



3 GROUP FINANCIAL STATEMENTS

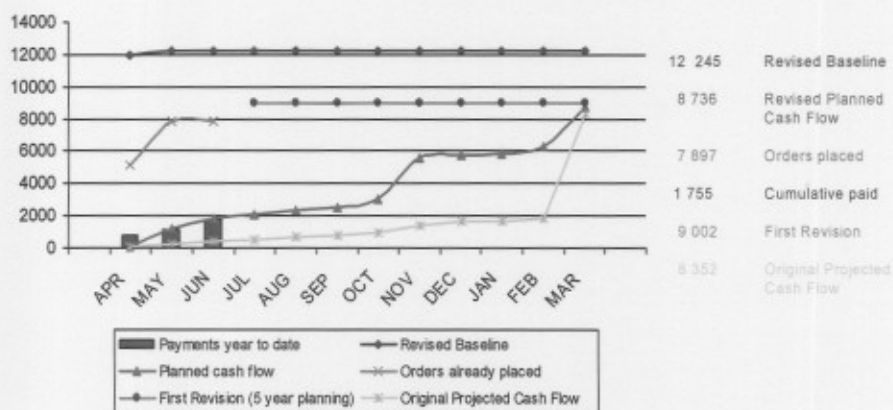
ACQUISITION ACTIVITIES: DEPARTMENT OF DEFENCE



Armcor's acquisition activities for the Department of Defence for the 2006 / 2007 financial year are summarised as follows

DESCRIPTION	TOTAL	Rm			
		01 FUNDS		02 FUNDS	
		CAPITAL	OPERATING	CAPITAL	OPERATING
Funds allocated to Armcor	12 245	40	705	10 928	572
LESS: Cumulative payments 2006-06-2006	1 755	6	93	1 578	78
Funds available	10 490	34	612	9 350	494
LESS: Invoices payable as at 2006-06-28	102	1	7	79	15
Funds available	10 388	33	605	9 271	479
LESS: Invoices with outstanding problems 2006-06-28	86	0	3	81	2
Funds still available	10 302	33	602	9 190	477

ACQUISITION ACTIVITIES: DEPARTMENT OF DEFENCE



ACQUISITION ACTIVITIES: DEPARTMENT OF DEFENCE



DESCRIPTION	TOTAL	ACQUISITION	%	Rm	
				STRATEGIC DEFENCE PACKAGES	%
Funds allocated to Armscor	12 245	8 327	68.00	3918	32.00
LESS: Cumulative payments 2006-06-28	1 755	1 008	57.44	747	42.56
Funds available	10 490	7 319	69.77	3 171	30.23
LESS: Invoices payable as at 2006-06-28	102	93	0	9	0
LESS: Invoices with outstanding problems 2006-06-28	86	74	0	12	0
Funds still available 2006-06-28	10 302	7 152	0	3 150	0
Total percentage paid 2006-06-28	14.33	12.11	0	19.07	0

Funds allocated to Armscor are R12 245m. Planned cash flow as at the end of June 2006 is R8 736m. The difference of R3 509m relates to requirements not yet received from the DOD. Armscor Acquisition Department together with DOD will review the funds allocated to Armscor in the near future.

ARMSCOR INCOME STATEMENT



YEAR TO DATE (R'000)			DESCRIPTION	N O T E S	ESTIMATED FOR YEAR END (R'000)		
ESTIMATE	ACTUAL	VARIANCE			BUDGET	ESTIMATE	VARIANCE
63 205	61 005	(2 200)	INCOME		347 618	347 618	-
3 750	4 089	339	Allocation	1	12 000	15 000	3 000
-	-	-	Net Interest Received		7 400	7 400	-
(2 632)	(2 632)	-	Transfer Armscor Business	2	-	100	100
7 279	7 286	7	Internal Insurance Funds		24 739	24 739	-
1 167	1 586	419	Rent and Services to Department of Defense and Ministry	3	1 484	2 280	796
72 769	71 334	(1 435)	Other Income		393 241	397 137	3 896
72 676	71 165	(1 511)	TOTAL INCOME		497 945	496 383	(1 562)
53 354	52 235	1 119	LESS: EXPENDITURE		266 991	265 705	1 286
2 348	2 152	196	Personal Costs	4	12 971	12 701	270
883	822	61	Subsistence and Travel		7 495	7 166	329
430	425	5	Postage, Stationery, Publication and Communication		3 497	3 569	(72)
933	906	27	Rent and Maintenance		47 412	47 340	72
1 763	1 744	19	Computer Services		11 075	11 067	8
164	200	(36)	Contractor Services		1 050	1 020	30
267	267	-	General Services and Purchases of Smaller Items		1 067	1 067	-
191	159	32	Audit Fees		1 026	1 010	16
1 811	1 811	-	Director's Fees		9 915	9 915	-
451	395	56	Water and Electricity	5	1 049	1 002	47
259	227	32	Other Services		1 500	1 500	-
375	375	-	Investment		37 308	37 308	-
9 327	9 327	-	Depreciation		-	604	(604)
151	151	-	Transfer Armscor Business	6	300	300	-
(31)	(33)	2	Naval Dockyard		-	-	-
			Marketing Reserve		-	-	-
93	169	76	SURPLUS(DEFICIT)		(14 704)	(9 166)	5 538

ARMSCOR INCOME STATEMENT - NOTES



- Interest received of R12m was budgeted but as the interest rates have been increased the estimate has increased accordingly.
- Premiums paid in advance: These premiums are in the process of being recovered from Armscor Business.
- Other income consists of Security Clearance, Training and Quality Control Services to certain institutions.
- The variance is due to new appointments not yet having realized.
- Other services consist mainly of Security Services, Corporate Social Investment and other smaller miscellaneous items.
- Operating expenditure incurred by Armscor personnel on behalf of the Dockyard which is currently carried by Armscor until the Dockyard is formally transferred to Armscor.

ARMSCOR BALANCE SHEET



DETAILS	NOTES	AMOUNT (R'000)	
		30/06/06	31/03/06
ASSETS			
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT		11,039	11,395
CURRENT ASSETS		513,467	534,279
INVESTMENTS IN SUBSIDIARIES		236,478	236,478
Inventories		774	835
Accounts receivable		23,903	24,157
Cash and cash equivalents	1	252,312	272,809
TOTAL ASSETS		524,506	545,674
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
ORDINARY SHARE CAPITAL		75,000	75,000
NON-DISTRIBUTABLE RESERVE	1	298,459	298,290
ORDINARY SHAREHOLDERS' INTEREST		373,459	373,290
CURRENT LIABILITIES		151,047	172,384
Short term loan subsidiaries		72,797	86,244
Accounts payable and provisions		78,250	86,140
TOTAL EQUITY AND LIABILITIES		524,506	545,674

GROUP BALANCE SHEET - NOTES



1. The decrease in cash equivalents from 31 March 2006 to 30 June 2006 is due to the decrease in short term loans of subsidiaries.

CONSOLIDATED INCOME STATEMENT



Rm

ARMSCOR YEAR TO DATE			ARMSCOR BUSINESS YEAR TO DATE			TOTAL YEAR TO DATE			DESCRIPTION	ARMSCOR YEAR END			ARMSCOR BUSINESS YEAR END			TOTAL YEAR END		
ESTI-MATE	AC-TUAL	VA-RANCE	ESTI-MATE	AC-TUAL	VA-RANCE	ESTI-MATE	AC-TUAL	VA-RANCE		BUDGET	ESTI-MATE	VA-RANCE	BUDGET	ESTI-MATE	VA-RANCE	BUDGET	ESTI-MATE	VA-RANCE
63,2	61,0	(2,2)	-	-	-	63,2	61,0	(2,2)	Allocation	347,6	347,6	-	-	-	-	347,6	347,6	-
-	-	-	269,0	384,5	115,5	269,0	384,5	115,5	Turnover	-	-	-	998,8	927,7	(71,1)	998,8	927,7	(71,1)
5,9	6,3	0,4	0,7	0,6	(0,1)	6,6	6,9	0,3	Other Income	26,2	27,1	0,9	7,6	5,8	(1,8)	33,8	30,9	(2,9)
(9,3)	(9,3)	-	9,3	9,3	-	-	-	-	Transfer payment	(27,3)	(27,3)	-	37,4	37,4	-	-	-	-
59,8	58,0	(1,8)	279,0	394,4	115,4	338,8	452,4	113,6	TOTAL	336,5	337,4	0,9	1 043,7	988,8	(54,9)	1 380,2	1 306,2	(74,0)
-	-	-	242,5	358,6	(116,1)	242,5	358,6	(116,1)	Less Costs of sales	-	-	-	831,3	764,7	(66,6)	831,3	764,7	(66,6)
59,8	58,0	(1,8)	36,5	35,8	(0,7)	96,3	93,8	(2,5)	Contribution	336,5	337,4	0,9	211,3	204,1	(7,2)	348,0	340,5	(7,5)
63,4	61,9	1,5	50,1	43,8	6,3	113,5	105,7	7,8	Less: Indirect decision making costs	370,6	369,0	1,6	236,0	212,6	(23,4)	370,6	331,5	(39,1)
(3,6)	(3,9)	-	(13,6)	(8,0)	5,6	(17,2)	(11,9)	5,3	Operating Income/(Deficit) before financing	(34,1)	(31,6)	2,5	5,3	(8,5)	(13,2)	(28,0)	(14,7)	
3,7	4,1	0,4	1,4	1,4	-	5,1	5,5	0,4	Financing Income	12,0	15,0	3,0	5,7	6,8	1,1	35,6	28,7	(6,9)
0,1	0,2	-	(12,2)	(6,6)	5,6	(12,1)	(6,4)	5,7	NET INCOME/(LOSS)	(22,1)	(16,6)	5,5	39,4	(2,8)	(32,2)	(11,7)	(19,9)	
-	-	-	-	-	-	-	-	-	Service Level Agreement	7,4	7,4	-	(7,4)	(7,4)	-	-	-	-
0,1	0,2	0,1	(12,2)	(6,6)	5,6	(12,1)	(6,4)	5,7	NET INCOME/(LOSS)	(14,7)	(9,2)	5,5	3,0	(10,2)	(13,2)	(11,7)	(18,4)	

There is a problem associated with the sale of redundant stock. The National Conventional Arms Control Committee has not approved any sales of surplus/redundant South African National Defence Force stock by Defence Materiel Disposal. Armscor Business is facing an estimated loss of R10,2m for this financial year if the problem with the National Conventional Arms Control Committee and the Department of Defence is not resolved.

CONSOLIDATED INCOME STATEMENT



Rm

ARMSCOR			ARMSCOR BUSINESS			TOTAL			DESCRIPTION
YEAR TO DATE			YEAR TO DATE			YEAR TO DATE			
ESTI-MATE	AC-TUAL	VA-RIANCE	ESTI-MATE	AC-TUAL	VA-RIANCE	ESTI-MATE	AC-TUAL	VA-RIANCE	
63,2	61,0	(2,2)	-	-	-	63,2	61,0	(2,2)	Allocation
-	-	-	269,0	384,5	115,5	269,0	384,5	115,5	Turnover
5,9	6,3	0,4	0,7	0,6	(0,1)	6,6	6,9	0,3	Other Income
(9,3)	(9,3)	-	9,3	9,3	-	-	-	-	Transfer payment
59,8	58,0	(1,8)	279,0	394,4	115,4	338,8	452,4	113,6	TOTAL
-	-	-	242,5	358,6	(116,1)	242,5	358,6	(116,1)	Less: Costs of sales
59,8	58,0	(1,8)	36,5	35,8	(0,7)	96,3	93,8	(2,5)	Contribution
63,4	61,9	1,5	50,1	43,8	6,3	113,5	105,7	7,8	Less: Indirect decision making costs
(3,6)	(3,9)	-	(13,6)	(8,0)	5,6	(17,2)	(11,9)	5,3	Operating Income/(Deficit) before financing
3,7	4,1	0,4	1,4	1,4	-	5,1	5,5	0,4	Financing Income
0,1	0,2	-	(12,2)	(6,6)	5,6	(12,1)	(6,4)	5,7	NET INCOME/(LOSS)
-	-	-	-	-	-	-	-	-	Service Level Agreement
0,1	0,2	0,1	(12,2)	(6,6)	5,6	(12,1)	(6,4)	5,7	NET INCOME/(LOSS)

CONSOLIDATED INCOME STATEMENT



Rm

DESCRIPTION	ARMSCOR			ARMSCOR BUSINESS			TOTAL		
	YEAR END			YEAR END			YEAR END		
	BUDGET	ESTI-MATE	VA-RIANCE	BUDGET	ESTI-MATE	VA-RIANCE	BUDGET	ESTI-MATE	VA-RIANCE
Allocation	347,6	347,6	-	-	-	-	347,6	347,6	-
Turnover	-	-	-	998,8	927,7	(71,1)	998,8	927,7	(71,1)
Other Income	26,2	27,1	0,9	7,6	3,8	(3,8)	33,8	30,9	(2,9)
Transfer payment	(37,3)	(37,3)	-	37,3	37,3	-	-	-	-
TOTAL	336,5	337,4	0,9	1 043,7	968,8	(74,9)	1 380,2	1 306,2	(74,0)
Less: Costs of sales	-	-	-	832,2	764,7	67,5	832,2	764,7	67,5
Contribution	336,5	337,4	0,9	211,5	204,1	(7,4)	548,0	541,5	(6,5)
Less: Indirect decision making costs	370,6	369,0	1,6	206,0	212,6	(6,6)	576,6	581,5	(5,0)
Operating Income/(Deficit) before financing	(34,1)	(31,6)	2,5	5,5	(8,5)	(14,0)	(28,6)	(40,1)	(11,5)
Financing Income	12,0	15,0	3,0	4,9	5,7	0,8	16,9	20,7	3,8
NET INCOME/(LOSS)	(22,1)	(16,6)	5,5	10,4	(2,8)	(13,2)	(11,7)	(19,4)	(7,7)
Service Level Agreement	7,4	7,4	-	(7,4)	(7,4)	-	-	-	-
NET INCOME/(LOSS)	(14,7)	(9,2)	5,5	3,0	(10,2)	(13,2)	(11,7)	(19,4)	(7,7)