in potential contamination zones.

Pioneering Mobile CB Defence and International Recognition

One of the most impactful milestones during the 2024/25 project year was the certification of South Africa's first mobile Chemical and Biological laboratory as a Biosafety Level 3 (BSL-3) facility. This accreditation, granted by the Department of Agriculture, Fisheries, and Forestry (DAFF), significantly elevates the country's ability to handle high-risk biological agents in the field. The certification positions Protechnik to participate in the United Nations Secretary-General's Mechanism Ref Bio proficiency tests for the investigation of biological warfare agents and strengthens its role as a nominated bioanalytical reference facility with globally recognised expertise.

Research and Innovation

The UAV-based remote chemical detection system, featuring the integration of the Skylle 1 550 drone with the Chem ProX detector, is undergoing continual testing to ensure readiness for field testing in real-world environmental conditions. Research on graphene-based nanomaterials continues to advance. These materials will be incorporated into a remote electrochemical sensor prototype designed to monitor TICs in the field and urban areas.

Quality assurance remains one of the facility's core functions. Within the protection domain, the application of carbonised agricultural waste (orange peels) as an effective adsorbent in a water filtration system demonstrated its expertise in surface area chemistry. In-house nanoparticle materials are also under development and to evaluate the protective efficacy of respiratory materials against nanoscopic threats.

Supporting Industry, First Responders and African Capacity Building

Through its analytical chemistry training programmes, Protechnik supports regional capacity building by training scientists from economically disadvantaged African nations. These initiatives also extend to SAMHS first responders, focusing on chemical risk awareness and exposure prevention.

Industrially, Protechnik continues to provide testing services for water, materials, food safety and samples related to occupational health analysis. These services uphold Protechnik's mission of public protection while maintaining high standards of scientific integrity and quality assurance.

2.3.2.7 Technology Management, Analysis and Industrialisation Division (TEMANI)

Technology Management Analysis and Industrialisation (TEMANI) manages technology programmes in various areas to develop and maintain capabilities in South Africa, which would support the new and changing demands of the SANDF. The Division performs an independent, centralised coordination and management role for technology acquisition of Category 1 defence matériel, facilities and services in accordance with the operational requirements of the DOD. The division derives its mandate from the Service Level Agreement between Armscor and the DOD.

Management of Technology Development Programmes

The strategic intent for undertaking technology development programmes in various technology areas is to develop and maintain relevant technologies and capabilities in South Africa, which will support the new and changing demands of the SANDF.

These technology development programmes are conducted in SADI, and DERIs.

Management of Technology Development Programmes include:

Landwards Technology	provides SA Army with scientific and engineering advice and technological solutions aimed at providing engineering knowledge to improve weapon systems in the domains of mobility, protection, firepower.
Aerospace Technology	provides the SA Air Force with scientific and engineering support services in the aeronautics, airborne electronic warfare and guided weapons domains.

Maritime Technology	provides the SA Navy with scientific and engineering support services as well as risk reduction work for the new vessels being acquired. Research and development work is being conducted in the underwater communications, underwater warfare, underwater security, above-water warfare and maritime domain awareness.
Electronics Technology	provides a ready technology base in electronics in order to provide scientific and engineering advice and technical solutions to all arms of services of SANDF in radar, electronic warfare, optronics, communications, command and control, and information security domains.
Support Technology	develops and maintains sustainable capability in chemical and biological defence, as well as ergonomics and body armour, as part of soldier support.

2.3.2.8 Intellectual Property Management Division

Intellectual Property (IP) created or acquired during acquisition of defence matériel or technology development projects, on behalf of the DOD, is managed by the Intellectual Property Management Division (IPMAD). The IP is categorised as either sovereign or strategic IP, and the function to manage the IP includes the following generic elements:

- Identification of IP
- IP recorder and protection
- IP valuation
- IP contract management
- Legislative compliance with IP laws
- Direct and /or indirect exploitation of IP

Strategic IP may be exploited with little consequence to the DOD but sovereign IP may only be exploited after due consideration has been given to the sovereign sub-systems in the specific technology. Commercial equivalents of the sovereign sub-system are created for commercial market.

DOD IP is exploited with the support of Armscor's Executive Committee, Technology, Industry Support and Sustainability Committee, Armscor Board of Directors, Defence Intelligence, and the User Environment. The Secretary for Defence, on behalf of the Minister of Defence and Military Veterans approves requests to exploit DOD IP.

IPMAD also manages Armscor owned IP. Armscor IP is exploited with the approval of Armscor Board of Directors.
Furthermore, IPMAD is responsible for assisting the DOD with accounting for the DOD's Intangible Assets relating to IP within Armscor. This is achieved by annually preparing a Financial Asset Register for all DOD's Intangible Assets within Armscor in accordance with Treasury's Modified Cash Standard. The Register is audited annually by the Auditor-General of South Africa (AGSA). The DOD obtained an unqualified audit for Intangible Assets relating to IP for 2024/25 financial year.

2.3.2.9 Gerotek Test Facilities

Gerotek Test Facilities' (Gerotek) primary mandate is to be a strategic test facility of the DOD for testing and evaluation of military vehicles and sub-systems, and characterisation of antennae and radio systems for all arms of SANDF.

Gerotek is a multi-disciplinary test and facility, providing accreditation and independent test and evaluation services; products launch promotions and corporate events; advanced driver training and development programmes for the automotive, electronics and defence industries including security forces and other local and international industries.

Below are some of the highlights:

- **Maintenance of certifications and accreditations:** Gerotek successfully maintained all industry and international accreditations, including ISO 17025, ISO 14001, and ISO 45001, ensuring compliance with global standards.

- **Expansion of driver training capacity:** The addition of four new training vehicles significantly increased driver training capabilities.

- **Enhanced business development and marketing:** Gerotek participated in high-profile exhibitions and trade shows, such as AAD 2024 and the Public-Private Partnership conference at CSIR, to broaden its market presence.

- **Widespread media exposure:** Gerotek gained significant media attention through its partnership with Cars.co.za for the annual Consumer Car of the Year Award test days, motoring media, and major car manufacturers.

- **Regular use by motoring media:** The premises were frequently used by motoring media for car tests, advertisements, and social media content production.

- **Extensive training programmes:** Gerotek trained over 600 public servants and provided regular accredited driver training for the motor industry, mining, security, and municipal service sector.

- **High-profile events and client engagements:** Gerotek has facilitated vehicle activations, supported international teams for car competitions.

- **Specialised vehicle and component testing services:** Gerotek conducted a variety of specialised tests, including tyre tests, brake compliance tests, consulting on autonomous mining vehicles, and vehicle testing. The facility performed endurance, climatic, structural, performance, and drive-by noise tests for various manufacturers, ensuring compliance with South African and export requirements.

- **Infrastructure upgrades:** Investments were made to enhance security with a state-of-the-art access control and video monitoring system, as well as improved connectivity through a new Wi-Fi system at key work areas.

2. 3. 2. 10 Institute for Maritime Technology

The Institute for Maritime Technology (IMT) is a multi-disciplinary facility specialising in techno-military research and development, as well as specialised products and services. Through the combined expertise and dedication of professional staff, IMT provides a foundation for the exploration, conceptualisation, improvement, modernisation, in-service engineering, and maintenance of systems that ensure the client accomplishes its role and responsibilities in an optimum manner. IMT's focus is to provide utility that addresses the real needs of clients within the maritime space.

IMT, as a strategic facility, provides science-based technology and engineering support to the South African Navy (SA Navy) and other members of the maritime community locally and globally. Over the years, capabilities have been developed to meet the growing demands of not only the SA Navy and other members of the maritime community, but also those of the other Arms of Service of the SANDF. IMT has continued to develop and maintain its capabilities to support the SA Navy and other maritime clients.

Over the reporting period, IMT completed planned projects from the client. Amongst others, the projects that IMT performed included the development of the baseline for the Maritime Domain Awareness to assist the SA Navy with maritime situational awareness. IMT has continued to support the SA Navy with signature measurement for the SA Navy Multi-Mission In-shore Patrol Vessel, SAS KING SHAKA.

IMT continues to maintain the ISO 9001: 2015 certification for its quality management system.

2.3.3 Armscor Dockyard

Armscor Dockyard is an ISO 9001-certified organisation mandated to perform third-level maintenance, repair, overhaul, and modernisation on the fleet of vessels of the SA Navy. The internal audit, along with a corrective and preventive action plan, continuously evaluates ways to enhance compliance and adherence to best practices in the context of established standard processes and system auditing, as well as the appropriateness of standards, regulations, procedures, and conditions of implementation within Armscor Dockyard.

Beside integrating the auditing system among various business activities to improve effectiveness and efficiencies, Armscor Dockyard is continuously striving toward zero harm for everyone everyday considering its complex occupational activities and was awarded a full Atmospheric Emission Licence (AEL) in terms of Section 42(1) of the National Environmental Management: Air Quality Act, 2004 by the Department of Forestry, Fisheries and the Environment (DFFE) in respect of activities at the Foundry. The conversion from a Partial Atmospheric Licence (PAEL) to a full AEL is a result of the Foundry's demonstrated compliance with the conditions of the PAEL, which shows a commitment to environmental responsibility and adherence to regulatory requirements.

Capability Management

In line with the reviewed capability management plan, a 4-axis CNC milling machine has been commissioned, and the Ward Turret lathe has been restored to service in the Machine Shop. The commissioning of the milling machine and the restoration of the turret lathe have positioned the Machine Shop for greater self-sufficiency in component manufacturing. The Foundry has introduced sand testing capabilities as part of its rejuvenation project. Sand testing will ensure that metal castings are manufactured to meet the applicable quality standards. The fitting and valve workshop has acquired valve grinding and lapping machines that are critical for valve maintenance, and the Electrical Section has upgraded outdated programmable logic controllers and software at the load test house, ensuring continuity of the load testing capability.

Project Management

Armscor Dockyard's performance is measured in accordance with the Performance Management Plan agreement signed with the SA Navy for the reporting year 2024/25. The Dockyard has attended to several maintenance activities, both planned and unplanned, as the third-level maintenance and repair authority of the Navy's fleet, to support the fleet's operational readiness.

Infrastructure Upkeep

Armscor Dockyard are responsible for the operation and upkeep of the key facilities and infrastructure as detailed in the transfer agreement. Further to this Armscor Dockyard provides core ancillary services to support the refitting and fleet maintenance operations, as well as provides these services directly to the South African Navy, such as Docking Services, Management of the Electrical Reticulation of the Dockyard, Electrical Generation, Shore Supply Services, Mobile Cranes and Cherry Pickers.

Substantial progress was made with regards to the maintenance and upkeep of the docking facilities, and as such, both the Simonstown Syncrolift (rated at 1400T) and Selborne Graving Dock are fully operation with a total of 18 successful docking/undocking evolutions of Naval Vessels in Simonstown and 4 in Durban for the 2024/25 financial year. Armscor Dockyard was also a key role player in the movement of SAS Assegaai to the Simonstown Naval Museum.

Armscor Dockyard successfully manages and operates the electrical reticulation and shore supply at the Naval Base Simonstown, with 100% of shore supply requirements met for the 2024/25 financial year. Power Generation is operational and capable of supplying the facilities (excluding large current draw equipment) during Load Shedding periods, supported by the South African Navy.

The mobile equipment department has been bolstered by the repairs and reinstatement of a 60T Linkbelt Crane and a 50T TERREX Crane into active service.

Project Highlights

The projects for the financial year include:

- DED for MMIPV SAS KING SEKHUKHUNE is 89 percent completed, with the outstanding activities
- Refit SAS CHARLOTTE MAXEKE, the vessel preparation and overhaul activities have been in progress, spares being delivered are being assigned to work packages. The planning for Engineering changes is also underway. The contracting of refit execution services is at an advanced stage and is being finalised.
- SAS QUEEN MODJAJDI, the vessel preservation activities have been ongoing while the contracting is being finalised.
- Refit the Frigate SAS ISANDLWANA is in progress in Durban; the completion of the project will increase the SA Navy operational vessels. The project is aimed to be completed by the end of March 2026.

SUPPORTING FUNCTIONS

SUPPORTING FUNCTIONS

BUSINESS ASSURANCE

BUSINESS ENABLEMENT

CORPORATE SUPPORT

CORPORATE FINANCE

2.4 SUPPORT FUNCTIONS

2.4.1 Business Assurance

The Quality Department provides confidence that, as the organisation strives to achieve its business objectives, its operations are carried out in such a manner that does not compromise the safety/wellness of its employees. The aim is to certify that due care is exercised to ensure minimal damage to the environment. This is achieved through the establishment and maintenance of the Quality, Safety, Health and Environment (SHE) Management Systems that are certified under different schemes of the International Organisation for Standardisation (ISO) Management System standards.

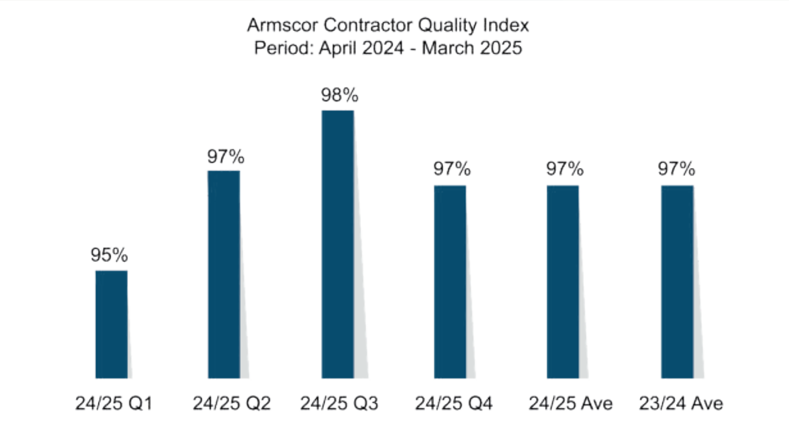
Quality Management System

The Corporation (including Docykard and R&D facilities) has maintained its certification under ISO 9001 (International Standard for Quality Management System). Preparations for annual surveillance and re-certification audits to ISO 9001: 2015 have already commenced. In line with the EXCO approved QMS audit programme, the divisions have completed several internal quality audits in preparation for the external quality audits to be conducted by certification bodies scheduled to start in July 2025.

Supplier Quality Management

Armscor Quality Representatives render a quality assurance service on projects to ensure that Armscor suppliers comply with specifications and relevant standards as prescribed in the order/contract. The performance of suppliers is monitored through an in-house developed tool called Armscor Contractor Quality Index (ACQI), which takes into consideration factors relating to the supplier's QMS status, acceptance/rejection ratio, deviations, and corrective action requests issued. During the period under review, a large percentage of suppliers have performed well and achieved an average ACQI rating of 97%. The ACQI rating remains constant at 97% when compared with the previous financial year. This is attributed to various quality surveillance initiatives implemented by Quality Representatives at contractors, including strict adherence to quality control practices and procedures.

Figure 12: Armscor Contractor Quality Index



3rd Party /Government Quality Assurance (GQA)

Armscor quality provides a third-party/Government Quality Assurance (GQA) service to all interested parties, including other government departments, and overseas companies that acquire products in the local defence market. The current GQA clients are SAPS, DCS, the Netherlands, Germany and Australia. The GQA revenue generated this financial year is estimated at around R5m and is above the annual target of R3m.

Safety, Health and Environment Management

The management of SHE matters is a crucial component of any organisation and is largely regulated by statutory requirements. In an attempt to ensure compliance to these requirements, the Corporate SHE Division conducts regular audits and reviews quarterly at all Armscor sites and ensures that corrective action measures are implemented to address any non-conformances that may arise.

Following the organisation's SHE policy, a SHE legal compliance audit was undertaken by an external independent body. The report provided Armscor with an update on its current compliance levels. The audit confirmed that whilst several operational compliance obligations have been met, there were also areas where non-compliances were found to exist. To this end, all reported findings have been integrated within a formal management plan for appropriate corrective action to be instituted.

Corporate Compliance

Corporate Compliance consists of the following divisions: Legal Services, Arms Control Compliance, Transformation, and Governance, Risk and Compliance.

Legal Services

During the reporting period, Legal Services provided support to internal stakeholders ranging from the furnishing of formal legal opinions, drafting of various agreements, negotiations of agreements, management of litigation, including settlement of disputes and the provision of general legal advice.

Litigation

The following Litigation matters are in the Director's Report:

- Beverly Securities;
- Quaker Peace Centre;
- Patria Land OY;
- Steradian Energy (Pty) Ltd;
- Aqua Marine Boats and Accessories;
- Duma Healthcare (Pty) Ltd; and
- Gauteng Department of Health.

Arms Control Division

The main objective of the Arms Control Division is to implement a compliance administration system through the development, implementation and maintenance of processes and procedures that are necessary for the execution of arms control compliance function throughout acquisition process where controlled items are involved. The function is aligned to the National Conventional Arms Control Committee Act, Act No. 41 of 2002, Non-proliferation Act, Act No. 87 of 1993, Firearms Control Act, Act No. 60 of 2000, Explosives Act, Act No. 26 of 1956 and requirements of supplier countries.

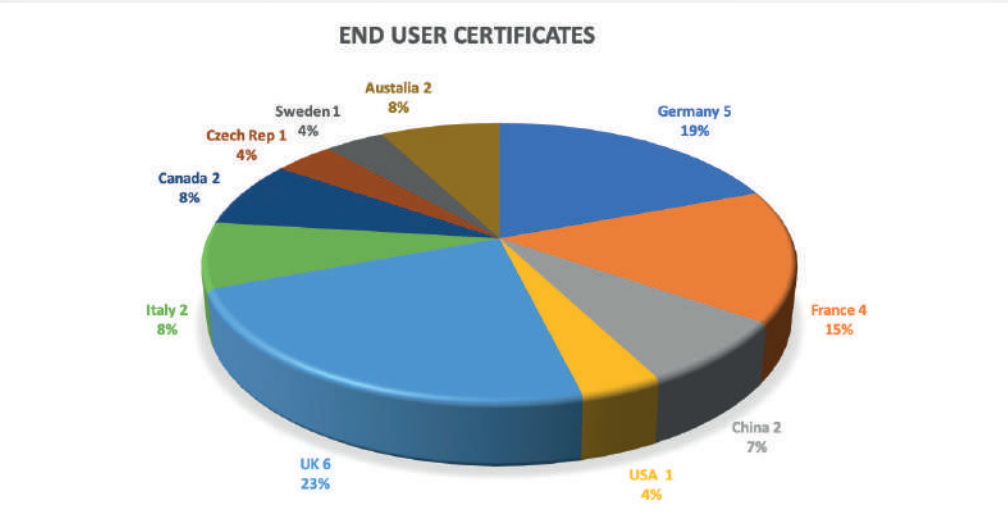
Armscor currently holds seven NCACC registration certificates, and all activities carried out were done within the scope of authorisation. As part of acquisitions process, Armscor signed a total of 25 end-user commitments/undertakings with various countries and none were violated.

Arms Control Asset Tracking System (ACATS), an in-house developed compliance system, which to track and trace controlled items and issue alerts based on the type and status of permits, has been successfully updated. The new features allow the user to get an accurate status of each signed undertaking and to view the record trail for each transaction.

End-user certificates and undertakings

There were 25 end-user certificates and undertakings applications received for the reporting period and all were successfully processed and issued. The breakdown per country is provided in Figure 13 below:

Figure 13: End-User Certificates



Risk Governance

The Armscor Board of Directors promoted a 'risk-matured or risk-intelligent' culture and set the risk management tone through the approval of the Risk Management Policy and Framework. The Board, in discharging its risk management responsibilities, is supported by the Audit and Risk Committee, whose main responsibilities are to ensure that Armscor has implemented an effective Risk Management Strategy that will enhance Armscor's ability to achieve its strategic outputs.

Risk Awareness Culture

Various processes were implemented to ensure risk awareness and commitment of the entire organisation. These included risk-awareness workshops and training conducted regularly, broadcasters and the induction of new employees.

Corporate Strategic Risk Register

In fulfilling its governance oversight responsibility, the Board identified nine strategic risks, which could threaten the achievement of Armscor's strategic outputs and performance targets. The heat map in Figure 14 presents a summary of the Corporate Strategic Risk profile:

Figure 14: Risk ratings

Impact					
	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	Likelihood				

PRIORITY 1 RISK: • Very High Risk Area. • Risk is at Risk Bearing Capacity
Risk 1: Outdated and unsupported ICT applications
Risk 2: Financial sustainability of Armscor
Risk 3: Cyber and information security risk
Risk 4: Loss of industry capabilities and security of supply
Risk 5: Inadequate business continuity management
Risk 6: Vulnerability to counter intelligence threat
Risk 7: Reputational risk by association with the SOE's and other critical stakeholders
Risk 8: Inadequate stakeholder management
PRIORITY 2 RISK: • High Risk Area • Risk is at the RBC Tolerance level
Risk 9: Non-compliance with Armscor policies

Table 8: Corporate Strategic Risks

No.	Corporate risk	Mitigating actions
1.	Outdated and unsupported ICT applications.	a. Decommission legacy systems. b. Implement enterprise resource planning system. c. Implement revised digitisation strategy.
2.	Financial sustainability of Armscor.	a. Motivate for additional funding from National Treasury, in collaboration with the DOD. b. Implement business related strategies.
3.	Cyber and information security risks.	a. Implement the cyber maturity plan. b. Develop in-house data management capabilities.
4.	Loss of industry capabilities and security of supply.	a. Periodically engage industry and contractors through assessment of capabilities.
5.	Inadequate business continuity management.	a. Implement upgrade and maintenance plan. b. Review and test business continuity plan.
6.	Vulnerability to counter-intelligence threat.	a. Continuously submit files that are ready for evaluation to the panel for consideration. b. Monitoring of limited access authority process of dual/foreign citizens. c. Implement information security awareness sessions.
7.	Reputational risk by association with SOEs and other critical stakeholders.	a. Implement business-related strategies. b. Implement proactive media monitoring tool. c. Develop a centralised stakeholder database.
8.	Inadequate stakeholder management.	a. Monitor and update stakeholder database. b. Biennial stakeholder survey.
9.	Non-compliance with Armscor policies.	a. Develop and implement Whistleblowing Policy. b. Report consequence management regarding non-compliances to the Board of Directors. c. Condonement of irregular expenditure to be approved by the Board of Directors.

Management of risks

Management of corporate strategic risks and the implementation of the respective risk mitigation plans were monitored on a quarterly basis. Risk monitoring reports were compiled and presented on a quarterly basis to EXCO, the Audit and Risk Committee and the Board.

Fraud and Corruption

Fraud Risk Management remains an organisational responsibility. Armscor's Fraud Prevention Plan provides strategies in preventing, detecting and reporting fraudulent activities. Through the plan, Armscor demonstrates its commitment to fight against fraud and corruption through the promotion of the highest ethical standards, openness and accountability. Armscor has an anonymous whistleblowing mechanism that sets out the detailed procedure which must be followed to report any incident of fraud and corruption.

Conflict of Interest

Armscor is committed to doing business honestly and ethically. It recognises a need to ensure that all business relationships are founded on professional principles and that relationships are maintained independently. A framework for the prevention of conflict of interest, as far as reasonably possible, has been developed. Where conflict is unavoidable, guidelines on how to deal with the conflict in an ethical and responsible manner have been provided.

Compliance with Laws and Regulations

Armscor recognises its responsibility to comply with the applicable laws and regulations of the government. A regulatory universe to identify, classify and monitor compliance with laws and regulations is in place. The regulatory universe consists of 94 pieces of legislations/regulations/best practice, of which 44 are considered primary. These are reviewed annually and non-compliant primary legislations/regulations are monitored on a quarterly basis.

Transformation: Broad-Based Black Economic Empowerment

The Transformation Division monitors compliance with the prescripts of the Broad-Based Black Economic Empowerment (B-BBEE), preferential procurement and the Defence Sector Code by entities doing business with Armscor. It also seeks to ensure that Armscor meets its B-BBEE targets. The report below depicts an analysis of procurement and B-BBEE spend per Business Unit and or Department.

B-BBEE Spending Report
NOTE: Actual spend based on B-BBEE recognition levels up to 135%.
If a supplier has a level 1 B-BBEE status, the B-BBEE recognition level is 135%.

Table 9: Acquisition

PROCUREMENT SPEND	B-BBEE SPEND	B-BBEE PROCUREMENT SPEND ON RECOGNITION LEVELS%	TARGET%
R2 537 311 725	R2 334 876 343	92,02%	80%

ENTERPRISE CLASSIFICATION	AMOUNT PAID	B-BBEE SPEND	B-BBEE ACTUAL %	B-BBEE TARGET%
Above R35m turnover	R1 083 752 691	R1 083 710 955	42,71%	0,00%
QSEs	R239 514 883	R305 117 420	12,03%	15%
EMEs	R137 617 159	R173 749 394	6,85%	15%

ENTERPRISE CLASSIFICATION	AMOUNT PAID	B-BBEE SPEND	B-BBEE ACTUAL %	B-BBEE TARGET%
Specialised above R50m	R652 777 096	R772 298 574	30,44%	0,00%
Non-Compliant	R950 075 681	0, 00	0,00%	0,00%
BOE > 51%	R696 604 128	R607 689 802	23,95%	40%
BWOE > 30%	R465 054 514	R182 143 219	7,18%	12%
BOE > 25%	R1 170 837 951	R807 092 932	31,81%	0,00%
Foreign	R934 734 636	0, 00	0,00%	0,00%
Military Veterans	R50 614 876	R62 253 038	2,45%	2%
Youth	R36 927 294	R49 481 861	1,95%	2%

SUPPLIER DEVELOPMENT	TARGET	ACHIEVED
Annual value of all Supplier Development contributions made by the measured entity as a percentage of the target.	**0,2% of annual turnover**	**Nil**

SUPPLIER DEVELOPMENT	TARGET	ACHIEVED
Annual value of Enterprise Development contributions and sector specific programmes made by the measured entity as a percentage of the target.	**0,1% of annual turnover**	**Nil**

During the period under review, Procurement Spend on Recognition Levels and Military Veterans targets was met by Acquisition. The following targets were not met: Black-Owned Suppliers, Black Women Owned Suppliers, Exempted Micro Enterprises (EMEs), Qualifying Small Enterprises (QSEs) and Youth.

Table 10: Dockyard

PROCUREMENT SPEND	B-BBEE SPEND	B-BBEE PROCUREMENT SPEND ON RECOGNITION LEVELS%	TARGET%
R39 898 176	R52 496 041	131,58%	80%

ENTERPRISE CLASSIFICATION	AMOUNT PAID	B-BBEE SPEND	B-BBEE ACTUAL %	B-BBEE TARGET%
Above R35m turnover	R16 193 589	R21 774 930	54,58%	0,00%
QSEs	R14 389 943	R18 210 195	45,64%	15%
EMEs	R11 070 990	R14 371 387	36,02%	15%
Specialised above R50m	R246 822	R56 728	0,14%	0,00%
Non-Compliant	R53 615	0, 00	0,00%	0,00%
BOE > 51%	R39 607 470	R28 943 566	72,54%	40%

ENTERPRISE CLASSIFICATION	AMOUNT PAID	B-BBEE SPEND	B-BBEE ACTUAL %	B-BBEE TARGET%
BWOE > 30%	R20 213 566	R11 464 908	28,74%	12%
BOE > 25%	R39 844 560	R29 032 945	72,77%	0,00%
Military Veterans	0	0	0,00%	2%
Youth	R1 397 983	R1 848 601	4,63%	2%

SUPPLIER DEVELOPMENT	TARGET	ACHIEVED
Annual value of all Supplier Development contributions made by the measured entity as a percentage of the target.	**0,2% of annual turnover**	**Nil**
ENTERPRISE DEVELOPMENT	**TARGET**	**ACHIEVED**
Annual value of Enterprise Development contributions and sector specific programmes made by the measured entity as a percentage of the target.	**0,1% of annual turnover**	**Nil**

During the period under review, the Dockyard met the targets for B-BBEE Procurement Spend on recognition Levels, EMEs, QSEs, Black suppliers, Black women-owned suppliers and Youth. Procurement from Military Veterans target was not met.

Table 11: Operating Budget

PROCUREMENT SPEND	B-BBEE SPEND	B-BBEE PROCUREMENT SPEND ON RECOGNITION LEVELS%	TARGET%
R319 910 911	R224 598 972	70,21%	80%

ENTERPRISE CLASSIFICATION	AMOUNT PAID	B-BBEE SPEND	B-BBEE ACTUAL%	B-BBEE TARGET%
Above R35m turnover	R142 616 202	R106 545 439	33,30%	0,00%
QSEs	R32 925 681	R43 593 525	13,63%	15%
EMEs	R64 491 847	R82 162 709	25,68%	15%
Specialised above R50m	R39 212	R39 212	0,01%	0,00%
Non-Compliant	R80 065 170	0, 00	0,00%	0,00%
BOE > 51%	R116 751 443	R94 414 212	29,51%	40%
BWOE > 30%	R32 358 860	R19 230 436	6,01%	12%
BOE > 25%	R122 236 371	R96 530 764	30,17%	0,00%
Military Veterans	R1 761 024	R2 377 382	0,74%	2%
Youth	R13 617 736	R18 309 395	5,72%	2%
Foreign	R3 035 769	0	0,00%	0,00%

SUPPLIER DEVELOPMENT	TARGET	ACHIEVED
Annual value of all Supplier Development contributions made by the measured entity as a percentage of the target.	**0,2% of annual turnover**	**0,03%**
ENTERPRISE DEVELOPMENT	**TARGET**	**ACHIEVED**
Annual value of Enterprise Development contributions and sector specific programmes made by the measured entity as a percentage of the target.	**0,1% of annual turnover**	**0,08%**

During the period under review, the following targets were met on the Operating budget: Procurement from EMEs and Youth were met. Procurement Spend on Recognition Levels, Black-Owned Suppliers, Black Women Owned Suppliers, QSEs and Military Veterans targets were not met.

Table 12: Research and Development

PROCUREMENT SPEND	B-BBEE SPEND	B-BBEE PROCUREMENT SPEND ON RECOGNITION LEVELS%	TARGET%
R163 044 156	**R147 141 084**	**90,25%**	**80%**

ENTERPRISE CLASSIFICATION	AMOUNT PAID	B-BBEE SPEND	B-BBEE ACTUAL%	B-BBEE TARGET%
Above R35m turnover	**R2 712 896**	**R3 147 547**	**1,93%**	**0,00%**
QSEs	**R38 944 250**	**R31 274 627**	**19,18%**	**15%**
EMEs	**R52 315 123**	**R66 955 645**	**41,07%**	**15%**
Specialised above R50m	**R42 532 222**	**R45 609 345**	**27,97%**	**0,00%**
Non-Compliant	**R26 385 744**	**0**	**0,00%**	**0,00%**
BOE > 51%	**R58 874 584**	**R51 575 247**	**31,63%**	**40%**
BWOE > 30%	**R31 067 415**	**R23 097 410**	**14,17%**	**12%**
BOE > 25%	**R62 835 152**	**R52 809 804**	**32,39%**	**0,00%**
Military Veterans	**R4 211 128**	**R5 685 023**	**3,49%**	**2%**
Youth	**R21 133 746**	**R26 161 048**	**16,05%**	**2%**
Foreign	**R1 095 835**			

SUPPLIER DEVELOPMENT	TARGET	ACHIEVED
Annual value of all Supplier Development contributions made by the measured entity as a percentage of the target.	**0,2% of annual turnover**	**Nil**
ENTERPRISE DEVELOPMENT	**TARGET**	**ACHIEVED**
Annual value of Enterprise Development contributions and sector specific programmes made by the measured entity as a percentage of the target.	**0,1% of annual turnover**	**Nil**

During the reporting period, Research and Development met the targets for B-BBEE Procurement Spend on Recognition Levels, EMEs, QSEs, Black Women Owned Suppliers, Military Veterans and Youth. Procurement from Black-Owned Suppliers' target was not met.

Internet Service Provider Programme (Enterprise and Supplier Development)

The objective of the programme was to facilitate the development and of sustainability for the Enterprise and Supplier Development (ESD) beneficiaries, which are entities at least 51% Black-owned. The small Black entities were assisted with data so that business opportunities can be accessed. The programme was for three years, and the total amount spent for ESD beneficiaries to access data for business opportunities was R6.5 million. The programme enabled small Black entities to secure tenders from Armscor and other entities.

2.4.2 BUSINESS ENABLEMENT

The Business Enablement activities are driven by Armscor's strategic objectives of Revenue Generation and Stakeholder Management. These specific focus areas are in accordance with the organisation's strategic output of increasing net realisable revenue to ensure that Armscor generates sufficient income to meet its funding needs; as well as developing and maintaining long lasting, strategic relationships with key stakeholders.

During the reporting period, efforts were mainly focused on executing a successful AAD, building on existing relationships and supporting the SADI.

Revenue Generation

As defined in the Act, Armscor may exploit commercial opportunities as may arise out of its duty to acquire defence matériel on behalf of any organ of state, or sovereign state subject to relevant national and international regulations. The expertise Armscor has cultivated over the years in developing defence capabilities on behalf of the DOD, provides Armscor with the leverage to explore opportunities in defence-related or security sectors. This work is done through the Business Development and Industry Support Department within the unit.

During the period under review, several strategic initiatives were identified to enhance the business development efforts. These initiatives are envisaged to expand Armscor's market presence, diversify revenue streams, foster partnerships and improve the overall perception of Armscor both locally and internationally. The defence and security market potential are influenced by several factors, including regional security dynamics, government priorities and economic conditions. The business development efforts as undertaken in the period under review, focused on delineating between three distinct market segments that have a potential to generate revenue for Armscor: namely the local, regional and international. These market segments are defined as follows:

- Local-the South African defence and security cluster.
- Regional – defence forces and security agencies within the African continent.
- International – global defence forces, with specific focus on the Middle East, Latin America and Asia.

Local Market

Armscor's legislated mandate and its role as the only acquisition agency of its kind, has ensured that it has an established footprint within South Africa. The expertise it has cultivated over the years in developing defence capabilities on behalf of the DOD, provides Armscor with the leverage to explore opportunities in defence-related or security sectors. South Africa also has an established defence industry, through which industrial capabilities are being advanced. Through forging stronger relationships, exploring new revenue generation opportunities; Armscor aims to support sustainability efforts and exploit the state's concentrated capabilities. Within the local market, business development efforts are focused on the Justice, Crime Prevention and Security Cluster, where the Corporation endeavour to bring about synergies, standardisation and benefits of economies of scale.

Regional Market

The business development efforts herein are focused in gaining access to identified regional markets. During the period under review, Armscor focused on defining a roadmap for market entry into the regional market segment, to expand its regional footprint. The roadmap outlined the steps that would be undertaken to identify and secure business opportunities. The activities during the period under review underscore the groundwork required to access emerging markets. The scope of activities included the following:

a. Gathering market intelligence to develop successful business opportunities.
b. Assessing opportunities and threats in new and existing markets.
c. Segmentation of customers to provide more tailored solutions.
d. Profiling of potential customers and identifying opportunities for strategic partnerships.

Several countries have been identified as target markets for expansion throughout the African continent. These were informed by engagements undertaken with their delegations at trade shows, government-to-government engagements, engagements with defence attachés, and leads generated during direct engagements. Further to that, consideration was given to the market potential for defence-related businesses, government investment in military capabilities, and a willingness to engage with potential partners.

In addition to the market research undertaken, there have been ongoing engagements with potential partners identified through various marketing channels.

There is a need to gather the relevant marketing and competitive intelligence to develop successful business development initiatives. However, based on the strategic engagements undertaken during the period under review, indications are that trade opportunities exist locally and within the region. Through leveraging the strategic partnerships both within the country and globally, it would be possible to realise revenue generation objectives and make a positive impact.

International Market
The business development undertaken during the period under review provided a perspective on the market trends in designated emerging markets. The landscape analysis indicates that emerging markets, especially in Latin America and Southeast Asia, present significant opportunities for growth, as their defence budgets continue to expand in response to regional security challenges. Several of these nations are in the process of modernising their defence capabilities, which positions Armscor's expertise in delivering reliable, advanced solutions positioned as a key strategic partner. The business opportunities are to be found in developing and offering products and services tailored to the specific needs and budget constraints of these emerging markets.

Marketing Channels

Armscor's revenue generation marketing channels have been identified to provide maximum reach within tight budgetary constraints.

a. **Participation in Trade Shows and Defence Exhibitions**
Exhibitions and Trade Shows provide a crucial platform for networking and building relationships with potential clients, partners, and stakeholders from around the world. They present valuable opportunities to showcase the organisation's capabilities, products, and innovations to a global audience, thereby increasing its market reach and potential for international collaborations and contracts. During the period under review, Armscor participated in the following trade shows and exhibitions:

I. AFRICA SECURITY SYMPOSIUM ASEC
The 11th edition of Africa Security Symposium (ASEC2024) was held from 21-23 May 2024, in Addis Ababa, Ethiopia. The event took place over three days and was chaired by Hon. Motuma Mekassa, former Minister of Defence and National Security Adviser to the Prime Minister of Ethiopia. The symposium focused on the evolving landscape of law enforcement to aviation partnerships, addressing connectivity challenges, mission support, and countering terrorism in Africa. ASEC2024 provided an avenue through which potential business opportunities could be explored. Several engagements were concluded with several government entities represented from countries such as Burundi, Gabon, Zambia, Tanzania, Kenya, Uganda, Namibia and Ethiopia.

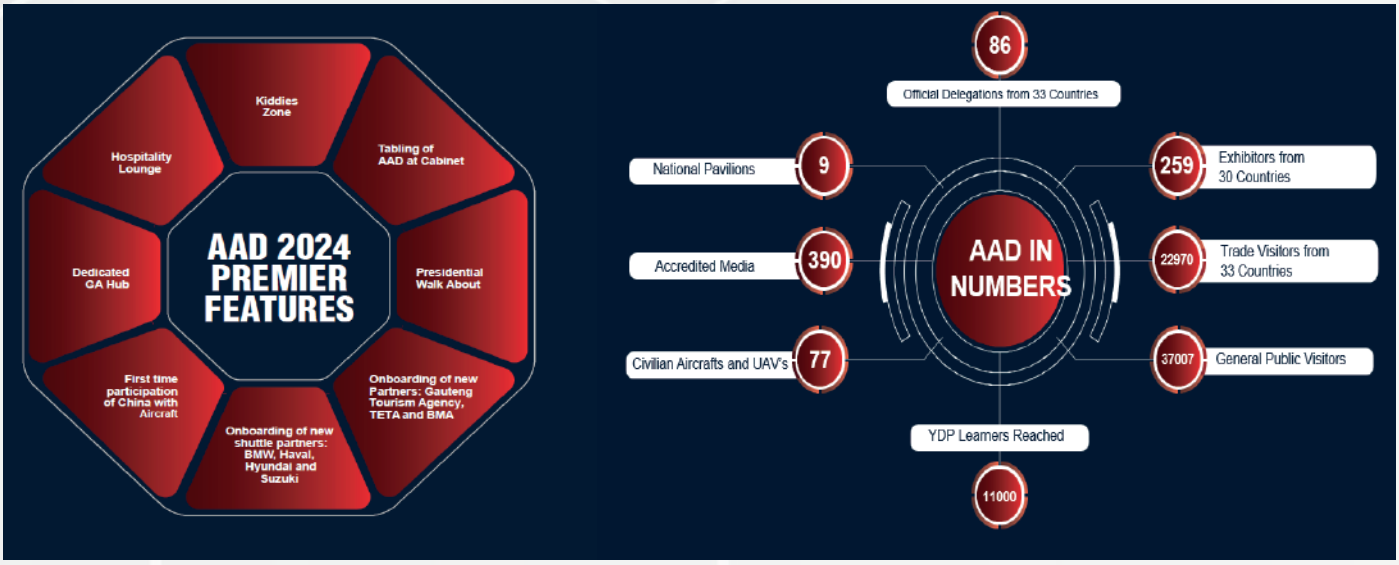
II. AFRICA AEROSPACE AND DEFENCE 2024
The 12th edition of the Africa Aerospace and Defence (AAD) 2024 was successfully held on 18 – 22 September 2024. AAD Expo stands as Africa's premier platform for showcasing cutting-edge technologies and promoting collaboration within the global defence and aerospace industries. AAD 2024 not only reaffirmed its status as a flagship event in the sector but also marked a significant milestone in its strategic evolution. As the lead partner, Armscor was instrumental in this success, providing visionary leadership, meticulous planning and operational excellence. By seamlessly coordinating logistics, operations, hospitality, marketing and youth development

programmes, Armscor ensured the event's global impact. All these aligned with Armscor's mission to enhance South Africa's defence capabilities and foster economic growth.

Below are the key highlights and achievements for AAD 2024, signifying several firsts:

- *Ministerial Opening Ceremony:* Officially inaugurated by the new Minister of Defence and Military Veterans, Ms Angelina Motshekga.
- *Presidential Walkabout and Visit:* President Cyril Ramaphosa underscored the strategic importance of AAD in driving economic and industrial growth.
- *Tabling at Cabinet:* Solidified the event's strategic importance at a national level.
- *Dedicated Innovation Hubs:* Hosted state-of-the-art platforms, including UAV, General Aviation (GA) and Space Hubs; providing a focused platform for GA innovations and engagements.
- *On-boarding of New Partners:* Welcomed Gauteng Tourism Agency, Transport Education and Training Authority (TETA) and Border Management Authority (BMA), strengthening strategic partnerships.
- *New Shuttle Partners:* Secured partnerships with BMW, Haval, Hyundai and Suzuki for seamless event logistics.
- *Enhanced Conference Programme:* Featured 44 expert speakers addressing innovation, industry trends and strategic defence developments.
- *Engagement Theatres:* Facilitated targeted discussions, product launches and industry showcase.
- *First-Time Participation by China:* Marked by the display of Chinese aircrafts, adding a new dimension to the event.
- *Expanded Features:* Introduced a Hospitality Lounge and Kiddies Zone to enhance attendee experience.

Figure 15: AAD 2024 Premier Features



III. INTERNATIONAL EXHIBITION ON ARTIFICIAL INTELLIGENCE, DEFENCE, AND SPACE 2025

Armscor participated at the International Exhibition on Artificial Intelligence, Defence, and Space (SIADE 2025) that took place on 20 – 21 February 2025, at the Abidjan Exhibition Centre in Côte d' Ivoire. This event was hosted by the Ministry of Defence of the Republic of Côte d' Ivoire.

The inaugural conference showcased cutting-edge AI capabilities across various sectors, with a particular focus on security and defence applications. Armscor, delivered a presentation highlighting the impact of AI on defence. This positioned South Africa as a leader in ethical AI development and established a strategic foundation for collaboration with Côte d' Ivoire's security and defence sector.

In addition to the conference, Armscor held several meetings with prominent business leaders in Côte d' Ivoire, who expressed significant interest in sourcing defence products and services from South Africa. These discussions underscored the urgency of proposing industry export strategies under the existing bilateral agreement between the two countries. This could set the stage for a comprehensive regional strategy on security and defence consultancy and technology provision.

Public-Private Partnerships for Defence & Security

Armscor participated in the PPP for Defence & Security held on 7 March 2025 at the CSIR International Convention Centre. The conference, under the theme “ Empowering the Defence Sector through Public-Private Partnerships” brought together key stakeholders from public, private sector and academia to explore collaborative strategies for enhancing South Africa’s defence capabilities. Principal figures included:

- Deputy Minister, Bantubonke Holomisa: whose keynote address discussed the potential of partnerships in implementing the SA Defence Review (2015). Herein, he emphasised the importance of collaborative efforts to achieve strategic defence objectives.
- General Rudzani Maphwanya, Chief of the SANDF: who outlined the SANDF’s funding needs and the role of PPPs in ensuring the force is prepared for current and future conflict scenarios in Africa.
- Dr Mike Masiapato, Commissioner BMA: provided updates on the BMA’s progress with PPPs and the opportunities for further collaboration with the private sector.

b. Defence Committee Meetings

These are bilateral/bi-national Defence-to-Defence engagements between the RSA and like-minded nations at the specific request of the DOD. These engagements allow participating entities to partake in state-level discussions in which various governments make their requirements visible in a secure and confidential environment. During the period under review, Armscor participated during the following bilateral meetings:

- RSA-Ghana Defence Committee (DEFCOM) was held on 29-31 July 2024, in Accra. The Joint Defence Committee (JDC) Meeting reinforced the long-standing defence partnership between the two countries and opened several avenues for collaboration, particularly in the defence industry.
- 3rd RSA – Vietnam Defence Policy Dialogue (DPD) was held on 25 February 2025 in Hanoi, Vietnam. The discussions sought to explore the establishment of a defence industry sub-committee under the auspices of the DPD to manage and monitor the implementation of the Defence Industry cooperation. This will entail utilising commonalities in the defence industry to establish joint ventures, research, design and development, direct sale of defence equipment and other areas of cooperation to be identified.

c. Foreign Relations

International relations engagements are aimed at supporting the organisation’s international engagement strategy. Through attendance at key national commemorations, facilitation of Armscor capability presentations to MAAC members, and coordination of international delegation visits, Armscor aims to reinforce its role in bolstering South Africa’s profile in global defence arenas. These efforts are an avenue to strengthen existing relationships, create new cooperation avenues, and support Armscor’s overarching strategic objectives.

At the invitation of the Côte d’ Ivoire Ministry of Defence, an exploratory visit was taken by an Armscor delegation and a selection of SADI members in December 2024. Following the success of this engagement between Armscor and the Ivorian Ministry of Defence during South Africa’s visit to Côte d’ Ivoire, a return visit was undertaken by the Ivorian Defence to South Africa over the period 8-13 February 2025. The delegation from Côte d’ Ivoire was led by the Director General of Logistics and Technical Affairs of the Ministry of Defence. The objectives were to establish a long-term partnership between the two countries. Armscor and Côte d’ Ivoire delegations agreed on signing a memorandum of understanding on their proposed collaboration, including areas of skills and technology transfer.

d. Navy Festival

The South African Navy Festival 2024, which was hosted at the historic Simon’s Town Naval Base from 6 – 7 October 2024, brought vibrant energy and community engagement after a seven-year hiatus. The festival was attended by the Minister of Defence and Military Veterans, Ms Angelina Motshekga, international representatives from Russia and Cuba, and Vice-Admiral Monde Lobese.

e. Oceans Economy

Armscor showcased its cutting-edge research and development capabilities alongside the comprehensive services provided by the Armscor Dockyard during the Ocean Economy Conference and Expo held in May 2024.

The event served as a vital platform for Armscor to highlight its capabilities and services but also engage with key stakeholders in the maritime industry regarding Maritime Domain Awareness. The second day titled “ Securing the Seas: Maritime Defence and Security,” was of most relevance for Armscor as it featured an opening speech by Dr Manelisi Shumane, representing Armscor CEO Advocate Solomzi Mbada and Dr Vusi Malaza, who presented on IMT’s comprehensive security solutions for the SA Navy.

f. Technopark Demonstration Day

Armscor Technopark, which houses Protechnik, Ergotech and Hazmat held a Demonstration Day to showcase their individual capabilities to their client, the DRDB and other potential clients from DOD, Industry and government departments/entities. The Demonstration Day highlighted key strides in research work done by these entities from the latest in biomedical, protection and verification capabilities to the inroads in ergonomics and respiratory protective wear.

The guests in attendance represented the office of the Minister of Defence and Military Veterans, the office of the Chief of SANDF, the office of the CEO of Armscor, Ret. Admiral Morris and other high-ranking officers.

AB Logistics

AB Logistics, a Corporate Service Division of Armscor, is a shipping and travel company which provides clearing and freight forwarding plus travel management services to Armscor, the MOD, the DOD, the Defence Industry and Commercial Clients both domestic and globally.

Armscor continues to provide comprehensive logistics management services to SANDF, SADI and foreign defence forces with regard to military sensitive commodities and hazardous cargo. This is in support of the acquisition supply chain requirements during the import and export processes, rendering air, sea, rail, road freight and chartering distribution network globally to all stakeholders.

The Business Unit is a registered and accredited customs clearing agent with the South African Revenue Services (SARS). ABL is proud to have maintained a registered transporter of hazardous, weapons and ammunition cargo in terms of the Explosives Act. In terms of the South African Arms Control Regime, ABL is registered with the National Conventional Arms Control Committee (NCACC), the South African Council for the Non-proliferation of Weapons of Mass Destruction.

ABL is a member of:
- the International Federation of Freight Forwarders (FIATA);
- the South African Association of Freight Forwarders (SAAFF); and
- the Road Freight Association (RFA).
- South African Maritime Safety Authority (SAMSA)

OP VIKELA – Repatriation of SANDF Members and Cargo from Pemba, Mozambique

AB Logistics was tasked with repatriating all its members and cargo from Pemba, Mozambique, which commenced in October 2024. All cargo, just over 400 units was delivered between October 2024 and December 2024. The SANDF expressed their satisfaction, pleased that AB Logistics successfully completed this repatriation.

Several defence related equipment were transported to the Alkantpan ballistic testing facility in the Northern Cape for testing during the financial year on behalf of RDM and foreign clients.

During the period under review, AB Logistics has handled a total of 933 shipments (this is inclusive of Imports/Exports/Domestic transactions)

AB Logistics Travel offers a diversified range of travel arrangement support, including air travel, land travel, car rental, buses, VISA applications and accommodation, and other related services. AB Logistics Travel is a registered member of the International Air Transport Association.

AB Travel continues to support the SANDF on its joint military exercises with other countries and transports the SANDF's equipment for peacekeeping missions in Africa. To this end, AB Travel has successfully assisted the SANDF with two charter aircraft services to Cuba for the medical students and doctors on 1 and 8 December 2024.

Defence Matériel Disposal

Mandate

Armscor's Defence Disposal Solutions (DDS) is mandated with the management of the disposal of surplus and obsolete Category 1 defence matériel on behalf of the DOD. Their inventory includes aircraft, spare parts, naval vessels, land and air-based equipment, as well as ammunition exceeding 12.7mm in calibre.

Statutory requirements

The disposal of Category 1 defence matériel is conducted in accordance with the DOD's directives and the regulatory requirements set by the NCACC under the provisions of the NCACC Act No. 41 of 2002 and the Non-Proliferation Council (NPC). Since these items are classified as controlled, their sale through Armscor requires approval by the said bodies.

Disposal revenue

DDS finalised 30 transactions, generating revenue for the DOD. The funds have been transferred to Chief Finance and credited to the Special Defence Account.

VEHICLE REGISTRATION

eNaTIS vehicle registration

Beyond the disposal of defence matériel, Armscor also assists with the disposal of Category B, C, and D vehicles by registering them on the National Department of Transport's Electronic National Traffic Information System (eNaTIS). These vehicle categories include:

- B-vehicles: Soft skin logistics military vehicles, including SAMILS, SAMAG, mechanical horses, and semi-trailers.
- C-vehicles: Trailers, tractors, and other specialised vehicles.
- D-vehicles: Standard commercial vehicles.

Corporate Social Investment

Armscor as a socially responsible Corporation, supports communities in which it operates. The focus is on education to assist learners from previously disadvantaged communities to improve their performance and results in Science, Technology, Engineering and Mathematics (STEM) subjects and social upliftment initiatives. Corporate Communication continues to implement the Corporate Social Investment (CSI) in line with the established Best Practice.

The CSI funding criteria is divided into two components, namely: Human Capital Development Programme and Socio-Economic Upliftment Programme.

Armscor strives towards covering all provinces concerning social responsibility activities within its limited financial constraints. Close attention is also paid to communities around which it has business operations and facilities to enhance its brand value and strengthen relations. Armscor currently has a strong CSI footprint in all provinces.

Despite the limited resources at its disposal, Armscor, through its CSI activity, will continue to support programmes aimed at uplifting deserving communities.

Table 13: Corporate Social Investment Activities

Province	CSI Activity
Gauteng	Supported the learner enhancement project by purchasing learning materials for 294 beneficiaries.
	Contributed towards the development of the well-being of the DOD community by supporting the CSANDF Prestige Week.
	Provided support by purchasing school uniforms in support of the back-to-school campaign.
	Supported social relief by purchasing groceries for the elderly household in the north of Pretoria.
	Donated various household essentials such as cleaning material, blankets, toys and maintenance services to two centres in Gauteng as part of Nelson Mandela Day.
	Supported the social relief project by donating towards the feeding scheme.
Northern Cape	Donated various household essentials such as cleaning material, blankets, toys and maintenance services to two centres in the Northern Cape as part of Nelson Mandela Day.
Free State	Armscor supported the learner enhancement and social relief projects by purchasing food parcels, food gardening essentials and school uniforms for the community of Bloemfontein.
Eastern Cape	Supported social relief programme by purchasing food, medical supplies and nappies to benefit the community.
	Donated a computer lab as part of a learner enhancement project.
	Supported the campaign aimed at creating awareness about HIV/AIDS and gender-based violence.
Kwa Zulu-Natal	Provided support towards hosting the career day and awards ceremony, where top performing learners were awarded for their achievements.
	Purchased food and blankets for families affected by devastating floods in KZN.
Western Cape	Provided support towards a sewing project aimed at alleviating poverty and improving the living conditions of communities in the Western Cape.

2.4.3 Corporate Support

As a service Corporation, Armscor's people are its backbone and the need to maintain capabilities has increasingly become the main area of challenge from the point of view of human capital management.

This is in line with Armscor's strategy to consistently improve organisational effectiveness and customer service, through effective ICT systems. Personnel security, information security and physical security, within Armscor and the defence related industry, forms part of the overall security governance. Maintenance of the infrastructure and operational procurement activities required by the Corporation, is the responsibility of this Business Unit.

Corporate Support expertise encompasses:

- Transformation
- Learning and Development
- Succession Planning
- ICT Operations
- Enterprise Architecture and Information Management
- Information Security
- Business Support Centre
- Finance; Contract Administration and Governance
- Maintenance of the infrastructure and operational procurement activities
- Security functions

Information and Communication Technology Strategic Implementation Summary

Armscor has made significant strides in its digital transformation journey with the ongoing implementation of an Enterprise Resource Planning (ERP) system, a cornerstone initiative aimed at modernising and automating critical business processes to enhance operational efficiency. In the 2024/25 financial year, the organisation successfully concluded the appointment of a service provider and completed the project planning phase for the ERP, which focuses on core modules including Human Resources (HR), Payroll, Supply Chain Management and Finance. The project team has progressed into the analysis phase, with the implementation for the HR module scheduled for completion by June 2025 and the remainder by 31 March 2026. This strategic shift will phase out several legacy systems that have become obsolete and hinder operational effectiveness.

Building on this momentum, the 2025/26 financial year will see the continued rollout of the ERP system alongside two additional critical ICT initiatives: the deployment of a new ICT network infrastructure and the revision of the Armscor/DOD data integration channel. These efforts are designed to strengthen connectivity, streamline data exchange, and further support Armscor's mandate through enhanced technological capabilities. Together, these initiatives underscore Armscor's commitment to leveraging cutting-edge ICT solutions to drive efficiency, security, and interoperability across its operations.

This integrated approach ensures alignment with broader organisational objectives, fostering a robust digital ecosystem that meets current and future demands.

PART C

HUMAN CAPITAL MANAGEMENT

3.1 HUMAN CAPITAL MANAGEMENT

Armscor recognises that achieving its mandate and executing its strategy successfully depends on always having the right people with the right skills in the right positions. The company's HR function plays a vital leadership role in developing, implementing, and administering sound HR policies, procedures, and programmes that support Armscor's statutory objectives. The main goal is to ensure HR efforts are responsive to the Corporation's evolving needs. Armscor's approach to people management balances "soft" elements focused on shaping the corporate culture to align employee values, beliefs, and behaviours with organisational goals, as well as "hard" elements grounded in quantitative analysis to ensure optimal workforce levels and skills at all times.

Key HR priorities include identifying the core competencies required to achieve corporate goals, mapping associated skills and behavioural requirements, pinpointing critical positions, assessing successor readiness levels, and closing identified skill gaps. Central to these efforts is positioning Armscor as a high-performing Corporation by promoting a culture of performance management, improving skills through employee development initiatives, and ensuring an organisational structure is fit-for-purpose. To that end, Armscor is currently undertaking an organisational review project to ensure the corporate structure properly aligns with the company's strategy, business model, and operating plan in the future. Developing human capital alongside optimising organisational design will enable Armscor to execute its mandate both now and in the future effectively.

Table 14: Staff Profile as at 31 March 2025

STAFF PROFILE AT 31 March 2025

OCCUPATIONAL CATEGORY	AM	AF	CM	CF	IM	IF	WM	WF	Total Male	Total Female	Grand Total
Top Management	4	2	0	0	0	0	1	0	5	2	7
Senior Management	33	23	4	0	4	0	13	1	54	24	78
Middle Management	145	119	25	8	13	3	52	19	235	149	384
Skilled	172	182	117	43	4	11	10	27	303	263	566
Semi-Skilled	62	19	67	10	1	0	7	0	137	29	166
Unskilled	26	44	5	24	0	0	0	0	31	68	99
TDPs	9	20	0	0	2	0	0	0	11	20	31
Fixed Term Contractors	23	19	2	0	0	0	10	1	35	20	55
Grand-Total	**474**	**428**	**220**	**85**	**24**	**14**	**93**	**48**	**811**	**575**	**1 386**
% Representation	**89.83**						**10.17**		**58.51**	**41.49**	

Staff profile and employment equity

Armscor is committed to recruiting and retaining a competent workforce that is truly representative of all sections of society. This goal is achieved while the Corporation manages its personnel costs. Table 14 demonstrates the Armscor staff profile for the 2024/25 financial year, inclusive of employees on the Talent Development Programme (TDP) and fixed-term contract employees. The total staff complement at the end of the financial year was 1 386.

The core of Armscor's business is centred within the following occupations: Science, Engineering, Technical and Technical Support (SETTS). The total number of employees within this category is currently 48,05% as demonstrated in Table 15.

Table 15: Staff Profile by function as at 31 March 2025

Function	OCCUPATIONAL CATEGORY						TOTAL	% Of Staff compliment	Technical Category %
	Unskilled	Semi-Skilled	Skilled	Middle Management	Senior Management	Top Management			
Engineering	0	0	15	90	38	0	143	10.32	48.05
Science	0	0	6	29	4	1	40	2.89	
Technical	0	1	217	104	7	0	329	23.74	
Technical Support	5	121	28	0	0	0	154	11.11	
Finance	0	0	53	22	5	1	81	5.84	51.95
IT	0	0	26	32	3	0	61	4.40	
Professional Support	0	0	33	105	25	5	168	12.12	
Support	113	50	231	16	0	0	410	29.58	
TOTALS	**118**	**172**	**609**	**398**	**82**	**7**	**1 386**	**100.00**	**100.00**

Learning and Development

Armscor is committed to developing the workforce as a critical enabler for achieving its strategic outputs. By investing significantly in employee growth, the Corporation aims to cultivate a sustainable talent pipeline of highly skilled, competent, and engaged professionals at all levels of the Corporation. Beyond enhancing performance in current roles, the development initiatives prepare employees to embrace new and emerging responsibilities in the future.

Armscor employs a multi-faceted approach to facilitating continuous learning and building vital organisational capabilities. Key talent development channels include specialised short courses, mandatory compliance trainings, high-impact coaching and mentorship opportunities, participatory seminars, and industry conferences. Through this holistic strategy, the Corporation empowers its employees to expand their knowledge, hone essential skills, and adopt the mindsets needed for enduring success.

The talent development efforts represent an investment in Armscor's most vital resource – human capital. By purposefully equipping employees with the tools for professional growth, Armscor strengthens individual proficiencies while fortifying organisational capacity. This comprehensive commitment to learning cultivates an agile, future-ready workforce prepared to optimise performance and innovation in service of Armscor's mission.

During the period under review, there was a huge success in training attendance with 41% of Armscor employees participating in different learning interventions, and 63% of the management team participating in various learning programmes.

As part of its effort to enhance efficiency and productivity, Armscor acknowledges the role that technology plays in this space and has introduced the hybrid training delivery approach. 81% of training was delivered face-to-face, and 19% delivered through virtual platforms. The virtual learning is at its inception phase and has been introduced to allow for flexibility as employees are able to learn at their own pace, enabling them to progress at their speed and adapt to their schedules. It is anticipated that in the next financial year, the take-up of virtual learning will increase.

Leadership Development:

The pursuit of leadership excellence is intrinsically linked to the organisation's culture and values. As Armscor seeks to instil transformational leadership practices within teams, it is paramount that the leadership development programme resonates with, and even enhances, Armscor's unique culture. Around 165 managers participated in different leadership programmes. This was to ensure that managers are ready and capable of discharging their leadership responsibilities that foster a culture of innovation and growth. The key milestone was the launch of the leadership roundtable discussion "Brown Bag". The Brown Bag Leadership Round Table Discussion is an informal session and a platform intended to cultivate and inspire change in the organisation and develop leadership skills. Brown Bag Sessions provide an excellent opportunity for colleagues to gather and engage in informal discussions, share knowledge, and foster collaboration across departments and teams. These sessions aim to bring together esteemed management and leadership for an enriching exchange of ideas and insights.

PART D
CORPORATE GOVERNANCE

4.1 GOVERNANCE FRAMEWORK

Good corporate governance is built on effective and responsible leadership. The ethical values of responsibility, accountability, fairness and transparency characterise it. Every aspect of Armscor's business rests on the foundation of ethical values. Good governance is part of Armscor's DNA, and the Corporation strives for the highest standards. A strong governance framework improves decision-making, facilitates access to capital, reduces risk and contributes to adding value. Better corporate governance leads to transparency and better disclosure, thus providing the opportunity to establish relationships with all stakeholders on fair and more productive terms.

Armscor upholds the highest possible corporate governance standards by ensuring adherence to all relevant legislative requirements (Armscor Act, PFMA, Companies Act, etc.). This includes good governance codes, such as King IV, while recognising that corporate governance goes beyond a set of frameworks, principles, policies and rules. The Board is committed to maintaining a high standard of corporate governance practices within Armscor.

Key Legislation

- Armscor Act
- Public Finance Management Act
- Companies Act

Policies and procedures in place

- Defence Sector Charter
- Code of Ethics
- Delegation of Authority
- Policy on Conflict of Interest
- Board and Committees Terms of Reference
- Gift and Hospitality Policy
- Whistleblowing Policy
- Whistleblowing Hotline

Governance principles

King IV Report on Corporate Governance
Corporate Governance Development Framework

4.2 DIRECTOR'S REPORT

Introduction

This is the Director's Report for the period 2024-2025 and relates to the performance of the Corporation for the reporting period.

Background

This report is therefore presented in terms of the relevant provisions of the PFMA, No. 1 of 1999 and the Companies Act No. 71 of 2008. It provides an overview of the performance of Armscor, measured against performance targets that the Corporation had set for the reporting period.

Nature of Business

Armscor's mandate is contained in the Armscor Act. This is to meet the defence matériel requirements of the DOD effectively, efficiently and economically; and the defence technology, research, development, analysis, test and evaluation requirements of the DOD effectively, efficiently and economically.

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

The functions of Armscor are to:

- acquire defence matériel for the DOD;
- manage technology projects for the DOD;
- establish programme management system in support of acquisition and technology projects;
- establish a tender evaluation and contract management system concerning defence matériel, or if agreed in a Service Level Agreement, for commercial matériel, and dispose of defence matériel
- establish a compliance administration system concerning arms control;
- support and maintenance of strategic and essential defence industrial capabilities, resources and technologies; and
- provide marketing support and maintain special capabilities/facilities for strategic or security reasons, as required by the DOD, even if those capabilities/facilities are not commercially viable.

Armscor may, with the approval of the Minister of Defence and Military Veterans (the Minister), exploit such commercial opportunities as may arise out of the Corporation's duty to acquire defence matériel or to manage technology projects; procure commercial matériel on behalf of any organ of state at the request of the organ of state in question; and subject to the National Conventional Arms Control Act (Act No. 41 of 2002), the Regulation of Foreign Military Assistance Act (Act No. 15 of 1998), and the Non-Proliferation of Weapons of Mass Destruction Act (Act No. 87 of 1993), perform any function, which the Corporation may perform for or on behalf of the Department in terms of this Act for or on behalf of any sovereign state.

The Minister may impose such conditions in respect of the performance of the said functions as may be necessary in the national interest.

Share Capital

The Government of the Republic of South Africa is the sole shareholder of the Corporation. No new shares were issued during the reporting period.

Organisational Structure

The organisational structure of the Corporation appears on page 24 of this report.

Communication with the Executive Authority

The Executive Authority for Armscor is the Minister, who represents the Shareholder. Communication with the Executive Authority is channelled primarily through the office of the Chairperson. In addition, there are further engagements between the Minister and the Chief Executive Officer. Regular reporting was undertaken in terms of the Shareholder's Compact, and additional ad hoc reports were also submitted for consideration by the Minister.

Director's Profile

The Directors of the Corporation and their brief Curricula Vitae appear on page 25-32 of this report.

4.2.1 CORPORATE GOVERNANCE

Armscor is a statutory body, established in terms of the Armscor Act. It is also a State-Owned Company as contemplated in the Companies Act. Furthermore, it is listed as a Schedule 2 Public Entity in terms of the PFMA. It is further regulated by the regulations issued in terms of the PFMA and those of the Companies Act. Armscor also subscribes to sound corporate governance principles contained in the King IV Report on Good Corporate Governance for South Africa 2016, and the Protocol on Corporate Governance in the Public Sector 2007.

The Corporation services the requirements of the DOD or other clients in terms of a Service Level Agreement (SLA). The Service Level Agreement is based on the Shareholder Compact, which is focused on the functions of the Corporation, specific measurable objectives and milestones, a specific system to monitor the delivery of service, provide for the maintenance of the Corporation's capabilities over the long term, and provide for the terms and conditions applicable to the service to be rendered by the Corporation.

The Shareholder

The Government of the Republic of South Africa, represented by the Minister, is the sole shareholder of the Corporation. The shareholder relationship is managed, amongst others, through the Armscor Act, the PFMA, the Companies Act, the Shareholder Compact and the Corporate Plan. The Shareholder Compact sets out the deliverables agreed between the Corporation and the Minister. It is supported by a Corporate Plan, which ensures that the Corporation's targets, measures and outputs are clearly articulated to enhance the Board's accountability.

The Memorandum of Incorporation expressly states under Article 3. 4 that Armscor is not required to hold any shareholder's meetings other than those specifically required by the Companies Act.

Following the Shareholder's Compact, the Minister must meet the Board of Directors at least once a year. During the reporting period, the Minister held a meeting with the Board on 15 January 2025 and 25 March 2025.

Compliance with legislation

The Companies Act requires companies to file annual returns within 30 business days after the anniversary date of their incorporation. Annual returns for the reporting financial year were filed with the Companies and Intellectual Property Commission for the following:

a. Armaments Corporation of South Africa – Registration number 1968/008611/30
b. Sportsrand-Registration number 1991/004629/07
c. Armscor Defence Institutes – Registration number 1990/003885/07
d. Erasmusrand Eiendomme (Pty) Ltd – Registration number 1991/04626/07
e. Oospark – Registration number 1991/004627/07

Armscor further complied with legislation by renewing its defensive names' registration in respect of the following:

a. Armscor – Registration number 1341169DN
b. AB Logistics Pretoria – Registration number 1340328DN
c. AB Logistics Travel – Registration number 1340329DN
d. Alkantpan Test Range – Registration number 1340331DN
e. AB Logistics Durban – Registration number 1340345DN
f. Ergonomics Technologies – Registration 1340342DN
g. Ergotech – Registration number 1340343DN
h. Hazmat Protective Systems – Registration number 1340341DN
i. Gerotek Test Facilities – Registration number 1340344DN
j. Institute for Maritime Technology – Registration number 1340340DN
k. Protechnik Laboratories – Registration number 1338208DN
l. Flamengro – Registration number 1338203DN
m. Armour Development – Registration number 1340428DN
n. Defence Decision Support Institute – Registration number 1340427DN
o. Armscor Research and Development – Registration number 1339491DN

BOARD OF DIRECTORS

The Board of Directors was appointed in terms of Section 6(1) of the Armscor Act and must consist of nine non-executive members and two executive members, namely the Chief Executive Officer and the Chief Financial Officer. At the beginning of the reporting period, the Board had four (4) Non-Executive Directors and two ex officio members, i. e., the Chief Executive Officer and Chief Financial Officer. The three year term of office of the Board terminated on 30 June 2024. The new Minister for the Department of Defence and Military Veterans was appointed from 3 July 2024 and undertook a process to appoint a new Board of Directors for Armscor. Appointments of nine non-executive members were made in December 2024 to assume duties from 1 January 2025.

The composition of the Board of Directors was therefore in three-fold in the reporting period (i. e. Financial Year 2024/25):

- **First-Fold Board Composition**
  The first fold relates to the composition of the out-going Board following the end of the term of the previous Board of Directors on the 30 June 2024. The Outgoing Board was in office in the first financial quarter (i. e. 01 April 2024 – 30 June 2024) of the reporting period.

- **Second-Fold Board Composition**
  The second fold relates to the absence of the Board during the second quarter (01 July 2024 – 30 September 2024) and the third quarter (01 October 2024 – 31 December 2024).

  During this period, the CEO became the Accounting Authority of Armscor in accordance with Section 49(2)(b) of the PFMA. This was the period during which the new Minister of Defence and Military Veterans was in the process of appointing a new Board of Directors.

- **Third-Fold Board Composition:**
  The third fold relates to the composition of the Board following the appointment of the new Board of Directors in December 2024. The new Board took office in Quarter 4 of the reporting period. The Board comprised of 9 non-executive members and two executive members, namely, a Chief Executive Officer, and a Chief Financial Officer. The Board members collectively possess sufficient knowledge and experience to attain the objectives of the Corporation. During the last quarter of the reporting period, the Board comprised of the following non-executive members:

  Dr. LA Mahapa (Chairperson), Ms M Ndlovu (Deputy Chairperson), Ms M Booi, Mr ZO Cleophas, Ms PN Mashinini, Dr. PE Molokwane, Ms MA Sukati, Mr NAM Tshivhase and Mr RM Vokwana.

The integrity of governance with the Board in as far as its constitution and quorum requirements for board meetings was not compromised during the reporting period and was strengthened in Quarter 4. Section 9 (5) of Armscor Act provides that the quorum for any meeting of the Board is most of the members in office at the time. Armscor Act further provides that no decision of the Board or act performed under the authority of the Board is invalid merely by reason of a vacancy on the Board, or by reason of the fact that any person who was not entitled to sit as a member when the decision was taken or the act was authorised, if the decision was taken or act was authorised by the required majority of members present at the time and entitled to sit as members.

The Board of Directors continues to provide ethical leadership to the Corporation and accordingly oversees the management of the strategic direction of the Corporation and the application of its assets in a fair and transparent manner.

During the reporting period, the Board executed its roles in accordance with the Act, and guided by the Board Charter, which included:

- Managing and controlling the affairs of the Corporation as set out in Section 6(1) of the Armscor Act.
- Performing the functions of the accounting authority for the Corporation as contemplated in Section 6(2) of the Armscor Act and Section 49(2)(a) of the PFMA, and in the 2nd and 3rd quarter, in accordance with Section 49(2)(b) of the PFMA.
- Providing effective leadership and control in terms of approving the Corporation's strategy and ensuring control over its operational implementation. The Board as the Accounting Authority takes responsibility for both its success and failure.
- Ensuring that the Corporation continues to operate as a viable and sustainable going concern by exercising effective control and leadership on material decisions having an impact on the Corporation.
- Providing oversight on human, operational and financial resources available within the Corporation to achieve its objective.

- Playing a key role in setting, reviewing and monitoring compliance with the Corporation's values.
- Representing and serving the shareholder's interests by overseeing and appraising the strategies, policies and performance of the Corporation.
- Ensuring that the shareholder is kept informed of the Corporation's performance and any major developments.

Board meetings

The meetings of the Board of Directors are governed by the Board's Charter, which makes provision for further meetings of the Board to take place as and when the Board deems it appropriate and are convened by the Chairperson.

At each meeting, the members of the Board are required to declare any interest they may have in respect of any matter to be decided at that meeting. The declaration of interest is handled as stipulated in the Board Charter. During the reporting period, no member declared interest in any matter serving before the Board. Management is required to ensure that all relevant information has been placed before the Board to enable the Board to make decisions that serve the interests of the Corporation.

Members of the Board have unrestricted access to the Company Secretary, who is required by law to provide them with guidance regarding the proper discharge of their responsibilities within governance policies and prescripts and to certify in the Annual Report that the Corporation has complied the Companies Act in terms of filing of annual returns.

During the reporting period, the Corporation held **one (1)** meeting with the Shareholder on 25 March 2025, **one (1)** engagement with the Portfolio Committee on Defence and Military Veterans on 26 March 2025, and held **three (3)** Board meetings, **six (6)** Special Board meetings, and **three (3)** Induction meetings. Tables 16-21 below show the meetings of the Board, respectively.

Table 16: Board of Directors and attendance of meetings

FIRST-FOLD	
Board Member	**30/04/2024**
Dr. PD Dexter (Chairperson)	P
Ms BF Skweyiya-Gushu	P
Ms PN Mashinini*	P
Mr TM Sukazi	P
Adv. SP Mbada (CEO)	P
Mr JG Grobler (CFO)	P

Key: P – Present A – Absent with apology N/A – Board not in office

* New Board appointed -Inaugural board meeting – 30 January 2025
* Ms Mashinini appointed for the 2nd term from 1 January 2025

Table 17: Board of Directors and attendance of meetings

THIRD-FOLD		
Board Member	**30/01/2025**	**10/03/2025**
Dr. LA Mahapa (Chairperson)	P	P
Ms M Ndlovu (Deputy Chairperson)	P	P
Ms M Booi	P	P
Mr ZO Cleophas	P	P
Ms PN Mashinini*	P	P
Dr. PE Molokwane	P	P
Ms MA Sukati	P	P
Mr NAM Tshivhase	P	P
Mr RM Vokwana	P	P
Adv. SP Mbada (CEO)	P	P
Mr JG Grobler (CFO)	P	P

Key: P – Present A – Absent with apology N/A – Board not in office

* New Board appointed -inaugural board meeting – 30 January 2025
* Ms Mashinini appointed for the 2nd term from 1 January 2025

Table 18: Special Board of Directors and attendance of meetings

FIRST-FOLD	
Board Member	**28/06/2024**
Dr. PD Dexter (Chairperson)	P
Ms BF Skweyiya-Gushu	P
Ms PN Mashinini	P
Mr TM Sukazi	P
Adv. SP Mbada (CEO)	P
Mr JG Grobler (CFO)	P

Key: P – Present A – Absent with apology

Table 19: Special Board of Directors and attendance of meetings

THIRD-FOLD						
Board Member	**15/01/2025**	**10/02/2025**	**12/02/2025**	**20/02/2025**	**28/02/2025**	**25/03/2025**
Dr. LA Mahapa (Chairperson)*	P	P	P	A	P	P
Ms M Ndlovu (Deputy Chairperson)*	P	P	P	P	P	P
Ms M Booi*	P	P	P	P	P	P
Mr ZO Cleophas*	P	P	P	P	P	P
Ms PN Mashinini**	P	P	P	P	P	P
Dr. PE Molokwane*	P	P	P	P	P	P
Ms MA Sukati*	P	P	P	P	P	P
Mr NAM Tshivhase*	P	P	P	P	P	P
Mr RM Vokwana*	P	P	A	P	A	P
Adv. SP Mbada (CEO)	P	P	P	A	P	P
Mr JG Grobler (CFO)	P	P	P	P	P	P

Key: P – Present A – Absent with apology N/A – Board not in office

* New Board appointed -inaugural board meeting – 15 January 2025
** Ms Mashinini appointed for the 2nd term from 1 January 2025

Table 20: Board of Directors Induction meetings

Board Member	**22/01/2025**	**23/01/2025**	**29/01/2025**
Dr. LA Mahapa (Chairperson)	P	P	P
Ms M Ndlovu (Deputy Chairperson)	P	P	P
Ms M Booi	P	P	P
Mr ZO Cleophas	P	P	P
Dr. PE Molokwane	P	P	P
Ms MA Sukati	P	P	P
Mr NAM Tshivhase	P	P	P
Mr RM Vokwana	P	P	P
Ms PN Mashinini	P	P	P
Adv. SP Mbada (CEO)	P	P	P
Mr JG Grobler (CFO)	P	P	P

Key: P – Present A – Absent with apology

Board Engagements with the Portfolio Committee on Defence and Military Veterans

As prescribed in the Shareholder's Compact, the Board of Directors as the Accounting Authority for the Corporation shall present the Corporation's Annual Report, Financial Statements and Corporate Plan for the reporting period to the Minister as a representative of the Shareholder. The Minister tables the reports in the National Assembly. Before these reports are tabled at the National Assembly, the Board presents the reports to the Portfolio Committee on Defence and Military Veterans (PCDMV). During this reporting period, the Board presented the Corporate Plan on 14 March 2024, and the Annual Report and Financial Statements were presented on 08 October 2024 by the CEO in the capacity of Accounting Authority, as provided for in Section 49 of the PFMA.

Table 21: Board Oversight Visits

Board Member	18/03/2025 Dockyard	26/03/2025 Gerotek
Dr. LA Mahapa (Chairperson)	P	P
Ms M Ndlovu	P	P
Ms M Booi	P	P
Mr ZO Cleophas	P	P
Dr. PE Molokwane	P	P
Ms MA Sukati	P	P
Mr NAM Tshivhase	P	P
Mr RM Vokwana	P	P
Ms PN Mashinini	P	P
Adv. SP Mbada (CEO)	P	P
Mr JG Grobler (CFO)	P	P

Disqualification of Directors

None of Armscor's Board members are disqualified from serving as directors on any of the grounds contained in either the Companies Act 2008 or PFMA and its regulations.

Board Remuneration

Non-Executive Directors are remunerated based on Board and Board committee meetings attendance and preparation. The fees are based on the determination by the Minister of Defence and Military Veterans in consultation with the Minister of Finance. The remuneration fees of members of the Board and Board Committees were reviewed and then approved by Minister in March 2023 for implementation with effect from 1 April 2023.

4.2.3 BOARD COMMITTEES

To promote independent judgment and effective discharge of its duties, during the reporting period, the Board of Armscor established five (5) Board Committees appropriate to provide oversight over the execution of the mandate of Armscor. During Quarter 4 the social and ethics was separated from the Human Resources Committee to be a committee and accord the necessary significance provided for social and ethics by the Companies Act, and this resulted in the Board having six (6) Committees. The Committees' delegation of powers is recorded in the various terms of reference, which are annually reviewed by Committees and approved by the Board. The Committees consider submissions from Management on critical strategic issues affecting the Corporation and report on their work at each Board meeting.

The Chairperson of the Board, as stipulated in the Board Charter, is responsible for ensuring the integrity and effectiveness of the Board and its Committees. As such, the Chairperson of the Board may reconstitute Board Committees in order to ensure that the Committees function effectively and efficiently. Board Committee memberships are determined through the applications of the following principles: skills, experience, continuity and demographic representation.

Audit and Risk Committee

See detailed Audit and Risk Committee report under point 4.5.

Technology, Industry Support and Sustainability Support Committee

The Technology, Industry Support and Sustainability Committee consists of a minimum of three non-executive directors and two executive directors (being the CEO and CFO).

The main role and responsibilities of the Committee, as outlined in the Committee's Terms of Reference, are to advise the Board on the following:

- The appropriate policy framework for research and development, intellectual property management and industry support.
- The existence or acquisition and management of intellectual property within the approved policy framework and how such intellectual property may be exploited to the best advantage of the DOD in line with the Armscor Strategy.
- The development of channels of communication between Armscor, the Defence Industry and any other role players to facilitate the effectiveness of Armscor's market positioning.
- The appropriate policies, strategies and business cases on the sweating of assets, entering new markets and undertaking government-to-government trade for Armscor's benefit and sustainability.

Table 22: Technology, Industry Support and Sustainability Committee meetings and attendance

Members	26/02/2025
Dr. PE Molokwane (Chairperson)	P
Mr ZO Cleophas	P
Mr RM Vokwana	P
Ms MA Sukati	P
Adv. SP Mbada (CEO)	P
Mr JG Grobler	P

Key: P – Present   A – Absent with apology

Table 23: Special Technology, Industry Support and Sustainability Committee meetings and attendance

Members	05/03/2025
Dr. PE Molokwane	P
Mr ZO Cleophas	P
Mr RM Vokwana	P
Ms MA Sukati	P
Adv. SP Mbada (CEO)	P
Mr JG Grobler	P

Key: P – Present A – Absent with apology

Board Acquisition Committee

The Board Acquisition Committee consists of a minimum of three non-executive directors and two executive directors (being the CEO and CFO).

The acquisition of defence matériel requirements of the DOD is one of the main objectives of the Corporation as set out in Section 3(1)(a) of the Armscor Act. As such, the role of the Committee is to assist the Board with the balancing of power and the effective discharge of its responsibilities by:

- Overseeing the development of acquisition policies, rules and procedures for approval by the Board.
- Considering and making recommendations to the Board on the requirements of the DOD or other clients to the Board.
- Deciding on the strategic nature and implications of acquisition projects and whether such projects should be disposed of by the Committee or are of such a nature that they require consideration by the Board.
- Considering and disposing of acquisition and procurement submissions within the approved limits.

During the reporting period, the Committee had the following scheduled meetings and special meetings:

Table 24: Special Board Acquisition Committee meetings and attendance

FIRST-FOLD	
Members	**25/06/2024**
Mr TM Sukazi (Chairperson)	P
Ms PN Mashinini	P
Adv. SP Mbada (CEO)	P
Mr JG Grobler (CFO)	P

Key: P – Present A – Absent with apology

Table 25: Special Board Acquisition Committee meetings and attendance

THIRD-FOLD		
Members	**14/03/2025**	**25/03/2025**
Mr NAM Tshivhase (Chairperson)*	P	P
Ms PN Mashinini*	P	P
Dr. PE Molokwane*	P	P
Mr ZO Cleophas*	P	P
Adv. SP Mbada (CEO)	P	P
Mr JG Grobler (CFO)	P	P

Key: P – Present A – Absent with apology

* Members -non-executive members of the new board
* Mr NAM Tshivhase (Chairperson) -Appointed in January 2025
* Ms PN Mashinini -Appointed for 2nd term in January 2025
* Dr. PE Molokwane -Appointed in January 2025
* Mr ZO Cleophas -Appointed in January 2025

Table 26: Board Acquisition Committee Induction meeting and attendance

Board Acquisition Committee Induction Meeting	
Members	**25/02/2025**
Mr NAM Tshivhase (Chairperson)	P
Ms PN Mashinini	P
Dr. PE Molokwane	P
Mr ZO Cleophas	P
Adv. SP Mbada	P
Mr JG Grobler	P

Key: P – Present A – Absent with apology

Human Resources, Social and Ethics Committee (Committee Seperated From February 2025 in Human Resources and Remuneration Committee, and Social and Ethics Committee)

The Human Resources, Social and Ethics Committee consists of a minimum of three non-executive directors and two executive directors (being the CEO and CFO).

The role of the Committee is to assist the Board with the balancing of power and the effective discharge of responsibilities by:
- Advising the Board on the formulation, implementation, monitoring and review of the Corporation's human resources practices, policies and strategies.
- Advising the Board on all matters relating to conditions of service, remuneration, reward and retention strategies.
- Overseeing and providing direction to Management on behalf of the Board to ensure that the Corporation conducts its human resource affairs fairly, effectively and efficiently.
- Monitoring the Corporation's activities relating to its social impact, taking into consideration all relevant legislation, legal requirements and codes of best practice.
- Ensuring that the Corporation's ethics management process is managed effectively and efficiently.

Table 27: Human Resources, Social and Ethics Committee meetings and attendance

Members	15/04/2024
Ms PN Mashinini	P
Ms FB Skweyiya-Gushu*	P
Adv. SP Mbada (CEO)	P
Mr JG Grobler (CFO)	P

Key: P – Present

* Ms FB Skweyiya-Gushu -Appointed as a Member of HRSE Committee on 30 June 2023

Table 28: Special Human Resources, Social and Ethics Committee meetings and attendance

Members	19/06/2024
Ms PN Mashinini	P
Ms FB Skweyiya-Gushu	P
Adv. SP Mbada (CEO)	P
Mr JG Grobler (CFO)	P

Key: P – Present A – Absent with apology

On assumption of duties by the new Board, the Board at its meeting held on 15 January 2025, resolved to separate Social Ethics from the Human Resources Committee.

Table 29: Human Resources and Remuneration Committee meetings and attendance

Members	13/02/2025
Ms PN Mashinini (Chairperson)	P
Mr ZO Cleophas	P
Dr. PE Molokwane	P
Mr RM Vokwana	P
Adv. SP Mbada (CEO)	P
Mr JG Grobler (CFO)	P

Table 30: Special In-Committee Human Resources and Remuneration Committee meetings and attendance

Member	03/02/2025	06/02/2025
Ms PN Mashinini (Chairperson)	P	P
Mr ZO Cleophas	P	P
Dr. PE Molokwane	P	P
Mr RM Vokwana	P	P

Table 31: Special Human Resources and Remuneration Committee meetings and attendance

Member	04/03/2025
Ms PN Mashinini (Chairperson)	P
Mr ZO Cleophas	P
Dr. PE Molokwane	P
Mr RM Vokwana	P
Adv. SP Mbada (CEO)	P
Mr JG Grobler (CFO)	P

Table 32: Social and Ethics Committee meetings and attendance

Members	26/02/2025
Ms M Booi (Chairperson)	P
Ms M Ndlovu	P
Mr NAM Tshivhase	P
Adv. SP Mbada (CEO)	P
Mr JG Grobler (CFO)	P

Military Veterans Committee

The Board Committee on Military Veterans was established by the Board on 19 March 2021, to have a coordinated approach of providing services to the Military Veterans. The Committee consists of a minimum of three non-executive directors and two executive directors (being the CEO and CFO).

The role of the Committee is to assist the Board with the balancing of power and the effective discharge of responsibilities by advising the Board on:

- The implementation, monitoring and review of the Corporation's implementation of the Broad-Based Black Economic Empowerment Defence Sector Code.
- Overseeing and providing direction to Management on behalf of the Board to ensure that the Corporation implements the Defence Sector Code as it relates to Military Veterans fairly, effectively and efficiently.
- Monitoring the Corporation's activities relating to its social impact on Military Veterans taking into consideration all relevant legislation, legal requirements and codes of best practice.
- Engaging with the Defence Sector Charter Council established in terms of the Defence Sector Code on the empowerment of Military Veterans through the Defence Industry Skills Development Fund.

Table 33: Military Veterans Committee meetings and attendance

FIRST-FOLD	
Members	**24/04/2024**
Dr. PD Dexter	P
Ms BF Skweyiya-Gushu (Chairperson)	P
Mr PJ Hlasa*	P
Ms E Motloung*	P
Adv. SP Mbada (CEO)	P
Mr JG Grobler (CFO)	P

Key: P – Present A – Absent with apology
* Mr PJ Hlasa -Independent Non-Executive Milvet Committee Member since 01 November 2023
* Ms E Motloung -Independent Non-Executive Milvet Committee Member since 01 November 2023
* Ms BF Skweyiya -Appointed Chairperson of the Milvet Committee on 13 February 2024

THIRD-FOLD	
Members	**25/02/2025**
Mr RM Vokwana (Chairperson)*	P
Dr. LA Mahapa*	P
Ms M Booi*	P
Ms MA Sukati*	P
Adv. SP Mbada (CEO)	P
Mr JG Grobler (CFO)	P

Key: P – Present A – Absent with apology

New Board Appointed and Committee Newly constituted in January 2025
* Mr RM Vokwana -appointed in January 2025
* Dr. LA Mahapa -appointed in January 2025
* Ms M Booi -appointed in January 2025
* Ms MA Sukati -appointed in January 2025

Table 34: Military Veterans Committee meetings and attendance with Stakeholders

FIRST-FOLD						
Member	**17/04/2024 WC Military Veterans Agency**	**18/04/2024 Dockyard**	**10/05/2024 DALRRD & Orange Farm**	**14/05/2024 DMV**	**15/05/2024 SANMVA**	**15/05/2024 Microbakery SP**
Dr. PD Dexter	A	A	A	A	P	A
Ms BF Skweyiya-Gushu	P	P	P	P	P	P
Ms E Motloung	P	P	P	P	P	P
Mr PJ Hlasa	P	P	P	A	A	A
Adv. SP Mbada (CEO)	A	A	A	A	A	A
Mr JG Grobler	A	A	A	A	A	P

4.3 FINANCIAL REPORTING

The Directors are required by the Companies Act to produce financial statements, which fairly represent the state of affairs of the Corporation as at the end of the financial year. This includes the profit and loss for that financial year, in conformity with South African Generally Recognized Accounting Practice (SA GRAP) and the Companies Act.

The Financial Statements set out in this report have been prepared by Management in accordance with SA GRAP and the Companies Act and are based on appropriate accounting policies supported by reasonable and prudent judgements and estimates.

The Directors are of the opinion that the financial statements fairly represent the financial position of the Corporation as at 31 March 2025; the results of their operations and cash flows for the year then ended.

The Board has reviewed the Group's financial budgets for the period 1 April 2024 to 31 March 2025 and is satisfied that adequate resources exist to sustain the Corporation's operations. Armscor is, furthermore, in discussion with the DOD to ensure proper funding for the required functions to be performed. The Directors, therefore, have no reason to believe that Armscor will not remain a going concern in the foreseeable future.

Dividends
No. dividends were declared or paid to the shareholder during the reporting period.

Post Balance Sheet Events
As reflected in this report and financial statements, no material facts or significant circumstances, which affect the financial position of this Corporation or group has arisen between the date of the balance sheet and the production date of this report.

4.4 LITIGATION

In relation to special defence acquisition done for the DOD, the following were instituted against Armscor:

Beverly Securities

The claim instituted by Beverly Securities Ltd and Beverly Securities Inc in the Civil Court of Lisbon is for commission in the amount of € 192 million against Armscor for services allegedly rendered by Plaintiffs. The matter is related to the acquisition of 50 Oryx helicopters in kit form during the 1980s. The existence of an agency agreement wherein Armscor appointed Plaintiffs to assist as intermediary in establishing a clandestine Portuguese channel is in dispute. Judgement was granted in favour of Armscor by the Civil Court of Lisbon. The Plaintiffs have filed an appeal challenging the Court's decision on the facts. Armscor shall file its response to the appeal in line with the applicable procedure.

Steradian Energy (Pty) Ltd

The Plaintiff in this matter is Steradian Energy (Pty) Ltd, who has previously submitted a bid in respect of the acquisition of new Mobile and Tactical Power Generation Product System.

Steradian claims that their tender was accepted by Armscor by a written or partially written oral contract. Steradian claims that it suffered damages amounting to approximately R205 200 000 because of the cancellation of the tender by Armscor and later amended its particulars of claim to increase the claim amount to R381 900 000.

Armscor is defending the matter and has filed a Notice of Exception. The Plaintiff further amended the particulars of claim and Armscor has filed a further exception to the amended particulars of claim. The Plaintiff's attorneys have withdrawn on several occasions as attorneys of record and has to date not approached the court for a trial date.

In relation to operational matters, the following litigation was instituted by Armscor:

Gauteng Department of Health

The Gauteng Department of Health ("GDoH") contracted Armscor through its division Protechnik Laboratories for the supply and delivery of hand sanitisers and surface disinfectants. GDoH issued a purchase order to Armscor to the total amount of R30 730 080. Protechnik made deliveries as required in the order amounting to R5 608 852.83 (Incl. VAT) of which R4 041 829.73 was paid under the invoices that were submitted. Armscor's claim is for the balance of R1 567 023.10. Armscor was successful in recovering the total claim amount of R1 567 023.10 Payment in respect of interest from date of order and cost of party and party is still not effected by the GDoH.

Department of Public Works & Infrastructure

Armscor entered into a lease agreement with the Department of Public Works and Infrastructure in respect of the lease of a portion of the Armscor Building. A rental amount of approximately R103 000 000 is outstanding. Armscor has followed the provisions of the Intergovernmental Relations Framework Act (IRFA) to resolve the matter. The outstanding rental amount is not disputed, however remains unpaid. Armscor will proceed with litigation to recover the outstanding amount.

In relation to operational matters, the following litigation was instituted against Armscor:

Kyxis Technologies CC

The Plaintiff in this matter is Kyxis Technologies. Armscor terminated an order for services to be rendered because of non-compliance to the terms and conditions related to security vetting of the Contractor. The Plaintiff's claim is in the amount of R360 002.90 for payment of services allegedly rendered in the execution of the terminated order.

Armscor is disputing that any services in accordance with the requirement of the order were rendered and is defending the matter.

4.5 REPORT OF THE AUDIT AND RISK COMMITTEE

The report on the activities of the Audit and Risk Committee has been prepared as prescribed by the PFMA, read together with the provisions of Treasury Regulations, and in line with King IV. The Audit and Risk Committee was constituted as a committee of the Board to fulfil statutory duties in terms of Section 51(1) (a) (ii), Section 76 and Section 77 of the PFMA, read together with Treasury Regulation 27 and Section 94(7) of the Companies Act, as well as all other duties assigned to it by the Board.

Audit and Risk Committee Terms of Reference

The Committee reviewed its Terms of Reference to comply with changes in legislation, business circumstances, corporate governance principles, King IV and applicable best practices and such were approved by the Board of directors. The Committee confirms that it has complied with its Terms of Reference and other statutory obligations during the reporting period.

The Committee assists the Board in fulfilling its oversight responsibilities regarding the evaluation of the adequacy and efficiency of accounting policies, internal controls, financial and corporate reporting processes, risk management and compliance. The Committee further assesses the effectiveness of internal auditors and the independence and effectiveness of the external auditors.

Composition and Number of Meetings

The composition of the Audit and Risk Committee was three-fold in the entire reporting period (i. e. Financial Year 2024/25), viz;

- **First-fold Committee Composition**
  The first-fold relates to the composition of the out-going Committee following the end of the term of the previous Board of Directors on the 30 June 2024. The Outgoing Committee operated in the first financial quarter (i. e. 01 April 2024 – 30 June 2024) of the reporting period.

- **Second-fold Committee Composition**
  The second-fold relates to the absence of the Board during the second quarter (01 July 2024 – 30 September 2024) and the third quarter (01 October 2024 – 31 December 2024). During this period, the CEO became the Accounting Authority of Armscor in accordance with Section 49(2)(b) of the PFMA. This was the period during which the new Minister of Defence and Military Veterans was in the process of appointing a new Board of Directors.

- **Third-fold Committee Composition:**
  The third-fold relates to the composition of the Audit and Risk Committee following the appointment of the new Board of Directors in December 2024, with a start date of 01 January 2025.

First-fold Composition

It is required that the Committee must consist of at least three (3) independent non-executive members who are appointed by the Board of Directors. During the reporting period, Armscor last had the Audit and Risk Committee in June 2024, which made the Committee to have been functional in the first quarter of the reporting period. When the Board term came to an end by the 30 June 2024, the Audit and Risk Committee consequently ceased to exist.

The Committee that existed in the first quarter of the period consisted of three non-executive members of the Board, led by the then Chairperson of the Committee, Mr Thimothy Sukazi.

The Committee consisted of the following members who collectively possessed various skills and knowledge, including law and legal expertise, social, ethics and governance and human resources.

1. Mr Timothy Mandla Sukazi (Non-Executive Chairperson)
2. Ms Fundiswa B Gushu (Non-Executive member)
3. Ms PN Mashinini (Non-Executive member)

Second-fold Committee

The second fold composition which was the PFMA Section 49(2)(b) consisted of the CEO as the Accounting Authority.

Third-fold Composition

The newly formed Committee was established and came to existence in Quarter 4 of the reporting period. The Committee consisted of four non-executive members including the Chairperson of the Committee, Ms Mmathabo A Sukati. The committee members collectively possess sufficient qualifications and experience to fulfil their duties, including an understanding of financial and sustainability reporting, internal financial controls, external audit and internal audit processes, corporate law, risk management, information technology, social and ethics, human resources and corporate governance.
During the last quarter of the reporting period, the Committee consisted of the following members:

1. Ms Mmathabo A Sukati (Non-Executive Chairperson)
2. Mr NAM Tshivhase (Non-Executive Director)
3. Ms PN Mashinini (Non-Executive Director)
4. Ms M Booi (Non-Executive Director)

The following officials and persons were standing invitees to all meetings of the committee throughout the reporting period:

a. Chief Executive Officer (CEO)
b. Chief Financial Officer (CFO)
c. Chief Audit Executive (CAE)
d. Chief Information & Technology Officer (CITO)
e. Group Executive: Business Assurance
f. Executive Manager: Supply Chain Management
g. Company Secretary and
h. Representative from external auditors (Auditor-General South Africa)

The external auditors attended the committee meetings and had unrestricted access to all Committee meetings. The external auditors and internal auditors were afforded opportunities to meet with the committee in the absence of management quarterly or as and when there was a need.

The Committee held four (4) meetings, two (2) special meetings and 1 induction meeting during the period under review.

Table 35: Audit and Risk Committee meetings and attendance

FIRST-FOLD	
Members	**24/04/2024**
Mr TM Sukazi	A
Ms BF Skweyiya-Gushu	P
Ms PN Mashinini*	P

Key: P – Present A – Absent with apology
* Ms PN Mashinini -Appointed as a Member of Audit and Risk on 30 June 2023

Table 36: Audit and Risk Committee meetings and attendance

THIRD-FOLD	
Members	**24/02/2025**
Ms MA Sukati (Chairperson)*	P
Mr NAM Tshivhase*	P
Ms PN Mashinini	P
Ms M Booi*	P

Key: P – Present A – Absent with apology

* Newly established Committee – members appointed in January 2025

Table 37: Special Audit and Risk Committee meetings and attendance

FIRST-FOLD	
Members	**20/06/2024**
Mr TM Sukazi	P
Ms BF Skweyiya-Gushu	P
Ms PN Mashinini*	P

Key: P – Present A – Absent with apology

* Ms PN Mashinini -Appointed as a Member of Audit and Risk Committee on 30/06/2023

Table 38: Special Audit and Risk Committee meetings and attendance

THIRD-FOLD	
Members	**28/01/2025**
Ms MA Sukati (Chairperson)*	P
Mr NAM Tshivhase*	P
Ms PN Mashinini	P
Ms M Booi*	P

Key: P – Present A – Absent with apology

* Newly established Committee – members appointed in January 2025

Table 39: Audit and Risk Committee Induction Meeting

Audit and Risk Committee Induction Meeting	
Members	**17/02/2025**
Ms M Sukati (Chairperson)	P
Ms PN Mashinini	P
Ms M Booi	P
Mr NAM Tshivhase	P

Activities of the Committee for FY2024/25

The main activities undertaken by the committee during the period under review are summarised below:

During the FY2024/25, the committee, in its 3 folds undertook the following activities:

a. Considered the FY2023/24 draft annual financial statements with management and assurance providers and approved them for submission to AGSA for audit purposes.
b. Considered and concurred that the adoption of the going concern premise in preparation of the FY2024/25 annual financial statements was appropriate.
c. Considered and recommended to the Board the FY2023/24 fourth quarterly performance information and financial reports, and the first to the third quarterly performance information and financial reports for FY2024/25.
d. Reviewed, deliberated and approved the external audit strategy, audit fee, and related scope of work for the financial year ended 31 March 2025.
e. Reviewed significant accounting practices, judgments and estimates adopted by Armscor in the application of the applicable financial reporting standards and found such to be appropriate.
f. Reviewed the report of AGSA concerning the effectiveness of Armscor's internal control environment and ICT Governance.
g. Considered with management the quality and effectiveness of AGSA's process, areas of concern and the improvement plans being developed to mitigate identified risks. Monitored progress on FY2024/25 audit action plans.
h. Undertook an induction programme on 17 February 2025.

The Committee ensures that an effective internal audit function is in place and that the roles and functions of internal audit are sufficiently clarified and co-ordinated so as to provide an objective overview of the operational effectiveness of Armscor's system of internal control, risk management, governance and reporting.

During FY2024/25, the Committee:

a. Reviewed and approved the internal audit charter.
b. Reviewed the objectives and the operations of the internal audit function and the adequacy of available resources.
c. Reviewed and approved the FY2024/25 internal audit plan and the rolling three-year plan.
d. Considered Internal Audit's quarterly reports relating to the effectiveness of Armscor's internal control environment, systems and processes, together with the adequacy and appropriateness of the related management's corrective action plans.
e. Considered the effectiveness of the internal audit function.
f. Considered Whistle-blower Reports and the progress in addressing reported incidents.
g. Received no complaints relating to the accounting practices and internal audit of Armscor, and the content or auditing of its financial statements, the internal financial controls of Armscor or other related matters.

The Committee, after considering, analysing, reviewing and debating information provided by management, internal and external auditors, concluded that the internal controls have been effective in all material aspects throughout the FY2024/25.
The Committee must provide oversight over financial reporting made by Armscor by contributing to the objectivity and credibility of such financial reports. The Committee examined and reviewed the annual financial statements for the financial year ended 31 March 2024, and the accompanying reports, prior to approval by the board and publication.

The Committee further reviewed the quarterly financial reports and reviewed and discussed with management, Armscor's group conformance with any financial progress against the approved budget of FY2024/25.

The Board remains responsible for the risk management policy of Armscor and delegated to the Committee the responsibility to oversee the risk philosophy, strategy, and risk management reports and to review the adequacy and overall effectiveness of Armscor's risk management process, the integrity of the risk control systems, and compliance with selected risk policies and the overall risk profile of Armscor. The Committee considers quarterly risk registers' reports on the mitigation of strategic and operational risks and considers the material risks within Armscor to ensure that new and emerging risks were identified, monitored and addressed.

The Committee is satisfied that the following areas have been appropriately addressed:

a. Financial reporting risks.
b. Internal financial controls.
c. Fraud risk related to financial reporting.
d. IT risks related to financial reporting.

During the reporting year, the Committee considered and recommended the following to the Board:

FY2023/24 fourth quarter, first to the third quarter FY2024/25 ICT Governance reports.
FY2023/24 fourth quarter, first to the third quarter FY2024/25 Corporate Strategic Risk Registers reports.
Quarterly risk management strategy reports.
Quarterly fraud risk register reports.
Quarterly operational risk dashboard reports.
Quarterly risk appetite emerging risk reports.

The Committee is satisfied that the mitigation actions for the identified risks have been effective.

The Committee monitors Armscor's compliance with laws and regulations by reviewing the effectiveness of the systems for monitoring compliance with laws and regulations and the results of management's investigation and follow-ups, including disciplinary actions on any fraudulent acts or accounting irregularities.
During the reporting period, the Committee considered:

a. The FY2023/24 fourth quarter, and FY2024/25's first to the third quarterly litigation reports.
b. The FY2023/24 fourth quarter, FY2024/25 first to the third quarterly regulatory universe reports.
c. Quarterly Reports on irregular, fruitless and wasteful expenditure.

Other Matters

The Committee approved the Group Annual Financial Statements based on the process and assurances obtained.
On behalf of the Audit and Risk Committee,

Ms MMATHABO ABIGAIL SUKATI
CHAIRPERSON: AUDIT AND RISK COMMITTEE

PART E

PFMA COMPLIANCE REPORT

5.1 PROCUREMENT BY OTHER MEANS

Table 40: Reporting of Procurement by Other Means

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
1	Purchasing of Agilent maintenance consumables.	Chemetrix Export (Pty) Ltd	PO022278	Chemetrix Export (Pty) Ltd is the accredited sole supplier source by Original Equipement Manufacturer (OEM) Agilent Technologies International Sarl for Agilent equipment.	R136 784,29	09-Apr-24	09-Apr-24	17-May-24
2	Repair of LC/MS-MS	Chemetrix Export (Pty) Ltd	PO022286	Chemetrix Export (Pty) Ltd is the accredited sole supplier source by OEM Agilent Technologies International Sarl for Agilent equipment.	R8 771,36	10-Apr-24	10-Apr-24	26-Apr-24
3	ISO 17025 accreditation	SANAS	SSM-GER-2024-03	SANAS is mandated by the state through the accreditation for conformity assessment, calibration and good labolatory practice Act 19 of 2006 as the only body to provide ISO 17025 accreditation services.	R124 362,00	04-Apr-24	04-Apr-24	03-Apr-25
4	Urgent procurement circuit breakers	ARB electrical Wholesalers (Pty) Ltd	SCM01035	The circuit breaker trips during load shedding where the medical centre is affected. The sick bay is a critical facility for the DOD.	R30 598,84	19-Mar-24	19-Mar-24	19-Mar-24
5	Purchasing of an Advion Expression-L Compact Mass Spectrometer and accessories	Bruno Steiner Lab Consultancy cc	PO022247	Bruno Steiner Lab Consultancy CC is an authorised sole distributor in South Africa by Advion-Intercim USA for Advion-Intercim CMS-L system and consumables.	R2 110 505,00	04-Feb-24	04-Feb-24	05-Jul-24
6	UBRD MQTT Brokers and setting to work support	IOSYS CC	DI020561	IOSYS CC has developed the UBRD software/ firmware, and is the only entity that can conduct modifications, upgrades, new developments and problem-solving involving the firmware.	R30 000,00	12-Apr-24	31-Mar-24	31-May-24
7	Validation of Biosafety Cabinet	Air and Lab Products Africa (Pty) Ltd (ALPA)	PO022296	Air and Lab Products Africa (ALPA) (Pty) Ltd is the only local commercial company available in South Africa that supplies CAMAG Air Filter Products for Biosafety Level 3 (BSL-3) facilities.	R3 038,50	18-Apr-24	18-Apr-24	17-May-24
8	Purchasing of consumables for LC-MS	Merck Life (Pty) Ltd	PO022306	Merck (Pty) Ltd is the sole supplier for LC-MS consumables in South Africa.	R21 186,00	24-Apr-24	24-Apr-24	31-May-24

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
9	Procurement of next generation sequencing, Ion Chef Consumables	LTC Tech South Africa (Pty) Ltd TA Termofisher scientific	PO022309	Thermo Fisher Scientific (LTC Tech South Africa (Pty) Ltd), the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine] and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and Step One Plus instrument also supplies consumables for these instruments.	R39 331, 73	29-Apr-24	29-Apr-24	06-Jun-24
10	Supply and Delivery of 200KVA Change Over Switch and 12KW Solar System	Boubenodighede Prieska BK	RA 0125/23	The failure of the switch-over gear due to loadshedding, resulted in the UPS damages. If the UPS is down, the data server is vulnerable. For business continuity purposes, a request to do an urgent RFQ was made.	R410 724,81	05-Mar-24	05-Mar-24	30-Mar-24
11	ARM Program Software Upgrade	Thales South Africa Systems (Pty) Ltd	RA 0118/23	Thales South Africa Systems (Pty) Ltd is the sole supplier of the ARM Program Software	R575 000,00	11-Apr-24	11-Apr-24	30-Apr-24
12	Procurement of Filter Test Chamber, a test station for testing respiratory protective equipment.	Inspec International Limited	PO022312	INSPEC International Ltd periodically provides a proficiency test service for various tests of different respiratory protection equipment. From an Internet search analysis, it was established that INSPEC International Ltd is the only facility in the world that currently provides this service.	GBP 4575.00	05-Feb-24	05-Feb-24	28-Jun-24
13	To repair and service of HPLC on Q-TOF instrument (Agilent equipment)	Chemetrix Export (Pty) Ltd	PO022323	Chemetrix Export (Pty) Ltd is the accredited sole supplier sourced by OEM Agilent Technologies International Sarl for Agilent equipment.	R10 723,20	15-May-24	15-May-24	24-May-24
14	Procurement of Annual Accreditation Fees for Financial Year 2024/25	South African National Accreditation System	RA 0007/24	SANAS is the only national body responsible for carrying out accreditation in respect to conformity assessment.	R38 066,00	03-May-24	03-May-24	03-Jun-24
15	Calibration of two X-am 8000 (6M) detector system.	Drager South Africa (Pty) Ltd	PO022338	Dräger is a German-based company with Dräger South Africa (Pty) Ltd as the sole distributor for their products in South Africa (multi sensor detector).	R6 776,14	20-May-24	20-May-24	28-Jun-24

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
16	Evaluation for an HLPC.	Chemetrix Export (Pty) Ltd	PO022337	Chemetrix Export (Pty) Ltd is the accredited sole supplier sourced by OEM Agilent Technologies International Sarl for Agilent equipment.	R25 361,60	20-May-24	20-May-24	22-May-24
17	To repair a faulty mass filter electronics error.	Chemetrix Export (Pty) Ltd	PO022336	Chemetrix Export (Pty) Ltd is the accredited sole supplier sourced by OEM Agilent Technologies International Sarl for Agilent equipment.	R187 491,27	20-May-24	20-May-24	31-May-24
18	Procurement of desk phones	Plus1X Communications (Pty) Ltd TA + ONEX Communications	PO022343	Plus1X Communications (Pty) Ltd is a sole source to the supplier to satisfy the requirement for the replacement and standardisation of the PABX Systems.	GBP 4575.00	05-Feb-24	05-Feb-24	28-Jun-24
19	Procurement of Ready Made Hepa pleat pucks	Helmet Integrated systems Limited t/a Gentex Europe (Formerly the Filter Design Company)	HAZ-RFQ 480	Helmet Integrated Systems Limited t/a Gentex Europe (Formerly the Filter Design Company) is the developer (Original Manufacturer) of the Hepa pleat pucks.	R329 970,48 GBP: 13,775	10-May-24	10-May-24	30-Aug-24
20	Procurement of Filtration Media	Freudenberg Filtration Technologies	HAZ-RFQ 481	Freudenberg Filtration Technologies is the developer of filter material (OEM) for Hazmat's cartridge and canister product range.	R100 883,06	09-May-24	10-May-24	31-Jul-24
21	Single & Double Half Mask (Green)	Paramount Safety Products CC	HAZ-RFQ 489	Paramount Safety Products cc is the developer (OEM) of the single & double half mask in South Africa.	R385 871,00	17-May-24	17-May-24	31-Dec-24
22	To procure consumables required for the Electrochemical Gas Sensor Test Station.	X-Link Systems CC	PO022356	X-Link Systems CC supplied Protechnik Laboratory with customised-made equipment as per national and international test specifications. This also includes automation of equipment and interfacing various equipment to create a sustainable scientific system.	R52 880,00	27-May-24	27-May-24	14-Jun-24
23	Appointment of a service provider for the supply of Microsoft specialised services	Microsoft South Africa	KB423963	Microsoft is the OEM for the Microsoft specialised licences.	R4 276 850,00	01-Jun-24	01-Jun-24	31-May-25
24	Repair ride-on lawnmowers	Pangela Lawnmowers and garden services cc	KA913284	Pangela Lawnmowers and garden services cc to strip, assess and quote on lawnmowers.	R28 556,47	14-May-24	14-May-24	18-Jun-24

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
25	Repair Chubb 4-drawer safes	Masterkery Locksmith cc	SCM00891	The repairs entail the supply, delivery and on-site fitment of new dial-type combination locks and push-locks to each cabinet. Keys and codes were lost and Masterkery Locksmith cc has previously opened the cabinets.	R15 285,00	09-May-24	09-May-24	24-May-24
26	Procurement of data warehouse automation tool	Direct Insight Consulting (Pty) Ltd	KB423957	Direct Insight Consulting (Pty) Ltd is contracted currently for QLik sense analytics. QLik data warehouse automation tool is procured to ensure standardisation.	R8 146 518,13	25-Apr-24	25-Apr-24	30-Apr-27
27	The Supply and Delivery of Blast Overpressure Sensors	TANDM Technologies (Pty) Ltd	RA 0015/24	TANDM Technologies (Pty) Ltd is the sole supplier and official distributor of PCB Sensors in South Africa.	R109 503,00	30-May-24	30-May-24	10-Jul-24
28	Refurbishment of UBRD Electronic Components and Enclosures	Circor Solutions (Pty) Ltd	DI020595	Circor Solutions (Pty) Ltd is the sole supplier and approved supplier to conduct UBRD electronic assemblies as per approval obtained from Armscor EXCO on 30 May 2023.	R52 840,00	04-Jun-24	12-Jul-24	12-Jul-24
29	Creation of custom software to emulate TSI terminal on Personal Computer (PC)	X-Link Systems CC	PO022356	X-Link Systems CC supplied Protechnik Laboratory with customised-made equipment as per national and international test specifications. This also includes automation of equipment and interfacing various equipment to create a sustainable scientific system.	R69 600,00	06-May-24	06-May-24	06-May-24
30	Maintenance spares for 400 Mega Hertz Nuclear Magnetic Resonance Spectrometer (400mHZ NMR)	Chemetrix Export (Pty) Ltd	PO022380	Chemetrix Export (Pty) Ltd is the accredited sole supplier source by OEM Agilent Technologies International Sarl for Agilent equipment.	R96 000,00	12-Jun-24	12-Jun-24	25-Jul-24
31	Scheduled service for 400 Mega Hertz Nuclear Magnetic Resonance Spectrometer (400mHZ NMR)	Chemetrix Export (Pty) Ltd	PO022381	Chemetrix Export (Pty) Ltd is the accredited sole supplier source by OEM Agilent Technologies International Sarl for Agilent equipment.	R19 880,00	12-Jun-24	12-Jun-24	25-Jul-24
32	Replacement of a bursts kitchen geyser	Ernest Plumbers CC	PO022345	An urgent sourcing to replace a burst geyser in Protechnik Laboratories' kitchen.	R15 467,59	24-Jun-24	24-Jun-24	02-Jul-24

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
33	Cooling tower water pump assembly	Horizen Holdings (Pty) Ltd	US-GER-002	Urgent procurement of cooling tower water pump as the pump was burnt out during power failure that Gerotek Test Facilities experienced on 5 May 2024.	R43 500,00	17-May-24	17-May-24	22-May-24
34	Calibration of National Instruments (NI) data acquisition card and procurement of LABVIEW application builder software subscription for the period of June 2024 to November 2026	Test Dynamics Defense (Pty) Ltd	DI020612	TEST DYNAMICS DEFENSE (PTY) LTD is the only representative of the National Instruments calibration laboratory in South Africa, sole supplier and appointed agent of the OEM in Hungary as per approval obtained from Armscor EXCO on 30 May 2023.	R84 820,00	25-Jun-24	25-Jun-24	13-Sept-2024 and 30-Nov-2026
35	Replacement of a controller board on the TSI Certi Tester	AMS Laboratory Technologies (Pty) Ltd (AMSLT)	PO022405	AMS Laboratory Technologies (Pty) Ltd (AMSLT) is the local agent TSI Incorporated based in the United States of America. The current equipment in service is the TSI Certi Test for particle penetration test for filters, the Laser Photometer for mask leakage tests and the nanoparticle detector. Furthermore, additional SDL Atlas equipment such as the Martindale Abrasion Tester, Crockmeter, Pneumatic Dumbbell Cutter and an Auto-buster were procured from AMSLT. Currently, AMSLT is the only supplier of these spares and they can assist with the technical support of all the equipment.	R238 181,50	27-Jun-24	27-Jun-24	25-Jul-24
36	Procurement of Small Arms Ammunition (SAA) Ball type	Denel SOC LTD T/A PMP	RA 0031/24	Denel Pretoria Metal Pressings (PMP) is the sole supplier that can provide the required ammunition as they are the OEM.	R51 805,50	27-Jun-24	27-Jun-24	26-Jul-24
37	Purchasing of Suprasolv.	Merck Life (Pty) Ltd	PO022407	Merck (Pty) Ltd is a sole supplier for Gas Chromatograph Mass Spectrometer Suprasolv in South Africa.	R53 591,28	02-Jul-24	02-Jul-24	30-Sep-24
38	Renewal of Payspace Software Licenses	Business Connexion (Pty) Ltd	KB423966	The current payspace payroll solution is contracted until 31 July 2024. The ERP system is scheduled to go live on 1 September 2024. To facilitate smooth transition, a contract with Business Connexion (Pty) Ltd to support payspace is essential.	R99 512,06	03-Jul-24	01-Aug-24	30-Sep-24

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
39	Service of HX-90 2D Systec Autoclave	Anatech Instruments (Pty) Ltd	PO022409	Anatech Instruments (Pty) Ltd is an authorised distributor in South Africa by Systec GmBH & Co. KG the original equipment manufacturer of the HX-9 2D Systec Autoclave.	R28 931,58	08-Jun-24	08-Jun-24	30-Aug-24
40	Purchasing of consumables for Liquid Chromatography Mass Spectrometry (LC-MS).	Merck Life (Pty) Ltd	PO022145	Merck (Pty) Ltd is the sole supplier for Millipore and Eppendorf products in South Africa and no other supplier is authorised to repair, maintain and supply the necessary spare parts.	R11 571,00	09-Jul-24	09-Jul-24	30-Aug-24
41	To procure consumables for Prolog Gen III Microstation instrument	Anatech Instruments (Pty) Ltd	PO022419	The Prolog Gen III Micro Station instrument spare parts and its related consumables are supplied by Anatech Instruments (Pty) Limited which is the only agency in South Africa.	R7 238.00	12-Jul-24	12-Jul-24	30-Aug-24
42	To procure consumables for Micromeritics Surface Analyser	Poretech (Pty) Ltd	PO022427	Poretech (Pty) Ltd is the sole supplier/agent for the Micromeritics Instrument Corporation based in the United States of America that manufactures most of the activated carbon test equipment.	R37 068.24	16-Jul-24	16-Jul-24	30-Oct-24
43	To procure CAMAQ Air Filter consumables.	Air and Lab Products Africa (Pty) Ltd (ALPA)	PO022434	ALPA is the only local commercial company available in South Africa that supplies CAMAG Air Filter Products for Biosafety Level 3 (BSL-3) facilities.	R145 851,48	22-Jul-24	22-Jul-24	29-Nov-24
44	To procure gas sensors for the multi-sensor detector.	Dräger South Africa (Pty)	PO022433	Dräger is a German-based company with Dräger South Africa (Pty) Ltd as the sole distributor for their products in South Africa (multi sensor detector).	R16 423,00	23-Jul-24	23-Jul-24	30-Aug-24
45	Calibration SANAS Single Channel pipettes at three ponts	Lasec SA (Pty) Ltd	PO022438	Lasec (Pty) Ltd is the sole supplier of Gilson pipettes, Radweg balances and CRISON pH meters imported equipment and is the only agent to perform maintenance, repairs and supply the spare parts in South Africa.	R9 310,00	23-Jul-24	23-Jul-24	30-Aug-24
46	To procure consumables for the multi-sensor detector	Dräger South Africa (Pty)	PO022437	Dräger is a German-based company with Dräger South Africa (Pty) Ltd as the sole distributor for their products in South Africa (multi sensor detector).	R4 945,00	25-Jul-24	25-Jul-24	23-Aug-24

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
47	Purchasing of consumables for Liquid Chromatography Mass Spectrometry (LC-MS)	Merck Life (Pty) Ltd	PO022452	Merck (Pty) Ltd is the sole supplier for Millipore and Eppendorf products in South Africa and no other supplier is authorised to repair, maintain and supply the necessary spare parts.	R12 630,24	29-Jul-24	29-Jul-24	16-Aug-24
48	Purchasing of primers (oligonucleotide)	Inqaba Biotechnical Industries (Pty) Ltd	PO02258	Inqaba Biotechnical Industries (Pty) Ltd is the only local commercial oligonucleotide manufacturer available in South Africa.	R5 605.40	31-Jul-24	31-Jul-24	21-Aug-24
49	Maintenance contract of a pagination machine DS-6600 for a period of 12 month	Biz Central Trading cc t/a HPS	KB423968	Biz Central Trading cc t/a HPS is a sole distributor of this pagination machine in South Africa.	R26 086,96	24-Jul-24	01-Jan-24	31-Dec-24
50	Purchasing of Quant Studio Pro 6 consumables	LTC Tech South Africa (Pty) Ltd TA Thermofisher Scientific	PO022465	Thermo Fisher Scientific (LTC Tech South Africa (Pty) Ltd) the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine] and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and Step One Plus.	R80 821,10	06-Aug-24	06-Aug-24	06-Sep-24
51	To develop a custom-made electrochemical sensor test equipment that requires a sensor sample holder for test improvement	X-Link Systems CC	PO022467	X-Link Systems CC supplied Protechnik Laboratories with customised make equipment as per national and international test specification. This also includes automation of equipment and interfacing various equipment to create a sustainable scientific system.	R9 990,00	12-Aug-24	12-Aug-24	04-Oct-24
52	Recycling mask into a rigid prototype.	Council For Scientific and Industrial Research (CSIR)	PO022484	Protechnik Laboratories has initiated a project aimed at developing polymer materials for protective garments. An investigation was conducted in search of companies that can offer a platform to collaborate with for polymer development. None was found or in existence except for the CSIR, which allows small-scale research work on their equipment. Therefore, a collaboration was initiated to use their equipment in order to produce polymer films and characterise the samples using different specialised techniques to assess their various properties.	R161 684,00	13-Aug-24	13-Aug-24	20-Sep-24
53	Purchasing of Agilent maintenance consumables	Chemetrix Export (Pty) Ltd	PO022486	Chemetrix Export (Pty) Ltd is the accredited sole supplier source by OEM Agilent Technologies International Sarl for Agilent equipment.	R65 264,94	15-Aug-24	15-Aug-24	30-Sep-24

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
54	Procurement of next generation sequencing, Ion Chef Consumables	LTC Tech South Africa (Pty) Ltd TA Thermofisher Scientific	PO022487	Thermo Fisher Scientific (LTC Tech South Africa (Pty) Ltd) the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine] and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and Step One Plus.	R65 480,30	15-Aug-24	15-Aug-24	20-Sep-24
55	Servicing of Evoqua Ultra Clear model: TWF WF UF	Promolab (Pty) Ltd t/a Separations	PO022492	Separations is a sole distributor of Evoqua water system.	R112 341,20	15-Aug-24	15-Aug-24	27-Sep-24
56	Procurement of calibration gasses	National Metrology Institute of South Africa (NMISA)	PO022516	NMISA is the only facility that can perform airflow calibrations that are recognised by the Proficiency Test bodies.	R40 132,92	23-Aug-24	23-Aug-24	30-Sep-24
57	To procure consumables for Prolog Gen III Micro Station instrument	Anatech Instruments (Pty) Ltd	PO022521	The Prolog Gen III Micro Station instrument spare parts and its related consumables are supplied by Anatech Instruments (Pty) Limited, which is the only agency in South Africa.	R13 560,00	9-Sep-24	9-Sep-24	30-Sep-24
58	Calibration of Single Channel pipettes at three points according to SANAS	Lasec SA (Pty) Ltd	PO022524	Lasec (Pty) Ltd is the sole supplier of Gilson pipettes, Radweg balances and CRISON pH meters imported equipment and is the only agent to perform maintenance, repairs and supply the spare parts in South Africa.	R40 815,00	11-Sep-24	11-Sep-24	25-Oct-24
59	Repair of Evoqua Ultra Clear model: TWF WF UF system.	Promolab (Pty) Ltd t/a Separations	PO022525	Separations is a sole distributor of Evoqua water system.	R18 756,45	11-Sep-24	11-Sep-24	30-Sep-24
60	Procurement of Kingfisher Flex reagents and consumables	LTC Tech South Africa (Pty) Ltd TA Thermofisher Scientific	PO022530	Thermo Fisher Scientific (LTC Tech South Africa (Pty) Ltd) the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine] and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and Step One Plus.	R14 229,00	11-Sep-24	11-Sep-24	30-Sep-24
61	Procurement of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine] and Ion Chef); Consumables	LTC Tech South Africa (Pty) Ltd TA Thermofisher Scientific	PO022531	Thermo Fisher Scientific (LTC Tech South Africa (Pty) Ltd) the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine] and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and Step One Plus.	R110 831,89	11-Sep-24	11-Sep-24	30-Sep-24

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
62	To participate in ILC 24-095, filtering half masks, Carbon dioxide content of inhalation air, EN 149: 2001 + A1: 2009 proficiency testing.	Inspec International Limited	PO022534	INSPEC International Ltd is the only facility in the world offering this proficiency test specifically for respiratory protection test methods.	500.00GBP	12-Sep-24	12-Sep-24	15-Nov-24
63	Calibration of Single Channel pipettes at three points according to SANAS	Lasec SA (Pty) Ltd	PO022535	Lasec (Pty) Ltd is the sole supplier of Gilson pipettes, Radweg balances and CRISON pH meters imported equipment and is the only agent to perform maintenance, repairs and supply the spare parts in South Africa.	R8 553,44	16-Sep-24	16-Sep-24	15-Oct-24
64	Renewal of Guardian software licences for a period of 12 Months	Lucidview (Pty) Ltd	KA913310	Lucidview (Pty) Ltd is the OEM of the of the guardian software licences.	R445 619,75	31-Aug-24	1-Sep-24	31-Aug-24
65	Software support	4Sight Systems (Pty) Ltd	KA913312	Sage ERP 00 is currently used by Armscor R&D department, Armscor Medical Benefit Fund, Armscor Defined Contribution Pension Fund and Armscor Provident Fund as financial transaction recording and business reporting system. Asseware Manager is a third-party asset management used by R&D department, Armscor Defence Assets Management Centre, Armscor Infrastructure and Armscor Dockyard.	R134 136,00	9-Sep-24	31-Aug-24	31-Jul-25
66	Calibration of Weibel Radar Oscillators	Weibel Scientific AS	RA 0014/24	Weibel Scientific A/S is the Sole Supplier to satisfy the requirement of calibration and maintenance of the Weibel Radar System at Alkantpan Test Range.	Euro 12900	17-Jul-24	17-Jul-24	31-Oct-24
67	The Repair and Maintain the Miller Magnetic Welding Machines	African Oxygen (Pty) Ltd	RA 0073/24	Alkantpan has invested on Miller Magmatic heavy-duty welding machines, manufactured and compatible to African Oxygen (Pty) Ltd, for various reasons and durability of the product. It is recommended that repairs and replacement of defected items be done by African Oxygen (Pty) Ltd.	R20 369,20	30-Sep-24	30-Sep-24	30-Oct-24

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
68	The Appointment of Vortex Transmission CC to Run Diagnostic Tests on the Mercedes Benz Bus Gearbox System at Alkantpan Test Range	Vortex Transmission CC	RA 0054/24	Mercedes Benz Kimberley referred Alkantpan to Vortex Transmissions cc. Mercedes Benz recommended this supplier due to its reputable services received over the years on their assets. There are only two RF power transmission gearbox specialists' branches in the country and one is based in Cape Town and the other in Johannesburg. Alkantpan requested an estimate from Vortex Transmission cc branch based in Johannesburg for a strip and quote.	R31 797,50	28-Aug-24	28-Aug-24	30-Sep-24
69	The Continuation of Work of Barloworld Equipment to Service and Repair the Telescopic Material Handler	Barloworld Equipment (Pty) Ltd	RA 0056/24	The Continuation of Work of Barloworld Equipment to Service and Repair the Telescopic Material Handler.	R83 892,60	06-Sep-24	06-Sep-24	30-Sep-24
70	Recertification of ISO 9001: 2015 and ISO 14001: 2015	Bureau Veritas (South Africa) Pty Ltd	RA 0048/24	Alkantpan specialises in ballistic testing and evaluation of conventional weapons, ammunition; and ammunition disposal for local and international clients. To enhance clients' trust in Alkantpan's capacity to provide state-of-the-art quality services, it is critical to uphold ISO 9001: 2015 and 14001: 2015 certifications to guarantee adherence to global standards and legal requirements. Alkantpan has a contract in place with Bureau Veritas (South Africa) (Pty) Ltd for the ISO 45001: 2018 certification, which is presently in the stage 2-audit process placed on order dated 20 November 2020. It is therefore recommended that Bureau Veritas (South Africa) (Pty) Ltd conduct the recertification for the ISO 9001: 2015 and 14001: 2015 in order to enable the integration of these three management systems (45001, 9001 and 14001) as soon as recertification of ISO 9001: 2015 and 14001: 2015 is complete.	R284 050,00	08-Oct-24	08-Oct-24	31-Oct-24

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
71	Supply and Delivery of Copper Crusher Balls	Wilhelm Handke GMBH	RA 0011/24	In order for Alkantpan to retain instrumentation capabilities it must replenish its stock of Copper Crusher Balls for use in the Copper Crushers Gauges, also originally sourced from WILHELM HANDKE GMBH. WILHELM HANDKE GMBH is an overseas company that specialises in the manufacturing of Copper Crusher Gauges and associated Crusher Balls.	R466 276,50	12-Jun-24	12-Jun-24	30-Sep-24
72	To supply and deliver UBRD V4 Transducers (RLT-004-UIC 60)	CSIR	DI020635	CSIR is the sole supplier and OEM of the UBRD V4 Transducers.	R270 240,00	09-Oct-24	09-Oct-24	20-Nov-24
73	Procurement of controlled reference material of B. anthracis and Y. pestis	Culture Collection Center, UK Health Security Agency	PO022567	UK Health Security Agency Culture Collection Center is the only authorised Culture Collection Centers to supply controlled reference strains.	GBP 3300.39	9-Oct-24	9-Oct-24	29-Nov-24
74	To participate in ILC 24-107, liquid filter penetration, paraffin oil aerosol proficiency testing.	Inspec International Limited	PO022566	INSPEC International Ltd is the only facility in the world offering this proficiency test specifically for respiratory protection test methods.	GBP 500.00	9-Oct-24	9-Oct-24	8-Nov-24
75	To procure consumables for Prolog Gen III Micro Station instrument	Anatech Instruments (Pty) Ltd	PO022570	The Prolog Gen III Micro Station instrument spare parts and its related consumables are supplied by Anatech Instruments (Pty) Limited, which is the only agency in South Africa.	R12 600,00	10-Oct-24	10-Oct-24	31-Oct-24
76	Single & Double Half Mask (Green)	Paramount Safety Products CC	HAZ-500	Paramount Safety Products cc is the developer (OEM) of the single & double half mask in South Africa.	R502 768,50	29-Aug-24	29-Aug-24	31-Dec-24
77	Calibration of IMT test and Measurement Equipment	CONCILIUM TECHNOLOGIES (PTY) LTD	DI020665	CONCILIUM TECHNOLOGIES is the only authorised Repair and Calibration Facility for Keysight Technologies products (formerly Agilent Technologies in South Africa.	R9 860,00	15-Oct-24	15-Oct-24	01-Nov-24
78	Implementation of a field hardware and separate server interface that can be scaled for UBRD field sites	TLC Engineering Solutions (Pty) Ltd	DI020618	TLC Engineering Solutions (Pty) Ltd is the sole supplier and OEM of the UBRD Alarm terminal software /firmware and communication gateways.	R710 000,00	17-Oct-24	17-Oct-24	30-Apr-25

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
79	Development of the UBRD V5 field equipment	IOSYS CC	DI020619	IOSYS CC is the sole supplier and OEM of the UBRD software /firmware.	R866 090,00	17-Oct-24	17-Oct-24	28-Feb-26
80	Purchasing of primers (oligonucleotide).	Inqaba Biotechnical Industries (Pty) Ltd	PO022582	Inqaba Biotechnical Industries (Pty) Ltd is the only local commercial oligonucleotide manufacturer available in South Africa.	R5 282,22	21-Oct-24	21-Oct-24	22-Nov-24
81	The continuation of work to supply, deliver and install Titmus V4 vision screener and Tremetric RA660 audiometer at Alkantpan Test Range	Amtronix (Pty) Ltd	RA 0061/24	Alkantpan makes use of Amtronix (Pty) Ltd for the audio centre and spirometer. Therefore, it makes technical sense to synchronise vision screening to the existing data acquisition system. Purchasing the Titmus V4 vision screener and the RA660 audiometer from Amtronix (Pty) Ltd will enable the system to compile and complete the health reports for each individual and keep records in the server (single patch exercise).	R152 730,58	21-Oct-24	21-Oct-24	19-Nov-24
82	Supply and install 160 KVA UPS with a 300kW invertor system at Armscor HQ.	LethuN Consulting Engineers (Pty) Ltd	KB423964	Urgent sourcing for supply and install 160 KVA UPS with a 300kW invertor system at Armscor HQ was necessitated to mitigate the risk of operating sensitive IT Servers at Armscor and DOD server rooms and providing backup power for the IT Networks, Fire Protection Systems and Passenger Lifts without a UPS. The Impact on the DOD servers had been escalated to Armscor by the National Arms Control Unit, which is based at Armscor HQ. The unit is responsible for issuing Permits and Clearances for Arms /Weapons shipment across South African borders. It had experienced severe delays and ceased to operate during load shedding as their servers went offline.	R11 876 894,20	29-Apr-24	1-May-24	30-Aug-24

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
83	Purchase of Cargowise data services	Logsys (Pty) Ltd	KB423972	Logsys (Pty) Ltd is the only locally based integration partner who has worked with Armscor data, as they have already migrated Armscor data from Comp clear to Cargowise.	R203 125,00	16-Oct-24	1-Jun-24	31-May-25
84	Repairs on Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine)	LTC Tech South Africa (Pty) Ltd TA Thermofisher Scientific	PO22602	Thermo Fisher Scientific (LTC Tech South Africa (Pty) Ltd) the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine] and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and Step One Plus.	R6 413,00	29-Oct-24	29-Oct-24	8-Nov-24
85	Service and repairs of Millipore Water Purification System	Merck Life (Pty) Ltd	PO022601	Merck (Pty) Ltd is the sole supplier for Millipore and Eppendorf products in South Africa and no other supplier is authorised to repair, maintain and supply the necessary spare parts.	R17 758,07	29-Oct-24	2-Oct-24	15-Nov-24
86	Repairs and maintenance on Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine)	LTC Tech South Africa (Pty) Ltd TA Thermofisher Scientific	PO022610	Thermo Fisher Scientific (LTC Tech South Africa (Pty) Ltd) the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine] and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and Step One Plus.	R22 240,00	31-Oct-24	31-Oct-24	8-Nov-24
87	Procurement for Quant Studio Pro 6 consumables	LTC Tech South Africa (Pty) Ltd TA Thermofisher Scientific	PO022609	Thermo Fisher Scientific (LTC Tech South Africa (Pty) Ltd) the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine] and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and Step One Plus.	R5 086,70	31-Oct-24	31-Oct-24	22-Nov-24
88	To participate in ILC 24-131 proficiency test, particle filter penetration using encapsulated filters.	Inspec International Limited	PO022606	INSPEC International Ltd is the only facility in the world offering this proficiency test specifically for respiratory protection test methods.	500GBP	31-Oct-24	31-Oct-24	6-Dec-24

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
89	To participate in ILC 24-117 proficiency test, filtering half masks with ear-loops, total inward leakage.	Inspec International Limited	PO022607	INSPEC International Ltd is the only facility in the world offering this proficiency test specifically for respiratory protection test methods.	500GBP	31-Oct-24	31-Oct-24	6-Dec-24
90	To provide historic meteorological data from 2019 to 2024 for 24 weather stations around the South African coast	South African Weather Service (SAWS)	DI020666	SAWS is the main custodian of the validated and quality controlled historic meteorological data around the South African Coast. SAWS is the mandated entity (South African Weather Service Act No. 8 of 2001 as amended by Act No. 48 of 2013) to collect and archive meteorological data in South Africa.	R247 815,00	04-Nov-24	04-Nov-24	15-Nov-24
91	Supply and Delivery of High-Speed Video Cameras with Accessories	ECM Technologies (Pty) Ltd	RA 0076/24	ECM Technologies (Pty) Ltd is the sole source supplier of Photron High Speed video cameras in South Africa. Alkantpan critically needs to expand its current capability to cater for a higher demand of high-speed video imaging and to expand its capability with new and higher performance equipment. Alkantpan has been utilising Photron high speed cameras during ballistic testing for years as it provided valuable information on ballistic performance of fired munition.	R2 999 568,00	01-Nov-24	01-Nov-24	31-Jan-25
92	The supply and delivery of 14x AT8F Sub Conn underwater connectors	Unique Hydra (Pty) Ltd	DI020664	Unique Hydra (Pty) Ltd is the sole supplier representative partner in South Africa appointed by the OEM Mc Cartney to promote, offer and sell their products.	R41 678,00	04-Nov-24	04-Nov-24	28-Feb-25
93	Subscription to the Hemisphere H10 Atlas Satellite Signal Land/ Near-Shore Service for existing Atlaslink receivers SN040 and Sn043 for a period of 12 months	C and C Technologies (Pty)	DI020685	C and C Technologies (Pty) Ltd is the sole authorised reseller in South Africa appointed by the OEM Hemisphere GNSS Inc.	R52 480,00	07-Nov-24	05-Nov-24	04-Nov-25

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
94	Maintenance and repair of Micromeritics Surface Analyser	Poretech (Pty) Ltd	PO022626	Poretech (Pty) Ltd is the sole supplier/agent for the Micromeritics Instrument Corporation based in the United States of America that manufactures most of the activated carbon test equipment.	R56 618,54	11-Nov-24	11-Nov-24	11-Dec-24
95	Procurement of Tdk-Lambda G150-225 Programmable Power Supply	Accutronics (Pty) LTD	DI020689	Accutronics (Pty) Ltd is the sole authorised reseller in South Africa for TDK-Lambda products.	R101 230,00	12-Nov-24	12-Nov-24	14-Feb-25
96	Procurement Of Rotary Motion Control Equipment used in the Underwater Transducer Calibration Facility At IMT	Aerotech Ltd (United Kingdom)	DI020672	Aerotech Ltd (United Kingdom) is the sole supplier and OEM of the rotary motion control equipment.	R132 407,79	12-Nov-24	12-Nov-24	06-Jan-25
97	Repairing the ROHDE & Schwarz Emc Receiver (20hz to 8ghz).	Protea Electronics (Pty) Ltd	US-GER-003	Electromagnetic Compatibility (EMC) had a client on site at that time running project 18099 planned for some time, while performing series of tests, the power supply of the instrument became faulty. The client was on site and their schedule was close to deadline for delivery hence the procurement process was opted.	R56 105,05	02-Oct-24	02-Oct-24	03-Oct-24
98	Calibration of X-AM 8000 detector	Drager South Africa (Pty) Ltd	PO022643	Dräger is a German-based company with Draeger South Africa (Pty) Ltd as the sole distributor for their products in South Africa (multi sensor detector).	R6 938,50	19-Nov-24	19-Nov-24	26-Nov-24
99	Renewal of open group membership subscription for a period of 12 months	Real IRM Solution (Pty) Ltd	KA913317	Real IRM Solution (Pty) Ltd is sole supplier for the open group membership subscription.	R239 125,63	5-Nov-24	16-Jan-25	15-Jan-26

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
100	To supply and deliver Bartington Mag-13MSL100 3-axis Magnetic Field Sensor, Bartington Mag-13MSL100 cable 10m and Bartington PSU1 Power supply unit	Geotron Systems (Pty) Ltd	DI020674	Geotron Systems (Pty) Ltd is the sole supplier and authorised distributor of the Bartington magnetic hardware in South Africa.	R369 166,09	25-Nov-24	25-Nov-24	25-Mar-25
101	Procurement for Quant Studio Pro 6 consumables	LTC Tech South Africa (Pty) Ltd TA Thermofisher Scientific	PO022656	Thermo Fisher Scientific (LTC Tech South Africa (Pty) Ltd) the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine] and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and Step One Plus.	R9 437,40	26-Nov-24	26-Nov-24	6-Dec-24
102	Procurement for Quant Studio Pro 6 consumables	LTC Tech South Africa (Pty) Ltd TA Thermofisher Scientific	PO022666	Thermo Fisher Scientific (LTC Tech South Africa (Pty) Ltd) the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine] and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and Step One Plus.	R10 329,80	2-Dec-24	2-Dec-24	13-Dec-24
103	Procurement of Filtration Media	Freudenberg Filtration Technologies	HAZ-RFQ 509	Freudenberg Filtration Technologies is the developer of filter material (OEM) of Hazmat's cartridge and canister product range.	R172 321.06	22-Nov-24	22-Nov-24	31-Mar-25
104	Maintenance of Ion Chef Ion Torrent PGM (Personal Genome Machine)	LTC Tech South Africa (Pty) Ltd TA Thermofisher Scientific	PO022660	Thermo Fisher Scientific (LTC Tech South Africa (Pty) Ltd) the OEM of Next Generation Sequencing Platforms (Ion Torrent PGM Personal Genome Machine] and Ion Chef); Applied Biosystem Quant Studio Pro 6, Kingfisher Flex, Multiskan Sky, and Step One Plus.	R198 175.00	10-Dec-24	10-Dec-24	30-Jun-25

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
105	Procurement of flow meters for the TSI Certi Tester	AMS Laboratory Technologies (Pty) Ltd	PO022691	AMS Laboratory Technologies (Pty) Ltd is the local agent for TSI Incorporated based in the United States of America. The current equipment in service is the TSI Certi Test for particle penetration test for filters, the Laser Photometer for mask leakage tests and the nanoparticle detector. Furthermore, additional SDL Atlas equipment such as the Martindale Abrasion Tester, Crockmeter, Pneumatic Dumbbell Cutter and an Auto-buster were procured from AMSLT. Currently, AMSLT is the only supplier of these spares and they can assist with the technical support of all the equipment.	R68 740,00	11-Dec-24	11-Dec-24	31-Mar-25
106	Single & Double Half Mask (Green)	Paramount Safety Products CC	HAZ-RFQ-516	Paramount Safety Products cc is the developer (OEM) of the single & double half mask in South Africa.	R838 740,00	17-Dec-24	17-Dec-24	31-Jun-25
107	The supply and delivery of National Instruments (NI) Electronic Equipment: NI-9262 DSUB, 6ch, 1MS /S/Ch; 16-bit AO= C-series; NI-9263 Spring term: +/-10V; 16-bit; 100kS/s/ch; NI-9215 BNC; +/-10V; 16-bit; 100kS/s/ch; 4-ch AI and NI cDAQ-9185 CompactDAQ Chassis (4-slot Ethernet)	Test Dynamics Defense (Pty) Ltd	DI20710A	Test Dynamics Defense (Pty) Ltd is the sole supplier and authorised distributor in South Africa of the OEM (National Instruments) based in Hungary.	R140 090,00	21-Jan-25	21-Jan-25	28-Mar-25
108	Procurement of Hemisphere A631 GNSS positioning system	C&C Technologies (Pty) Ltd	DI020719	C&C Technologies (Pty) Ltd is the sole supplier and authorised distributor in the South African Region of the OEM based in Scottsdale United States.	R95 670,00	24-Jan-25	07-Mar-25	24-Jan-25
109	Procurement of two Nortek Eco Buoys	CLS SOUTHERN AFRICA (Pty) Ltd	DI020717	CLS Southern Africa (Pty) Ltd is the sole appointed supplier in the territory of South Africa for the Original Equipment Manufacturer Nortek AS; based in Norway.	R44 024,88	29-Jan-25	29-Jan-25	07-Mar-25

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
110	Procurement of Search and Rescue Marker Marines (10 Minutes Marker Marine Day & Night Type 6153 with Tail Fitted)	Lacroix etienne Tous Artifices	KP467399	Etienne Lacroix is the OEM and only supplier of the specified 10-minute Marker Marine Type 6153. This Marine Marker is qualified for use by the SAAF. Any changes to qualified products will have cost implications which the SAAF did not budget for.	EUR886 600,00 (R17 173 517,22)	01-Nov-24	12-Nov-24	22-Aug-26
111	Procurement of Pistol Beretta, MOD, PX4, Storm Moidel F, 9X19MM Package (Including magazines and Accesories) for Boarder Management Authority	Beretta	KM467414	Beretta is the OEM of pistols being procured.	R9 007 244,96	06-Dec-25	06-Dec-25	30-Sep-25
112	Procurement of 8 X 8 Trucks for the Tactical Mobile Radars (TMRs)	Autumn Star Trading	KT545342	The brand that is used by Project SWATCH for supportability (Check the attached letter).	R71 554 336,80	21-Oct-24	21-Oct-24	14 Months after placement of order
113	Installation and integration of the Project Radiate Equipment (New Generation Tactical Communication System (TACCOMSYS) on vehicles for Demonstration and Training in user Organisations	Reutech Communications	KT545353	Reutech Communications (RC) are the design authority and sole manufacture of the Tac Com Sys. RC is the only company with the capability for the installation and integration of the Tac Com Sys into platforms such as vehicles. Therefore, it is proposed the RC be approached on a sole source basis.	R2 239 840,00	24-Jan-25	24-Mar-25	24-May-26
114	Steady State Support Contract Seeker 400 UAS	Denel Dynamics	KT471248	Denel is the OEM of the Seeker 400 system	R30 000 000,00	24-May-24	05-Jun-24	04-Jun-27
115	Maintenance and Repair of Fixed Installation Rifle Shooting Training (FIRST) MK1 Systems for the SA Army	Denel	KT467397	Denel Mechatronics is the OEM of the Fixed Installation Rifle Training System (FIRST) acquired under Project and has the technical ability and know-how to repair and maintain the equipment cost effective.	R1 580 433,91	13-Sep-24	16-Sep-24	28-Feb-25

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
116	Procurement of 23 MM Air Defence Artillery Ammunition for the 2024/25 Financial Year	China North Industries Corp (NORINCO)	KP467409	The ammunition is urgently needed for operational purpose in DRC. Previously (2014), this ammunition was procured from Denel PMP. However, due to the urgency of this requirement there is a need for a reliable supplier who will be able to supply a similar product within short period of time without any delays. Denel PMP will not be able to achieve that due to their known crisis. There are other manufacturers for the 23MM ammunition around the world. However, due to urgency of the requirement, the ammunition shall only be sourced from NORINCO in China because similar ammunition (Order KP467331) was recently ordered, tested and delivered to SA Special Forces by NORINCO without any challenges and thus increasing the level of confidence. The Certificate of Origin from NORINCO is attached to this RFB.	USD2 093 800,00	18-Nov-24	18-Nov-24	18-May-25
117	Maintenance and Support of the Hawk MK120 Airframe and Its Associated Ground Support & Test Equipment	BAE Systems (Operations) Ltd	KP471250	BAE Systems is the OEM of the Hawk Aircraft. Contracting the OEM directly will ensure a support for continued airworthiness and the service turnaround times will be shorter.	R437 066 414,49	13-Nov-24	13-Nov-24	31-Oct-27
118	Maintenance and Repair of Indoor Shooting Ranges	Arms-Strong Technologies	KT467396	Arms-Strong Technologies CC is the design authority of the indoor shooting range capability and the licensee of the Operator Software Coaching System.	R1 913 043,48	30-Aug-24	04-Sep-24	28-Feb-25
119	Maintenance and Repair of Artillery Target Engagement System (ATES) Support	Thales South Africa (Pty) Ltd (TSAS)	KT445423	Thales South Africa Systems (TSAS) was contracted to deliver an Artillery Target Engagement System (ATES) except for the Unmanned Aerial Observation System (UAOS), which was delivered by Advanced Technologies and Engineering (Pty) Ltd (ATE). The UAOS forms part of the observer subsystems within ATES. The Artillery Target Engagement capability for the SA Army was in development since 1988, produced and delivered by TSAS in the 2000s. There is a shared IP with Thales SA on the ATES Software.	R5 380 633,52	06-Aug-2024	06-Aug-24	31-Mar-25

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
120	Procurement of 7. 62 Ammunition: Round 7. 62 X 39MM Cartridge Ball, FMJSC	China North Industries Corpora	KP467411	Previously, this ammunition was procured from Arsenal, which is based in Bulgaria, due to a recent price hike from the Eastern block and transportation challenges. A recommendation was made by the client to extend the supplier base. The RFI was issued to various manufacturers based overseas, only two manufacturers, one from China and the other from Romania) responded and two local agents who received the RFI document from one of the suppliers overseas.	USD2 138 500,00	24-Oct-24	24-Oct-24	6 months after receipt of Armscor's order
121	120mm M5 Mortar System Support FY 2024/25, 2025/26 AND 2026/27	Sigma Logistic Solutions	KT546000	Sigma Logistics Solutions (Pty) Ltd was involved with the Logistic Re-engineering of the 120 mm M5 Mortar and became the designated OEM and are in possession of all the Operating Baseline Documentation on the 120mm Mortar System. Sigma has been involved with the failure investigations of the equipment, new developments and feasibility studies of the proposed changes on the equipment. Sigma has also been involved in the development, testing, qualification and implementation of the following systems: sight, prism parallel scope, laying equipment ETS and cargo netting. These new developments' responsibilities included failure investigation of the systems. Sigma Logistic Solution is responsible for Configuration Management of the Operating Baseline.	R3 913 041,00	24-Jun-24	24-Jun-24	28-Feb-27
122	Procurement of Gecko RDLV Spares and Components for the SA Army	Auto Dispense	KT467410	Auto Dispense is the OEM of the GECKO Product System and holds the data pack required for repair and services to be rendered. It has the infrastructure for the procurement and repair of the GECKO Product System.	R1 433 311,27	26-Aug-24	06-Sep-24	28-Feb-25

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
123	Installation and commissioning of telecommunication links at 5 Sites in Gauteng	NEC. XON	KT545346; KT545347; KT545348	This task entails the installation and commissioning of 5 telecommunication links in the Gauteng Province. Under a contract, directly from the DOD, NEC XON Holdings installed 80% of all nodes in Gauteng and purchased a communication management system of nearly R90m. These new 5 links need to be directly compatible with the other nodes and the communication management system. Involving any other contractor will increase the technical risk to unacceptable levels. It is therefore proposed that NEC XON Holdings be approached on a single-source basis to complete the Gauteng microwave communication system.	R34 061 390,00	01-Jul-24	01-Aug-24	28-Feb-25
124	Upgrade of the CNIS (COMBAT NET INTEROPERABILITY STANDARD) and Stack	Reutech Comms	KT545356	This task entails the implementation of upgrades to the CNIS and Stack. The upgrade will entail advanced modems for HF (High Frequency) and V/UHF (Very/ Ultra High Frequency) Systems. The specific implementation will include the STANAG 4538 waveform (for HF) and 64 Kbit/s waveform (for V/UHF) systems. New algorithms for auto routing and message acknowledgement will also be implemented.	R14 176 860,00	30-Sep-24	15-Dec-24	30-Sep-29
125	Maintenance and Repair of Optical Equipment	Spektrum Logistics Services (Pty) Ltd	KT546005	Spektrum is the service provider in the maintenance and repair of Optical Equipment of Artillery Systems for the SA Army since 1998. Optical Equipment for Artillery Systems is specialised equipment for combat fire control and as a result, Spektrum has the required tools and facilities. Furthermore, audits & calibration records and data packs for such critical safety systems in aid during fire control are configured by Spektrum.	R2 370 436,00	22-Jul-24	27-Aug-24	19-Feb-26
126	Procurement of MIRA Targets	Pladen Plastics cc	KT467385	Pladen Plastics specialises in moulded plastic products and is the sole Intellectual Patent (IP) holder of the MIRA target systems. The MIRA targets were developed and integrated into the SANDF musketry training systems in 1998, as part of Project Magnet.	R4 065 300,00	30-Oct-24	31 October 2024	30-Jun-25

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
127	To supply and deliver Thorlabs laboratory equipment, such as Fiber Port, FC/PC & FC/APC, f= 4. 6 mm, 350-700 nm, Ø0. 75 mm Waist , etc. THORLABS SKU: PAF2-5A Ø1” N-BK7 Plano-Convex Lens, SM1-Threaded Mount, f = 100 mm, Uncoated THORLABS SKU: LA1509-ML Ø1” N-BK7 Plano-Convex Lens, SM1-Threaded Mount, f = 300 mm, Uncoated THORLABS SKU: LA1484-ML Ø2” N-BK7 Plano-Convex Lens, SM2-Threaded Mount, f = 400 mm, Uncoated THORLABS SKU: LA1725-ML Ø1” N-BK7 Plano-Convex Lens, SM1-Threaded Mount, f = 500 mm, Uncoated THORLABS SKU: LA1908-ML	Nkosi Innovations (Pty) Ltd	DI020713	Nkosi Innovations (Pty) Ltd is the sole authorised reseller in South Africa of the OEM Thorlabs.	R436 270,00	14-Feb-25	14-Feb-25	30-May-25
128	The supply, delivery of a multi-sensor payload camera, payload connector and configuration, installation and testing on the Autono1 Drone	Autonosky (Pty) Ltd	DI020715	Autonosky (Pty) Ltd is the OEM and the exclusive supplier of the Autono1 drone. Autonosky (Pty) Ltd is also the sole integrator of the WIRIS Enterprise multi sensor camera and Gremsy gimbal to the Autono1 drone, who is the only local partner for Works Well who is the OEM of the WIRIS Enterprise multi-sensor camera payload and servicing of Works Well payload systems in South Africa.	R417 500,00	14-Feb-25	14-Feb-25	18-Apr-25

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
129	VIP transportation and relief to the EXCO and BOARD	BMW Menlyn	SCM01425/ DV116981	The vehicle was required urgently as the available vehicles are not fit for purpose due to age. Budget constraints limited the procurement to a demo vehicle. The Transversal Contract that Armscor participates in does not make provision for demo vehicles.	R849 300,76	14-Mar-25	Once Off Delivery	N/A
130	To participate in the Inter Laboratory Comparison (ILC) 25-036 proficiency test for gas filter capacity (type B)	Inspec International Limited (ILC)	PO022744	INSPEC International Ltd is the only facility in the world offering this proficiency test specifically for respiratory protection test methods.	R12 080. 30 (1 GBP = R23.46 date 24-Mar-2025)	11-Mar-25	11-Mar-25	17-Apr-25
131	Plastic Components for manufacturing screw adaptors	Paramount Safety Products CC	HAZ-RFQ 524	Paramount Safety Products cc is the developer (OEM) of the screw adaptors in South Africa.	R242 822,50	13-Mar-25	13-Mar-25	31-Jul-25
132	To supply and deliver a long-range antenna and radio joystick system for the SPARUS II Autonomous Underwater Vehicle (AUV)	Iqua Robotics SL	DI020723	Iqua Robotics SL is the OEM and sole supplier of the long-range antenna and radio joystick system for the SPARUS II Autonomous Underwater Vehicle (AUV).	R348 904,82	18-Mar-25	18-Mar-25	29-Aug-25
133	Conduct repairs and refurbishment of the Rapid Deployable Coastal Surveillance Command Container (CSCC)	TF Design (Pty) Ltd	DI020727	TF Design (Pty) Ltd is the OEM and sole supplier of these containers.	R645 075,00	18-Mar-25	18-Mar-25	15-Jul-25
134	To supply and deliver a Gemini 1200ik 2D (2-Dimentional) forward-looking sonar	Marine Solutions (Pty) Ltd	DI020721	Marine Solutions (Pty) Ltd is the sole supplier of the Gemini 1200ik 2D (2-Dimentional) forward-looking sonar, resells and provides technical training and after-sales services for Tritech's product range in South Africa.	R557 268,00	20-Mar-25	20-Mar-25	16-May-25
135	Maintenance/service contract of all Agilent Analytical Laboratory equipment for a period of three years	Chemetrix Export (Pty) Ltd	PO022667	Chemetrix Export (Pty) Ltd is the accredited sole supplier sourced by OEM Agilent Technologies International Sarl for Agilent equipment.	R4 500 000,00	13-Jan-25	13-01-2025	12-Jan-28

No.	Project Description	Name of Supplier	Contract Number	Reason for the procurement by other means	Value of contract	Award Date	Contract start date	Contract expiry
136	International Organiganiza for Standardization (ISO) 17025 accreditation	SANAS	SSSM-GER-2024-05	SANAS is mandated by the state through the accreditation for conformity assessment, calibration and good laboratory practice Act 19 of 2006 as the only body to provide ISO 17025 accreditation services.	R128 094	27-Mar-25	01-Apr-25	31-Mar-26
137	International Organiganiza for Standardization (ISO) 17025 accreditation	SANAS	SSSM-GER-2024-05	SANAS is mandated by the state through the accreditation for conformity assessment, calibration and good laboratory practice Act 19 of 2006 as the only body to provide ISO 17025 accreditation services.	R128 094	27-Mar-25	01-Apr-25	31-Mar-26
138	Renewal of Aris Software Licences	Software AG South Africa (Pty) Ltd	KB424000	Software AG (Pty) Ltd is the OEM and provider of the ARIS subscription.	R1 385 814,00	27-Mar-25	30-Mar-25	29-Mar-28
139	Accounting services	MMB Consulting	KB423995	Armscor Finance is in the process of implementing improvements identified during the audit, together with the ERP implementation. Permanent appointment of resources as the amended structure to commence shortly.	R630 000,00	05-Mar-25	01-Jan-25	30-Apr-25
140	Supply and delivery of the Monn carpets 600x600mm flooring carpets	Monn Carpets (Pty) Ltd	EFAC 2024/02	The carpets are unique to the OEM and are specially manufactured to suit Armscor floor requirement. The carpet installation tender is at adjudication stage.	R17 016 307,07	31-Oct-24	The contract start date will be aligned with the carpet installation contract start date. The carpet installation tender is at the adjudication stage.	
141	Supply and delivery of Belgotex Serengeti Mamba Flooring Carpets	Belgotex Floorcoverings (Pty) Ltd	EFAC 2024/03	The contract start date will be aligned with the carpet installation contract start date. The carpet installation tender is at adjudication stage.	R 1 597 500,00	31-Oct-24	The contract start date will be aligned with the carpet installation contract start date. The carpet installation tender is at adjudication stage.	
142	Appointment of Linhleko Marketing cc For Design, Layout, Typesetting and Printing of Armscor collateral for the period of nine months	Linhleko Marketing cc	EBAS/2024/05	Linhleko has been providing the same service to Armscor since 2021 and as such, it was prudent that the company be engaged to continue the service due to the urgency of the request and the expertise that the company possess to provide such. The requirement also included urgent AAD requirements. The multiple year bid is at BSC stage.	R533 700,80	17-Jul-24	18-Jul-24	17-Apr-25

5.2 EXPANSIONS AND VARIATIONS OF CONTRACTS

Table 41: Reporting of Expansions and Variations of Contracts

No.	Project Description	Name of Supplier	Contract Number	Reason for expansion or variation of contract	Original contract value	Value of contract expansion or variation of contract	Value of previous contract expansion or variation of contract	Award Date	Contract start date	Contract expiry
1	Provision of 24-hour Physical Guarding services for Armscor building	Tyeks Security Services	KB423822	The bid for the appointment of a contractor for the rendering of 24-Hour Security Services for Armscor Building,Protechnik Complex,Gerotek Test Facilities and Gerotek Paardefontein Test Range,Institute of Marine Technology and Alkantpan Test Range sites for a five-year period,which will replace the current orders placed is in the process of evaluations and could not be finalised before the current orders delivery date which was 3 years after order placement.	R24 886 076,16	R1 463 837,16	R4 391 511,50	08-Aug-20	01-Oct-20	31-May-23
2	Provision of 24-Hour Physical Guarding Services (Guarding) At Alkantpan Test Range for a period of three-years	Bamogale Enterprise	D1019553		R9 641 961,04	R500 183,06	R1 500 549,18	08-Aug-20	01-Oct-20	31-May-23
3	Provision of 24-Hour Security Services at Institute for Maritime Technology for a Period of three-year	TDP enterprise and projects (Pty) Ltd	RA0045/20		R3 125 021,76	R211 393,00	R422 786,00	02-Nov-20	01-Dec-20	31-May-23
4	Procurement of 5,56mm r5 assault rifle spares	Denel Land Systems	KT467327	The client (SAN) requested that additional spares be included on this order.	R1 432 451,95	R6 441 347,45	R9 778,10	05-Nov-22	05-Nov-22	30-Sep-25
5	Appointment of a Fire Protection Specialist/ Consulting Engineer for Fire Detection and Emergency Evacuation Upgrade System at Armscor Head Office	Plantech (Pty) Ltd	KB423822	Project value increased hence the Consultants order value had to be increased as it was percentage based on the estimated project value.	R672 187,52	R1 492 860,48	N/A	10-Nov-20	TBC	2024-07-31 in relation to Bizzy Fire Control's order.

No.	Project Description	Name of Supplier	Contract Number	Reason for expansion or variation of contract	Original contract value	Value of contract expansion or variation of contract	Value of previous contract expansion or variation of contract	Award Date	Contract start date	Contract expiry
6	Provision of financial accounting services	MMB Consulting Incorporation	KB423956	Armscor is in the process of finalising the AFS for inclusion in the Annual Report for March 2024. Several improvements have been identified from the 2023/24 audit. The service provider confirmed that the same resource is available at the current hourly rate for two additional months.	R650 000,00	R342 000,00	N/A	19-Apr-24	22-Apr-24	30-Sep-24
7	To conduct yearly ISO9001: 2015 audits for a period of three years	Bureau Veritas (South Africa) (Pty) Ltd	DI019911	To make provision for two ISO9001: 2015 surveillance audits during 2024 and 2025 and extend the delivery period from three years after order placement to 31 March 2026.	R106 750,00	R69 500,00	N/A	15-Aug-24	01-Dec-24	31-Mar-26
8	M&S Services of The Tracking Systems for the South African Navy	REUTECH	KT498780	The increase of items 130 and 230; and the extension of the delivery date of items 130 and 230.	R22 916 127,00	R3 333 646,29	R3 819 354,50	12-May-21	01-Mar-21	28-Feb-25

No.	Project Description	Name of Supplier	Contract Number	Reason for expansion or variation of contract	Original contract value	Value of contract expansion or variation of contract	Value of previous contract expansion or variation of contract	Award Date	Contract start date	Contract expiry
9	Provision of financial accounting services	MMB Consulting Incorporation	KB42956	Armscor Finance is in the process of implementing improvements identified during the audit together with the ERP implementation. Permanent appointment of resources as the amended structure to commence shortly.	R650 000,00	R342 000,00	R342 000,00	19-Apr-24	30-Sep-24	31-Dec-24
10	Acquisition of mess capabilities	Redeployable Camp Systems SA (Pty) Ltd	KT545695	Funds to be used to repair equipment coming back from Mozambique deployment under Interim Support.	R64 402 737,00	R1 956 521,00	R8 292 548,10	09-Mar-17	09-Mar-17	31-Mar-25
11	Acquisition of mass field feeding capability	K2019610168 (South Africa) (Pty) Ltd	KT545983	Funds to be used to repair equipment coming back from Mozambique deployment under Interim Support.	R5 408 696,00	R2 455 652,00	N/A	14-Jul-24	14-Jul-24	31-Jul-25
12	Maintenance and repair of electrical power generating systems (EPGS) & ancillary related equipment for SAMHS	Volt Ampere Facilities Management (Pty) Ltd	KT545335	User Requirement Statement is not yet finalised to initiate the new procurement process.	R2 226 738,00	R2 000 000,00	N/A	03-Jul-24	03-Jul-24	28-Feb-25

No.	Project Description	Name of Supplier	Contract Number	Reason for expansion or variation of contract	Original contract value	Value of contract expansion or variation of contract	Value of previous contract expansion or variation of contract	Award Date	Contract start date	Contract expiry
13	Procurement of Batons for crowd control	Batsose Trading and Projects cc	KT546050	To optimise available funds for replenishing the depleted stock replenishment in the depot.	R732 000,00	R1 014 952,00	N/A	11-Feb-25	03-Feb-25	14-Mar-25
14	Procurement of crowd control equipment (body protectors,gloves,arm protectors and shin guards)	Pasadena leather products cc	KT546051	To optimise available funds for replenishing the depleted stock replenishment in the depot.	R1 518 353,60	R1 081 827,00	N/A	03-Feb-25	03-Feb-25	14-Mar-25
15	Provision of 24-hour Physical Guarding services for Armscor building	Tyeks Security Services	KB423822	The bid for the appointment of a contractor for the rendering of 24-Hour Security Services for Armscor Building,Protechnik Complex,Gerotek Test Facilities and Gerotek Paardefontein Test Range,Institute of Marine Technology and Alkantpan Test Range sites for a five-year period,which will replace the current orders placed is in the process of evaluations and could not be finalised before the current orders delivery date,which was three years after order placement.	R24 886 076,16	R4 059 537,50	R12 018 102,14	08-Aug-20	01-Oct-20	31-May-25
16	Provision of 24-Hour Physical Guarding Services (Guarding) At Alkantpan Test Range for a period of three-years	Bamogale Enterprise	D1019553		R9 641 961,04	R1 070 391,75	R4 106 532,92	08-Aug-20	01-Oct-20	31-May-25
17	Provision of 24-Hour Security Services at Institute for Maritime Technology for a period of three-years	TDP enterprise and projects (Pty) Ltd	RA0045/20		R3 125 021,76	R452 381,02	R1 524 143,53	02-Nov-20	01-Dec-20	31-May-25

5.3 INFORMATION ON IRREGULAR, FRUITLESS AND WASTEFUL, UNAUTHORISED EXPENDITURE AND MATERIAL LOSSES.

Table 42: Irregular Expenditure

Irregular expenditure reconciliation	2024/25 R'000	2023/24 R'000
Opening balance	50 773	46 888
Add: Confirmed expenditure	1 448	3 885
Less: Condoned expenditure	-	-
Less: Expenditure not condoned and removed	(30 904)	
Less: Expenditure recoverable	-	-
Less: Expenditure not recovered and written off		
CLOSING BALANCE	**21 317**	**50 773**

Reconciling notes to the annual financial disclosure

Description	2024/25 R'000	2023/24 R'000
Irregular expenditure that was under assessment in 2023/24	-	-
Irregular expenditure that relates to 2023/24 and identified in 2024/25	-	170
Irregular expenditure for the current year	1 448	3 715
Less : Irregular expenditure not recovered and written off	-	-
CLOSING BALANCE	**1 448**	**3 885**

a) Details of current and previous years irregular expenditure (under assessment, determination and investigation)

Description	2024/25 R'000	2023/24 R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	1 448	170
CLOSING BALANCE	**1 448**	**170**

b) Details of current and previous years irregular expenditure removed (not condoned)

Description	2024/25 R'000	2023/24 R'000
Irregular expenditure not condoned and removed	30 904	
CLOSING BALANCE	**30 904**	**-**

The matters related to financial years 2021/22 and 2022/23 were removed from the register after it was confirmed that no official could be held liable, the entity did obtain value for money and the instances leading to the non-compliances had been addressed.

Table 42: Irregular Expenditure (continued)

c) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

Description	2024/25 R'000	2023/24 R'000
Disciplinary action was taken against the responsible official in line with internal disciplinary processes.	-	887
CLOSING BALANCE	**-**	**887**

The criminal

d) Details of current and previous year of irregular expenditure where Armscor is involved in an inter-institutional arrangement

Description	2024/25 R'000	2023/24 R'000
Irregular expenditure incurred due the minimum number of quotations required by the PFMA were not obtained, and the deviation was not approved. The transactions relate to the acquisition activities on behalf of the Department of Defence.	2 840	367
CLOSING BALANCE	**2 840**	**367**

Table 43: Fruitless and Wasteful Expenditure

Fruitless expenditure reconciliation	2024/25 R'000	2023/24 R'000
Opening balance	13 280	13 214
Add: Confirmed expenditure	10	48
Less: Expenditure recoverable	-	(1)
Less: Expenditure not recovered and written off	(13 185)	-
Less: Adjustment to amount reported in 2023/24		19
CLOSING BALANCE	**104**	**13 280**

Reconciling notes to the annual financial disclosure

Description	2024/25 R'000	2023/24 R'000
Fruitless expenditure that was under assessment in 2022/23	-	-
Fruitless expenditure that relates to 2023/24 and identified in 2024/25	-	43
Fruitless expenditure for the current year	10	4
CLOSING BALANCE	**10**	**48**

Table 43: Fruitless and Wasteful Expenditure (continued)

a) Details of current and previous years fruitless expenditure (under assessment, determination and investigation)

Description	2024/25 R'000	2023/24 R'000
Fruitless expenditure under assessment	-	-
Fruitless expenditure under determination	-	-
Fruitless expenditure under investigation	10	4
CLOSING BALANCE	**10**	**4**

b) Details of current and previous years fruitless expenditure written off

Description	2024/25 R'000	2023/24 R'000
Fruitless expenditure written off	-	-
Fruitless expenditure not recovered and written off relating to 2021/22 and 2022/23	13 185	
CLOSING BALANCE	**13 185**	**-**

The investigations for the three matters concluded that officials involved could not be found negligent nor liable for the losses. The losses were subsequently written off.

c) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless expenditure

Description	2024/25 R'000	2023/24 R'000
Disciplinary action taken was taken against an official for losses suffered by the company. Legal action is also underway to recover losses from a supplier.	-	48
CLOSING BALANCE	**-**	**48**

d) Details of current and previous years fruitless expenditure recovered

Description	2024/25 R'000	2023/24 R'000
Disciplinary action taken was taken against an official for losses suffered by the company. Legal action is also underway to recover losses from a supplier.	-	1
CLOSING BALANCE	-	1

Amounts incurred in the 2023/24 year are being recovered from the responsible official.

e) Details of current and previous year of fruitless expenditure where Armscor is involved in an inter-institutional arrangement

As part of the entity's mandate for the procurement and maintenance of DOD asses, the entity incurred costs for items that were not delivered. The supplier subsequently went into liquidation. The legal process for recovery of the assets and or funds paid is still in process. Another matter that was incurred in previous years has been recovered in full from the supplier.

5.4 PAYMENT OF SUPPLIER'S

Table 44: Information on Payment of Supplier's Invoices

INFORMATION ON PAYMENT OF SUPPLIER'S INVOICES - 2024/25

Description	Number of Invoices	Value R'000	
Valid invoices received	**210 926**	**6 282 719**	
Invoices paid **within** 30 days or agreed period	207 463	5 564 588	
Invoices paid **after** 30 days or agreed period	3 187	697 963	
Invoices older than 30 days or agreed period **(unpaid and without dispute)**	15	356	Note 1
Invoices older than 30 days or agreed period (unpaid and in dispute)	261	19 812	Note 2

Reasons for late and or non-payment of Invoices, Including reason that the invoices are in dispute where applicable

1. Late payments due to delay in submission of required documentation by suppliers , whilst other invoices were paid as per agreed periods with suppliers.
2. The invoices remain unpaid due to the non-resolution of issues raised and outstanding documents.

PART F

FINANCIAL STATEMENTS

Report of the auditor-general to Parliament on the Armaments Corporation of South Africa SOC Limited

Report on the audit of the consolidated financial statements

Opinion

1. I have audited the consolidated financial statements of the Armaments Corporation of South Africa SOC Ltd (Armscor) set out on pages 150 to 232 , which comprise the consolidated statement of financial position as at 31 March 2025, consolidated statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the consolidated financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2025 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act of South Africa 71 of 2008 (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated financial statements section of my report.

4. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the consolidated financial statements

6. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the GRAP and the requirements of the PFMA and Companies Act; and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the consolidated financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the consolidated financial statements

8. My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

9. A further description of my responsibilities for the audit of the consolidated financial statements is included in the annexure to this auditor's report. This description, which is located at page 146, forms part of my auditor's report.

Report on the audit of the annual performance report

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

11. I selected the following objectives presented in the annual performance report for the year ended 31 March 2025 for auditing. I selected objectives that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Objective	Page numbers	Purpose
Goal 1: category 1 capital defence materiel acquisition, excluding strategic defence acquisition, but including technology acquisition	39	To measure the percentage of DOD Capital requirements converted into orders placed.
Goal 2: system support: acquisition and procurement	40	To measure the percentage of DOD system support and procurement requirements converted into orders placed.
Goal 6: management and performance against dockyard mandate (South African navy/dockyard performance management in terms of service level agreement with the South African Navy).	42-43	Management and performance against Dockyard mandate (South African Navy/Dockyard performance management in terms of Service Level Agreement with the South African Navy)

12. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

13. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable

14. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

15. The material finding on the reported performance information for the selected objectives is as follows:

Goal 6: management and performance against dockyard mandate (South African navy/ dockyard performance management in terms of service level agreement with the South African Navy)

Percentage of project tasking and job cards executed

16. An achievement of 72% was reported against a target of 90%. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the underachievement on the target was more than reported.

Other matters

17. I draw attention to the matters below.

Achievement of planned targets

18. The annual performance report includes information on reported achievements against planned targets and provides explanations for over-or under achievements. This information should be considered in the context of the material finding on the reported performance information.

19. The table that follows provides information on the achievement of planned targets and lists the key indicator that was not achieved as reported in the annual performance report.

Goal 6: management and performance against dockyard mandate (South African navy/ dockyard performance management in terms of service level agreement with the South African Navy)

Targets achieved: 60%
Budget spent: budget allocation not available

Key indicator not achieved	Planned target	Reported achievement
6.1 Percentage of project tasking and job cards executed. (Adherence to project tasking as approved in the project plan & execution of the adhoc activities).	90%	72%

Material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for goal 6: management and performance against dockyard mandate (South African navy/dockyard performance management in terms of service level agreement with the South African Navy). Management did not correct all of the misstatements, and I reported a material finding in this regard.

Report on compliance with legislation

21. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.

22. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

23. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

24. The material finding on compliance with the selected legislative requirements, presented per compliance theme, is as follows:

Revenue management

25. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Other information in the annual report

26. The accounting authority is responsible for the other information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act of South Africa 71 of 2008. The other information referred to does not include the consolidated financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

27. My opinion on the consolidated financial statements and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

28. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

30. I considered internal control relevant to my audit of the consolidated financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

31. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

32. Management did not exercise sufficient oversight responsibility over performance reporting and did not monitor and review the implementation of effective steps to collect all outstanding revenue due to the entity.

Auditor- General

Pretoria

30 July 2025

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated financial statements and the procedures performed on reported performance information for selected objectives and on the entity's compliance with selected requirements in key legislation.

Consolidated financial statements

In addition to my responsibility for the audit of the consolidated financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and determine whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. I am responsible for the direction, supervision and review of audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation-selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 50(3); 50(3)(a); 50(3)(b); 51(1)(a)(ii); 51(1)(a)(iii); 51(1)(b)(i); 51(1)(b)(ii); 52(b); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b); 57(d); 66(3)(a)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1; 31.2.5; 31.2.7(a); 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 30(3)(b)(i); 33(1)(a); 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4); 46(1)(a); 46(1)(b); 46(1)(c); 72(4)(a); 75(6); 86(1); 86(4); 88(2)(d); 112(2)(a); 129(7)
Companies Act Regulations, 2011	Regulation 30(2); 43(2)(a)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
National Treasury Instruction No. 4 of2015/16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
Second Amendment National Treasury Instruction No. 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 2020/21	Paragraph 2
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Paragraph 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.6; 6.8; 7.1; 7.2; 7.3; 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; 11.1; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Armaments Corporation of South Africa Act 51 of 2003	Section 6(1);7(2);7(5)(a)

GROUP: Five Year Review (Unaudited)

STATEMENT OF FINANCIAL POSITION	2025 R'000	2024 (Restated) R'000	2023 (Restated) R'000	2022 (Restated) R'000	2021 R'000
NET ASSETS					
Property, plant and equipment	1 332 264	1 176 083	1 203 159	1 225 755	1 690 390
Investment property	25 800	33 100	28 400	25 000	50 730
Intangible assets	46 393	36 314	27 771	28 293	21 677
Heritage assets	13 471	12 746	12 746	12 746	13 829
Other non-current assets	11 805	9 565	6 235	-	-
Other non-current liabilities	(15 579)	(14 920)	(14 954)	(18 764)	(27 204)
Net current assets	1 413 596	1 694 868	883 354	357 702	593 685
Financial instruments	572 237	200 489	847 351	1 236 517	883 226
Post-retirement employee benefit obligation	(354 951)	(347 123)	(343 810)	(364 817)	(304 173)
NET ASSETS	**3 045 036**	**2 801 122**	**2 650 252**	**2 502 432**	**2 922 160**

STATEMENT OF FINANCIAL PERFORMANCE					
REVENUE					
Sale of goods and services	452 028	404 626	291 698	268 810	301 812
Government grants (including deferred income recognised)	1 172 679	1 216 572	1 260 698	1 256 832	1 113 324
Interest income	214 198	167 634	126 312	86 188	89 169
Rental income	61 325	59 851	59 089	62 722	71 421
Other income	14 071	24 142	21 956	21 026	15 091
	1 914 301	**1 872 825**	**1 759 753**	**1 695 578**	**1 590 817**
TOTAL SURPLUS/(DEFICIT) FOR THE YEAR	**85 749**	**150 870**	**148 633**	**4 604**	**124 267**

Value Added Statement - 31 March 2025 (Unaudited)

	MARCH 2025 R'000	%	MARCH 2024 Restated* R'000	%
Revenue	1 914 301		1 872 825	
Sales of goods and services	452 028		404 626	
Government grant (including deferred income recognised)	1 172 679		1 216 572	
Rental income	61 325		59 851	
Other income	11 782		21 129	
Interest received	214 198		167 634	
Dividends received	2 289		3 013	
Less: Paid to suppliers for materials and services	-555 405		-549 816	
TOTAL VALUE ADDED	**1 358 896**	100%	**1 323 009**	100%
DISTRIBUTED AS FOLLOWS:				
To employees as salaries, wages and other benefits	1 162 158	86%	1 060 367	80%
To governments as taxation (see below)	20 110	1%	17 594	1%
TOTAL VALUE ADDED DISTRIBUTED	1 182 268		1 077 961	
Portion of value added reinvested to sustain and expand the business	176 628	13%	245 048	19%
[Surplus/(deficit) plus depreciation]				
TOTAL VALUE ADDED DISTRIBUTED AND REINVESTED	**1 358 896**	100%	**1 323 009**	100%
TAXATION				
Paid in taxes to governments	20 110		17 594	
Income tax (received)/paid	1 974		276	
Rates and taxes to local authorities (note 1)	18 136		17 317	
Collected on behalf of, and paid over to government	344 225		334 623	
• Employees taxation deducted from remuneration paid	281 337		262 805	
• Unemployment Insurance Fund	2 917		2 903	
• Net value added taxation (VAT)	59 970		68 915	
Note1				
UIF	2 916 994		2 902 763	
Municipal rates	15 219 309		14 414 426	
	18 136 303		17 317 190	

Statement of Financial Position as at 31 March 2025

	Note(s)	2025 R'000	2024 Restated* R'000
Assets			
Current Assets			
Inventories	4	17,588	20,708
Current tax receivable	5	257	22
Receivables from exchange transactions	6	622,475	489,376
Receivables from non-exchange transactions	7	94,699	15,366
VAT receivable		-	22,021
Investments at fair value	16	810,000	450,000
Cash and cash equivalents	8	874,917	1,085,442
		2,419,936	**2,082,935**
Non-Current Assets			
Investment property	9	25,800	33,100
Property, plant and equipment	12	1,332,264	1,176,083
Intangible assets	13	46,393	36,314
Heritage assets	14	13,471	12,746
Investments in joint ventures	15	11,805	9,565
Investments at fair value	16	572,237	200,489
		2,001,970	**1,468,297**
Total Assets		**4,421,906**	**3,551,232**
Liabilities			
Current Liabilities			
Payables from exchange transactions	18	178,543	161,369
Payables from non-exchange transactions	19	682,372	101,615
VAT payable		9,475	-
Employee benefit obligation	22	29,686	28,860
Deferred income	20	31,672	32,321
Provisions	21	104,278	92,762
		1,036,026	**416,927**
Non-Current Liabilities			
Payables from non-exchange transactions		575	-
Employee benefit obligation	22	325,265	318,263
Deferred income	20	4,737	7,450
Deferred tax	23	10,267	7,470
		340,844	**333,183**
Total Liabilities		**1,376,870**	**750,110**
Net Assets		**3,045,036**	**2,801,122**
Share capital /contributed capital	24	75,000	75,000
Reserves			
Revaluation reserve	25	1,355,783	1,210,694
Other NDR	26	391,204	402,469
Accumulated surplus		1,223,049	1,112,959
Total Net Assets		**3,045,036**	**2,801,122**

* See Note 47

Statement of Financial Performance as at 31 March 2025

	Note(s)	2025 R'000	2024 Restated* R'000
Revenue			
Revenue from exchange transactions			
Sale of goods		16,412	41,895
Rendering of services		435,616	362,731
Deferred income recognised		2,931	6,265
Rental income		61,325	59,851
Other income		11,782	21,129
Interest received	28	214,198	167,634
Dividends received	28	2,289	3,013
Total revenue from exchange transactions		**744,553**	**662,518**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	29	1,169,748	1,210,307
Total revenue	**27**	**1,914,301**	**1,872,825**
Expenditure			
Employee related costs	30	(1,162,158)	(1,060,367)
Depreciation and amortisation		(90,879)	(94,178)
Finance costs		(47,503)	(39,834)
Lease rentals on operating lease	31	(3,335)	(3,244)
Debt Impairment	32	(59,795)	(93,413)
Cost of sales	33	(155,025)	(150,924)
General expenses	34	(324,025)	(295,702)
Total expenditure		**(1,842,720)**	**(1,737,662)**
Operating surplus		**71,581**	**135,163**
Gain on disposal of assets and liabilities		3,131	3,366
Gain on foreign exchange		2,377	5,244
Fair value adjustments	35	5,343	3,161
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method		8,342	5,329
Inventories losses/write-downs		(488)	337
		18,705	**17,437**
Surplus before taxation		**90,286**	**152,600**
Taxation	37	4,537	1,730
Surplus for the year		**85,749**	**150,870**

Statement of Changes in Net Assets

	Share capital /contributed capital R'000	Revaluation reserve R'000	Other NDR R'000	Total reserves R'000	Accumulated surplus / deficit R'000	Total net assets R'000
Balance at 01 April 2023 as restated*	**75,000**	**1,223,788**	**395,268**	**1,619,056**	**956,196**	**2,650,252**
Changes in net assets						
Surplus for the year	-	-	-	-	150,870	150,870
Transfer from/(to) surplus/deficit	-	(13,094)	7,201	(5,893)	5,893	-
Total changes	-	(13,094)	7,201	(5,893)	156,763	150,870
Restated* Balance at 01 April 2024	**75,000**	**1,210,694**	**402,469**	**1,613,163**	**1,112,959**	**2,801,122**
Changes in net assets						
Revaluation of land and buildings	-	158,165	-	158,165	-	158,165
Net income/(losses) recognised directly in net assets	-	158,165	-	158,165	-	158,165
Surplus for the year	-	-	-	-	85,749	85,749
Total recognised income and xpenses for the year	-	158,165	-	158,165	85,749	243,914
Transfer from/(to) surplus/deficit	-	(13,076)	(11,265)	(24,341)	24,341	-
Total changes	-	145,089	(11,265)	133,824	110,090	243,914
Balance at 31 March 2025	**75,000**	**1,355,783**	**391,204**	**1,746,987**	**1,223,049**	**3,045,036**
Note(s)	24	25	26			

Cash Flow Statement

	Note(s)	2025 R'000	2024 Restated* R'000
Cash flows from operating activities			
Receipts			
Sale of goods and services		249,673	437,669
Grants		1,169,748	1,210,307
Interest income		205,220	94,292
Other receipts		497,127	21,129
		2,121,768	1,763,397
Payments			
Employee costs		(1,299,850)	(1,174,721)
Suppliers		(220,056)	(507,234)
Taxes on surpluses		(1,974)	(279)
		(1,521,880)	(1,682,234)
Net cash flows from operating activities	38	**599,888**	**81,163**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(84,400)	(57,423)
Purchase of other intangible assets	13	(17,356)	(18,147)
Proceeds from sale of financial assets		(710,946)	410,314
Dividends or similar distributions received		2,289	3,013
Net cash flows from investing activities		**(810,413)**	**337,757**
Cash flows from Financing activities			
Net cash flows from Financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		**(210,525)**	**418,920**
Cash flows from financing activities			
Cash flows from financing activities		-	-
Cash and cash equivalents at the beginning of the year		1,085,442	666,522
Cash and cash equivalents at the end of the year	8	**874,917**	**1,085,442**

Armscor Consolidated Financial Statements
(Registration number 1968/008611/30)
Trading as Armscor
Financial Statements for the year ended 31 March 2025

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	R'000	%	
Statement of Financial Performance							
Revenue							
Revenue from exchange transactions							
Sale of goods	15,702	-	**15,702**	16,412	**710**	**5 %**	
Rendering of services	424,096	-	**424,096**	435,616	**11,520**	**3 %**	
Deferred income recognised	2,560	-	**2,560**	2,931	**371**	**14 %**	1.1
Rental income	74,146	-	**74,146**	61,325	**(12,821)**	**(17)%**	1.2
Other income	25,726	-	**25,726**	11,782	**(13,944)**	**(54)%**	1.3
Interest received	113,917	-	**113,917**	214,198	**100,281**	**88 %**	1.4
Dividends or similar distributions received	-	-	**-**	2,289	**2,289**	**100 %**	1.5
Total revenue from exchange transactions	**656,147**	**-**	**656,147**	**744,553**	**88,406**	**13 %**	
Revenue from non-exchange transactions							
Transfer revenue							
Government grants & subsidies	1,168,777	-	**1,168,777**	1,169,748	**971**	**-%**	

Statement of Comparison of Budget and Actual Amounts (continued)

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	R'000	%	
Total revenue	**1,824,924**	**-**	**1,824,924**	**1,914,301**	**89,355**	**5 %**	
Expenditure							
Employee related costs	(1,239,804)	-	**(1,239,804)**	(1,162,158)	**77,646**	(6)%	
Depreciation and amortisation	(112,040)	-	**(112,040)**	(90,879)	**21,161**	**(19)%**	2.1
Finance costs	-	-	**-**	(47,503)	**(47,503)**	**100 %**	2.2
Lease rentals on operating leases	(3,944)	-	**(3,944)**	(3,335)	**609**	**(15)%**	2.3
Debt impairment	-	-	**-**	(59,795)	**(59,795)**	**100 %**	2.4
Cost of sales	(171,293)	-	**(171,293)**	(155,025)	**16,268**	**(9)%**	
General expenses	(388,141)	-	**(388,141)**	(324,025)	**64,116**	**(17)%**	2.5
Total expenditure	**(1,915,222)**	**-**	**(1,915,222)**	**(1,842,720)**	**72,502**	**(4)%**	
Operating surplus	**(90,298)**	**-**	**(90,298)**	**71,581**	**161,879**	**(179)%**	
Gain on disposal of assets and liabilities	-	-	**-**	3,131	**3,131**	**100 %**	3.1
Gain on foreign exchange transactions	1,537	-	**1,537**	2,377	**840**	**55 %**	3.2
Fair value adjustments	-	-	**-**	5,343	**5,343**	**100 %**	3.1
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	-	-	**-**	8,342	**8,342**	**100 %**	3.1
Inventories losses/write-downs	-	-	**-**	(488)	**(488)**	**100 %**	3.1
	1,537	-	**1,537**	18,705	**17,168**	**1,117 %**	
Surplus before taxation	**(88,761)**	**-**	**(88,761)**	**90,286**	**179,047**	**(202)%**	
Taxation	-	-	**-**	4,537	**4,537**	**100 %**	4
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(88,761)**	**-**	**(88,761)**	**85,749**	**174,510**	**(197)%**	

The budget represented above is the approved final budget that has been prepared on the accrual basis.

The following segments are reported on the above budget; Armscor Corporate, Research & Development and Dockyard. Variances above 10% are explained below:

1. Total Revenue

1.1. Higher than estimated conditional funding received in prior years was utilised towards the capitalisation of the submarine repair group, assets and maintenance expenditure.

1.2. Lower rental income due to the reallocation of services rendered to the DOD that were budgeted under rental income, the impact of discounting of rent related receivables and the elimination of internal rental transactions for statutory reporting purposes.

1.3. Lower other income as income generated was classified as sales for statutory reporting purposes compared to budget whilst not all the planned ad hoc income was generated by the facilities.

1.4. Higher interest income was generated as budgeted capital projects were either delayed or deferred to the next financial year. Also included in the actual figure is an adjustment for discounting for the receivables that impact the interest income in terms of standards of GRAP.

1.5. Dividends received relate to the Armscor Medical Benefit Fund, which is not included in the operational budget of Armscor. The funds' results are included for statutory reporting in terms of GRAP.

2. Operating Expenditure

2.1 Depreciation was less than budgeted as some of the planned acquisition of assets were either deferred or delayed later in the year.

2.2 Finance costs are not included in the budget and relates to actuarial valuation of employee benefit obligations.

2.3 Intercompany lease costs are included in the budget for management reporting and eliminated for statutory reporting purposes.

2.4 The company aims to collect all debts that are within agreed terms and thus minimal debt provision is allowed for in the budget. The variance indicates higher provision raised for debts considered doubtful, most of which are related to related party debtors.

2.5 Measures to contain operational costs in an effort to mitigate against revenue pressures continue to be implemented within the entity. Lower costs emanate from external contractor services, training and printing costs.

3. Operating surplus

3.1 Not included in the budget as it cannot be predetermined in line with group financial policy.

3.2 Impact of the weakening of the Rand on foreign related transaction resulting in higher exchange rate gains than was budgeted for.

4. Taxation

The Armscor Medical Benefit Fund is taxed at 45% (2024: 45%) and its operations are not included in the budget. Armscor is exempted from income tax in terms of Section 10(1)(t)(v) of the Income Tax Act No.58, as amended.

Significant Accounting Policies

1. Presentation of Consolidated Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act No.1 of 1999) and the Companies Act of South Africa (Act No.71 of 2008). The financial statements comply with all Standards of GRAP, there are no deviations or departures from the Standards of GRAP.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, except for some financial instruments and land and buildings which are measured at fair value and incorporate the principal accounting policies set out below. They are presented in South African Rands and all values are rounded to the nearest thousand unless otherwise indicated.

Expenditure in the statement of financial performance is classified and presented based on the nature of expenses, as this provides reliable and more relevant information of the group.

Mandate

Armscor receives its mandate for the period under review from the Armaments Corporation of South Africa, Limited Act (Act No. 51 of 2003) and the Armaments Corporation of South Africa, Limited amendment Act (Act No. 16 of 2005), which came into effect from 8 May 2006 by proclamation 20 published in Government Gazette 28779 of 5 May 2006 in terms of which the Corporation is empowered to meet:

the defence matériel requirements of the Department of Defence (DOD) effectively, efficiently and economically; and
the defence technology, research, development, analysis, test and evaluation requirements of the DOD effectively, efficiently and economically.
These Acts furthermore provide that Armscor must adhere to accepted corporate governance principles, best business practices and Standards of Generally Recognised Accounting Practices within a framework of established norms and standards that reflect fairness, equity, transparency, economy, efficiency, accountability and lawfulness.
A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1. Financial policy

Activities are financed as follows:

a. Armscor's operating funds

Armscor's operating funds which are appropriated by Parliament and obtained via the defence budget, together with the interest earned thereon and contribution generated from sales, are utilised to finance operating expenditure, the acquisition of fixed assets and expenditure for the creation and maintenance of facilities and services.

b. Operating capital and fixed capital of the Group

Operating capital and fixed capital requirements of the Group are financed from own income generated as well as additional funding received from the DOD if required.

Significant Accounting Policies

1.1. Financial policy (continued)

c. Procurement of armaments

Armaments purchases and maintenance are financed by means of withdrawals from the Special Defence Account in terms of the Defence Special Account Act (Act No. 6 of 1974, as amended) and the General Defence Account. Strategic Defence Packages are financed wholly or partially by means of drawdowns against credit facilities supplied by National Treasury.

1.2. Accounting policy

The Corporation's year end is the same as its subsidiaries except for the joint venture which has a February year end. The principal accounting policies adopted by the Group are set out below. These accounting policies are consistent with the previous period.

1.3. Going concern assumption

These financial statements have been prepared on the basis that the entity will continue to operate as a going concern for the foreseeable future.

1.4. Consolidation

Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the entity presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated financial statements from the transfer date or acquisition date as defined in the Standards of GRAP. For details of the controlled entities consolidated in the financial statements refer to note 41.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date, except for the joint venture which has a February year end.
Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Jointly controlled entities

Investments in jointly controlled entities are proportionately consolidated from the date on which the entity has the power to exercise joint control, up to the date on which the power to exercise joint control ceases.

Significant Accounting Policies

1.4. Consolidation (continued)

The entity's share of assets, liabilities, revenue, expenses and cash flows of jointly controlled entities are combined on a line by line basis with similar items in the consolidated annual financial statements.
The entity's proportionate share of inter-entity balances and transactions, and resulting surpluses and deficits between the entity and jointly controlled entities are eliminated on consolidation.

An interest in a jointly controlled entity is accounted for using the equity method. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the entity's share of net assets of the jointly entity, less any impairment losses. Surpluses and deficits on transactions between the entity and a joint venture are eliminated to the extent of the entity's interest therein.

1.5. Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

a. Trade receivables /Held to maturity investments and/or loans and receivables

The entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

b. Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using a variety of techniques.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

c. Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact on estimations and then require a material adjustment to the carrying value of goodwill and tangible assets.

Significant Accounting Policies

1.5. Significant judgements and sources of estimation uncertainty (continued)

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date.

d. Provisions

Provisions were raised and management determined the best estimate of future events, based on the information available. Additional disclosure of these estimates of provisions are included in note 21.

e. Employee benefits

The present value of the employee benefit obligation depends on a number of factors that are determined on an actuarial basis and management's best estimate using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of employee benefit obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employee benefit obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related employee benefit liability. If there is no market in corporate bonds, the yields from the zero-coupon government bond yield curve of appropriate term is used.

Other key assumptions for employee benefit obligations are based on current market conditions. Additional information is disclosed in note 22.

f. Effective interest rate

The entity used the prime interest rate to discount future cash flows, taking into account the best estimate of future events, based on the information available.

1.6. Investment property

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.
Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

An investment property shall be derecognised on disposal (including disposal through a non-exchange transaction) or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Significant Accounting Policies

1.6. Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

The entity separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 9).

1.7. Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.
Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

a. Land and buildings

Land is stated at fair value and is not depreciated. Buildings are stated at fair value less accumulated depreciation and accumulated impairment. Depreciation is calculated on a straight line basis over the useful life of the buildings.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised directly to revaluation surplus in net assets. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is recognised in surplus or deficit to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in surplus or deficit reduces the amount accumulated in the revaluation surplus in net assets.

Significant Accounting Policies

1.7. Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

b. Plant and equipment

Plant and equipment includes plant, machinery, equipment, office equipment, furniture, computers, vehicles and vessels.

Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment. The cost of replacing part of such plant and equipment is capitalised when that cost is incurred and the recognition criteria is met. Depreciation is calculated on a straight line basis over the expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	3-70 years
Plant and machinery	Straight line	2-32 years
Furniture, fixtures and computers	Straight line	2-25 years
Motor vehicles and vessels	Straight line	5-15 years

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.
The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 12).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Significant Accounting Policies

1.8. Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.The amortisation charge for each period is recognised in surplus or deficit.

Gains or losses arising from derecognising of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of financial performance when the asset is derecognised.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Patents, trademarks and other rights	Straight line	5-15 years
Computer software	Straight line	2-8 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

The entity's intangible assets all have finite lives.

Significant Accounting Policies

1.9. Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 14).

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Heritage assets are initially measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10. Investments in joint ventures

A joint venture is a binding arrangement whereby the entity and other parties are committed to undertake an activity that is subject to joint control, that is the agreed sharing of control over an activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement in which parties have joint control with rights to the net assets of the arrangement.
Surpluses or deficits resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The entity's share of surpluses or deficits, resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

The investment in a joint venture is accounted for under the equity method in the entity's financial statements. Under the equity method, on initial recognition the investment in the joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the entity's share of the profit or loss of the joint venture after the date of acquisition. Distributions received from the joint venture reduce the carrying amount of the investment.

Significant Accounting Policies

1.10. Investments in joint ventures (continued)

The most recent available financial statements of the joint venture is used in applying the equity method. When the financial statements of the joint venture used in applying the equity method are different from that used by the entity, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the entity's financial statements.

If the entity's share of losses of the joint venture equals or exceeds its interest in the joint venture, the entity discontinues recognising its share of further losses and will carry the investment in the joint venture at zero. When the joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The entity will discontinue the use of the equity method from the date when its investment ceases to be a joint venture as follows:

- If the investment becomes a subsidiary, the entity shall account for its investment in accordance with GRAP 6.
- If the retained interest in the former joint venture is a financial asset, the entity measures the retained interest at fair value. The entity recognises in surplus or deficit any difference between:
  - the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture;
  - the carrying amount of the investment at the date the equity method was discontinued.
- When the entity discontinues the use of the equity method, the entity accounts for all amounts previously recognised in surplus or deficit in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

The entity recognises a dividend or similar distribution in surplus or deficit in its separate financial statements when its right to receive the dividend or similar distribution is established.

1.11. Insurance and risk management

The insurance and risk management policies adopted by Armscor are aimed at obtaining sufficient cover at the minimum cost to protect its asset base, earning capacity and legal obligations against unacceptable losses.

All fixed assets are insured at current replacement value. Risks are identified and insured while paying specific attention to the specialised nature of the entity's various activities and exposures. Self-insurance has been instituted where the cost to benefit relationship exceeds the risk and the incidence of losses is of a minor and infrequent nature. Self-insured risks are reviewed annually to ensure cover is adequate.

1.12. Financial instruments

Recognition

Financial instruments are initially recognised on the statement of financial position when the entity becomes party to the contractual provisions of the instrument. A financial asset and a financial liability is initially recognised at its fair value plus, in the case of a financial asset or a financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of a financial asset or a financial liability. Subsequent measurement for each category is specified in the sections below.

A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in the fair value of the financial assets or financial liabilities are recorded.

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a entity of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Significant Accounting Policies

1.12. Financial instruments (continued)

The resulting difference between the carrying value on the derecognition of the financial instrument and the amount received or paid is taken to surplus or deficit.

Financial assets

The entity categorises its financial assets in the following categories: loans and receivables, investments fair valued through surplus or deficit and cash and cash equivalents. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

1.12.1. Loans and receivables

After initial recognition, such assets are carried at amortised cost, using the effective interest rate method, less accumulated impairment. Gains and losses are recognised in surplus or deficit when the loans and receivables are derecognised or impaired, and through the amortisation process.

The entity has classified the following financial assets as loans and receivables:

a. Trade and other receivables

Trade and other receivables comprise all trade and non-trade debtors. Short-duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

b. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, short-term deposits, funds held in trust accounts and investment instruments, all of which are readily convertible to cash, available for use by the Group unless otherwise stated and are subject to an insignificant risk of change in value.

c. Other loans

Other loans comprise of employee loans. These loans are interest bearing over varying agreed upon periods.

1.12.2. Investments

Investments in financial instruments are classified and measured as follows:

Investment	Classification	Carrying value
Government and other bonds	At fair value through Investment income	Fair value
Shares-Listed	At fair value through Investment income	Fair value
Derivative instruments	At fair value through Investment income	Fair value
Deposits and banking institutions	At fair value through Investment income	Fair value
International investments	At fair value through Investment income	Fair value

Subsequent to initial recognition, all financial instruments classified at fair value through investment income are measured at fair value with changes in their fair value recognised in the surplus or deficit.

Significant Accounting Policies

1.12. Financial instruments (continued)

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial liabilities

Financial liabilities consist of trade and other payables. After initial recognition, financial liabilities are recognised at amortised cost, using the effective interest rate method, finance costs on financial liabilities at amortised cost are expensed in surplus or deficit in the period in which they are incurred using the effective interest rate method. In addition, gains and losses on these financial liabilities are recognised in surplus or deficit when the liability is derecognised.

Financial guarantee contracts

Financial guarantee contracts issued by the entity are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when it becomes due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially at fair value.

Financial guarantees are derecognised when the obligation is extinguished, expire or transferred. The entity currently does not recognise any financial guarantee contracts as, in the opinion of the directors; the possibility of loss arising from these guarantees is remote.

Impairment of financial assets

The entity assesses at each statement of financial position date whether objective evidence exists that a financial asset or a group of financial assets are impaired.
Investments (continued)

Financial assets carried at amortised cost

The entity assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If there is objective evidence that an impairment loss has been incurred on a financial asset, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets original effective interest rate. The amount of the impairment shall be recognised in the statement of financial performance.

When a receivable is uncollectible, it is written off against the related impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of financial performance.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account.

Significant Accounting Policies

1.12. Financial instruments (continued)

Subsequent recoveries of amounts previously written off are credited against operating expenses.

For certain categories of loans and receivables, provisions for impairment are recognised based on the following considerations:

a. Trade and other receivables

For trade and other receivables, a provision for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. Indicators of impairment include long overdue accounts, significant financial difficulties of the debtors and defaults in payments.

1.13. Tax

Current tax assets and liabilities

Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the reporting date, and any adjustment of tax payable for the previous year.

Deferred tax assets and liabilities

Deferred taxation is provided using the financial position liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax is recognised in the surplus or deficit except to the extent that it relates to a transaction that is recorded directly in net assets, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the surplus or deficit, except to the extent that it relates to items previously charged or credited directly to net assets.

1.14. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases-lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue from exchange transactions in statement of financial performance.

Significant Accounting Policies

1.14.Leases (continued)

Operating leases-lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.15. Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Inventories are stated at the lower of cost and net realisable value. Raw materials are calculated using the first in, first out method, except in the case of Hazmat Protective Systems where it is calculated at weighted average. Write downs to net realisable value and inventory losses are expensed in the period in which the write down or losses occur.

Finished goods and work in progress are stated at actual cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.16. Foreign currency transactions

Transactions and balances

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period, foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in surplus or deficit in the period in which they arise.

Significant Accounting Policies

1.16. Foreign currency transactions (continued)

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17. Impairment of assets

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).
Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Identification

When the carrying amount of an asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

Value in use

Value in use of an asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

A reversal of an impairment loss for an asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

At initial recognition, the entity designates an asset as non-cash-generating or as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

Significant Accounting Policies

1.18. Non-distributable reserves

All reserves are considered to be non-distributable. The full share capital and reserves are required for the total net capital requirement of the Group. Cash is therefore retained to meet future commitments, and is consequently not available for the distribution of dividends.

a. Capital and building maintenance reserve

The reserve was established for comprehensive upgrading and replacement of obsolete capital equipment and maintenance of major building systems.

b. Computer upgrading reserve

The purpose of this reserve is for the upgrading and replacement of obsolete, outdated computer technology.

c. Marketing promotion reserve

The reserve was established to supplement the financing of exhibition costs in order to promote the local defence industry which is part of Armscor's mandate, but which is not provided for via the transfer payment from the Department of Defence.

d. Internal insurance reserve

Self-insurance has been instituted where the cost-to-benefit relationship exceeds the risk and the incidence of losses is of a minor and infrequent nature. Self-insured risks are reviewed annually to ensure cover is adequate and an amount is held in an internal insurance fund to cover these risks.

e. Revaluation reserve

The revaluation surplus in equity is related to land and buildings and is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

f. Post-retirement medical reserve

The reserve was established to ring-fence funds to ensure adequate cover for Armscor's post-retirement medical obligation.

1.19. Share capital /contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.20. Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

a. Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Significant Accounting Policies

1.20. Employee benefits (continued)

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- the expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

b. Post-employment benefits: Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.
The entity contributes towards and operates the Armscor Defined Contribution Provident Fund and the Government Employees Pension Fund, which offer benefits based on the contributions of and on behalf of every member, as well as on investment yields.

c. Post-employment benefits-Defined benefit plan

The group provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the qualifying employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The cost of providing benefits under the defined benefits plan is determined using the projected unit credit actuarial valuation method.

Actuarial gains and losses during the valuation period, arising from experience adjustments and changes in actuarial assumptions, are recognised immediately in the statement of financial performance.

The entity discloses relevant information relating to the post-retirement medical obligation in the notes to the financial statements (see note 22).

d. Other long-term employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

The entitlement to other long-term employee benefits is based on the service period provided by qualifying employee and the completion of certain minimum service period milestones. The expected costs of these benefits are accrued over the period of employment. Management carry out valuations of these obligations. The cost of providing benefits is determined using the projected unit credit valuation method.

The entity discloses relevant information relating to the other long-term employee benefits obligation in the notes to the financial statements (see note 22).

Significant Accounting Policies

1.21. Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

The Group has the following provisions at year end:

a. Performance remuneration

The payment of performance remuneration is subject to the Groups' achievement of set performance criteria. The Group uses the Balanced Scorecard method for evaluating individual performance. Performance remuneration is based proportionally on the individual performance as measured and expressed by the individual's performance score and also on Group department's performance as measured and expressed by their calculated performance score.

b. Provision for leave

Provision is calculated on leave days outstanding at end of year multiplied by remuneration rate based on the applicable remuneration package of each employee.

c. Contingencies

Contingent assets are disclosed when there is a possible asset, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group's control. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

Contingent liabilities are disclosed when there is a possible obligation that arises from the past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group's control, or it is not possible that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised, but reflected in a separate note to the financial statements. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

Significant Accounting Policies

1.22. Commitments

Capital commitments relates to contractual arrangement or an approval by management in a manner that raises a valid expectation that the Group will discharge its responsibilities thereby incurring future capital expenditure that will result in the outflow of cash and an inflow of capital assets. Capital commitments are differentiated between commitments for property, plant and equipment and for intangible assets.

Commitments are measured at fair value after taking into account accruals and payments and disclosed in note 45.

1.23. Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.
Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Significant Accounting Policies

1.23. Revenue from exchange transactions (continued)

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

1.24. Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where Armscor received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.
Apart from services in kind, which are not recognised, an inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue from non-exchange transactions are disclosed in note 27 and 29.

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

1.25. Cost of sales

The related cost of providing goods and services recognised as revenue in the current period is included in cost of sales. Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.26. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.27. Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Significant Accounting Policies

1.27. Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28. Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes. Irregular expenditure receivables are measured at the amount that is expected to be recovered and are derecognised when settled or written-off as irrecoverable.

1.29. Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Armscor's activities are reported in the following segments: Armscor Corporate, Dockyard and Research & Development (R&D).

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment.

1.30. Budget information

The approved budget covers the fiscal period from 1 April to 31 March, and is prepared on zero-based budgeting basis.
The budget for the economic entity includes all the entities approved budgets under its control, except for the Armscor Medical Benefit Fund.

The financial statements and the budget are on the same basis of accounting and are classified and presented based on the nature of the expenses, therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. Material deviations are explained in the relevant notes to the annual financial statements.

1.31. Related parties

A related party is an individual as well as their close family members, and /or entities are related party if one part has the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Significant Accounting Policies

1.31. Related parties(continued)

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Disclosure is made on Information about the nature of transactions and related outstanding balances with related parties.
Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Management is regarded as a related party and comprise of the Board of Directors and Executive Committee Members.

1.32. Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.33. Living and non-living resources

Living resources are those resources that undergo biological transformation.
Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for:

a. sales;
b. distribution at no charge or for a nominal charge; or
c. conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

a. is used in the production or supply of agricultural produce;
b. is expected to bear produce for more than one period; and
c. has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or development and, where applicable, the amount attributed to the asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Significant Accounting Policies

1.33. Living and non-living resources (continued)

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.
Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by an entity, or the number of production or similar units expected to be obtained from the asset by an entity.

Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the financial statements.

A living resource is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Where the entity is required in terms of legislation or similar means to manage a living resource, but it does not meet the definition of an asset because control of the resource cannot be demonstrated, relevant information are disclosed in the notes to the financial statements.

Where the entity holds a living resource that meets the definition of an asset, but which does not meet the recognition criteria, relevant information are disclosed in the notes to the financial statements. When the information about the cost or fair value of the living resource becomes available, the entity recognise, from that date, the living resource and apply the measurement principles.

1.34. Change in accounting policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Armscor shall change an accounting policy only if the change:

- is required by a standard of GRAP; or
- results in the financial statements providing reliable and more relevant information about the effects of the transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

1.35. Deferred income

Deferred income represents payments received by the entity for goods or services that will be delivered or performed in the future. It's a liability because the entity has an obligation to provide the goods or services to the customer who has already paid.

As the entity delivers the goods or services, it gradually recognizes the deferred income as revenue on the statement of financial performance.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

2. Reporting Framework

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations and directives issued by the International Accounting Standards Board (IASB).

In terms of these standards (GRAP), in the absence of a standard or pronouncement comprising the GRAP financial reporting frameworks that specifically applies to a transaction, other event or condition, management should apply judgement and may consider the following pronouncements, in descending order, in developing an accounting policy for such a transaction, event or condition.

- Standards of GRAP (Generally Recognised Accounting Practices) that have been issued, but are not yet effective;
- IPSAS (International Public Sector Accounting Standards); and
- IFRS (International Financial Reporting Standards).

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has not adopted any new standards and interpretations as none were effective for the current financial year and that are relevant to its operations.

Standard/Interpretation:	Effective date: Years beginning on or after
IGRAP 22 on Foreign Currency Transactions and Advance Consideration	1 April 2025
GRAP 104 on Financial Instruments (2019)	1 April 2025

4. Inventories

	2025 R'000	2024 Restated* R'000
Raw materials, components	2,255	2,559
Work in progress	6,194	8,508
Finished goods	1,535	1,474
Consumables	7,604	5,854
Consumable stores	-	2,313
	17,588	**20,708**

The amount of inventory written-off during the year is R488 thousand (2024: R337 thousand reversal), arising from the write-off of obsolete stock. Inventories utilised and expensed to general expenses during the year is R30 400 thousand (2024: R33 200 thousand).

Notes to the Consolidated Financial Statements

5. Current tax receivable

2025	Outstanding at beginning of the year R'000	Normal income tax for the current year R'000	Income tax paid during the year R'000	Prior year adjustment R'000	Penalties and interest levied by SARS R'000	Income tax receivable at the end of the year R'000
Current tax receivable	22	(1,740)	1,974	-	1	257

2024	Outstanding at beginning of the year R'000	Normal income tax for the current year R'000	Income tax paid during the year R'000	Prior year adjustment R'000	Penalties and interest levied by SARS R'000	Income tax receivable at the end of the year R'000
Current tax receivable	95	(352)	276	-	3	22

6. Receivables from exchange transactions

	2025 R'000	2024 Restated* R'000
Trade debtors	483,922	318,011
Prepayments	11,118	20,234
Deposits	1,528	1,616
Other receivables	7,577	6,582
Interest receivable	93,881	120,664
Other debtors	22,604	21,865
Other related party debtors	1,845	404
	622,475	489,376

In the prior year, amounts were classified as prepayments instead of trade receivables in the notes to the financial statements. There is no impact in the statement of financial position, however, the note was reclassified. Refer to note 47.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

Receivables from exchange transactions (continued)

Trade receivables past due but not impaired

Management has made an assessment and they concluded that there are no other indications of impairment.

	2025 R'000	2024 Restated* R'000
The ageing of amounts past due but not impaired is as follows:		
Current	253,042	127,455
31-60 days	175,939	16,247
61-90 days	31,103	20,756
91-120 days	9,158	9,726
121 days and older	14,680	143,827
	483,922	**318,011**

Trade and other receivables impaired

During the year-ended, 31 March 2025 trade and other receivables of R68 019 thousand (2024: R102 556 thousand) were impaired and provided for.

	2025 R'000	2024 Restated* R'000
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	268,790	176,187
Provision for impairment	68,019	102,556
Amount recovered during the year	(3,844)	(9,847)
Impairment losses reversed	-	(43)
Amounts written off as uncollectable	(26)	(63)
	332,939	**268,790**

An amount of R Nil thousand (2024: R 43 thousand) was reversed during the year.

7. Receivables from non-exchange transactions

	2025 R'000	2024 Restated* R'000
Other receivables from non-exchange transactions	94,699	15,366

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025 R'000	2024 Restated* R'000
Bank balances	122,863	145,158
Short-term deposits	752,054	940,284
	874,917	**1,085,442**

Notes to the Consolidated Financial Statements

8. Cash and cash equivalents (continued)

Included in cash and short-term deposits is an amount of R6 148 thousand (2024: R7 943 thousand) in respect of cash allocated to the insurance reserve and R60 735 thousand (2024: R56 094 thousand) in respect of Dockyard's post retirement medical benefits as per note 22.

Included in cash and short-term deposits is an amount of R487,352 thousand (2024: RNil) in respect of money held on behalf of the DOD.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

Cash reserves are earmarked for upgrading of systems, capital expenditure approved but not yet contracted and other maintenance requirements.

Notes to the Consolidated Financial Statements

9. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Investment property	25,800	-	25,800	33,100	-	33,100

Reconciliation of investment property-2025

	Opening balance	Fair value adjustments	Total
	R'000	R'000	R'000
Investment property	33,100	(7,300)	25,800

Reconciliation of investment property-2024

	Opening balance	Fair value adjustments	Total
	R'000	R'000	R'000
Investment property	28,400	4,700	33,100

The fair value was determined by an independent sworn appraiser using current market values on 31 March 2025. The appraiser holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The land was fair valued using the Comparative Sales Method (Market Approach).

Expenditure incurred relating to land amounted to R Nil (2024: R Nil). No. revenue is generated from the investment property, however Armscor is actively looking at ways to sweat the property.
Investment property is revalued independently on an annual basis.

The following assumptions were applied by the valuator:

- The property is developable,
- No. onerous conditions exist on the title deeds,
- No. special assumptions were made.

Notes to the Consolidated Financial Statements

10. Non-living resources

Entity as custodian

The nature of the entity's custodial responsibility, including the legislation or similar means that establishes the custodial responsibility over the resources, are as follows: Armscor has a number of boreholes systems situated in some of the properties it owns. Borehole installation and usage are governed by national legislation, National Water Act (Act No. 36 of 1998).

Nature and types of non-living resources for which the entity is responsible

Borehole water: Boreholes existing at various divisions, including R&D and Armscor Corporate, properties. These boreholes are mainly used for purposes of irrigation in around the properties.

Liabilities and/or contingent liabilities that arise from the non-living resources
Boreholes water: There is no liability arising from this non-living resource.

11. Living resources

Living resources not recognised

The entity did not recognise the following living resources, due to the definition and/or recognition criteria not being met:

Wild game animals

The nature and type are as follows: In one of the Armscor's property situated in the Alkantpan Test Range, a number of game (wild animals) are found in around the property. The game naturally existed in the greater area where the property is situated and they were never specifically acquired or obtained by other non-exchanged transaction means by Armscor.

In and around the property, the game can move freely to adjacent land/farms and is not fenced off by means of proper game fencing which will restrict movement of the game. The game in the property cannot be tagged, and have unrestricted access to the property and adjacent land/farms.

Armscor does not intervene in the physical condition of the game, or restrict the movement of the game and also does not have the ability to direct the use of the game in around the property area. Therefore, the entity does not control the game.

Game worth R Nil thousand (2024: R Nil thousand) was culled during the year.

Notes to the Consolidated Financial Statements

12. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost /Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	241,546	-	241,546	264,101	-	264,101
Buildings	977,338	(5,384)	971,954	858,967	(73,315)	785,652
Plant and machinery	252,632	(197,231)	55,401	242,938	(188,045)	54,893
Office equipment, furniture and computers	215,932	(173,825)	42,107	226,843	(176,038)	50,805
Vehicles and vessels	106,755	(90,736)	16,019	102,579	(85,695)	16,884
Capital assets under development	5,237	-	5,237	3,748	-	3,748
Total	**1,799,440**	**(467,176)**	**1,332,264**	**1,699,176**	**(523,093)**	**1,176,083**

Reconciliation of property, plant and equipment-2025

	Opening balance	Additions	Disposals	Revaluations	Adjustment to opening balance	Depreciation	Total
		R'000	R'000	R'000	R'000	R'000	R'000
Land	264,101	-	-	(22,555)	-	-	241,546
Buildings	785,651	45,300	(961)	179,996	-	(38,032)	971,954
Plant and machinery	54,893	22,462	(3,216)	-	-	(18,738)	55,401
Office equipment, furniture and computers	50,805	15,852	(3,391)	-	(353)	(20,806)	42,107
Vehicles and vessels	16,882	5,149	(2)	-	26	(6,036)	16,019
Capital assets under development	3,748	1,489	-	-	-	-	5,237
	1,176,080	**90,252**	**(7,570)**	**157,441**	**(327)**	**(83,612)**	**1,332,264**

Notes to the Consolidated Financial Statements

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment-2024

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Depreciation R'000	Total R'000
Land	264,101	-	-	-	-	264,101
Buildings	805,469	15,922	-	-	(35,740)	785,651
Plant and machinery	55,303	18,692	(13)	609	(19,698)	54,893
Office equipment, furniture and computers	53,873	17,985	(192)	1,564	(22,425)	50,805
Vehicles and vessels	20,056	4,824	(77)	(1,176)	(6,745)	16,882
Capital assets under development	4,357	-	-	(609)	-	3,748
	1,203,159	**57,423**	**(282)**	**388**	**(84,608)**	**1,176,080**

a. Depreciation rates

Buildings	Straight-line	3-70 years
Plant and machinery	Straight-line	2-32 years
Office equipment, furniture and computers	Straight-line	2-25 years
Vehicles and vessels	Straight-line	5-15 years

Revaluations

The effective date of the revaluations was 31 March 2025. Revaluations were performed by independent valuer, who holds a recognised and relevant professional qualification and has recent experience in the location and category of the land and buildings being valued and who is not connected to the entity.

Land and buildings are re-valued independently every three years.

The valuations were performed using the Income Capitalisation Approach, Market Approach, Discounted Cash Flow and the Accrued Depreciated Replacement Cost Method.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

12. Property, plant and equipment (continued)

Contractual commitments

Contractual commitments for acquisition of property, plant and equipments amounts to R130 248 thousand (2024: R89 458 thousand).

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	15,580	14,393
General expenses	9,597	9,815
	25,177	**24,208**

Other matters

Included in the Group's value of plant, machinery and equipment are assets at contractors with a cost of R2 724 thousand (2024: R2 817 thousand) that are fully depreciated. These assets are no longer in use and are kept for strategic purposes.

Land and buildings were fair valued for the first time on 31 March 2013. Had these assets not been fair valued their carrying values would have been as follows:

Land	:	R 10 935 thousand (2024: R10 935 thousand)
Buildings	:	R 93 232 thousand (2024: R93 850 thousand)

Included in buildings are:

IMT building erected on leasehold premises with a net book value of R 58 300 thousand (2024: R70 900 thousand). The leasehold premises comprises a portion in extent 1,4475 ha of Erf 3779 in Simon's Town which is leased from the Department of Public Works.

The Paardefontein building erected on land owned by the State with a net book value of R3 700 thousand (2024: R3 100 thousand). The premises comprise of a portion in extent 51,3902 ha of portion 6 and 7 of the farm Paardefontein 282, registration division JR, City of Tshwane Metropolitan Municipality, which is registered in the name of the State.

Alkantpan water pipeline runs from Prieska to Copperton, which is approximately 70 kilometers. The pipeline, runs through farms of which the division has servitude on. The pipeline is owned and controlled by Alkantpan and its value is included in the valuation of Alkantpan property. It provides water to Alkantpan Test Range, Mine, Farms and Copperton Town.

Change in estimates:

The group reassesses the useful lives and residual values of items of property, plant and equipment at the end of each reporting period, in line with the accounting policy and GRAP 17 Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

Based on the latest available and reliable information there was a change in the estimated useful life of some assets, which resulted in a decrease in depreciation of R4 537 thousand (2024: R4 355 thousand decrease).The group is unable to estimate the impact of the change in estimate for future periods due to impracticality as a result of the financial system limitations.

Notes to the Consolidated Financial Statements

13. Intangible assets

	2025			2024		
	Cost /Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost /Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Patents, trademarks and other rights	18,485	(13,954)	4,531	18,400	(9,786)	8,614
Computer software	27,703	(16,887)	10,816	20,755	(16,373)	4,382
Intangible assets under development	31,046	-	31,046	23,318	-	23,318
Total	**77,234**	**(30,841)**	**46,393**	**62,473**	**(26,159)**	**36,314**

Reconciliation of intangible assets-2025

	Opening balance	Additions	Internally generated	Disposals	Amortisation	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Patents, trademarks and other rights	8,614	-	85	-	(4,168)	4,531
Computer software	4,382	9,543	-	(8)	(3,101)	10,816
Intangible assets under development	23,318	5,202	2,526	-	-	31,046
	36,314	**14,745**	**2,611**	**(8)**	**(7,269)**	**46,393**

Reconciliation of intangible assets-2024

	Opening balance	Additions	Internally generated	Disposals	Amortisation	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Patents, trademarks and other rights	12,157	-	624	-	(4,167)	8,614
Computer software	3,699	6,120	-	(34)	(5,403)	4,382
Intangible assets under development	11,915	8,964	2,439	-	-	23,318
	27,771	15,084	3,063	(34)	(9,570)	36,314

Notes to the Consolidated Financial Statements

13. Intangible assets (continued)

	2025 R'000	2024 Restated* R'000
Intangible assets in the process of being constructed or developed:		
Cumulative expenditure recognised in the carrying value of Intangible assets		
Patents, trademarks and other rights	85	624
Intangible assets under development	2526	2,439
Computer software	14,745	15,084
	17,356	**18,147**

Amortisation rates

Patents, trademarks and other rights	Straight line 5-15 years
Computer software	Straight line 2-8 years

Contractual commitments

Contractual commitments for acquisition of intangible assets amounts to R66 391 thousand (2024: R77 120 thousand).

Other matters

Change in estimates:

The group reassesses the useful lives and residual values of items of intangible assets at the end of each reporting period, in line with the accounting policy and GRAP 31 Intangible Assets. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

Based on the latest available and reliable information there was a change in the estimated useful life of some assets, which resulted in a decrease in amortisation of R1 130 thousand (2024: R317 thousand decrease).

The group is unable to estimate the impact of the change in estimate for future periods due to impracticality as a result of the financial system limitations.

14. Heritage assets

	2025			2024		
	Cost / Valuation R'000	Accumulated impairment losses R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated impairment losses R'000	Carrying value R'000
Historical buildings	13,471	-	13,471	12,746	-	12,746

Notes to the Consolidated Financial Statements

14. Heritage assets (continued)

Reconciliation of heritage assets 2025

	Opening Balance R'000	Revaluation R'000	Total R'000
Historical buildings	12,746	725	13,471

Reconciliation of heritage assets 2024

	Opening Balance R'000	Total R'000
Historical buildings	12,746	12,746

Fair value of heritage assets (measured at cost less accumulated impairment losses)

Heritage assets were fair valued for the first time on 31 March 2013. Had these assets not been fair valued their carrying values would have been as follows:

Land	:	R1 727 thousand (2024: R1 727 thousand)
Buildings	:	R 28 926 thousand (2024: R35 352 thousand)

15. Interests in other entities

Investments in controlled entities

Name	Jurisdiction	Determination of ownership interest	% ownership interest 2025	% ownership interest 2024	Carrying amount 2025	Carrying amount 2024
Armscor Defence Institutes SOC Ltd	South Africa	Subsidiary	100 %	100 %	-	-
Oospark SOC Ltd	South Africa	Subsidiary	100 %	100 %	-	-
Sportrand SOC Ltd	South Africa	Subsidiary	100 %	100 %	-	-
Erasmus Eiendomme SOC Ltd	South Africa	Subsidiary	100 %	100 %	-	-
					-	-

The carrying amounts of controlled entities are shown net of impairment losses.

All these entities are fully owned by Armscor for strategic business purposes but are dormant since 1 April 2013 and have not traded during the period.

Armscor has the power to govern the financial and operating policies of all these entities so as to obtain benefits from their activities.

Notes to the Consolidated Financial Statements

15. Interests in other entities (continued)

Investments in joint ventures

Name	Jurisdiction	Determination of ownership interest	% ownership interest 2025	% ownership interest 2024	Carrying amount 2025 R'000	Carrying amount 2024 R'000
African Aerospace and Defence	South Africa	Joint Venture	33.33 %	33.33 %	11,805	9,565
					11,805	9,565
					11,805	9,565

The carrying amounts of joint ventures are shown net of impairment losses.

As Armscor owns 33.33% joint control in the Joint Venture, Armscor has significant influence in the Joint Venture.

Interests in joint arrangements and associates

Material joint arrangements

Africa Aerospace and Defence

Name of the joint arrangement or associate:	Africa Aerospace and Defence (AAD)
Nature of the entity's relationship with the joint arrangement or associate:	Armscor entered into a joint control partnership/arrangement on 30 August 1999 with the South African Aerospace Maritime and Defence Industries (AMD) and the Commercial Aviation Association of Southern Africa (CAASA) whereby each party holds an equal interest of 33.33% in the partnership. The partnership's main business is the hosting of the Africa Aerospace and Defence exhibition which takes place bi-annually.
Domicile and legal form of the joint arrangement or associate:	South Africa
Proportion of ownership interest or participating share held by the entity:	33.33%
Proportion of voting rights held:	33.33%
The investment in the joint venture or associate is measured using:	Equity Method

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

15. Interests in other entities (continued)

Summarised financial information for the joint venture		
Current assets	10,119	3,563
Non-current assets	49	26
Current liabilities	1,257	259
Revenue	30,144	6,796
Expenditure	(21,802)	(1,467)
Surplus or deficit	8,342	5,329

The reporting period of Africa Aerospace and Defence (AAD) is from 1 March to 28 February annually. There are no significant unadjusted transactions or events occurring between 28 February and 31 March.

The total unrecognised share of losses in AAD for the reporting period amounts to R Nil thousand (2024: R Nil thousand).

The total cumulative unrecognised share of losses in AAD amounts to R Nil thousand (2024: R Nil thousand).

16. Investments at fair value

	2025		2024	
	Fair Value R'000	Carrying Value R'000	Fair Value R'000	Carrying Value R'000
Government and other bonds	86,237	84,532	58,065	62,273
Shares-listed	74,674	65,178	60,976	58,246
Deposits at banking institutions	1,168,092	1,167,699	481,697	479,907
International investments	53,234	36,625	49,751	35,617
	1,382,237	**1,354,034**	**650,489**	**636,043**

Included in the fair value presented above is R222 238 thousand (2024: R201 707 thousand) relating to the Medical Benefit Fund.

In the prior year, amounts were classified as financial instruments instead of investments at fair value on the face and in the notes to the financial statements. There is no impact in the statement of financial position, however, the note was reclassified. Refer to note 47.

Notes to the Consolidated Financial Statements

17. Financial instruments

Financial risk management

Introduction

The Group's financial instruments consist of cash and cash equivalents, accounts receivable, investments and accounts payable, which arise directly from its operations.

The principle market risks to which the Group is exposed through financial instruments are:

- Foreign exchange transactions
- Interest rates
- Credit risk
- Liquidity risk
- Investment risk

	2025		2024	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	R'000	R'000	R'000	R'000
Assets				
Loans and receivables	**1,497,660**	**1,498,505**	**1,574,818**	**1,574,818**
Trade and other receivables	622,475	622,475	489,376	489,376
Cash and cash equivalents	808,302	809,147	1,021,405	1,021,405
Cash allocated to insurance reserve	6,148	6,148	7,943	7,943
Cash allocated to Dockyard post-retirement benefit	60,735	60,735	56,094	56,094
At fair value	**1,382,237**	**1,354,034**	**650,489**	**636,043**
Government and other bonds	86,237	84,532	58,065	62,273
Shares-listed	74,674	65,178	60,976	58,246
Deposits at banking institutions	1,168,092	1,167,699	481,697	479,907
International investments	53,234	36,625	49,751	35,617
	2,879,897	2,852,539	2,225,307	2,210,861
Liabilities				
Trade and other payables	(860,915)	(860,915)	(262,984)	(262,984)
	2,018,982	**1,991,624**	**1,962,323**	**1,947,877**

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

17. Financial instruments (continued)

Included in the fair value presented above is R222 238 thousand (2024: R201 707 thousand) relating to the Medical Benefit Fund.

Interest rate management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investments. In the ordinary course of business, the Group receives cash through the transfer payment to fund its operations as well as to fund working capital and capital expenditure requirements. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risk.

Credit risk management

The entity only deposits cash surpluses with financial instituions of high quality credit standing.

Trade receivables comprise a widespread customer base. The granting of credit is controlled by well-established criteria, which are reviewed and updated on an ongoing basis.

At year end, the entity did not consider there to be any significant concentration of credit risk which has not been insured or adequately provided for. With respect to credit risk arising from the other financial assets of the entity, the entity's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The entity's objective is to maintain a balance between continuity of funding and flexibility through the use of call accounts.

The Group maintains a sufficient level of liquidity to be able to meet all its obligations. The Group has no overdraft facility but has other facilities which include guarantees and letters of credit.

Capital management

Capital includes equity attributable to the equity holders. The primary objective of the entity's capital management is to ensure that it maintains strong credit ratings and healthy capital ratios in order to support its buiness. The entity manages its capital structure and makes adjustments to it in the light of changes in economic conditions. No. changes were made in the objective, policies or processes for the year ended 31 March 2025. The entity does not make use of capital from outside providers other than trade and other payables and has sufficient cash (cash and investments) to cover its net debt.

	2025 R'000	2024 Restated* R'000
Trade and other payables	(860,915)	(262,985)
Cash and cash equivalents	874,917	1,085,442
	14,002	**822,457**

Notes to the Consolidated Financial Statements

17. Financial instruments (continued)

Interest rate risk

The entity's exposure to the risk in market interest rates relates primarily to interest received on call accounts and fixed deposits.

Interest rate risk (sensitivity analysis)

The following table demonstrates the sensitivity to a change in interest rates with all other variables held constant.

	Increase/decrease in basis points	Increase/decrease in surplus for the year and equity
2025	+/-50	+/-7,8 million
	+/-25	+/-3,9 million
2024	+/-50	+/-8,0 million
	+/-25	+/-4,0 million

Investment risk

Investments in equities are valued at fair value and therefore susceptible to market fluctuations.
Investments are managed with the aim of maximising the Group's returns while limiting risk to acceptable levels.
Continuous monitoring takes place to ensure that appropriate assets are held where the liabilities are dependent upon the performance of the investment portfolio and that a suitable match of assets exists for all liabilities.

Foreign currency risk

Foreign currency risk is the risk that the value of an instrument will fluctuate in South African Rand due to changes in foreign exchange rates.

The entity is exposed to both foreign currency risks on investments that are denominated in a currency other than the respective functional currency of the entity and transactional currency exposures. The currency giving rise to the risk is primarily US dollar (USD).

These investments are monitored to ensure that the exposure to foreign currency risk is maintained within internal diversification guidelines.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000
18. Payables from exchange transactions		
Trade payables	36,310	45,996
Payments received in advanced-contract in process	59,038	47,723
Other payables	22,727	21,559
Accrued expense	60,424	46,047
Deposits received	44	44
	178,543	**161,369**
Aging of trade payables		
Current	33,787	45,891
61 days and older	2,523	105
	36,310	**45,996**
19. Payables from non-exchange transactions		
Taxes payable	27,107	25,029
Other payables from non-exchange transactions	562,329	6,449
Prepayments received for projects	9,093	9,172
Stock sales prepayment	83,843	60,965
	682,372	**101,615**
20. Deferred income		
Movement during the year		
Balance at the beginning of the year-Grants	21,106	27,437
Balance at the beginning of the year-Other deferred income	18,664	18,318
Additions during the year-Other deferred income	46,124	39,596
Utilised and other movements during the year-Grants	(1,049)	(6,331)
Utilised and other movements during the year-Other deferred income	(48,437)	(39,249)
	36,409	**39,771**
Non-current liabilities	4,737	7,450
Current liabilities	31,672	32,321
	36,409	**39,771**

Notes to the Consolidated Financial Statements

20. Deferred income (continued)

Grants relates to cash and assets received from Department of Defence in relation to specific projects. The grant portion spent on capital acquisition is realised over the useful lives of the underlying assets and recognised as deferred income recognised in the statement of financial performance.

Deferred income relates to cash received from the Department of Defence for services to be rendered by Armscor. The deferred income realised is recognised as revenue from rendering of services in the statement of financial performance.
The recognition of the income needs to be aligned with the incurring of the expenditure, or the fulfillment of the conditions of receipt.

21. Provisions

Reconciliation of provisions - 2025

	Opening Balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Provision for leave	42,496	31,482	(41,899)	(596)	31,483
Provision for performance bonus	50,266	72,796	(48,886)	(1,381)	72,795
	92,762	**104,278**	**(90,785)**	**(1,977)**	**104,278**

Reconciliation of provisions - 2024

	Opening Balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Provision for leave	43,058	45,248	(44,321)	(1,489)	42,496
Provision for performance bonus	64,786	50,266	(47,105)	(17,681)	50,266
	107,844	**95,514**	**(91,426)**	**(19,170)**	**92,762**

Performance remuneration is discretionary and for the 2024/25 financial year will be paid upon the completion of the performance evaluation process, subject to approval by the Board of Directors.

22. Employee benefit obligations

22.1 Defined Contribution Provident Fund

The entity contributes towards and operates the Armscor Defined Contribution Provident Fund, which offer benefits based on the contributions by and made on behalf of every member as well as investment yields. At the time of establishment of the Armscor Defined Contribution Provident Fund, Armscor guaranteed pensioners that were transferred from the previous pension fund to the current provident fund to receive an amount at least equal to the pension received in termsof the previous fund. Armscor's liability in this regard for the remaining 1 member is R Nil (2024 : R Nil) as the pensioners account in the pension fund is sufficiently funded.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

22. Employee benefit obligations (continued)

The amount of contributions to the above scheme	77,058	72,831

22.2 Government Employees Pension Fund - Dockyard

The Group contributes towards the Government Employees Pension Fund, which offer benefits based on the contributions by and made on behalf of every member as well as investment yields.

The amount of contributions to the above scheme	19,594	18,435

22.3 Post-retirement medical benefits - Defined benefit plan

The GRAP 25 valuation of the obligation was carried out on the 31 March 2025 using the Projected Unit Credit method. The liability has been determined by considering the projected contribution subsidies that will be paid by the Armscor Group after retirement (or death, where applicable) for current in-service employees, and actual contribution subsidies for current continuation members.

Armscor does not have any further obligation for post-retirement medical benefits towards those members who accepted the buy-out settlement offered in previous years, except for the monthly allowances being paid to active members while remaining in Armscor's service.

The detail for the amount of employee benefit obligation as per the Statement of Financial Position is depicted in 22.3.1, 22.3.2 and 22.3.3 below.

	2025 R'000	2024 R'000	2023 R'000	2022 R'000	2021 R'000
Present value of unfunded obligations	266,810	263,950	260,954	284,106	250,894
Net obligation	266,810	263,950	260,954	284,106	250,894
Net liability in statement of financial position	**266,810**	**263,950**	**260,954**	**284,106**	**250,894**

The liability amount reflect the Group post-retirement medical benefit.

	2025 R'000	2024 R'000
Current portion of obligation	16,019	15,926
Non-current portion of obligation	250,791	248,024
	266,810	**263,950**

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

22. Employee benefit obligations (continued)

22.3 Post-retirement medical benefits - Defined benefit plan (continued)

The main actuarial assumptions are:

Discount rate	12.4%	14.5%
Health care cost inflation	8.4%	10.4%
CPI inflation	6.4%	8.4%
Average retirement age	63	63

The discount rate was derived from government bond yields consistent with the estimated term of the post-employment liabilities, and is set as the yield at duration 12 years from the South African nominal zero coupon yield curve as at 31 March 2025. Thus, a discount rate of 12.4% per annum has been used as at 31 March 2025. A discount rate of 14.5% per annum, using a similar methodology, was assumed at the previous valuation.

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 63.

22.3.1 Post retirement medical benefits (excluding Armscor & Dockyard personnel transferred from the SA Navy)

The entity currently provides post retirement health care benefits to its retirees. The entitlement to post-retirement health care benefits is based on the qualifying employee remaining in service up to retirement age and the completion of a minimum service period. Armscor contributes 67% of health care contributions for eligible employees. Dependants of eligible members would be subsidised at this rate on the death of the principal member for both death in service and death after retirement.

The expected costs of these benefits are accrued over the period of employment. Valuations of these obligations are carried out by independent qualified actuaries.

Based on the valuation performed at 31 March 2025 the present value of the obligation is R124 842 thousand (2024: R111 880 thousand). The projected value of the obligation for 31 March 2026 is R132 485 thousand. As at 31 March 2025 financial assets held aside specifically for this purpose are sufficient to cover the liability. The financial assets held aside are R222 238 thousand (2024: R202 453 thousand), thus there are not expected contributions to be made by the entity for the next reporting period.

Notes to the Consolidated Financial Statements

22. Employee benefit obligations (continued)

22.3.1 Post retirement medical benefits (excluding Armscor & Dockyard personnel transferred from the SA Navy) (continued)

	2025 R'000	2024 Restated* R'000
Reconciliation of the present value of the funded obligations (Group – excluding Dockyard)		
Opening balance	111,880	108,568
Current service cost	827	865
Interest cost	15,803	12,728
Expected employer benefit payments	(7,432)	(6,731)
Actuarial (gain)/loss	3,764	(3,550)
Expected closing balance	**124,842**	**111,880**
Reconciliation of the net liability in the statement of financial position and amounts recognised in surplus/deficit		
Opening balance	111,880	108,568
Expense recognised in employee remuneration costs	20,394	10,043
Employer benefit payments	(7,432)	(6,731)
	124,842	**111,880**
A projection of results of the valuation as at 31 March 2025 to 31 March 2026 is set out below:		
Accrued liability as at 31 March	124,842	111,880
Current service cost	935	827
Interest cost	15,077	15,803
Expected employer benefit payments	(8,369)	(7,432)
Projected accrued liability for the next financial year	**132,485**	**121,078**

Notes to the Consolidated Financial Statements

22. Employee benefit obligations (continued)

22.3.1 Post retirement medical benefits (excluding Armscor & Dockyard personnel transferred from the SA Navy) (continued)

	2025 R'000	2024 Restated* R'000
Net benefit expense (recognised in employee remuneration costs)		
Current service cost	827	865
Actuarial (gain)/loss recognised	3,764	(3,550)
	4,591	**(2,685)**

The value of the liability is particularly sensitive to the assumed rate of health care cost inflation. A one percentage change in the assumed rate would have the following effects for the benefit obligation and the aggregate service cost and interest cost:

Sensitivity results from previous valuation	**-1%**	**Base**	**+1%**
Healthcare inflation	113,471	124,842	138,175
Service cost plus interest cost (next financial year)	14,445	16,012	17,862
Discount rate	138,139	124,842	113,649
Mortality	128,660	124,842	121,018

Sensitivity results from previous valuation	**-1%**	**Base**	**+1%**
Heathcare inflation	101,800	111,880	123,668
Service cost plus interest cost (next financial year)	15,026	16,630	18,517
Discount rate	123,627	111,880	101,960
Mortality	115,259	111,880	108,494

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position.The discount rate was set as the yield at duration 12 years from the South African nominal zero coupon yield curve as at 31 March 2025. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

22.3.2 Post retirement medical benefits for Armscor & Dockyard personnel transferred from the SA Navy

The Group also provides post-retirement health care benefits to the Dockyard retirees. The entitlement to post retirement healthcare benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Valuations of these obligations are carried out by independent qualified actuaries.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

22. Employee benefit obligations (continued)

22.3.2 Post retirement medical benefits for Armscor & Dockyard personnel transferred from the SA Navy (continued)

The GRAP 25 valuation of the Dockyard's post-employment benefits was carried out on 31 March 2025. This actuarial valuation of the employer's liability as at 31 March 2025 arises as a result of post-employment healthcare benefits enjoyed by former SA Naval Dockyard employees. Based on the projection performed at 31 March 2025 the accrued liability exceeds the funds held aside specifically for this purpose. The funds held aside is R127 887 thousand (2024: R123 200 thousand).

The funds held aside specifically for this purpose at 31 March 2025 is not sufficient to cover the accrued liability and is summarised below:

Present value of the unfunded obligation	141,968	152,070
Net obligation	141,968	152,070
Less: Cash received	(127,887)	(123,200)
Net liability as at 31 March	**14,081**	**28,870**

A projection of results of the valuation as at 31 March 2025 to 31 March 2026 is set out below:

Accrued liability as at 31 March 2025	141,968	152,070
Interest cost	17,135	21,432
Service cost	571	589
Expected employer benefit payments	(8,699)	(9,710)
Projected accrued liability for the next financial year	**150,975**	**164,381**

Reconciliation of present value of the unfunded obligation

Opening balance	152,070	152,387
Current service cost	589	624
Interest cost	21,432	17,824
Actuarial loss	(22,413)	(9,811)
Expected employer benefit payments	(9,710)	(8,954)
Closing balance	**141,968**	**152,070**

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

22. Employee benefit obligations (continued)

22.3.2 Post retirement medical benefits for Armscor & Dockyard personnel transferred from the SA Navy (continued)

	2025 R'000	2024 Restated* R'000
Reconciliation of the present value of the unfunded obligation with the liability recognised in the Statement of financial position		
Present value of unfunded obligation	141,968	152,070
Net benefit expense (recognised in employee remuneration)		
Current service cost	589	624
Actuarial loss	(22,413)	(9,811)
	(21,824)	**(9,187)**

The value of the liability is particularly sensitive to the assumed rate of healthcare cost inflation. A one percentage change in the assumed rate would have the following effects for the Group:

Sensitivity on defined benefit obligation	**-1%**	**Base**	**+1%**
Healthcare inflation	127,184	141,968	159,758
Service cost plus interest cost (next financial year)	15,766	17,706	20,050
Discount rate	127,184	141,968	159,758
Mortality	145,444	141,968	138,455

Sensitivity results from previous valuation	**-1%**	**Base**	**+1%**
Healthcare inflation	136,515	152,070	170,752
Service cost plus interest cost (next financial year)	19,656	22,021	24,867
Discount rate	170,618	152,070	136,806
Mortality	155,745	152,070	148,356

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation, taking into account the estimated future changes in the maximum amount to which subsidies are limited for Dockyard employees and continuation members, i.e. the subsidy "cap" and calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position.The discount rate was set as the yield at duration 12 years from the South African nominal zero coupon yield curve as at 31 March 2025. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

22. Employee benefit obligations (continued)

22.3.3 Summary of defined medical benefit expense for all funds

	2025 R'000	2024 Restated* R'000
Defined medical benefit expense (post-retirement) included in employee cost:		
Current service cost	1,416	1,489
Actuarial cost	(18,649)	(13,361)
	(17,233)	**(11,872)**

22.4 Other long-term employee benefits

Armscor offers eligible employees long service awards for attaining certain service.
There are two types of awards given by the entity: Long service leave and Long service cash awards Long service leave award:

The Group provides employees with five (5) additional leave days per year after having completed ten (10) consecutive years of service. Employees annual leave entitlement is increased with these days whereby an employee qualifies for five (5) additional working days leave per year.

Long service cash award:

The Group expresses its appreciation for employees' loyal and faithful uninterrupted long service with the Group in accordance with the following predetermined rules, as set out below.

Years of services	Cash benefit
5 years' of service	R900
10 years' of service	R1 800
15 years' of service	R2 700
20 years' of service	R3 600
25 years' of service	R4 500
30 years' of service	R5 400
35 to 45 years' of service	R6 000

The GRAP 25 valuation of the obligation was carried out on the 31 March 2025 using the Projected Unit Credit method. At the reporting date, the Group had 1355 (2024: 1349) employees entitled to the long service benefits.

Based on the valuation performed at 31 March 2025 the present value of the combined obligation amounts to R88 141 thousand (2024: R83 173 thousand). The liability is not expected to have any material effect on the entity's future cash flows. There are no plan assets for this liability.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

22. Employee benefit obligations (continued)

22.4 Other long-term employee benefits (continued)

	2025 R'000	2024 Restated* R'000
Reconciliation of the present value of the obligations		
Opening balance	83,174	82,856
Current service cost	6,771	6,822
Interest cost	10,268	9,282
Expected employer benefit payments	(9,240)	(8,849)
Actuarial (gain)/loss	(2,832)	(6,937)
Total obligation	**88,141**	**83,174**
Reconciliation of the net liability in the statement of financial position and amounts recognised in surplus/deficit		
Opening balance	83,174	82,856
Expense recognised in employee remuneration costs	4,967	318
	88,141	**83,174**
Current portion of obligation	13,667	12,934
Non-current portion of obligation	74,474	70,240
Total obligation	88,141	83,174
Net benefit expense (recognised in employee related costs)		
Current service cost	6,771	6,822
Actuarial gain recognised	(2,832)	(6,973)
	3,939	**(151)**
The main assumptions are:		
Discount rate	10.8%	12.30%
Earnings inflation rate	6.0%	7.60%
Average retirement age	8	8

The discount rate was set as the yield at duration 8 years from the South African nominal zero coupon yield curve as at 31 March 2025. Thus, a discount rate of 10.8% per annum has been used as at 31 March 2025. A discount rate of 12.3% per annum, using a similar methodology, was assumed at the previous valuation.

Notes to the Consolidated Financial Statements

22. Employee benefit obligations (continued)

22.4 Other long-term employee benefits (continued)

A projection of results of the valuation as at 31 March 2025 to 31 March 2026 is set out below:

	2025 R'000	2024 Restated* R'000
Accrued liability as at 31 March	88,141	83,173
Current service cost	7,084	6,771
Interest cost	9,546	10,268
Expected employer benefit payments	(13,667)	(12,934)
Projected liability as at 31 March	**91,104**	**87,278**

The value of the liability is particularly sensitive to the assumed discount rate, average annual staff turnover rate and the future salary inflation rate. Quantitative sensitivity analysis for significant assumptions on the obligation as at 31 March 2025 results when assumptions are increased or decreased are as shown below:

Sensitivity on other long-term employee benefit obligation	**-1%**	**Base**	**+1%**
Discount rate	92,718	88,141	83,979
Earning inflation rate	84,652	88,141	91,921
Average retirement age	78,237	88,141	98,344
Service cost plus interest cost (next financial year)	16,715	16,630	16,549

Sensitivity results from previous valuation	**-1%**	**Base**	**+1%**
Discount rate	87,460	83,173	79,275
Earning inflation rate	79,898	83,173	86,720
Average retirement age	73,749	83,173	92,750
Service cost plus interest cost (next financial year)	17,183	17,039	16,902

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

23. Deferred tax

Deferred tax liability

Deferred taxation	(10,267)	(7,470)

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Reconciliation of deferred tax liability

At beginning of year	(7,470)	(6,092)
Current year movement on fair value adjustment	(2,797)	(1,378)
	(10,267)	**(7,470)**

24. Share capital /contributed capital

Authorised

1 000 000 000 Ordinary shares of R1 each	1,000,000	1,000,000

Issued

Ordinary	75,000	75,000

Share Capital is under the control of the Executive Authority.

25. Revaluation reserve

The revaluation reserves relates to the revaluation surplus relating to the revalued land and buildings (refer to note 9, 12 and 14).

Opening balance	1,210,694	1,210,694
Revaluation of land and buildings	145,089	-
	1,355,783	**1,210,694**

Notes to the Consolidated Financial Statements

26. Other non-distributable reserves

	2025 R'000	2024 Restated* R'000
Post-retirement Medical Reserve	69,357	67,192
Marketing Promotion Reserve	6,158	9,000
Computer Services Upgrade Reserve	103,113	103,070
Internal Insurance Reserve	6,148	7,943
Property and Building Reserve	206,428	215,264
	391,204	**402,469**

27. Revenue

	2025 R'000	2024 Restated* R'000
Sale of goods	16,412	41,895
Rendering of services	435,616	362,731
Deferred income recognised	2,931	6,265
Rental income	61,325	59,851
Other income	11,782	21,129
Interest received (Refer to note 28)	214,198	167,634
Dividends received (Refer to note 29)	2,289	3,013
Government grants (Refer to note 28)	1,169,748	1,210,307
	1,914,301	**1,872,825**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2025 R'000	2024 Restated* R'000
Sale of goods	16,412	41,895
Rendering of services	435,616	362,731
Deferred income recognised	2,931	6,265
Rental income	61,325	59,851
Other income	11,782	21,129
Interest received	214,198	167,634
Dividends or similar distributions received	2,289	3,013
	744,553	**662,518**

Notes to the Consolidated Financial Statements

27. Revenue (continued)

	2025 R'000	2024 Restated* R'000
The amount included in revenue arising from non-exchange transactions is as follows:		
Government grants	1,169,748	1,210,307

Revenue for the group comprise of a government grant, sale of own manufactured goods, revenue from facilitating sale of defence equipment for government and entities, services rendered to the DOD utilising secondary grants received, income from leasing of own properties and interest income from investment of cash on hand.

28. Investment revenue

	2025 R'000	2024 Restated* R'000
Dividend revenue		
Dividend received	2,289	3,013
Interest revenue		
Interest received-Investments	-	3,015
Interest received-Financial institutions	178,389	152,517
Interest charged on trade and other receivables	35,761	12,086
Interest received-other	48	16
	214,198	**167,634**
	216,487	**170,647**

Dividend income is recognised on the date the Armscor Medical Benefit Fund's right to receive payment is established.

29. Government grants & subsidies

	2025 R'000	2024 Restated* R'000
Operating grants		
Government grant - Department of Defence (DOD)	1,169,748	1,210,307

Conditional and Unconditional - Government grant

Armscor's operating funds are appropriated by Parliament and are obtained via the defence budget and recognised as a grant via revenue (transfer payment) as and when received and together with interest earned thereon are utilised to finance operating expenditure, the acquisition of fixed assets and expenditure for the creation of facilities and services.

Secondary grants received, based on Memorandum of Agreements with the DOD, for specific services are recognised as revenue as and when the conditions of receipt thereof has been fulfilled and are included in sale of goods and services.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

29. Government grants & subsidies (continued)

Nature and type of services in-kind are as follows:

In terms of the Dockyard transfer agreement for the Naval Dockyard in Simon's Town, the Dockyard division, in its role of servicing the SA Navy, occupies a building owned by the SA Navy at no cost and has access to the use of the SA Navy's docking facilities at a valued gross market rental amount of R26 056 thousand per annum. The valuation was done at 31 March 2025 by an independent valuer, who holds a recognised and relevant professional qualification and who is not connected to the entity. The valuaiton is done independently every three years.

30. Employee related costs

	2025 R'000	2024 Restated* R'000
Salaries and wages	836,536	800,475
Bonus	73,944	50,266
Employer contributions	160,769	138,431
Leave pay provision charge	29,146	35,688
Other short term employee related costs	27,362	28,805
13th cheques	93,654	60,763
Less: Employee costs included in other expenses	(67,843)	(62,236)
	1,153,568	**1,052,192**
Remuneration of non-executive directors		
Annual Remuneration	8,590	8,175

The note has been restated to account for significant transactions in mapped format. Refer to note 41 for remuneration of Non-Executive Directors.

31. Lease rentals on operating leases

	2025 R'000	2024 Restated* R'000
Premises		
Contractual amounts	654	577
Contingent amounts	-	631
Motor vehicles		
Contractual amounts	47	147
Equipment		
Contractual amounts	2,540	1,866
Contingent amounts	45	23

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000
31. Lease rentals on operating leases (continued)		
Plant and equipment		
Contractual amounts	49	-
	3,335	**3,244**
32. Impairment losses recognised		
Debt impairment	-	(4,279)
Bad debts on receivables from exchange	59,795	97,692
	59,795	**93,413**
33. Cost of sales		
Cost of goods sold	16,852	36,540
Cost of rendering services	138,173	114,384
	155,025	**150,924**
34. General expenses		
Advertising	24,424	7,538
Auditors remuneration (Refer to note 36)	9,344	8,035
Consulting and professional fees	54,998	66,302
Fines and penalties	-	(740)
Other operating expenses	89,845	75,484
Computer services	39,244	39,136
Postage and communication	3,043	3,072
Printing and stationery	6,934	5,956
Repairs and maintenance	20,596	24,442
Subsistence and travel	27,635	25,818
Electricity	46,167	40,219
Movement in insurance reserve	1,795	439
	324,025	**295,701**

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

35. Fair value adjustments

Investment property	(7,300)	4,700
Other financial assets	12,643	(1,539)
	5,343	**3,161**

36. Auditor's remuneration

Fees	9,310	7,989
Expenses	34	46
	9,344	8,035

37. Taxation

Major components of the tax expense		
Current		
Local income tax-current period	1,739	352
Deferred		
Current year movement on fair value adjustment	2,798	1,378
	4,537	1,730
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting surplus before income tax	22,694	3,517
Tax at the applicable tax rate of 45% (2024: 45%)	10,212	1,577
Tax effect of adjustments on taxable income		
Non-taxable income	(10,810)	(2,891)
Non-deductible expenditure	597	1,314
Net capital gain	1,740	352
	1,739	**352**

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

37. Taxation (continued)

The prior year tax rate reconciliation have been restated to align to the final signed annual financial statements for the Medical Benefit Fund.

Reconciliation of income tax rate:		
Current year's charge as a percentage of income before taxation	52 %	10 %
Non-taxable income	13 %	83 %
Non deductible expenditure	(6)%	(38)%
Capital gains	(14)%	(10)%
	45 %	**45 %**

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000
38. Cash generated from operations		
Surplus before taxation	90,286	152,600
Adjustments for:		
Depreciation and amortisation	90,879	94,178
Loss on disposal of assets	5,020	148
Assets written off	(2,463)	(560)
Gain on foreign exchange transactions	(2,377)	(5,244)
Share in movement of investment in joint venture	(2,240)	(3,330)
Fair value adjustments	(5,343)	(3,161)
Dividends received	(2,289)	(3,013)
Finance costs	47,503	39,834
Bad debts written-off	59,795	93,413
Movements in retirement benefit assets and liabilities	(39,675)	(36,521)
Movements in provisions	11,516	(15,082)
Gain on disposal of investment	(8,159)	(3,548)
Normal taxation	(1,974)	(279)
Other non-cash items	5,852	-
Changes in working capital:		
Inventories	3,120	(4,559)
Receivables from exchange transactions	(197,248)	(149,316)
Receivables from non-exchange transactions	(79,333)	54,129
Payables from exchange transactions	17,552	(40,366)
VAT payable/receivable	31,496	(47)
Payables from non-exchange transactions	581,332	(82,129)
Deferred income	(3,362)	(5,984)
	599,888	**81,163**

Included in the total amount of cash generated from operations is an amount of R487,352 thousand (2024: Rnil), comprising R469,339 thousand (2024: Rnil) received on behalf of the DOD, and R18,013 thousand (2024: Rnil) in interest earned on the amount received. This amount was not generated from our operations; however, it forms part of our cash and cash equivalents balance as cash held on behalf of the DOD. Therefore, it has been included under "Other Receipts" in the cash flow statement.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

39. Operating lease commitments-Group as lessee and lessor

Lessee disclosure

The Group has entered into operational leases on certain motor vehicles and items of machinery and equipment. Certain of the leases have expired and are running on a month to month basis. There are no restrictions placed upon the lessee by entering into these leases. The lease charges paid under operating leases for the year is R 2 424 thousand (2024: R 2 614 thousand) of which R Nil (2024: R Nil) relates to contingent rentals on operating leases.

Additionally, interdivisional lease charges, amounting to R24 809 thousand (2024: R23 627 thousand), for occupation of the floor space is charged for the administration of the building for maintenance of the Armscor Head Office.

Future minimum rentals payable under non-cancellable operating leases as at 31 March 2025 are as follows:

	2025 R'000	2024 Restated* R'000
Minimum lease payments due		
- within one year	762	420
- in second to fifth year inclusive	1,640	241
	2,402	**661**

Lessor disclosure

a. The Group entered into a operating lease with the DPWI relating to Armscor Head Office, with regards to office space and parking. The lease commenced on 1 June 2021 for a period of 60 months. There is a fixed escalation of 6.5% per year on the minimum lease installment. The minimal lease installments are payable monthly in advance.

b. The Group entered into operating leases relating to R&D facilities, with regards to office space and parking. One lease commenced on 1 June 2019 for a period of 119 months with a fixed escalation of 8% per year on the minimum lease installment. Another lease for a period of 10 years expiring in 2031 with a fixed escalation of CPI plus 2% per year on the minimum lease installment. The minimal lease installments are payable monthly in advance.

c. The Group entered into a operating lease relating to the Armscor Head Office, with regards to the rental of adverting space. The lease commenced on 1 December 2020 for a period of 119 months. There is a fixed escalation of 7.5% per year on the minimum lease installment. The minimal lease installments are payable monthly in advance.

Notes to the Consolidated Financial Statements

39. Operating lease commitments-Group as lessee and lessor (continued)

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2025 are as follows

	2025 R'000	2024 Restated* R'000
Minimum lease payments due		
- within one year	66,937	62,975
- in second to fifth year inclusive	17,792	83,243
- later than five years	933	2,434
	85,662	**148,652**

40. Contingencies

Guarantees

Corporate guarantees have been issued by Armscor in favour of a local contractor amounting to R60 thousand (2024: R60 thousand) for an advance payment received.

Bank guarantees have been issued by Armscor in favour of the South African Revenue Services: Customs and Excise, Eskom and City of Tswane and other creditors amounting to R1 427 thousand (2024: R7 276 thousand) with regard to local guarantees.

The disclosure for guarantees has been enhanced, in the current and comparative year, in order to provide more relevant information to the users of the financial statements.

Alkantpan

As at 31 March 2025, the Group had a contingent liability in respect of the potential environmental rehabilitation of the Alkantpan test range, in terms of the requirements of the National Environmental Management Act, 1998 (Act No. 107 of 1998) ("NEMA"), specifically Section 28(1). This section imposes a duty of care to take reasonable measures to prevent, minimise, and remediate environmental degradation associated with operational activities.

To assess the extent of this obligation, Alkantpan undertook a project to estimate the cost of rehabilitating the land, which considered two scenarios:

- Option 1: Full rehabilitation of the site to an approved, sustainable end-state upon closure of operations; and
- Option 2: Partial rehabilitation through clearing and fencing of the test range area.

Given that Alkantpan is a strategic defence testing facility that is partially funded by the Department of Defence, and with no current intention to cease operations, the entity has elected to comply with NEMA by managing environmental impacts through ongoing, post-test rehabilitation. These include the routine removal of contaminants, containment of potential pollutants, and post-test site clean-up and restoration. Thus, the contingent liability for the rehabilitation under this option was estimated at R198 687 thousand.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

40. Contingencies (continued)

To further ensure compliance with the legislative and ecological requirements of NEMA, it was recommended that a joint steering committee be established between Alkantpan and the Department of Tourism, Environment and Conservation of the Northern Cape Province, along with other relevant authorities. The purpose of this committee is to provide oversight, guidance, and collaboration on all matters relating to environmental management, ensuring that Alkantpan's activities align with applicable legislation and best environmental practices.

Committee meetings are scheduled to track progress, assess risks, and provide recommendations. As at the date of the last committee meeting, no new environmental risks or instances of non-compliance were identified, and it was confirmed that the existing mitigation and rehabilitation measures remain adequate to ensure operational compliance with Section 28(1) of NEMA.

The cost incurred for rehabilitating the site during the period under review was an amount of R Nil (2024: R Nil). The estimated costs to fully rehabilitate the test range remain uncertain and cannot be reliably quantified at this stage. Discussions with relevant stakeholders are ongoing.

41. Related parties

The Armaments Corporation of South Africa SOC Ltd ("ARMSCOR") is a statutory body, wholly owned by the State, established in terms of the Armaments Development and Production Act (Act No. 57 of 1968), and continues its existence through the Armaments Corporation of South Africa Ltd Act (Act No. 51 of 2003).

Armscor operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties.

To execute its mandate, Armscor received a transfer payment of R1 217 377 thousand (2024: R1 257 610 thousand) from the State through the Department of Defence (DOD) as well as secondary transfer payments (in terms of separated Memorandum of Agreements) for services rendered to the DOD.

Armscor does not disclose the value of transactions with other public sector entities as the transactions were concluded within normal operating procedures and on terms that are no more or no less favourable than the terms it would use to conclude transactions with another entity or person.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

41. Related parties (continued)

	2025 R'000	2024 Restated* R'000
Dormant subsidiaries (At 100% Holdings)		
Armscor Defence Institutes SOC Ltd (loan to)	4,000	4,000
Erasmusrand Eiendomme SOC Ltd (loan from)	1	1
Oospark SOC Ltd (loan from)	1	1
Sportrand SOC Ltd (loan from)	1	1

Armscor is a 33,33% partner in Africa Aerospace and Defence, refer to note 15 for disclosure.

	Amounts owed by to related parties		Amounts owed to related parties	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Department of Defence	591,999	359,476	567,570	45,931
Major national public entities (Schedule 2 and 3 public entities)	107,723	3,605	75,698	7,141
National Government	108,927	90,482	56,223	68,620

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. For the year ended 31 March 2025, the Group has a provision for doubtful debts of R291 900 thousand (2024: R333 947 thousand) relating to amounts owed by related parties.

	2025 R'000	2024 Restated* R'000
Reconciliation of transfer payments received from the DOD		
-Primary transfer payment recognised in comprehensive income	1,169,748	1,210,307
-Secondary transfer payment received	47,629	47,303
Total transfer payments allocated by the Department of Defence	**1,217,377**	**1,257,610**

During the current year the main allocation was reduced with an effective R135 300 thousand by National Treasury. This reduction contributed to the lower net surplus for the current year.

Assets and stock transferred to the Dockyard with an effective date of 1 April 2010 have been fair valued at R13 396 thousand (2024: R16 327 thousand) and accounted for as deferred income, with the purpose of recognising it in line with the utilisation of the assets and stock.

Notes to the Consolidated Financial Statements

41. Related parties (continued)

Retirement benefits

Details of the Armscor post retirement benefits are disclosed in note 22.

Other long-term employee benefits

Details of the Armscor other long-term employees benefits are disclosed in note 22.

Directors

Directors' interests in related parties: No. interests in related parties have been declared by Armscor's Directors. Two of Armscor's Executive Directors and two Armscor Executive Committee Members are ex-officio directors of the Armscor Defence Institutes' Board of Directors at 31 March 2025. One Armscor Executive Director is also ex-officio director on the Boards of Erasmusrand Eiendomme SOC Ltd, Sportrand SOC Ltd and Oospark SOC Ltd. These companies are dormant.

Key management personnel

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals who are members of the Armscor Executive Committee and the Board of Directors are regarded as key management.

Information on the remuneration of all key management personnel is disclosed below:

Remuneration of key management personnel

Executive Directors

2025

		Basic salary	Other short-term employee benefits	Allowances	Retirement and other contributions	Total
		R'000	R'000	R'000	R'000	R'000
Name	**Note**		**1**	**2**	**3**	
Mr JG Grobler	4	2,936	598	131	497	4,162
Adv. SP Mbada	4	3,792	1,119	212	647	5,770
		6,728	**1,717**	**343**	**1,144**	**9,932**

Notes to the Consolidated Financial Statements

41. Related parties (continued)

2024

		Basic salary R'000	Other short-term employee benefits R'000	Allowances R'000	Retirement and other contributions R'000	Total R'000
Name	**Note**		**1**	**2**	**3**	
Mr JG Grobler	4	2,765	677	130	462	4,034
Adv. SP Mbada	4	3,568	1,070	211	547	5,396
		6,333	**1,747**	**341**	**1,009**	**9,430**

Non-Executive Directors

2025

		Board Meetings R'000	Committee Meetings R'000	Ad-hoc R'000	Fees, Committee and Ad-hoc remuneration R'000
Name	**Note**				
Dr. LA Mahapa	7	511	91	998	1,600
Ms M Ndlovu	7	431	72	168	671
Dr. PD Dexter	16	123	7	541	671
Ms M Booi	7	335	97	80	512
Ms F Skweyiya-Gushu	16	78	110	308	496
Mr TM Sukazi	16	48	44	4	96
Ms PN Mashinini	17	416	230	416	1,062
Mr ZO Cleophas	7	325	88	311	724
Dr. PE Molokwane	7	325	89	344	758
Ms MA Sukati	7	321	108	132	561
Mr NAM Tshivhase	7	342	100	256	698
Mr RM Vokwana	7	325	85	270	680
		3,580	**1,121**	**3,828**	**8,529**

Notes to the Consolidated Financial Statements

41. Related parties (continued)

2024

		Board Meetings R'000	Committee Meetings R'000	Ad-hoc R'000	Fees, Committee and Ad-hoc remuneration R'000
Name	**Note**				
Amb. JT Ndhlovu	13	249	76	129	454
Dr. PD Dexter		831	24	2,310	3,165
Ms R Matenche	6	-	10	21	31
Ms F Skweyiya-Gushu		947	173	936	2,056
Mr TM Sukazi		171	139	366	676
Ms PN Mashinini		583	127	1,023	1,733
		2,781	**549**	**4,785**	**8,115**

Refer to note 19 below for change in non-executive directors remuneration disclosure.

		Fees for committee remuneration R'000	Column heading R'000	Total R'000
Non-Executive MILVET Committee Members, not members of the Board of Directors-2025	**Note**			
Mr PJ Hlasa	5	34	-	34
Mr E Motloung	5	27	-	27
		61	**-**	**61**

		Fees for committee remuneration R'000	Total R'000
Non-Executive Audit Committee Member, not member of Board of Directors-2024	**Note**		
Mr DW Matebula	11	24	24

Notes to the Consolidated Financial Statements

41. Related parties (continued)

	Note	Fees for committee remuneration R'000	Total R'000
Non-Executive MILVET Committee Members, not members of the Board of Directors-2024			
Mr PJ Hlasa	5	19	19
Mr E Motloung	5	16	16
		35	**35**

Executive committee members
2025

Name	Note	Basic salary R'000	Other short-term employee benefits R'000	Allowances R'000	Retirement and other contributions R'000	Total R'000
Mr HM Peecha	10	713	229	38	144	1,124
Adv. N Mvambo		2,831	655	18	464	3,968
Mr TJ Ramakokovhu	15	1,052	301	134	176	1,663
Dr. N Mkaza		2,943	576	18	455	3,992
Ms ME Motsatsing	12	2,880	185	18	344	3,427
Mr MP Teffo		2,799	606	138	430	3,973
Ms Q Sitsila	9	1,412	314	206	252	2,184
Dr. Adv. L Mbana	14	756	-	4	105	865
		15,386	**2,866**	**574**	**2,370**	**21,196**

Executive committee members
2024

Name	Note	Basic salary R'000	Other short-term employee benefits R'000	Allowances R'000	Retirement and other contributions R'000	Total R'000
Mr HM Peecha	10	1,543	291	247	350	2,431
Adv. N Mvambo		2,441	477	18	407	3,343
Dr. N Mkaza		2,776	547	18	431	3,772
Ms ME Motsatsing	12	453	-	3	54	510

Notes to the Consolidated Financial Statements

41. Related parties (continued)

Name	Note	Basic salary R'000	Other short-term employee benefits R'000	Allowances R'000	Retirement and other contributions R'000	Total R'000
Executive committee members (continued)						
Mr MP Teffo		2,636	516	140	428	3,720
Ms SA Tire	8	1,384	192	10	228	1,814
Ms Q Sitsila	9	1,661	210	260	302	2,433
		12,894	**2,233**	**696**	**2,200**	**18,023**

Notes:

1. Other short-term employee benefits include bonus (13th cheque), performance related payments and leave capitalisation.
2. Allowances include sums paid by way of expense allowances, i.e. motor, cell phone, acting allowance and resettlement allowance as well as other long-term service benefits.
3. Retirement and other contributions include contributions made to Armscor retirement funds, medical aid, unemployment and funeral scheme.
4. No emoluments are paid to Armscor Defence Institutes ex-officio Directors: Mr JG Grobler and Adv. SP Mbada.
5. Mr PJ Hlasa and Mr E Motloung were appointed as independent members of the Military Veterans Committee effective 01 October 2023.
6. Ms R Matenche resigned as a member of the Board of Directors effective 26 May 2023.
7. Appointed to the Board of Directors on 1 January 2025.
8. Ms SA Tire was appointed to the Executive Committee from 1 August 2022 until 31 January 2024.
9. Ms Q Sitsila was appointed acting Group Executive: Business Assurance from 1 September 2022 until 31 December 2024.
10. Mr HM Peecha was appointed acting Executive Manager: Dockyard from 1 June 2022 and officially appointed on 1 January 2024. He was transferred from Dockyard on 31 July 2024.
11. Mr DW Matebula was appointed as an independent member of the Audit Committee with effect from 1 May 2021. Mr DW Matebula resigned as an independent member effective 30 August 2023.
12. Ms ME Motsatsing was appointed as Group Executive: Business Enablement from 01 February 2024.
13. Amb. Ndlovhu's term came to an end effective 30 November 2023.
14. Dr. Adv. L Mbana was appointed as Group Executive: Business Assurance on 1 January 2025.
15. Mr TJ Ramakokovhu was appointed as acting Executive Manager: Dockyard from 1 August 2024.
16. Board of Directors term ended on 30 June 2024.
17. Board member's term came to end on 30 June 2024 and was re-appointed on 1 January 2025.
18. Board fees include fees paid for attendance and representation by the members at exhibitions and ad-hoc activities on behalf of the group.
19. The disclosure for non-executive directors' remuneration has been enhanced, in the current and comparative year, in order to provide more relevant information to the users of the financial statements.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

42. Change in estimate

Property, plant and equipment

Based on the latest available information, there was a change in the estimated useful lives of some assets, which resulted in a decrease in depreciation of R4 537 thousand (2024: R4 355 thousand decrease) and a decrease in amortisation of R 1 130 thousand (2024: R317 thousand).

The effect to future years cannot be determined as it not practical due to system limitations.

43. Irregular and Fruitless & wasteful expenditure

	2025 R'000	2024 Restated* R'000
Irregular expenditure	1,448	3,885
Fruitless and wasteful expenditure	10	48
Closing balance	**1,458**	**3,933**

Criminal or disciplinary steps taken as a result of losses, irregular and fruitless and wasteful expenditure.

2024/2025

Disciplinary action was taken against an official with regards to non-compliance to procurement processes that led to irregular expenditure being incurred.

2023/2024

Legal process underway to recover from a supplier on a matter that resulted in fruitless expenditure being incurred.

Irregular and fruitless and wasteful expenditure related to inter-institutional arrangements:

	2025 R'000	2024 Restated* R'000
Irregular expenditure	2,840	367
Fruitless expenditure	-	-
Closing balance	**2,840**	**367**

The non-compliance matters were incurred in relation to acquisition transactions on behalf of the Department of Defence. All matters are currently under investigation.

Notes to the Consolidated Financial Statements

44. Segment information

General information

Identification of segments

The entity activities are very broad, and are undertaken in a wide range of different geographical areas with different socio-economic characteristics. To enable efficient and effective delivery on the strategy, the Executive Management structure sub-divided the group into three categories, namely: Armscor Corporate, Dockyard and Research & Development. In establishing the segments to report on, management organised the financial information according to the three existing structures. Management uses these same segments for determining service level agreement objectives.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The Medical Benefit Fund does not meet the definition of a segment, however the Fund is consolidated as part of the Group as it is deemed not to meet the requirements of a planned asset in terms of GRAP 25.

Measurement basis for inter-segment transactions:

Reported segments are measured based on management reporting for purposes of making decisions about allocating resources to the segment and assessing its performance.

The segments were structured such that the totals of revenues, reported surplus/(deficit), assets, liabilities and other material items corresponds to figures recognised in the Annual Financial Statements, except for inter-divisional transaction and balance eliminations. Therefore, a reconciliation of the segment figures to the Annual Financial Statements is not necessary.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Armscor Corporate	Armscor renders acquisition management to the DOD and the SANDF throughout the life cycle of a product.
Dockyard	Management of the Armscor Dockyard as a strategic facility of the SA Navy to be available for service provision to the DOD.
Research and Development	Manages the research, test and evaluation strategic facilities of Armscor and manufacture respiratory equipment, which has the DOD as its primary client.

Notes to the Consolidated Financial Statements

44. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Armscor Corporate R'000	Dockyard R'000	Research and Development R'000	Eliminations R'000	Total R'000
Revenue					
Revenue from non-exchange transactions	777,694	277,591	114,463	-	1,169,748
Revenue from exchange transactions	189,475	61,183	406,933	(131,611)	525,980
Deferred income recognised	-	2,931	-	-	2,931
Interest revenue	173,326	6,651	26,850	48	206,875
Fair value adjustment	(7,844)	-	(300)	(268)	(8,412)
Share of surplus of joint venture	-	-	-	8,342	8,342
Total segment revenue	**1,132,651**	**348,356**	**547,946**	**(123,489)**	**1,905,464**
Entity's revenue					**1,905,464**
Expenditure					
Employee-related costs	706,919	218,571	236,609	59	1,162,158
Other expenses	235,779	116,072	296,151	(122,962)	525,040
Depreciation and amortisation	48,214	11,507	31,159	(1)	90,879
Impairment losses reversed/(recognised)	58,779	-	1,016	-	59,795
Total segment expenditure	**1,049,691**	**346,150**	**564,935**	**(122,904)**	**1,837,872**
Medical benefit fund total revenue					31,527
Medical benefit fund total expenditure					(13,370)
Entity's surplus for the period					**85,749**

Notes to the Consolidated Financial Statements

44. Segment information (continued)

	Armscor Corporate R'000	Dockyard R'000	Research and Development R'000	Eliminations R'000	Total R'000
Assets					
Current assets	2,356,839	79,386	95,311	(112,160)	2,419,376
Non-current assets	1,316,222	23,997	468,689	(40,981)	1,767,927
Investment in joint venture	100	-	-	11,705	11,805
Total segment assets	**3,673,161**	**103,383**	**564,000**	**(141,436)**	**4,199,108**
Medical benefit fund assets					222,798
Total assets as per Statement of financial position					**4,421,906**
Liabilities					
Current liabilities	901,529	69,303	191,536	(126,391)	1,035,977
Non-current liabilities	138,400	158,697	62,591	(29,111)	330,577
Total segment liabilities	**1,039,929**	**228,000**	**254,127**	**(155,502)**	**1,366,554**
Medical benefit fund liabilities					10,316
Total liabilities as per Statement of financial position					**1,376,870**

	Armscor Corporate R'000	Dockyard R'000	Research and Development R'000
Other information			
Capital expenditure (excluding additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts)	59,592	8,297	39,719

Capital expenditure consists of additions of property, plant and equipment and intangible assets.

Notes to the Consolidated Financial Statements

44. Segment information (continued)

Segment surplus or deficit, assets and liabilities 2024

Revenue	Armscor Corporate R'000	Dockyard R'000	Research and Development R'000	Eliminations R'000	Total R'000
Revenue from non-exchange transactions	815,524	274,683	120,099	1	1,210,307
Revenue from exchange transactions	185,594	117,132	342,917	(154,979)	490,664
Deferred income recognised	-	6,265	-	-	6,265
Interest revenue	149,197	7,273	23,854	(19,039)	161,285
Fair value adjustment	4,700	-	-	-	4,700
Share of surplus of joint venture	-	-	-	5,329	5,329
Total segment revenue	**1,155,015**	**405,353**	**486,870**	**(168,688)**	**1,878,550**
Entity's revenue					**1,878,550**
Expenditure					
Salaries and wages	628,047	209,558	222,695	67	1,060,367
Other expenses	238,569	175,750	240,275	(173,098)	481,496
Depreciation and amortisation	51,848	11,643	30,690	(3)	94,178
Impairment losses reversed/(recognised)	97,692	16	(4,295)	-	93,413
Total segment expenditure	**1,016,156**	**396,967**	**489,365**	**(173,034)**	**1,729,454**
Total segmental surplus/(deficit)					**149,096**
Medical benefit fund total revenue					11,372
Medical benefit fund total expenditure					(9,598)
Entity's surplus (deficit) for the period					**150,870**

Notes to the Consolidated Financial Statements

44. Segment information (continued)

	Armscor Corporate R'000	Dockyard R'000	Research and Development R'000	Eliminations R'000	Total R'000
Assets					
Current assets	2,132,372	60,066	91,538	(203,014)	2,080,962
Non-current assets	833,999	28,464	436,459	(40,680)	1,258,242
Investment in joint venture	100	-	-	9,465	9,565
Total segment assets	**2,966,471**	**88,530**	**527,997**	**(234,229)**	**3,348,769**
Medical benefit fund assets					202,463
Total assets as per Statement of financial position					**3,551,232**
Liabilities					
Current liabilities	419,118	45,329	171,833	(220,021)	416,259
Non-current liabilities	126,458	170,024	58,091	(28,860)	325,713
Total segment liabilities	**545,576**	**215,353**	**229,924**	**(248,881)**	**741,972**
Medical benefit fund liabilities					8,138
Total liabilities as per Statement of financial position					**750,110**

	Armscor Corporate R'000	Dockyard R'000	Research and Development R'000
Other information			
Capital expenditure (excluding additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts)	35,001	11,982	28,589

Capital expenditure consists of additions of property, plant and equipment and intangible assets.

Notes to the Consolidated Financial Statements

	2025 R'000	2024 Restated* R'000

45. Capital commitments

Authorised capital expenditure		
Capital expenditure approved but not yet contracted		
Property, plant and equipment	130,248	89,458
Intangible assets	66,391	77,120
	196,639	**166,578**

The committed expenditure relates to plant and equipment and computer software, and will be financed with cash reserves and funds internally generated.

46. Entity Financial Statement

Entity financial statements have not been prepared as they are similar to Group financial statements. The only difference relates to the inclusion of a Joint Venture transaction, which amounts to R11 805 thousand (2024: R9 565 thousand).

Reconciliation of entity profits/(deficits) to Group profit/(deficit)		
Entity surplus/(deficit) after tax	77,407	145,541
Joint Venture transaction	8,342	5,329
Group surplus/(deficit)	**85,749**	**150,870**

	Entity R'000	Group R'000
Financial position differences:		
Investment in Joint Venture	100	11,805
Equity	3,033,331	3,045,036

47. Restatements

47.1 Reclassifications

a. Additional disclosure on employee benefit obligation has been made to prior year disclosures to reflect the sensitivity analysis for each significant actuarial assumption, the basis on which the discount rate has been determined, projected liability for the next financial year and a description of how the other long term employee benefits may affect the entity's cashflows as required by GRAP 25. The impact of the enhancement is reflected in detail in note 21.

b. In the prior year, amounts were classified as prepayments instead of trade receivables in the notes to the financial statements. There is no impact in the statement of financial position, however, the note (refer to note 12) was reclassified accordingly.

Notes to the Consolidated Financial Statements

47. Restatements (continued)

c. In the prior year, amounts were classified as financial instruments instead of investments at fair value on the face and in the notes to the financial statements. There is no impact in the statement of financial position, however, the note (refer to note 16) was reclassified accordingly as follows:

	As previously reported R'000	Reclassifications R'000	Restated R'000
Reclassifications			
Trade receivables	283,415	34,596	318,011
Prepayments	54,830	(34,596)	20,234
Financial instruments (current)	450,000	(450,000)	-
Investments at fair value (current)	-	450,000	450,000
Financial instruments (non-current)	200,489	(200,489)	-
Investments at fair value (non-current)	-	200,489	200,489
	988,734	**-**	**988,734**

47.2 Restatements

47.2.1 Accounting by principals and agents

During the current year a review of the agent-principal transactions between Armscor and DOD, SAPS and BMA was undertaken. The review processed involved the interpretation of the agreements in place and indicated that these do not appear to be principal-agent arrangements. Armscor is seen not to be acting as an agent for DOD, SAPS and BMA. Instead it is seen as executing its legislated mandate and providing acquisition and procurement services, and other services as specified in the SLAs. This resulted in the removal of the principal-agent note 45 (as previously reported in the 2023 and 2024 financial years) and adjustments noted below.

Presented below are those items contained in the statement of financial position, and cash flow statement that have been affected by prior-year adjustments:

Notes to the Consolidated Financial Statements

47. Restatements (continued)

47.2.2 The detailed impact of the restatements of the 2024 year

Statement of financial position (2024)

	As previously reported R'000	Adjustment R'000	Restated R'000
Current assets	**2,205,191**	**(122,256)**	**2,082,935**
Receivables from non-exchange transactions	155,960	(140,594)	15,366
VAT receivable	3,683	18,338	22,021
Total assets	**3,673,488**	**(122,256)**	**(3,551,232)**
Operating surplus	-	-	121,804
Current liabilities	**539,182**	**(122,255)**	**416,927**
Payables from exchange transactions	148,293	13,076	161,369
Payables from non-exchange transactions	236,946	(135,331)	101,615
Total Liabilities	**872,365**	**(122,255)**	**750,110**
Net Assets	**2,801,123**	**(1)**	**(2,801,122)**
Accumulated surplus	1,112,960	(1)	1,112,959
Total Net Assets	**2,801,123**	**(1)**	**2,801,122**

Cash flow Statement (2024)

	As previously reported R'000	Adjustment R'000	Restated R'000
Receipts	**1,622,803**	**140,594**	**1,763,397**
Sale of goods and services	297,075	140,594	437,669
Payments	**(1,541,640)**	**(140,594)**	**(1,682,234)**
Net cash flows from operating activities	**81,693**	**-**	**81,693**
Net assets	-	-	2,787,763
Accumulated surplus	-	-	1,099,600
Total net assets	-	-	2,787,763

Supplementary Information (Unaudited)

Total Value of Acquisition activities

Government grant for operating expenditure is obtained to undertake acquisition actions. In accordance with Armscor's mandate, acquisition was undertaken on behalf of the following organisations:

Organisation	2025 R'000	2024 R'000	2023 R'000	2022 R'000	2021 R'000
Department of Defence					
-Special Defence Account	2,806,569	1,910,814	1,684,668	2,687,289	2,879,000
-General Defence Account	1,384,855	1,374,846	1,524,883	1,389,563	1,801,000
Other	13,085	126,234	172,429	6,153	35,500
	4,204,509	**3,411,894**	**3,381,980**	**4,083,005**	**4,715,500**

2. SDA Committed orders

Armscor enters into contracts with suppliers for acquisition related projects in the execution of its mandate, and as an agent of the Department of Defence. The contracts are settled utilising funds from the Special Defence Account, which is the primary financing tool for the acquisition of defence matériel.

The allocation of funds by the National Treasury to the Special Defence Account continues to decline at a level that puts the ability to fund existing and committed programmes at risk. The Department of Defence is, however, in discussion with the National Treasury for additional funding. Armscor does not place any order for the acquisition of defence matériel without confirmation from the Department of Defence that the necessary funding is available, and is also further reviewing options available in order to minimise the risk for Armscor and the Department of Defence on a continuous basis.

*The supplementary information presented does not form part of the financial statement and is unaudited.

PART G ACRONYMS AND ABBREVIATIONS

7.1 LIST OF ACRONYMS AND ABBREVIATIONS

AAC	Armaments Acquisition Council
AACB	Armaments Acquisition Control Board
AASB	Armaments Acquisition Steering Board
Armscor	Armaments Corporation of South Africa SOC (Ltd)
AGSA	Auditor-General of South Africa
AGM	Annual General Meeting
AU	African Union
AMD	Aerospace Maritime and Defence Industries Association
ATNS	Air Traffic and Navigation Services
B-BBEE	Broad-Based Black Economic Empowerment
BOE	Black Owned Enterprise
BWOE	Black Women Owned Enterprise
CAE	Chief Audit Executive
CFTA	Continental Free Trade Area Agreement
CFO	Chief Financial Officer
CEO	Chief Executive Officer
COTS	Commercial off-the-Shelf
CSI	Corporate Social Investment
CSIR	Council for Science and Industrial Research
CWC	Chemical Weapons Convention
DCS	Department of Correctional Services
DSUP	Defence Engineering and Science University Programme
DERIs	Defence Evaluation and Research Institutes
DEPS	Defence Equipment Personnel Support
DEFTED	Defence Transformative Enterprise Development
DDSI	Defence Decision Support Institute
DED	Docking and Essential Defects
DIF	Defence Industry Fund
DIP	Defence Industrial Participation
DLS	Denel Land Systems
DOD	Department of Defence
DPE	Department of Public Enterprise
DMD	Defence Matériel Division
DPME	Department of Planning, Monitoring and Evaluation
DPWI	Department of Public Works and Infrastructure
DR	Doctor
DRBD	Defence Research and Development Board
DSCC	Defence Sector Charter Council
dtic	Department of Trade, Industry and Competition
ERGOTECH	Ergonomics Technologies
EE	Employment Equity
ERP	Enterprise Resource Planning
EXCO	Executive Committee
Etc.	Et cetera
FA	Financial Authority
Flamengro	Fluid and Mechanical Engineering Group
FOSAD	Forum of South African Directors-General
GBADS	Ground Based Defence System
GRAP	Generally Recognised Accounting Practice
GQA	Government Quality Assurance
GDA	General Defence Accounts
HR	Human Resources
HQ	Head Office
HSV	Hydrographic Survey Vessel
IP	Intellectual Property
i.e.	id est
ICT	Information and Communication Technology
IT	Information Technology
IMT	Institute for Maritime Technology
IPMAD	Intellectual Property Management Division
ISO	International Organisation for Standardisation
JCPS	Justice Crime Prevention and Security

KW	Kilowatts
MMIPV	Multi-Mission Inshore Patrol Vessel
MMOPV	Multi-Mission Offshore Patrol Vessel
MOU	Memorandum of Understanding
MoA	Memorandum of Agreement
MTDP	Medium-Term Development Programme
MTSF	Medium-Term Strategic Framework
MTEF	Medium-Term Expenditure Framework
MRO	Maintenance, Repair and Overhaul
NCACC	National Conventional Armaments Control Committee
NDP	National Development Plan, Vision 2030
NDIC	National Defence Industry Council
NGP	National Growth Path
No.	Number
OEM	Original Equipment Manufacture
OPCW	Organisation for the Prohibition of Chemical Weapons
OPDEF	Operational Defect
PBL	Product Baseline
PCB	Project Control Board
PFMA	Public Finance Management Act (Act No. 1 of 1999)
PME	Prime Mission Equipment
PPE	Personal Protective Equipment
PPGI	Public-Private Growth Initiative
PPP	Public-Private Partnership
QAIP	Quality Assurance and Improvement Programme
R&D	Research and Development
Ret.	Retired
RFB	Request for Bid
RISDP	Regional Indicative Strategic Development Plan
RPE	Respiratory Protective Equipment
RSA	Republic of South Africa
SA	South Africa
SAAF	South African Air Force
SHE	Safety, Health and Environment
SHEQ	Safety, Health and Environment and Quality
STEM	Science, Technology, Engineering and Mathematics
SADC	Southern African Development Community
SADI	South African Defence Industry
SAMHS	South African Military Health Services
SAPS	South African Police Services
SANAS	South African National Accreditation System
SANDF	South African National Defence Force
SANHO	South African Navy Hydrographic Office
SCM	Supply Chain Management
SDA	Special Defence Account
SDG	Sustainable Development Goal
SDIP	Service Delivery Improvement Plan
SDP	Strategic Defence Packages
SIU	Special Investigating Unit
SLA	Service Level Agreement
SMMEs	Small, Medium, and Micro-sized Enterprises
SOC	State-Owned Company
SOI	Statement of Intent
SPs	Strategic Plans
TDPs	Talent Development Programmes
TEMANI	Technology Management, Analysis and Industrialisation
T&E	Test and Evaluation
UAV	Unmanned Aerial Vehicle
UN	United Nations
URBD	Ultrasonic Broken Rail Detector
YTD	Year to date
YDP	Youth Development Programme
VS	Versus

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