The Southern African Institute of Mining and Metallurgy

Annual Financial Statements
for the year ended 30 June 2014

Statement of 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 responsiblity 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 734.

The annual financial statements set out on pages 735 to 747, which have been prepared on the going concern basis, were approved by the members and are signed on their behalf by:

Signed by: M. Dworzanowski	11 August 2014
President	Date:
Signed by: J.L. Porter	11 August 2014
Treasurer	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, which comprise the statement of financial position as at 30 June 2014, 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 735 to 745.

Council Members' responsibilty 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 Institute'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 2014, 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 746 to 747 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

The Southern African Institute of Mining and Metallurgy

Statement of Financial Position
for the year ended 30 June 2014

	Note	2014 R	2013 R
Assets			
Non-current assets			
Property, plant and equipment	*2*	178 497	214 597
Loan to associate entity	*3*	9 791	-
Other financial assets	*4*	29 957 445	23 254 442
		30 145 733	**23 469 039**
Current assets			
Inventories	*5*	203 391	203 391
Trade and other receivables	*6*	1 459 503	491 042
Cash and cash equivalents	*7*	7 136 413	8 137 024
		8 799 307	**8 831 457**
Total assets		**38 945 040**	**32 300 496**
Reserves and liabilities			
Reserves			
Reserves	*8*	4 783 683	4 577 687
Retained income		32 061 650	26 526 146
		36 845 333	**31 103 833**
Liabilities			
Non-Current liabilities			
Loans from group companies	*3*	-	40 708
Current liabilities			
Trade and other payables		1 758 122	847 001
Deferred income		82 180	78 156
Provisions		259 405	230 789
		2 099 707	**1 155 955**
Total liabilities		**2 099 707**	**1 196 663**
Total reserves and liabilities		**38 945 040**	**32 300 496**

The Southern African Institute of Mining and Metallurgy

Statement of Comprehensive Income

for the year ended 30 June 2014

	Note	2014 R	2013 R
Revenue		17 102 755	18 236 500
Cost of sales		(11 268 381)	(11 645 372)
Gross profit		**5 834 374**	**6 591 128**
Other income		2 534 748	2 502 242
Operating expenses		(8 168 305)	(6 560 387)
Operating surplus	9	**200 817**	**2 532 983**
Investment revenue		678 185	652 223
Royalties OneMine		52 209	53 593
Fair value adjustments		**4 671 867**	2 430 104
Finance costs		(67 574)	(75 354)
Surplus for the year		**5 535 504**	**5 593 549**

The Southern African Institute of Mining and Metallurgy

Statement of Changes in Reserves

for the year ended 30 June 2014

	Other NDR	Retained incomes R	Total reserves R
Balance at 1 July 2012	**4 380 566**	**20 932 597**	**25 313 163**
Changes in reserves			
Surplus for the year	–	5 593 549	5 593 549
Transfer of interest	197 121	-	197 121
Total changes	197 121	5 593 549	5 790 670
Balance at 1 July 2013	**4 577 687**	**26 526 146**	**31 103 833**
Changes in reserves			
Surplus for the year	–	5 535 504	5 535 504
Transfer of interest	205 996	-	205 996
Total changes	205 996	5 535 504	5 741 500
Balance at 30 June 2014	**4 783 683**	**32 061 650**	**36 845 333**
Note(s)	8		

The Southern African Institute of Mining and Metallurgy

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 R	2013 R
Cash flows from operating activities			
Cash generated from (used in) operations	*11*	(1 577 383)	1 902 174
Interest income		74 571	105 478
Dividends received		603 614	546 745
Finance costs		(67 574)	(75 354)
Net cash from operating activites		**(966 772)**	**2 479 043**
Cash flows from investing activities			
Purchase of property, plant and equipment	*2*	(26 288)	(134 138)
Loans advanced to group companies		(50 499)	–
Proceeds from loans		–	39 708
Net (sale)/aquisitions of investments		(163 048)	(643 112)
Net cash from investing activities		**(239 835)**	**(737 542)**
Cash flows from financing activities			
Interest paid on fund investments		205 996	197 121
Total cash movement for the year		**(1 000 611)**	**1 938 622**
Cash at the beginning of the year		8 137 024	6 198 402
Total cash at end of the year	*7*	**7 136 413**	**8 137 024**

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements
for the year ended 30 June 2014

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 financal 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 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 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 Institute. Depreciation is provided on leasehold improvements over the remaining period of the lease.

Item	Average useful life
Furniture and fixtures	6 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.

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements
for the year ended 30 June 2014

Accounting policies

1.3 Impairment of assets

The Institute assesses at each reporting period 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.

Afters initial recognition, financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

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 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 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.

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements
for the year ended 30 June 2014

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 Institute 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.

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements
for the year ended 30 June 2014 (Continued)

2. Property, plant and equipment

	2014			2013		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	395 554	(342 056)	53 498	393 712	(327 950)	65 765
Office equiment	19 529	(5 290)	14 239	9 080	(2 875)	6 205
IT equipment	1 118 624	(1 007 864)	110 760	1 104 627	(961 997)	142 630
Total	**1 533 707**	**(1 355 210)**	**178 497**	**1 507 419**	**(1 292 822)**	**214 597**

Reconciliation of property, plant and equipment - 2014	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	65 762	1 842	(14 106)	53 498
Office equipment	6 205	10 449	(2 415)	14 239
IT equipment	142 630	13 997	(45 867)	110 760
	214 597	**26 288**	**(62 388)**	**178 497**

Reconciliation of property, plant and equipment - 2013	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	58 114	24 606	(16 958)	65 762
Office equipment	8 021	–	(1 816)	6 205
IT equipment	91 764	109 532	(58 666)	142 630
	157 899	**134 138**	**(77 440)**	**214 597**

3. Loan to associate entity

Associate Entity		
The SAIMM Scholarship Fund The loan is unsecured, interest free with no fixed terms of repayment.	9 791	(40 708)
Non-current assets	9 791	–
Non-current liabilities	–	(40 708)
	9 791	**(40 708)**

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements
for the year ended 30 June 2014 (Continued)

	2014 R	2013 R
4. Other financial assets		
At fair value		
Listed shares	29 957 445	23 254 442
Non-current assets		
At fair value	29 957 445	23 254 442
5. Inventories		
Finished goods	203 391	203 391
6. Trade and other receiveables		
Trade receiveables	1 457 086	481 474
VAT		–3 5596
Franking machine	2 417	6 009
	1 459 503	**491 042**
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	30 838	3 058
Bank balances	798 512	725 092
Short-term deposits	6 302 463	7 389 706
Investment settlement account	4 600	19 168
	7 136 413	**8 137 024**

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements
for the year ended 30 June 2014 (continued)

	2014 R	2013 R
8. Funds		
Balance at beginning of year	4 577 687	4 380 566
Interest received	205 996	197 121
Balance at end of year	**4 783 683**	**4 577 687**
Comprising:		
Prof. R.E. Robinson Fund (Book Publications Fund)		
Balance at beginning of year	740 597	708 705
Interest received	33 327	31 892
	773 924	**740 597**
Brigadier Stokes Memorial Fund		
Balance at beginning of year	6 750	6 459
Interest received	303	291
	7 053	**6 750**
P.W.J. van Rensburg Memorial Fund (Education Fund)		
Balance at beginning of year	1 123 596	1 075 212
Interest received	50 562	48 384
	1 174 158	**1 123 596**
MacArthur Forrest Memorial Fund (Awards Fund)		
Balance at beginning of year	472 927	452 561
Interest received	21 281	20 366
	494 208	**472 927**
INFACON X Research Fund		
Balance at beginning of year	2 031 074	1 943 611
Interest received	91 398	87 463
	2 122 472	**2 031 074**
SANCOT Fund		
Balance at beginning of year	128 882	123 333
Interest received	5 800	5 549
	134 682	**128 882**

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements
for the year ended 30 June 2014 (continued)

		2014 R	2013 R
8.	**Funds (continued)**		
	The Dave Ortlepp Fund		
	Balance at beginning of year	73 861	70 685
	Interest received	3 324	3 176
	Balance at end of year	**77 185**	**73 8615**
		4 577 687	4 380 566
9.	**Operating surplus**		
	Operating surplus for the year is stated after accounting for the following:		
	Operating lease charges		
	Premises		
	– Contractual amounts	187 038	153 906
	Profit (loss) on sale of other financial assets	1 868 088	1 247 599
	Royalties OneMine	(52 209)	(53 593)
	Profit on revaluation of non-current assets held for sale	(4 671 867)	(2 430 104)
	Depreciation on property, plant and equipment	62 388	77 440
	Employee costs	3 966 306	3 595 2110

10. **Taxation**

No provision has been made for 2014 tax as the Institute is exempt from taxation in terms of Section 10(1)(cB)(i)(ff) of the Income Tax Act.

		2014 R	2013 R
11.	**Cash generated from (used in) operations**		
	Profit before taxation	5 535 504	5 593 549
	Adjustments for:		
	Depreciation and amortization	62 388	77 440
	(Profit) loss on sale of assets	(1 868 088)	(1 247 599)
	Fair value adjustments	(4 671 867)	(2 430 104)
	Dividends received	(603 614)	(546 745)
	Interest received	(74 571)	(105 478)
	Finance costs	67 574	75 354
	Movements in provisions	28 607	9 471
	Changes in working capital:		
	Inventories	–	73 417
	Trade and other receivables	(968 461)	638 096
	Trade and other payables	911 121	(77 610)
	Deferred income	4 024	(157 617)
		(1 577 383)	**1 902 174**

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements
for the year ended 30 June 2014 (continued)

Detailed income statement

	Note	2014	2013
		R	R
Revenue			
Revenue		16 982 531	18 029 003
Modern Mining publication		120 224	151 814
Samrec/Samval contribution		–	55 683
		17 102 755	**18 236 500**
Cost of sales		**(11 268 381)**	**(11 645 372)**
Gross profit		**5 834 374**	**6 591 128**
Other income			
Administration fees recovered		313 695	234 238
Annual banquet		–	438 002
Dividend revenue		603 614	546 745
Fair value adjustments		4 671 867	2 430 104
Gains on disposal of assets		1 868 088	1 247 599
Insurance claim		–	5 565
Interest received		74 571	105 478
Miscellaneous sales		192 218	194 377
Refunds received		92 998	349 918
Royalties OneMine		52 209	53 593
Royalties publications		67 749	32 543
		7 937 009	**5 638 162**
Expenses		**(8 168 305)**	**(6 560 387)**
Operating profit	9	**5 603 078**	**5 668 903**
Finance costs		(67 574)	(75 354)
Profit for the year		**5 535 504**	**5 593 549**

The Southern African Institute of Mining and Metallurgy

Detailed income statement

	2014	2013
	R	R
Operating expenses		
Annual banquet	(108 275)	(468 980)
Annual General Meeting	–	(144 846)
AGM medals	(8 040)	(356 620)
Auditor's remuneration	(57 195)	(52 495)
Bad debts	(34 602)	(53)
Bank charges	65 786)	(57 178)
Career guidance	(257 000)	(5 000)
Cleaning	(9 625)	(4 083)
Computer expenses	(143 124)	(75 666)
Consulting fees	(13 290)	(16 399)
Council dinner	(11 337)	(16 452)
Delivery expenses	(12 650)	(14 915)
Depreciation, amortization and impairments	(62 388)	(77 440)
Editor	(59 577)	(52 024)
Employee costs	(3 966 306)	(3 595 211)
Flowers, plants and decor	(36 996)	(15 158)
General expenses	(18 353)	(2 509)
Insurance	(36 104)	(41 441)
Internet charges	(31 272)	(44 537)
Lease rentals on operating lease	(187 038)	(153 906)
Library services	(9 453)	(9 884)
Loss on exchange differences	(3 889)	(2 896)
Management fees - investments	(210 064)	(195 229)
Membership internet connection	(53 015)	(41 712)
Membership internet communication	(27 500)	–
Office bearers/councillors expenses	(142 723)	(8 705)
Parking expenses	(113 711)	(62 943)
Photocopier expenses	(214 902)	(197 821)
President's expenses	4 246)	(4 852)
Printing and stationery	(115 914)	(98 206)
Refunds	(12 310)	(9 460)
Repairs and maintenance	(52 735)	(40 610)
Sancot expenses	–	(64 772)
Scholarship trust fund expenses	(200 000)	(297 680)
Secretarial fees	(62 400)	–
Share of conference expenses	(1 300 000)	–
Software expenses	(9 790)	(9 932)
Sponsorship	–	(12 526)
Staff expenses	(41 003)	(24 304)
Staff welfare	(35 631)	(16 223)
Student prizes	(30 439)	(32 000)
Subscriptions	(293 398)	(183 274)
Training	(65 892)	(21 946)
Website development/maintenance	(47 010)	(26 670)
	8 168 305	**(6 560 387)**