

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 575 to 586 for the year ended 30 June 2005. 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 International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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

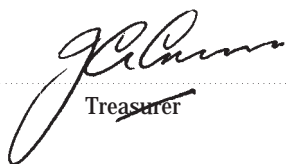
In our opinion, the financial statements fairly present, in all material respects, the financial position of the Institute at 30 June 2005 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice.

AUDITORS:KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants
11 August 2005

Council's approval of the annual financial statements

The annual financial statements for the year ended 30 June 2005 set out on pages 575 to 586 were approved by the Council on 30 July 2005 and are signed on its behalf by:


President


Treasurer

Annual Financial Statements

The South African Institute of Mining and Metallurgy

Balance sheet
at 30 June 2005

	<i>Note</i>	2005 R	Restated 2004 R
Assets			
Non-current assets		6 014 753	3 591 238
Furniture and equipment	<i>2</i>	118 143	229 173
Listed investments	<i>3</i>	5 892 806	3 358 262
De-listed investments		3 803	3 803
Current assets		3 853 405	4 605 957
Inventories		109 044	82 659
Accounts receivable and prepayments less provisions		1 336 164	553 727
Cash and cash equivalents	<i>4</i>	2 408 197	3 969 571
Total assets		9 868 157	8 197 195
Equity and liabilities			
Funds and reserves		7 753 508	6 658 661
Funds	<i>5</i>	3 855 503	3 963 194
Retained surplus		3 898 005	2 695 467
Non-current liabilities			
The SAIMM Scholarship Fund	<i>6</i>	335 799	403 948
Current liabilities			
Accounts payable and provisions		1 778 850	1 134 586
Total equity and liabilities		9 868 157	8 197 195

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The South African Institute of Mining and Metallurgy

Statement of changes in equity for the year ended 30 June 2005

	<i>Note</i>	Funds R	Retained surplus R	Total R
Balance at 1 July 2003 (as previously stated)		2 524 126	1 458 507	3 982 633
Restatement	7	(137 619)	(1 000)	(138 619)
Balance at 1 July 2003 (as restated)		2 386 507	1 457 507	3 844 014
Donations and contributions		1 776 044	-	1 776 044
Awards and expenses		(199 357)	-	(199 357)
Net surplus for the year		-	1 387 960	1 387 960
Transfers to the SAIMM Scholarship Fund		-	(150 000)	(150 000)
Balance at 30 June 2004		3 963 194	2 695 467	6 658 661
Awards and expenses		(229 602)	-	(229 602)
Donations and contributions		121 911	-	121 911
Net surplus for the year		-	1 352 538	1 352 538
Transfers to the SAIMM Scholarship Fund		-	(150 000)	(150 000)
Balance at 30 June 2005		3 855 503	3 898 005	7 753 508

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The South African Institute of Mining and Metallurgy

Income and expenditure account
for the year ended 30 June 2005

	<i>Note</i>	2005 R	Restated 2004 R
Income	<i>8</i>	3 900 756	3 580 001
Expenditure	<i>9</i>	2 548 218	2 192 041
Net surplus for the year		<u>1 352 538</u>	<u>1 387 960</u>

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The South African Institute of Mining and Metallurgy

Cash flow statement

for the year ended 30 June 2005

	2005 R	Restated 2004 R
Net surplus for the year	1 352 538	1 387 960
Adjustments for:		
– revaluation of investments	(1 305 828)	(402 037)
– depreciation	120 679	103 212
– surplus on sale of investments	(355 735)	(19 446)
– interest and dividends received	(290 100)	(407 229)
Cash inflows from operations before working capital changes	(478 446)	662 460
Working capital changes	(164 558)	(756 497)
(Increase)/decrease in accounts receivable and prepayments	(782 437)	1 308 712
Decrease in deposits	–	2 100
Increase/(decrease) in accounts payable and provisions	644 264	(2 133 603)
(Increase)/decrease in inventory	(26 385)	6 294
Decrease in loans receivable	–	60 000
Cash (absorbed)/generated by operations	(643 004)	(94 037)
Interest and dividends received	290 100	407 229
Net cash inflow from operating activities	(352 904)	313 192
Cash flow from investing activities	(950 779)	(640 0078)
Acquisition of furniture and equipment	(1 419)	(26 420)
Acquisition of computer equipment	(8 230)	(86 996)
Net acquisition of investments	(872 981)	792 991
(Decrease)/increase in loans payable	(68 149)	266 329
	(1 303 683)	(326 886)
Cash flow from funds' activities	(257 691)	1 426 687
Donations and contributions	121 911	1 776 044
Awards and expenses	(229 602)	(199 357)
Donation to the SAIMM Scholarship Fund	(150 000)	(150 000)
Net increase in cash and cash equivalents	(1 561 374)	1 099 801
Cash and cash equivalents at beginning of year	3 969 571	2 869 770
Cash and cash equivalents at end of year	2 408 197	3 969 571

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The South African Institute of Mining and Metallurgy

Notes to the annual financial statements for the year ended 30 June 2005

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 authors' 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 Furniture and equipment

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 recognized 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 recognized 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 2005 (continued)

	2005 R	2004 R	
2. Furniture and equipment			
<i>Cost</i>			
Furniture and fittings	222 443	221 024	
Computer equipment	501 845	493 614	
	724 288	714 638	
<i>Accumulated depreciation</i>			
Furniture and fittings	172 387	151 986	
Computer equipment	433 758	333 478	
	606 145	485 464	
Net book value	118 143	229 174	
	Furniture and fittings R	Computer equipment R	Total R
Opening net book value	69 037	160 135	229 173
Additions	1 420	8 230	9 650
Depreciation	(20 401)	(100 278)	(120 679)
	50 056	68 087	118 143
		2005 R	2004 R
3. Listed investments			
Investments at cost at beginning of year		3 343 504	2 562 320
Net (sales)/purchases of investments		1 225 040	781 184
Investments at cost at end of year		4 568 544	3 343 504
Investments at market value		5 892 806	3 358 262
4. Cash and cash equivalents			
Current account		84 723	(103 992)
Call account		2 322 769	4 071 534
Cash on hand		705	2 029
Total		2 408 197	3 969 571

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Notes to the annual financial statements
for the year ended 30 June 2005 (continued)

	2005 R	Restated 2004 R
5. Funds		
5.1 Prof. R.E. Robinson Fund		
– balance at beginning of year	520 622	520 622
	520 622	520 622
5.2 Brigadier Stokes Memorial Fund		
– balance at beginning of year	96 035	96 035
– awards and expenses	(21 495)	–
	74 540	96 035
5.3 P.W.J. van Rensburg Fund		
– balance at beginning of year	1 096 863	1 147 278
– awards and expenses	(60 395)	(50 415)
	1 036 468	1 096 863
5.4 MacArthur Forrest Memorial Fund		
– balance at beginning of year	478 673	503 763
– awards and expenses	(33 724)	(25 090)
	444 949	478 673
5.5 INFACON X Research Fund		
– balance at beginning of year	1 467 818	–
– transfer of excess from congress	97 183	1 467 818
	1 565 001	1 467 818
5.6 Gold Medal Awards—Pretoria and Wits universities		
– balance at beginning of year	194 668	118 809
– donations received		140 000
– awards and expenses	(61 792)	(64 141)
	132 876	194 668
5.7 SANCOT Fund		
– balance at beginning of year	108 515	–
– transfer of bank balance to SAIMM	–	168 226
– awards and expenses	(52 196)	(59 711)
	56 319	108 515
5.8 The Dave Ortlepp Fund		
– balance at beginning of year	–	–
– donations received	24 728	–
	24 728	–
Total of funds at end of year	3 855 503	3 963 194

The South African Institute of Mining and Metallurgy

Notes to the annual financial statements
for the year ended 30 June 2005 (continued)

6. The SAIMM Scholarship Fund

As the amount due to the SAIMM Scholarship Fund incurs no interest and has no repayment terms, its fair value cannot be determined and it is therefore carried at cost.

7. Restatement resulting from prior period error

The Institute established The SAIMM Scholarship Fund as a separate legal entity on 11 November 2002 but incorrectly accounted for The SAIMM Scholarship Fund's results in the financial statements of the Institute for the 2003 and 2004 financial years.

The current year financial statements have been corrected to account for the SAIMM Scholarship Fund separately. The prior year results were also restated. The effect of this is shown below.

	Gross R	Tax R	Net R
Restatement as at 1 July 2003			
Funds			
Contributions received	150 000	-	150 000
Administration expenses	(12 381)	-	(12 381)
Restatement of funds at 1 July 2003	<u>137 619</u>	<u>-</u>	<u>137 619</u>
Retained Surplus			
Founding settlement of the SAIMM Scholarship fund	1 000	-	1 000
Restatement of retained surplus at 1 July 2003	<u>1 000</u>	<u>-</u>	<u>1 000</u>

The effect of the restatement on the 2004 financial statements is summarized below. There is no effect in 2005

	R
Net surplus previously reported	1 383 445
Net surplus as restated	1 387 960
Increase in surplus	<u>4 515</u>
Funds and reserves previously reported	7 062 609
Funds and reserves as restated	6 658 661
Decrease in funds and reserves	<u>403 948</u>
Non-current liabilities previously reported	-
Non-current liabilities as restated	403 948
Increase in non-current liabilities	<u>403 948</u>

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Notes to the annual financial statements
for the year ended 30 June 2005 (continued)

	2005	2004
	R	R
8. Income comprises		
Company affiliates subscriptions	363 188	362 634
Membership entrance fees and subscriptions	926 625	894 444
Conferences, colloquia and schools	619 585	1 485 812
Interest and dividends received	290 100	407 229
Revaluation of investments	1 305 828	402 037
Historical cost surplus on sale of investments	355 735	19 446
Net income from Special Publications	39 695	8 399
Special Publication series		
– Sales	69 542	67 574
Less expenditure		
– Expenses net of postage recoveries	(29 847)	(59 175)
	3 900 756	3 580 001

	2005	2004
	R	R
9. Expenditure comprises		
Secretarial costs	875 222	586 283
Institute <i>Journal</i>		
– Expenses	1 295 878	1 170 806
– Secretarial fee	112 675	95 608
	1 408 553	1 266 414
Deduct	572 758	653 512
– Advertising	463 560	532 552
– Sales	109 198	120 960
Administration expenditure	659 629	783 680
Audit fee	5 890	15 000
Depreciation	120 679	103 212
Subscriptions written off	51 003	90 964
	2 548 218	2 192 041

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Notes to the annual financial statements
for the year ended 30 June 2005 (continued)

10. 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.

11. Income tax

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

12. Donations tax

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

13. Comparative figures

Certain comparative figures have been restated.

