

Report of the independent auditors

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

I have audited the annual financial statements of The South African Institute of Mining and Metallurgy set out on pages 641 to 644 for the year ended 30 June 2006. These annual financial statements are the responsibility of the Institute's Council members. My responsibility is to express an opinion on these annual financial statements based on my audit.

Scope

I conducted my audit in accordance with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes:

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

I believe that my audit provides a reasonable basis for my opinion.

Audit opinion

In my opinion, the annual financial statements present fairly, in all material respects, the financial position of the Institute at 30 June 2006 and the results of its operations and cashflows for the year then ended in accordance with generally accepted accounting practice appropriate to the Institute.

Supplementary information

The supplementary schedule does not form part of the annual financial statements and is presented as additional information. I have not audited this schedule and accordingly do not express an opinion on it.

AUDITOR: R.H. Kitching
Chartered Accountant (S.A.)
Registered Accountant and Auditor

4 August 2006

Council's approval of the annual financial statements

The annual financial statements for the year ended 30 June 2006 set out on pages 641 to 654 were approved by the Council on 7 August 2006 and are signed on its behalf by:


President


Treasurer

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The South African Institute of Mining and Metallurgy

Balance sheet
at 30 June 2006

	<i>Note</i>	2006 R	2005 R
Assets			
Non-current assets			
Property, plant and equipment	<i>2</i>	96 007	118 145
De-listed investments	<i>5</i>	-	3 803
Investments		8 426 352	5 892 806
		8 522 359	6 014 754
Current assets			
Inventories	<i>3</i>	132 099	109 044
Accounts receivable	<i>6</i>	859 419	1 336 164
Cash and cash equivalents	<i>7</i>	3 284 661	2 408 197
		4 276 179	3 853 405
Total assets		12 798 538	9 868 159
Equity and liabilities			
Equity			
Funds	<i>8</i>	3 815 830	3 855 505
Accumulated surplus		7 486 045	3 898 004
		11 301 875	7 753 509
Liabilities			
Non-current liabilities			
Loans payable	<i>4</i>	370 325	335 799
Current liabilities			
Accounts payable		158 834	260 341
Provisions		769 930	1 518 510
Bank overdraft	<i>7</i>	197 574	-
		1 126 338	1 778 851
Total Liabilities		1 496 663	2 114 650
Total equity and liabilities		12 798 538	9 868 159

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Income Statement

for the year ended 30 June 2006

	<i>Note</i>	2006 R	2005 R
Revenue		3 303 914	2 063 715
Operating expenses		(2 814 380)	(2 662 841)
Operating surplus	<i>9</i>	489 534	(599 126)
Interest received		310 495	290 256
Fair value adjustments		2 689 611	1 305 828
Gains on non-current assets held for sale or disposal		248 579	355 735
Finance costs		(178)	(156)
Surplus for the year		3 738 041	1 352 537

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Statement of changes in equity

for the year ended 30 June 2006

	Funds R	Accumulated surplus R	Total equity R
Balance at 1 July 2004	3 963 194	2 695 467	6 658 661
Changes			
Surplus for the year		1 352 537	1 352 537
Awards and expenses	(229 602)		(229 602)
Donations and contributions	121 913		121 913
Transfer to The SAIMM Scholarship Fund		(150 000)	(150 000)
Total changes	(107 689)	1 202 537	1 094 848
Balance at 1 July 2005	3 855 505	3 898 004	7 753 509
Changes			
Awards and expenses	(159 775)	-	(159 775)
Donations and contributions	120 100		120 100
Net income (expenses) recognised directly in equity	(39 675)	-	(39 675)
Surplus for the year		3 738 041	3 738 041
Total recognised income and expenses for the period	(39 675)	3 738 041	3 698 366
Transfer to the SAIMM Scholarship Fund	-	(150 000)	(150 000)
Total changes	(39 675)	3 588 041	3 548 366
Balance at 30 June 2006	3 815 830	7 486 045	11 301 875

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Cash flow statement for the year ended 30 June 2006

	<i>Note</i>	2006 R	2005 R
Cash flows from operating activities			
Cash generated from/(used in) operations	11	168 361	(643 005)
Interest income		67 818	82 489
Dividends received		242 677	207 767
Finance costs		(178)	(156)
Net cash from operating activities		478 678	(352 905)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(53 087)	(9 649)
Increase/(Decrease) in loans payable		34 526	(68 149)
Purchase of financial assets		-	(872 981)
Sale of investments		368 773	-
Net cash from investing activities		350 212	(950 779)
Cash flows from financing activities			
Awards and expenses		-	(229 602)
Donations and contributions		-	121 910
Donations to The SAIMM Scholarship Fund		(150 000)	(150 000)
Net cash from financing activities		(150 000)	(257 692)
Total cash movement for the period		678 890	(1 561 376)
Cash at the beginning of the period		2 408 197	3 969 571
Total cash at end of the period	7	3 087 087	2 408 195

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Notes to the annual financial statements
for the year ended 30 June 2006

Accounting policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with generally accepted accounting practice 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. These accounting policies are consistent with the previous year.

1.1 Sources of estimation uncertainty

No key assumptions concerning the future, or other key sources of estimation uncertainty, have been made at the balance sheet date, that could have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 values. The inventory of authors' gifts and stock held from conferences, are carried at cost. Provision is made for impairment.

1.2 Significant judgements

No material judgements have been made by management in applying the accounting policies that could have a significant effect on amounts recognized in the financial statements.

1.3 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 charged so as 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 organization. Depreciation is provided on leasehold improvements over the remaining period of the lease.

Item	Method	Useful life
Furniture and equipment		5
IT equipment		3

The depreciation charge for each period is recognized in surplus or deficit. Medals, plaques, dues and banners are recorded at nominal values.

Accounting Policies

1.4 Impairment of assets

The Institute assesses at each balance sheet 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.

1.5 Financial instruments

Initial recognition

The company 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 company's balance sheet when the company 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 recognition 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 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 at fair value through surplus or deficit is recognised in surplus or deficit.

The particular recognition methods adopted are disclosed in the individual policies stated below:

ACCOUNTS RECEIVABLE

Accounts receivable are classified as loans and receivables and are carried at amortized cost less any impairments.

Impairment is determined on a specific basis, whereby each is individually evaluated for impairment indicators. Write-downs of these are expensed in surplus or deficit.

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Notes to the annual financial statements
for the year ended 30 June 2006

Accounting Policies

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Cash and cash equivalents are measured at fair value.

Accounts payable

Accounts payable are classified as other financial liabilities.

1.6 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.

1.7 Provisions

Provisions are recognized when:

- the company has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the company settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision.

Provisions shall not be recognized for future operating losses.

1.8 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the organization and the revenue can be reliably measured.

Interests is recognized, in profit or loss, using the effective interest rate method.

Donations are recognized as and when received. Revenue is shown exclusive of Value Added Taxation.

Dividends are recognized as revenue when the right to receive payment is established.

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Notes to the annual financial statements
for the year ended 30 June 2006 (Continued)

2. Property, plant and equipment

	2006			2005		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	249 380	(194 890)	54 490	222 443	(172 387)	50 056
Office equipment	1	-	1	1	-	1
IT equipment	527 995	(486 479)	41 516	501 846	(433 758)	68 088
Total	777 376	(681 369)	96 007	724 290	(606 145)	118 145

2006	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	50 056	26 937	(22 503)	54 490
Office equipment	1	-	-	1
IT equipment	68 088	26 150	(52 722)	41 516
	118 145	53 087	(75 225)	96 007

3. Inventories

Finished goods	132 099	109 044
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4. Loan payable**Loan payable**

The SAIMM Scholarship Fund	(370 325)	(335 799)
The loan is unsecured, interest free with no fixed terms of repayment		
Non-current liabilities	(370 325)	(335 799)

5. Investments**Listed investments**

Listed investments	8 426 352	5 892 806
Total listed investments	8 426 352	5 892 806

Non-current assets

Listed investments	8 426 352	5 892 806
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Investments at market value**Listed—at market value**

Listed investments at market value	8 426 352	5 892 806
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Notes to the annual financial statements for the year ended 30 June 2006 (Continued)

	2006 R	2005 R
6. Accounts receivable		
Accounts receivable	859 419	1 336 164
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	163	705
Bank balances	-	84 723
Short-term deposits	3 284 498	2 322 769
Bank overdraft	(197 574)	-
	3 087 087	2 408 197
Current assets	3 284 661	2 408 197
Current liabilities	(197 574)	-
	3 087 087	2 408 197

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Notes to the annual financial statements
for the year ended 30 June 2006 (continued)

	2006 R	2005 R
8. Funds		
Balance at beginning of year	3 855 505	3 963 194
Movement during the year:		
– Awards and expenses	(159 775)	(229 602)
– Donations received	120 100	121 913
Balance at end of year	3 815 830	3 855 505
Comprising:		
Prof. R.E. Robinson Fund		
Balance at beginning of year	520 622	520 622
Movement during the year:		
– Awards and expenses	(11 025)	
Balance at end of year	509 597	520 622
Brigadier Stokes Memorial Fund		
Balance at beginning of year	74 541	96 035
Movement during the year:		
– Awards and expenses	(10 000)	(21 494)
Balance at end of year	64 541	74 541
P.W.J. van Rensburg Fund		
Balance at beginning of year	1 036 468	1 096 863
Movement during the year:		
– Awards and expenses	–	(60 395)
Balance at end of year	1 036 468	1 036 468
MacArthur Forrest Memorial Fund		
Balance at beginning of year	444 949	478 673
Movement during the year:		
– Awards and expenses	(8 000)	(33 724)
Balance at end of year	436 949	444 949
INFACON X Research Fund		
Balance at beginning of year	1 565 002	1 467 818
Movement during the year:		
– Awards and expenses	80 100	97 184
Balance at end of year	1 645 102	1 565 002
Gold Medal Awards—Pretoria and Wits universities		
Balance at beginning of year	132 876	194 668
Movement during the year:		
– Awards and expenses	(96 639)	(61 792)
Balance at end of year	36 237	132 876

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Notes to the annual financial statements
for the year ended 30 June 2006 (continued)

	2006 R	2005 R
8. Funds (continued)		
SANCOT Fund		
Balance at beginning of year	56 319	108 515
Movement during the year:		
– Awards and expenses	(34 111)	(52 196)
Balance at end of year	22 208	56 319
The Dave Ortlepp Fund		
Balance at beginning of year	24 728	–
Movement during the year:		
– Awards and expenses	40 000	24 728
Balance at end of year	64 728	24 728
	3 815 830	3 855 505
9. Operating surplus		
Profit (loss) on sale of non-current assets held for sale and net assets of disposal groups	(248 579)	(355 735)
Depreciation on property, plant and equipment	75 224	120 679
10. Taxation		
No provision has been made for 2006 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 for the year	3 738 041	1 352 537
Adjustments for:		
Depreciation and amortization	75 224	120 679
(Profit) loss on sale of non-current assets and disposal groups	(248 579)	(355 735)
Dividends received	(242 677)	(207 767)
Interest received	(67 818)	(82 489)
Finance costs	178	156
Fair value adjustments	(2 689 611)	(1 305 828)
Movements in provisions	(748 580)	–
Changes in working capital:		
Inventories	(23 055)	(26 385)
Accounts receivable	476 745	(782 437)
Accounts payable	(101 507)	644 264
	168 361	(643 005)
12. Reclassification of comparative figures		
Certain comparative figures have been restated.		

The South African Institute of Mining and Metallurgy

Notes to the annual financial statements
for the year ended 30 June 2006 (continued)

13. Risk management

Interest rate risk

Deposits and cash resources attract interest at rates that vary with prime. The Institute's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the net surplus.

Credit risk

Credit risk consists mainly of cash and cash equivalents, accounts payable, accounts receivable and investment in money markets and listed investments. The Institute deposits cash only with major banks with high quality credit standing and management has a credit policy in place ensuring exposure to credit risk is monitored on an ongoing basis.

Accounts receivables 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 the relatively long credit terms.

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.



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Notes to the annual financial statements for the year ended 30 June 2006

	2006	2005
	R	R
Revenue		
Company affiliates subscriptions	377 930	363 188
Membership entrance fees and subscriptions	944 369	926 625
Conferences, colloquia, schools and miscellaneous	1 981 615	773 902
	<u>3 303 914</u>	<u>2 063 715</u>
	-	-
Other income		
Dividend revenue	242 677	207 767
Interest received	67 818	82 489
Fair value adjustments	2 689 611	1 305 828
Gains on non-current assets held for sale or disposal	248 579	355 735
	<u>3 248 685</u>	<u>1 951 819</u>
Operating expenses		
Advertising recoveries Institute Journal	553 773	463 560
Auditors' remuneration	(25 000)	(5 890)
Admin and secretarial expenses	(1 710 100)	(1 591 971)
Institute Journal secretarial fee	(113 798)	(112 675)
Institute Journal expenses	(1 444 031)	(1 295 186)
Depreciation, amortization and impairments	(75 224)	(120 679)
	<u>(2 814 380)</u>	<u>(2 662 841)</u>
Operating profit	3 738 219	1 352 693
Finance costs	(178)	(156)
Accumulated surplus for the year	<u>3 738 041</u>	<u>1 352 537</u>