

## **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 535 to 550, which comprise the balance sheet as at 30 June 2010, 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 council members, 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 Institute at 30 June 2010 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 2010*

#### 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 Institute 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 Institute. 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 Institute and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The council members are of the opinion, based on the information and explanations given by management, 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 535–550, which have been prepared on the going concern basis, were approved and signed by:

Signed J.C. Ngoma

President

Date: 4/8/08

Signed J.A. Cruise

Treasurer

Date: 4/8/08

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Balance sheet

at 30 June 2010

	<i>Note</i>	2010 R	2009 R
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	130 240	216 265
Loan to associate entity	4	537 268	296 201
Investments	5	11 701 438	8 525 542
		<b>12 368 946</b>	<b>9 038 008</b>
<b>Current assets</b>			
Inventories	3	31 490	62 993
Accounts receivable	6	1 220 659	2 367 721
Cash and cash equivalents	7	6 729 829	5 277 771
		<b>7 981 978</b>	<b>7 708 485</b>
<b>Total assets</b>		<b>20 350 924</b>	<b>16 746 493</b>
<b>Reserves and liabilities</b>			
<b>Reserves</b>			
Funds	8	4 011 416	4 011 416
Accumulated surplus		14 985 390	12 421 025
		<b>18 996 806</b>	<b>16 432 441</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable		414 303	158 731
Income in advance		774 956	-
Provisions		164 859	155 321
		<b>1 354 118</b>	<b>314 052</b>
<b>Total reserves and liabilities</b>		<b>20 350 924</b>	<b>16 746 493</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Income Statement

for the year ended 30 June 2010

	<i>Note</i>	2010 R	2009 R
Revenue		9 414 863	12 617 408
Operating expenses		(9 325 138)	(12 104 395)
<b>Operating surplus</b>	<i>9</i>	<b>89 725</b>	<b>513 013</b>
Investment income		616 356	742 482
Fair value adjustments		1 865 016	(1 806 398)
Gains on non-current assets held for sale or disposal		(6 732)	(248 744)
<b>Surplus for the year</b>		<b>2 564 365</b>	<b>(799 647)</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Statement of changes in reserves

*for the year ended 30 June 2010*

	Funds R	Accumulated surplus R	Total reserves R
<b>Balance at 1 July 2008</b>	<b>3 998 901</b>	<b>13 220 672</b>	<b>17 219 573</b>
Changes			
Surplus for the year		(799 647)	(799 647)
Awards and expenses	(60 385)		(60 385)
Donations and contributions	72 900		72 900
Total changes	12 515	(799 647)	(787 132)
<b>Balance at 1 July 2009</b>	<b>4 011 416</b>	<b>12 421 025</b>	<b>16 432 441</b>
Changes			
Surplus for the year		2 564 365	2 564 365
Total changes	-	2 564 365	2 564 365
<b>Balance at 30 June 2010</b>	<b>4 011 416</b>	<b>14 985 390</b>	<b>18 996 806</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Cash flow statement

for the year ended 30 June 2010

	Note	2010 R	2009 R
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	11	2 415 018	723 505
Interest income		314 515	460 626
Dividends received		301 841	281 856
<b>Net cash from operating activities</b>		<b>3 031 374</b>	<b>1 465 987</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(20 637)	(79 405)
Increase in loans receivable		(241 067)	(347 812)
Sale/(Purchase) of investments		(1 317 612)	499 498
<b>Net cash from investing activities</b>		<b>(1 579 316)</b>	<b>72 281</b>
<b>Cash flows from financing activities</b>			
Donations and contributions		–	43 040
<b>Total cash movement for the period</b>		<b>1 452 058</b>	<b>1 581 308</b>
Cash at the beginning of the period		5 277 771	3 696 463
<b>Total cash at end of the period</b>	7	<b>6 729 829</b>	<b>5 277 771</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Notes to the annual financial statements

for the year ended 30 June 2010

#### 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 Institute; 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 2010

#### 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 Institute 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 Institute's balance sheet when the Institute 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 2010

#### 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 Institute 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 Institute 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 Institute 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 2010 (Continued)

#### 2. Property, plant and equipment

	2010			2009		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	350 883	(283 577)	67 306	344 658	(268 015)	76 643
Office equipment	1	–	1	1	–	1
IT equipment	890 900	(827 967)	62 933	876 488	(736 867)	139 621
<b>Total</b>	<b>1 241 784</b>	<b>(1 111 544)</b>	<b>130 240</b>	<b>1 221 147</b>	<b>(1 004 882)</b>	<b>216 265</b>

2010	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	76 643	6 225	(15 562)	67 306
Office equipment	1	–	–	1
IT equipment	139 621	14 412	(91 100)	62 933
	<b>216 265</b>	<b>20 637</b>	<b>(106 662)</b>	<b>130 240</b>

2009	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	42 710	50 238	(16 305)	76 643
Office equipment	1	–	–	1
IT equipment	215 348	29 167	(104 894)	139 621
	<b>258 059</b>	<b>79 405</b>	<b>(121 199)</b>	<b>216 265</b>

#### 3. Inventories

Finished goods	31 490	62 993
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#### 4. Loan to associate entity

##### Loan receivable

The SAIMM Scholarship Fund The loan is unsecured, interest free with no fixed terms of repayment	537 268	296 201
<b>Non-current assets</b>	<b>537 268</b>	<b>296 201</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

**Notes to the annual financial statements**  
for the year ended 30 June 2010 (Continued)

	2010 R	2009 R
<b>5. Investments</b>		
<b>Listed investments</b>		
Listed investments	11 701 438	8 525 542
<b>Total listed investments</b>	<b>11 701 438</b>	<b>8 525 542</b>
<b>Non-current assets</b>		
Listed investments	11 701 438	8 525 542
<b>Investments at market value</b>		
<b>Listed—at market value</b>		
Listed investments at market value	11 701 438	8 525 542
<b>6. Accounts receivable</b>		
Accounts receivable	1 220 659	2 299 916
Value Added Taxation	-	67 805
	<b>1 220 659</b>	<b>2 367 721</b>
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	10 069	2 695
Bank balances	148 707	506 833
Short-term deposits	6 566 223	4 744 693
Investment settlement account	4 830	23 550
	<b>6 729 829</b>	<b>5 277 771</b>
<b>Current assets</b>	<b>6 729 829</b>	<b>5 277 771</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Notes to the annual financial statements for the year ended 30 June 2010 (continued)

	2010 R	2009 R
<b>8. Funds</b>		
Balance at beginning of year	4 011 416	3 998 901
Movement during the year:		
– Awards and expenses	–(60 3851)	
– Donations received	–	72 900
<b>Balance at end of year</b>	<b>4 011 416</b>	<b>4 011 416</b>
Comprising:		
<b>Prof. R.E. Robinson Fund (Book Publications Fund)</b>		
Balance at beginning of year	648 983	648 983
Movement during the year:	–	–
<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	5 915	35 775
Movement during the year		
– Awards and expenses	–	(29 860)
<b>Balance at end of year</b>	<b>5 915</b>	<b>5 915</b>
<b>P.W.J. van Rensburg Fund (Education Fund)</b>		
Balance at beginning of year	984 604	998 604
Movement during the year:		
– Awards and expenses	–	(14 000)
<b>Balance at end of year</b>	<b>984 604</b>	<b>984 604</b>
<b>MacArthur Forrest Memorial Fund (Awards Fund)</b>		
Balance at beginning of year	414 424	430 949
Movement during the year:		
– Awards and expenses	–	(16 525)
<b>Balance at end of year</b>	<b>414 424</b>	<b>414 424</b>
<b>INFACON X Research Fund</b>		
Balance at beginning of year	1 779 823	1 779 823
Movement during the year:		
<b>Balance at end of year</b>	<b>1 779 823</b>	<b>1 779 823</b>
<b>SANCOT Fund</b>		
Balance at beginning of year	112 939	40 039
Movement during the year:		
– Donations received	–	72 900
<b>Balance at end of year</b>	<b>112 939</b>	<b>112 939</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### Notes to the annual financial statements

for the year ended 30 June 2010 (continued)

	2010 R	2009 R
<b>8. Funds (continued)</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>4 011 416</b>	<b>4 011 416</b>
<b>9. Operating surplus</b>		
<b>Operating lease charges</b>		
Premises		
– Contractual amounts	–	270 658
	–	<b>270 658</b>
Profit (loss) on sale of non-current assets held for sale	6 732	248 744
Depreciation on property, plant and equipment	106 662	121 199
Employee costs	3 371 788	2 882 430
<b>10. Taxation</b>		
No provision has been made for 2010 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	2 564 365	(799 647)
<b>Adjustments for:</b>		
Depreciation and amortization	106 662	121 199
(Profit) loss on sale of non-current assets and disposal groups	6 732	248 744
Dividends received	(301 841)	(281 856)
Interest received	(314 515)	(460 626)
Fair value adjustments	(1 865 016)	(1 806 398)
Movements in provisions	9 538	(159 560)
<b>Changes in working capital:</b>		
Inventories	31 503	56 998
Accounts receivable	1 147 062	314 970
Accounts payable	255 572	(123 115)
Deferred income	774 956	–
	<b>2 415 018</b>	<b>723 505</b>

## Annual Financial Statements

### The Southern African Institute of Mining and Metallurgy

#### **Notes to the annual financial statements** *for the year ended 30 June 2010 (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

	2010	2009
	R	R
<b>Revenue</b>		
Advertising, books and publication revenue	1 446 822	732 512
Company affiliates subscriptions	653 486	696 183
Conferences, colloquia, schools and miscellaneous	5 722 989	9 629 853
Membership entrance fees and subscriptions	1 591 566	1 558 860
	<u>9 414 863</u>	<u>12 617 408</u>
<b>Other income</b>		
Dividend revenue	301 841	281 856
Interest received	314 515	460 626
	<u>616 356</u>	<u>742 482</u>
<b>Operating expenses</b>		
Admin and secretarial expenses	(1 303 371)	(1 480 090)
Auditors' remuneration	(30 875)	(25 991)
Conference expenses	(3 272 364)	(6 420 202)
Depreciation, amortization and impairments	(106 662)	(121 199)
Donations	(150 000)	(1 000)
Employee costs	(3 371 788)	(2 882 430)
Institute <i>Journal</i> expenses	(1 078 392)	(863 757)
Institute <i>Journal</i> secretarial fee	(11 686)	(39 068)
Lease rentals on operating lease	-	(270 658)
	<u>(9 325 138)</u>	<u>(12 104 395)</u>
Operating surplus	706 081	1 255 495
Fair value adjustments	(1 865 016)	(1 806 398)
Loss on non-current assets held for sale or disposal groups	(6 732)	(248 744)
	<u>1 858 284</u>	<u>(2 055 142)</u>
<b>Accumulated (deficit) surplus for the year</b>	<u>2 564 365</u>	<u>(799 647)</u>