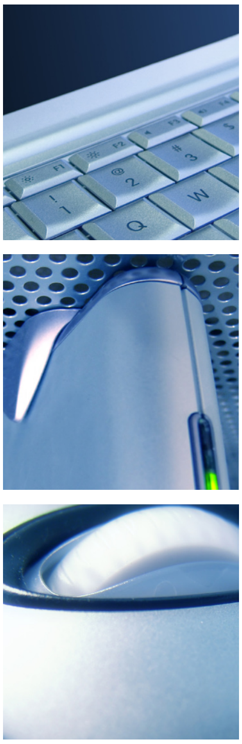
state information technology agency

annual report 2009



SITA

Contents

Vision, Mission and Values

VISION

To be a high-performance information, communication and technology (ICT) service provider of choice for the public sector.

MISSION

To leverage ICT as a strategic resource to enable government to improve service delivery and to meet the challenges faced by a developmental state. This we will do by building a high-performance and innovative organisation with the requisite capability and capacity to meet information technology (IT) requirements of government, to create shareholder value and deliver high levels of customer, employee and community satisfaction.

VALUES

- Service excellence;
- Transparency;
- Integrity;
- Fairness;
- Prudence; and
- Innovation.

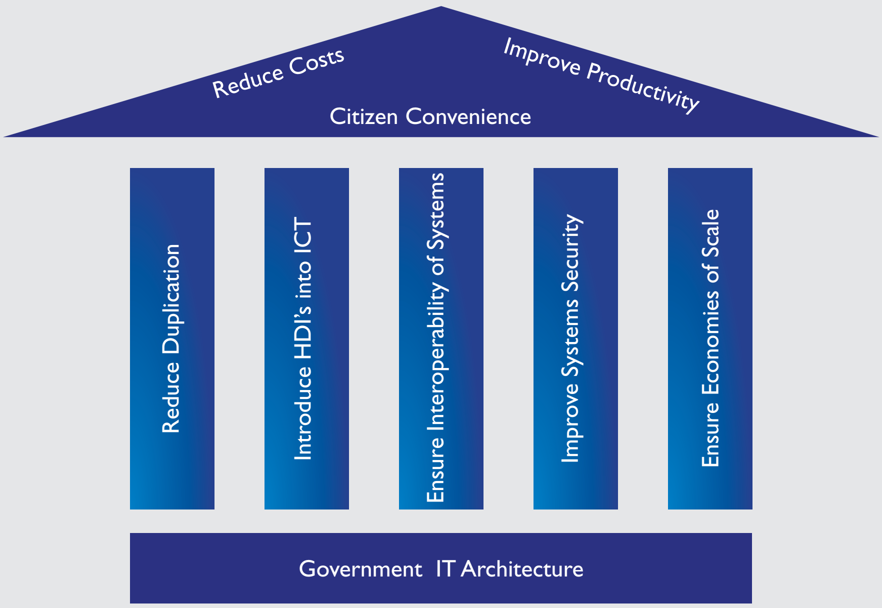
MANDATE

The State Information Technology Agency (Proprietary) Limited (SITA) was established in 1999 to consolidate and coordinate the South African government's IT resources in order to achieve cost savings through economies of scale, increased delivery capabilities and enhanced interoperability of systems. SITA is committed to leveraging IT as a strategic resource for government, managing the IT procurement and delivery process to ensure that government receives value for money, and using IT to support the delivery of e-government services to all citizens. SITA is governed by the SITA Act No. 88 of 1998, as amended by the SITA Act No. 38 of 2002. Section 6 of this Act states the objectives of the agency as follows:

- To improve service delivery through the provision of information technology, information systems and related services, in a maintained information system security environment, to government departments and public entities; and
- To promote the efficiency of government departments and public entities through the use of IT.

Furthermore, the Act separates SITA's services into mandatory services (services that SITA must provide) and non-mandatory services (services that SITA may provide). SITA remains committed in all its activities to adhere to government's 'IT House of Values', which seeks to leverage economies of scale, enhance interoperability of government systems security, eliminate duplication and enhance black economic empowerment.

IT HOUSE OF VALUES



Share the Moment
the year in review

April 2008 - March 2009

State Information Technology Agency

SITA

Foreword by the Minister

Modernising State Information Systems

The State Information Technology Agency (SITA) has a far-reaching mandate as the public sector information, communication and technology (ICT) agency, tasked to provide and facilitate efficient and effective ICT products and services to government. SITA has the responsibility to play a key role in supporting and implementing government's vision of a developmental state through the systematic introduction and intelligent use of ICTs.

Essentially, SITA is at the very heart of government's vision for renewal, government modernisation, the creation of a more citizen-centric society and improved service delivery. Transforming SITA and its operations to become an ICT service provider of choice for government was key to its operations in the 2008/09 financial year.

Mandatory Responsibilities

The agency's mandatory responsibilities include, among other, the development and implementation of a strategy to manage ICT systems; business continuity plans to protect the integrity and sustainability of government's ICT structure; the authentication of products and services acquired through transparent procurement processes; and the provision of goods and services, as per Service Level Agreements (SLAs) with the various government departments.

These mandatory services are supported by additional services such as training, application software development, research and development, maintenance of hardware and software, and the provision of management and advisory services.

The delivery of these services must take place within the framework of government's IT House of Values, founded on the pillars of citizen convenience, reduced costs, increased productivity, security, interoperability, economies of scale, and digital inclusion.

Investment in ICT development, therefore, is fundamental to government's service delivery. Government has the largest ICT spend in the country. SITA is the largest ICT public sector player and intermediary in the country. In essence, it means that institutions must change the way in which business is conducted. Providing value for money, creating new sustainable models of service delivery, and improving citizen experience should become vital components of government's approach to service delivery.

Citizen-centric services must deliver increasingly cost-effective, personalised and relevant services to citizens, while also enhancing the democratic relationship, and contributing to improved dialogue, engagement and service delivery for citizens.

The Year under Review

In addressing economies of scale, one of SITA's key imperatives during the 2008/09 financial year was to find ways to improve customer satisfaction through reducing the cost of doing business and by providing qualitative services translating into acceptable returns on ICT investment. Furthermore, the organisation assessed its procurement approach to promote the local ICT industry and empower small, medium and micro-enterprises (SMMEs) in response to the country's Black Economic Empowerment (BEE) policies and strategies.

One of government's critical strategic priorities, core to the work of the Ministry of Public Service and Administration, is advancing the objectives of a developmental state. This strategic priority has the modernisation of the state, empowerment and improvement of service delivery at the heart of its agenda.

Addressing the challenges of public service capability and the parallel demand for citizen-centric service delivery, requires a critical review of the way in which public service systems and processes are designed and configured. Public services often require transversal business processes that span across several departments and functionaries. This entails rigorous business process redesign and multi-lateral institutional arrangements and structures, and interoperable and non-duplicated ICT systems.

The business process redesign will reduce bureaucracy in order to improve efficiency of service delivery to citizens. At the same time, it also introduces fraud prevention controls to improve the integrity of the entire service delivery process.

The Integrated Financial Management System (IFMS) and SITA's role as prime systems integrator PSI are crucial to this modernisation programme. The IFMS project will ultimately consolidate and renew government's back-office applications.

SITA continues to work with departments to design a Government-Wide Enterprise Architecture (GWEA) Framework. GWEA will identify the building blocks necessary to deploy digital services across all spheres of government. This framework sets minimum standards for Enterprise Architecture within government, and for coherence and standardisation across government departments.

SITA is presently developing a Public Sector Modernisation Framework. The project will, among other, look at 'quick wins' in automating processes and eliminating duplication. Enterprise Architecture will allow government access to different perspectives, including the business environment, information, data required and information technology (IT). This approach will provide a rich set of tools to analyse issues comprehensively, as new opportunities are sought.

ICTs have the potential to streamline processes and manage information more effectively to improve citizen-facing service delivery, but large-scale ICT projects are inherently challenging.

The Public Service and Administration Ministry acknowledges the role that SITA continues to play in strengthening and consolidating the various government back-office systems to facilitate a free government-to-government (G2G), and government-to-citizens (G2Cs) flow of information.

We live in an era in which citizen expectations are high and the need for increased transformation is all-important. e-Government is the ultimate realisation of citizen-centric service delivery. It is the hallmark of integrated and collaborative governance in which services provided are built around the citizen. It involves the use of IT to enhance government's operations through an interactive capacity, not only for the improved provision of services, but also to enable public servants to enhance their performance as they execute their duties.

Initiated and rolled out by SITA, the Next Generation Network (NGN) is by far the most advanced carrier infrastructure network ever embarked upon by our government. Moreover, management applications including the use of Voice-over Internet Protocol (VoIP), video and data solutions to streamline operations, are mechanisms that cut down on costs and increase overall effectiveness. This initiative is supported by a NGN Operations Centre, which proactively monitors wide area network (WAN) services. This will go a long way in ensuring that government continues its administrative duties with minimal disruptions.

As open source software starts to impact on mainstream application and software provisions, SITA's work in this regard is acknowledged and applauded.

South Africa is a democracy founded on the basic principles of providing much needed services to all of its people. Thus, being responsive to the needs of all citizens lies at the core of every endeavour of our Ministry.

ICT forms a cornerstone of the foundation of a single public service, and the Batho Pele ('putting people first') principles represent the culture and value system in which this belief is grounded. SITA is tasked with taking the lead in finding more effective ways to leverage the potential in ICTs to speed up front-line service delivery. Creating better living conditions for our citizens is fundamental to our national agenda and government's programme of action.

Within this context, SITA has been engaged in important projects and has provided support through a diverse range of services. These include: Tele-medicine which allows patients in remote rural clinics to be diagnosed in their areas of localities, whilst engaging with doctors in hospitals; and LURITS, which enables tracking of learners in the education system. Mobizen allows text messaging on the status of citizens' identity document applications. The establishment and management of the Independent Electoral Commission's (IEC's) call centres during registration and elections, as well as supporting the Department of Defence and the South African Police Service (SAPS), are all examples of SITA's support and contribution to improved service delivery.

A key concern for government is also the disparity in the quality of services between rural and urban communities. The 2008/09 financial year saw SITA further extending its work into the local government arena. The organisation developed a new product and service catalogue detailing more than 200 of SITA's tailor-made service delivery offerings. This will ultimately prove to be a crucial instrument to the local government sphere. Municipalities are fertile ground for Free and Open Source Software (FOSS) implementation, as many have underdeveloped ICT infrastructure and lack funding for upgrades.

Against this background, a Health Information System has been initiated to assist municipal clinics that only have manual systems. This project has the potential to be combined with the Mobizen technology to allow health workers to access patient records, whilst doing field work. Such innovations will indeed take the country forward and impact positively on government's agenda.

Access is a crucial Batho Pele principle. SITA has been involved with the Thusong Service Centre pilot project to provide access to efficient one-stop government service centres across rural areas. In this financial year, this concept was piloted in urban areas. The project falls under the 'single public service' umbrella and is being piloted at the iconic Maponya Mall in Soweto.

Work also continues on the Batho Pele Gateway Portal, aimed at collating and providing information to citizens through a service portal, www.service.gov.za, and an information portal, www.information.gov.za

In addition, as SITA attempts to extend and consolidate its service footprint, the organisation will implement a customer relationship management solution to better understand the business needs and requirements of its clients.

Looking to the Future

Notwithstanding these achievements, pressure will be exerted on all institutions to do more with less. The bottomline is that the three spheres cannot continue in unsustainable and fragmented ways, resulting in information bottlenecks that hamper integrated service delivery. SITA must work to leverage and consolidate ICTs to ensure that all government institutions across the three spheres work together towards integrated and collaborative planning and implementation.

Within the framework of building government institutions to bolster the capacity of the state, the Ministry of Public Service and Administration also applied the same principle to SITA. To this end, a Review Committee was established in

2008 to assess SITA's ability to become government's ICT service provider of choice. Recommendations from the Review Committee will strengthen SITA's ability on all levels, thus ensuring that it emerges stronger in the future.

Furthermore, SITA's efforts to build ICT capacity, knowledge and expertise in order for government to maintain a strong foothold in this competitive environment is acknowledged.

On behalf of government, the Department of Public Service and Administration wishes to thank the Chairperson of the Board, Ms Zodwa Manase, the Board, the Acting CEO, Mr Moses Mtimunye, the Executive and the employees of SITA for their substantial contribution to public service delivery through ICT over the past year.

Mr Masenyani Richard Baloyi
Minister of Public Service and Administration
July 2009

Section I
Performance Overview

Chairperson's Statement

2008/09 proved to be a momentous year for SITA and the country as a whole. Celebrating 15 years of democracy, South Africa was preparing itself for its fourth democratic elections, while SITA was preparing to celebrate its tenth year of existence.

The context which charaterised all operations was a sense of urgency for increased service delivery and focus in relation to the country's developmental agenda and to set the stage for a new era of ICT based service delivery. Subsequently the organization entered into a new phase, which included a more external and client-informed service delivery approach. In the previous financial year, much focus has been to improve operational efficiencies. In this financial year, SITA's role and focus in relation to government's modernization needs and its developmental agenda came under the spotlight.

To positively influence the SITA landscape and to enhance the work of the agency, the Board of SITA set a new course for the organisation. Symbolically, it signified the end of an important chapter in SITA's history, while also ushering in a new era in SITA's value within the ICT industry and its relevance to government's developmental agenda and its service delivery.

The shift in strategic imperatives during the financial year reflected SITA's unique mandate and its commitment to government's programme of action. The key strategic imperatives included extending SITA's service footprint, becoming more client centred, ensuring financial sustainability and leveraging ICT's smartly to modernize public sector service delivery. In short our role in this financial year was to enhance SITA relevance within the sphere of the public sector, whilst ensuring that this is done within a sound governance framework.

Provision of Qualitative Services

South Africa faces profound socio-economic difficulties, and it is clear that while ICT can improve service delivery, ICT spend competes with resources required to address widespread poverty and basic services. The prevailing global economic environment also impacted on the way business is conducted. Providing value for money whilst ensuring improved and sustainable models of service delivery, is the key.

Investment in ICT is fundamental to service delivery and the governance principles of transparency and trust are critical in legitimating the investment and in creating the conditions for widespread use of these services, both from government and citizens.

In addressing economies of scale, one of SITA's key imperatives during the year was to improve customer satisfaction by looking at reducing the cost of doing business for customers and by providing qualitative services that translates into good value for money.

Also whilst government has the largest ICT spend in the country, SITA is the largest ICT public sector player and intermediary in the country. As a result, SITA's commitment to promote the local ICT industry and empower small, medium and micro-enterprises (SMMEs) in response to the country's Black Economic Empowerment (BEE) policies and strategies, is vitally important. As such, the increasing challenge has been to ensure equity within this spend to reflect government's commitment to BEE and local economic development.

SITA embarked on a process to redefine its procurement strategy and processes and this strategic shift was a prerequisite to creating an enabling economic environment, which depicts the very essence of a developmental state as articulated by government and shareholder.

While this financial year was characterised by fundamental shifts in approach to service delivery, the short-term progress is commendable. The true value of this transformation, however, lies in the long-term benefits that these strategic shifts will yield for government and our citizens. As a country, and as a Board, we acknowledge that whilst a foundation has been laid and much has been achieved; the pace needs to be accelerated.

Extending SITA's Footprint

Extending SITA's footprint into areas where it is critically needed was a key strategic shift during the year. Pilot projects and lessons learnt from the work done with municipalities were built upon and the architecture for the Municipal ICT Blueprint was completed. Local government is literally at the coalface of public service delivery and is an area in need of capacitation; therefore it was critical for SITA to extend its footprint into this sphere.

SITA's infrastructure was used to support the Independent Electoral Commission (IEC) in the national government elections. SITA set up and managed the IEC call centre over the entire registration and elections period, after SITA competed and won an open tender, and this was a first for the organisation. This type of innovation, competiveness in support of government and smart business risk taking, will stand the organisation in good stead in the future.

Also within the framework of providing relevant and strategic services and support to government, SITA for example, partnered with the Premier's Office in KwaZulu-Natal to establish a provincial nerve centre. The nerve centre is an automated and integrated information management system (IMS) aimed at monitoring and tracking government service delivery in the province. It epitomises the ideals of a modernised public service in which speedy and automated access to crucial and relevant information will improve service delivery in line with the Batho Pele principles. Such information management systems are key to government decision making across the spheres of government.

Modernising Government Operations

The Government-wide Enterprise Architecture (GWEA) Framework developed by SITA to set the minimum standard by which to use an Enterprise Architecture approach, is a crucial milestone. This norm will ensure coherence and standardisation of ICT plans and blueprints across government departments.

The implementation of the Next Generation Network (NGN), which is a multi-functional suite offering different classes of virtual private networks such as Voice-over Internet Protocol (VOIP) service and video streaming, provided government with a competitive edge in infrastructure services. Basically the NGN allows for improved response times and a higher quality network. In addition, it has enabled SITA to deliver customer services more promptly, whilst the ability to plan capacity and profile network traffic has ensured the more efficient allocation of bandwidth by SITA.

To maximise the worth of the NGN, SITA established a new R55 million hi-tech Network Operations Centre (NOC) to proactively monitor wide area network (WAN) services to guard against infiltration by malicious data and to pro-actively attend to incidents. As such, government's services are provided seamlessly with minimal interruption.

The value of the NOC could be illustrated by means of the following example: should a remote rural site be affected by data line failure on social services payout day, the impact on citizens could be highly detrimental. The establishment of the NOC has resulted in automatic detection of such failures, eliminating barriers such as limited communication infrastructure and large travelling distances to report the problem.

Another success story within this year from a SITA service delivery perspective and the modernization of the public sector is the continued work on the SITA's role as a Prime Systems Integrator (PSI) and the work on the Integrated Financial Management System (IFMS) programme. Furthermore, a key project implemented during the reporting period was Free Open Source Software (also known as 'FOSS') for open source deployment in government, to enhance access and cost saving.

Corporate Social Responsibility

As a state-owned agency established with a view to transform service delivery and enhance government's ICT landscape. During the year under review, the agency piloted a project to reduce its carbon footprint, which is being monitored by an independent service provider. In addition, a Going Green Strategy was developed and approved, for implementation in the next financial cycle.

Further to SITA corporate contribution to development especially within the area of skills development, the organisation partnered with government to deliver holistic e-learning solutions (including computers, internet connections, printers, software and a two-year training programme) to the Albini and Buhlebemfundo Secondary Schools in KwaZulu-Natal. The Nolitha Special School in Mount Alyiff, which is a school for the disabled, also received a holistic e-learning solution, which included 33 computers, printers and software. The facilities have a dual purpose and are also available to the community after school hours.

Despite progress on many fronts, the lack of ICT graduates remains a cause for concern. Locally in both the ICT sector and perhaps the academic fraternity, the shortage has been acknowledged and independent efforts to remedy the situation have been undertaken. Whilst SITA has established a Skills Academy for example, the introduction of key programmes such as the Integrated Financial Management System and government's open source mandate have indicated weaknesses in the skills required for implementation and SITA is working to partner with academic institutions to close some of these gaps that impact on service delivery and excellence.

SITA Youth Internship Programme (YIP) is being repositioned to become and Youth Development Programme to illustrate a change in focus. Whilst the organisation will continue to work towards empowering youth from previously disadvantaged backgrounds, but it will also focus on absorbing them into the industry.

As an ICT thought leader, the SITA GovTech Conference is strategically used to leverage worldwide expertise and experience of ICT leaders across the public and private sector. The conference emphasised the importance of partnerships, collaboration and innovation as prerequisites for ICT growth development in the country, so that the value of ICT's is realised. It also provides the opportunity to learn lessons from countries that are positively impacting on the socio-economic agenda of their governments. In the next financial year, SITA will focus on citizen – centred development, noting its increasing significance for the country.

From a service enhancement perspective SITA's work towards health, education, social services, defence and police has been important in enhancing public sector service delivery to citizens. And this work will be built upon and extended to contribute to government's developmental agenda in the future.

Acknowledgements

I wish to commend the agency for its commitment towards upholding the principles of corporate governance. SITA has made strides in building and developing the interests of stakeholders, which include SITA's shareholder, government departments and citizens by implication.

Given the Auditor-General's staunch warning regarding public sector financial standards and operating procedures, SITA has done exceptionally well to receive its seventh consecutive unqualified audit. This bears testimony to the fact that SITA's governance procedures and accounting and expenditure regimes are compliant with the prescripts of the Public Finance Management Act (PFMA).

As can be gleaned from this report, SITA was faced with a number of challenges throughout the year. Notwithstanding the stormy seas of transformation, transition and leadership, the SITA ship was ably steered to ensure that delivery and oversight remained primary objectives on the agenda. What emerged was a collective spirit of resilience, dedication and commitment to a new approach to conduct business.

On behalf of the Board of Directors of SITA, I wish to express our sincere gratitude to our shareholder, the Minister for Public Service and Administration, Mr. Richard Baloyi, for his commendable leadership and for entrusting us with the major responsibility of presiding over SITA. In addition, our thanks go to the Portfolio Committee for their continued guidance and unfailing support in ensuring that SITA continues to fulfill its mandate.

A special word of thanks goes to my predecessor, Ms Thenjiwe Chikane for her sterling work and to my fellow Board Members for ensuring that SITA continues to deliver on its strategic mandate to become an ICT service provider of choice to the public sector.

Finally, thanks must go the SITA Executive Management and employees who executed their duties with dedication, commitment and unstinting professionalism despite a very challenging year.

Ms Zodwa Manase
Chairperson of the SITA Board
July 2009

Board of Directors


Ms Z Manase


Ms M Williams


Mr A M Luthuli


Ms C B Clark


Ms M Makhekhe-Mokhuane


Mr C Kruger


Ms R Sekese

1. Ms Z P Manase .... (Non-executive Chairperson)
2. Ms M Williams.................................. (Non-executive)
3. Mr A M Luthuli .... Non-executive)
4. Ms C B Clark .... (Non-executive)
5. Ms M Makhekhe-Mokhuane .... (Non-executive)
6. Mr C Kruger .... (Non-executive)
7. Ms R Sekese .... (Non-executive)

List of Directors as at 31 March 2009

NAME	QUALIFICATION	DATE APPOINTED	DATE RESIGNED/ TERM EXPIRED
Ms T Chikane (Non-executive Chairperson)	– CA(SA)	4 August 2004	Term of office ended: 3 August 2008
Ms C Clark (Non-executive)	– National Higher Diploma in Education (NHDE) – Further Diploma in Education (FDE) – Certificate in Human Resources Management – MPhil (Political Management) – MBA – Diploma in Forensic Auditing and Criminal Justice – Advanced Diploma in Labour Law – National Diploma in Law (Paralegal Studies) – Higher Diploma in Cyber Law – Postgraduate Diploma in Interpretation and Writing of Contracts	19 May 2008	
Ms N Dhevcharran (Non-executive)	– BSc (Computer Science, Statistics) – BSc Hons (Computer Science) – N4 (Electronics) – MSc (Computer Science) – Advanced Business Programme – MCSE	Appointed: 4 August 2005. Term of office expired: 3 August 2008. Re-appointed: 7 August 2008.	31 January 2009
Mr L Jones	– BSc (Electrical Engineering) – MSc (Computer Science)	Appointed as Non-executive Director: 04 August 2005 Appointed as CEO: 1 November 2007	31 July 2008
Mr C Kruger (Non-executive)	– BCom Hons (Economics)	Appointed: 24 July 2002. Term of office expired: 31 August 2005 Re-appointed: 1 September 2005 Term of office expired: 31 August 2008 Re-appointed: 1 September 2008	
Mr M Luthuli (Non-executive)	– BSc (Electrical Engineering) – MBA	19 May 2008	
Ms M Makhekhe-Mokhuane (Non-executive)	– Personal Computer Specialist – Bookkeeping – Diploma in Practical Accounting – Diploma in Labour Relations – Diploma in Personnel and Training Management – Diploma in Business Management – Advanced Project Management – Information Technology Management – MBA	19 May 2008	

NAME	QUALIFICATION	DATE APPOINTED	DATE RESIGNED/ TERM EXPIRED
Ms. Z Manase (Non-executive Chairperson)	– BCom – BCompt Hons – HDip Tax – Chartered Accountant (SA)	Appointed: 1 June 2002 Term of office expired: 31 July 2005 Re-appointed: 4 August 2005. Term of office expired: 3 August 2008. Re-appointed as Non-executive Director and Chairperson of the Board: 7 August 2008	
Prof T Marwala (Non-executive)	– Post Doctorate in IT – PhD (Computational Intelligence in Engineering Systems) – MSc (Mechanical Engineering) – BSc (Mechanical Engineering) – Technical Analysis & Fund Management – SAIM Programme in Business Management – Governance Risk & Ethics	Term of office expired: 31 July 2005	3 August 2008
Ms N Molope (Non-executive)	– BSc (Medical Sciences) – BCompt – BCompt Hons (CTA) – CA (SA)	Re-appointed: 4 August 2005	31 January 2009
Mr G Rothschild (Non-executive)	– CA (SA)	Term of office expired: 3 August 2008	31 January 2009
Ms R Sekese (Non-executive)	– Diploma in Advanced Project Management – MBA – BA (Electrical Engineering)	Re-appointed as Non-executive Director and Chairperson of the Board: 7 August 2008	
Ms A van der Merwe (Non-executive)	– Bluris (*cum laude*) – LLB – LLM – Diploma in Construction Law – Executive Management Programme, Darden, University of Virginia, USA	7 August 2008	31 January 2009
Ms M Williams (Non-executive)	– MBA – MA (Development Studies) – BA Hons (African Studies) – BA (History and Economic History)	15 October 2007	

Company Secretary			
Ms E Strydom	– BProc – Management Development Program (Gordon Institute of Business Science)		Company Secretary: 1 February 2008.

Chief Executive Officer's Report

Introduction

The 2008/09 financial year represented a significant milestone in the history of SITA, as it ushered in the organisation's decade of existence. This signified the end of an important chapter in SITA's history. It also steered the organisation into a new era of growth and development within the ICT industry and its relevance to the transformation of government's ICT imperatives in respect of public service sector delivery.

The objective to 'deliver on the dream' was key to SITA's corporate performance during the year. After nine years of experience in the ICT public sector industry, the organisation repositioned itself quite vigorously, to respond to new expectations and demands. In line with the ultimate goal to enhance public sector service delivery through ICTs, strategic objectives included modernising public service operations, optimising ICT infrastructure and services, improving SITA's responsiveness to client needs, and working towards the organisation's long-term financial sustainability.

SITA continues to strive towards impacting positively on stakeholders in government, business, the citizenry and the country as a whole. To this end, the organisation's focus was directed at establishing productive client relations, adopting effective world-class customer-centric models in order to move closer towards citizen-focused service delivery, optimising ICT services, and developing a comprehensive service catalogue outlining SITA's service offerings.

Key projects included the support and implementation of a Free Open Source Software (FOSS) roadmap for open source deployment in government, the development of the Government-Wide Enterprise Architecture (GWEA) Framework, the implementation of a network operations centre, and reassessing SITA's procurement model.

Financial Performance

Whilst our revenue increased from R3.6 billion to R3.8 billion, our gross profit decreased from R917 million to R624 million compared to the corresponding period in 2007/08. The cumulative outcome of our financial performance for the year translated into a surplus, which will be ploughed back into government supported services and projects.

Procurement Performance

In order to respond effectively to client needs and government's developmental agenda, SITA enhanced its procurement model during the year under review. This included strengthening procurement systems and processes to ensure the integrity of SITA's services, as well as devolving procurement functions to regions to enhance local economies and promote BEE in the ICT industry throughout the country.

During the 2008/09 financial year, procurement managed to further reduce turnaround times in response to client needs and SITA service delivery improvement. 52 tenders were awarded with an approximate value of R 1, 573, 029, 470 and an overall average turnaround time of 73.74 days (excluding weekends and public holidays).

Providing ICT Leadership to Modernise Government Operations

The implementation of the Next Generation Network (NGN) has provided government with a competitive edge in infrastructure services and allows for improved response times and a higher quality network. It has enabled SITA to deliver customer services more promptly, whilst the ability to plan capacity and profile network traffic has ensured the more efficient allocation of bandwidth by SITA. More importantly, the structure of the NGN has also translated into lower operational and equipment costs.

To maximise the worth of the NGN, SITA established a new R55 million hi-tech Network Operations Centre (NOC), able to proactively monitor wide area network (WAN) services to guard against infiltration by malicious data and attend to incidents before they are detected and reported by government departments. As such, government's services are provided seamlessly with minimal service delivery interruption. The NOC has one of the largest installed video walls in Africa – a first for Sub-Saharan Africa.

Having identified challenges pertaining to the development of ICT plans and blueprints that are aligned with departmental strategic business plans and the objectives set in respect of e-Government, SITA developed the GWEA Framework to set the minimum standard by which to use an enterprise architecture approach. This norm will ensure coherence and standardisation of ICT plans and blueprints across government departments.

The scope of the GWEA Framework comprises an enterprise architecture development process/method aimed at outlining and defining the principles, phases, tasks and activities by which to develop a departmental Information and ICT plan/blueprint. The GWEA enterprise architecture deliverable framework defines the minimum requirements and format of enterprise architecture models, including both baseline and target architectures for the domains of business, data, application and technology architectures, as well as an implementation plan. Finally, the Enterprise Architecture Dictionary represents a definitive reference for enterprise architecture terms and definitions in government.

Furthermore, the Cabinet decision for government to migrate to FOSS involves three phases, i.e. initiation, enhancement and maturity. SITA has in the past year made significant progress in relation to the initiation phase, which included: FOSS migration readiness assessments; skills and partnership development; solution development and piloting.

SITA assisted ten government institutions in conducting readiness assessment exercises. Further engagements with provinces have commenced, which could translate into new assessments in the new financial year. SITA provided FOSS support to the Departments of Science and Technology, Defence, Home Affairs, Communication, Public Service and Administration, Government Communication and Information System, Trade and Industry, Housing, and Arts and Culture. Assistance was also rendered to the Presidential National Commission.

In relation to FOSS, another notable achievement by SITA was the establishment of Mobizen, a FOSS-based facility, which enables the Department of Home Affairs (through their database) to provide feedback through text messaging on the status of citizens' identity document applications.

Integrated Financial Management

SITA's role as Prime Systems Integrator (PSI) has been high on the organisation's agenda and a PSI position paper and subsequent business model were developed. The PSI model is aimed at ensuring seamless integration of government business and technology by consolidating component subsystems, whilst ensuring that the subsystems still function harmoniously.

Key to the PSI is the integration and synthesis of non-core services, support, hardware, software and structures which will enable a combination of technical ability, business knowledge and project management to ensure delivery of government-wide programmes.

In this regard, the Integrated Financial Management System (IFMS) project is a multi-stakeholder programme of National Treasury, DPSA and SITA, to consolidate and renew government's back-office applications. The scope of the project covers Financial Management, Human Resources Management, Supply Chain Management, Asset Management and Business Intelligence across both national and provincial departments. Upon completion, the IFMS project will replace the current legacy transversal applications that include the Basic Accounting System (BAS), the Personnel and Salary System (PERSAL) and the Logistics Management System (LOGIS). The IFMS Asset Management Solution was completed during the 2008/09 financial year and is currently being tested by National Treasury.

SITA also completed a Project Manager Competency Benchmark, comparable with industry standards, to ensure uniformity in the standard of SITA's service delivery to government. This is supplemented by a Project Management Guide to standardise delivery, taking into consideration all the processes, procedures and templates required to successfully manage projects. Another highlight included the formation of the SITA Project Management Special Interest Group for Government and Industry Project Practitioners. This group partners and collaborates to create project management institutional memory and learn cross-sectorally with the view to create a professional project management community in the country.

Rendering Support to Government

Provincial Nerve Centre

The establishment of a provincial nerve centre for the Office of the Premier of KwaZulu-Natal proved to be another example of strategic services rendered to provincial government. The nerve centre is an automated and integrated IMS, aimed at monitoring and tracking government service delivery in the province. The nerve centre epitomises the ideals of a modernised public service in which speedy and automated access to information will improve service delivery in line with the Batho Pele principles.

Poverty Index

During the year under review, SITA developed and piloted a Poverty Index for the City of Johannesburg to ensure a composite view of the citizens that it serves and to enable the City to track human development in the area. The National Departments of Housing, Social Development and Health, as well as the Unemployment Insurance Fund (UIF) are key participants in this government-wide information exchange project, as all departments are central to creating a decent standard of living for citizens.

Local Government

The expansion of SITA's service footprint in the local government sphere gained momentum during the 2008/09 financial year. The pilot projects and lessons learnt from the work done with 11 select municipalities were expounded upon and the architecture for the Municipal ICT Blueprint was completed during the year. It should be noted that SITA's mandate only provides for compulsory engagement at the levels of provincial and national government. However, given that local government is literally at the coalface of service delivery, it has become critical for SITA to support this sphere of government.

Following a directive from the Department of Provincial and Local Government (the dplg), SITA proceeded with enhancements to the Municipal Infrastructure Grant: Management Information System (MIS) phase. A Municipal ICT Blueprint, the architecture for the blueprint and the implementation of the solution were completed at two municipalities.

Municipalities are regarded as fertile ground for FOSS implementation, since many of them have underdeveloped ICT infrastructure and lack the necessary funding for upgrades. During the financial year, SITA identified a Health Information System for clinics that holds potential for the few hundred municipal clinics that currently only have manual systems. This was followed by a project initiation. This project has exciting prospects in that it can potentially be combined with the Mobizen technology to allow health workers to access patient records at clinics, whilst doing field work.

Independent Electoral Commission

After participating in an open tender process, SITA was awarded a tender to manage the call centre for the Independent Electoral Commission (IEC) in preparation of the 2009 national and provincial elections. The call centre was fully operational within seven days, despite the tender only being awarded one week prior to the launch of the IEC call centre. SITA's existing infrastructure was key to its ability to provide the needed support to the IEC during the registration and elections period.

Of note, is that SITA over-achieved on its Service Level Agreements (SLAs) with the IEC during the first registration weekend in November 2008, by fielding calls far in excess of the expected number, given the voter registration interest. Service levels were maintained above 99.74% on election day, with caller volumes exceeding 32 000 calls. SITA also provided call centre services in nine of the eleven official languages. An independent assessment of South African call centres by Finweek saw SITA receiving an overall rating of 4 out of 5 for the speed, quality and courtesy with which calls were managed by the call centre agents.

Department of Education

In collaboration with the Department of Education, SITA implemented the Learner Performance Tracking System (Lurits), which covers 28 000 schools and will track the performance of learners throughout their school career. The system is able to solve the problem of duplicate learners in the system, track learners' movement across schools, as well as identify those who drop out of school. The system will contain more than 12 million individual learner records per year. This national tracking system has been designed to meet the needs of schools with different levels of ICT capability and caters for scenarios with paper-based school record-keeping systems, computerised school administration packages, and for those with no internet connectivity.

During the reporting period, SITA also completed the router configuration migration of users at 19 Further Education and Training (FET) Colleges in KwaZulu-Natal, with 18 colleges to follow, to ensure that the allocated recapitalisation funds are spent in accordance with the FET Connectivity Programme.

Health Sector

Through the Tele-medicine project, the health sector and citizens in remote rural areas are experiencing the power of ICTs. This project allows patients in remote rural clinics to be diagnosed by doctors based in large cities through powerful computer technologies.

IT Consulting Services

It should be noted that SITA provides IT consulting services in line with the recommendations from a previously conducted IBM review of the organisation's IT consulting environment. During 2008/09, SITA assisted clients from both provincial and local government to develop their ICT strategies. These included the Free State Provincial Government, the Frances Baard District Municipality and the Kungwini Local Municipality.

The system assessment of the CabEnet project was also completed and approved during 2008/09.

SITA, in partnership with the Department of Social Development, also developed a Geographic Information System (GIS). The agency subsequently embarked on the development of an Enterprise Security Architecture for the South African Social Security Agency (SASSA), and the project is ongoing.

Department of Defence

During the period under review, SITA supported the Department of Defence, among other, in peace-keeping operations throughout Africa, including Kinshasa, Benin, Kamina, Burundi and Sudan.

Thought Leadership

With regard to thought leadership, SITA collaborated with a number of international institutions, all of which have resulted in fruitful co-operative undertakings. These included interactions with representatives from the European Union, Italy, Brazil, India, Malawi, Australia and Malaysia. A Memorandum of Understanding (MOU) has since been signed with Malaysia.

SITA's annual GovTech Conference provides the platform for ICT role players from both the public and private sector to deliberate on key ICT developments. This year's event attracted more than 1 600 delegates, with speakers from ten different countries. The 52 focused sessions addressed a wide spectrum of issues around technology evolution and development, while also considering strategic public sector constraints and opportunities. Relevant national and international best practice and case studies were profiled, thus leading the way for ICT development and dialogue within the South African public sector.

Developing the ICT Sector

Since its inception, SITA's Youth Internship Programme (YIP) has developed 1 522 young South Africans, of which 52% are female. YIP seeks to raise the skills levels of ICT graduates and make them marketable for long-term career positions both in business and in government. These young ICT graduates are subjected to a one-year internship programme of intensive theoretical and on-the-job training.

Furthermore, the first group of FOSS interns completed the second phase of their training by writing the LPI 102 examination. Of the original intake of 40, 34 interns completed the programme, and of these, 22 students were subsequently employed. In preparation of the new intake, the curriculum has been substantially amended to include a wide range of FOSS-related courses.

Internal Re-engineering

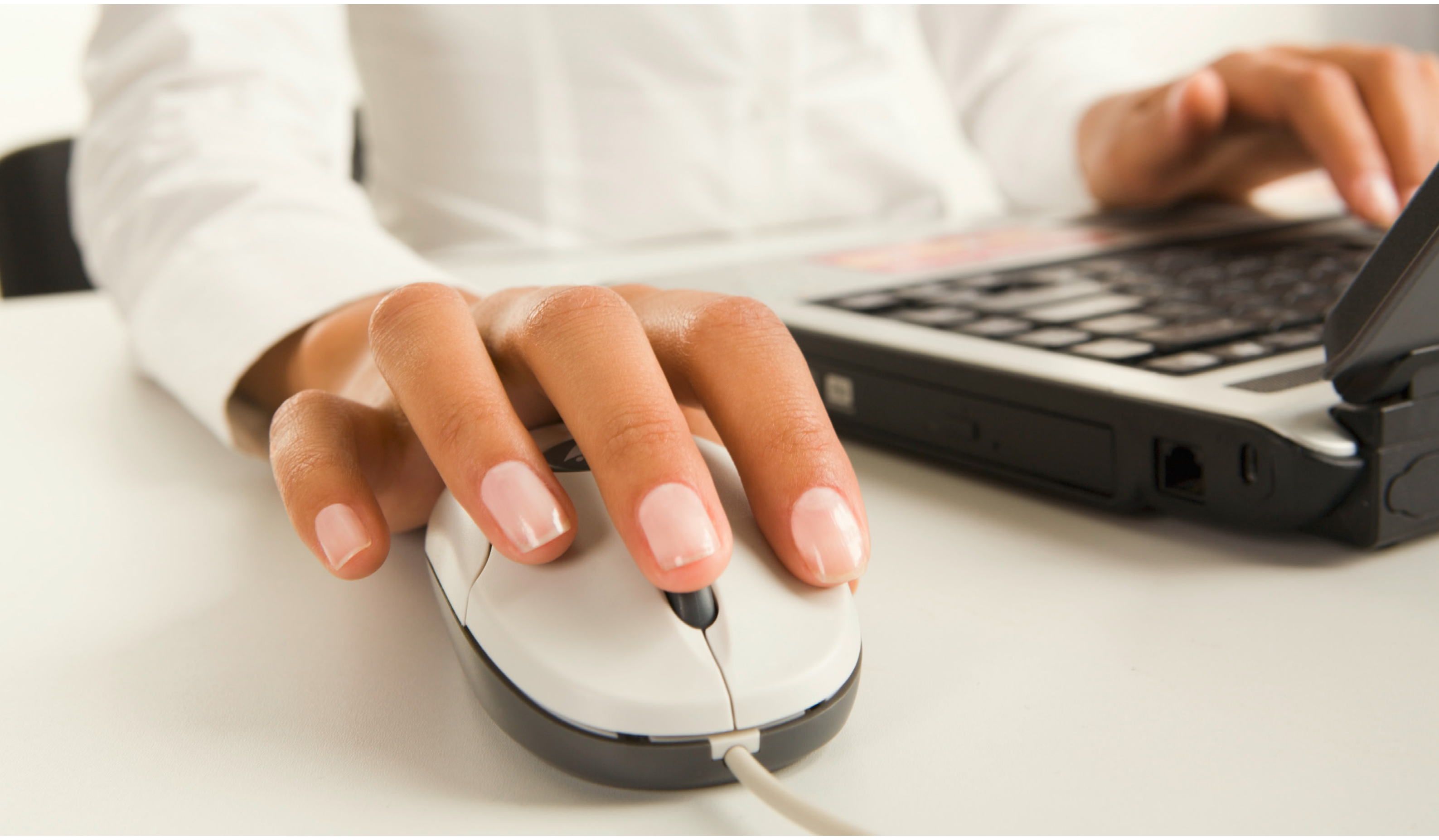
Key to SITA's operations is providing government with relevant and customised services, and as a result, a key achievement in the 2008/09 financial year was the development of a SITA Product and Service Catalogue. The catalogue contains over 200 services, costing models and definitions for the operations of each service.

In line with the SITA value chain, a corresponding operating model, functional organisational structure and a governance structure of the overall organisation were also developed. These efforts were aimed at optimising overall functioning, whilst at the same time presenting government with a clear outline of its services to ensure instant access to tailor-made products and services.

SITA held its first Sales Conference during 2008/09, which saw account teams from around the country converging to develop uniform business processes and a common approach to government service delivery.

Enterprise Resource Planning Project

The Enterprise Resource Planning (ERP) project was re-aligned to the new SITA strategy, and the scope of the project included the following: desktop architecture; application architecture; database architecture; server architecture; network architecture; security architecture; the assessment of SITA's readiness to implement FOSS; the compilation



of project documentation in accordance with SITA's Project Management methodology; the compilation of the SITA LINUX Technical Solution; FOSS migration in all SITA offices; and the implementation of the Vuselela Change Management Process.

SITA also embarked on an Oracle project systems upgrade to support business processes. The project scope was broadened to encompass the following: change management; process and business strategy alignment; user requirement specifications; architecture, hardware and security design; chart of accounts redesign; data migration; and conversion issues.

International Certification

During the 2008/09 financial year, SITA became a full member of The Open Group, ensuring access and participation in the development of The Open Group Architecture Framework (TOGAF).

In the last financial year, the South African Bureau of Standards, through SITA's Quality Management Department, conducted an ISO 9001 certification investigation in order to instil a culture of quality management in SITA. Subsequently, SITA was recommended for the ISO 9001:2000 certification from the ISO Certification Board in Europe for its national office and two of its regions, namely Gauteng and KwaZulu-Natal. SITA improved on this achievement during the year under review and received the ISO 9001:2008 certification for the entire organisation, i.e. its national and all regional offices.

Challenges

Looking towards the future, it is evident from the report that SITA played a significant role in working with government to modernise government systems and improve public service delivery. However, it should be noted that whilst the organisation remains committed to build on the record of its successes, the challenges the organisation has experienced should also be named so that it can be addressed effectively in the next financial year.

Needless to say, the fluidity in the SITA executive and the resultant insecurity experienced in the organisation impacted negatively on employee morale. The theme which characterised SITA's human resource interventions for the year was aptly called 'Developing our People' and also focused on capability and behaviour. Furthermore, given the challenges pertaining to scarce ICT skills, staff retention was at the heart of SITA's human resource programmes. Notwithstanding, the SITA staff turn-over remained below industry standards.

Core strategic tasks going forward will be to continue to build on SITA's financial sustainability in the current economic climate, whilst enhancing government service delivery. Another key shift in the organisation is to become more client-centred and to improve on our client management so as to foster strong relationships based on a qualitative service. This will involve reviewing our corporate approach and strategy in the future to service government needs comprehensively, and to indeed become government's ICT service provider of choice.

Conclusion

The year under review, although challenging, yielded positive results in that the changes embarked upon will enhance public service delivery in this country. In hindsight, it could be described as a watershed year, in that a new platform and foundation have been established to accelerate the execution of SITA's mandate into the future. Given the changes and transformative shifts experienced during the year, the process has not always been comfortable and stable. However, SITA remains committed to play a decisive role in supporting government's developmental agenda.

Against this background, I wish to express my sincere thanks to the SITA management and staff for their unwavering dedication in ensuring that SITA continues to deliver on its ICT commitments to government, and for moving progressively towards realising our vision of becoming an ICT service provider of choice for the public sector.

The continued support and commitment to South Africa shown by the SITA Board under the leadership of our Chairpersons, Ms Zodwa Manase and Ms Thenjiwe Chikane, translated into improved service delivery. On behalf of SITA, we thank you.

Finally, I wish to extend my heartfelt thanks to the Honourable Minister of Public Service and Administration, Mr Richard Baloyi, and the Parliamentary Portfolio Committee for their leadership, dedication and commitment to SITA's transformation to become government's ICT service provider of choice. Their support and counsel have assisted SITA to become an organisation with a strong sense of purpose, fully grounded in national imperatives and aspiring to deliver at international standards.

Mr Moses Mtimunye
Acting Chief Executive Officer
July 2009

Executive Committee

Mr M Mtimunye

Ms R Magoma-Nthite

Mr E Khan

Ms F Pienaar

Mr P Pedlar

Mr A Pretorius

Ms L Samuel
(Internal Audit)

NAME	QUALIFICATIONS	POSITION	DATE APPOINTED	DATE RESIGNED/ CONTRACT EXPIRED
Mr L C Jones	– BSc Electrical Engineering – MSc Computer Science	Chief Executive Officer	1 November 2007	Resigned: 31 July 2008
Mr E Khan	– BCom (Informatics) – MCP – SCO ACE – Novell CNE – Unisa programme in Electronic Commerce – C-programming – Basic Programming – Data Processing Concepts – Advanced Unix Usage	Chief Information Officer (Acting CEO Team)	1 January 2008	
Ms R E Magoma-Nthite	– Master's degree in Education Technology – Management Development Programme – Executive Development Programme – Diploma in Educational Technology (Mechanical Engineering) – PHD (incomplete)	Chief: Shared Services (Acting CEO Team)	1 January 2008	
Mr M Mtimunye	– Telcom Electrician – BA degree (Business Management and Economics) – PG Dip Project Management – PG Dip Business Management – Management Development Programme – Senior Management Development Programme – Executive Development Programme – MBA	Chief: Strategic Services (Acting CEO Team)	1 November 2007	
Ms F A Pienaar	– BSc – HED – BA (Hons): Human Resources Development – Executive Development Programme	Chief: Business Operations (Acting CEO)	1 January 2008 1 August 2008	
Mr A P Pedlar	– BCom – BA (Hons) – MBA (Incomplete) – Certificate in Treasury Management – Banking Supervision – Diploma in Law & Tax – Senior Executive Programme – CIMA	Chief: Regulatory Affairs and Procurement	1 November 2007	
Mr A Pretorius	– CA (SA)	Acting Chief Financial Officer	1 January 2008	

Section 2
Human Capital Management

Human Capital Management

The 2008/09 financial year ushered in the company's tenth anniversary, providing an opportunity to reflect on the strides made by SITA's Human Capital Management in support of the organisational goals and to build on the gains and foundations of the past. Guided by the strategic imperative to 'Develop our People', Human Resources (HR) set out to develop and adopt the Talent Management Strategy for enhancing capacity and improving on capabilities for the required organisational competence.

Furthermore, a Talent Management tool was acquired to supplement the strategy and was accordingly deployed within identified areas throughout the organisation. Given the skills shortage in the ICT industry and the mobility of highly skilled personnel, it was important to position staff retention and continuous succession strategies at the centre of these initiatives.

HR prioritised the drive to *live* our values and to create a SITA culture to ensure an agreeable working environment conducive to good performance. Cultural change dialogues, christened 'Destination to Success' (D2S), aimed at promoting discussions between management and employees, cont to take place throughout the year.

The organisation also focused its efforts on the attainment of Employment Equity (EE) targets, albeit with great difficulty, particularly in attracting qualified female employees. Although the race and disability targets were attained, these will remain an area of focus in the new financial year.

A number of HR interventions were introduced during 2008/09. These included the upgrade of the ERP system from Version 11 to Version 12; vetting of staff to ensure highest levels of confidentiality and secrecy; the implementation of the Employee Assistance Programme (EAP), which included the HIV/AIDS Programme intended to deal with the pandemic, and finally, the implementation of the Employment Equity Plan and the enhanced Integrated Performance Management programme .

Staff Development

SITA faces similar challenges to the ICT industry with regard to the general skills shortage in this field and the mobility of skilled people. To serve our customers in an ever-changing ICT environment and to offset this phenomenon, the organisation continues to prioritise staff development and retention.

Of the total training budget, 31% was spent on the development of leadership skills, such as the Executive Development Programme (EDP), Management Development Programme (MDP) and Leadership Development Programme (LDP), while 28% went towards the development of technical core skills, such as project management, systems training and architecture.

Talent Management

Talent management is an all-encompassing discipline which refers to the process of defining positions within the organisation, as well as the capacity of employees to accomplish their tasks in line with overall business imperatives. In order to achieve this, a Talent Management tool was launched aimed at identifying and managing key talent pools within the organisation, namely Leadership, Project Management and Pre-retirement pools. During the year under review, the Leadership and Project Management pools were subjected to the programme, which entailed assessing skills and identifying gaps, as well as implementing appropriate developmental interventions to address the shortcomings. The Account Management pool, a SITA client-facing environment, has been prioritised for the new financial year.

Achievers Awards

During the year-end function , the organisation honoured employees whose contribution towards the achievement of the greater SITA objectives was exceptional and whose innovative ideas enhanced the delivery of service to SITA clients. 358 employees in six categories were recognised during the inaugural ceremony.

Youth Internship Programme

As mentioned, the ICT industry is faced with a dire shortage of qualified and skilled personnel. Furthermore, the number of unemployed graduates is increasing. In order to meet this challenge, SITA through the Youth Internship Programme (YIP), identified young people with relevant ICT qualifications and potential to undergo an intensive development programme for job readiness in SITA and in the ICT industry.

SITA intends to grow the YIP into an all-encompassing youth programme which will include internships, learnerships, graduate development and bursaries. This approach will broaden the developmental reach, which, in turn, will improve SITA's prospects of developing and attracting relevant skills, as well as contributing to the ICT skills pool in general.

Organisational Development

Culture Survey

Subsequent to the organisation's participation in 'The Best Company to Work For' (BCTF) survey (in which SITA fared below par in two successive years), a decision was made to review the organisational culture. This resulted in the identification and implementation of interventions pertaining to four areas, namely Culture, Leadership, Line of Sight and Teamwork with the view to improve the general organisational culture.

An internal SITA Culture Survey was commissioned to measure the four components, which form the bedrock upon which corrective organisational development interventions are run annually. The initial survey was conducted in October 2006 to provide an indication of how the organisation measured in respect of these components.

It is pleasing to note that the survey conducted in March 2009 indicated an improvement in our overall alignment index. At 2.82, it was 19.49% higher than the baseline figure of 2.36, and 10.58% higher than the March 2008 index of 2.55 on a four (4) point scale.

The results also indicate that 'Line of Sight' remains the strongest component, reflecting a good general understanding of the organisation's vision and mission and the direction which it has adopted.

In order to realise improvement on the other three components, several interventions have been embarked upon. To develop a sound SITA culture, HR committed to creating awareness of SITA values and encouraging employees to live these values. To this end, several value-based contests were run among employees. In the meanwhile, leadership under took assessments to establish competency gaps, and various development programmes were implemented to deal with these issues.

To address Teamwork, the organisation adopted and initiated CIBART, being an acronym for the following six elements: Conflict, Identity, Boundaries, Attitude, Roles and Tasks. The basic tenet of the process is that well-functioning teams are aware of and respect these six elements within the context of the team. In addition, Diversity Management training was piloted in some areas of the business, as diversity was identified as a major contributing factor in dysfunctional teams.

Competency Job Profiling

During the year, SITA adopted a competency-based job profiling process. The latter entailed defining technical and behavioural competencies for each job and job family. The change was necessitated by the generic nature of the previous job profiles and the difficulty experienced in the development and recruitment processes.

Human Resources Services

HR Services is a component of the broader HR that deals with the management of employee information, the screening of employees for security reasons (vetting), the establishment and maintenance of measures for general employee wellbeing, as well the nurturing of harmonious relations between employer and employees (employee relations).

HR Information Management System

The importance of accurate and up-to-date employee information cannot be over-emphasised. To this end, SITA embarked on a project to upgrade the existing ERP system (Oracle) from Version 11 to Version 12. The upgrade was informed by the realisation that the previous version did not possess all the functionalities required to provide strategic management information and business intelligence reports.

With the eminent migration of HR information to Oracle Version 12 (Project Vuselela), the focus was on ensuring that all functionalities of the new version were customised and adapted to fully support SITA's Human Resource Management Service (HRMS) strategies. Processes were mapped, and data verification exercises took place to ensure a smooth migration to the new version.

Vetting

The nature of SITA's business is such that it requires the highest levels of confidentiality and secrecy. To ensure that the security of our clients is not compromised, all employees are expected to undergo a thorough screening process supported by NIA. Employees are encouraged to complete documentation during the first month of employment and utilise our collaboration with the South African National Defence Force, which assists with such legal issues as taking fingerprints and completing the required documentation to expedite the process.

Employee Wellbeing

The global economic meltdown impacted on all institutions. SITA has not been immune either. Our Employee Assistance Programme (EAP) managed a significantly higher number of cases relating to financial difficulty. The associated social, legal and health challenges, were mitigated through the SITA Employee Wellbeing section. Several interventions, such as financial management programmes and debt counselling were implemented to support and alleviate the plight of employees. Absenteeism patterns at levels deemed to be vulnerable (i.e. according to Peterson grades A to C) were also monitored.

The impact of HIV and Aids is also a national challenge that the organisation takes seriously. Employee Wellbeing conducted a Knowledge, Attitude and Practice (KAP) survey, as well as several voluntary counselling and testing sessions. Peer educators were trained across the business to ensure that the message is never lost, and that those who may be infected and/or affected are provided with the necessary assistance and support.

Employment Equity

Extra effort went into ensuring the attainment of EE targets. Targets in respect of Race (60%) and Disability (1%) were met; however, the Gender target of 46% was missed by a slim margin of 0.13%. Despite the scarcity of ICT skills and resultant competition for talent, the organisation achieved the following: 62.83% on Race; 45.87% on Gender and 1.34% on Disability.

Employment Equity Status as at 31 March 2009

JOB LEVEL	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL	
	AM	AF	IM	IF	CM	MF	WM	WF	M	F
F1 - F3	2		1		1		1		5	
	1	1	1	0	1	0	0	1	3	2
E1 - E3	18		6		5		12		41	
	12	6	3	3	5	0	9	3	29	12
D4 - D5	51		5		16		56		128	
	32	19	3	2	15	1	42	14	92	36
D1 - D3	159		26		30		304		519	
	90	69	20	6	17	13	180	124	307	212
C3 - C5	293		54		48		355		750	
	168	125	31	23	38	10	194	161	431	319
C1 - C2	264		37		16		106		423	
	134	130	23	14	10	6	50	56	217	206
B3 - B5	324		48		15		79		466	
	144	180	17	31	9	6	19	60	189	277
B1 - B2	61		2		0		1		64	
	26	35	0	2	0	0	1	0	27	37
A1 - A3	63		0		0		0		63	
	36	27	0	0	0	0	0	0	36	27
TOTAL	1235		179		131		914		2459	
	643	592	98	81	95	36	495	419	1331	1128

An Executive Women Development Programme (EWDP) was implemented in order to increase the pool of skilled women at the management and leadership occupational levels. SITA will continue its efforts to attain the annual EE targets by placing a special emphasis on the Gender target.

TOTAL EE		%	%	DISABILITY	%
M	F	GENDER	RACE		DISABILITY
5		40.00%	80.00%	0	0.00%
3	2				
32		29.27%	70.73%	0	0.00%
20	12				
86		28.13%	56.25%	0	0.00%
50	36				
339		40.85%	41.43%	3	0.58%
127	212				
556		42.53%	52.67%	11	1.47%
237	319				
373		48.70%	74.94%	5	1.18%
167	206				
447		59.44%	83.05%	14	3.00%
170	277				
63		57.81%	98.44%	0	0.00%
26	37				
63		42.86%	100.00%	0	0.00%
36	27				
1964		45.87%	62.83%	33	1.34%
836	1128				

State Information Technology Agency

SITA

Section 3
Corporate Governance

Corporate Governance

The directors of SITA (Proprietary) Limited regard corporate governance as fundamental to the success of the business. The Board is fully committed to ensuring that good governance is practised for the company to remain a sustainable and viable business of global stature. This commitment is embraced at all levels of the company.

SITA ensures that its processes and practices are regularly reviewed to ensure compliance with legal provisions, the use of funds in an economic, efficient and effective manner, and adherence to good corporate governance practices. Processes and practices are underpinned by the principles of transparency, integrity and accountability and an inclusive approach that recognises the importance of all stakeholders.

Compliance remains a priority for the organisation. As a state-owned enterprise, SITA is guided by the principles of the Code of Corporate Practices and Conduct contained in the King II Report on Corporate Governance for South Africa 2002, (King II). Furthermore, the statutory duties, responsibilities and provisions imposed on the directors of SITA by the Companies Act No. 61 of 1973, are augmented by those contained in the SITA Act No. 88 of 1998 as amended, and the Public Finance Management Act No.1 of 1999, as amended by Act No. 29 of 1999 (PFMA).

Shareholding

The Government of the Republic of South Africa is the sole shareholder of SITA. The shareholder representative is the Minister of Public Service and Administration.

Shareholder Compact

SITA, in the spirit of good governance in consultation with its Executive Authority, the Minister of Public Service and Administration, annually concludes a Shareholder Compact which documents the mandated key performance measures and indicators to be attained by SITA, as agreed between the Board of Directors (Accounting Authority) and the Executive Authority. This compact is not intended to interfere in any way with normal company law principles.

In terms of the compact, the relationship between the Shareholder and the Board is preserved, as the Board is responsible for ensuring that proper internal controls are in place and that SITA is effectively managed.

Governing Bodies

Board of Directors

Composition of the Board

The details of the Directors appear on pages **16 to 19.**

The SITA Act No 88 of 1998, as amended, provides that SITA will be governed and controlled by a Board of Directors appointed by the Minister after consultation with Cabinet.

SITA has a Board comprising seven Non-executive Directors as at 31 March 2009.

Non-executive Directors are appointed for a term of three years, and retire by rotation, but are eligible for reappointment. Executive Directors have standard employee service contracts.

Board meetings are scheduled annually in advance, and additional meetings are convened as and when material issues arise which require decisions by the Board.

16 Board meetings were held in the financial year under review and the attendance by members is reflected below:

Board of Directors

Members	Attendance (Meetings held: 16, of which 9 were *ad-hoc*)
Ms T P C Chikane (Chairperson)[1]	7
Ms C B Clark[2]	10
Ms N Dhevcharran[3]	12
Mr L C Jones[4]	4
Mr C C W Kruger	11
Mr A M Luthuli[5]	10
Ms M Makhekhe-Mokhuane[6]	6
Ms Z P Manase[7]	16
Prof T Marwala[8]	6
Ms N Molope[9]	2
Mr G Rothschild[10]	6
Ms R Sekese	9
Ms A van der Merwe[11]	6
Ms M O Williams	14

1	Term of office ended:	03 August 2008
2	Appointed:	19 May 2008
3	Resigned:	31 January 2009
4	Resigned:	31 July 2008
5	Appointed:	19 May 2008
6	Appointed:	19 May 2008
7	Appointed as Chairperson of the Board:	07 August 2008
8	Term of office ended:	03 August 2008
9	Appointed:	19 May 2008
	Resigned:	31 January 2009
10	Appointed:	07 August 2008
	Resigned:	31 January 2009
11	Appointed:	07 August 2008
	Resigned:	31 January 2009

Role and Function of the Board

The Board is the SITA Accounting Authority in terms of the provisions of the PFMA.

The Board Charter defines the roles, duties and responsibilities of the Board, as well as salient corporate governance principles.

The role of the Board embraces the following:

- Providing strategic direction and leadership;
- Determining the goals and objectives of the company;
- Approving key policies including investment and risk management;
- Reviewing the company's annual goals and strategies for achieving its objectives;
- Approving and monitoring compliance with corporate plans, financial plans and budgets;
- Reviewing and approving the company's financial objectives, plans and expenditure;
- Considering and approving the annual financial statements, interim statements and notices to the Shareholder;
- Ensuring good corporate governance and ethics;
- Monitoring and reviewing company performance and effectiveness of controls;
- Ensuring effective communication with relevant stakeholders;
- Liaising with and reporting to the Shareholder;
- Providing key guiding initiatives; and
- Approving transactions beyond the authority of management;

Delegation of Authority

The Board retains full and effective control over the operations of the organisation. This responsibility is facilitated by a well-developed governance structure comprising various Board Committees and a Delegation of Authority Framework. The delegation framework assists in the control of the company decision-making process and does not dilute the duties and responsibilities of the Directors.

Director Induction and Orientation

All new Directors are taken through an induction programme is designed to enhance their understanding of SITA's legislative framework, its governance processes and the nature and operations of its business.

Continuous training is also provided on request to meet the needs of Directors. Directors are also made aware of new laws and regulations on an ongoing basis.

Directors' Remuneration

Non-executive Directors who are not employed by government receive fees for their contribution to the Board and the committees on which they serve. Fees are determined by the Minister, from time to time, with the concurrence of the Minister of Finance. Non-executive Directors are also reimbursed for out-of-pocket expenses incurred on the company's behalf.

Further information on Directors' remuneration appears on pages **XX to XX**

Company Secretariat Function

Directors have unrestricted access to the advice and services of the Company Secretary, as well as the Secretariat. The Directors are entitled to obtain independent professional advice at SITA's expense should they deem this necessary.

In addition to the Company Secretary's normal duties and functions as prescribed in the Companies Act and further outlined in King II, the Company Secretary assists with other assurance functions in the monitoring of SITA's compliance in terms of the provisions of the PFMA, Companies Act and other relevant legislation.

Board Sub-committees

A number of Board Sub-committees exist in order to assist the Board in discharging its responsibilities. This assistance is rendered in the form of recommendations and reports submitted to Board meetings, whereby transparency and full disclosure of sub-committee activities are ensured. Each committee operates within the ambit of its defined terms of reference that set out the composition, role, and responsibilities, delegated authority and meeting requirements of the committee. All Board Members may attend the sub-committees by invitation.

Audit and Risk Committee

The SITA Audit and Risk Committee is established in terms of section 51(1)(a)(ii) of the PFMA and section 27.1.1 of the Treasury Regulations, whereby the Board must establish an Audit Committee as a Sub-committee of the Board. This requirement is supported by King II. In terms of King II, the Board may appoint a Risk Committee to review the Risk management process and the significant Risks facing the company and to report on it to the Board. The Audit and Risk Committee operates in accordance with terms of reference, reviewed by the Board on an annual basis.

The membership of this committee comprises the Chairperson who is a Non-executive Director and other Non-executive Directors.

The committee monitors compliance with relevant legislation and ensures that appropriate systems of internal control are maintained to protect SITA's interests and assets. It reviews the activities of the Internal Audit Department and its effectiveness. It is also responsible for the evaluation of the independence, objectivity and effectiveness of the external auditors and the review of accounting and auditing concerns identified by internal and external audits. The committee reviews the accuracy, reliability and credibility of financial reporting, and recommends the Annual Financial Statements and the Annual Report, together with the External Auditors' Report, for approval by the Board.

The committee reviews the adequacy and overall effectiveness of the company's Risk Management Strategy, policy, procedures and functions and the implementation by management of internal risk control and risk recommendations, and ensures that appropriate actions have been taken.

Five committee meetings were held during the financial year. These were attended by the external auditors, Chief Executive Officer, the Chief Financial Officer, the Chief Audit Executive and other relevant corporate officials. The Chief Audit Executive and the external auditors have unrestricted access to the Chairperson of the Committee and to the Chairperson of SITA. The attendance by members is reflected below:

Audit and Risk Committee

Members	Attendance (meetings held: 5)
Ms C B Clark[1]	1
Ms N Dhevcharran[2]	4
Mr L C Jones[3]	3
Mr C C W Kruger	5
Ms Z P Manase	3
Ms N Molope[4]	1
Ms R Sekese	0
Ms A van der Merwe[5]	0

[1] - Appointed: 22 September 2008
[2] - Resigned: 31 January 2009
[3] - Resigned: 31 July 2008
[4] - Appointed: 22 September 2008
Resigned: 31 January 2009
[5] - Appointed: 22 September 2008
Resigned: 31 January 2009

Finance and Capex Committee

The Finance and Capex Committee is a sub-committee of the SITA Board and comprises external non-executive members and the Chief Executive Officer. SITA management attend the meeting by invitation.

The committee reviews the business plans and company budget and monitors compliance thereto. It evaluates and approves business cases for new ventures or projects, and monitors and oversees the management of capital



expenditure. The committee considers other matters as determined by the Board and reviews costing and pricing models and applicable accounting procedures and systems from time to time.

Five committee meetings were held during the financial year, which were attended by the Chief Executive Officer, the Chief Financial Officer, the Chief Audit Executive and other relevant corporate officials. The attendance by members of the committee is reflected below:

Finance and Capex Committee

Members	Attendance (Meetings held: 5)
Ms T P C Chikane[1]	1
Mr L C Jones[2]	1
Mr C C W Kruger	5
Ms Z P Manase	5
Ms M O Williams	4

[1] - Term of office ended: 3 August 2008
[2] - Resigned: 31 July 2008

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee comprises Non-executive Directors and Executive Directors. The committee:

- makes recommendations to the Board on the appointment of Executive and Non-executive Directors;
- is responsible for the oversight and monitoring of the Human Capital Management strategies and implementation within the company;
- determines, agrees on and develops the company's general policy on Executive and Senior Management remuneration;
- recommends to the Board specific remuneration packages for Executive Management;

Four committee meetings were held during the financial year. The attendance by members of the committee is reflected on the next page:

Human Resources and Remuneration Committee

Members	Attendance (Meetings held: 4)
Ms T P C Chikane[1]	2
Ms C B Clark[2]	1
Ms N Dhevcharran[3]	3
Ms M Makhekhe-Mokhuane[4]	2
Prof T Marwala[5]	2
Mr L C Jones[6]	2
Ms A van der Merwe[7]	0
Ms M O Williams[8]	2

[1] – Term of office ended: 03 August 2008
[2] – Appointed: 22 September 2008
[3] – Resigned: 31 January 2009
[4] – Appointed: 22 September 2008
[5] – Term of office ended: 03 August 2008
[6] – Resigned: 31 July 2008
[7] – Appointed: 22 September 2008
Resigned: 31 January 2009
[8] – Appointed: 22 September 2008

Strategic Committee

The Strategic committee comprises the Chairperson of the Board, Chief Executive Officer and Non-executive Directors. Executive Management attend the meeting by invitation.

The Committee is responsible for guiding and leading the strategic direction of SITA and the implementation thereof. Its role is to:

- define the SITA strategy in line with SITA's mandate;
- guide and lead the implementation of that strategy;
- develop and manage the strategy capability requirements; and
- manage business needs.

Four committee meetings were held during the financial year. The attendance of members at these meetings is reflected below:

Strategic Committee

Members	Attendance (Meetings held: 4)
Ms T P C Chikane[1]	2
Ms N Dhevcharran[2]	3
Mr L C Jones[3]	2
Mr C C W Kruger	3
Mr A M Luthuli[4]	1
Ms M Makhekhe-Mokhuane[5]	1
Ms Z P Manase	2
Prof T Marwala[6]	2
Ms R Sekese	1
Ms M O Williams	2

[1] – Term of office ended:	03 August 2008
[2] – Resigned:	31 January 2009
[3] – Resigned:	31 July 2008
[4] – Appointed:	22 September 2008
[5] – Appointed:	22 September 2008
[6] – Term of office ended:	03 August 2008

Executive Management Committee

The Executive Management Committee (EXCO) is chaired by the Chief Executive Officer and comprises the executives of SITA's various departments, and other relevant corporate officials by invitation. Details of the EXCO members appear on pages **31 to 32**.

The committee assists the Chief Executive Officer in guiding and controlling the overall direction of the business and in exercising executive oversight. It is responsible for ensuring the effective management of the day-to-day operations of the business.

21 committee meetings were held during the financial year. The attendance by members of the committee is reflected below:

Executive Committee (EXCO)

Members	Attendance (Meetings held: 21)
Mr L C Jones[1]	5
Mr E Khan	16
Ms R E Magoma-Nthite	20
Mr M Mtimunye	20
Mr A P Pedlar	21
Ms F A Pienaar	19
Mr A Pretorius	18

[1] – Resigned: 31 July 2008

Public Finance Management Act, No. 1 of 1999 (PFMA)

The PFMA regulates financial management inclusive of all revenue, expenditure, assets and liabilities in state-owned enterprises in order to ensure that they are managed efficiently and effectively and to provide for the responsibilities of persons entrusted with financial management. The Board, as the Accounting Authority, complies with these fiduciary duties as set out in the PFMA. In terms of the PFMA, the responsibilities of the Board include, *inter alia,* taking appropriate action to ensure that:

- economic, efficient, effective and transparent systems of financial and risk management and controls are in place;
- all major capital projects are evaluated prior to a final decision on each project;
- appropriate and effective measures are implemented to prevent unauthorised, irregular, fruitless and wasteful expenditure, expenditure not complying with legislation, or losses from criminal or fraudulent conduct;
- all revenues due to SITA are accounted for;
- woriking capital is managed in an economic and efficient way; and
- the objectives and the allocation of resources are defined in an economic, efficient, effective and transparent manner.

In terms of the Treasury Regulations (TR 28.3.1), SITA's Accounting Authority must, for purposes of "material" and "significance", in terms of sections 54(2) and 55(2) of the PFMA, develop and agree on a framework of acceptable levels of materiality and significance with the relevant Executive Authority.

King II requires that disclosure be made on matters of significance, interest and relevance to the shareholders and a wide range of stakeholders. The Accounting Authority should establish guidelines of materiality for disclosure by the organisation. The framework will be reviewed and updated annually. The materiality and significance framework for the financial year under review, which is determined and annually reviewed by Management and approved by the Board, is as follows:

Section	Requirement	Material/Significant
Section 50(1)	The Accounting Authority for a public entity must – (c) on request, disclose to the Executive Authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the Executive Authority.	SITA submits quarterly reports to the Executive Authority which include all relevant information which may influence the decisions or actions of the executive authority. These reports cover all transactions/ventures not included in the SITA strategic plan and SITA mandate and all other information as requested/required by the Minister.
Section 51(1)(g)	An Accounting Authority for a public entity must promptly inform the National Treasury on any new entity which that public entity intends to establish, or in the establishment of which it takes the initiative.	SITA will inform the National Treasury of individual transactions covered by this section irrespective of the materiality or significance of the transaction. The application will be done simultaneously with the section 54 application to the DPSA.
Section 54(2)	Before a public entity concludes any of the following transactions, the Accounting Authority for the public entity must promptly and in writing inform the relevant Treasury of the transaction and submit relevant particulars of the transaction to its Executive Authority for approval of the transaction.	1. Quantitative factors 1.1 Sections 54(2)(a)-(e): Any transaction will be regarded as significant if its rand value exceeds R40 million. This materiality figure is based on a percentage of 1.5% (the recommended range is 1% - 2%) applied to the total assets value of R2.6 billion. The asset value was used because the transactions to which the materiality limit relates are asset-based. 1.2 Section 54(2)(f): Any change in interest will be regarded as significant if the rand value exceeds R25 million. This figure is based on a percentage of 0.7% (the recommended range is 0.5% - 1%) applied to the total revenue of R3.6 billion. Revenue was used as a basis to determine the materiality limit, because it is more appropriate to the nature of transactions than assets.

Section	Requirement	Material/Significant
	(a) Establishment or participation in the establishment of a company	2. Qualitative factors. The following qualitative factors will be taken into account when determining the significance of transactions : 2.1 Any transaction of this nature that causes any interest (equity or loans) to be taken by SITA in the company to be established requires approval from the Executive Authority, irrespective of its materiality or significance. 2.2 Concerning participation in the establishment of a company, where an interest (equity or loans) is to be taken by SITA in the company to be established, any involvement by SITA in the establishment process will necessitate an application for approval, regardless of the degree of involvement by SITA.
		2.3 Flowing from 1 and 2 above, where no interest (equity or loans) is to be held by SITA in the company to be established, for instance, where SITA is only facilitating the formation on behalf of or with other parties in pursuance of a social objective, such participation need not necessitate an application for approval. 2.4 The establishment (or participation in the establishment) by SITA of any company that is domiciled outside the Republic of South Africa requires approval from the Executive Authority, irrespective of the materiality or significance of the transaction. 2.5 For purposes of establishment of an entity as envisaged under section 51(1)(g), the above principles will also apply.
	(b) Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement	2.6 Any transaction that entails incorporation under the Companies Act (or similar foreign legislation) should be dealt with under 2.1 to 2.5 above. 2.6 For transactions not entailing incorporation, any transaction will be considered as significant. 2.7.1 If participation is in any partnership, trust, unincorporated joint venture or similar arrangement that is located outside the Republic.
	(c) Acquisition or disposal of a significant shareholding in a company	2.8 Transactions are to be regarded as significant where: 2.8.1 Ownership control is affected; or 2.8.2 SITA's right to pass or block a special resolution is affected; or 2.8.3 There is a change in shareholding of at least 20%; or 2.8.4 For an acquisition, any transaction results in a shareholding of at least 20% in a company.

Section	Requirement	Material/Significant
	(d) Acquisition or disposal of a significant asset	2.9 Although the acquisition or disposal of shares or of an interest in an unincorporated vehicle, as envisaged by sections 54(2)(b), (c) and (f), would also be an acquisition or disposal of an asset, such transactions are more appropriately dealt with under the guidelines for those sections. 2.10 Assets classified as current assets according to GAAP are not regarded as falling under this subsection. 2.11 Regarding the acquisition of assets through a finance lease, the principles in 2.10 above will apply.
	(e) Commencement or cessation of a significant business activity; and	2.12 A business activity that falls within SITA's core business is not regarded as falling under this subsection.
	(f) A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	2.13 The significance of a change in interest should only be considered if the participation in the partnership, trust, unincorporated joint venture or similar arrangement was originally regarded as significant per 2.12 above. 2.14 Where the nature changes between any of the vehicles (that is between a partnership, trust, unincorporated joint venture or similar arrangement), this will be regarded as significant. 2.15 Any transaction that results in a cumulative interest of at least 20% in the vehicle (partnership, trust, unincorporated joint venture or similar arrangement) is regarded as significant. 2.16 Any subsequent transaction that results in an increase of the cumulative interest by at least 10% in the vehicle (partnership, trust, unincorporated joint venture or similar arrangement) is regarded as significant.
Section 55(2)	The annual report and financial statements referred to in subsection 55(1)(d) must – (b) include particulars of – (i) any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year	2.17 Losses in excess of R50,000 arising from criminal conduct are considered to be material and will be reported in accordance with the provisions of section 55(2) of the PFMA. 2.18 Any individual transaction arising from irregular expenditure and fruitless and wasteful expenditure will be considered to be material and will be dealt with in accordance with the provisions of section 55(2) of the PFMA, irrespective of the rand amount involved.

Internal Control

In terms of the provisions of the PFMA and other relevant legislation, the Board has the ultimate responsibility for establishing a framework for internal control. The controls throughout SITA focus on all matters prescribed by legislation, all critical risk areas identified by Operational Risk Management, confirmed by Executive Management and audited by the Internal Auditors. Organisational policies, procedures, structure and approval frameworks provide direction, accountability and segregation of responsibilities, and contain self-monitoring mechanisms. Management closely monitors the controls, the various systems and procedures and takes the necessary actions to correct deficiencies as they are identified on an ongoing basis.

Internal Audit

Introduction

The SITA Internal Audit division was established in terms of section 51(1)(a)(ii) of the Public Finance Management Act (PFMA) whereby the Accounting Authority (the Board) must ensure that SITA has and maintains a system of internal audit under the control and direction of an Audit Committee. The formally defined scope of Internal Audit is to evaluate and improve the overall effectiveness of risk management, control and governance processes. The scope is dictated by the Treasury Regulations (TR) and the Institute of Internal Auditors (IIA). The purpose, authority and responsibility of the internal audit function is formally defined in its charter which is approved by the Audit and Risk Committee and the SITA Board (TR 27.2.5). In line with the overriding requirement of independence and objectivity, the Chief Audit Executive reports to the Chairperson of the Audit and Risk Ccommittee.

As required by TR 27.2.6, Internal Audit conducts its work in accordance with the standards organised by the International Professional Practices Framework (IPPF) and promulgated by The Institute of Internal Auditors (IIA). All Internal Auditors are obliged to apply and uphold the principles of integrity, objectivity, confidentiality and competency under the IIA's formal Code of Ethics.

Operations

The division's risk-based audit plan for the 2008/09 year (as required by TR 27.2.7) was based on the major risks emanating from SITA's internal risk management process and was approved by the Audit and Risk Committee at the beginning of the financial year. The Audit Plan is responsive to changes in SITA's risk profile. Internal Audit attends all Audit and Risk Committee meetings, during which it provides a report on significant audit findings, its performance against the approved Audit Plan, as well as other operational activities. The Internal Audit report assists the Audit and Risk Committee in discharging its responsibilities in terms of TR 27.1.8. The report also allows for effective monitoring. Significant audit findings are reported to Management on a regular basis for appropriate remedial action.

For the year under review, Internal Audit conducted a total of 35 planned and 6 *ad-hoc* audits. The division tracks the status of audit findings on a regular basis and reports progress to the Audit and Risk Committee and EXCO.

Internal Audit provides various Integrity Assurance services. The division contributes to SITA's ongoing anti-fraud and anti-corruption campaigns, including fraud awareness and ethics training. The performance of fraud detection analyses on major SITA systems is an ongoing initiative. The division conducted a total of 39 integrity assurance projects during 2008/09. Internal Audit attends to all calls received via an independent ethics line, established to provide a vehicle for the reporting of alleged fraud, corruption and other contraventions of SITA's Code of Ethics. The division also conducts forensic audits where these are requested by Management.

As directed by TR 27.2.9, Internal Audit has co-ordinated its efforts with that of the Auditor-General to ensure proper coverage and to minimise duplication of effort. In doing so, the Auditor-General has been able to place reliance on the work by Internal Audit where relevant.

Internal Audit Capability

In terms of Standard 1312, external assessments of Internal Audit must be conducted at least once every five years. An external assessment was done during the 2006/07 financial year. Internal Audit was evaluated and rated as 'Generally Conforms', which means that the internal audit activity has a charter and policies and procedures that are judged to be in accordance with the IIA Standards. The next external assessment is due in 2011/12.

Internal Audit is committed to building its operational efficiencies through the ongoing training of its staff which takes place by way of formal training interventions, as well as on-the-job training through supervision. The optimum use of its electronic working paper and planning tool, as well as adherence to the Quality Assurance and Improvement Programme, is an ongoing focus. The division's commitment to capacity building is evidenced by its participation in the Internal Audit Technician Learnership Programme through the employment and mentoring of trainees.

Forensic Investigations

An integrated anti-crime and anti-fraud prevention plan has been implemented in order to minimise the risk and opportunity for crime, irregularities, and in particular, fraud. In order to support the strategic intent and business objectives of SITA, the Board, or its committees, may, at its discretion, commission forensic audits whenever it is felt that this is justified.

Internal Control - cont

Responsibility for Reporting

In order to present a balanced and understandable assessment of its position, SITA is continuously strives to ensure that reporting and disclosure to stakeholders is comprehensive, relevant, transparent, clear and effective. It places great emphasis on addressing both positive and negative aspects in order to demonstrate the long-term viability and sustainability of the organisation.

Risk Management

In terms of Section 51(1) of the PFMA, the Board must maintain an effective, efficient and transparent system of, among other, risk management. Furthermore, King II states that risk management should be practised throughout the organisation by all staff in their day-to-day activities. SITA has implemented a risk management methodology that is based on best business practice, and in line with the Risk Management Framework issued by National Treasury.

Risk Management identifies and assesses key risks, designing and implementing strategies and processes by which those risks can be managed, and finally, continual review of processes to ensure that risks identified have been mitigated to a level acceptable to the relevant stakeholders.

By establishing and working from a set model, SITA has ensured a consistent and logical approach to risk management. Risks have been assessed in accordance with the achievement of the SITA objectives as contained in the Strategic Imperatives.

Strategic risks and their mitigation strategies are evaluated and monitored at both Board and Executive level. Where applicable, strategic risks are cascaded to an operational level, and collectively each business unit throughout SITA has a role to play in managing and mitigating these risks.

Communication with Stakeholders

SITA recognises the legitimate interest of the following stakeholders in its affairs: government as shareholder, specific government departments, employees, consumers, suppliers, the media, policy and regulatory bodies, trade unions and local communities. Communication and interaction initiatives with stakeholders are ongoing and are addressed through appropriate channels depending on the different needs of the various stakeholders.

Section 4
Performance against Strategic Objectives

Performance against Strategic Objectives

Financial Perspective			
Objective	**Target**	**Stretched Target**	**Actual Performance**
1. Grow revenue base	Achieve budgeted revenue (10% growth in profitable revenue)	Achieve 15% growth in revenue, including 5% from new/revised product offerings	
2. Achieve working capital and cash targets	Achieve budgeted cash flow of R163m (before investment activities) Debtors' days : 1. Q2=90 2. Q3=85 3. Q4=65	90% to 99.9 % of budget cash flow Debtors' days : 1. Q2=<85 2. Q3=<80 3. Q4=<60	
3. An integrated, consistent and robust planning cycle regime	1. Develop by 30 Sep 08 2. Implement for 2nd half of financial year	Achieved stretched target plus budgeting planning cycle executed as per plan	
4. A competitive and sustainable Costing and Pricing Strategy	Develop a Costing and Pricing Strategy (approved)	Implement Costing and Pricing models across SITA offices countrywide	
Customer Perspective			
1. Improved service offering	Develop SITA Infrastructure Services offering portfolio and implement 3 revised service offerings	Implement 6 revised offerings	
2. Improved service delivery capability	90% Infrastructure Services SLAs are managed in accordance with Service Level Management (SLM) principles	More than 95% Infrastructure Services SLAs, and managed in accordance with SLM principles	
3. Growth in portfolio of services	Shared Services Centres operational in one region and serving municipal customers in this region	Shared Services Centres operational in 3 regions and serving municipal customers	
4. Operational costs (licensed software, cost of agency transactions)	Develop baseline of licensing and agency cost to government and develop a multi-year Enterprise Licensing Strategy for government	Attain stretched target with demonstrable saving on licensing costs	
	Developed business model for Agency Sales	Attain stretched target and costing and pricing of one transversal contract	
5. IFMS	Achieved 80% of all contracted IFMS contracted SLA elements within the acceptable project management constraints	1. Achieve 98% of all contracted IFMS SLAs within the acceptable project management constraints 2. Also achieve non-planned activities equivalent to 10% of available time to IFMS programme	
6. ICT planning and governance	ICT Planning Governance Framework developed and approved/ICT Plan	Assessment of more than one ICT Plan or Framework improved in line with international best practice	

Customer Perspective			
Objective	**Target**	**Stretched Target**	**Actual Performance**
7. e-Gov	Achieved 80% of all contracted e-Gov SLAs within the acceptable project management constraints	Achieved more than 90% of all contracted e-Gov SLAs within the acceptable project management constraints	
8. GWEA	Achieved 90% of all contracted GWEA SLAs within the acceptable project management constraints	Achieved >95% of all contacted GWEA SLAs within the acceptable project management constraints	
9. Service levels	100% signing of SLAs	100% of all SLAs signed for 2008/09 and 60% signed for 2009/10	
Business Perspective			
1. Quality improvement	Implemented service delivery management processes	Implement Service management processes plus 60% alignment with ITIL	
	Internal ISO9001:2000 Audits conducted and corrective action plans are implemented	External audit findings resolved	
2. Improved business processes	Achieve Kanya II objectives per approved project plan by March 09	1. Achieve Kanya II objectives by January 09 2. Initiate ECM System in 3 business arrears (procurement, legal and secretariat)	
3. Audit report	1. Unqualified and no emphasis of matter 2. No new matters	1. Unqualified and no emphasis of matter 2. No new matters and 98% reduction in current matters	
4. Improve operational excellence	70% (5 out of 8) of the identified procurement initiatives completed	100% (8) of the identified procurement initiatives completed	
Learning and Growth			
1. Develop skills	90% business interventions implemented as per gaps identified (PDP, assessments, requested interventions)	98% business interventions as per gaps identified (PDP, assessments, requested interventions)	
2. Embed SITA values in all operational procedures	10% improvement on 2007 Culture Survey results	>15% improvement on 2007 Culture Survey results	
3. Attract and retain critical skills and best performers	8% turnover of critical skills and best performers	5% or less turnover of critical skills and best performers	
4. Integrated talent management	Approved Integrated Talent Management Strategy	Implement 2 interventions for 3 pools within critical workforce segments	
Employment equity	Employment equity = 60%	Employment equity = 65%	
	Gender = 46%	Gender = 50%	
	Disability = 1%	Disability >1.3%	

Financial Performance

Revenue increased with 5, 5% during the year under review compared to the budgeted 10%. This was mainly due to the budgeted tariffs in our mainframe environment which differed materially from the approved tariffs. This resulted in a reduction in revenue of R225m. Apart from the weighting factor; our labour tariffs increased less than our labour costs increased which impacted negatively on our surplus margins.

Suppliers were paid more promptly during the reporting period, but challenges were experienced in timeous debt collection. This impacted negatively of our working capital and together with the lower than expected operating surplus, resulted in cash generated from operations of R93 being less than the budgeted R163m. This limited our ability to execute on our Capital Expenditure program.

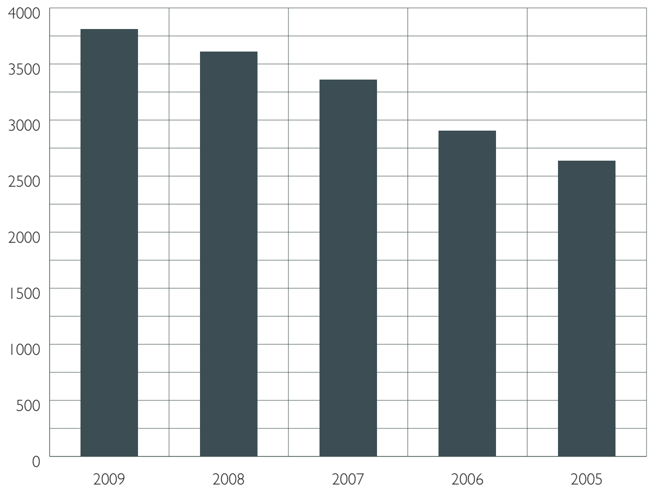
Notwithstanding the above challenges and strategies being put in place to address these problems, our solvency ratio at the end of the year was 2.24:1 and our liquidity ratio was 1.86:1, leaving the company healthy and the financial structure sound.

Salient Features

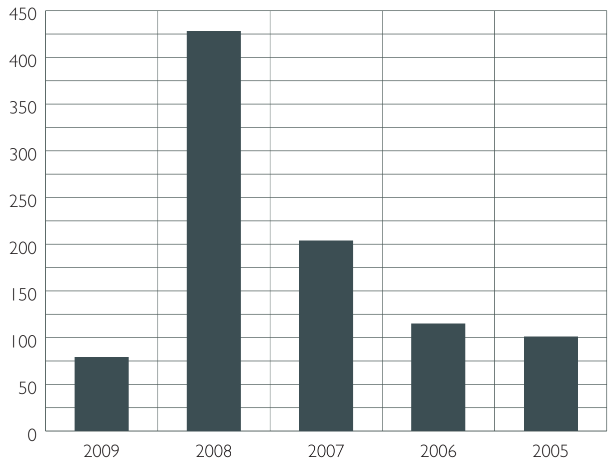
for the year ending 31 March 2009:

(In Rand million)	31-Mar-09	31-Mar-08	% change
Revenue	3 808	3 608	8.24%
Gross profit margin	624	917	-15.70%
Operating surplus	49	352	-113.92%
Net surplus for the year	43	299	-51.84%
Total assets	2 553	2 561	0.85%
Total net assets	1 409	1 366	10.54%
Cash flow from operating activities	94	271	-65.42%
Capital expenditure	199	262	-24.23%
Gross profit margin (%)	16.39%	25.42%	
Liquidity ratio	1.86:1	1.77	
Solvency ratio	2.23:1	2.14:1	
Cash cover	0.96	1.01	
Operating surplus (%)	2.07%	11.86%	
Net surplus for the year (%)	1.13%	8.29%	

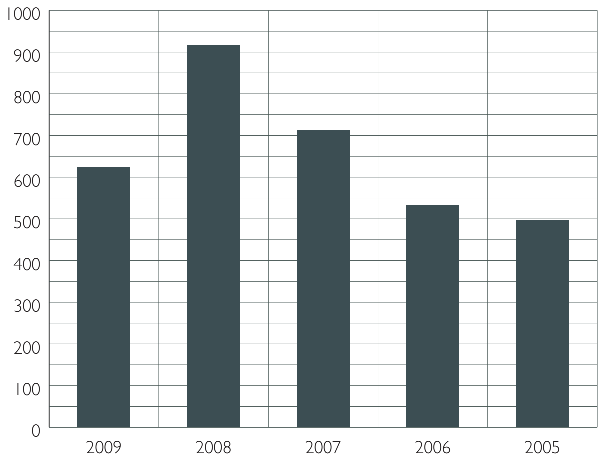
REVENUE



SURPLUS /(LOSS) BEFORE TAX



GROSS PROFIT



Value-Added Statement

The statement below reflects the wealth the company has created through its provision of IT information systems and related services. In addition, it indicates how the wealth was created and disbursed amongst stakeholders, leaving a retained amount which was re-invested in the company for the development of activities and the maintenance of required capabilities.

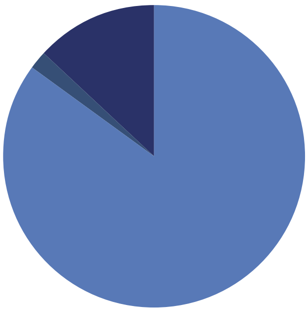
Value-added Statement in Rm

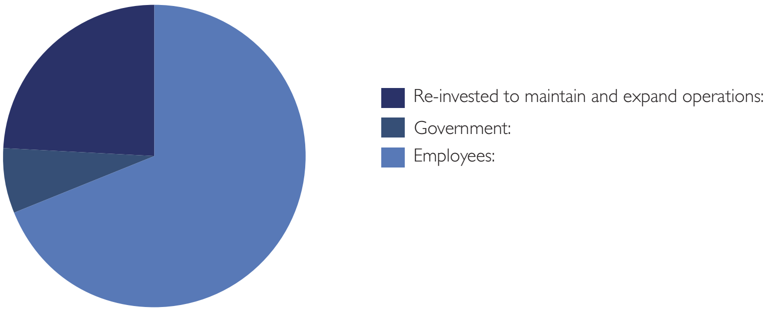
	Mar-09	%	Mar-08	%
Revenue	3,808		3,608	
Paid to suppliers for materials and services	2,343		1,982	
Value added by operations	1,465	87%	1,626	91%
Other income	51	3%	42	2%
Interest income	177	10%	124	7%
Total wealth created	1,693	100%	1,792	100%
Distributed as follows:				
Employees:	1,436	85%	1,240	69%
Salaries, wages and other benefits	1,370		1,182	
Retirement benefit costs	66		58	
Government:				
Income tax	36	2%	129	7%
Re-invested to maintain and expandoperations:	221	13%	423	24%
Depreciation/Amortisation	178		124	
Accumulated surplus	43		299	
Total wealth distributed	**1,693**	**100%**	**1,792**	**100%**

Total Wealth Distributed:

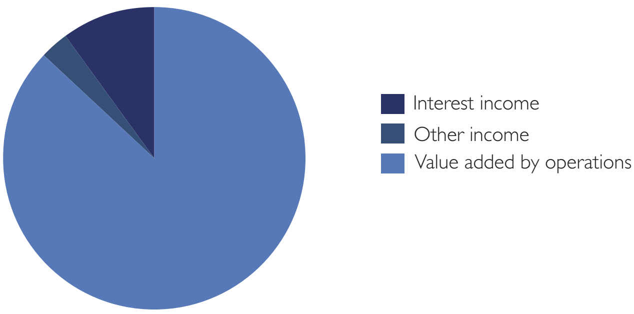
March 2009

March 2008





	March 2009		March 2008	
Employees:	1,436	85%	1,240	69%
Government:	36	2%	129	7%
Re-invested to maintain and expand operations:	221	13%	423	24%
Value added by operations	1,465	87%	1,626	91%
Other income	51	3%	42	2%
Interest income	177	10%	124	7%

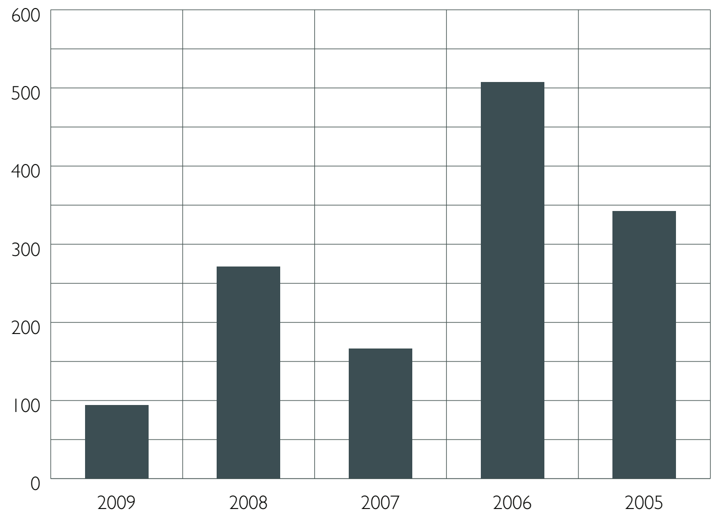


Five-Year Review

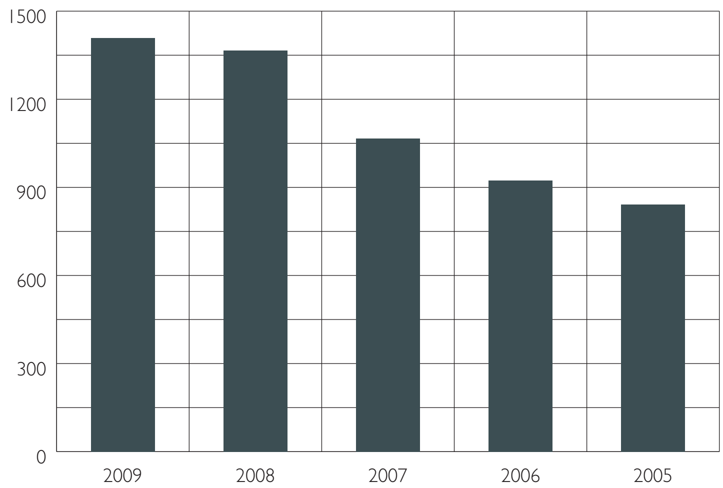
Five-year review in Rm

	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
Statement of Financial Performance and Cash Flow					
Revenue	3,808	3,608	3,357	2,904	2,637
Gross profit	623	917	712	532	496
Other income	51	42	20	7	2
Finance income	177	124	89	65	23
Finance costs	49	48	25	12	9
Operating expenses	723	607	592	476	411
Surplus /(Loss) before tax	79	428	204	115	101
Income tax expense	36	129	61	33	32
Surplus /(Loss) for the year	43	299	143	81	69
Cash generated from operations	94	271	166	507	342
Statement of Financial Position					
Current assets	1,921	1,927	1,828	1,732	1,387
Non-current assets	632	634	517	464	537
Total Assets	**2,553**	**2,561**	**345**	**2,196**	**1,924**
Net assets	409	366	,067	923	842
Current liabilities	1,031	1,086	1,172	1,169	981
Non-current liabilities	113	109	06	104	101
Total Net Assets and Total Liabilities	**2,553**	**2,561**	**2,345**	**2,196**	**1,924**
Capital Expenditure	**199**	**262**	**149**	**81**	**124**

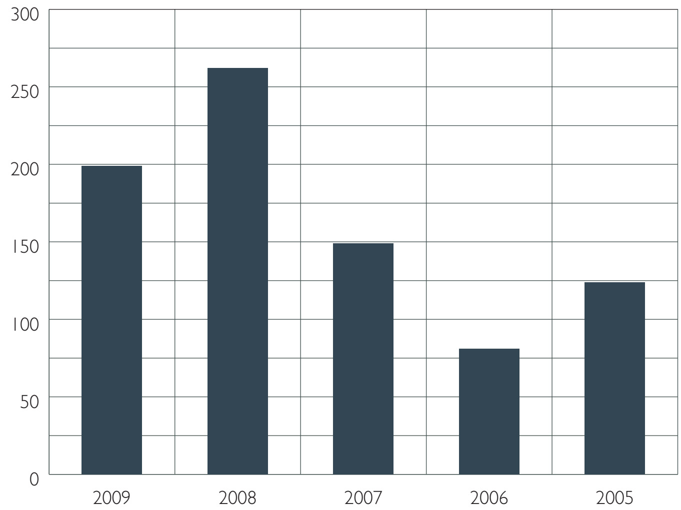
CASH GENERATED FROM OPERATIONS



NET ASSETS



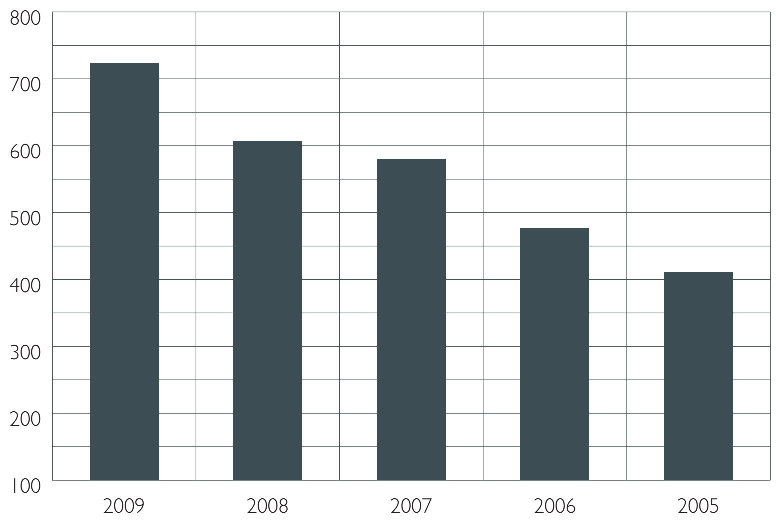
CAPITAL EXPENDITURE



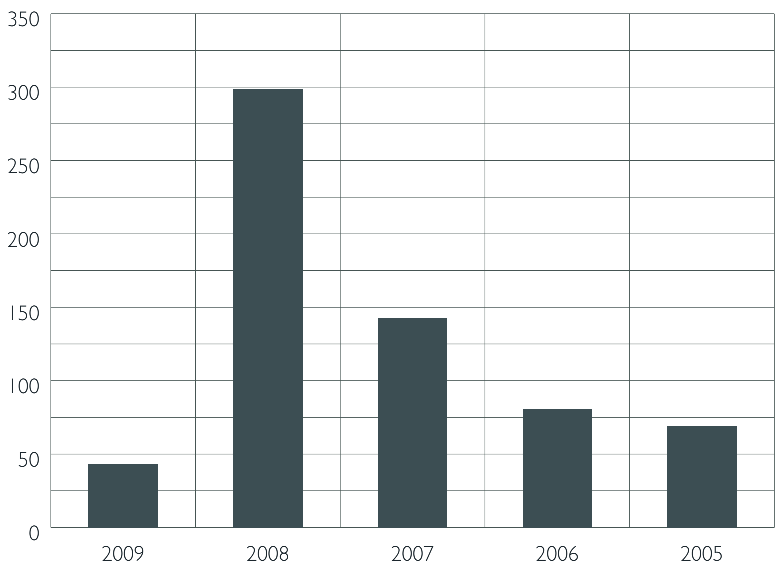
Capital Expenditure

	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
Cash generated from operations	94	271	166	507	342
Net assets	1409	1365	1067	23	842
Capital expenditure	199	262	149	81	124
Net surplus for the year	43	299	143	81	69
Operating expenses	723	607	580	476	411

OPERATING EXPENSES



NET SURPLUS FOR THE YEAR



SITA Annual Financial Statements for the year ended 31 March 2009

Contents

Section 4
Annual Financial Statements

Report of the Audit and Risk Committee

In terms of regulations 27(1) (10) (b) and (c) of the Public Finance Management Act no. 1 of 1999 (as amended)

The Audit and Risk Committee is pleased to report that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter; and has discharged all of its responsibilities contained therein.

In conducting its duties, the Audit and Risk Committee has, *inter alia*, reviewed the following:

- The effectiveness of the internal control systems;
- The activities and effectiveness of SITA's Internal Audit division including its activities, its annual internal coverage plan, co-operation with the Auditor-General, the reports of significant audits and investigations conducted, and the response of Management to specific recommendations;
- The risk areas of the entity's operations covered in the scope of internal and external audits;
- The independence and objectivity of the Auditor-General;
- The adequacy, reliability and accuracy of financial information provided by Management and other users of such information;
- Accounting and auditing concerns identified as a result of internal and Auditor-General reports; and
- The entity's compliance with legal and regulatory provisions.

Based on the information and explanations provided by Management and Internal Audit and discussions with the Auditor-General on the results of their audits, the Audit and Risk Committee is of the opinion that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the Annual Financial Statements, and that accountability for assets and liabilities is maintained.

Where important matters relating to weaknesses in the control environment have been identified by Internal Audit during the year under review, these matters have been reported to Management for remedial action.

The Audit and Risk Committee has evaluated the Annual Financial Statements of the company for the year ended 31 March 2009, and, based on the information provided to the Audit and Risk Committee, considers that it complies, in all material respects, with the requirements of the Companies Act No. 61 of 1973, as amended, the Public Finance Management Act No. 1 of 1999, as amended, the SITA Act No. 88 of 1998, as amended, and the South African Statements of Generally Accepted Accounting Practice, including the statements of Generally Recognised Accounting Practice issued by the Accounting Standards Board.

The Audit and Risk Committee concurs that the adoptions of the going concern premise in the preparation of the Annual Financial Statements are appropriate. At its meeting held on XXXX, the Audit and Risk Committee recommended the adoption of the Annual Financial Statements by the Board of Directors.

Mr Coen Kruger
Signed by Chairperson of the Audit and Risk Committee
July 2009

Report of the Auditor-General

Directors' Report

The Directors have pleasure in presenting their report, which forms part of the audited Annual Financial Statements of the State Information Technology Agency (Pty) Ltd for the year ended 31 March 2009. This report and the Annual Financial Statements comply with the requirements of the Public Finance Management Act No. 1 of 1999 (as amended), the SITA Act No. 88 of 1998 (as amended by Act 38 of 2002) and the Companies Act No. 61 of 1973. The Board of Directors is the Accounting Authority in terms of section 49(2) (a) of the PFMA.

Nature of Business

The nature of the company's business is the provision of IT, information systems and related services in a maintained information systems security environment to, or on behalf of participating national government departments, provincial government departments, and local government. In this regard, the company is an agent of the South African government in accordance with SITA Act No. 88 of 1998 (as amended by Act 38 of 2002). The company derives all its revenue from ICT services and goods.

Registration Details

The company's registration number is 1999/001899/07. The registered office is 459 Tsitsa Street, Erasmuskloof, Pretoria 0001.

Ownership

The company is wholly owned by the Government of the Republic of South Africa, as represented by the Minister of Public Service and Administration, Mr R Baloyi.

Equity Contributed

There were no changes to either the authorised or issued share capital of the company during the year ended 31 March 2009. Details of the authorised and issued share capital can be found in Note 11 to the Annual Financial Statements.

Financial Highlights

The financial performance is set out on pages xxxx to xxxx of this report.

The Group financial performance is summarised as follows:

	31 March 2009 Rand	31 March 2008 % change
Revenue	3 808 433 552	5.54
Gross surplus	623 534 605	-32.03
Surplus for the year – before tax	79 494 000	-81.54
Total assets	2 552 653 215	-0.31
Net assets	1 409 116 179	3.16
Cash generated from operations	93 699 048	-65.45

Dividends

There were no dividends declared for the current financial year (2008: R Nil).

Internal Controls

The Board has the ultimate responsibility for establishing a framework of internal controls. The controls are designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. The internal control environments were effectively managed by Management and monitored by the Internal Audit department. During the year, internal controls operated effectively.

Public Finance Management Act (PFMA)

PFMA Compliance

Various sections of the PFMA place responsibility on the Board to ensure that the company complies with all applicable legislation. Any non-compliance with legislation is reported on a quarterly basis to both EXCO and the Board of Directors.

Materiality and Significance Framework

A Materiality and Significance Framework has been developed for reporting losses through criminal conduct, and irregular, fruitless and wasteful expenditure, as well as for significant transactions as per section 54(2) of the Act, that require ministerial approval. The framework was approved by the Board of Directors and the Minister of Public Services and Administration for the 2008/09 financial year.

Material Losses through Criminal Conduct, Irregular, Fruitless and Wasteful Expenditure

Section 55(2) b of the PFMA requires that SITA include in the Annual Report particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.

There were no confirmed instances of losses through criminal conduct discovered during the year under review.

Irregular Expenditure and Fruitless and Wasteful Expenditure discovered during the Previous Financial Years

Gateway

This incident occurred between May 2002 and June 2004 and was detected by SITA on 28 June 2004. Following the legal opinion received, SITA sent a request for arbitration to the defendant in order to interrupt prescription. The defendant filed a notice of exception, in terms of which they sought to contest the jurisdiction of the Arbitration Foundation of Southern Africa (AFSA) over the subject matter.

However, their notice was filed outside the time limits stipulated in Article 6.1.4 of the rules of AFSA. Legal opinion received indicated that should the defendant persist with the notice of exception, the arbitrator would rule that the arbitration must proceed. SITA accordingly instructed attorneys to request the defendant to abandon the notice of exception and to forthwith proceed with the filing of a statement of defence. The investigation was subsequently concluded and the report was presented to the Minister. Conclusion of the investigation has opened the way for the arbitration to proceed. The application was granted and the trial has been postponed to a date not later than 30 April 2009.

After extensive consultations, it transpired that the main witnesses were unwilling to testify on behalf of SITA. Upon recommendation of its legal team, SITA took the decision to withdraw the arbitration proceedings as there were no prospects of success.

Pursuant thereto, T-Systems asserts that SITA is liable for its costs occasioned by the arbitration proceedings. The arbitrator is expected to announce his ruling on the costs in the near future.

CabEnet

This incident occurred at SITA between September 2001 and September 2003. It was detected by SITA in May 2004. This matter is entirely in the hands of the Commercial Crime Unit of the South African Police Service. All relevant information and documentation requested have been made available to the Unit. After registering the criminal matter, the Serious Commercial Crime Unit (SCCU) was tasked to further investigate the matter. Forensic auditors were appointed to assist the SCCU. It was decided that an affidavit/interview should be obtained from Cabinet. Investigations are on hold, awaiting response from the Presidency.

Public Private Partnerships

The company did not enter into any Public Private Partnership during the 2008/09 financial year.

Basis of Presentation

The Financial Statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board.

Events Subsequent to the Date of Financial Position

Subsequent to the date of Financial Position, the Directors are not aware of any matters or circumstances that may materially affect the Financial Statements.

Going Concern

The Directors confirm that they are satisfied that the company has adequate resources to continue its business for the twelve-month period from the date of this report. For this reason, they continue to adopt the going concern basis for preparing the Financial Statements, as confirmed in the Statement of Responsibility by the Board of Directors on **page 80.**

Directors

Disclosure of Directors' remuneration is detailed in Annexure A to the Annual Financial Statements.

The following individuals were Directors during the year under review:

Non-executive Directors:

Ms T Chikane (Chairperson)	(Term of office ended on 3 August 2008)
Ms C Clark	
Ms N Dhevcharran	
Mr C Kruger	
Mr M Luthuli	
Ms M Makhekhe-Mokhuane	
Ms Z Manase	(Appointed as Chairperson on 7 August 2008)
Prof T Marwala	
Ms N Molope	
Mr G Rothschild	
Ms R Sekese	
Ms A van der Merwe	
Ms M Williams	

Executive Director:

Mr L Jones

Company Secretary:

Ms E Strydom

Movements

New appointments during the year under review:

Non-executive Directors:

Ms CB Clark	19 May 2008
Mr AM Luthuli	19 May 2008
Ms M Makhekhe-Mokhaune	19 May 2008
Ms N Molope	19 May 2008
Ms A van der Merwe	07 August 2008
Mr G Rothschild	07 August 2008

Resigned during the year under review:

Executive Directors:

Mr LC Jones	31 July 2008

Non-executive Directors:

Ms TPC Chikane	Term of office ended on 3 August 2008
Ms N Dhevcharran	31 January 2009
Prof T Marwala	Term of office ended on 3 August 2008
Ms N Molope	31 January 2009
Mr G Rothschild	31 January 2009
Ms A van der Merwe	31 January 200

Statement of Responsibility by the Board of Directors

The Directors of the company are responsible for the preparation and fair presentation of the Annual Financial Statements of SITA (Pty) Limited, comprising: the Balance Sheet as at 31 March 2009; the Income Statement; the Statement of Changes in Equity; the Cash Flow Statement for the financial year then ended; the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory notes; and the Directors' Report, in accordance with the South African Statements of Generally Accepted Accounting Policies (GAAP), including any interpretation of such statements issued by the Accounting Practices Board, with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board, and in the manner required by the Companies Act of South Africa.

The Directors' responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Director's are also responsible for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these Financial Statements.

The Directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The Auditor is responsible for reporting on whether the Annual Financial Statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the Annual Financial Statements

The Annual Financial Statements of SITA (Pty) Ltd, as outlined in the first paragraph, were approved by the Board of Directors on xxxxxx and are signed on its behalf by:

Ms Z P Manase
Director

Mr CCW Kruger
Director

Certificate by the Company Secretary

I, Estelle Strydom, in my capacity as Company Secretary of SITA (Pty) Ltd, hereby certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies all such returns as are required of it in terms of the Companies Act No. 61 1973, and all such returns are true, correct and up to date.

Ms Estelle Strydom
SITA Company Secretary

Statement of Financial Position as at 31 March 2009

in Rand	Note	2009	2008
Assets			
Non-current assets		631 944 335	633 896 080
Property, plant and equipment	4	547 981 946	533 362 337
Intangible assets	5	61 972 107	60 770 677
Deferred tax assets	6	21 990 283	39 763 066
Current assets		1 920 708 880	1 926 670 534
Cash and cash equivalents	7	991 290 959	1 101 257 016
Trade and other receivables	8	766 255 469	801 626 203
Contract work in progress	9	76 173 517	
Income tax receivable		60 465 313	-
Prepayments	10	26 523 621	7 935 079
Total assets		**2 552 653 215**	**2 560 566 614**
Net assets and liabilities			
Net assets		1 409 116 179	1 365 962 288
Equity contributed	11	1	1
Non-distributable reserves	12	625 333 736	625 333 736
Accumulated surpluses		783 782 443	740 628 551
Liabilities			
Non-current liabilities		**112 782 143**	**108 813 275**
Interest-bearing borrowings	13	10 400 170	15 600 250
Post-retirement medical benefits	14	102 381 973	93 213 025
Current liabilities		1 030 754 893	1 085 791 051
Trade and other payables	15	563 006 069	625 664 790
Unearned revenue	16	231 343 208	30 548 584
Current portion of interest-bearing borrowings	13	5 200 080	5 200 080
Provisions	17	73 500 000	73 500 000
Income received in advance	18	157 705 536	276 636 971
Income tax payable		-	74 240 626
Total net assets and liabilities		**2 552 653 215**	**2 560 566 614**

Statement of Financial Performance for the year ended 31 March 2009

In Rand	Note	2009	2008
Revenue	19	3 808 433 552	3 607 613 419
Cost of sales	20	3 184 898 947	2 690 289 798
Gross profit		623 534 605	917 323 621
Other income	21	50 908 426	41 939 318
Operating expenses	22	722 943 043	607 441 821
Results from operating activities		(48 500 012)	351 821 118
Finance income	23	177 406 141	123 928 999
Finance expenses	24	49 412 129	47 775 665
Surplus before income tax		79 494 000	427 974 452
Income tax expense	25	36 340 107	128 774 042
Surplus for the year attributable to shareholder		**43 153 893**	**299 200 411**

Cash Flow Statements for the year ended 31 March 2009

Statement of Changes in Net Assets for the year ended 31 March 2009

In Rand	Equity contributed	Non-distributable reserve	Accumulated surpluses	Total
Balance as at 31 March 2007	1	625 333 736	441 428 140	1 066 761 877
Surplus for the year			299 200 411	299 200 411
Balance as at 31 March 2008	1	625 333 736	740 628 551	1 365 962 288
Surplus for the year			43 153 893	43 153 893
Balance as at 31 March 2009	1	625 333 736	783 782 443	1 409 116 180

In Rand	Note	2009	2008
Cash flows from operating activities			
Receipts			
- Sale of goods and services		3 777 406 593	3 487 740 945
- Finance income received		177 406 141	123 928 999
Payments			
- Payment to suppliers and employees		#VALUE	(3 183 897 663)
- Finance costs paid		(49 412 129)	(47 775 665)
- Income tax paid	33.1	(153 273 264)	(108 825 315)
Cash flows from operating activities	33.2	#VALUE	271 171 302
Cash flows from investing activities			
Proceeds from the disposal of property, plant and equipment and intangible assets		40 975	382 835
Cash flows from investing activities		(198 465 024)	(261 442 144)
Cash flows from financing activities			
Repayment of interest-bearing borrowings		(5 200 080)	(5 200 080)
Cash flows from financing activities		(5 200 080)	(5 200 080)
Increase in cash and cash equivalents		#VALUE	4 529 077
Cash and cash equivalents at beginning of year		1 101 257 016	1 096 727 939
Cash and cash equivalents at end of year		#VALUE	1 101 257 016

1 Corporate information

The State Information Technology Agency (Pty) Ltd (SITA) is a private company domiciled in South Africa. The registered address of SITA is 459 Tsitsa Street, Erasmuskloof, Pretoria. SITA is primarily involved in the provision of IT goods and services. SITA has 1 share that is held by the State represented by the Minister: Department of Public Service and Administration. The financial statements of SITA for the year ended 31 March 2009 were authorised in accordance with a resolution of the Board of Directors on ---------------------------------------.

2 Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board.

These financial statements have been prepared on a going concern basis.

The applicable GRAP statements that have been applied are as follows:

Standard of GRAP:

GRAP1	Presentation of financial statements
GRAP2	Cash flow statements
GRAP3	Accounting policies, changes in accounting estimates and errors
GRAP4	The effects of changes in foreign exchange rates
GRAP5	Borrowing costs
GRAP9	Revenue from exchange transactions
GRAP11	Construction contracts
GRAP12	Inventories
GRAP13	Leases
GRAP14	Events after reporting date
GRAP17	Property, plant and equipment
GRAP19	Provisions, contingent liabilities and contingent assets
GRAP102	Intangible assets

The recognition and measurement principles in the above GRAP and GAAP statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP1, 2 and 3 has resulted in the following significant changes in the presentation of the financial statements:

Standard of GRAP	*Replaced Statement of GAAP*
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Total net assets	Equity
Surplus/(deficit) for the year	Retained earnings/(accumulated losses)
Reporting date	Balance sheet date

The cash flow statement has been prepared in accordance with the direct method.

Specific information such as:

a) receivables from non-exchange transactions, including taxes and transfers;

b) taxes and transfers payable; and

c) trade and other payables from non-exchange transactions;

is presented separately in the Statement of Financial Position.

The amount and nature of any restrictions on cash balances is disclosed.

Paragraph 11-15 of GRAP1 has not been implemented due to the fact that the budget reporting standard has not been developed by the local standard setter and the international standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

b) **Basis of measurement**

The financial statements have been prepared on the historical cost basis.

c) **Functional and presentation currency**

These financial statements are presented in Rand which is also the functional currency of the company. All financial information presented has been rounded to the nearest Rand.

d) **Use of estimates and judgement**

The preparation of financial statements in conformity with the basis of preparation requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ form these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currency transactions

Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Transactions in foreign currencies are recognised initially at cost. In order to reduce exposure to fluctuations in foreign currency exchange rates, the company enters into forward exchange contracts for all foreign currency transactions. Realised and unrealised gains and losses on forward exchange contracts entered into as hedges are recognised as income and expenses on the same basis and over the same period as the hedged assets or liabilities. Any foreign exchange differences are dealt with in the Statement of Financial Performance in the period in which the difference occurs.

3.2 Financial instruments

a) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Cash and cash equivalents comprise cash balances and call deposits.

Held-to-maturity investments are financial instruments that the company has with the positive intent and ability to hold to maturity. They are measured at amortised cost using the effective interest method less any impairment losses.

An instrument is classified at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition attributable transaction costs are recognised in the Statement of financial performance when incurred. Financial instruments at fair value through profit and loss are measured at fair value, and changes therein are recognised in the Statement of Financial Performance.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

b) **Derivative financial instruments**

The company uses derivative financial instruments such as forward exchange contracts to hedge its risk associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to the Statement of Financial Performance.

The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

c) **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.3 **Property, plant and equipment**

a) **Recognition and measurement**

Items of property, plant and equipment, except land, are measured at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost and is not depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "Other Income" in the Statement of Financial Performance.

b) **Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the Statement of Financial Performance as incurred.

c) **Depreciation**

Depreciation is recognised in the Statement of Financial Performance on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date that they are available for use. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings	17 - 50 years
- Computer equipment	3 - 8 years
- Office furniture	7 - 10 years
- Vehicles	9 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date, with the effect of any changes in estimates accounted for on a prospective basis.

d) **Derecognition**

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

3.4 **Intangible assets**

a) **Recognition and measurement**

Intangible assets consist of separately identifiable software that is utilised by the company. This software is measured at cost less accumulated amortisation and accumulated impairment losses.

b) **Subsequent measurement**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Financial Performance when incurred.

c) **Amortisation**

Amortisation is recognised in the Statement of Financial Performance on a straight-line basis over the estimated useful lives of the intangible assets, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Purchased software	3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date, with the effect of any changes in estimates accounted for on a prospective basis.

d) **Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Financial Performance in the year in which it is incurred.

There are no development costs.

3.5 Leases

All lease arrangements entered into by the company are operating lease arrangements. Payments made under operating leases are recognised in the Statement of Financial Performance on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an integral part of the total lease expense on a straight-line basis over the lease term.

3.6 Contract work in progress

Contract work in progress is stated at cost plus profit recognised to date, less provisions for foreseeable losses and less progress billings.

Revenue and costs on contracts in progress are brought to account using the stage of completion method, once the outcome of the contract can be assessed with reasonable assurance. The stage of completion is determined with reference to estimates of work performed. As soon as losses on individual contracts become evident they are recognised in the Statement of Financial Performance.

3.7 Impairment

a) **Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Statement of Financial Performance.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the Statement of Financial Performance.

b) **Non-financial assets**

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Financial Performance.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Employee benefits

a) **Defined contribution plans**

A defined contribution plan is a post-retirement benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Statement of Financial Performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

b) **Post-retirement medical benefit**

Medical benefits are provided for all permanent employees via three medical funds. All contributions paid are charged to the Statement of Financial Performance in the year to which they relate. The company provides post-retirement health care benefits to a closed group of qualifying employees and retirees. The entitlement to post-retirement health care benefits is based on the qualifying employee remaining in service up to retirement age. The expected cost of these benefits are accrued for over the period of employment, using the projected unit credit method. Annual valuations of these obligations are carried out by independent qualified actuaries. Any actuarial gains or losses are deferred and recognised in the Statement of Financial Performance over the remaining working lives of employees.

c) **Termination benefits**

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

d) **Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.9 Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

a) **Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the company recognises any impairment loss on the assets associated with that contract.

3.10 Revenue

Revenue is measured net of value added tax.

a) **Goods sold**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised from the sale of goods when all the following conditions have been satisfied:

a) the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
b) the company retains neither continuing managerial involvement to the degree usually associated with the ownership of the goods nor effective control of the goods sold;
c) the amount of revenue can be measured reliably;
d) it is probable that the economic benefits measured with the transaction will flow to the entity; and
e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

b) Rendering of services

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. The outcome of the transaction can be estimated reliably when all the following conditions are satisfied:

a) the amount of revenue can be measured reliably;

b) it is probable that the economic benefits associated with the transaction will flow to the company;

c) the stage of completion of the transaction at the reporting date can be measured reliably; and

d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

c) Interest income

Interest is recognised on a time proportion basis, taking account the balance and the effective rate over the period to maturity, when it is determined that such income will accrue to the company.

3.11 Income tax

Income tax expenses comprises current and deferred tax. Income tax expense is recognised in the Statement of Financial Performance except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income tax levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.12 Related parties

The company operates in an economic environment currently denominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence that is guaranteed for the different spheres of government, only parties within the national sphere of government is considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the company.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals in their dealings with the entity.

Other related party transactions are also disclosed in terms of the requirements of the standard. The objective of the standard and the financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

3.13 Irregular, fruitless and wasteful expenditure

Irregular expenditure is defined as expenditure incurred in contravention of or not in accordance with a requirement of any applicable legislation.

Fruitless and wasteful expenditure represents expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular, fruitless and wasteful expenditure are charged in the Statement of Financial Performance in the period in which they are identified.

3.14 Finance income and expenses

Finance income comprises interest income on funds invested and the adjustment required by AC133 interpreted in Circular 9/2006 issued by SAICA. Interest income is recognised as it accrues in the Statement of Financial Performance, using the effective interest method.

Finance expenses comprise interest expense on borrowings using the effective interest method.

Foreign currency gains and losses are reported on a net basis and is disclosed as either finance income or finance expenses as applicable.

4. Property, plant and equipment

in Rand	Land	Buildings	Computer equipment	Office furniture	Vehicles
At 31 March 2009					
Cost					
Balance at beginning of year	22 742 785	218 397 803	736 705 607	82 395 529	886 529
Additions and improvements	-	20 000 578	109 924 875	32 683 093	-
Disposals	-	(253 448)	(148 742 825)	(3 804 074)	-
Balance at end of year	22 742 785	238 144 933	697 887 657	111 274 548	886 529
Accumulated depreciation					
Balance at beginning of year	-	37 530 342	461 976 257	27 372 788	886 529
Depreciation charge	-	9 675 635	120 522 579	13 553 607	-
Impairment	-	-	1 782 291	7 714	-
Disposals	-	(249 138)	(147 161 480)	(2 942 618)	-
Balance at end of year	**-**	**46 956 839**	**437 119 647**	**37 991 491**	**886 529**
Net carrying amount	**22 742 785**	**191 188 094**	**260 768 010**	**73 283 057**	**-**
At 31 March 2008					
Cost					
Balance at beginning of year	22 742 785	207 832 749	703 672 298	51 370 684	1 564 372
Additions and improvements	-	10 565 054	171 805 803	31 462 049	-
Disposals	-	-	(138 772 494)	(437 204)	(677 843)
Balance at end of year	**22 742 785**	**218 397 803**	**736 705 607**	**82 395 529**	**886 529**
Accumulated depreciation	**-**				
Balance at beginning of year	-	30 085 743	502 388 872	22 487 918	1 564 372
Depreciation charge	-	7 231 923	80 981 153	5 234 529	-
Impairment	-	212 676	3 424 279	61 706	-
Disposals	-	-	(124 818 047)	(411 365)	(677 843)
Balance at end of year	**-**	**37 530 342**	**461 976 257**	**27 372 788**	**886 529**
Net carrying amount	**22 742 785**	**180 867 461**	**274 729 350**	**55 022 741**	**-**

Impairment losses

Impairment losses relating to buildings, computer equipment and office furniture amounting to R1 790 005 (2008: R3 698 661) were incurred due to the fact that their recoverable amounts exceed their value in use.

Security

The Erasmuskloof property with a net carrying value of R38.9 million (2008: R39.8 million) is bonded to Denel (Proprietary) Limited as disclosed in note 13. All other assets are freehold and have not been pledged as security for liabilities.

Other

Erf number 262, 263, 264, 677 and Portion 1 of Erf 492 Erasmuskloof extension 3 (23 730m^2) and CCS (Centurion) Portion 50 of the farm Brakfontein 390JR, Centurion consisting of land and buildings, was acquired in April 1999 at a combined cost of R169.5 million.

CCS (Beta) Portion 3 of Erf 147, Pretoria and SAPS (Numerus) remainder of the farm Prinshof, 349JR land and buildings are in the process of being transferred from the Department of Public Works to the company. The values, as agreed with National Treasury, of these buildings are included in the financial statements.

Numerus: the City of Tshwane Metropolitan Municipality requires that the municipal services to this building be separated from the adjacent property occupied by the Department of Agriculture, which shares the same service lines as Numerus Property. Approval by the City of Tshwane Metropolitan Municipality to transfer this property has not yet been obtained as the necessary work required to effect this transfer had not been completed by 31 March 2009. Work on the separation of the water and electricity connection together with the replacement of the goods lift will commence in the 2008/09 financial year.

All the requisite conditions for registration of these properties have been met by SITA.

5. Intangible assets

in Rand	2009	2008
Cost		
Balance at beginning of year	139 394 898	92 187 429
Additions and improvements	35 897 453	47 992 073
Disposals	(13 278 218)	(784 604)
Balance at end of year	**162 014 133**	**139 394 898**
Accumulated amortisation		
Balance at beginning of year	78 624 221	48 224 203
Amortisation charge	34 696 023	30 975 788
Disposals	(13 278 218)	(575 770)
Balance at end of year	**100 042 026**	**78 624 221**
Net carrying amount	**61 972 107**	**60 770 677**

6. Deferred tax assets

Deferred tax assets are attributable to the following:

in Rand	Statement of financial performance movement	2009	2008
Movement in impairment on trade receivables	(11 490 516)	1 716 444	13 206 960
Accrual for leave pay benefits	2 833 220	14 834 162	12 000 943
Post-retirement medical benefits	2 567 305	28 666 952	26 099 647
Income received in advance	(33 300 802)	44 157 550	77 458 352
Leases	(2 521 478)	47 518	2 568 996
Prepayments	(567 800)	(1 172 134)	(604 334)
Section 24C allowance	20 113 466	(39 741 795)	(59 855 261)
Depreciation/amortisation	4 593 822	(26 518 415)	(31 112 237)
	(17 772 783)	21 990 283	39 763 066

Reconciliation between opening and closing balance

	2009	2008
Deferred tax asset at beginning of year	39 763 066	42 884 953
Statement of financial performance movement	(17 772 783)	(3 121 887)
Deferred tax asset at end of year	21 990 283	39 763 066

7. Cash and cash equivalents

in Rand	2009	2008
Cash book balance	46 185 359	133 547 744
Call account balance	113 510 054	164 111 652
Investment account balance	831 578 202	803 589 401
Ring-fenced cash (Income received in advance)	80 597 556	215 674 937
Ring-fenced cash (IBM Weighting Factor)	225 368 488	-
Ring-fenced cash(Post-retirement medical benefits)	73 345 000	85 540 161
Other surplus cash	452 267 158	502 374 303
Receipts clearing accounts and floats	17 344	8 219
	991 290 959	1 101 257 016

Ring-fenced cash represents monies received from customers to be utilised for specific projects in future, deposits held for rental and municipalities. The Board ring-fenced cash in respect of post-retirement medical aid liability in March 2009.

The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25. The average rate of interest on the cash balances was 11.9% (2008 : 10.23%).

8. Trade and other receivables

in Rand	2009	2008
Trade receivables	824 514 277	845 823 666
Less: Net Provision for doubtful debts	(61 190 200)	(57 436 068)
	763 324 079	788 387 598
Other receivables	2 931 391	13 238 605
	766 255 469	801 626 203

Refer to note 26 for the breakdown of Trade receivables due from related parties.

The company's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 25.

9. Contract work in progress

in Rand	2009	2008
Projects in progress	76 173 517	15 852 236

The cost of work in progress comprises direct materials, direct labour and appropriate overhead costs plus profit recognised to date.

10. Prepayments

in Rand	2009	2008
Deposits	894 504	22 914
Deferred expenditure	25 629 117	7 324 619
Other	-	587 546
	26 523 621	7 935 079

11. Equity contributed

in Rand	2009	2008
Authorised and issued		
One (1) ordinary share at R1.00	1	1

12. Non-distributable reserves

in Rand	2009	2008
Non-distributable reserve	625 333 736	625 333 736

The State Information Technology Agency Act, 1998 (Act No. 88 of 1998) (as amended by Act No. 38 of 2002) resulted in the reduction of the company's share capital from R625 333 737 to R1. Approval was granted by National Treasury to transfer the difference to a non-distributable reserve.

13. Interest bearing borrowings

in Rand	2009	2008
Long-term loan	15 600 250	20 800 330
Less: Current portion	(5 200 080)	(5 200 080)
	10 400 170	15 600 250

Terms and repayment schedule

This loan represents the long-term loan from Denel (Proprietary) Limited in accordance with the business transfer agreement between Denel and SITA on incorporation.

This loan is secured by a first mortgage bond of R52 000 811 against the Erasmuskloof building with a carrying amount of R38.9 million (2008: R39.8million) (Refer note 4).

The interest rate is fixed at 9% per annum until 31 March 2009, whereafter the rate will change to the Government R186 Bond coupon rate. The loan is repayable in annual instalments of R5 200 080 effective 1 April 2002. The last instalment is payable on 31 March 2012.

Payable within 2 years	10 400 170	10 400 160
Payable between 2 and 5 years	5 200 080	10 400 170
Total borrowings	15 600 250	20 800 330
Less: Current portion	(5 200 080)	(5 200 080)
	10 400 170	15 600 250

14. Post-retirement medical benefits

in Rand	2009	2008
Present value of unfunded obligations	78 264 000	73 345 000
Unrealised actuarial gains	24 117 973	19 868 025
	102 381 973	93 213 025

Movement in the present value of the defined contribution liability

Balance at beginning of year	93 213 025	85 540 161
Statement of financial performance movement	9 168 948	7 672 864
Current service cost	3 045 095	2 951 045
Interest cost	7 550 222	5 905 703
Contributions paid	(201 195)	(177 381)
Recognised actuarial (gain)/loss	(1 225 174)	(1 006 503)
Balance at end of year	102 381 973	93 213 025

Principal actuarial assumptions

Long-term discount rate before tax	8.9%	9.9%
Long-term medical inflation rate	7.4%	8.3%
Normal retirement age	60 years	60 years

The company provides for post-retirement medical benefits to the following qualifying employees:

a) Ex-Infoplan employees who transferred to SITA on 1 April 1999 and are still members of the U-Med medical aid fund.

b) Ex-SAPS employees who transferred to the company on 1 April 1999, and

c) Other former public sector employees who transferred to SITA on or after 1 April 1999 and remain members of their respective medical aids.

The amounts due in respect of the company's liability regarding the post-retirement medical benefit has been determined by independent actuaries as at 31 March 2009, using the projected unit credit method.

Sensitivity analysis

	Liability	Change in liability
	R	%
Increase of 1%	97 780 000	24.9%
Base liability	78 264 000	0%
Decrease of 1%	63 410 000	-19.0%

14.1 Employee benefits

All permanent employees are members of the following independent funds:

Denel Retirement Fund:

The Denel Retirement Fund is a defined contribution fund, managed by a Board of Trustees in terms of the Pension Funds Act of 1956 (Act No. 24 of 1956). The company has no financial liability in respect of this fund.

Government Employees Pension Fund:

Retirement benefits are provided by membership of the Government Employees Pension Fund, which is a defined benefit fund. The company's responsibility regarding the funding of the shortfall of the pension fund is limited to the current contributions made on behalf of its employees. The Government of South Africa as the employer is responsible for any shortfall in this Fund. This responsibility is governed by the General Pensions Act No. 29 of 1979 and Government Employees Pension Law, Proclamation 21 of 1996.

SITA Pension Fund:

The SITA Pension Fund, which is administered by Alexander Forbes, is a defined contribution fund. The company has no financial liability in respect of this fund.

Current medical benefits:

The company contributes to three medical aid schemes for the benefit of permanent employees and their dependants. Contributions charged against income amounted to R60.9 million (2008: R55.55 million). The company's financial obligation is limited to the current company contributions.

15. Trade and other payables

in Rand	2009	2008
Trade payables	510 302 621	570 774 779
Leave pay accrual	58 023 708	47 905 065
Bonus accrual	5 359 690	5 129 860
Non-trade payables	(10 679 949)	1 855 086
	563 006 069	656 213 374

Refer to note 26 for the breakdown of trade payables owing to related parties.

The company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

16. Unearned Revenue

in Rand	2009	2008
Unearned Revenue	231 343 208	30 548 584

Unearned Revenue resulted from project expenses that have not yet been realised in the current financial year. Therefore, the revenue relating to these project expenses have not been earned. Unearned Revenue is realised only when there is proof of services rendered and this will occur in the next financial period.

17. Provisions

in Rand	2009	2008
Balance at beginning of year	73,500,000	60,000,000
Additional provision raised during the year	26,695,030	80,208,440
Utilised during the year	(26,695,030)	(66,708,440)
Balance at end of year	73,500,000	73,500,000

This provision relates to the performance bonus that qualifying employees are entitled to in terms of their performance contracts. Based on history, a constructive obligation has been created for the payment of these performance bonuses, which is expected to be settled within the next financial year.

18. Income received in advance

in Rand	2009	2008
Ring-fenced cash (refer note 7)	80,597,556	215,674,937
Deferred income	77,107,980	60,962,034
	157,705,536	276,636,971

Ring-fenced cash represents monies received from customers to be utilised for specific projects in future periods.

Deferred income represents advances received for work in progress and will be recognised as revenue when it becomes receivable.

19. Revenue

in Rand	2009	2008
Computer equipment and maintenance	273,296,258	400,365,608
Labour	1,451,845,959	1,335,000,052
Mainframe	604,720,088	668,929,343
Network and internet	626,695,635	523,197,428
Printing	50,189,058	53,256,352
Site preparation	12,109,578	44,172,868
Software licences and maintenance	488,923,420	411,127,335
Project revenue	109,408,334	80,716,267
Sundry	191,245,221	90,848,166
	3,808,433,552	3,607,613,419

Refer to note 26 for the breakdown of revenue earned from related parties.

20. Cost of sales

in Rand	2009	2008
Direct depreciation	118,846,646	71,522,966
Direct amortisation	29,567,059	20,228,177
Direct labour	1,090,691,325	920,573,209
Operating costs	1,000,800,128	1,035,468,295
Service delivery overheads	944,993,789	642,497,151
	3,184,898,947	2,690,289,798

21. Other income

in Rand	2009	2008
Net catering income	2,927,874	2,310,034
Rental income	10,015,406	6,761,007
Sundry income	21,195,652	18,068,659
Govtech income	16,769,494	14,799,618
	50,908,426	41,939,318

22. Operating expenses

The following separately disclosable items are included in operating expenses:

in Rand	2009	2008
Depreciation		
- Buildings	9,675,635	7,231,923
- Computer equipment	120,522,579	80,981,153
- Office furniture	13,553,607	5,234,529
- Vehicles	-	-
Total depreciation	143,751,821	93,447,605
Included in cost of sales	(118,846,646)	(71,522,966)
Non-recoverable depreciation	24,905,175	21,924,639
Amortisation		
Total amortisation	34,696,023	30,975,788
Included in cost of sales	(29,567,059)	(20,228,177)
Non-recoverable amortisation	5,128,964	10,747,611
Impairment	1,790,005	3,698,661
Movement in impairment on trade receivables	3,754,131	(3,591,665)
Bad debts written off	18,446,272	27,663,731
Research costs	3,876,561	16,596,908

Auditors' remuneration		
- Audit fees	4,317,949	1,890,801
- Transversal systems audit	-	654,439
	4,317,949	2,545,240
Staff costs		
- Contractors	437,924,966	423,994,629
- Pension contributions	56,678,930	50,598,425
- Medical contributions	60,889,575	55,547,479
- Post-retirement medical benefits	9,168,948	7,672,864
- Salary and employee costs	870,988,075	703,064,860
Total staff costs	1,435,650,494	1,240,878,257
Included in cost of sales	(1,090,691,325)	(920,573,209)
Non-recoverable staff costs	344,959,169	320,305,048
Refer to Annexure A for Directors' remuneration		
Loss on disposal of assets	2,793,830	13,806,284
Operating lease expense	42,725,301	29,708,719
Operating lease income	5,911,356	6,572,027
Govtech expenses	17,872,035	18,973,944

23. Finance income

in Rand	2009	2008
Fair value adjustment on trade receivables	91,393,534	53,042,073
Interest on cash balances	86,012,606	70,886,926
	177,406,141	123,928,999

24. Finance expenses

in Rand	2009	2008
Fair value adjustment on trade payables	18,755,023.00	34,349,312
Foreign exchange loss	21,560,446	10,814,581
Interest paid - Denel	1,654,582	2,130,135
Interest paid - Other	7,442,078	481,637
	49,412,129	47,775,665

25. Income tax expense

in Rand	2009	2008
Current tax expense		
Current period	4,993,977	124,689,341
Adjustment for prior periods	13,573,348	962,813
	18,567,325	125,652,154
Deferred tax expense		
Origination and reversal of temporary differences	17,772,783	1,701,777
Reduction in tax rate	-	1,420,111
	17,772,783	3,121,887
Total income tax expense	36,340,107	128,774,042

Reconciliation of effective tax rate

Profit for the period	43,153,893	299,200,411
Total income tax expense	36,340,107	128,774,042
Profit excluding income tax	79,494,000	427,974,453

	2009		2008	
	%	R	%	R
Income tax using the company's domestic tax rate	28.0%	22,258,320	29.0%	124,112,591
Reduction in tax rate	0.0%	-	0.3%	1,420,111
Under/over provision in prior year	17.1%	13,573,348	0.2%	962,813
Non-deductible expenses	0.6%	508,439	0.5%	2,278,526
Effective income tax	45.7%	36,340,107	30.1%	128,774,042

26. Financial instruments

a) Credit risk

Credit risk relates to potential counterparty exposures. The company's counterparties consist of financial institutions and trade and other receivables.

The company limits its counterparty exposure arising form money market instruments by dealing only with well-established financial institutions of high credit standing. Exposure relating to trade debtors and other receivables, which mainly consist of national, provincial and local government departments, is managed by entering into contractual agreements that indicate payment terms of the services rendered. These clients fall within the ambit of the Public Finance Management Act, 1999 (Act No. 1 of 1999) and Municipal Finance Management Act No. 56 of 2003 respectively. These Acts prescribe that suppliers of products and services be paid within 30 days or as stipulated by agreements entered into.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

		Carrying amount	
in Rand	Note	2009	2008
Receivables	8	766,255,469	801,626,203
Cash and cash equivalents	7	991,290,959	1,101,257,016
Forward exchange contracts		93,900,576	64,830,622
		1,851,447,005	1,967,713,841

The maximum exposure to credit risk for trade receivables at the reporting date by major customer cluster was:

	Carrying amount	
in Rand	2009	2008
Crime and Prevention Cluster	252,980,761	157,416,877
Economic and Investment Cluster	21,700,930	60,379,485
Government and Administration Cluster	90,917,007	42,414,531
Social and International Cluster	69,086,500	127,768,227
Other	328,638,879	400,408,478
	763,324,077	788,387,598

Impairment losses

The aging of trade receivables net of the provision for doubtful debts at the reporting date was:

	2009	2008
Not past due	556,948,571	457,561,913
Past due 0 - 30 days	196,992,049	110,378,817
Past due 31 - 120 days	53,938,079	88,419,590
Past due 121 - 365 days	(92,556,261)	95,517,237
Past due - more than 1 year	48,001,639	36,510,041
	763,324,077	788,387,598

The due date of invoices is determined as being 30 days after the invoice date.

An amount of R61 190 199.61 million has been provided for as doubtful and is included in the amounts disclosed above.The R7 852 111 million relates to specifically identified invoices and R53 338 088.13 relates to a general provision.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2009	2008
Balance at beginning of year	57,436,069	61,027,734
Impairment loss recognised	3,754,131	(3,591,665)
Balance at end of year	61,190,200	57,436,069

The impairment loss is based on specifically identified invoices that are considered doubtful based on information in the company's possession. Each invoice is scrutinised in its own right and a decision to impair is made.

b) **Liquidity risk**

Liquidity risk is managed to ensure that the company is able to meet its financial obligations as they fall due in a cost-effective manner. This risk is managed by maintaining adequate cash reserves by continuously monitoring cash flow forecasts, actual cash flows and the maturity profile of financial assets and liabilities.

Cash flow forecasts are done on a weekly and monthly basis. They are managed daily in order to accurately predict funding needs. Favourable interest rates on the current, call and investment accounts are negotiated with the banks.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 March 2009
in Rand

	Carrying amounts	Contractual cash flow	6 months or less	6 - 12 months
Trade and other payables	563,006,069	-	-	-
Other forward exchange contracts:				
Outflows	3,734,443	3,734,443	3,734,443	-
Inflows	-	-	-	-
	566,740,512	3,734,443	3,734,443	-

31 March 2008
in Rand

	Carrying amounts	Contractual cash flow	6 months or less	6 - 12 months
Trade and other payables	656,213,374	695,202,757	695,202,757	-
Other forward exchange contracts:				
Outflows	3,982,592	3,982,592	3,982,592	-
Inflows				
	656,213,374	695,202,757	695,202,757	-

c) **Currency risk**

Currency risk arises from exposure to foreign currencies when the value of the Rand changes in relation to these currencies. Hedging instruments are utilised to hedge foreign currency exposures against exchange rate fluctuations. Where such instruments are not utilised, suppliers are required to take cover on import transactions. The company primarily transacts in US dollar when dealing with foreign transactions. All foreign exchange balances have been covered at reporting date.

	US$ 2009	US$ 2008
Trade payables	-	13,242,168
Forward exchange contracts	93,900,576	64,830,622
Net exposure	93,900,576	78,072,790

The following significant exchange rates applied during the year

Rand	Average rate 2009	Average rate 2008	Reporting spot rate 2009
US$ 1	8.824	7.094	9.600

Sensitivity analysis

SITA is not affected by foreign exchange gains/losses. This is due to SITA's business policies which states that all losses incurred should be recovered from their clients. Therefore a sensitivity analysis regarding currency risk is not provided.

d) Interest rate risk

At the reporting date the interest rate profile of the company's interest-bearing financial instrument was:

in Rand	Carrying amount 2009	Carrying amount 2008
Fixed interest rate		
Financial liability	15,600,250	20,800,330

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial liabilities at fair value through profit and loss, and the company does not designate derivatives (interest-rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at reporting date would not affect profit or loss.

e) Fair values of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position are as flows:

	2009		2008
	Carrying amount	Fair value	Carrying amount
Trade and other receivables	766,255,469	766,255,469	801,626,203
Cash and cash equivalents	991,290,959	991,290,959	1,101,257,015
Other forward exchange contracts	3,734,443	3,734,443	3,982,592
Trade and other payables	563,006,069	563,006,069	656,213,374
Loans payable	15,600,250	15,600,250	20,800,330
	2,339,887,191	2,339,887,191	2,579,896,923

27. Related parties

Transactions with national sphere departments

The company is 100% owned by its shareholder, the Government of South Africa represented by the Minister of the Department of Public Service and Administration.

The company is a schedule 3A national public entity in terms of the Public Finance Management Act,1999 (Act No.1 of 1999). The related party disclosures are in terms of the requirements of AC126 (Related Party Disclosures) and the specific guidance given by the South African Institute of Chartered Accountants.

The related parties of the company consist of departments, state-owned enterprises and other public entities in the national sphere of government and key management personnel of the company, or its shareholder and close family members of related parties. All transactions entered into with related parties are at arm's length.

Revenue for the year

in Rand	2009	2008
Crime and Prevention Cluster	2,052,022,536	1,609,000,332
Economic and Investment Cluster	255,639,837	265,727,286
Government and Administation Cluster	170,780,274	157,091,757
Social and Internal Cluster	448,412,141	349,841,591
Other related parties	361,098	6,052,443
Revenue from related parties	2,927,215,886	2,387,713,409
Revenue from other parties	881,217,666	1,219,900,010
Revenue per Statement of Financial Performance	3,808,433,552	3,607,613,419

Amounts owed at year-end

Crime and Prevention Cluster	252,980,761	120,882,913
Economic and Investment Cluster	21,700,930	48,383,339
Government and Administation Cluster	90,917,007	37,310,826
Social and Internal Cluster	69,086,500	96,986,508
Other related parties	190,743	192,191
Total related parties	434,875,941	303,755,777
Balance of trade receivables	331,380,054	542,067,889
Trade receivables	766,255,995	845,823,666

An amount of **R20 866 668** was written off in the current financial year which pertained to various related parties.

Doubtful debts to the value of **R61 190 199.61** were provided for in the current financial year and pertained to the various related parties.

Amounts received in advance at year-end

Crime and Prevention Cluster	58,092,084	92,081,607
Economic and Investment Cluster	45,299,459	62,386,258
Government and Administation Cluster	15,710,326	716,047
Social and Internal Cluster	772,145	16,378,130
Other related parties	10,296	
Total Nationals	119,884,310	171,562,042
Balance of income received in advance	37,821,226	105,074,929
Income received in advance per Statement of Financial Position	157,705,536	276,636,971

Transactions with key management personnel

The key management personnel are the Director's and Executive Members of the company for the year ended 31 March 2009.

Transactions with key management personnel are disclosed in Annexure A.

28. Operating leases

Operating lease expense

The company entered into non-cancellable operating lease agreements for the occupation of certain premises and computer equipment. At the reporting date, the future minimum lease payments under these lease agreements were as follows:

in Rand	2009	2008
Less than 1 year	36,922,864	27,597,916
Between 1 and 5 years	70,050,109	44,491,078
More than 5 years	64,647	-
	107,037,620	72,088,994

Operating lease income

The company entered into non-cancellable operating lease agreements as lessor. At reporting date, the future minimum lease payments receivable under these lease agreements were as follows:

in Rand	2009	2008
Less than 1 year	4,367,914	6,432,982
Between 1 and 5 years	471,395	5,161,459
More than 5 years	88,223	192,635
	4,927,532	11,787,076

29. Capital commitments

At year-end, the company had a budgeted amount of R60 million (2008: R126 million) approved for capital acquisitions, but not yet contracted for.

30. Contingent liabilities

A claim of approximately R149 million has been instituted against the company and two national government departments which resulted from a tender. Based on legal advice, the outcome of this claim cannot be determined with reasonable certainty. However, the matter is currently being handled by the State Attorney at no cost to SITA.

There is a defamation claim instituted against SITA of approximately R1 million by a former employee.

There is a labour court claim against the company amounting to R 300 000 by a dismissed former employee. The employee was ordered to pay damages and costs to SITA. The company is therefore in the process of recovering these damages and costs.

There are various other claims against SITA at an estimated value of R107million . Based on legal advice, probability is not determinable as the ruling could go either way. The related legal costs with regard to these claims are approximately to R1.3million.

31. Standards issued, but not yet effective

At the date of approval of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

	Standard/Interpretation	Applicable to SITA
IPSAS 22	Disclosure of Financial Information	N/A
IPSAS 23	Revenue from Non-exchange Transactions	N/A
IPSAS 24	Presentation of Budget information in the Financial Statements	YES
IFRS 2	Group and Treasury Share Transactions	N/A
IFRS 4	Insurance Contracts	N/A
IFRS 7 (AC 144)	Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures	N/A
IFRS 8	Operating Segments	N/A
AC 503	Accounting for Black Economic Empowerment Transactions	N/A
IAS 1 (AC 101)	Presentation of Financial Statements	YES
IAS 23 (AC114)	Borrowing Costs	YES
IAS 32 (AC 125) & IAS1 (AC 101)	Financial Instruments: Presentation and Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	N/A
IFRIC 8 (AC 441)	Scope of IFRS 2 Share-based Payment	N/A
IFRIC 9 (AC 442)	Reassessment of Embedded Derivatives	N/A
IFRIC 10 (AC 443)	Interim Financial Reporting and Impairment	N/A

31. Standards issued but not yet effective (cont)

IFRIC 11 (AC 444)	IFRS 2 Group and Treasury Share transactions	N/A
IFRIC 12 (AC 445)	Service Concession Agreements	N/A
IFRIC 13 (AC 446)	Customer Loyalty Programmes	N/A
IFRIC 14 (AC 447)	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	N/A

32. Irregular Expenditure

	2009	2008
Opening Balance	10,401,243	22,000,000
Add: Irregular Expenditure - current year	142,319,258	11,749,063
Less: Amounts condoned	(10,705,452)	(22,000,000)
Less: Amounts not recoverable (not condoned)	(142,015,049)	(1,347,820)
Irregular expenditure awaiting condonation	-	10,401,243

Analysis of expenditure awaiting condonation per age classification

Current year	-	10,401,243
Prior years	-	-
Total		

Details of Irregular Expenditure - Current year

Incident	Disciplinary steps taken	Amount
1. Failure by the technical evaluators to adhere to SITA's procurement regulations, policies and procedures (SOPP) in the evaluation and award of a tender.	Disciplinary action is in progress	107,159,862
2. Senior officials failed to adhere to SITA's procurement regulations, policies and procedures (SOPP) in the procurement processes followed in relation to 3 tenders.	Disciplinary action is in progress	7,033,480
3. Senior official exceeded his delegation of authority by approving the award of 5 Requests for Quotation.	Disciplinary action is in progress	18,949,672

4. Senior official contravened his delegation of authority by signing software enterprise agreement for a period of 3 years, thereby committing SITA to a binding contract with potential serious financial consequences.	Disciplinary action is in progress	6,364,035
5. Senior official exceeded his delegation of authority by unilaterally entering into an agreement with a supplier for an advance payment, thereby creating an undue financial obligation for SITA.	Disciplinary action is in progress	2,508,000

Details of Irregular Expenditure condoned

Incident	Condoning Authority	Amount
1. A senior official acted outside his approved delegation of authority by approving a five-year operating lease agreement. The official subsequently left the employ of the company.	The incident has been condoned by the Accounting Authority as the said agreement did not impact on the decision to conclude the contract, as the premises were necessary for business purposes.	10,401,243
2. A senior official failed to comply with the Training Policy and the Procurement Policy by acting outside his delegation of authority when approving expenditure. Although the normal procurement process was followed, the technical requirement for the specific expenses to be approved by the Training Department was not met.	The incident has been condoned by the EXCO, as the expenses were necessary from a business perspective.	262,500
3. A senior official acted outside his delegation of authority by approving expenditure on the relocation of an employee without authorisation by the Chief of Shared Services, as precribed by the Relocation Policy. Although the normal procurement process was followed, the technical requirement for the specific expenses to be approved by the Chief of Shared Services was not met.	The incident has been condoned by the EXCO, as the expenses were necessary from a business perspective.	41,709

33. Cash flow notes

33.1 Normal tax paid

in Rand	2009	2008
Opening balance	74,240,626	57,413,787
Current year normal tax charge	18,567,325	125,652,154
Closing balance	60,465,313	(74,240,626)
	153,273,264	108,825,315

33.2 Reconciliation of net cash flows from operating activities

in Rand	2009	2008
Net Cash Inflow from Operating Activities		
Surplus before taxation	79,494,000	427,974,452
Adjustments for non-cash flow items:		
- Depreciation/Amortisation	178,447,845	124,423,393
- Impairment	1,790,005	3,698,661
- (Decrease)/Increase in provision for impairment	3,754,131	(3,591,665)
- Loss (gain) on disposal or scrapping of property, plant and equipment	2,793,830	13,806,284
- Increase/(decrease) in provision for post-retirement medical benefits	9,168,948	7,672,864
Other non-cash flow item	(387,694)	-
- Finance costs paid	49,412,129	47,775,665
- Finance income received	(177,406,141)	(123,928,999)
- (Decrease)/Increase in provisions	-	13,500,000
Operating profit before working capital changes	**147,067,053**	**511,330,655**
Working capital changes:		
Decrease/(Increase) in trade and other receivables	31,616,603	(133,062,953)
(Increase)/Decrease in prepayments made	(18,588,542)	5,668,706
Increase/(Decrease) in unearned revenue	200,794,624	30,548,584
Decrease/(Increase) in work in progress	(60,321,281)	36,795,902
(Decrease)/Increase in trade and other payables	(62,658,721)	(71,747,408)
(Decrease)/Increase in income received in advance	(118,931,435)	(75,690,204)
Cash generated in operations	118,978,301	303,843,283
Normal taxation	(153,273,264)	(108,825,315)
Finance costs paid	(49,412,129)	(47,775,665)
Finance income received	177,406,141	123,928,999
	93,699,048	271,171,302

Annexure A

DIRECTORS' EMOLUMENTS

in Rand - 31 March 2009

Non-Executive Directors	Designation	Duration		Fees as Director	Acting Allowance
Directors					
Ms T Chikane	Chairperson	4 months ending	3-Aug-08	189,326	-
Ms Z Manase	Chairperson	8 months ending	31-Mar-09	586,336	-
Ms Z Manase	Board member	4 months ending	3-Aug-08	-	-
Ms C Clark	Board member	10 months ending	31-Mar-09	-	-
Mr C Kruger	Board member	12 months ending	31-Mar-09	-	-
Mr M Luthuli	Board member	10 months ending	31-Mar-09	140,260	-
Ms M Makhekhe-Mokhuane	Board member	10 months ending	31-Mar-09	18,510	-
Ms N Molope	Board member	8 months ending	31-Jan-09	-	-
Mr G Rothschild	Board member	8 months ending	31-Jan-09	101,204	-
Ms R Sekese	Board member	12 months ending	31-Mar-09	-	-
Ms A van der Merwe	Board member	8 months ending	31-Jan-09	61,944	-
Ms M Williams	Board member	12 months ending	31-Mar-09	-	-
Ms N Devcharran	Board member	10 months ending	31-Jan-09	262,480	-
Prof T Marwala	Board member	4 months ending	3-Aug-08	140,315	-
				1,500,375	**-**
Executive Management					
Mr L Jones	CEO	4 months ending	31-Jul-08	-	-
Mrs F Pienaar	Acting CEO	8 months ending	31-Mar-09	-	-
Mrs F Pienaar	Member	12 months ending	31-Mar-09	-	-
Mr A Pretorius	Acting CFO	12 months ending	31-Mar-09	-	-
Ms R Magoma-Nthinte	Member	12 months ending	31-Mar-09	-	-
Mr E Khan	Member	12 months ending	31-Mar-09	-	-
Mr P Pedlar	Member	12 months ending	31-Mar-09	-	-
Mr M Mtimunye	Member	12 months ending	31-Mar-09	-	-
				-	**-**

Basic Salary	Annual Payment: 13th Cheque & leave	Travel Allowances	Petrol Card	Contributions to pension, medical or insurance funds	Commissions or Profit-sharing	Share Options	Other - Performance Bonus	Total
-	-	-	-	-	-	-	-	189,326
-	-	-	-	-	-	-	-	586,336
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	140,260
-	-	-	-	-	-	-	-	18,510
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	101,204
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	61,944
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	262,480
-	-	-	-	-	-	-	-	140,315
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,500,375**
656,000	594,001	-	-	-	-	-	-	1,250,001
-	-	-	-	-	-	-	-	-
987,399	30,000	55,000	-	121,768	-	-	-	1,194,167
-	-	-	-	-	-	-	-	-
848,286	26,925	70,951	-	141,103	-	-	-	1,087,265
715,184	20,000	192,000	-	14,292	-	-	-	941,476
1,304,859	132,692	120,793	-	166,656	-	-	-	1,725,000
853,876	20,020	107,676	-	218,199	-	-	-	1,199,771
5,578,324	**886,247**	**591,162**	**-**	**707,007**	**-**	**-**	**66,407**	**7,829,148**

Non-Executive Directors	Designation	Duration		Fees as Director	Acting Allowance
in Rand - 31 March 2009					
Directors					
Ms TPC Chikane	Chairperson	12 months ending	31-Mar-08	566,430	-
Ms N Dhevcharran	Board member	12 months ending	31-Mar-08	147,472	-
Mr C Kruger	Board member	12 months ending	31-Mar-08	-	-
Ms ZP Manase	Board member	12 months ending	31-Mar-08	183,902	-
Prof T Marwala	Board member	12 months ending	31-Mar-08	237,385	-
Ms R Sekese	Board member	6 months ending	31-Mar-08	-	-
Ms M Williams	Board member	6 months ending	31-Mar-08	-	-
Mr LC Jones	Board member	7 months ending	31-Oct-07	137,182	-
Mr AP Pedlar	Board member	2 months ending	31-May-07	40,686	
				1,313,057	**-**
Executive Management					
Mr LC Jones	CEO	5 months ending	31-Mar-08	-	-
Mr AP Pedlar	Member	5 months ending	31-Mar-08	-	-
Mr M Msimang	CEO	2 months ending	14-May-07	-	-
Ms R Magoma-Nthite	Member	3 months ending	31-Mar-08	-	-
Ms F Pienaar	Member	3 months ending	31-Mar-08	-	-
Mr GM Salanje	CFO	9 months ending	31-Dec-07	-	-
Mr A Pretorius	Acting CFO	3 months ending	31-Mar-08	-	-
Ms E Strydom	Company Secretary	2 months ending	31-Mar-08	-	-
Ms T Geldenhuys	Company Secretary	6 months ending 30 September 2007	30-Sep-07	-	-
Mr M Mtimunye	Member	5 months ending	31-Mar-08	-	-
Mr E Khan	CIO	3 months ending	31-Mar-08	-	-
Ms F Habib	Member	9 months ending	31-Dec-07	-	-
Ms N Isaacs-Mpulo	Member	6 months ending	2-Oct-07	-	-
Mr J Bogoshi	Member	2.5 months ending	15-Jun-07	-	-
				-	**-**

In the 2007/2008 financial year , the Company Secretary, Ms T Geldenhuys was classified as an Executive Committee member. However, the new Company Secretary was not appointed as an Executive Committee member.

Basic Salary	Annual Payment: 13th Cheque & leave	Travel Allowances	Petrol Card	Contributions to pension, medical or insurance funds	Commissions or Profit-sharing	Share Options	Other - Performance Bonus	Total
								-
								-
-	-	84,381	-	-	-	-	-	650,811
-	-	183,174	-	-	-	-	-	330,646
-	-	-	-	-	-	-	-	-
-	-	2,189	-	-	-	-	-	186,091
-	-	3,313	-	-	-	-	-	240,698
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	137,182
		517						41,203
-	**-**	**273,574**	**-**	**-**	**-**	**-**	**-**	**1,586,631**
833,583	-	-	-	-	-	-	-	833,583
563,461	40,378	50,330	-	-	-	-	-	654,169
255,306	94,349	-	-	-	-	-	1,404,872	1,754,525
212,325	-	17,738	-	-	-	-	-	230,063
269,327		15,000	-	-	-	-	-	284,327
748,545	61,271	49,246	-	-	-	-	472,488	1,331,548
-	-	-	-	-	-	-	-	-
99,669	-	3,500	-	-	-	-	-	103,169
336,713	-	50,500	-	-	-	-	290,265	677,478
384,414	23,660	44,865	-	-	-	-	-	452,939
179,123	-	48,000	-	-	-	-	-	227,123
724,890	4,680	119,970					424,027	1,273,569
525,981	-	-	-	-	-	-	576,000	1,101,981
182,750	140,851	28,767	-	-	-	-	561,600	913,970
5,316,087	**365,189**	**427,916**	**-**	**-**	**-**	**-**	**3,729,252**	**9,838,444**

Annexure B

COMPUTATION OF TAX

Net Income	**79 494 000**
Add back:	**585 359 632**
Depreciation (ex Buildings)	170 562 215
Depreciation - Buildings	9 675 635
Impairment	-
Section 24C (previous year)	213 768 789
Prepayments (previous year)	2 158 336
Straight-lining of leases	169 709
Doubtful debts allowance (previous year)	10 268 354
Increase in provisions	10 348 473
Accounting loss on disposal of assets	2 793 830
Donations	-
Tax recoupment	56 644
Accounting provision for doubtful debts (current year)	7 852 111
Income received in advance (current year)	157 705 536
Deduct:	**647 633 023**
Wear and tear	153 645 660
Doubtful debt allowance (current year)	1 721 954
Income received in advance (previous year)	276 636 971
Prepayments (current year)	4 186 194
Straight-lining of leases - prior year	9 174 987
Scrapping allowance	2 896 207
Accounting provision for doubtful debts (previous year)	57 436 068
Section 24C (current year)	141 934 982
Taxable income	**17 220 609**
Tax payable	**4 993 977**

28%			
in Rand	Statement of Financial Performance movement	2009	2008
Movement in impairment on trade receivables	(11 490 516)	1 716 444	13 206 960
Accrual for leave pay benefits	2 833 220	14 834 162	12 000 943
Post-retirement medical benefits	2 567 305	28 666 952	26 099 647
Income received in advance	(33 300 802)	44 157 550	77 458 352
Leases	(2 521 478)	47 518	2 568 996
Prepayments	(567 800)	(1 172 134)	(604 334)
Section 24C allowance	20 113 466	(39 741 795)	(59 855 261)
Depreciation/amortisation	4 593 822	(26 518 415)	(31 112 237)
	(17 772 783)	**21 990 283**	**39 763 065**

Shareholders' Diary

1 Schedules

1.1 Tenth Annual General Meeting	:	20 August 2009
1.2 Submission of Financial Statements and Annual Report to the Minister of Public Service and Administration	:	31 August 2009
1.3 Submission of Annual Report to Parliament	:	September 2009
1.4 End of new financial year	:	31 March 2010

2 Annual Budget: 2010/2011

2.1 Approval by the Board of Directors	:	February 2010
2.2 Submission to DPSA	:	March 2010
2.3 Submission to National Treasury	:	March 2010

3 Strategic Plan: 2010/11 to 2012/13

3.1 Approval by the Board of Directors	:	September 2009 and March 2010
3.2 Submission to DPSA	:	October 2009 and March 2010
3.3 Submission to National Treasury	:	March 2010

4 Quarterly Reports

Submission to DPSA on a quarterly basis.

5 Tariff Increases

Submission to DPSA	:	August 2009

Administration

1. Directorate: 1 April 2008 to 31 March 2009

Ms TPC Chikane	:	Term of office ended on 3 August 2008.
Ms C B Clark	:	Appointed on 19 May 2008.
Ms N Dhevcharran	:	Resigned on 31 January 2009.
Mr L Jones	:	Resigned on 31 July 2008.
Mr CCW Kruger	:	Term of office extended from 1 September 2008.
Mr MA Luthuli	:	Appointed on 19 May 2008.
Ms M Makhekhe-Mokhuane	:	Appointed on 19 May 2008.
Ms ZP Manase	:	Appointed as Chairperson with effect from 7 August 2008.
Prof T Marwala	:	Term of office ended on 3 August 2008.
Ms N Molope	:	Appointed with effect from 19 May 2008 and resigned with effect from 31 January 2009.
Mr G Rothschild	:	Appointed on 7 August 2008. Resigned on 31 January 2009.
Ms R Sekese	:	Appointed on 15 October 2007.
Ms A van der Merwe	:	Appointed on 7 August 2008. Resigned on 31 January 2009.
Ms MO Williams	:	Appointed on 15 October 2007.

2. Company Secretary

Ms E Strydom	:	Appointed on 1 February 2008.
Tel: (012) 482-3254	:	e-mail - estelle.strydom@sita.co.za.

3. SITA Addresses

Postal address : PO Box 26100, Monument Park, Pretoria, 0105

Physical address : 459 Tsitsa Street, Erasmuskloof, Pretoria, 0048

4. Auditors

Auditor-General : 271 Veale Street (New Building)
New Muckleneuk, Pretoria

5. Bankers

Standard Bank of South Africa Limited

6. Contact Details

Executive	Title	Telephone	e-mail
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