

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Annual Financial Statements for the year ended 30 June 2017

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 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 898.

The annual financial statements set out on pages 899 to 911, which have been prepared on the going concern basis, were approved by the members and are signed on their behalf by:

Signed by: C. Musingwini

President

10 August 2017

Date:

Signed by: J.L. Porter

Treasurer

10 August 2017

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 2017, 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 899 to 909.

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 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 2017, 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 910 to 911 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

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Statement of Financial Position

for the year ended 30 June 2017

	Note	2017 R	2016 R
Assets			
Non-current assets			
Property, plant and equipment	2	193 826	262 142
Loan to associate entity	3	452 918	206 468
Other financial assets	4	27 350 364	27 458 066
		27 997 108	27 926 676
Current assets			
Inventories	5	227 295	210 487
Trade and other receivables	6	1 272 256	403 426
Cash and cash equivalents	7	3 909 689	4 270 976
		5 409 240	4 884 889
Total assets		33 406 348	32 811 565
Reserves and Liabilities			
Reserves			
Reserves	8	5 458 977	5 223 902
Retained income		25 976 912	26 040 693
		31 435 889	31 264 595
Liabilities			
Current liabilities			
Trade and other payables		1 748 344	1 230 419
Provisions		222 115	316 551
		1 970 459	1 546 970
Total Reserves and Liabilities		33 406 348	32 811 565

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Statement of Comprehensive Income

for the year ended 30 June 2017

	<i>Note</i>	2017 R	2016 R
Revenue		16 497 764	17 857 498
Cost of sales		(13 086 419)	(18 134 198)
Gross profit		3 411 345	(276 700)
Other income		1 508 921	961 273
Operating expenses		(6 025 513)	(7 872 166)
Operating surplus	<i>9</i>	(1 105 247)	(7 187 593)
Investment revenue		899 844	1 098 584
Royalties OneMine		55 608	80 418
Fair value adjustments		86 014	(25 631)
Deficit for the year		(63 781)	(6 034 222)

The Southern African Institute of Mining and Metallurgy

Statement of Changes in Reserves

for the year ended 30 June 2017

	Funds	Retained incomes R	Total reserves R
Balance at 1 July 2015	4 998 949	32 074 915	37 073 864
Changes in reserves			
Surplus for the year	-	(6 034 222)	(6 034 222)
Transfer of interest	224 953	-	224 953
Total changes	224 953	(6 034 222)	(5 809 269)
Balance at 1 July 2016	5 223 902	26 040 693	31 264 595
Changes in reserves			
Surplus for the year	-	(63 781)	(63 781)
Transfer of interest	235 075	-	235 075
Total changes	235 075	-	171 294
Balance at 30 June 2017	5 458 977	25 976 912	31 435 889

Note(s)

8

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Statement of Cash Flows

for the year ended 30 June 2017

	Note	2017 R	2016 R
Cash flows from operating activities			
Cash generated from (used in) operations	11	(2 556 906)	(5 103 083)
Interest income		282 688	208 003
Dividends received		617 156	890 581
Net cash from operating activities		(1 657 062)	(4 004 499)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	–	(131 032)
Loans received/(advanced) to associate entity		(246 450)	(421 677)
Net sale of investments		1 307 149	4 904 106
Net cash from investing activities		1 060 699	4 351 397
Cash flows from financing activities			
Interest allocated to fund investments		235 076	224 953
Total cash movement for the year		(361 287)	571 851
Cash at the beginning of the year		4 270 976	3 699 125
Total cash at end of the year	7	3 909 689	4 270 976

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements

for the year ended 30 June 2017

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 inventories 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 2017

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.

After 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 2017*

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 2017 (Continued)

2. Property, plant and equipment

	2017			2016		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	395 554	(366 165)	29 389	395 554	(359 152)	36 402
Office equipment	28 226	(13 034)	15 192	28 226	(9 579)	18 647
IT equipment	1 312 481	(1 163 236)	149 245	1 312 481	(1 105 388)	207 093
Total	1 736 261	(1 542 435)	193 826	1 736 261	(1 474 119)	262 142

Reconciliation of property, plant and equipment - 2017

	Opening balance	Depreciation	Total
Furniture and fixtures	36 402	(7 013)	29 389
Office equipment	18 647	(3 455)	15 192
IT equipment	207 093	(57 848)	149 245
	262 142	(68 316)	193 826

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	43 861	–	(7 459)	36 402
Office equipment	22 376	–	(3 729)	18 647
IT equipment	122 977	131 032	(46 916)	207 093
	189 214	131 032	(58 104)	262 142

3. Loan to associate entity

Associate Entity

The SAIMM Scholarship Fund	452 918	206 468
The loan is unsecured, interest free with no fixed terms of repayment.		

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements for the year ended 30 June 2017 (Continued)

	2017 R	2016 R
4. Other financial assets		
At fair value		
Listed shares	25 132 249	25 231 463
Bonds	2 218 115	2 226 603
	27 350 364	27 458 066
Non-current assets		
At fair value	27 350 364	27 458 066
5. Inventories		
Finished goods	227 295	210 487
6. Trade and other receivables		
Trade receivables	1 261 480	222 044
VAT	–	160 325
Franking machine	10 776	21 057
	1 272 256	403 426
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	45 524	31 138
Bank balances	906 119	786 103
Short-term deposits	2 955 205	4 193 606
Investment settlement account	2 841	(739 871)
	3 909 689	4 270 976

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements for the year ended 30 June 2017 (continued)

	2017 R	2016 R
8. Funds		
Balance at beginning of year	5 223 902	4 998 949
Interest received	235 075	224 953
Balance at end of year	5 458 977	5 223 902
Comprising:		
Prof. R.E. Robinson Fund (Book Publications Fund)		
Balance at beginning of year	845 145	808 751
Interest received	38 032	36 394
	883 177	845 145
Brigadier Stokes Memorial Fund		
Balance at beginning of year	7 702	7 371
Interest received	346	331
	8 048	7 702
P.W.J. van Rensburg Memorial Fund (Education Fund)		
Balance at beginning of year	1 282 210	1 226 995
Interest received	57 699	55 215
	1 339 909	1 282 210
MacArthur Forrest Memorial Fund (Awards Fund)		
Balance at beginning of year	539 688	516 448
Interest received	24 286	23 240
	563 974	539 688
INFACON X Research Fund		
Balance at beginning of year	2 317 793	2 217 983
Interest received	104 301	99 810
	2 422 094	2 317 793
SANCOT Fund		
Balance at beginning of year	147 076	140 743
Interest received	6 618	6 333
	153 694	147 076

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements for the year ended 30 June 2017 (continued)

	2017 R	2016 R
8. Funds (continued)		
The Dave Ortlepp Fund		
Balance at beginning of year	84 288	80 658
Interest received	3 793	3 630
Balance at end of year	88 081	84 288
	5 458 977	5 223 902
9. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
– Contractual amounts	207 661	214 839
Profit (loss) on sale of other financial assets	(1 110 034)	(204 304)
Profit on exchange difference	13 979	(870)
Royalties OneMine	(55 608)	(80 418)
Profit on revaluation of non-current assets held for sale	(86 014)	25 631
Depreciation on property, plant and equipment	68 315	58 104
Employee costs	3 540 582	4 734 371
10. Taxation		
No provision has been made for 2017 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 before taxation	(63 781)	(6 034 222)
Adjustments for:		
Depreciation and amortization	68 315	58 104
(Profit) loss on sale of assets	(1 113 422)	(232 513)
Fair value adjustments	(86 014)	25 631
Dividends received	(617 156)	(890 581)
Interest received	(282 688)	(208 003)
Movements in provisions	(94 436)	73 449
Changes in working capital:		
Inventories	(16 808)	-
Trade and other receivables	(868 830)	1 128 965
Trade and other payables	517 925	1 027 449
Deferred income	-	(51 362)
	(2 556 906)	(5 103 083)

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements for the year ended 30 June 2017 (continued)

Detailed income statement

	2017	2016
	R	R
Revenue		
Revenue	16 497 764	17 857 498
Cost of sales	(13 086 419)	(18 134 198)
Gross profit	3 411 345	(276 700)
Other income		
Administration fees recovered	324 768	509 868
Dividend revenue	617 156	890 581
Fair value adjustments	86 014	-
Gains on disposal of assets	1 110 034	204 304
Interest received	282 688	208 003
Profit on exchange differences	-	870
Miscellaneous sales	21 124	58 290
Refunds received	441	177 853
Royalties OneMine	55 608	80 418
Royalties publications	8 144	9 568
SAMREC/SAMVAL	44 410	520
	2 550 387	2 140 279
Expenses	(6 025 513)	(7 872 166)
Operating profit	(63 781)	(6 008 591)
Loss on non-current assets held for sale or disposal groups	-	(25 631)
Profit for the year	(63 781)	(6 034 222)

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Detailed income statement

	2017	2016
	R	R
Operating expenses		
AGM medals	(68 500)	(19 090)
AGM 2016	(168 130)	-
Auditor's remuneration	(72 150)	(66 550)
Bad debts	5 685	(674 954)
Bank charges	(53 506)	(51 751)
Cleaning	(3 556)	(7 572)
Computer expenses	(171 080)	(201 473)
Consulting fees	(7 304)	(35 338)
Council dinner	(48 033)	-
Credit card charges	(61 709)	(111 619)
Delivery expenses	(16 936)	(18 926)
Depreciation, amortization and impairments	(68 315)	(58 104)
Discount allowed	(827)	(821)
Employee costs	(3 540 582)	(4 734 371)
Flowers, plants and decor	(2 432)	(13 624)
General expenses	(1 374)	(17 039)
Gifts	(25 739)	(820)
Insurance	(52 136)	(45 511)
Internet charges	(49 993)	(2 821)
Lease rentals on operating lease	(207 661)	(214 839)
Legal expenses	(21 850)	(3 500)
Library services	(10 120)	(17 090)
Loss on exchange differences	(13 979)	-
Management fees - investments	(211 687)	(239 965)
Membership internet connection	(65 814)	(62 220)
Membership internet communication	(10 373)	(29 165)
Office bearers/Councillors expenses	(20 628)	(17 816)
Parking expenses	(88 060)	(96 000)
Photocopier expenses	(319 085)	(245 767)
President's expenses	(12 218)	(7 421)
Printing and stationary	(28 910)	(101 223)
Refunds	(310)	(15 404)
Repairs and maintenance	(26 228)	(54 040)
Sancot expenses	-	(14 456)
Scholarship Trust Fund expenses	-	17 671
Secretarial fees	(36 625)	(46 675)
Setcom/paygate charges	(3 963)	(24 016)
Software expenses	(52 111)	(41 543)
Staff expenses	(25 785)	(27 053)
Staff welfare	(38 887)	(34 269)
Student prizes	(10 500)	(11 000)
Subscriptions	(366 515)	(425 717)
Training	(11 842)	(3 425)
Website development/maintenance	(35 745)	(96 849)
	(60 025 513)	(7 872 166)