

SOE Developmental Role



- Denel plays significant role in SA's strategic economic development (can slot into Private-Public Partnerships)
- Repository of SA's high-technology industrial capacity
- Anchor of aerospace & defence-related industry: provides skills development / transfer
- Job losses due to Denel's skewed productivity: to be addressed in current restructuring

Denel Social Plan (1)



- Started in 2002: mitigate adverse effects of retrenchments
- Four key objectives:
 - Ameliorate socio-economic impact on workers / families / communities
 - Explore training opportunities for alternative careers
 - Re-integrate retrenched employees into Denel / local job markets / business ventures
 - Equip affected employees through support programs

Social Plan (contd.)



- **Social Plan services:**
 - Personal counselling (via clinical psychologists)
 - Financial counselling (use of retrenchment packages)
 - Job search counselling (planning job search, CVs, recruitment agencies, interview skills, prospective employers)
 - Entrepreneurial Training (finance, sales, marketing, creating business plan)
- **Numbers:**
 - 710 retrenchedes assisted
 - 265 business plans / start-up capital provided
 - 717 received funds to continue studies (incl. family members)
 - 322 benefited from financial counselling

Non-Core Disposals (1)



- Ariviakom (Pty) Ltd (22,98%):
 - Transnet & Eskom share buy-back (Section 85 of SA Companies Act, 1973)
 - More substantive stake to BEE when Transnet disposes of its interest
- Dendustri (division):
 - Sold to MacDonald Steel (broad-based BEE)
 - Substantial effective Black (42%) / Bl. Female (36%) shareholding in Dendustry (Pty) Ltd. – newly established firm
- Voltco (business unit):
 - Sold to Keliza Outsourced Services Group (Pty) Ltd. – 100% Black-owned
 - Effective shareholding 100% Black male (female consortium withdrew)
 - Employee shareholding scheme envisaged for future

Non-Core (contd.)



- Observer Technologies (Irenco):
 - Loss-making entity
 - Sold to non-BEE, although buyer intends 40% BEE shareholding soon (progressing well)
- SPP (Pty) Ltd.:
 - Loss-making entity
 - In process to be sold to non-BEE, but:
 - Distribution of SPP products to be done by company associated with buyer (which has 50% BEE shareholding)
 - Buyer intends changing shareholding structure to similar as 50% BEE associated company

Fraud Prevention



- **Prevention:**

- Corporate Governance: anti-fraud practices, policies, management accountability
- Code of Conduct

- **Detection:**

- Risk assessment (involve management and internal audit)
- Fraud hotlines (toll-free line; also internet address)

- **Reaction & Investigation:**

- Zero tolerance
- Quick reaction to fraud discovery
- Communicate findings: consider PFMA / requirements for Public Entities

HIV / Aids Programme



- Employee Wellness Programme (EWP) in 2003
- EWP started HIV / Aids awareness programme (encourage testing for status)
- Awareness programmes in each division every year
- Involvement of Denel clinics & nursing staff
- Drama production by workers cooperative: spread message

INDIA Case



- Arbitration Notices iro contracts with Indian Ministry of Defence – MoD (NTW-20 rifles, spares, accessories, transfer of technology & artillery modular charge systems - MCS)
- Awaiting outcome of MCS acceptance tests in India to decide on actions and timing, incl. date of serving Arbitration Notices & remedy for MoD's unlawful call on guarantee (approx. R27-million) in November 2005
- Received advice re Letter Rogatory issued by India's CBI (Central Bureau of Investigation); Liaising with DPE in this regard
- Exploring alternative avenues to supply Denel products & technologies into Indian market. Good progress with discussions to supply MCS & Base Bleed units to Indian Customer through strategic alliance partner.