

Annual Financial Statements

Report of the independent auditor

To the members of The Southern African Institute of Mining and Metallurgy

I have audited the annual financial statements of The Southern African Institute of Mining and Metallurgy set out on pages 627 to 642, which comprise the balance sheet as at 30 June 2011, the income statement, statement of changes in reserves, cash flow statement for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

Council members' responsibility

The council members are responsible for the preparation and fair presentation of these annual financial statements in accordance with the accounting policies of the Institute. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the annual financial statements, that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditor's responsibility

My responsibility is to express an opinion on these annual financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend upon the auditor's judgement, including the assessment of the risk of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the annual financial statements 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 Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the council members, as well as evaluating the overall presentation of the annual financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the annual financial statements present fairly, in all material respects, the financial position of the Institute at 30 June 2011 and the results of its operations and cash flows for the year then ended in accordance with accounting policies appropriate to the Institute.

Supplementary information

The supplementary schedule set out on page 641 does not form part of the annual financial statements and is presented as additional information. I have not audited this schedule and accordingly do not express an opinion on it.

AUDITOR: R.H. Kitching
Chartered Accountant (S.A.)
Registered Accountant and Auditor

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Annual Financial Statements for the year ended 30 June 2011

Council members' responsibilities and approval

The council members are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements present fairly the state of affairs of the Institute as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with accounting policies appropriate to the Institute. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with accounting policies appropriate to the Institute and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The council members acknowledge that they are ultimately responsible for the system of internal financial control established by the Institute and place considerable importance on maintaining a strong control environment. To enable the council members to meet these responsibilities, the council members set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures, and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Institute and all employees are required to maintain the highest ethical standards in ensuring the Institute's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Institute is on identifying, assessing, managing, and monitoring all known forms of risk across the Institute. While operating risk cannot be fully eliminated, the Institute endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems, and ethical behaviour are applied and managed within predetermined procedures and constraints.

The council members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The annual financial statements set out on pages 627–642, which have been prepared on the going concern basis, were approved and signed by:

Signed G.V.R. Landman

President

Date: 2/8/2011

Signed J.L. Porter

Treasurer

Date: 2/8/2011

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Balance sheet

at 30 June 2011

	Note	2011 R	2010 R
Assets			
Non-current assets			
Property, plant and equipment	2	138 439	130 239
Loan to associate entity	4	636 882	537 268
Investments	5	18 014 773	11 701 438
		18 790 094	12 368 945
Current assets			
Inventories	3	214 208	31 490
Accounts receivable	6	926 543	1 220 659
Cash and cash equivalents	7	7 176 023	6 729 829
		8 316 774	7 981 978
Total assets		27 106 868	20 350 923
Reserves and liabilities			
Reserves			
Funds	8	4 191 930	4 011 416
Accumulated surplus		20 885 888	14 985 391
		25 077 818	18 996 807
Liabilities			
Current liabilities			
Accounts payable		1 571 950	414 301
Income in advance		255 702	774 956
Provisions		201 398	164 859
		2 029 050	1 354 116
Total reserves and liabilities		27 106 868	20 350 923

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy**Income Statement***for the year ended 30 June 2011*

	<i>Note</i>	2011 R	2010 R
Revenue		21 062 185	9 913 241
Cost of sales		(13 723 262)	(8 234 553)
Gross profit		7 338 923	1 678 688
Operating expenses		(4 823 471)	(1 588 963)
Operating surplus	9	2 515 452	89 725
Investment income		484 094	616 356
Fair value adjustments		2 662 804	1 865 016
Gains on non-current assets held for sale or disposal		238 147	(6 732)
Surplus for the year		5 900 497	2 564 365

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Statement of changes in reserves

for the year ended 30 June 2011

	Funds R	Accumulated surplus R	Total reserves R
Balance at 1 July 2009	4 011 416	12 421 026	16 432 442
Changes			
Surplus for the year		2 564 365	2 564 365
Total changes	-	2 564 365	2 564 365
Balance at 1 July 2010	4 011 416	14 985 391	18 996 807
Changes			
Surplus for the year		5 900 497	5 900 497
Transfer of interest received	180 514		180 514
Total changes	180 514	5 900 497	6 081 011
Balance at 30 June 2011	4 191 930	20 885 888	25 077 818

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy**Cash flow statement***for the year ended 30 June 2011*

	<i>Note</i>	2011 R	2010 R
Cash flows from operating activities			
Cash generated from/(used in) operations	<i>11</i>	3 357 375	2 415 018
Interest income		13 427	314 515
Dividends received		470 667	301 841
Net cash from operating activities		3 841 469	3 031 374
Cash flows from investing activities			
Purchase of property, plant and equipment	<i>2</i>	(63 791)	(20 637)
Increase in loans receivable		(99 614)	(241 067)
Sale/(Purchase) of investments		(3 412 384)	(1 317 612)
Net cash from investing activities		(3 575 789)	(1 579 316)
Cash flows from financing activities			
Interest received on fund investments		180 514	-
Total cash movement for the period		446 194	1 452 058
Cash at the beginning of the period		6 729 829	5 277 771
Total cash at end of the period	<i>7</i>	7 176 023	6 729 829

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements for the year ended 30 June 2011

Accounting policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with accounting policies appropriate to the Institute. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous year.

1.1 Sources of estimation uncertainty

No key assumptions concerning the future, or other key sources of estimation uncertainty, have been made at the balance sheet date, that could have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, other than those disclosed below.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Inventories

The inventories of publications are held and sold by the Institute for its own account and on behalf of its publishing partners who have underwritten some of the publications. The inventories are reflected in the financial statements at nominal values. The inventory of authors' gifts and stock held from conferences, are carried at cost. Provision is made for impairment.

1.2 Significant judgements

No material judgements have been made by management in applying the accounting policies that could have a significant effect on amounts recognized in the financial statements.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognized as an asset when:

- It is probable that future economic benefits associated with the item will flow to the Institute; and
- The cost of the item can be measured reliably.

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is charged so as to write off the depreciable amount of items other than land, over their estimated useful lives, using a method that reflects the pattern in which the assets' future economic benefits are expected to be consumed by the organization. Depreciation is provided on leasehold improvements over the remaining period of the lease.

Item	Method	Useful life
Furniture and fixtures	straight line	5
IT equipment	straight line	3

The depreciation charge for each period is recognized in surplus or deficit. Medals, plaques, dies and banners are recorded at nominal values.

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements for the year ended 30 June 2011

Accounting policies

1.4 Impairment of assets

The Institute assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Institute estimates the recoverable amount of the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.5 Financial instruments

Initial recognition

The Institute classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognized on the Institute's balance sheet when the Institute becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognized initially at cost; any transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the cost.

Subsequent measurement

After initial recognition, financial assets are measured as follows:

- Loans and receivables and held-to-maturity investments are measured at amortized cost less any impairment losses recognized to reflect irrecoverable amounts.

After initial recognition, financial liabilities are measured as follows:

- Financial liabilities at fair value through surplus or deficit, including derivatives that are liabilities, are measured at fair value.
- Other financial liabilities are measured at amortized cost using the effective interest method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognized as follows:

- Where financial assets and financial liabilities are carried at amortized cost, a gain or loss is recognized in surplus or deficit through the amortization process and when the financial asset or financial liability is derecognized or impaired.
- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognized in surplus or deficit.

The particular recognition methods adopted are disclosed in the individual policies stated below:

Accounts receivable

Accounts receivable are classified as loans and receivables and are carried at amortized cost less any impairments. Impairment is determined on a specific basis, whereby each is individually evaluated for impairment indicators. Write-downs of these are expensed in surplus or deficit.

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements for the year ended 30 June 2011

Accounting policies

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Cash and cash equivalents are measured at fair value.

Accounts payable

Accounts payable are classified as other financial liabilities.

1.6 Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1.7 Provisions

Provisions are recognized when:

- The Institute has a present legal or constructive obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the Institute settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision.

Provisions shall not be recognized for future operating losses.

1.8 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Institute and the revenue can be reliably measured.

Interests is recognized, in profit or loss, using the effective interest rate method.

Donations are recognized as and when received.

Revenue is shown exclusive of Value Added Taxation.

Dividends are recognized as revenue when the right to receive payment is established.

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements

for the year ended 30 June 2011 (Continued)

2. Property, plant and equipment

	2011			2010		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	366 367	(297 871)	68 496	350 883	(283 577)	67 306
Office equipment	1	-	1	1	-	1
IT equipment	939 206	(869 264)	69 942	890 899	(827 967)	62 932
Total	1 305 574	(1 167 135)	138 439	1 241 783	(1 111 544)	130 239

2011	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	67 306	15 484	(14 294)	68 496
Office equipment	1	-	-	1
IT equipment	62 932	48 307	(41 297)	69 942
	130 239	63 791	(55 591)	138 439

2010	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	76 643	6 225	(15 562)	67 306
Office equipment	1	-	-	1
IT equipment	139 620	14 412	(91 100)	62 932
	216 264	20 637	(106 662)	130 239

3. Inventories

Finished goods	214 208	31 490
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4. Loan to associate entity

Loan receivable

The SAIMM Scholarship Fund	636 882	537 268
The loan is unsecured, interest free with no fixed terms of repayment		
Non-current assets	636 882	537 268

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements
for the year ended 30 June 2011 (Continued)

	2011 R	2010 R
5. Investments		
Listed investments		
Listed investments	18 014 773	11 701 438
Total listed investments	18 014 773	11 701 438
Non-current assets		
Listed investments	18 014 773	11 701 438
Investments at market value		
Listed—at market value		
Listed investments at market value	18 014 773	11 701 438
6. Accounts receivable		
Accounts receivable	926 543	1 220 659
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	6 205	10 069
Bank balances	679 666	148 707
Short-term deposits	6 479 614	6 566 223
Investment settlement account	10 538	4 830
	7 176 023	6 729 829
Current assets	7 176 023	6 729 829

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy**Notes to the annual financial statements**
for the year ended 30 June 2011 (continued)

	2011 R	2010 R
8. Funds		
Balance at beginning of year	4 011 416	4 011 416
Movement during the year:		
– Interest received	180 514	–
Balance at end of year	4 191 930	4 011 416
Comprising:		
Prof. R.E. Robinson Fund (Book Publications Fund)		
Balance at beginning of year	648 983	648 983
Movement during the year:		
– Interest received	29 204	–
Balance at end of year	678 187	648 983
Brigadier Stokes Memorial Fund		
Balance at beginning of year	5 915	5 915
Movement during the year:		
– Interest received	266	–
Balance at end of year	6 181	5 915
P.W.J. van Rensburg Fund (Education Fund)		
Balance at beginning of year	984 604	984 604
Movement during the year:		
– Interest received	44 307	–
Balance at end of year	1 028 911	984 604
MacArthur Forrest Memorial Fund (Awards Fund)		
Balance at beginning of year	414 424	414 424
Movement during the year:		
– Interest received	18 649	–
Balance at end of year	433 073	414 424
INFACON X Research Fund		
Balance at beginning of year	1 779 823	1 779 823
Movement during the year:		
– Interest received	80 092	–
Balance at end of year	1 859 915	1 779 823
SANCOT Fund		
Balance at beginning of year	112 939	112 939
Movement during the year:		
– Interest received	5 083	–
Balance at end of year	118 022	112 939

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	2011 R	2010 R
8. Funds (continued)		
The Dave Ortlepp Fund		
Balance at beginning of year	64 728	64 728
Movement during the year:		
– Interest received	2 913	–
Balance at end of year	67 641	64 728
	4 191 930	4 011 416
9. Operating surplus		
Operating lease charges		
Premises		
– Contractual amounts	27 875	–
	27 875	–
Profit (loss) on sale of non-current assets held for sale	(238 147)	6 732
Depreciation on property, plant and equipment	55 591	106 662
Employee costs	3 031 371	2 624 897
10. Taxation		
No provision has been made for 2011 tax as the Institute is exempt from taxation in terms of Section 10(1)(cB)(i)(ff) of the Income Tax Act.		
11. Cash generated from (used in) operations		
Surplus for the year	5 900 497	2 564 365
Adjustments for:		
Depreciation and amortization	55 591	106 662
Loss on sale of non-current assets and disposal groups	(238 147)	6 732
Dividends received	(470 667)	(301 841)
Interest received	(13 427)	(314 515)
Fair value adjustments	(2 662 804)	(1 865 016)
Movements in provisions	36 539	9 538
Changes in working capital:		
Inventories	(182 718)	31 503
Accounts receivable	294 116	1 147 062
Accounts payable	1 157 649	255 572
Deferred income	(519 254)	774 956
	3 357 375	2 415 018

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements *for the year ended 30 June 2011 (continued)*

12. Reclassification of comparative figures

Certain comparative figures have been restated.

13. Risk management

Interest rate risk

Deposits and cash resources attract interest at rates that vary with prime. The Institute's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the net surplus.

Credit risk

Credit risk consists mainly of cash and cash equivalents, accounts payable, accounts receivable, and investment in money markets and listed investments. The Institute deposits cash only with major banks with high quality credit standing, and management has a credit policy in place ensuring exposure to credit risk is monitored on an ongoing basis.

Accounts receivables are presented net of the provision for doubtful debts. There is a higher than normal risk for accounts receivable due to the nature of the receivables and the relatively long credit terms.

The Institute manages liquidity risk by proper management of working capital and cash flows. Facilities are available to fund any potential shortfall in cash resources.

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Detailed income statement

	2011	2010
	R	R
Revenue		
Advertising, books and publication revenue	1 153 075	1 446 822
Company affiliates subscriptions	347 658	653 486
Conferences, colloquia, schools and miscellaneous	17 713 742	6 221 367
Membership entrance fees and subscriptions	1 847 710	1 591 566
Less: Cost of sales	(13 723 262)	(8 234 553)
Gross profit	7 338 923	1 678 688
Other income		
Dividend revenue	470 667	301 841
Interest received	193 941	314 515
	664 608	616 356
Operating expenses		
Admin and secretarial expenses	(1 599 343)	1 316 491
Auditors' remuneration	(37 500)	(34 875)
Bad debts	(41 430)	-
Depreciation, amortization and impairments	9 (55 591)	(106 662)
Donations	(150 200)	(150 000)
Employee costs	9 (3 031 371)	(2 624 897)
Institute <i>Journal</i> recoveries	142 839	10 980
Lease rentals on operating lease	9 (27 875)	-
Student prizes	(23 000)	-
	(4 823 471)	(1 588 963)
Operating surplus	3 180 060	706 081
Fair value adjustments	2 662 804	1 865 016
Interest received transferred to Funds	(180 514)	-
Profit/(loss) on non-current assets held for sale or disposal groups	9 238 147	(6 732)
	2 720 437	1 858 284
Accumulated surplus(deficit) for the year	5 900 497	2 564 365