

Report of the independent auditors

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

We have audited the annual financial statements of The South African Institute of Mining and Metallurgy set out on pages 483 to 496 for the year ended 30 June 2004. These financial statements are the responsibility of the Institute's Council. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We have conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- ▶ examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- ▶ assessing the accounting principles used and significant estimates made by management, and
- ▶ evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Institute at 30 June 2004 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice.

Auditors


30 July 2004

Council's approval of the annual financial statements

The annual financial statements for the year ended 30 June 2004 set out on pages 483 to 496 were approved by the Council on 30 July 2004 and are signed on its behalf by:



President



Treasurer

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Balance sheet at 30 June 2004

	<i>Note</i>	2004 R	2003 R
Assets			
Non-current assets		3 591 238	2 426 560
Furniture and equipment	<i>2</i>	229 173	218 967
Listed investments	<i>3</i>	3 358 262	2 147 593
De-listed investments		3 803	-
Loan		-	60 000
Current assets		4 605 957	4 824 262
Inventories		82 659	88 953
Accounts receivable and prepayments less provisions		553 727	1 862 439
Deposits		-	2 100
Cash and cash equivalents	<i>4</i>	3 969 571	2 870 770
Total assets		8 197 195	7 250 822
Equity and liabilities			
Funds and reserves		7 062 609	3 982 633
Funds	<i>5</i>	4 370 657	2 524 126
Retained surplus		2 691 952	1 458 507
Current liabilities			
Accounts payable and provisions		1 134 586	3 268 189
Total equity and liabilities		8 197 195	7 250 822

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Statement of changes in equity

for the year ended 30 June 2004

	<i>Note</i>	Funds R	Retained surplus R	Total R
Balance at 1 July 2002		1 926 296	1 483 637	3 409 933
Donations and contributions		140 000	–	140 000
Net awards and expenses		(142 170)	–	(142 170)
Net surplus for the year		–	574 870	574 870
Transfers to funds		600 000	(600 000)	–
Balance at 30 June 2003		2 524 126	1 458 507	3 982 633
Donations and contributions		1 975 888	–	1 975 888
Awards and expenses		(279 357)	–	(279 357)
Net surplus for the year		–	1 383 445	1 383 445
Transfers to funds		150 000	(150 000)	–
Balance at 30 June 2004		4 370 657	2 691 952	7 062 609



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Income and expenditure account *for the year ended 30 June 2004*

	<i>Note</i>	2004 R	2003 R
Income	6	3 580 001	2 840 900
Expenditure	7	2 196 556	2 266 030
Net surplus for the year		<u>1 383 445</u>	<u>574 870</u>

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Cash flow statement

for the year ended 30 June 2004

	2004 R	2003 R
Net surplus for the year	1 383 445	574 870
Adjustments for:		
– revaluation of investments	(402 037)	469 787
– depreciation	103 212	110 149
– surplus on sale of investments	(19 446)	(4 425)
– interest and dividends received	(407 229)	(263 204)
Cash inflows from operations before working capital changes	657 945	887 177
Working capital changes	(756 497)	1 197 577
(Increase)/decrease in accounts receivable and prepayments	1 308 712	(945 681)
Decrease in deposits	2 100	1 530
(Decrease)/increase in accounts payable and provisions	(2 133 603)	2 230 673
Decrease/(increase) in Inventory	6 294	(88 945)
Decrease in loans receivable	60 000	–
Cash (absorbed)/generated by operations	(98 552)	2 084 754
Interest and dividends received	407 229	263 204
Net cash inflow from operating activities	308 677	2 347 958
Cash flow from investing activities	(906 407)	(241 335)
Acquisition of furniture and equipment	(26 420)	(75 110)
Acquisition of computer equipment	(86 996)	(181 828)
Net disposal/(acquisition) of investments	(792 991)	15 603
	(597 730)	2 106 623
Cash flow from funds activities	1 696 531	(2 170)
Donations and contributions	1 975 888	140 000
Net awards and expenses	(279 357)	(142 170)
Net increase in cash and cash equivalents	1 098 801	2 104 453
Cash and cash equivalents at beginning of year	2 870 770	766 317
Cash and cash equivalents at end of year	3 969 571	2 870 770

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Notes to the annual financial statements

for the year ended 30 June 2004

1. Accounting policies

The financial statements have been prepared in accordance with the historical cost convention modified for financial instruments which are carried at fair values and incorporate the following principal accounting bases and presentation which are the same as those adopted for the previous year.

1.1 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 author's gifts and stock held from conferences, are carried at cost. Provision is made for equipment.

1.2 Listed investments

Listed investments, classified as 'available for sale financial assets', are initially carried at cost. Subsequent to initial recognition they are carried at their market value calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date.

1.3 Fixed assets and depreciation

Furniture and equipment are depreciated over their estimated useful lives. Medals, plaques, dies, and banners are recorded at a nominal value.

1.4 Investment income

Dividends are recognised when the right to receive payment is established.

1.5 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts.

1.6 Retirement benefits

The Institute contributes to a defined contribution plan. Contributions to defined contribution funds are charged against income as incurred.

1.7 Provisions

Provisions are recognised when the Institute has a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefits will occur and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is the pre-tax rate that reflects current market interest assessment of the time value of money, and, where appropriate, the risks specific to the liability.

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Notes to the annual financial statements for the year ended 30 June 2004 (continued)

	2004 R	2003 R	
2. Furniture and equipment			
<i>Cost</i>			
Furniture and fittings	221 024	194 604	
Computer equipment	493 614	403 524	
	<hr/> 714 638	<hr/> 598 128	
<i>Accumulated depreciation</i>			
Furniture and fittings	151 986	133 436	
Computer equipment	333 479	245 725	
	<hr/> 485 465	<hr/> 379 161	
Net book value	<hr/> 229 173	<hr/> 218 967	
	Furniture and fittings R	Computer equipment R	Total R
Opening net book value	61 168	157 801	218 969
Additions	26 420	86 996	113 416
Depreciation	(18 550)	(84 662)	(103 212)
	<hr/> 69 038	<hr/> 160 135	<hr/> 229 173
		2004 R	2003 R
3. Listed investments			
Investments at cost at beginning of year		2 562 320	2 582 814
Net (sales)/purchases of investments		781 184	(20 494)
Investments at cost at end of year		<hr/> 3 343 504	<hr/> 2 562 320
Investments at market value		<hr/> 3 358 262	<hr/> 2 147 593
4. Cash and cash equivalents			
Current account		(103 992)	123 377
Call account		4 071 534	2 743 893
Cash on hand		2 029	3 500
		<hr/> 3 969 571	<hr/> 2 870 770
Total			



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Notes to the annual financial statements for the year ended 30 June 2004 (continued)

	2004 R	2003 R
5. Funds		
5.1 Prof. R.E. Robinson Fund		
– balance at beginning of year	520 622	520 622
	<u>520 622</u>	<u>520 622</u>
5.2 Brigadier Stokes Memorial Fund		
– balance at beginning of year	96 035	113 633
– awards and expenses	–	(17 598)
	<u>96 035</u>	<u>96 035</u>
5.3 PWJ van Rensburg Fund		
– balance at beginning and end of year	1 147 278	1 149 778
– awards and expenses	(50 415)	(2 500)
	<u>1 096 863</u>	<u>1 147 278</u>
5.4 MacArthur Forrest Memorial Fund		
– balance at beginning of year	503 763	86 920
– awards and expenses	(25 090)	(33 157)
– transfer from retained surplus	–	450 000
	<u>478 673</u>	<u>503 763</u>
5.5 INFACON X Research Fund		
– balance at beginning of year	–	–
– transfer of excess from congress	1 467 818	–
	<u>1 467 818</u>	<u>–</u>
5.6 SAIMM Scholarship Fund		
– balance at beginning of year	137 619	–
– awards and expenses	(80 000)	(12 381)
– transferred from retained income	150 000	150 000
– contributions received	199 844	–
	<u>407 463</u>	<u>137 619</u>
5.7 Gold Medal Awards—Pretoria & Wits universities		
– balance at beginning of year	118 809	55 343
– donations received	140 000	140 000
– awards and expenses	(64 141)	(76 534)
	<u>194 668</u>	<u>118 809</u>
5.8 SANCOT Fund		
– balance at beginning of year	–	–
– transfer of bank balance to SAIMM	168 226	–
– awards and expenses	(59 711)	–
	<u>108 515</u>	<u>–</u>
Total of funds at end of year	<u>4 370 657</u>	<u>2 524 126</u>

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Notes to the annual financial statements for the year ended 30 June 2004 (continued)

	2004	2003
	R	R
6. Income comprises		
Company affiliates subscriptions	362 634	275 936
Membership entrance fees and subscriptions	894 444	880 309
Conferences, colloquia and schools	1 485 812	1 344 868
Interest and dividends received	407 229	263 204
Revaluation of investments	402 037	-
Historical cost surplus on sale of investments	19 446	4 425
Net income from Special Publications	8 399	72 158
Special Publication series		
– Sales	67 574	90 827
Less expenditure		
– Expenses net of postage recoveries	(59 175)	(18 669)
	3 580 001	2 840 900

	2004	2003
	R	R
7. Expenditure comprises		
Secretarial costs	586 283	472 987
Institute <i>Journal</i>		
– Expenses	1 170 806	1 002 127
– Secretarial fee	95 608	86 265
	1 266 414	1 088 392
Deduct		
– Advertising	532 552	486 948
– Sales	120 960	175 013
Administration expenditure	788 195	674 684
Audit fee	15 000	20 000
Revaluation of investments	-	469 787
Depreciation	103 212	110 149
Subscriptions written off	90 964	91 992
	2 196 556	2 266 030



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Notes to the annual financial statements for the year ended 30 June 2004 (continued)

8. Financial instruments

The Institute's financial instruments consist of cash and cash equivalents, accounts payable and accounts receivable, and investments in money markets and listed investments.

The carrying amounts of the following financial instruments, net of provision for losses, approximate their fair values:

Credit risk

Accounts receivable

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

Cash and cash equivalents

The Institute's resources are placed with a high credit quality financial institution. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Liquidity risks

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

Interest rate risk

The Institute does not have a significant exposure to interest rate risk.

9. Income tax

The Institute is exempt from income tax in terms of Section 10(1)(cB)(i)(ff) of the Income Tax Act.

10. Donations tax

The Institute is exempt from donations tax in terms of Section 56(1)(h) of the Income Tax Act.

11. Comparative figures

Certain comparative figures have been restated.