

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Annual Financial Statements
for the year ended 30 June 2012

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 fairly present 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 the accounting policies appropriate to the Institute. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the 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 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 external auditor is responsible for independently reviewing and reporting on the Institute's annual financial statements. The annual financial statements have been examined by the Institute's external auditor and his report is presented on page 825.

The annual financial statements set out on pages 825–837, which have been prepared on the going concern basis, were approved by the council and were signed on their behalf by:

Signed by: J.N. van der Merwe

President

15 August 2012

Date:

Signed by: J.L. Porter

Treasurer

15 August 2012

Date:

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 823 to 837, which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in reserves, and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 825 to 837.

Council members' responsibility for the Annual Financial Statements

The Institute's council members are responsible for the preparation and fair presentation of these annual financial statements in accordance with the accounting policies appropriate to the Institute and for such internal control as the council members determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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 whether the annual financial statements are free from 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 on 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 Southern African Institute of Mining and Metallurgy as at 30 June 2012, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies appropriate to the Institute.

Supplementary information

Without qualifying my opinion, I draw attention to the fact that supplementary information set out on pages 836 to 837 does not form part of the annual financial statements and is presented as additional information. I have not audited this information and accordingly do not express an opinion thereon.

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

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The Southern African Institute of Mining and Metallurgy

Balance sheet at 30 June 2012

	<i>Note</i>	2012 R	2011 R
Assets			
Non-current assets			
Property, plant and equipment	2	157 899	138 438
Loan to associate entity	3	–	636 882
Investments	4	18 933 627	18 014 773
		19 091 526	18 790 093
Current assets			
Inventories	5	276 808	214 208
Trade and other receivables	6	1 129 138	926 543
Cash and cash equivalents	7	6 198 402	7 176 023
		7 604 348	8 316 774
Total assets		26 695 874	27 106 867
Reserves and liabilities			
Reserves			
Funds	8	4 380 566	4 191 930
Retained income		20 932 598	20 885 888
		25 313 164	25 077 818
Liabilities			
Non-Current liabilities			
Loan from associate entity	3	1000	–
Current liabilities			
Trade and other payables		924 610	1 571 949
Accruals		235 773	255 702
Provisions		221 327	201 398
		1 381 710	2 029 049
Total liabilities		1 382 710	2 029 049
Total reserves and liabilities		26 695 874	27 106 867

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Income Statement

for the year ended 30 June 2012

	<i>Note</i>	2012 R	2011 R
Revenue		16 441 264	20 268 613
Cost of sales		(12 242 795)	(14 152 808)
Gross profit		4 198 469	6 115 805
Other income		1 357 123	1 004 993
Operating expenses		(7 752 819)	(4 838 006)
Operating surplus	9	(2 197 227)	2 282 792
Investment revenue		787 329	954 901
Fair value adjustments		1 456 608	2 662 804
Surplus for the year		46 710	5 900 497

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Statement of changes in reserves

for the year ended 30 June 2012

	Funds R	Accumulated surplus R	Total equity R
Balance at 1 July 2010	4 011 416	14 985 391	18 996 807
Changes in equity			
Surplus for the year	-	5 900 497	5 900 497
Transfer of interest	180 514	-	180 514
Total changes	180 514	5 900 497	6 081 011
Balance at 1 July 2011	4 191 930	20 885 888	25 077 818
Changes in equity			
Surplus for the year	-	46 710	46 710
Transfer of interest	188 636	-	188 636
Total changes	188 636	46 710	235 346
Balance at 30 June 2012	4 380 566	20 932 598	25 313 164
Note(s)	8		

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The Southern African Institute of Mining and Metallurgy

Cash flow statement

for the year ended 30 June 2012

	Note	2012 R	2011 R
Cash flows from operating activities			
Cash (used in)generated from operations	11	(2 910 247)	2 886 568
Interest income		41 984	484 234
Dividends received		745 345	470 667
Net cash from operating activities		(2 122 918)	3 841 469
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(67 708)	(63 790)
Decrease/(Increase) in loans receivable		637 882	(99 614)
Net acquisitions of investments		386 487	(3 412 384)
Net cash from investing activities		956 661	(3 575 788)
Cash flows from financing activities			
Interest paid on fund investments		188 636	180 514
Total cash movement for the year		(977 621)	446 195
Cash at the beginning of the year		7 176 023	6 729 828
Total cash at end of the year	7	6 198 402	7 176 023

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The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements

for the year ended 30 June 2012

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. They are presented in South African Rands.

These accounting policies are consistent with the previous year.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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 value. The inventory of authors' gifts and stock held from conferences are carried at cost. Provision is made for impairment.

1.2 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 organization; 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 provided using the straight-line method 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	Useful life
Furniture and fixtures	5 years
Office equipment	5 years
IT equipment	3 years

Gains and losses on disposals are determined, by comparing the proceeds with the carrying amount and are recognized in surplus or deficit in the period.

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

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for the year ended 30 June 2012

Accounting policies

1.3 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.

1.4 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 measurement, 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.

1.5 Inventories

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

The cost of inventories comprises of 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.

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Notes to the annual financial statements for the year ended 30 June 2012

Accounting policies

1.6 Provisions and contingencies

Provisions are recognized when:

- The Institute has an obligation at the reporting period date as a result of a past event;
- It is probable that the company will be required to transfer economic benefits in settlement; and
- The amount of the obligation can be estimated reliably.

Provisions are not recognized for future operating losses. Provisions are measured at the present value of the amount expected to be required to settle the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

1.7 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.

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

Donations are recognized as and when received.

Dividends are recognized, in profit or loss, when the Institute's right to receive payment is established.

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Notes to the annual financial statements for the year ended 30 June 2012 (Continued)

2. Property, plant and equipment

	2012			2011		
	Cost Valuation	Accumulated depreciation	Carrying value	Cost Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	369 106	(310 992)	58 114	366 367	(297 871)	68 496
Office equipment	9 080	(1 059)	8 021	1	-	1
IT equipment	995 095	(903 331)	91 764	939 205	(869 264)	69 941
Total	1 373 281	(1 215 382)	157 899	1 305 573	(1 167 135)	138 438

Reconciliation of property, plant and equipment - 2012	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	68 496	2 739	(13 121)	58 114
Office equipment	1	9 079	(1 059)	8 021
IT equipment	69 941	55 890	(34 067)	91 764
	138 438	67 708	(48 247)	157 899

Reconciliation of property, plant and equipment - 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	48 306	(41 297)	69 941
	130 239	63 790	(55 591)	138 438

3. Loan to associate entity

Associate Entity

The SAIMM Scholarship Fund (1000) 636 882
The loan is unsecured, interest free with no fixed terms of repayment. In order for the Scholarship Fund to reduce its accumulated deficit the Institute made a donation equivalent to its outstanding loan value.

Non-current assets	-	636 882
Non-current liabilities	(1000)	-
	(1000)	636 882

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Notes to the annual financial statements for the year ended 30 June 2012 (Continued)

	2012 R	2011 R
4. Investments		
At fair value		
Listed shares	18 933 627	18 014 773
Non-current assets		
At fair value	18 933 627	18 014 773
5. Inventories		
Finished goods	276 808	214 208
6. Trade and other receivables		
Trade receivables	987 947	868 775
VAT	32 896	
Franking machine	108 295	57 768
	1 129 138	926 543
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	(27)	6 205
Bank balances	784 212	679 666
Short-term deposits	5 403 736	6 479 614
Investment settlement account	10 481	10 538
	6 198 402	7 176 023

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Notes to the annual financial statements
for the year ended 30 June 2012 (continued)

	2012 R	2011 R
8. Funds		
Balance at beginning of year	4 191 930	4 011 416
– Interest received	188 636	180 514
Balance at end of year	4 380 566	4 191 930
Comprising of:		
Prof. R.E. Robinson Fund (Book Publications Fund)		
Balance at beginning of year	678 187	648 983
Movement during the year:		
– Interest received	30 518	29 204
	708 705	678 187
Brigadier Stokes Memorial Fund		
Balance at beginning of year	6 181	5 915
Movement during the year:		
– Interest received	278	266
	6 459	6 181
P.W.J. van Rensburg Fund (Education Fund)		
Balance at beginning of year	1 028 911	984 604
Movement during the year:		
– Interest received	46 301	44 307
	1 075 212	1 028 911
MacArthur Forrest Memorial Fund (Awards Fund)		
Balance at beginning of year	433 073	414 424
Movement during the year:		
– Interest received	19 488	18 649
	452 561	433 073
INFACON X Research Fund		
Balance at beginning of year	1 859 915	1 779 823
Movement during the year:		
– Interest received	83 696	80 092
	1 943 611	1 859 915
SANCOT Fund		
Balance at beginning of year	118 022	112 939
Movement during the year:		
– Interest received	5 311	5 083
	123 333	118 022

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Notes to the annual financial statements for the year ended 30 June 2012 (continued)

	2012 R	2011 R
8. Funds (continued)		
The Dave Ortlepp Fund		
Balance at beginning of year	67 541	64 728
Movement during the year:		
– Interest received	3 044	2 913
Balance at end of year	70 585	67 641
	4 380 566	4 191 930
9. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
– Contractual amounts	231 731	102 275
Profit (loss) on sale of investment	(151 267)	238 147
Profit on revaluation of non-current assets held for sale	(1 456 608)	(2 662 804)
Depreciation on property, plant and equipment	48 247	55 591
Employee costs	3 296 140	2 925 138
10. Taxation		
No provision has been made for 2012 tax as the Institute is exempt from taxation in terms of Section 10(1)(cB)(i)(ff) of the Income Tax Act.		
11. Cash (used in) generated from operations		
Profit before taxation	46 710	5 900 497
Adjustments for:		
Depreciation and amortization	48 247	55 591
Loss (profit) on sale of assets	151 267	(238 147)
Fair value adjustments	(1 456 608)	(2 662 804)
Dividends received	(745 345)	(470 667)
Interest received	(41 984)	(484 234)
Movements in provisions	19 929	36 539
Changes in working capital:		
Inventories	(62 600)	(182 718)
Trade and other receivable	(202 595)	294 116
Trade and other payable	(647 339)	1 157 649
Accruals	(19 929)	519 254
	(2 910 247)	2 886 568

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Notes to the annual financial statements
for the year ended 30 June 2012 (continued)

Detailed income statement

	2012	2011
	R	R
Revenue		
Revenue	16 306 864	20 103 044
Modern Mining publication	92 733	111 053
Samrec/Samval contribution	41 667	54 516
	16 441 264	20 268 613
Cost of sales	(12 242 795)	(14 152 808)
Gross profit	4 198 469	6 115 805
Other income		
Annual banquet	806 667	564 458
Cash sales	1 616	6 494
Other income	527 591	194 874
Dividend revenue	745 345	470 667
Fair value adjustments	1 456 608	2 662 804
Gains on disposal of assets	–	238 147
Interest received	41 984	484 234
Profit on exchange differences	8 084	–
Royalties received	13 165	1 020
	3 601 060	4 622 698
Expenses (Refer to page 838)	(7 752 819)	(4 838 006)
Profit for the year	46 710	5 900 497

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Detailed income statement

	2012	2011
	R	R
Operating expenses		
Administration and management fees	(437 814)	(19 901)
Annual General Meeting expenses	(107 327)	(22 637)
AGM medals	–	(8 585)
Auditor's remuneration	(49 800)	(40 000)
Bad debts	(536)	(41 430)
Bank charges	(58 737)	(54 589)
Career guidance	(12 089)	(14 685)
Cleaning	(5 843)	(9 395)
Computer expenses	(87 651)	(70 331)
Consulting fees	(281 105)	(10 277)
Council dinner	(27 028)	–
Delivery expenses	(24 169)	(11 935)
Depreciation, amortization and impairments	(48 247)	(55 591)
Discount allowed	(51 466)	(9 051)
Donations	(1 665 847)	(150 200)
Editor	(48 637)	(49 391)
Employee costs	(3 296 140)	(2 925 138)
Flowers, plants and decor	(32 075)	(33 031)
General expenses	(25 813)	(95 796)
Insurance	(36 623)	(32 127)
Internet charges	(114 336)	(139 660)
Lease rentals on operating lease	(231 731)	(102 275)
Library services	(8 191)	(13 623)
Loss on disposal of assets	(151 267)	–
Loss on exchange differences	–	(15 438)
Membership internet connection	(39 300)	(36 420)
Office bearers/councillors expenses	(12 678)	(6 664)
Parking expenses	(88 369)	(68 236)
Photocopier expenses	(129 207)	(154 267)
President's expenses	(17 187)	(29 476)
Printing and stationery	(136 294)	(139 604)
Refunds	–	(77 748)
Repairs and maintenance	(29 617)	(29 145)
Sancot expenses	(3 317)	(5 796)
Scholarship trust fund expenses	(71 979)	(80 000)
Secretarial fees	(81 266)	(71 800)
Setcom/paygate charges	(2 466)	(2 753)
Software expenses	(7 814)	(9 099)
Sponsorship	(12 860)	(5 000)
Staff expenses	(31 731)	(24 523)
Staff welfare	(29 082)	(19 941)
Student prizes	(51 000)	(23 000)
Subscriptions	(153 901)	(32 452)
Training	(33 966)	(96 996)
Website development/maintenance	(18 313)	–
	(7 752 819)	(4 838 006)