



# Institute of Natural Resources NPC

Registration number: 1996/000355/08  
NPO registration number: 028-756-NPO  
PBO registration number: 18/11/13/4494

Annual financial statements for the year ended  
**31 December 2017**

**Audited**

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Prepared under the supervision of  
**Mrs Belinda Murray (Financial Director)**

# **Institute of Natural Resources NPC**

## **Annual financial statements**

*for the year ended 31 December 2017*

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# **Institute of Natural Resources NPC**

## **Directors' report**

*for the year ended 31 December 2017*

The directors have pleasure in submitting their report for the year ended 31 December 2017.

### **Business activities**

The Institute of Natural Resources NPC is a non-profit company, having been incorporated under section 8 and 11 of the South African Companies Act 71 of 2008, as amended. It is registered as a non-profit organisation with registration number 028-756-NPO.

The main purpose of the Institute of Natural Resources is to work towards the wise use of natural resources in pursuit of sustainability for the good of the environment and society. We do this through multidisciplinary action research and the dissemination of knowledge. We work closely with community partners in creating solutions which are both practical and easily implemented. In addition, we play an advisory role to government, communities and the private sector on key initiatives. The Institute's primary focus is sustainable resource management, with our work arranged into a series of inter-linked thematic areas:

- Adaptation and Resilience
- Agriculture and Rural Livelihoods
- Ecosystems
- Environmental Sustainability
- Environmental Governance
- Water and Aquatic Ecology

### **General review of operations**

The net deficit for the year is R 187 383 (2016 – surplus R 842 143). As a non-profit company, surpluses arising from annual operations are transferred to a distributable reserve which is used to fund the sustainability and growth of the organisation and initiatives undertaken by the organisation for public benefit.

### **Public service activities**

During the year the Institute of Natural Resources NPC undertook professional work without payment or at a discounted rate as a public service to the value of R 688 345 (2016 – R 303 028). We are committed to making a meaningful contribution to society as a whole, particularly through;

- Funding key action research projects
- Participating in problem-solving dialogues and sharing our knowledge at workshops and conferences
- Publishing scientific papers, articles and booklets
- Implementing an internship programme
- Mentoring students and supervising post graduate research

# Institute of Natural Resources NPC

## Directors' report (continued)

*for the year ended 31 December 2017*

### Directors

The directors in office during the year were as follows:

Dr. SA Bodhanya	(Chairman - Independent non-executive director)
Mr DG Hay	(Executive director)
Mrs B Murray	(Financial director)
Ms JJ Mitchell	(Independent non-executive director)
Mr BI Khumalo	(Independent non-executive director)
Mr RE Stewart	(Independent non-executive director- Resigned 23 March 2017)
Mr CTH James	(Independent non-executive director)

### Secretary

No secretary was appointed for the year under review.

### Business address:

67 St Patricks Road  
Scottsville  
Pietermaritzburg  
3201

### Postal address

P O Box 100396  
Scottsville  
3209

### Auditors

KPMG Inc will continue in office in accordance with Section 90 of the Companies Act of South Africa.

### Bankers

Nedbank Limited  
Investec Bank Limited

### Subsequent events

The directors are not aware of any matter or circumstances arising between the reporting date and the date of this report, not otherwise dealt with in the financial statements that would significantly affect the financial position of the company or the results of its financial position.


# Institute of Natural Resources NPC

## Directors' report (continued)

*for the year ended 31 December 2017*

### Approval of the annual financial statements

The annual financial statements of the Institute of Natural Resources NPC were approved by the board of directors on 05 June 2018 and are signed by:

  
\_\_\_\_\_  
Dr. SA Bodhanya  
Chairman

  
\_\_\_\_\_  
Mr DG Hay  
Executive Director



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## Independent Auditor's Report

### To the Directors' of the Institute of Natural Resources NPC

#### Opinion

We have audited the financial statements of the Institute of Natural Resources NPC (the company) set out on pages 8 to 28 which comprise the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Institute of Natural Resources NPC as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

KPMG Inc. is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc. is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Chief Executive N Dlomu

Directors Full list on website

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Inc.

Per J Datadin  
Chartered Accountant (SA)  
Registered Auditor  
Director  
06 June 2018



# Institute of Natural Resources NPC

## Statement of financial position

at 31 December 2017

	<i>Notes</i>	<b>2017</b> <b>R</b>	<b>2016</b> <b>R</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	2 608 785	2 628 054
<b>Current assets</b>			
Cash and cash equivalents	3	3 778 193	3 388 116
Trade and other receivables	4	1 928 525	2 460 126
Work in progress		4 088 495	3 893 893
<b>Total assets</b>		<b>12 403 998</b>	<b>12 370 189</b>
<b>Reserves and liabilities</b>			
<b>Reserves</b>			
Distributable reserves		8 511 729	8 699 112
Non-distributable reserves		1 200 000	1 200 000
<b>Current liabilities</b>			
Funds in advance	3	1 159 000	899 121
Trade and other payables	5	1 533 269	1 571 956
<b>Total reserves and liabilities</b>		<b>12 403 998</b>	<b>12 370 189</b>



# Institute of Natural Resources NPC

## Statement of comprehensive income

for the year ended 31 December 2017

	<i>Notes</i>	<b>2017</b> <b>R</b>	<b>2016</b> <b>R</b>
<b>Revenue</b>		<b>15 418 924</b>	13 528 075
Other income		<u>171 936</u>	<u>112 842</u>
<b>Total income</b>		<b>15 590 860</b>	13 640 917
Depreciation expense		(135 522)	(123 241)
Employee benefits expense		(9 582 959)	(8 744 713)
Other expenses		(1 267 089)	(1 271 999)
Project expenses		<u>(5 029 477)</u>	<u>(2 841 483)</u>
<b>Total operating expenses</b>		<b>(16 015 047)</b>	(12 981 436)
<b>(Deficit)/surplus from operations</b>	6	<b>(424 187)</b>	659 481
<b>Net finance income</b>	7	<b>236 804</b>	182 662
Interest received		<u>236 804</u>	<u>182 712</u>
Interest paid		<u>-</u>	<u>(50)</u>
<b>Net (deficit)/surplus for the year</b>		<b>(187 383)</b>	842 143
Other comprehensive income		-	-
<b>Total comprehensive (deficit)/surplus for the year</b>		<b>(187 383)</b>	842 143

# Institute of Natural Resources NPC

## Statement of changes in equity

for the year ended 31 December 2017

	Non-distributable reserves R	Distributable reserves R	Total R
<b>Balance at 31 December 2015</b>	1 200 000	7 856 969	9 056 969
Total comprehensive surplus for the year	-	842 143	842 143
<b>Balance at 31 December 2016</b>	1 200 000	8 699 112	9 899 112
Total comprehensive deficit for the year	-	(187 383)	(187 383)
<b>Balance at 31 December 2017</b>	<b>1 200 000</b>	<b>8 511 729</b>	<b>9 711 729</b>



# Institute of Natural Resources NPC

## Statement of cash flows

for the year ended 31 December 2017

	<i>Notes</i>	<b>2017</b> <b>R</b>	<b>2016</b> <b>R</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	8	<b>259 919</b>	1 354 637
Interest received		<b>236 804</b>	182 712
Interest paid		-	(50)
<b>Net cash inflow from operating activities</b>		<b>496 723</b>	1 537 299
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		<b>13 649</b>	873
Acquisition of property, plant and equipment		<b>(120 295)</b>	(128 091)
<b>Net cash outflow from investing activities</b>		<b>(106 646)</b>	(127 218)
<b>Cash flows from financing activities</b>			
Decrease in long-term liability		-	(10 975)
<b>Net cash outflow from financing activities</b>		-	(10 975)
<b>Increase in cash balances for the year</b>		<b>390 077</b>	1 399 106
Cash balances at beginning of the year		<b>3 388 116</b>	1 989 010
<b>Cash balances at end of the year</b>	3	<b>3 778 193</b>	3 388 116



# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

### 1. Accounting policies

#### 1.1 Reporting entity

The Institute of Natural Resources NPC (the company) is a non-profit company incorporated under Section 8 and 11 of the Companies Act 71 of 2008, (as amended) and Companies Regulations 2013 and is domiciled in the Republic of South Africa. The address of the company's registered office is 67 St Patricks Road, Scottsville, Pietermaritzburg, 3201, South Africa.

#### 1.2 Basis of preparation

##### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

##### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The methods used to measure fair values are discussed further in note 9.

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

##### (c) Functional and presentation currency

The financial statements are presented in South African Rands, which is the entity's functional currency.

##### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from 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 and in any future periods affected.

# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

### 1.3 Significant accounting policies

#### (a) Property, plant and equipment

##### (i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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.

##### (ii) *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 costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### (iii) *Depreciation*

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

- |                           |          |
|---------------------------|----------|
| • Computer equipment      | 3 years  |
| • Furniture and equipment | 5 years  |
| • Buildings               | 50 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

#### (b) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

### 1.3 Significant accounting policies (continued)

#### (c) Impairment

##### (i) Financial assets

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.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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 comprehensive income.

##### (ii) Non-financial assets

The carrying amounts of the company's non-financial assets, other than inventories, 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement.

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 their 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.

In respect of other assets other than goodwill, 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.

#### (d) 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.

# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

### 1.3 Significant accounting policies (continued)

#### (e) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the income statement using the effective interest method.

#### (f) Financial instruments

##### (i) Trade and other receivables

Trade and other receivables do not carry interest and are stated at their amortised cost, less impairment losses. Impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of sale. Significant financial difficulties of the debtor, or delinquency in payments are considered indicators that the trade receivable is impaired.

##### (ii) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### (iii) Borrowings and loans

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised costs using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

##### (iv) Trade and other payables

Trade and other payables are classified as financial liabilities originated by the company. These short term amounts are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received.

#### (g) Revenue

Revenue is recognised where recoverable time or disbursement costs have been incurred. To the extent that such time or costs have not been recovered, work in progress is raised where it is felt recovery is assured. Where professional fees or grants have been received but costs have yet to be incurred, a funds received in advance liability is raised.



# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

### 1.3 Significant accounting policies (continued)

#### (h) Surpluses/Deficits

Surpluses/Deficits arising from annual operations are transferred to a distributable reserve which is used to fund the sustainability and growth of the organisation, and action initiatives undertaken by the organisation for public benefit.

#### (i) Employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and any non-monetary benefits) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### (j) Funds in advance and work in progress

Funds in advance are recognised when professional fees or grants are received, and where recoverable time or disbursements have not been incurred. On the recognition of the revenue, to the extent that such time or costs have not been recovered, work in progress is raised where it is felt recovery is assured.

#### (k) Related parties

A party is related to the company if any of the following are met:

- Directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with the company;
- The party is a member of key management personnel of the entity or its parent;
- The party is a close family member of the family or individual referred to the above.

Close family member of the family of an individual includes:

- The individual's domestic partner and children;
- Children of the individual's domestic partner; and
- Dependents of the individual or the individual's domestic partner.

#### (l) Determination of fair values

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair values are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.



# Institute of Natural Resources NPC

## Notes to the financial statements for the year ended 31 December 2017

2	Property, plant and equipment	Land R	Buildings R	Computer equipment R	Furniture and equipment R	Motor Vehicle R	Total R
	<i>Cost</i>						
	<b>Balance at 31 December 2015</b>	190 000	2 234 215	399 379	510 650	83 000	3 417 244
	Acquisitions	-	-	64 102	63 989	-	128 091
	Disposals	-	-	(15 404)	(9 575)	-	(24 979)
	<b>Balance at 31 December 2016</b>	190 000	2 234 215	448 077	565 064	83 000	3 520 356
	Acquisitions	-	-	85 775	34 520	-	120 295
	Disposals	-	-	(59 791)	(12 846)	-	(72 637)
	<b>Balance at 31 December 2017</b>	190 000	2 234 215	474 061	586 738	83 000	3 568 014
	<i>Depreciation and impairment losses</i>						
	<b>Balance at 31 December 2015</b>	-	41 435	330 855	380 245	41 500	794 035
	Depreciation charge for the year	-	-	57 866	48 775	16 600	123 241
	Disposals	-	-	(15 402)	(9 572)	-	(24 974)
	<b>Balance at 31 December 2016</b>	-	41 435	373 319	419 448	58 100	892 302
	Depreciation charge for the year	-	-	57 333	61 589	16 600	135 522
	Disposals	-	-	(56 606)	(11 989)	-	(68 595)
	<b>Balance at 31 December 2017</b>	-	41 435	374 046	469 048	74 700	959 229
	<i>Carrying amount</i>						
	Balance at 31 December 2016	190 000	2 192 780	74 758	145 616	24 900	2 628 054
	<b>Balance at 31 December 2017</b>	190 000	2 192 780	100 015	117 690	8 300	2 608 785

# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

### 2 Property, plant and equipment (continued)

Land and buildings

Land and buildings comprises portions 127, 128, 324, 349 of Erf 1913, Pietermaritzburg, KwaZulu-Natal, measuring 5 582 square meters (known as 67 St Patricks Road, Pietermaritzburg). Buildings were not depreciated during the current year as the residual value exceeded the carrying amount.

	2017 R	2016 R
<b>3 Cash and cash equivalents</b>		
Call accounts	3 130 313	3 200 223
Current accounts	640 653	180 645
Petty cash	7 227	7 248
	<u>3 778 193</u>	<u>3 388 116</u>

Included in cash and cash equivalents is R 1 159 000 (2016 – R 899 121), relating to funds received in advance for projects.

#### Securities:

First Continuous Covering Mortgage Bond over portion 127, portion 324; and portion 349 of Erf 1913, Pietermaritzburg for R 650 000.

Cession of Fire Cover Insurance over portion 127, portion 349; and portion 324 of Erf 1913, Pietermaritzburg for R 9 000 000.

### 4 Trade and other receivables

	2017 R	2016 R
Trade receivables	1 897 639	2 431 378
Other receivables	30 886	28 748
	<u>1 928 525</u>	<u>2 460 126</u>

# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

	2017	2016
	R	R
<b>5 Trade and other payables</b>		
Trade payables	522 977	373 665
Accruals and provisions	805 773	846 061
Value added tax	202 743	350 454
Other payables	1 776	1 776
	<u>1 533 269</u>	<u>1 571 956</u>
<b>6 (Deficit)/ surplus from operations</b>		
(Deficit)/surplus from operations is arrived at after taking the following into account:		
<b>Income</b>		
Foreign exchange gains	46 492	109 290
Profit on sale of property, plant and equipment	9 607	868
	<u>9 607</u>	<u>868</u>
<b>Expenses</b>		
Audit fees	132 319	135 000
- current year provision	150 000	135 000
- prior year over provision	(17 681)	-
Audit fees- Projects	47 226	25 000
- current year provision	25 500	25 000
- prior year under provision	21 726	-
Depreciation	135 522	123 241
Directors remuneration – other services	1 569 309	1 478 365
Professional fees	2 134 775	1 284 951
	<u>2 134 775</u>	<u>1 284 951</u>



# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

	2017 R	2016 R
<b>7 Net finance income</b>		
Interest received	236 804	182 712
Interest paid	-	(50)
	<u>236 804</u>	<u>182 662</u>
<b>8 Notes to the statement of cash flows</b>		
<b>Cash utilised by operations</b>		
(Deficit) / surplus from operations	(424 187)	659 481
<i>Adjusted for:</i>		
Depreciation	135 522	123 241
Profit on sale of property, plant and equipment	(9 607)	(868)
Operating (deficit) / surplus before changes in working capital	(298 272)	781 854
<i>Changes in working capital:</i>	558 191	572 783
Increase in work in progress	(194 602)	(1 127 713)
Decrease in trade and other receivables	531 601	1 236 272
Increase in funds in advance	259 879	104 445
(Decrease) / increase in trade and other payables	(38 687)	359 779
	<u>259 919</u>	<u>1 354 637</u>

## 9 Financial risk management

The Institute of Natural Resources NPC financial instruments consist primarily of cash and cash equivalents, trade and other receivables and trade and other payables. Financial instruments are carried at fair value or amounts that approximate fair value.

	2017 R	2016 R
<b>Categories of financial instruments</b>		
<b>Financial assets</b>		
Loans and receivables	5 706 718	5 848 242
Trade and other receivables	1 928 525	2 460 126
Cash and cash equivalents	3 778 193	3 388 116

# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

9 Financial risk management (continued)	2017 R	2016 R
<b>Categories of financial instruments (continued)</b>		
<i>Financial liabilities</i>		
Financial liabilities measured at cost		
Trade and other payables	<u>1 533 269</u>	<u>1 571 956</u>
<i>Financial income</i>		
Recognised in profit or loss		
Interest on cash balances	<u>236 804</u>	<u>182 712</u>
<i>Financial expenses</i>		
Recognised in profit or loss		
Other interest on financial liabilities	<u>-</u>	<u>50</u>

### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	Carrying amount 2017 R	Fair value 2017 R	Carrying amount 2016 R	Fair value 2016 R
Cash and cash equivalents	3 778 193	3 778 193	3 388 116	3 388 116
Trade and other receivables	1 928 525	1 928 525	2 460 126	2 460 126
Trade and other payables	<u>1 533 269</u>	<u>1 533 269</u>	<u>1 571 956</u>	<u>1 571 956</u>
	<u>7 239 987</u>	<u>7 239 987</u>	<u>7 420 198</u>	<u>7 420 198</u>



# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

### 9 Financial risk management (continued)

#### **Basis for determining fair values**

The following summarises the significant methods and assumptions used in estimating the fair values of the financial instruments reflected in the earlier table.

#### *Cash and cash equivalents*

The fair value of cash and cash equivalents is deemed to be the face value of such cash and cash equivalent financial assets.

#### *Other receivables*

The fair value of receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date when the effect of discounting is considered significant. The effect of discounting is not considered significant due to the short term nature of the company's receivables. Therefore, the fair value of other receivables is deemed to approximate carrying value.

#### *Other payables*

The fair value of payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date when the effect of discounting is considered significant. The effect of discounting is not considered significant due to the short term nature of the company's other payables. Therefore, the fair value of other payables is deemed to approximate carrying value.

#### *Liquidity risk*

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet its commitments. The company's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting agreements:

# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

### 9 Financial risk management (continued)

#### *Interest rate sensitivity*

A sensitivity analysis has not been done as the entity does not have any interest bearing borrowings during the period.

#### *Credit risk management*

Credit risk is the risk that the counterparty to a financial instrument will default on its obligation to the company, thereby causing financial loss to the company.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit. Reputable financial institutions are used for investing and cash handling purposes.

At reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

#### *Foreign currency risk management*

The company is exposed to foreign currency risk in the normal course of business. Currently the company does not make use of policies aimed at reducing exposure to foreign currency risk.

#### **Impairment losses**

The aging of trade receivables as at the reporting date was:

	2017		2016	
	Gross R	Impairment R	Gross R	Impairment R
Not past due	811 905	-	1 524 200	-
Past due 0-30 days	259 889	-	458 792	-
Past due 30-60 days	493 963	-	79 902	-
Past due 60-90 days	148 823	-	216 137	-
More than 90 days	183 059	-	152 347	-
	<b>1 897 639</b>	<b>-</b>	<b>2 431 378</b>	<b>-</b>

The directors believe that no impairment loss is necessary.



# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

### 10 Income taxation

The company has been granted an exemption from income taxation by the South African Revenue Service in terms of S10(1)(cN) of the Income Tax Act.

### 11 Related parties

The related parties to the Institute of Natural Resources are the directors of the organisation and the respective entities in which they held an interest in:

*Dr. SA Bodhanya*

Leadership Dialogue (Pty) Ltd

Economic Developers Council of South Africa NPC

*Ms JJ Mitchell*

None

*Mr BI Khumalo*

Operation Jumpstart NPC

*Mr RE Stewart*

Ginmeric Investments CC

Investment Developments CC

New Guelderland Sugar (Pty) Ltd

Crookes Brothers Limited

*Mrs B Murray*

None

*Mr DG Hay*

None

*Mr CTH James*

None

No related party transactions have taken place during the financial year.

# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

### 12 New standards and interpretations not yet effective

At the date of authorisation of the financial statements of Institute of Natural Resources for the year ended 31 December 2017, the following Standards and Interpretations applicable to the company were in issue but not yet effective:

Standard/Interpretation		Date issued by IASB	Effective date Periods beginning on or after
IFRS 15	<i>Revenue from contracts with customers</i>	May 2014	1 January 2018
IFRS 9	<i>Financial Instruments</i>	July 2014	1 January 2018

All standards and interpretations will be adopted at their effective dates.

The directors are of the opinion that these amendments will not have a material impact on the company's financial statements.

#### Assessment of impact of Standards to be implemented in the 2018 financial year:

##### IFRS 15 – Revenue from contracts with customers

Management have assessed the 5 steps of the revenue recognition model as required by IFRS 15:

- Identify the contracts with customers
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to separate performance obligations
- Recognise revenue as the entity satisfies the performance obligations

Management have assessed the core principle of revenue recognition:

An entity should recognise revenue in a manner that depicts the pattern of transfer of goods and services to customers.

Based on the assessments performed, the adoption of the new standard in January 2018 will not have a material impact in the manner in which revenue is recorded by the entity. Due to the entity already recognising revenue derived from their contracts over time rather than a point in time, the implementation of the standard will not materially alter the manner in which revenue is recognised.



# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

### 12 New standards and interpretations not yet effective (continued)

#### IFRS 9 – Financial instruments

Management have assessed the impact that the implementation of IFRS 9 will have on the recognition of financial instruments in terms of:

- Classification of financial instruments
- Recognition of financial instruments
- This includes the recognition of expected credit losses

Based on the assessment above, the following conclusions were reached regarding the classification of financial instruments:

The Institute of Natural Resources does not have any complex financial instruments with any assets and liabilities held that qualify as financial instruments being measured at amortised cost which approximates the fair value of the assets and liabilities respectively.

The trade receivables for the Institute of Natural Resources do not contain a significant financing component hence the loss allowance will be measured at an amount equal to lifetime expected credit losses.

The amendments per above are not expected to have a material impact on the company's financial statements.

### 13 Fair value information

#### Fair value hierarchy

Fair value is defined as the amount for which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arms-length transaction, other than in a forced or liquidation sale. The fair values of the company's financial instruments, which principally comprise cash and cash equivalents, trade and other receivables, and trade and other payables, approximate their carrying values in the statement of financial position. This is largely due to the short-term maturities position of these instruments. There have been no transfers between the different levels of fair value hierarchy during the current financial period.

The following disclosure below sets out the assets and liabilities that are measured and recognised at fair value as at 31 December 2017:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

#### Trade and other receivables - Level 3

#### Trade and other payables - Level 3

The carrying amount of short term (less than 12 months) trade receivables and payables approximates its fair values.

# Institute of Natural Resources NPC

## Notes to the financial statements

for the year ended 31 December 2017

### 14. Directors emoluments

	Salary	Bonus	Expense allowance	Other Benefits	Total
	R	R	R	R	R
<b>2017</b>					
DG Hay	800 844	-	7 200	97 706	905 750
B Murray	632 900	24 763	3 600	2 296	663 559
	<u>1 433 744</u>	<u>24 763</u>	<u>10 800</u>	<u>100 002</u>	<u>1 569 309</u>
<b>2016</b>					
DG Hay	787 892	17 292	7 200	55 108	867 492
B Murray	594 300	12 381	3 600	592	610 873
	<u>1 382 192</u>	<u>29 673</u>	<u>10 800</u>	<u>55 700</u>	<u>1 478 365</u>

### 15. Going concern

The directors have satisfied themselves that the Company has adequate resources to continue in operation for the foreseeable future. The company's financial statements have accordingly been prepared on a going concern basis.

### 16. Subsequent events

The directors are not aware of any matter or circumstance which is material to the financial affairs of the company, which has occurred between the reporting date and date of approval of the annual financial statements, that has not been otherwise dealt with in the annual financial statements.