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Summary of MINTEK-2010/11 Annual Report

1. Introduction

This brief does not seek to provide a comprehensive analysis of the Annual Report of MINTEK but to summarise key points in the 2010/2011 report. It specifically focuses on the financial statements and performance against objectives of MINTEK. It covers three essential elements of financial reporting, which are Auditor-General's report, statement of financial position and statement of financial performance.

2. Performance against objectives

Objectives of Mintek were categorised into Stakeholder Perspective, Financial Perspective and Learning and Growth Perspective. Therefore the assessment of performance is also based on these objectives.

2.1. Stakeholder Perspectives

Mintek achieved and even exceeded most of the targets under Stakeholder Perspective.

The targets that were not met were:

- Number of new technologies developed (two instead of five)
- Number of prototypes developed evidence by reports (two instead of four)
- Number of plant units sold (two instead of four)
- Number journal papers published (four instead of 10)
- Number of metallurgical processes and products developed (zero instead of three)
- Number of journal reports related to mineral beneficiation (19 instead of 21)
- Number of internal and external reports relating to water and minerals processing (six instead of eight and zero instead of three, respectively)
- Number of reports on value chain relocation and development (one instead of two)
- Number of journal papers on sustainable resource management (zero instead of two)
- Number of reports on supporting the development of junior resource companies (nine instead of 23)
- Number of technologies suited to SMME operations developed (two instead of three)
- Number of SMME technologies transferred (zero instead of three)
- Number of new start-up SMMEs that are Mintek supported (four instead of 14)
- Number of jobs created through start-ups (77 instead of 168)
- Number of source areas identified through trace element analysis (zero instead of one)
- Annual summary report on policy support work undertaken (zero instead of one)
- Number of publications/ journal papers on socio-economic research and analysis as per DMR request (zero instead of one)
- Number of reports regarding the impact of mining on women (one instead of three)



This represents 19 of the 55 targets (35 per cent) set under stakeholder perspectives that were not met or Mintek met 65 per cent of the targets that it sets for itself under stakeholder perspective. The reasons provided for failure to meet the targets range from low demand, lack of funding to staff resignations.

2.2. Financial Perspective

Mintek received an unqualified audit report and it exceeded the target of 25 per cent of total discretionary spend on procurement from BEE companies. It managed to achieve 43 per cent expenditure on BEE procurement. This was reported to be as a result of focusing on accredited suppliers. The return on investments was slightly higher than budgeted for as a result of more funds being placed in interest yielding securities, despite the decrease in the interest rate (5.9% as opposed to the budgeted 5%). It managed to achieve 38 per cent of expenditure in science vote as a ratio of total expenditure. All targets on quality, environment and safety were achieved except for the client dissatisfaction frequency rate (CDFR).

The targets that were not met included:

- Actual debtors write off as a percentage of total revenue. (1.1% instead of □0.8%)
- Average debtors days (93 days instead of □75 days)
- Income derived from products and services (R359 826 instead of R416 687)
- Total State Grant Revenue (R128 702 instead of R130 385)
- Total Capital Expenditure (R63 788 instead of R39 140)
- Total of overhead costs over total costs (36 % instead of 25%)
- Revenue per head (R490 instead of R500)
- Total cost to company salary bill over total expenditure (62% instead of 55%)
- Client dissatisfaction frequency rate (14 instead of □10)

It appears that most of the targets that were not met were as a result of circumstances beyond the control of the entity, e.g. budget allocation.

Issues for consideration

What percentages of BEE expenditure went to capital, services and consumables?

What were the reasons for writing off of debts and who were the debtors?

2.3. Learning and Growth Perspective

Mintek submitted its Workplace Skills Plan and Employment Equity Report and Plan for the 2010/11 financial year. It also managed to exceed the target of bursars under the undergraduate Bursary Programme to 106. It also exceeded the target of HDSAs in employment by achieving 82.8 per cent. There were 49 international collaborations against a target of 25.



The targets that were not met included the following:

- Total expenditure on skills development as a percentage of total revenue (1.44% instead of 1.50%)
- Number of science events (2 instead of 10)
- Under-graduate absorption rate (79% instead of 90%)
- Number of bursars (42 instead of 50)
- MSc graduate absorption rate (80% instead of 100%)
- Number of employees attending work-based learning programme (45 instead of 50)
- Number of interns employed (32 instead of 33)
- Number of people trained in jewellery and beads (119 instead of 210)
- Number of people trained in small scale mining (99 instead of 450)
- Number of SMMEs developed (4 instead of 14)
- Average years of experience at Mintek (2.4 years instead of 5.0 years)
- Staff turnover (12% instead of 10%)
- Number of employees in leadership development programme (20 instead of 30)
- Proportion of research to total staff (31 instead of 35)
- Number of staff enrolled for MSc and PhD (12 instead of 24)
- Percentage of staff with MSc (6.65 instead of 20)
- Number of papers published (66 instead of 100)

The reasons for failure to achieve the targets ranged from lack of external funding to staff-turn-over.

Issues for consideration

What was the reason for the failure to achieve the targeted expenditure on skills development?

What was the reason for the low number of people trained in jewellery and beads?

Report of the Auditor-General

MINTEK received an unqualified audit opinion for the 2010/2011 financial year. There was no emphasis of matter by the Auditor-General.

Predetermined objectives

The Auditor General did not make any material findings on the annual performance report concerning the presentation, usefulness and reliability of the information.

Statement of Financial Position



MINTEK is in a good financial position since the total assets equals the total equity and liabilities. However, there was an increase in both total assets and total equity and liabilities of R40 million from the previous financial year.

Statement of Financial Performance

MINTEK had the revenue of R337 million in the 2010/2011 financial year, which is a decrease of R9.6 million in monetary terms from the previous year. The expenditure amounted to R366.2 million comprising:

- Loss on exchange difference (R2,192,525)
- Employee costs (R227,157,971)
- Operating expenses (R79,976,062)
- Finance costs (R3,534,993)
- Auditors remuneration (R1,651,364)
- Fees for services (R39,300,384)
- Depreciation, amortisation and impairments (R12,424,447)

Conclusion

Overall, MINTEK appears to be in good financial position and the balance sheet reflects that its assets are equal to its liabilities.

References

Mintek (2011) **Annual Report 2010/2011**.

Mintek (2010) **Annual Report 2009/2010**.

National Treasury (2010) **Estimates of National Expenditure**.