

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Annual Financial Statements

for the year ended 30 June 2013

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.

The annual financial statements which have been prepared on the going concern basis, were approved by the council and were signed on their behalf by:

Signed by: G.L. Smith

President

22 August 2013

Date:

Signed by: J.L. Porter

Treasurer

22 August 2013

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 2013, 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.

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 2013, 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 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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Statement of Financial Position

for the year ended 30 June 2013

	Note	2013 R	2012 R
Assets			
Non-current assets			
Property, plant and equipment	2	214 597	157 899
Other financial assets	4	23 254 442	18 933 627
		23 469 039	19 091 526
Current assets			
Inventories	5	203 391	276 808
Trade and other receivables	6	491 042	1 129 138
Cash and cash equivalents	7	8 137 024	6 198 402
		8 831 457	7 604 348
Total assets		32 300 496	26 695 874
Reserves and liabilities			
Reserves			
Funds	8	4 577 687	4 380 566
Retained income		26 526 146	20 932 597
		31 103 833	25 313 163
Liabilities			
Non-Current liabilities			
Loan from associate entity	3	40 708	1 000
Current liabilities			
Trade and other payables		847 001	924 611
Deferred income		78 156	235 773
Provisions		230 789	221 327
		1 155 955	1 381 711
Total liabilities		1 196 663	1 382 711
Total reserves and liabilities		32 300 496	26 695 874

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Statement of Comprehensive Income

for the year ended 30 June 2013

	Note	2013 R	2012 R
Revenue		18 236 500	15 791 264
Cost of sales		(11 645 372)	(13 242 684)
Gross profit		6 591 128	2 548 580
Other income		2 502 242	2 000 008
Operating expenses		(6 560 387)	(6 642 997)
Operating surplus	9	2 532 983	(2 094 409)
Investment revenue		652 223	787 329
Royalties OneMine		53 593	–
Fair value adjustments		2 430 104	1 456 608
Finance costs		(75 354)	(102 819)
Surplus for the year		5 593 549	46 709

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Statement of Changes in Reserves

for the year ended 30 June 2013

	Funds R	Retained incomes R	Total reserves R
Balance at 1 July 2011	4 191 930	20 885 888	25 077 818
Changes in reserves			
Surplus for the year	–	46 709	46 709
Transfer of interest	188 636	–	188 636
Total changes	188 636	46 709	235 345
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 30 June 2013	4 577 687	26 526 146	31 103 833
Note(s)	8		

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The Southern African Institute of Mining and Metallurgy

Statement of Cash Flows for the year ended 30 June 2013

	Note	2013 R	2012 R
Cash flows from operating activities			
Cash generated from (used in) operations	11	1 902 174	(2 807 429)
Interest income		105 478	41 984
Dividends received		546 745	745 345
Finance costs		(75 354)	(102 819)
Net cash from operating activities		2 479 043	(2 122 919)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(134 138)	(67 708)
Proceeds from loans		39 708	–
Net (sale)/aquisitions of investments		(643 112)	386 487
Decrease in loans receivable		–	637 883
Net cash from investing activities		(737 542)	956 662
Cash flows from financing activities			
Interest paid on fund investments		197 121	188 636
Total cash movement for the year		1 938 622	(977 621)
Cash at the beginning of the year		6 198 402	7 176 023
Total cash at end of the year	7	8 137 024	6 198 402

Annual Financial Statements

The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements

for the year ended 30 June 2013

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 Institute. 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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Notes to the annual financial statements

for the year ended 30 June 2013

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.

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Notes to the annual financial statements *for the year ended 30 June 2013*

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.

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Notes to the annual financial statements for the year ended 30 June 2013 (Continued)

2. Property, plant and equipment

	2013			2012		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	393 712	(327 950)	65 762	369 106	(310 992)	58 114
Office equipment	9 080	(2 875)	6 205	9 080	(1 059)	8 021
IT equipment	1 104 627	(961 997)	142 630	995 095	(903 331)	91 764
Total	1 507 419	(1 292 822)	214 597	1 373 281	(1 215 382)	157 899

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

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

3. Loan to associate entity

Associate Entity

The SAIMM Scholarship Fund (40 708) (1 000)

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 in the prior year.

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Notes to the annual financial statements for the year ended 30 June 2013 (Continued)

	2013 R	2012 R
4. Other financial assets		
At fair value		
Listed shares	23 254 442	18 933 627
Non-current assets		
At fair value	23 254 442	18 933 627
5. Inventories		
Finished goods	203 391	276 808
6. Trade and other receivables		
Trade receivables	481 474	987 947
VAT	3 559 328	96
Franking machine	6 009	108 295
	491 042	1 129 138
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3 058	(27)
Bank balances	725 092	784 212
Short-term deposits	7 389 706	5 403 736
Investment settlement account	19 168	10 481
	8 137 024	6 198 402

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Notes to the annual financial statements
for the year ended 30 June 2013 (continued)

	2013 R	2012 R
8. Funds		
Balance at beginning of year	4 380 566	4 191 930
Interest received	197 121	188 636
Balance at end of year	4 577 687	4 380 566
Comprising:		
Prof. R.E. Robinson Fund (Book Publications Fund)		
Balance at beginning of year	708 705	678 187
Interest received	31 892	30 518
	740 597	708 705
Brigadier Stokes Memorial Fund		
Balance at beginning of year	6 459	6 181
Interest received	291	278
	6 750	6 459
P.W.J. van Rensburg Memorial Fund (Education Fund)		
Balance at beginning of year	1 075 212	1 028 911
Interest received	48 384	46 301
	1 123 596	1 075 212
MacArthur Forrest Memorial Fund (Awards Fund)		
Balance at beginning of year	452 561	433 073
Interest received	20 366	19 488
	472 927	452 561
INFACON X Research Fund		
Balance at beginning of year	1 943 611	1 859 915
Interest received	87 463	83 696
	2 031 074	1 943 611
SANCOT Fund		
Balance at beginning of year	123 333	118 022
Interest received	5 549	5 311
	128 882	123 333

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Notes to the annual financial statements for the year ended 30 June 2013 (continued)

	2013 R	2012 R
8. Funds (continued)		
The Dave Ortlepp Fund		
Balance at beginning of year	70 685	67 641
Interest received	3 176	3 044
Balance at end of year	73 861	70 685
	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	153 906	231 731
Profit (loss) on sale of other financial assets	1 247 599	(151 267)
Royalties OneMine	(53 593)	–
Profit on revaluation of non-current assets held for sale	(2 430 104)	(1 456 608)
Depreciation on property, plant and equipment	77 440	48 247
Employee costs	3 595 211	3 296 140
10. Taxation		
No provision has been made for 2013 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		
Profit before taxation	5 593 549	46 709
Adjustments for:		
Depreciation and amortization	77 440	48 247
(Profit) loss on sale of assets	(1 247 599)	151 267
Fair value adjustments	(2 430 104)	(1 456 608)
Dividends received	(546 745)	(745 345)
Interest received	(105 478)	(41 984)
Finance costs	75 354	102 819
Movements in provisions	9 471	19 929
Changes in working capital:		
Inventories	73 417	(62 600)
Trade and other receivables	638 096	(202 595)
Trade and other payables	(77 610)	647 339
Deferred income	(157 617)	(19 929)
	1 902 174	(2 807 429)

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The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements for the year ended 30 June 2013 (continued)

Detailed income statement

	2013	2012
	R	R
Revenue		
Revenue	18 029 003	15 656 864
Modern Mining publication	151 814	92 733
Samrec/Samval contribution	55 683	41 667
	18 236 500	15 791 264
Cost of sales	(11 645 372)	(13 242 684)
Gross profit	6 591 128	2 548 580
Other income		
Administration fees recovered	234 238	664 894
Annual banquet	438 002	806 667
Cash sales	–	1 616
Dividend revenue	546 745	745 345
Fair value adjustments	2 430 104	1 456 608
Gains on disposal of assets	1 247 599	–
Insurance claim	5 565	–
Interest received	105 478	41 984
Miscellaneous sales	194 377	429 999
Profit on exchange differences	–	8 084
Refunds received	349 918	75 583
Royalties OneMine	53 593	–
Royalties publications	32 543	13 165
	5 638 162	4 243 945
Expenses	(6 560 387)	(6 642 997)
Operating profit	5 668 903	149 528
Finance costs	(75 354)	(102 819)
Profit for the year	5 593 549	46 709

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Detailed income statement

	2013	2012
	R	R
Operating expenses		
Annual banquet	(468 980)	(2 985)
Annual General Meeting	(144 846)	(104 342)
AGM medals	(356 620)	–
Auditor's remuneration	(52 495)	(49 800)
Bad debts	(53)	(536)
Bank charges	(57 178)	(58 737)
Career guidance	(5 000)	(12 089)
Cleaning	(4 083)	(5 843)
Computer expenses	(75 666)	(87 651)
Consulting fees	(16 399)	(105 498)
Council dinner	(16 452)	(27 028)
Delivery expenses	(14 915)	(24 169)
Depreciation, amortization and impairments	(77 440)	(48 247)
Discount allowed	–	(51 466)
Editor	(52 024)	(48 637)
Employee costs	(3 595 211)	(3 296 140)
Flowers, plants and decor	(15 158)	(32 075)
General expenses	(2 509)	(25 813)
Insurance	(41 441)	(36 623)
Internet charges	(44 537)	(114 336)
Lease rentals on operating lease	(153 906)	(231 731)
Library services	(9 884)	(8 191)
Loss on disposal of assets	–	(151 267)
Loss on exchange differences	(2 896)	–
Management fees - investments	(195 229)	(175 608)
Membership internet connection	(41 712)	(39 300)
Office bearers/councillors expenses	(8 705)	(12 678)
Parking expenses	(62 943)	(88 369)
Photocopier expenses	(197 821)	(129 207)
President's expenses	(4 852)	(17 187)
Printing and stationery	(98 206)	(136 294)
Refunds	(9 460)	–
Repairs and maintenance	(40 610)	(29 617)
Sancot expenses	(64 772)	(3 317)
Scholarship trust fund expenses	(297 680)	(1 065 817)
Secretarial fees	–	(81 266)
Setcom/paygate charges	(3 829)	(2 466)
Software expenses	(9 932)	(7 814)
Sponsorship	(12 526)	(12 860)
Staff expenses	(24 304)	(31 731)
Staff welfare	(16 223)	(29 082)
Student prizes	(32 000)	(51 000)
Subscriptions	(183 274)	(153 901)
Training	(21 946)	(33 966)
Website development/maintenance	(26 670)	(18 313)
	(6 560 387)	(6 642 997)