

## Annual Financial Statements

### 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 557 to 572, which comprise the balance sheet as at 30 June 2007, income statement, statement of changes in reserves, cash flow statement for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

#### Council members' 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. These 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 2008 and the results of its operations and cash flows 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**  
*Chartered Accountant (S.A.)*  
*Registered Accountant and Auditor*

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Annual Financial Statements for the year ended 30 June 2008

#### Council members' 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 adequate 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 557-572, which have been prepared on the going concern basis, were approved and signed by:

Signed R.G.B. Pickering  
President

Date: 4/8/08



Treasurer

Date: 4/8/08

## Annual Financial Statements

## The Southern African Institute of Mining and Metallurgy

Balance sheet  
at 30 June 2008

	<i>Note</i>	2008 R	2007 R
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	258 059	169 709
Investments	5	11 110 707	11 529 514
		<b>11 368 766</b>	<b>11 699 223</b>
<b>Current assets</b>			
Inventories	3	119 991	104 360
Accounts receivable	6	2 682 691	2 941 652
Cash and cash equivalents	7	3 696 463	3 237 763
		<b>6 499 145</b>	<b>6 283 775</b>
<b>Total assets</b>		<b>17 867 911</b>	<b>17 982 998</b>
<b>Reserves and liabilities</b>			
<b>Reserves</b>			
Funds	8	3 998 901	4 040 782
Accumulated surplus		13 220 672	11 651 973
		<b>17 219 573</b>	<b>15 692 755</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans payable	4	51 611	187 612
<b>Current liabilities</b>			
Accounts payable		281 846	670 712
Provisions		314 881	1 431 919
Bank overdraft		-	-
		<b>596 727</b>	<b>2 102 631</b>
<b>Total liabilities</b>		<b>648 338</b>	<b>2 290 243</b>
<b>Total reserves and liabilities</b>		<b>17 867 911</b>	<b>17 982 998</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Income Statement for the year ended 30 June 2008

	<i>Note</i>	2008 R	2007 R
Revenue		3 791 062	3 348 192
Other income		808	-
Operating expenses		(3 699 926)	(2 015 334)
<b>Operating surplus</b>	<i>9</i>	<b>91 944</b>	<b>1 332 858</b>
Investment income		650 149	429 710
Fair value adjustments		744 301	2 095 489
Gains on non-current assets held for sale or disposal		83 656	311 746
Finance costs		(1 351)	(3 876)
<b>Surplus for the year</b>		<b>1 568 699</b>	<b>4 165 928</b>

## Annual Financial Statements

## The Southern African Institute of Mining and Metallurgy

## Statement of changes in reserves

*for the year ended 30 June 2008*

	Funds R	Accumulated surplus R	Total reserves R
<b>Balance at 1 July 2006</b>	<b>3 815 830</b>	<b>7 486 045</b>	<b>11 301 875</b>
Changes			
Surplus for the year		4 165 928	4 165 928
Awards and expenses	(118 986)		(118 986)
Donations and contributions	343 938		343 938
Total changes	224 952	4 165 928	4 390 880
<b>Balance at 1 July 2007</b>	<b>4 040 782</b>	<b>11 651 973</b>	<b>15 692 755</b>
Changes			
Surplus for the year		1 568 699	1 568 699
Awards and expenses	(41 881)		(41 881)
Total changes	(41 881)	1 568 699	1 526 818
<b>Balance at 30 June 2008</b>	<b>3 998 901</b>	<b>13 220 672</b>	<b>17 219 573</b>

## Annual Financial Statements

**The Southern African Institute of Mining and Metallurgy****Cash flow statement**  
*for the year ended 30 June 2008*

	<i>Note</i>	2008 R	2007 R
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	11	(1 064 167)	542 856
Interest income		328 447	157 623
Dividends received		321 702	272 087
Finance costs		(1 351)	(3 876)
<b>Net cash from operating activities</b>		<b>(415 369)</b>	<b>968 690</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(196 165)	(168 201)
Increase/(decrease) in loans payable		(136 001)	(182 713)
Purchase/sale of investments		1 206 235	(467 100)
<b>Net cash from investing activities</b>		<b>874 069</b>	<b>(818 014)</b>
<b>Cash flows from financing activities</b>			
<b>Total cash movement for the period</b>		<b>458 700</b>	<b>150 676</b>
Cash at the beginning of the period		3 237 763	3 087 087
<b>Total cash at end of the period</b>	7	<b>3 696 463</b>	<b>3 237 763</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Notes to the annual financial statements for the year ended 30 June 2008

##### 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	straight line	5
IT equipment	straight line	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 2008

#### 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.



## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Notes to the annual financial statements for the year ended 30 June 2008

##### 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 2008 (Continued)

## 2. Property, plant and equipment

	2008			2007		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	294 420	(251 710)	42 710	285 481	(220 606)	64 875
Office equipment	1	–	1	1	–	1
IT equipment	847 321	(631 973)	215 348	660 095	(555 262)	104 833
<b>Total</b>	<b>1 141 742</b>	<b>(883 683)</b>	<b>258 059</b>	<b>945 577</b>	<b>(775 868)</b>	<b>169 709</b>

2008	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	64 875	8 939	(31 104)	42 710
Office equipment	1	–	–	1
IT equipment	104 833	187 226	(76 711)	215 348
	<b>169 709</b>	<b>196 165</b>	<b>(107 815)</b>	<b>258 059</b>

## 3. Inventories

Finished goods	119 991	104 360
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## 4. Loan payable

The SAIMM Scholarship Fund	(51 611)	(187 612)
The loan is unsecured, interest free with no fixed terms of repayment		
Non-current liabilities	(51 611)	(187 612)

## 5. Investments

## Listed investments

Listed investments	11 110 707	11 529 514
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## Total listed investments

11 110 707	11 529 514
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## Non-current assets

Listed investments	11 110 707	11 529 514
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## Investments at market value

## Listed—at market value

Listed investments at market value	11 110 707	11 529 514
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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 2008 (Continued)

	2008 R	2007 R
<b>6. Accounts receivable</b>		
Accounts receivable	2 682 691	2 941 652
	<hr/>	<hr/>
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	266	759
Bank balances	846 260	400 977
Short-term deposits	2 843 577	2 830 379
Investment settlement account	6 360	5 648
	<hr/>	<hr/>
	<b>3 696 463</b>	<b>3 237 763</b>
	<hr/>	<hr/>
Current assets	3 696 463	3 237 763
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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 2008 (continued)

	2008 R	2007 R
<b>8. Funds</b>		
Balance at beginning of year	4 040 782	3 815 830
Movement during the year:		
– Awards and expenses	(41 881)	(118 986)
– Donations received	-	343 938
<b>Balance at end of year</b>	<b>3 998 901</b>	<b>4 040 782</b>
Comprising:		
<b>Prof. R.E. Robinson Fund</b>		
Balance at beginning of year	648 983	509 597
Movement during the year:		
– Awards and expenses	-	(50 000)
– Transfers (to)/from dedicated funds		189 386
<b>Balance at end of year</b>	<b>648 983</b>	<b>648 983</b>
<b>Brigadier Stokes Memorial Fund</b>		
Balance at beginning of year	39 792	64 541
Movement during the year:		
– Awards and expenses	(4 017)	(26 749)
– Transfers (to)/from dedicated funds	-	2 000
<b>Balance at end of year</b>	<b>35 775</b>	<b>39 792</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	430 949	436 949
Movement during the year:		
– Awards and expenses	-	(6 000)
<b>Balance at end of year</b>	<b>430 949</b>	<b>430 949</b>
<b>INFACON X Research Fund</b>		
Balance at beginning of year	1 779 823	1 645 102
Movement during the year:		
– Awards and expenses	-	134 721
<b>Balance at end of year</b>	<b>1 779 823</b>	<b>1 779 823</b>
<b>Gold Medal Awards—Pretoria and Wits universities</b>		
Balance at beginning of year	-	-
Movement during the year:		
– Awards and expenses	(37 864)	-
<b>Balance at end of year</b>	<b>(37 864)</b>	<b>-</b>

## Annual Financial Statements

## The Southern African Institute of Mining and Metallurgy

Notes to the annual financial statements  
for the year ended 30 June 2008 (continued)

	2008 R	2007 R
<b>8. Funds (continued)</b>		
<b>SANCOT Fund</b>		
Balance at beginning of year	40 039	22 208
Movement during the year:		
– Awards and expenses	-	17 831
<b>Balance at end of year</b>	<b>40 039</b>	<b>40 039</b>
<b>The Dave Ortlepp Fund</b>		
Balance at beginning of year	64 728	64 728
Movement during the year:		
– Awards and expenses	-	-
<b>Balance at end of year</b>	<b>64 728</b>	<b>64 728</b>
	<b>3 998 901</b>	<b>4 040 782</b>
<b>9. Operating surplus</b>		
<b>Operating lease charges</b>		
Premises	214 160	-
Contractual amounts	214 160	-
Profit (loss) on sale of non-current assets held for sale	(83 656)	(311 746)
Depreciation on property, plant and equipment	107 814	94 500
Employee costs	1 800 938	-
<b>10. Taxation</b>		
No provision has been made for 2008 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	1 568 699	4 165 928
<b>Adjustments for:</b>		
Depreciation and amortization	107 814	94 500
(Profit) loss on sale of non-current assets and disposal groups	(83 656)	(311 746)
Dividends received	(321 702)	(272 087)
Interest received	(328 447)	(157 623)
Fair value adjustments	(744 301)	(2 095 489)
Movements in provisions	(1 117 038)	(661 989)
<b>Changes in working capital:</b>		
Inventories	(15 631)	27 739
Accounts receivable	258 961	(2 082 233)
Accounts payable	(388 866)	511 879
	<b>(1 064 167)</b>	<b>542 856</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### **Notes to the annual financial statements** *for the year ended 30 June 2008 (continued)*

#### **12. Reclassification of comparative figures**

Certain comparative figures have been restated.

#### **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 for 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

	2008	2007
	R	R
<b>Revenue</b>		
Company affiliates subscriptions	691 782	437 981
Membership entrance fees and subscriptions	1 497 184	1 169 698
Conferences, colloquia, schools and miscellaneous	1 602 096	1 740 513
	<u>3 791 062</u>	<u>3 348 192</u>
<b>Other income</b>		
Discount received	808	-
Dividend revenue	321 702	272 087
Interest received	328 447	157 623
Fair value adjustments	744 301	2 095 489
Gains on non-current assets held for sale or disposal	83 656	311 746
	<u>1 478 914</u>	<u>2 836 945</u>
<b>Operating expenses</b>		
Admin and secretarial expenses	(1 361 869)	(1 116 178)
Advertising recoveries Institute Journal	672 568	712 720
Auditors' remuneration	(19 800)	(18 000)
Depreciation, amortisation and impairments	(107 814)	(94 500)
Employee costs	(1 800 938)	-
Institute Journal expenses	(819 866)	(1 367 786)
Institute Journal secretarial fee	(48 047)	(131 590)
Lease rentals on operating lease	(214 160)	-
	<u>(3 699 926)</u>	<u>(2 015 333)</u>
Operating profit	1 570 050	4 169 804
Finance costs	(1 351)	(3 876)
<b>Accumulated surplus for the year</b>	<u>1 568 699</u>	<u>4 165 928</u>