

## **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 set out on pages 599 to 614 which comprise the balance sheet as at 30 June 2007, income statement, statement of changes in reserves, cashflow statement for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

### **Council member's responsibility**

The council members are responsible for the preparation and fair presentation of these annual financial statements in accordance with the accounting policies of the Institute. This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual financial statements, that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

### **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. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of 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 upon 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 fund'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 fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustees, 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 fund at 30 June 2007 and the results of its operations and cashflows for the year then ended in accordance with accounting policies 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**

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Annual Financial statements

*for the year ended 30 June 2007*

#### Council member's responsibilities and approval

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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 fund 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 generally accepted accounting policies of the fund. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the accounting policies of the fund and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the fund and place considerable importance on maintaining a strong control environment. To enable the trustees to meet these responsibilities, the trustees 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 adequacy segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the trust and all employees are required to maintain the highest ethical standards in ensuring the fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the fund is on identifying, assessing, managing and monitoring all known forms of risk across the fund. While operating risk cannot be fully eliminated, the fund endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The trustees are of the opinion, 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 annual financial statements set out on pages 599–614, which have been prepared on the going concern basis, were approved and signed by:



President



Treasurer

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Balance sheet at 30 June 2007

	<i>Note</i>	2007 R	2006 R
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	169 709	96 007
Investments	5	11 529 514	8 426 352
		<b>11 699 223</b>	<b>8 522 359</b>
<b>Current assets</b>			
Inventories	3	104 360	132 099
Accounts receivable	6	2 941 652	859 419
Cash and cash equivalents	7	3 237 763	3 284 661
		<b>6 283 775</b>	<b>4 276 179</b>
<b>Total assets</b>		<b>17 982 998</b>	<b>12 798 538</b>
<b>Reserves and liabilities</b>			
<b>Reserves</b>			
Funds	8	4 040 782	3 815 830
Accumulated surplus		11 651 973	7 486 046
		<b>15 692 755</b>	<b>11 301 876</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans payable	4	187 612	370 325
<b>Current liabilities</b>			
Accounts payable		670 712	158 833
Provisions		1 431 919	769 930
Bank overdraft	7	-	197 574
		<b>2 102 631</b>	<b>1 126 337</b>
<b>Total Liabilities</b>		<b>2 290 243</b>	<b>1 496 662</b>
<b>Total reserves and liabilities</b>		<b>17 982 998</b>	<b>12 798 538</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Income Statement for the year ended 30 June 2007

	<i>Note</i>	2007 R	2006 R
Revenue		3 348 192	3 303 914
Operating expenses		(2 015 334)	(2 814 380)
<b>Operating surplus</b>	<i>9</i>	<b>1 332 858</b>	<b>489 534</b>
Investment income		429 710	310 495
Fair value adjustments		2 095 489	2 689 611
Gains on non-current assets held for sale or disposal		311 746	248 579
Finance costs		(3 876)	(178)
<b>Surplus for the year</b>		<b>4 165 927</b>	<b>3 738 041</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Statement of changes in reserves

*for the year ended 30 June 2007*

	Funds R	Accumulated surplus R	Total equity R
<b>Balance at 1 July 2005</b>	<b>3 855 505</b>	<b>3 898 005</b>	<b>7 753 510</b>
Changes			
Surplus for the year		3 738 041	3 738 041
Awards and expenses	(159 775)		(159 775)
Donations and contributions	120 100		120 100
Transfer to The SAIMM Scholarship Fund		(150 000)	(150 000)
Total changes	(39 675)	3 588 041	3 548 366
<b>Balance at 1 July 2006</b>	<b>3 815 830</b>	<b>7 486 046</b>	<b>11 301 876</b>
Changes			
Awards and expenses	(118 986)	–	(118 986)
Donations and contributions	343 938		343 938
Net income (expenses) recognised directly in equity	224 952	–	224 952
Surplus for the year		4 165 927	4 165 927
Total recognised income and expenses for the period	224 952	4 165 927	4 390 879
Total changes	224 952	4 165 927	4 390 879
<b>Balance at 30 June 2007</b>	<b>4 040 782</b>	<b>11 651 973</b>	<b>15 692 755</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Cash flow statement for the year ended 30 June 2007

	<i>Note</i>	2007 R	2006 R
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	11	542 856	168 361
Interest income		157 623	67 818
Dividends received		272 087	242 677
Finance costs		(3 876)	(178)
<b>Net cash from operating activities</b>		<b>968 690</b>	<b>(478 678)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(168 201)	(53 087)
Increase/(Decrease) in loans payable		182 713	(34 526)
Purchase/Sale of investments		467 100	368 773
<b>Net cash from investing activities</b>		<b>818 014</b>	<b>(350 212)</b>
<b>Cash flows from financing activities</b>			
Donations to The SAIMM Scholarship Fund		-	(150 000)
<b>Net cash from financing activities</b>		<b>-</b>	<b>(150 000)</b>
<b>Total cash movement for the period</b>		<b>150 676</b>	<b>(678 890)</b>
Cash at the beginning of the period		3 087 087	2 408 197
<b>Total cash at end of the period</b>	7	<b>3 237 763</b>	<b>3 087 087</b>

## The Southern African Institute of Mining and Metallurgy

### Notes to the annual financial statements

for the year ended 30 June 2007

#### 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. 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, other than those disclosed below.

##### 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 fixtures		5
IT equipment		3

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

# Annual Financial Statements

## The Southern African Institute of Mining and Metallurgy

### Notes to the annual financial statements

for the year ended 30 June 2007

#### 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 recognized 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.



## The Southern African Institute of Mining and Metallurgy

### Notes to the annual financial statements

for the year ended 30 June 2007

#### 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.

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Notes to the annual financial statements for the year ended 30 June 2007 (Continued)

#### 2. Property, plant and equipment

	2007			2006		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	285 481	(220 606)	64 875	249 380	(194 890)	54 490
Office equipment	1	–	1	1	–	1
IT equipment	660 095	(555 262)	104 833	527 995	(486 479)	41 516
<b>Total</b>	<b>945 577</b>	<b>(775 868)</b>	<b>169 709</b>	<b>777 376</b>	<b>(681 369)</b>	<b>96 007</b>

2007	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	54 490	36 101	(25 716)	64 875
Office equipment	1	–	–	1
IT equipment	41 516	132 100	(68 783)	104 833
	<b>96 007</b>	<b>168 201</b>	<b>(94 499)</b>	<b>169 709</b>

#### 3. Inventories

Finished goods	104 360	132 099
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#### 4. Loan payable

The SAIMM Scholarship Fund The loan is unsecured, interest free with no fixed terms of repayment	(187 612)	(370 325)
Non-current liabilities	(187 612)	(370 325)

#### 5. Investments

##### Listed investments

Listed investments	11 529 514	8 426 352
<b>Total listed investments</b>	<b>11 529 514</b>	<b>8 426 352</b>

##### Non-current assets

Listed investments	11 529 514	8 426 352
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##### Investments at market value

##### Listed—at market value

Listed investments at market value	11 529 514	8 426 352
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## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Notes to the annual financial statements for the year ended 30 June 2007 (Continued)

	2007 R	2006 R
<b>6. Accounts receivable</b>		
Accounts receivable	2 941 652	859 419
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	759	163
Bank balances	400 977	-
Short-term deposits	2 830 379	3 284 498
Investment settlement account	5 648	-
Bank overdraft	-	(197 574)
	<b>3 237 763</b>	<b>3 087 087</b>
Current assets	3 237 763	3 284 661
Current liabilities	-	(197 574)
	<b>3 237 763</b>	<b>3 087 087</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Notes to the annual financial statements for the year ended 30 June 2007 (continued)

	2007 R	2006 R
<b>8. Funds</b>		
Balance at beginning of year	3 815 830	3 855 505
Movement during the year:		
– Awards and expenses	(118 986)	(159 775)
– Donations received	343 938	120 100
<b>Balance at end of year</b>	<b>4 040 782</b>	<b>3 815 830</b>
Comprising:		
<b>Prof. R.E. Robinson Fund</b>		
Balance at beginning of year	509 597	520 622
Movement during the year:		
– Awards and expenses	(50 000)	(11 025)
– Transfers (to)/from dedicated funds	189 386	–
<b>Balance at end of year</b>	<b>648 983</b>	<b>509 597</b>
<b>Brigadier Stokes Memorial Fund</b>		
Balance at beginning of year	64 541	74 5415
Movement during the year:		
– Awards and expenses	(26 749)	(10 000)
– Transfers (to)/from dedicated funds	2 000	–
<b>Balance at end of year</b>	<b>39 792</b>	<b>64 541</b>
<b>P.W.J. van Rensburg Fund</b>		
Balance at beginning of year	1 036 468	1 036 468
Movement during the year:		
<b>Balance at end of year</b>	<b>1 036 468</b>	<b>1 036 468</b>
<b>MacArthur Forrest Memorial Fund</b>		
Balance at beginning of year	436 949	444 949
Movement during the year:		
– Awards and expenses	(6 000)	(8 000)
<b>Balance at end of year</b>	<b>430 949</b>	<b>436 949</b>
<b>INFACON X Research Fund</b>		
Balance at beginning of year	1 645 102	1 565 002
Movement during the year:		
– Awards and expenses	134 721	80 100
<b>Balance at end of year</b>	<b>1 779 823</b>	<b>1 645 102</b>
<b>Gold Medal Awards—Pretoria and Wits universities</b>		
Balance at beginning of year	36 237	132 876
Movement during the year:		
– Awards and expenses	(36 237)	(96 639)
<b>Balance at end of year</b>	<b>–</b>	<b>36 237</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Notes to the annual financial statements for the year ended 30 June 2007 (continued)

	2007 R	2006 R
<b>8. Funds (continued)</b>		
<b>SANCOT Fund</b>		
Balance at beginning of year	22 208	56 319
Movement during the year:		
– Awards and expenses	17 831	(34 111)
<b>Balance at end of year</b>	<b>40 039</b>	<b>22 208</b>
<b>The Dave Ortlepp Fund</b>		
Balance at beginning of year	64 728	24 728
Movement during the year:		
– Awards and expenses	–	40 000
<b>Balance at end of year</b>	<b>64 728</b>	<b>64 728</b>
	<b>4 040 782</b>	<b>3 815 830</b>
<b>9. Operating surplus</b>		
Profit (loss) on sale of non-current assets held for sale and net assets of disposal groups	(311 746)	(248 579)
Depreciation on property, plant and equipment	94 500	75 224
<b>10. Taxation</b>		
No provision has been made for 2007 tax as the Institute is exempt from taxation in terms of Section 10(1)(cB)(i)(ff) of the Income Tax Act.		
<b>11. Cash generated from (used in) operations</b>		
Surplus for the year	4 165 927	3 738 041
<b>Adjustments for:</b>		
Depreciation and amortization	94 500	75 224
(Profit) loss on sale of non-current assets and disposal groups	(311 746)	(248 579)
Dividends received	(272 087)	(242 677)
Interest received	(157 623)	(67 818)
Finance costs	–	178
Fair value adjustments	(2 095 489)	(2 689 611)
Movements in provisions	(661 989)	(748 580)
<b>Changes in working capital:</b>		
Inventories	27 739	(23 055)
Accounts receivable	(2 082 233)	476 745
Accounts payable	511 879	(101 507)
	<b>542 856</b>	<b>168 361</b>
<b>12. Reclassification of comparative figures</b>		
Certain comparative figures have been restated.		

## The Southern African Institute of Mining and Metallurgy

**Notes to the annual financial statements**  
*for the year ended 30 June 2007 (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 are 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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## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Detailed Income Statement

	2007	2006
	R	R
<b>Revenue</b>		
Company affiliates subscriptions	437 981	377 930
Membership entrance fees and subscriptions	1 169 698	944 369
Conferences, colloquia, schools and miscellaneous	1 740 513	1 981 615
	<u>3 348 192</u>	<u>3 303 914</u>
	-	-
<b>Other income</b>		
Dividend revenue	272 087	242 677
Interest received	157 623	67 818
Fair value adjustments	2 095 489	2 689 611
Gains on non-current assets held for sale or disposal	311 746	248 579
	<u>2 836 945</u>	<u>3 248 685</u>
<b>Operating expenses</b>		
Advertising recoveries Institute Journal	712 720	553 773
Auditors' remuneration	(18 000)	(25 000)
Admin and secretarial expenses	(1 116 178)	(1 710 100)
Institute Journal secretarial fee	(131 590)	(113 798)
Institute Journal expenses	(1 367 786)	(1 444 031)
Depreciation, amortization and impairments	(94 500)	(75 224)
	<u>(2 015 334)</u>	<u>(2 814 380)</u>
Operating profit	4 169 803	3 738 219
Finance costs	(3 876)	(178)
<b>Accumulated surplus for the year</b>	<u>4 165 927</u>	<u>3 738 041</u>