

**NECSA GROUP**  
**Annual Report for 2020/21 YEAR**  
**PORTFOLIO COMMITTEE**  
**MINERAL RESOURCES AND ENERGY**

**David Nicholls**  
**Group Chairman**

01 March 2022



# INTRODUCTORY COMMENTS

Since its appointment in 2020, the Board has been focusing on turning the organization's performance around and working towards long-term sustainability

Governance is also being strengthened for sustainable performance. For the first time Necsa finalised its Annual Report and Audit on time.

Group Chief Executive Officer, Mr. Loyiso Tyabashe, was appointed in the last 3 months of the financial year under question. This was followed months later by the appointment of Company Secretary Ms Fakazile Nyembe

The Necsa Board has directed the Executive team to reposition the organization for better outcomes through a recently approved strategy. Rationalisation restructuring completion targeted for 31 March 2022.

The GCEO will share plans for the next five years, which will show that Necsa is working towards showing profit in FY 2023/24

# NECSA GROUP Annual Report for 2020/21 YEAR

## PORTFOLIO COMMITTEE MINERAL RESOURCES AND ENERGY

**Loyiso Tyabashe**  
Group Chief Executive Officer

01 March 2022



# CONTENT OF THE PRESENTATION



HIGHLIGHTS

AUDIT OPINION

FINANCIAL PERFORMANCE FOR 2020/21 FY

PERFORMANCE PER PROGRAMME AREA

ORGANISATIONAL RECOVERY STRATEGY

CONCLUSIONS

- SAFARI-1 research reactor succeeded in supporting radioisotope production even during COVID-19 lockdown
- Developed a novel anhydrous fluorination processing route for neodymium trifluoride, which produces very little waste
- Developed a novel processing route for lithium hexafluorophosphate - two patents obtained
- Patented a novel process based on gamma-emitting sources to aid in the detection of broken mining shrouds, which undetected may result in long downtime in open cast mining
- Developed a cost-effective and environmentally-friendly process for converting neodymium oxide to neodymium fluoride

- Three staff members obtained their PhD degrees - Dr Janine Suthiram obtained her PhD in Medical Nuclear Science from the University of Pretoria, Dr Tshepo Ntsoane in Physics from University of Pretoria and Dr Jim Rapakgadi in Textile Science from Nelson Mandela University
- Postgraduate support was given to two external PhD and two external MSc students in radiation sciences
- Prof Jan Rijn Zeevaart achieved a B2 Rating from the National Research Foundation, becoming Necsa's first B-rated scientist - he is amongst 11 rated researchers at Necsa
- Research and Technology Development Division produced 43 contract research reports and 34 research publications during 2020/21

- Necsa received a **Disclaimer** Audit Opinion for the 2020/21 FY
- 63 audit findings raised by AGSA in 2020/21 (160 in 2019/20).
- Themes of matters leading to an adverse opinion by the AGSA have been classified as follows:
  - ✓ Human Resources matters
  - ✓ Opening/Closing Balances
  - ✓ Going Concern
  - ✓ Vaalputs Aftercare Asset
  - ✓ IFRS Reporting,
  - ✓ Admin matters
  - ✓ Pelchem Subsidiary matters
- With the Audit completed in October 2021 this allows the **Audit Recovery Plan** to be implemented for better results in 2021/22 FY
- Upon implementation of the recovery plan, an **Interim Audit** will be performed

# NECSA 2020/21 AGSA FINDINGS

Category	Number of findings 2020/21 (2019/20)	Number of findings resolved with AG	Number of findings being addressed	Number of findings not resolved	Findings that cannot be resolved retrospectively	Comments
Matters affecting the Auditor's Report Conclusion	43 (69)	2	39	0	2	The matters that cannot be resolved retrospectively relate to, e.g.
Other Important Matters	18 (87)	-	16	0	2	i) Employees not verified in the prior year; and
Administrative Matters	2 (4)	-		0	2	ii) Historical opening balances
<b>Total</b>	<b>63 (160)</b>	<b>2</b>	<b>55</b>	<b>0</b>	<b>6</b>	

Note : Of the 78 disclaimer paragraphs in the annual report (p.147 – 156) , 15 relate to general AGSA statements made that do not fall into the above categories



## Statement of Financial Position

	GROUP			CORPORATE		
	2021	2020 Restated	2019 Restated	2021	2020 Restated	2019 Restated
	R'000			R'000		
Non-Current Assets	5 487 544	4 847 733	5 299 226	5 178 234	4 617 395	5 070 758
Current Assets	1 451 039	1 239 812	1 648 469	762 240	477 097	478 834
<b>TOTAL ASSETS</b>	<b>6 939 309</b>	<b>6 087 725</b>	<b>6 951 143</b>	<b>5 940 474</b>	<b>5 094 492</b>	<b>5 549 592</b>
Equity	607 981	829 371	1 022 527	(49 240)	71 686	216 526
Liabilities	6 331 328	5 258 354	5 928 616	5 989 714	5 022 806	5 333 066
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>6 939 309</b>	<b>6 087 725</b>	<b>6 951 143</b>	<b>5 940 474</b>	<b>5 094 492</b>	<b>5 549 592</b>

Balance Sheet rehabilitation is currently being embarked through some identified projects; e.g. Uranium Recovery Project

# AUDITED FINANCIAL STATEMENT FOR 2020/21 FY (CONTD.)

## Statement of Comprehensive Income

	GROUP			CORPORATE		
	2021	2020 Restated	2019 Restated	2021	2020 Restated	2019 Restated
	R'000			R'000		
Revenue	1 675 835	1 792 582	2 150 357	1 050 791	1 136 321	1 072 370
<b>Total Comprehensive Income (Loss) for the year</b>	<b>(219 152)</b>	<b>(190 909)</b>	<b>(12 463)</b>	<b>(120 926)</b>	<b>(144 839)</b>	<b>(20 639)</b>

### Income Statement

- This negative trajectory is neither acceptable nor sustainable
- Rationalisation and revised strategy will reverse this path
- Key focus:
  - Cost containment
  - Revenue increases: Decontamination & Decommissioning project; aggressive market engagement on manufacturing
  - Improving efficiencies and leveraging on synergies

# PERFORMANCE PER PROGRAMME AREA



1. Commercial Programme		
KPA	KPI	Outcome
Nuclear and Industrial Isotopes	Mo-99 share	Green
	Widen Isotope range	Green
	NTP Group Revenue	Red
	Net Profit After Tax	Green
	SAFARI-1 Operational Performance	Green
Fluorochemicals	Pelchem revenue	Red
	Net Profit after tax	Red
	Weighted Average - Utilisation	Red
	Weighted Average – Availability	Red
	Regulatory compliance	Green
Nuclear and Industrial manufacturing	Pelindaba Enterprises Revenue	Red
	Net Profit	Red

2. Growth Programme		
KPA	KPI	Outcome
Growth	Revenue from Contract Research	Green
	Revenue from impact area projects	Red
	Research publications	Green
	Innovation disclosures	Green
Stage 1 D&D	Execution of Annual Plan of Action	Red

3. Infrastructure Programme		
KPA	KPI	Outcome
Multi purpose reactor	Framework for Infrastructure Delivery and Procurement Management (FIDPM) stage	Green
Pelindaba Masterplan	Support infrastructure income generation	Red

## 4. Support Services and Compliance Programme

KPA	KPI	Outcome
Compliance to SHEQ	DIIR	Green
	Public Dose impact	Green
HR management	Succession Plan	Yellow
	Transformation in middle management	Red

### Conclusion

- Performance on the programmes not optimal
- The revised strategy is geared towards making a step change
- High performance culture is one of the key pillars and requires focus

# KETLAPHELA PROGRESS REPORT

- Ketlaphela Pharmaceutical SOC Ltd created in response to Cabinet's directive in 2009 for South Africa to have its own State-owned pharmaceutical company
- Established in 2015 as a wholly-owned subsidiary of Pelchem SOC Ltd, which is a subsidiary of Necsa
- Ketlaphela has one subsidiary - Ketlaphela Pharmacare SOC Ltd for the supply of pharmaceutical products for burden of diseases
- Mandate includes localisation of Active Pharmaceutical Ingredients (APIs) and final formulated pharmaceutical products mainly for HIV/AIDS, Tuberculosis (TB), Malaria and later on lifestyle diseases



## Highlights

- Positive recommendation from the South African Pharmacy Council (SAPC) for the Recording of a Manufacturing Pharmacy (License)
- Agreements with Medical Devices OEMs for product and medical devices dossier registration by Ketlaphela
- Approval of the Ketlaphela's corporate strategy
- Registration of the Ketlaphela API project by the Investment and Infrastructure Office(IIO) in the Presidency

## Lowlight/constraint

No decision yet from the DoH re offtake\* risk on funding



**South African Pharmacy Council**

Registered Office  
SAPC Building  
211 Selborne Street  
Arcadia, Pretoria, 0083

Postal Address  
Private Bag X40040  
Arcadia, 0007

Customer Care Line  
0861 SAPC 00  
or  
0861 7272 00

Fax  
(27)12-321 1492 /1479

E-mail  
customerscare@sapc.za.org

Website  
www.sapc.org

ALL CORRESPONDENCE TO BE  
ADDRESSED TO THE REGISTRAR

**PROFESSIONAL AFFAIRS**  
Evaluation of Good Pharmacy Practice compliance of a Pharmacy (In terms of the Pharmacy Act, Act 53 of 1974 (s22))

Type of licence:	New pharmacy licence
Category of pharmacy:	Manufacturing Pharmacy
Case Number:	407566
Name of owner:	CO5914-Ketlaphela Pharmaceuticals (Pty) Ltd
Application Name:	Ketlaphela Pharmaceuticals SOC Ltd. Y60667
Approved Name:	Ketlaphela Pharmaceuticals SOC Ltd. Y60667
Physical address:	Elias Motswaledi Street Ext. West Brits District North West Province South Africa 0240
Name of responsible pharmacist:	Ms. Malefaso Precious Motaung
Registration no:	0018723
P No:	P21535
Outcome of evaluation:	The floor, site plans as well as Section E of the application for the abovementioned pharmacy have been evaluated and found to be in order. This recommendation is subject to a favourable inspection report after recording and once the pharmacy is operational.
Conditions:	
Complies with GPP criteria	
Date:	04 January 2022
	Senior Manager: Professional Affairs

# ORGANISATIONAL RECOVERY STRATEGY

Financially sustainable organisation with  
efficient operations and good governance



Financial  
recovery &  
sustainability



Research &  
Innovation



Profitable  
Commercial  
Enterprises



Business  
Continuity  
and  
Efficiency



Talent  
Excellence  
and High  
Performance  
Culture



**Values:** Excellence, Accountability, Safety First, Integrity and Innovation (EASII)



**Mission:** To develop and safely utilize nuclear, radiation and related technologies to make socio-economic impact in diverse global markets through commercial and non-commercial technologies, in an environmentally responsible manner



**Vision:** To be a global nuclear and related technology leader, positively touching people's lives socio-economically.



**Mandate:** To develop, utilise and manage nuclear technology for national and regional socio-economic development through: Applied R&D; Commercial application of nuclear and associated technology; Contributing to the development of skills in science and technology.



# SHAREHOLDER COMPACT FY23 – STRATEGIC PILLARS AND KPIs

## Financial Recovery & Sustainability

- Financial Growth
- Audit Outcome

## Research & Innovation

- Increased Revenue
- Research Publications
- Innovation Disclosures

## Profitable Commercial Enterprises

- NTP NPAT
- Pelchem NPAT

## Business Continuity & Efficiency

- Operational Safety
- Operational Compliance
- SAFARI Availability
- MPR
- D&D Programme Execution

## Talent Excellence and High Performance Culture

- Performance Management
- Talent Management
- Transformation

# FINANCIAL OBJECTIVES FY2021/22 and beyond

Objective (R' m)	2021/22	2022/23	2023/24	2024/25	2025/26
Revenue	2 213	2 413	2 519	2 640	2 749
Expenses	2 361	2 427	2 422	2 518	2 576
Taxation	(8)	(9)	(10)	(15)	(18)
<b>Net Profit / Loss</b>	<b>(156)</b>	<b>(23)</b>	<b>87</b>	<b>107</b>	<b>155</b>
<b>Corporate plan 2021/22 – 2023/24</b>	<b>(194)</b>	<b>(149)</b>	<b>(101)</b>	<b>(68)</b>	<b>—</b>

- Key financial objectives are indicated above with growth in profitability from FY 2022/3 to FY 2025/6
- YTD performance shows an improvement, as the losses are less than projections

# CONCLUSION

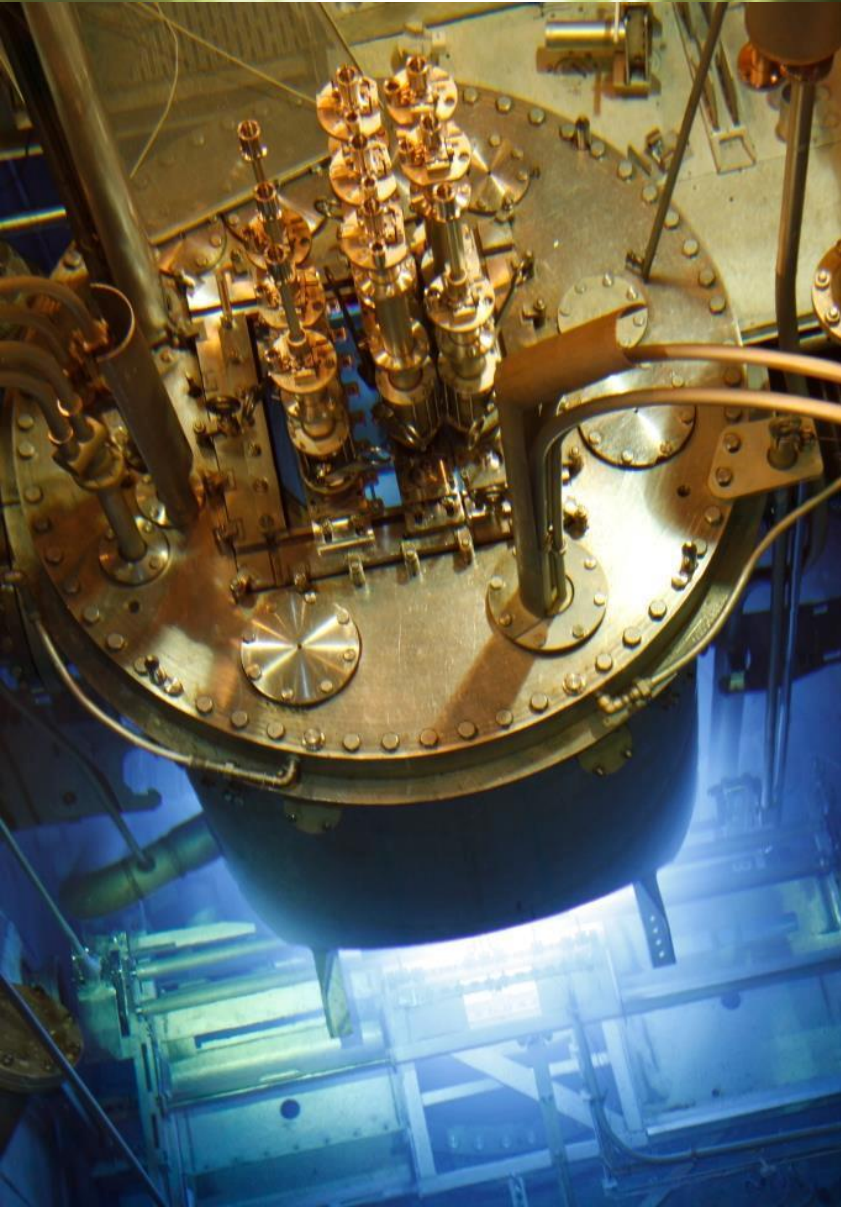
Necsa has continued to uphold its mandate recording success in the performance of the SAFARI-1 reactor in our operations, our IP developments as well our ratings as a research institute

Performance against the programmes was not at an acceptable level. Focus on improving operational efficiencies is part of the new strategy

Necsa recorded a loss for the FY 2020/21. This is being turned around in the current FY through several elements of the strategy

The new strategic direction is focused on the following:

- Financial recovery and sustainability
- Research and Innovation
- Profitable Commercial Enterprises
- Business Continuity and Efficiency
- Talent Excellence and High Performance Culture



**END**

## Key Legislation

Legislation	Description
Nuclear Energy Act 46 of 1999	Framework within which prospecting, mining, milling and the use of nuclear materials in South Africa takes place.
National Nuclear Regulator Act 47 of 1999	Framework to provide protection of persons, property and the environment against nuclear damage.
Environmental Conservation Act 73 of 1989	Provides for the effective protection and controlled utilisation of the environment.
Non-Proliferation Act 87 of 1993	To provide guidance for control over weapons of mass destruction.
National Radioactive Waste Disposal Institute Act 53 of 2008	The Act provides guidance to manage radioactive waste disposal on a national basis.
Public Finance Management Act 29 of 1999	To regulate financial management in the national government and provincial governments

## Necsa Corporate's Legislative mandate is derived from Section 13 and 14 of the Nuclear Energy Act, No. 46 of 1999

### Section 13 – Main Functions of Corporation:

- a) Undertake and promote **Research and Development** in the field of nuclear energy and radiation sciences and technology and, subject to the Safeguards Agreement, to make these generally available;
- b) **Process source material**, special nuclear material and restricted material, and to reprocess and enrich source material as well as nuclear material; and
- c) **Co-operate with any person or institution** in matters falling within these functions, subject to the approval of the Minister

### Section 14 – Ancillary powers and functions of Corporation:

- 1) *In connection with its main functions, the Corporation may;*
  - Establish/invest in **subsidiaries**
  - Build/purchase **property, plant and equipment** to conduct functions
  - Promote the prospection for and **mining of source material** and restricted material
  - **Acquire, enrich and reprocess** source material and special nuclear material
  - Manufacture, acquire or possess **nuclear fuel** and dispose thereof
  - Undertake the **transportation** of materials and products
  - Co-operate with any **educational, scientific or other institution** or body for training purposes and provide financial or other assistance if considered necessary
- 2) *In order to create and utilise viable business opportunities in commerce and industry, the Corporation may;*
  - Produce/acquire **intellectual property**
  - Manufacture and sell **instruments, equipment and similar products**
  - Process and sell **minerals**
  - Produce, process and sell **metals, chemicals and related products**
  - **Render any service** falling within the ambit of the Corporation's functions