



South African Nuclear Energy  
Corporation SOC Limited

# Annual Report 2021/22

Presentation to the Portfolio Committee on Mineral Resources and  
Energy (PCMRE)

13 October 2022

# Chairman's Overview

The Board is operating at full capacity and has approved a strategy and organisational structure that is now fully capacitated at the top (Full Exco as at end July 2022)

We are pleased with improvements in governance, financial performance and stability. These are being cemented by the new strategy with accountable leadership

We are therefore confident that despite negative audit outcome, Necsa is well on its way to a clean audit with the right support and stable leadership

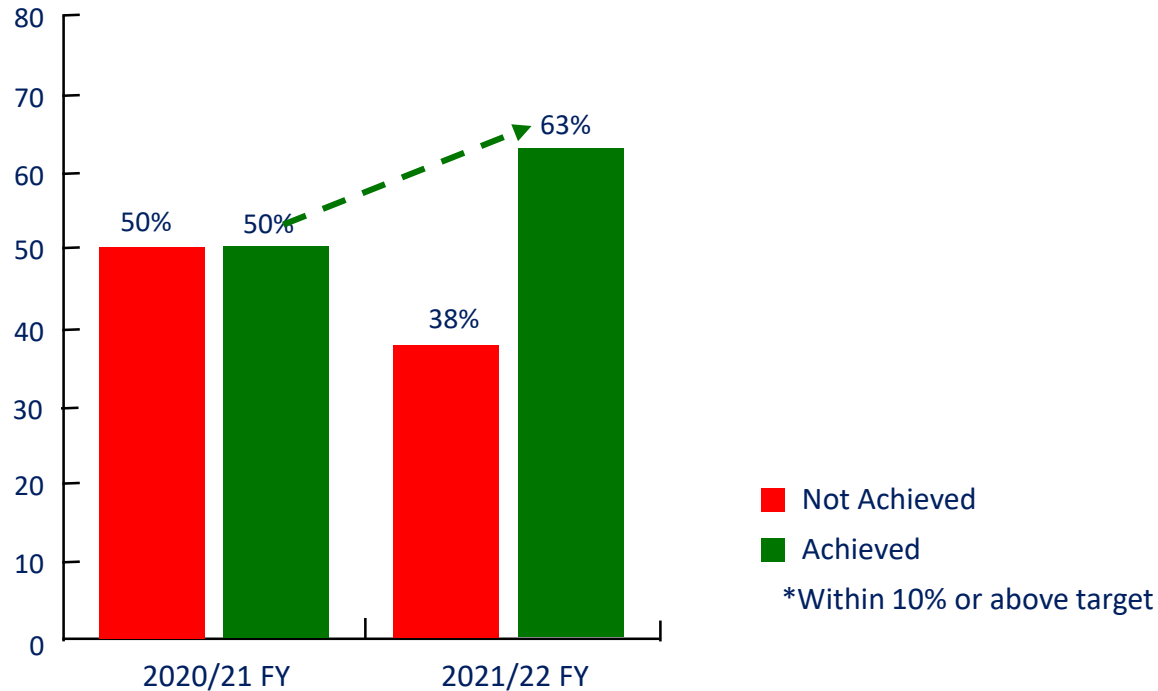
The Board continues to give support to the executives while exercising the necessary oversight. Support of the Shareholder and guidance have been important factors in the improvements that we see

The current energy crisis facing the world cannot go unnoticed. At home, we know the negative impacts of power shortages. Capacitating and ensuring that nuclear technology plays its role in industrialising and decarbonizing our economy has become rather urgent. Necsa is gearing itself to play its part in nuclear power generation, especially SMRs

## Group Chief Executive Officer's Overview

- Key Performance Areas
- Financial Position
- Audit Outcome

## ACHIEVEMENT OF PREDETERMINED OBJECTIVES



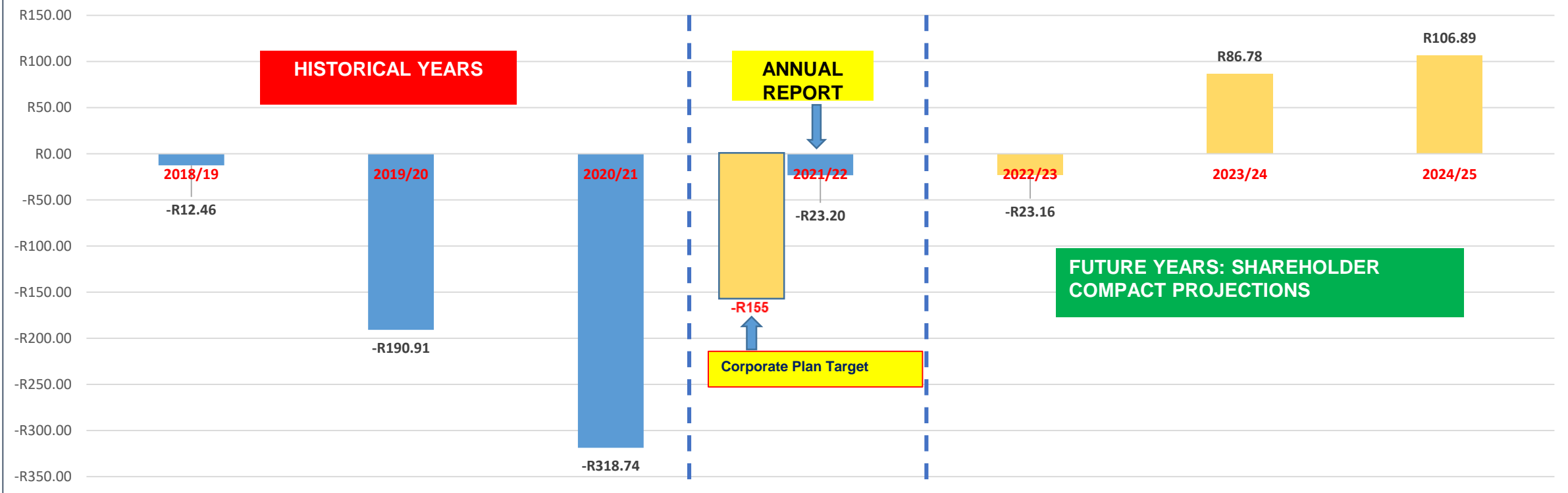
## DETAIL OF PERFORMANCE ON PREDETERMINED OBJECTIVES

	KPIs	% Achieved
<b>1. Commercial programme</b>	13	54%
Nuclear medicine and industrial isotopes	5	80%
Fluorochemicals	6	33%
Nuclear and Industrial Manufacturing	2	50%
<b>2. Growth Initiatives</b>	5	60%
Growth Initiatives	4	75%
Stage 1 D&D	1	0%
<b>3. Infrastructure Programme</b>	2	50%
Multi-purpose Reactor (MPR)	1	100%
Pelindaba Masterplan	1	0%
<b>4. Research Capability, Support Services and Compliance</b>	4	100%
Compliance to SHEQ, License and other regulatory requirements	2	100%
Human Resource Management	2	100%
<b>OVERALL</b>	<b>24</b>	<b>63%</b>

- FY2021/22 was a year of transition where Necsa moved from old strategy and corporate plan (different set of KPAs) to a new strategy for growth
- The new strategy comprises FIVE pillars supported 15 KPAs – a reduction from 26 the previous year.



Group Comprehensive Profit/Loss - Rm as at 31 Aug 2022



- The downward trend in financial performance is being arrested with a marked improvement seen from FY 2020/21 to FY 2021/22. The total profit/loss for the year under review at **(R23.2m)** versus projections of **(-R155m)** gives confidence that financial performance is turning
- The positive trajectory is fully supported by the current approved strategy and corporate plan and calls for focus on more and diversified revenue streams
- The picture will see Necsa reducing its reliance on the fiscus and playing its rightful role in contributing towards the achievement of the country's socio-economic goals in support of the National Development Plan

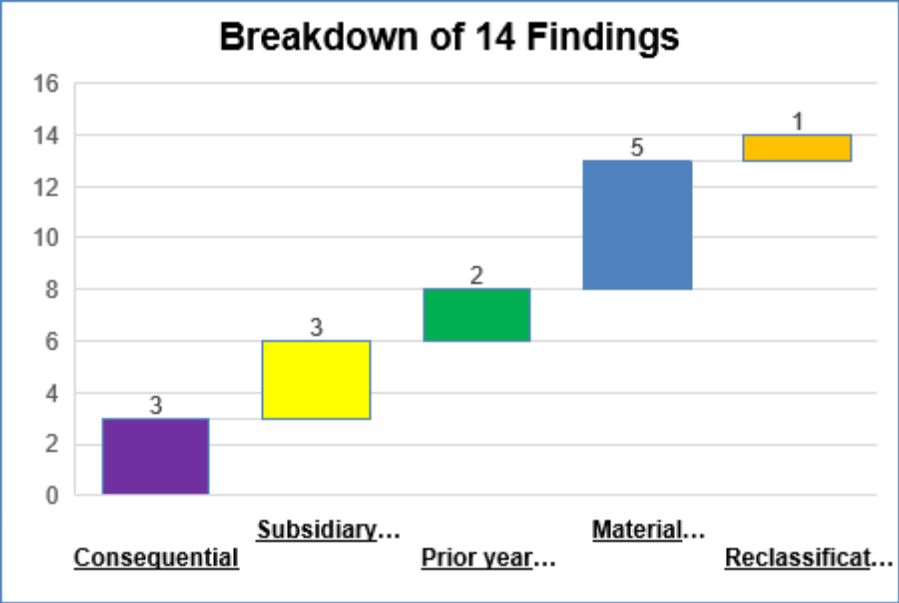
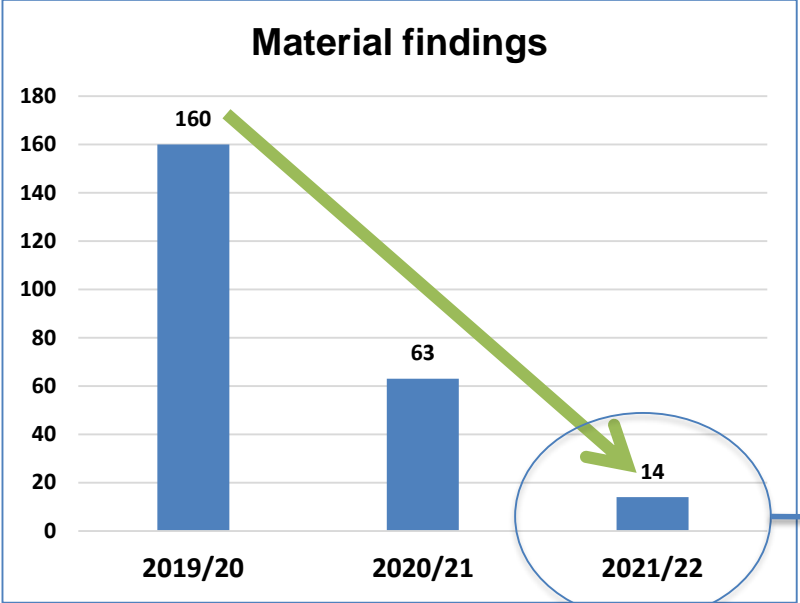
# NECSA ENTITIES AND GROUP INCOME STATEMENT SUMMARY YTD 31 MARCH 2022

Necsa Entities and Group Income Statement Summary YTD 31 March 2022					
	Necsa Corporate	NTP	Pelchem	Reconciling & inter company	Group
	YTD Mar 2022	YTD Mar 2022	YTD Mar 2022	YTD Mar 2022	YTD Mar 2022
	R'000	R'000	R'000	R'000	R'000
Revenue	1 132 350	1 166 590	120 962	-355 766	2 064 135
Other income	21 379	31 234	5 109	-13 363	44 359
Investment income	43 636	13 983	2 320	-12 866	47 072
Stage 1 D & D	328 020			0	328 020
<b>Total income</b>	<b>1 525 385</b>	<b>1 211 807</b>	<b>128 390</b>	<b>-381 996</b>	<b>2 483 586</b>
Cost of sales	-265 161	-859 063	-148 722	301 343	-971 603
Operating admin & other expenses	-909 159	-248 353	-33 189	62 347	-1 128 353
Finance costs	-2 836	-6 509	-9 922	10 621	-8 646
Finance costs on D & D provisions	-328 020			0	-328 020
<b>Total expenditure</b>	<b>-1 505 176</b>	<b>-1 113 924</b>	<b>-191 833</b>	<b>374 311</b>	<b>-2 436 622</b>
Fair value adjustments	4 843			0	4 843
Income from equity accounted investments		2 632		-0	2 632
<b>Net Profit / (Loss) before credit loss &amp; D&amp;D provision</b>	<b>25 052</b>	<b>100 515</b>	<b>-63 443</b>	<b>-7 685</b>	<b>54 439</b>
Expected credit (loss)/reversal	-66 723	-20 005	3 687	43 458	-39 583
Net (Increase)/Decrease in D&D provision	-61 109			0	-61 109
Taxation		-19 858	-3 778	-1 391	-25 027
<b>Profit from continuing operations</b>	<b>-102 780</b>	<b>60 652</b>	<b>-63 534</b>	<b>34 382</b>	<b>-71 280</b>
<b>Profit from discontinued operations</b>		<b>-60</b>		<b>-0</b>	<b>-60</b>
<b>Net Profit / (Loss) per AFS</b>	<b>-102 780</b>	<b>60 592</b>	<b>-63 534</b>	<b>34 382</b>	<b>-71 340</b>
Other comprehensive income for the year net of taxation	45 485	297	2 309	50	48 141
<b>Total Comprehensive loss for the year</b>	<b>-57 295</b>	<b>60 890</b>	<b>-61 225</b>	<b>34 431</b>	<b>-23 199</b>
PRMA Actuarial adjustment in Other Comprehensive Income	14 676				
<b>Net Profit / (Loss) per Mgt Acc</b>	<b>-88 104</b>				

Group shows a turn around evidenced in the net profit before adjustments at +R54m eroded by accounting adjustments

Overall improvement at Group level with a comprehensive loss of -R23m versus a budget of -R155m

# FINANCIAL YEAR 2021/22 AUDIT REPORT SHOWS A SIGNIFICANT REDUCTION IN MATERIAL ISSUES



**One (1) non-material finding, a reclassification**

- Administration and Fees

**Five(5) material items in the FY2021/22**

- Decontamination and Decommissioning (D&D) Stage 1 & Stage 2
- Leave provision
- Trade and other payables
- Other operating expenses

**Two (2) findings relating to prior year (2020/21) – no issues in the year under review (2021/22)**

- Property plant and equipment
- Prior year consolidation difference

**Three (3) consequential findings**

- Going concern
- Cash flow [two findings]

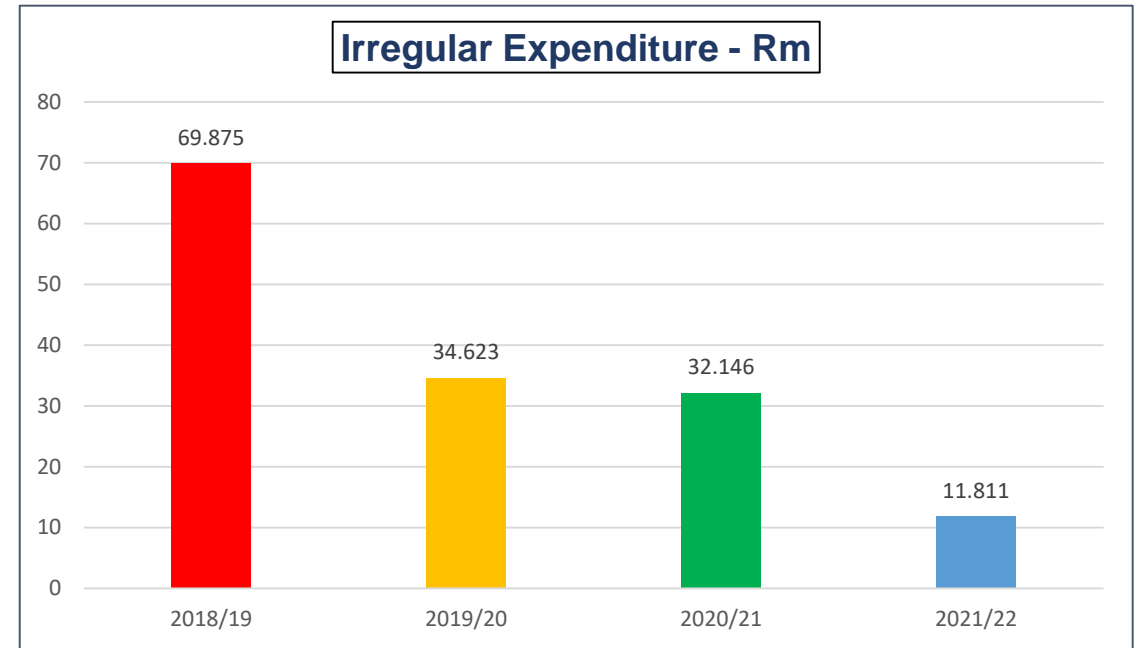
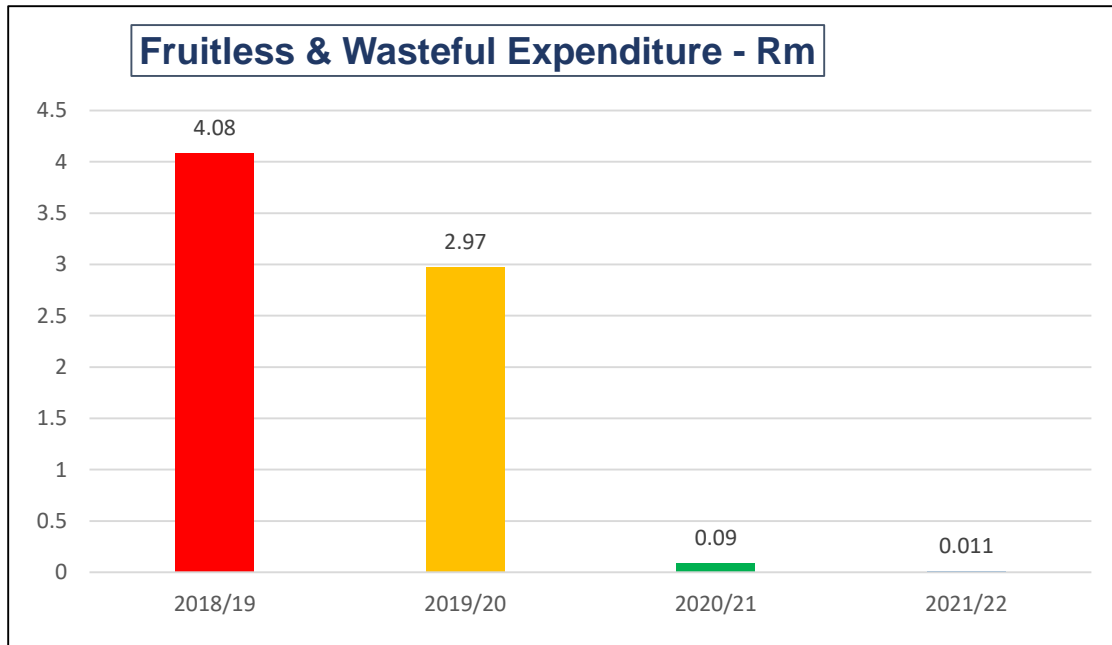
**Three (3) findings emanating from subsidiaries**

- Trade and receivables [AC Amersham]
- Cost of sales [AC Amersham]
- Pelchem commitments

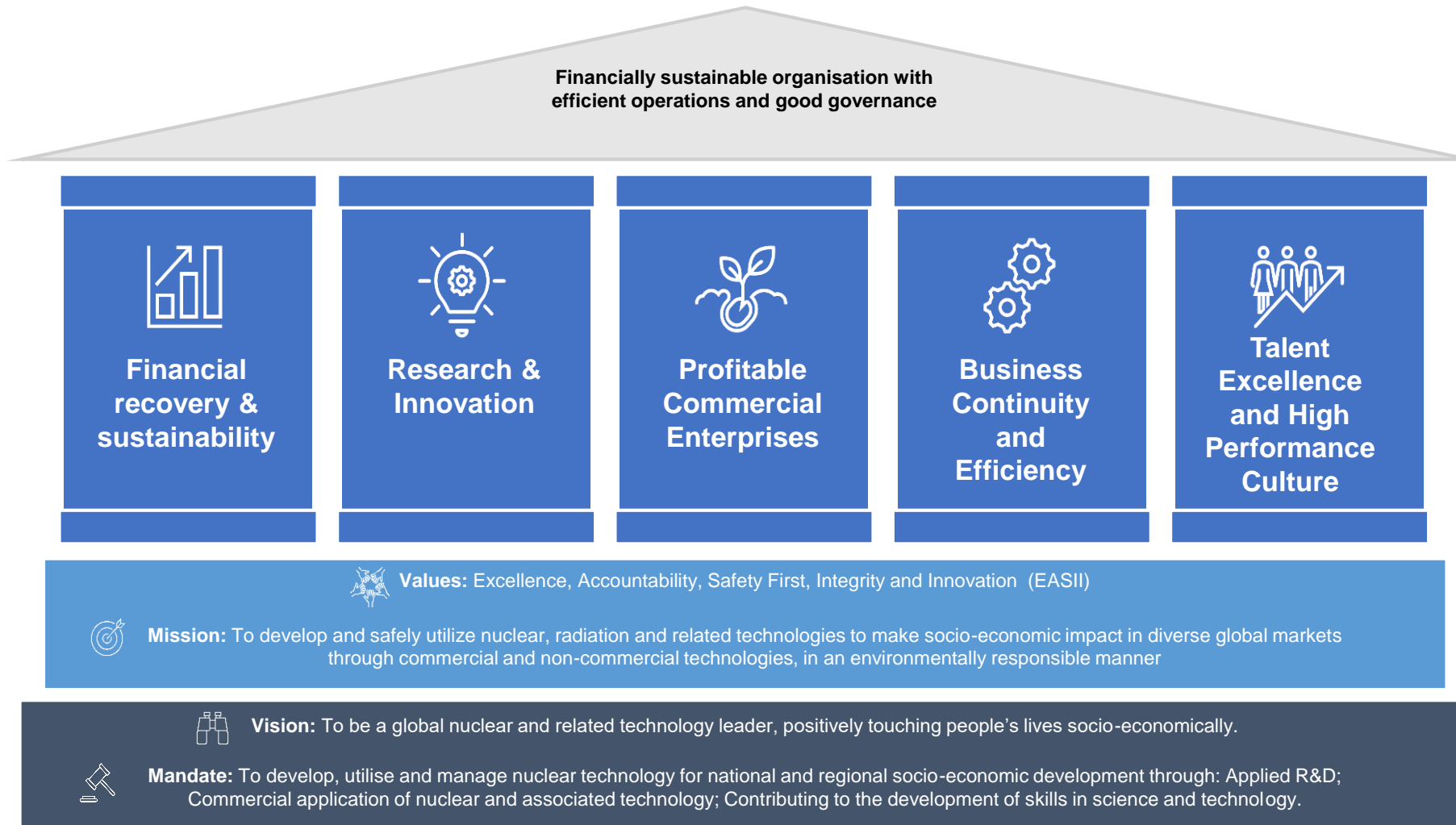
- ✓ Improved performance evidenced by a reduction of material findings
- ✓ No supply chain issues – Focus is to stay on course with respect to sustaining the elimination of supply chain issues
- ✓ Necsa plans to build on this improvement going forward – Audit Recovery has begun



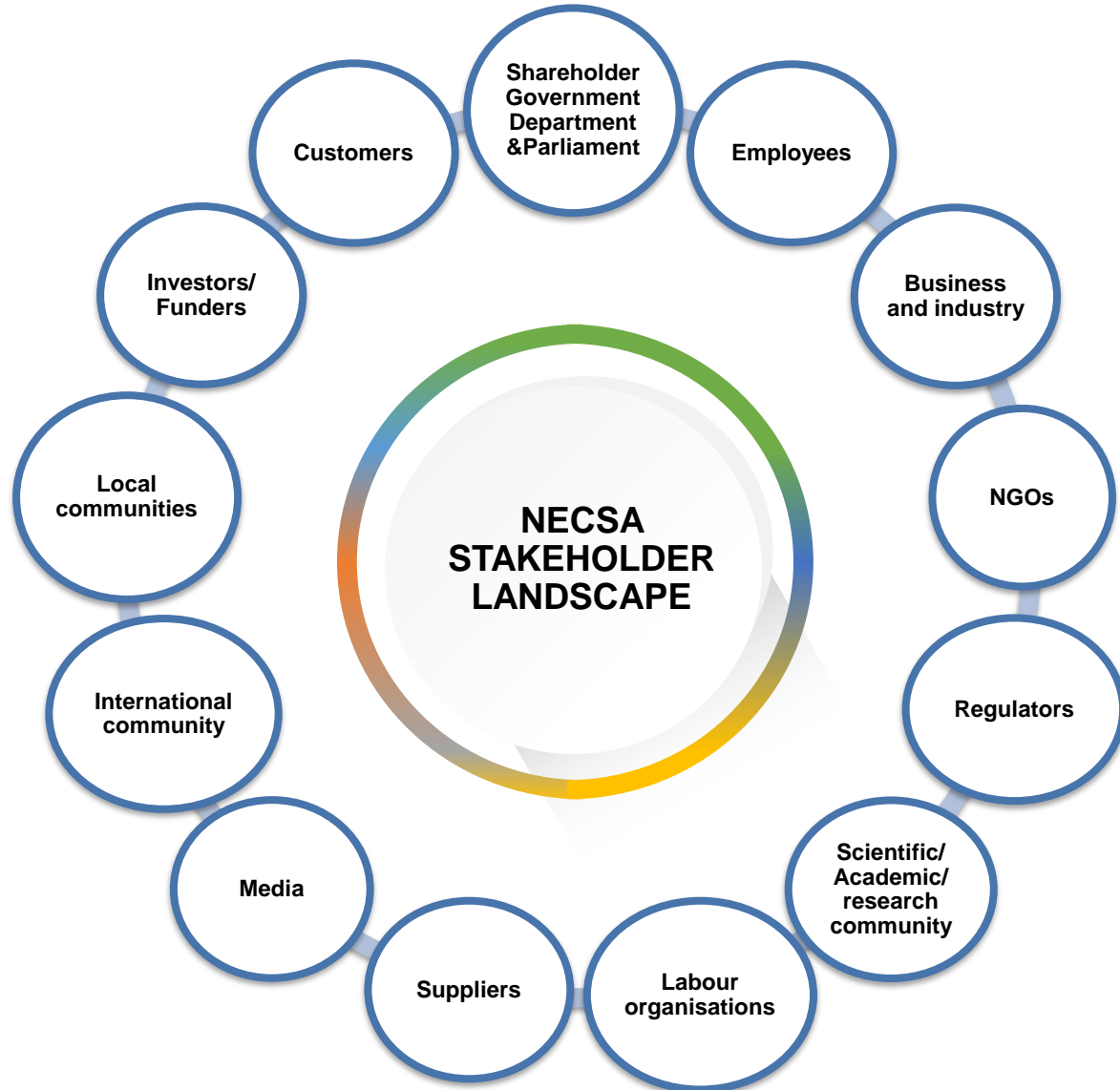
# IRREGULAR EXPENDITURE AND FRUITLESS & WASTEFUL EXPENDITURE ON A DOWNWARD TREND OVER THREE YEARS



- Improving PFMA compliance as part of strengthening governance at Necsa
- Drastic downwards trajectory in both IE and F&WE
- As we head for an unqualified audit opinion, the focus is on clearing the slate



- Turnaround requires culture shift internally – compacted on high performance culture
- Growth tied to increased revenue from strategic projects thematised as follows:
  - Neutron Source Generation Projects
  - Advanced manufacturing, Nuclear & Related Technology Applications
  - Fluorochemical Business Sustainability
  - Radioisotopes and Pharmaceutical Business Sustainability
  - Waste Projects
  - Energy Projects
  - Sustainable Site Utilization and Infrastructure Management
- Already seeing positive shoots from the new strategy



Necsa continued to maintain good and mutually-beneficial relationships with its various stakeholders while managing a myriad of issues that are of importance to these stakeholders

## CONCLUSION

Improved governance, finances and leadership stability

Marginal improvement on KPAs with a renewed focus on new KPAs based on the five strategic pillars

Audit findings dramatically reduced to 14 (five issues from the year under review) from 160 – focus on getting a clean audit

New strategy for growth is anchored in our founding mandate in nuclear research and new revenue generating programmes from our commercial entities, advanced manufacturing and involvement in the nuclear power generation value chain

Shareholder support important for our turnaround and important to build trust with other key stakeholders

