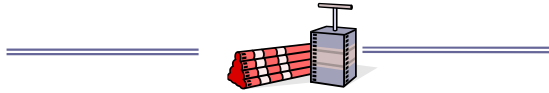




**Report of the
SAFEX Board of Governors**
to the
Ordinary General Meeting of Members,
Warsaw Marriott Hotel, Warsaw, Poland
23 May 2014



BOARD REPORT



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1. Preface

This report is intended to supplement the Meeting Papers for the Ordinary General Meeting of Members that was circulated to members prior to the meeting. It should be read in conjunction with the Notice of Meeting and Agenda (see Annexure A p. 25).

2. Introduction

It is my privilege as your Chairman to review on behalf of the Board of Governors the activities of SAFEX International for the period June 2011 to June 2014. What makes this an even greater privilege is that it marks the 60th anniversary of our Association.

The review commences with an overview of our **Membership** and the **Board of Governors** you appointed. After outlining the **Organisation** responsible for implementing the Board's programmes, I shall give a brief review of the **Member Services** provided. This will be followed by more information on those Agenda items which were not detailed in the **Meeting Papers**. Regarding SAFEX's **Financial** position, it is sufficient to say SAFEX is still proud to be able to organise this Congress from the annual subscriptions levied without any additional charge to members. The review concludes with some **Acknowledgements**.

3. Membership

It is through its membership that SAFEX influences our industry. We therefore place a premium on our membership numbers not because we play the "numbers game" but because of what the numbers represent - the probability of eliminating harmful incidents.

a. Full Members

SAFEX has two classes of full membership:

- Company (meaning single companies as opposed to subsidiary companies)
- Group Members.

During the current period fewer Company Members became part of Groups. Of the 7 single Company Members we lost during the review period, 1 was due to non-payment of membership fees and the remainder resigned for various reasons. There was also a correction in the holdings of one of the Group Members during 2012 which resulted in an addition of 16 subsidiaries. Besides this correction, the biggest impact in membership numbers came from the Zao Azot Vzryv Group that

Table: Showing membership flows during the review period

MEMBER COMPANIES / GROUP SUBSIDIARIES								
YEAR	Company Members			Group Members				GRAND TOTAL
	Companies			Groups	Subsidiaries			
	Total	Gain	Lost		Total	Gain	Lost	
<i>Dec 2010</i>	58				168			226
<i>Dec 2011</i>	63	6	1	7	168			231
<i>Dec 2012</i>	68	7	2	7	181	16	3	249
<i>Dec 2013</i>	67	3	4	8	193	12	0	250
<i>Mar 2014</i>	68	1		8	187	1	7	255
2011 - 2014	+10	+17	-7	+1	+19	+29	-10	+29

joined us from Russia in 2013. Azot-Vzryv with its 11 subsidiary companies is indeed a welcome addition. There are now 8 Group Members in SAFEX. The above Table illustrates the membership flows during the review period.

The Board endorsed the following applications for full membership during the review period. Please note it is not possible to reconcile the dates with the Table above which shows the year in which new companies started paying fees:

2011

Elbit Systems Ltd	Israel
Nanjing Ligong Chemical Engineering Co Ltd	PR of China
Mianyang Co Ltd (Resigned in 2013)	PR of China
Guizhou Jiulian Industrial Explosive Materials	PR of China

2012

Modern Chemicals & Services Co Ltd (MCS)	Saudi Arabia
Deepak Fertilizers & Petrochemicals Corp Ltd	India
Downer EDI Mining	Australia
Egypt Hydrocarbon Holdings (EHC)	Egypt

2013

Azot-Vzryv Group	Russia
Takata Corporation	USA
Saab Bofors Dynamics Switzerland	Switzerland

2014

Dirección General De Fabricaciones Militares (DGFM)	Argentina
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On the 31 March 2014 the number of companies and Group subsidiaries which are full members of SAFEX International totalled 255 and was made up as follows:

- Group Members (187 subsidiaries)
 - Austin Powder Company (10 member subsidiaries)
 - Chemring PLC (15 member subsidiaries)
 - Dyno Nobel ASA (20 member subsidiaries)
 - Explosifs et Produits Chimiques (EPC) (14 member subsidiaries)
 - MAXAM (38 member subsidiaries)
 - Orica Ltd (74 member subsidiaries)
 - Eurenco (5 member subsidiaries)
 - Zao Azot-Vzryv (11 subsidiaries)
- Company Members
68 member companies

b. Associate Members

There are two classes of Associate membership:

- **Corporate** associate membership for federations of explosives manufacturers or any other body that can actively promote the objects of SAFEX;
- **Individual** associate membership for individuals who are concerned with the explosives industry and comply with the requirements of the Articles of Association.

On the 31 March 2014 the following entities and individuals had been approved for Associate membership. This list includes those who are pending ratification by members.

Corporate Associate Members

AEISG
AFEMS (Pending ratification - See section 8.2)
CEFIC
CEMTA (Pending ratification - See section 8.2)
CERL
EASSP
EFEE (Pending ratification - See section 8.2)
FEEM
IME
IExpE
ISEE
JEIA

KCEM
NIXT
Visfotak

Individual Associate Members

Andy Begg
Martin Braithwaite
Boet Coetzee
Dabin Liu (Pending ratification - See section 8.2)
Peter Moreton
Ken Price

4 . Board of Governors

Governors are chosen from individuals who are either employed by members or are themselves individual associate members. The following Governors were approved by the Ordinary General Meeting of members on 27 May 2011:

Enrique Barraincua (MAXAM)
Andy Begg (Individual Associate)
Terry Bridgewater (Chemring PLC)
Steve Dawson (Dyno Nobel Asia Pacific)
Rahul Guha (Solar Industries India)
Piet Halliday (AEL Mining Services)
Claude Modoux (Poudrerie d'Aubonne)
Carlos Orlandi (Enaex Servicios SA)
John Rathbun (Austin International)
Thierry Rouse (Groupe EPC)
Mark Thomas (Orica Mining Services)

At its first meeting, the Board appointed Claude Modoux as its Chairman. Subsequently it also appointed John Rathbun as Deputy Chairman.

Mark Thomas resigned on 18 January 2013 when his position in Orica was declared redundant. The Board was delighted to welcome Andrew Crace (Orica Ltd) onto the Board when he was co-opted as Mark's replacement. At its meeting on 09 February 2014, Alexander Chernilovskyi (Zao Azot Vzryv) was also co-opted as a Governor.

The Board has a number of Standing Committees that deal with specific issues on an ongoing basis. They are:

- Review Committee which has oversight of incident reporting, the inci-

dent database, Newsletters, Topical Papers, the website and Papers presented at Congress. Its members are Andy Begg (Associate), Piet Halliday (AELMS), Peter Moreton (Associate) and Ian Powell (Thales Australia)

- Governance Committee with responsibility for the executive officers, statutory issues and the Articles of Association. It also acts as a Nomination Committee to identify candidates for any Board vacancies that may occur. It comprises Claude Modoux (Poudrierie d'Aubonne) and John Rathbun (Austin International)
- Finance Committee. Claude Modoux (Poudrierie d'Aubonne) is the Treasurer for the Association.

The Board is obliged to meet at least once a year. Four Board meetings took place during the period under review:

12 February 2012 in Nashville, TN USA

10 February 2013 in Fort Worth, TX USA

09 February 2014 in Denver, CO USA

22 May 2014 in Warsaw, Poland (Proposed)

All Board meetings had a minimum attendance of 8 Governors with the exception of the 2013 Meeting. This meeting was attended by 7 Governors as result of 3 Governors being stranded *en route* to the meeting because of inclement weather. Normal Board meetings coincide with the annual ISEE conferences in the USA as many Governors also attend those conferences. We are re grateful to Winston Forde and the ISEE for accommodating us so graciously on these occasions.

5. Organisation

The SAFEX registered office is in Switzerland but its Secretariat operates out of Cape Town, South Africa most of the time. The Board also uses the services of Modoux Services Sarl's to support its head office operations.

6. Member Services

The Board believes SAFEX exists to help its members learn from each other's experiences in order to prevent any harmful impacts of explosives on people, property and the environment. To fulfil its purpose SAFEX should be good at 4 things:

- a. Exchange incident information;
- b. Identify good Health, Safety, Security and Environmental (HSSE) practices;
- c. Promote explosives competence
- d. Network internally among Members and externally with collaborators

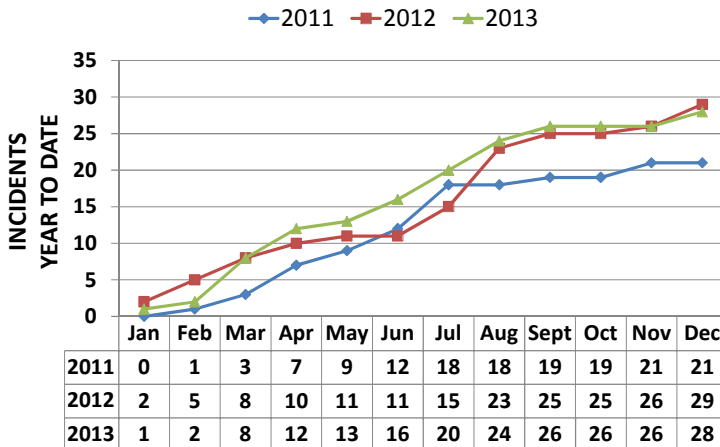
6.1 Incident information.

Incident reporting continues to be a major SAFEX focus during the review period. The SAFEX reporting system consists of two levels of reporting: Incident Notices and Investigation Reports. Where an incident has resulted in a formal inquiry there may be a third level, the Official Report.

Incident Notices cover explosives incidents anywhere in the world which are brought to SAFEX’s attention. Investigation Reports follow from members’ Incident Notices and attempt to identify recommendations to prevent a recurrence as well as extract learning points from the incident. Official Reports are submitted by exception and possibly a long time after the event.

Because they give us the best learning opportunities, we place a premium on **member incidents** (MI’s). Based on the number and severity of MI’s reported to SAFEX, we estimate that only half of our MI’s are being reported. This is a serious concern to the Board who urges Members to be diligent in reporting not only serious explosives incidents but near-events as well. The following chart reflects the total number of **member incidents** reported to SAFEX during each year of the review period:

MEMBER INCIDENTS REPORTED: 2011 - 2013



Members who submit incidents make this service possible and deserve to be recognised. During the period 2011 to 2013, the following members contributed incidents to SAFEX and the Board thanks them on your behalf:

Table: Contributors of Member Incidents during the review period

MEMBER	YEAR		
	2011	2012	2013
GROUPS			
Austin	2	1	5
Chemring	1	2	
Dyno			1
EPC	1	2	1
Eurenco		1	2
Maxam	3	4	3
Orica	1	4	
Sub-Total	8	14	12
COMPANIES			
AEL	4	4	3
BME	1		
Downer		1	2
Enaex			2
Explosia	1		
Famesa			1
Forcit		1	2
IDL (previously Gulf Oil)	1		
Iskra	1		
Indumil		1	
MCS		1	
Nitroerg			1
Premier		3	
Saab		2	
Saudi Chem	1		
Solar Industries		2	1
Thales Australia	4		4
Sub-Total	13	15	16
TOTAL	21	29	28

Every incident not reported is a lost learning opportunity. Remember, it's never too late to report an incident.

The **Incident Database** in which details of each incident is captured is a very important component of our incident information service. Peter Moreton (Individual Associate) is managing the integrity of the Database in an honorary capacity. Peter has also successfully developed a Desktop version of the Database. However, as there are still some security issues to resolve, the Desktop version has not been distributed widely among members.

As indicated in the previous Board Report, the Board enhanced the search capability of the Intranet Database. The “search by form” capability that has been introduced is more user friendly and the Board hopes this will encourage more members to use the Database.

The Database can only be as good as the information it contains. Therefore we renew our appeal to members to let us have historical incident records from their company archives. Our Database provides a reliable means of storing and accessing this information. The age or language of these old reports is not an issue. Many of these reports contain information that is still relevant to operations undertaken today. Moreover such records can help explain the reasons why certain rules, regulations and precautionary measures we now follow have evolved over the years. There is also a certain satisfaction to be gained in building up a database into an authoritative archive of information. With your help we can achieve our objective of making the SAFEX Database the world’s most authoritative source of information on incidents in the manufacture of explosives.

6.2 Explosives Practices

SAFEX has established two ways of helping members access effective HSSE practices: Workgroups and the Expert Panel. The purpose of the **Workgroups** is to develop and maintain documents called Good Practice Guides (GPG’s). These should reflect good HSSE practices in the specific focus area for which each Workgroup was established. At present there are six approved Workgroups:

- Emulsion Manufacturing safety (Leader: Dawie Mynhardt - BME, South Africa);
- Remediation of explosives contaminated facilities (Leader: Mervyn Traut - Expert Panel);
- Explosives Transport safety (Leader: Henry Merrick—AELMS);
- Good Explosives Practices (GEP) (Leader: Dr Martin Held—Austin International);

- Safe handling of technical grade ammonium nitrate (TGAN) (Leader: Dr Noel Hsu—Orica USA Inc)
- Explosives Security which includes explosives traceability. (Leader: Dr Noel Hsu—Orica USA Inc).

The Workgroups operate under the auspices of the Board who assigned one of its Governors, Dr Piet Halliday, to convene this activity. The Board has approved Workgroup Guidelines to assist the Workgroups. The Workgroup leaders are critical to the success of the Workgroups and the Board appreciates the time and effort they devote to this activity. The Board also wishes to acknowledge member companies who have made resources and material available to support the crucial work these Workgroups perform.

The **Expert Panel** comprises individuals who were nominated by members and approved by the Board. Such an individual must be associated with the explosives industry and have acquired expertise in specific fields. He must also be willing to make the same available to SAFEX members on a basis which the expert and the member agree between them without SAFEX's involvement. The fields of expertise should: (a) encompass areas where there is the potential for incidents that could result in injury, property damage or negative environmental impact; (b) be directed at any of the activities in an explosive's life cycle; and (c) entail any of a wide range of technologies.

During the review period the Board have accepted the following new nominations to the Expert Panel:

Dr. David Vince
Maurice Bourgeois
Gerard Chaloyard
Philip Kneisl
Prof David Ornai
Ron Peddie
Lon Santis
Paulo Siqueira
Chris Watson

The Board gratefully acknowledges the willingness of its Expert Panel members to share their knowledge and expertise informally by way of comment on incidents or responses to the Requests for Information from member companies

6.3 Explosives competence

SAFEX promotes explosives competence in two ways:

- Training initiatives
- Publications.

The **Training** Session at Congress has become a well-established feature of our Congress week and is regularly oversubscribed. Over the years Andy Begg (Expert Panel) has convened these Sessions and the Board wants to recognise and thank him for the time and effort he has devoted to this work. He will be handing over the role to Martin Held (Austin International) as from the next Congress.

At the last Congress the Board announced a second training initiative when it launched a programme called **SAFEXplosives Management**. The Course is focused on the development of explosives operations managers at all levels. It recognises the erosion of experience and knowledge that has occurred at management and supervisory levels in our industry. The Course aims to provide managers with the necessary knowledge and skills that are particularly important in the explosives industry.

Based on the feedback we received at the last Congress, the Board opted for an e-learning mode of instruction and proceeded to develop a Basis of Safety (BoS) module with the help of Cranfield University. The Module was completed early in 2013 but could not be launched without a suitable platform or Virtual Learning Environment (VLE). The Board agreed that the existing Cranfield University VLE was too costly and approved the development of a simpler, less costly VLE by Cranfield University. Regrettably, the development has taken much longer than anticipated. A technical issue with Internet Explorer version 8 was one of the causes of the delay. This issue has now been resolved and the internal testing of the students' functions and Basis of Safety module has been done. Frequently Asked Questions (FAQ) have also been added. The system is now cross browser compatible and will display and operate as normal regardless of the browser (IE, Firefox, Chrome etc.) used to access the portal. The only outstanding element is the finalisation of the administration and various management functions. The incoming Board will urge the Steering Committee to accelerate the development of the outstanding 7 Modules envisaged by the Course in anticipation of the finalisation of the VLE

SAFEX's publications comprise **Good Practices Guides** (GPG's) and **Topical Pa-**

pers. The Workgroups have produced the following GPG's during the review period and copies can be obtained from the Secretariat:

- GPG03(1)Rev1 *Managing Electrostatic Discharges (ESD) in the Manufacture of Explosives. Part 1: Technical Guide.* - GEP Workgroup
- GPG05(1) *Site Remediation: Historical Reviews of Explosives Contaminated Sites and Facilities* - Remediation / Decontamination Workgroup

The GPG's that should be available at the Congress are:

- GPG04 Disposal of Blasting Explosives - GEP Workgroup
- GPG02Rev2 Storage of Solid Technical Grade Ammonium Nitrate - TGAN Handling Workgroup

It has become our practice to issue at least one **Topical Paper** per year. The Editorial Committee selects the papers from those that are submitted by members of the SAFEX community. Regrettably, we have only published two Papers during the review period:

- 07/11: IMESA FR Version 2.0: A Next Generation Tool for Managing Risk Associated with Commercial Explosives Operations by John Tatom (APT Research Inc), Mike Swisdak (APT Research Inc) and Lon Santis (IME)
- 08/13: Progressive Developments of Polymeric Shock tubes for Initiating Systems by Christian Yakan-a-Nwai (Cape Peninsula University of Technology, South Africa) and Samir Mukhopadhyay (AEL Mining Services, South Africa)

The Board wants to encourage members to pass onto the Secretariat any suitable Papers for consideration as a Topical Paper .

6.4 Networking

The primary mechanisms SAFEX employs in its networking efforts are the:

- Website,
- SAFEX Newsletters
- SAFEX Congress.

The SAFEX **Website** comprises a Public area and an Intranet restricted to SAFEX members who are issued with the necessary access codes. It is essential that any employee of a member company who needs access must be authorised by the SAFEX Contact for that company and request his/her unique access codes. The use of access codes belonging to another employee is strictly forbidden.

The Intranet contains information such as the Incident Notices issued every month, the Incident Database and information of member companies. During the review period the Board upgraded the Website to improve its user friendliness. For the first time Congress delegates could make their hotel reservations and register for the Congress online.

The Secretariat attempts to issue four **Newsletters** a year. The Newsletters have evolved some standing features and the Board appreciates the efforts of regular contributors to the Newsletter. We are grateful that the Newsletter enjoys wide exposure outside the SAFEX community. It is estimated that the Newsletter now finds its way to some 400 organisations. Contributions as well as comments and suggestions that will improve the Newsletter are welcome from any source.

SAFEX **Congresses** have adopted a pattern consisting of pre-Congress activities, the Congress itself and a Social Programme. The Training Session and Workgroup meetings are part of the pre-Congress activities. The principal features of the Congress itself are :

- The Open Day on the Thursday to which we invited visitors from outside the SAFEX community.
- The Chairman's Programme for chief executives at the Congress > The Board wants to encourage as many chief executives as possible to participate in the 3 hours that have been set aside for this on the Thursday.
- The Closed Day on the Friday with the plenary sessions restricted to the SAFEX community.

The Social Programme includes two days of excursions for delegates' spouses/ partners, the Gala Dinner and a Congress excursion on the Saturday for the whole day.

7. Matters requiring Members' Approval

None

8. New Members

8.1 Introduction of New Members

We have pleasure in introducing the Zao Azot Vzryv Group and the new members listed on p. 5.

ZAO AZOT VZRYV GROUP

The Group provides a complete outsourcing service for drilling and blasting work in Russia. These services include production of emulsion explosives components, their transportation and loading on sites; a drilling and blasting service to mining companies; production of initiation systems; equipment and raw materials supply for production of emulsion explosives; turnkey projects for emulsion explosives production; scientific research and development of new technologies; assistance in project approval by supervisory authorities; engineering and consulting in blasting techniques.

The Group comprises 11 subsidiaries employing almost 2,000 people. While some of the subsidiaries are small and may not be involved in the actual manufacture of explosives, the bulk of the Group manufactures explosives

ELBIT SYSTEMS LTD

Elbit Systems Ltd. specializes in defence products. Through its subsidiary Soltam Systems it manufactures develops and manufactures high explosives for use in artillery and mortar systems, ammunition and peripheral equipment. The Company was established in 1950

NANJING LIGONG CHEMICAL ENGINEERING CO LTD

The Company was established in 2002 and incorporated in Nanjing. It is one of two explosives manufacturers in the PR of China to have joined SAFEX as full members. It manufactures shocktube and shocktube detonators primarily for various blasting operations at sites located in Hengxi town, Jiangning district and Nanjing city, Jiangsu province. The Company has an annual turnover of 10 million dollars and employs a staff of approximately 300.

GUIZHOU JIULIAN INDUSTRIAL EXPLOSIVE MATERIALS

Guizhou Jiulian is the second explosives manufacturer from the PR of China to apply for full membership of SAFEX International. While the Company has been around for some 40 years, it was only incorporated in 2002. It manufactures initiating explosive devices such as the whole range of detonators, detonating fuse and shocktube. Its product range also includes emulsion explosives, powdered emulsions, ANFO and onsite bulk trucks. The company has an annual turnover of more than 100 million USD and employs a staff of 3590.

MODERN CHEMICALS & SERVICES CO LTD (MCS)

Modern Chemicals and Services is a joint venture with Groupe EPC and has two explosives production sites in Saudi Arabia: Somman Site in the east and the

Jammom Site in the west. It also imports and distributes detonators, detonating cord and MEMU trucks. It focuses on providing a full service to the local quarrying, mining and civil works industry and employs 96 employees.

DEEPAK FERTILIZERS & PETROCHEMICALS CORP LTD (DFPCL)

Set up in 1979 as an ammonia manufacturer, DFPCL is today a publicly listed, multi-product Indian conglomerate with an annual turnover of over USD 300 million. The company is the only manufacturer of technical grade ammonium nitrate (TGAN) for the explosives industry in India. DFPCL has a total installed manufacturing capacity of 469,000 MTPA across its plants at Taloja in Maharashtra and Srikakulam in Andhra Pradesh. As a manufacturer of TGAN it is eligible for full membership of SAFEX.

DOWNER EDI MINING

Downer EDI was created in 2001 to focus on the mining industry. It has four emulsion plants in Australia manufacturing 100,000 t per annum. It also operates 45 Mobile Processing Units (MPU's) capable of producing emulsion, ANFO and Heavy ANFO. With a staff complement of 390 it has an annual turnover of 320 million USD.

EGYPT HYDROCARBON HOLDINGS (EHC)

Egypt Hydrocarbon Corporation (EHC) is a private company and subsidiary of Carbon Holdings Corporation. It was established in December 2007 and incorporated in Egypt. The EHC low density ammonia nitrate (LDAN) plant is located in Egypt and is in the construction phase. It is anticipated to produce approximately 1060 MTPD of LDAN for export and will employ a staff of approximately 250. Plant operation is expected to commence in June of 2014.

TAKATA CORPORATION

Takata Corporation is a publically owned company which was established in 1933 and incorporated in Japan. It manufactures and sells motor vehicle seat belts, airbags, child restraint systems, etc. primarily for automotive applications. To this end it manufactures low explosive propellants that are used in the manufacture of air bag module inflators. The global inflator manufacturing group has 7 plants worldwide that handle explosives.

SAAB BOFORS DYNAMICS SWITZERLAND (SBDS)

SBDS is an independent subsidiary of Saab AB, incorporated in Thun, Switzerland. It develops manufactures and sells mortars, warheads, less lethal products and

services for different type of munitions and its components. The company has a 150 year tradition of working with different types of explosives. With an annual turnover of 25 million USD, the Company employs approximately 55 employees.

DIRECCIÓN GENERAL DE FABRICACIONES MILITARES (DGFMM)

The Dirección General de Fabricaciones Militares is a public company which was established in 1941 and incorporated in Argentina. It manufactures bulk explosives; packaged explosives; initiating systems; seismic; propellants; ammunition; etc. primarily for defence and mining industries. It is located on five manufacturing sites within Argentina. The Company has an annual turnover of 96 million USD and employs a staff of 1,600

8.2 Ratification of Associate Members

The SAFEX Articles of Association makes provision for corporate Associate Membership to be conferred on any organization which, in the opinion of the Governing Committee, can actively promote the objects of SAFEX. Once the Board has approved Associate Membership it has to be ratified by Members at an Ordinary General Meeting.

The Board has pleasure in recommending ratification of the following organisations and individual for Associate Membership of SAFEX International:

a. Corporate Associate Members

CHINA EXPLOSIVE MATERIALS TRADE ASSOCIATION (CEMTA)

CEMTA was established in May 1994 as an independent organization with more than 880 members which include explosives manufacturing and trading companies, research institutions and universities. The aims of CEMTA include: to comply with the Chinese statutory requirements and policies; abide by accepted ethical demands; promote the evolution of the Chinese explosives industry; and establish the explosives industry on a solid scientific basis. It wants to serve its members, industry at large and government by building a global communication platform that will enable it to perform a link role. In this capacity CEMTA wishes to contribute to improve the health, safety and environmental (HS&E) performance of the explosives industry worldwide

EUROPEAN FEDERATION OF EXPLOSIVES ENGINEERS (EFEE)

Similar in many respect to the ISEE, who is already a Corporate Associate member of SAFEX, the EFEE focuses on Europe where most of its members are. According to the EFEE's Articles of Association, "the primary objectives of the Federation con-

cerns the development of good practise and harmonisation of rules and regulations in Europe for the use of explosives in the civil sector." It furthermore highlights "accident prevention in the field of explosives technology" as one of its key areas and undertakes to "distribute to its members available information on incidents and accidents with a view to improvements".

ASSOCIATION OF EUROPEAN MANUFACTURERS OF SPORTING AMMUNITION (AFEMS)

The AFEMS is a non-profit organization set up in 1951 to carry on the work started in 1898 by the International Ammunition Convention. It consists of a consortium of almost 60 companies from 19 European countries that manufacture and distribute ammunition, components and equipment which focus on sporting ammunition. While AFEMS is primarily concerned with representing its members' interests opposite decision-making bodies involved with ammunition-related policies and legislation, it wants to enhance its focus on safety. It believes an association with SAFEX can assist them in this endeavour.

b. Individual Associate Members

The SAFEX Articles of Association make provision for individual associate members that can make a significant contribution to SAFEX and its goals.

PROF DABIN LIU

Besides his capabilities as an academic, Prof Liu also has explosives manufacturing experience as a manager of an explosives factory in the PR of China. He is currently the Dean of the School of Chemical Engineering at Nanjing University of Science and Technology (NUST). He is highly regarded in Chinese explosives circles and represents China at the IGUS-EPP meetings. Prof Liu has already demonstrated his commitment to SAFEX and its work by organising and facilitating a visit of a SAFEX delegation to China after the last Congress. He performs a leading role in a number of state institutions in the PR of China and acts as an additional link between SAFEX and the local explosives industry.

9. Financial Statements and Auditors Report

The Income Statement, Balance Sheet for the review period as well as the Operating Budget for 2014 are presented on the pages that follow.

9.1 INCOME STATEMENT for years 2011 to 2013

	ITEM	2011	2012	2013
		(EURO)		
INCOME	Member fees	153,000.00	162,089.26	231,230.18
	Interest received & exchange gains	5,327.29	5,931.03	4,472.72
	Sundry revenue			
	TOTAL INCOME	158,327.29	168,020.29	235,702.90
EXPENDITURE	Secretariat	83,387.85	94,591.01	66,280.55
	Board of Governors	19,923.63	16,943.88	12,585.93
	Administrative services	9,137.62	10,800.19	9,900.77
	Congress	0.00	5,512.00	26,869.94
	Training Course		1,137.49	8,780.66
	Website		12,406.64	398.00
		112,449.10	141,391.21	124,815.85
	Provision for XVIII Congress (Note 1)	10,000.00	20,000.00	40,000.00
	Provision for Special Expenses (Note 1)	30,000.00		50,000.00
TOTAL EXPENDITURE	152,449.10	161,391.21	214,815.85	
	NET SURPLUS/LOSS	5,878.19	6,629.08	20,887.05

Note 1: By decision of the Board of Governors

9.2 BALANCE SHEET as at 31 December 2011, 2012 and 2013

	ITEM	2011	2012	2013
		(EURO)		
ASSETS	CURRENT ASSETS			
	Cash and Banks	4,909.03	41,342.42	237,261.00
	Cash and equivalents	246,891.00	194,113.08	45,113.08
	Deferred charges and prepaid expenses	9,290.81	17,813.79	76,128.98
	TOTAL CURRENT ASSETS	261,090.84	253,269.29	358,503.06
LIABILITIES & RETAINED EARNINGS	LIABILITIES			
	Accrued expenses	2,886.00	8,000.00	2,346.72
	Unsecured bank credit	9,564.63	0.00	0.00
	TOTAL LIABILITIES	12,450.630	8,000.00	2,346.72
	PROVISION			
	Provision for XVIII Congress and Training	74,150.54	64,150.54	104,150.54
				50,000.00
	RETAINED EARNINGS			
	As at 1 st January	168,611.48	174,489.67	181,118.75
	Net surplus for the year	5,878.19	6,629.08	20,887.05
Capital Fund as at 31 st December	174,489.67	181,118.75	202,005.80	
TOTAL FUNDS	248,640.21	245,269.29	356,156.34	
	TOTAL LIABILITIES & RETAINED EARNINGS	261,090.84	253,269.29	358,503.06

9.3 Operating Budget for 2014

	ITEM	ACTUAL 2013	BUDGET 2014
		(EURO)	
INCOME	Subscriptions - members	215,230	216,000
	Entry fees	16,000	2,000
	Interest received & Exchange gains	4,473	2,000
	TOTAL INCOME:	235,703	220,000
EXPENDITURE	Secretariat	66,680	75,000
	Board of Governors	12,586	20,000
	Administrative services	9,900	13,000
	Event participation	26,870	28,000
	Interim Event	8,780	
	Training Course		20,000
		124,816	156,000
	Congress provision	90,000	40,000
	TOTAL OPERATING EXPENSES	214,816	196,000
	SURPLUS/DEFICIT:	20,887	24,000

9.4 Notification of officials' compensation

In terms of Article 8.5 of the Articles of Association the Board is required to report the compensation granted to any of its members and officers of SAFEX to an Ordinary General Meeting. The Secretary General receives EUR 50,000 p.a. in compensation and is the only official who does so. SAFEX has an agreement to purchase specialist financial and administrative services from Modoux Services Sarl (EUR 6,000.00 in 2013)

9.5 Auditors Report

See Annexure B on p. 26

10. Appointment of Auditor for 2014 to 2017

The Board of Governors recommends that for the financial years 2011 to 2014 SAFEX retains the auditing services of :

Multifiduciaire Léman SA
Avenue du Casino 52
CH-1820 MONTREUX
Switzerland

11. Fees for 2014

In terms of the Articles of Association the Board of Governors sets the annual membership fees and advises members accordingly. At its meeting on 09 February 2014 the Board resolved to retain the basic membership subscription of EUR 2,000 p.a. for the second consecutive year. The Group Membership Fee Factor will remain at 5. Therefore, during 2014 Company Members will pay EUR 2,000 and Group Members EUR 10,000.

12. Board of Governors for 2014 to 2017

Members are required to appoint a Board of Governors to direct the affairs of the Association during the period between the Association's triennial Congresses.

The Board appointed a Nomination Committee to establish and manage a formal process for nominating Governors. The Nomination Committee consisted of the Governance Committee and comprised the SAFEX Chairman, Claude Modoux (Poudrerie d'Aubonne) and Deputy Chairman, John Rathbun (Austin International). The Board will receive the Committee's proposals and table its recommendations to Members at the General Meeting on 23 May 2014.

13. Secretary General

It is customary for the SAFEX Board to appoint the SAFEX Secretary General for a 3-year Congress cycle i.e. from the completion of one Congress until the completion of the next. At its last meeting the Board of Governors re-appointed the current Secretary General until the end of this Congress.

In February 2012 the serving Secretary General, Boet Coetzee, indicated to the Board that it will be in SAFEX's best interests or him to vacate his position at the end of the current cycle. Boet believes that key executives in an organisation such as SAFEX should not occupy their positions for too long. As he has served for three Congress cycles, the Association deserves new blood in the Secretariat. After due process, the Board appointed Dr Piet Halliday as Secretary General -elect. Piet will retire from AEL Mining Services at the end of 2014 and will take over from Boet on 01 January 2015.

The Board is indeed fortunate to find a person of Piet's calibre for this role which he has agreed to fill for at least 2 Congress cycles. Piet has had a long and distinguished career in our industry. He has also served on the SAFEX Board for many years in addition to being Convener of the Workgroups and a member of the Editorial Committee.

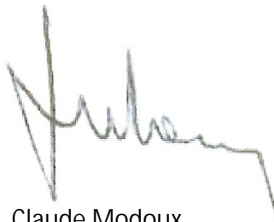
14. Acknowledgments

I know I speak on behalf of all SAFEX members in thanking the Board of Governors for their tireless efforts on your and the explosives industry's behalf. Not only has the Board operated effectively as a unit, but all of them have as individuals been more than willing to assist in many and varied ways.

We also recognise our Associate Members, both Corporates and Individuals, as well as members of our Expert Panel for supporting our endeavours on behalf of the industry. Allow me to single out Dr Peter Moreton who maintains our Incident Database and is constantly looking for ways to enhance it without wanting anything in return.

An Association such as ours depends on the effectiveness of its Secretariat. Therefore, I want to thank the Secretariat for its efforts and commitment to SAFEX.

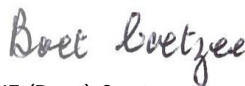
Finally, we say a humble "thank you" to you, the members, for your confidence in and support for the Board of Governors. Special thanks are due to the SAFEX Contacts in each member company for helping us maintain our relationship with you and through whom we provide so many of our services.



Claude Modoux

Chairman, SAFEX International

15 April 2014



JE (Boet) Coetzee

Secretary General, SAFEX International

15. Annexure A: Notice of Meeting

Notice is hereby given of the next SAFEX International Ordinary General Meeting of Members which will coincide with the XVIII SAFEX Congress and take place at 15:50 on Friday, 23 May 2014 in the Grand Ballroom, 2nd Floor of the Warsaw Marriott Hotel, Warsaw, Poland to discuss the business outlined in the Agenda below.

Agenda

- 1. Constitution of meeting and welcome**
- 2. Approval of the Agenda**
- 3. Minutes of the 2011 Ordinary General Meeting of Members**
- 4. 2011 – 2013 Board of Governors report**
- 5. Articles of Association: Amendments**
- 6 Matters for Members' Information**
- 7. SAFEX Membership**
- 8. Financial statements and auditors report**
 - (a) Income statements for 2011, 2012, 2013
 - (b) Balance sheets for 2011, 2012, 2013
 - (c) 2014 Operating Budget
 - (d) Notification of officials' compensation (Article 8.5).
 - (e) Auditors report
- 9. Appointment of an auditor for 2014 -2017**
- 10. Fees for 2014**
- 11. Appointment of Board of Governors for 2014- 2017**
- 12. SAFEX International future direction**
- 13. Any other business**
- 14. Date and venue of the next Congress**
- 15. Closure of meeting**

16. **Annexure B: Auditor's Report****MULTIFIDUCIAIRE LEMAN**

Multifiduciaire Leman SA
Av. du Casino 52
CH-1620 Montreux
Tél. +41 21 965 80 00
Fax +41 21 965 80 10
www.multigroupe-services.com

To the General Meeting of

Safex International, Basle

Montreux, April 23rd 2014

Report of the statutory auditors

As statutory auditors, we have examined the financial statements (balance sheet, profit and loss statement) of Safex International for the year ended December 31, 2013.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and the company's articles of incorporation.

MULTIFIDUCIAIRE LEMAN SA

Pierre-Antoine Morard

Expert-réviseur agréé
Auditor in charge



Quentin Vauthey

Réviseur agréé

About SAFEX International

SAFEX International is a global organisation with the fundamental objective of improving the safety of operations and their impact on people and the environment. Operations cover the development, manufacture, storage, and transport of commercial explosives, military explosives and pyrotechnic products throughout the world. The term “explosives” includes initiating devices, propellants, industrial and military powders as well as the raw and intermediate materials associated with the explosives industry.

Current membership of **SAFEX** is over 250 companies from all the continents in the world and operating in more than 50 different countries.

SAFEX is a non-profit association of manufacturers of explosives. It was founded in 1954 with the aim of exchanging health, safety, and environmental (HS&E) experiences within the explosives industry. The way **SAFEX** works is to exchange relevant information about major accidents, serious incidents, and near-events. The objective is to avoid other manufacturers experiencing the same or similar incidents. In this way **SAFEX** contributes to improving the health and safety of operations within the explosives business as well as the well-being and standing of the explosives industry.

As a voluntary organisation, **SAFEX** is not organised for the pecuniary gain of any of its members.



SAFEX International is registered in Switzerland as an international non-profit association

Registered Office:

c/o Modoux Services Sàrl, Route du Village 13, CH-1807 BLONAY, Switzerland

Tel: +41 21 943 0101; Fax: +41 21 943 0109;

Web: www.safex-international.org

Please direct all communication to the Secretary General

Tel/Fax +27 21 854 4962

e-Mail: secretariat@safex-international.org