# South African Institute of Race Relations

## 80th Annual Report

August 2010

# SOUTH AFRICAN INSTITUTE OF RACE RELATIONS

## 80th ANNUAL REPORT

1st JANUARY TO 31st DECEMBER 2009

AUGUST 2010

PUBLISHED BY THE
SOUTH AFRICAN INSTITUTE
OF RACE RELATIONS
2 CLAMART ROAD
RICHMOND
JOHANNESBURG
2092 SOUTH AFRICA

COMPANY REGISTRATION NUMBER: 1937/010068/08
NON-PROFIT REGISTRATION NUMBER: 000-709-NPO
PUBLIC BENEFIT ORGANISATION NUMBER: 930006115

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ISBN 978-1-86982-584-3
PD 20/2010

Printed by Ince (Pty) Ltd
Cover design by lime design

Our cover, using a photograph from *The Sunday Independent* (photographer Jennifer Bruce), depicts the national commissioner of police, Mr Bheki Cele.

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(Incorporated in the United States of America)

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# *CONTENTS*

*From time to time the Institute has received bequests from its members and others who support its work. The most recent and largest of these was R3 353 000 worth of shares in 2007 from Mr Harry James Barker, a prominent Johannesburg attorney who had been a member for many years. Such bequests are critically important in enabling us to carry out our core functions of research, public vigilance, and policy analysis.*

*Please contact the Chief Executive should you be willing to discuss a possible legacy or bequest, large or small.*

# HIGHLIGHTS

- Professor Jonathan Jansen is elected president of the Institute.
- The Institute ends the financial year on 31st December 2009 with an operating surplus of R4.5 million, against a deficit of Rl.7 million the previous year. Income from investments (including the unrealised gain on our portfolio of shares) runs to R5.9 million against a loss of R2.6 million the previous year. Our overall surplus for the year is R10.4 million, against a deficit of R4.3 million the year before.
- Income is augmented by a magnificent individual donation of R5 million.
- The profit on the sale of Auden House, our home in Braamfontein for more than 50 years, amounts to R3.2 million.
- We meet our overall membership subscription budget after several years of failure to do so.
- Assets under the control of the Institute increase from R39.3 million at the end of 2008 to R49.0 million at the end of 2009. The figure at the end of 2007 was R48.3 million.
- The Parliamentary Information Service runs for another year.
- The Provincial Information Service runs for another year.
- The Municipal Outreach Project runs for another year.
- The Media Alert Service runs for another year.
- The Free Society Project runs for another year.
- We publish *Chasing the Rainbow: South Africa's move from Mandela to Zuma*.
- *People's War: New Light on the Struggle for South Africa* is published.
- *The Long Shadow of Apartheid: Race in South Africa since 1994* is sent to the printer.
- The *South Africa Survey* is published, along with twelve issues of *Fast Facts*. We also send out 45 press releases and 47 issues of *SAIRR Today*.
- A new website is designed for launch later this year.
- We launch a Unit for Risk Analysis as a unique service for corporate tier members.
- We launch an annual 'Rainbow Index' to monitor South Africa's performance according to ten social, economic, and political criteria.
- Nine briefings are hosted for Institute members. Fifty-six briefings are given to members, public representatives, business groups, and other audiences by Institute representatives. These include our annual *South African Mirror* presentation.
- Students on Institute bursaries who supplied their marks achieve a 99% pass rate at the end of 2009 and 42 students graduate, bringing the total since 1980 to 3 627 and total bursary expenditure since then to R216 million.
- The Institute awards 82 bursaries for the 2010 academic year.
- We move from Gandhi Square in the centre of the city to a building in Richmond adjoining the Country Club, Johannesburg.

# CHIEF EXECUTIVE'S REPORT TO MEMBERS FOR THE ANNUAL GENERAL MEETING ON MONDAY 23rd AUGUST 2010

Mr President, Members of the Institute, I have pleasure in presenting this report to you. The Institute has had a particularly productive and successful year despite the disruption of having to move to new premises. In addition to our normal output we published two major books and sent a third off to the printers. We also secured a very large individual donation. The attached financial statements cover the financial year ended 31st December 2009, but this narrative report is up to date to July 2010.

## *NEW PRESIDENT*

Professor Jonathan Jansen, rector and vice chancellor of the University of the Free State, was elected president of the Institute for a two-year term when Professor Sipho Seepe's tenure came to an end.

## *THE SOCCER WORLD CUP*

Asked about the consequences of the French Revolution, Mao Tse-Tung said it was too soon to tell. The same answer could be given to questions about the consequences for South Africa of the recent World Cup soccer tournament. But one thing is clear. Success entailed getting everything right, or at least most things right most of the time: public transport, security, bobbies on the beat, hospitals at the ready, speedy trials, stadiums built on time, and a thousand and one other details, not to mention goodwill, polite behaviour, harmonious race relations, and the will to succeed. Also clear is the importance of proper monitoring and accountability, with penalties for poor performance. FIFA irritated many people, but it laid down the law and South Africa had to comply – or else. South Africa was on trial in a global arena and it succeeded partly because it knew that.

South Africa actually monitors itself quite well. Between organs of government, institutions in civil society, and the Media, plenty of information is provided that enables us to know what is going on, politically, socially, and economically. This was true in the apartheid era and it still is. There are gaps to be filled, of course, but by and large we are an open society in which nobody can justifiably plead ignorance about the problems we face. Requirements earlier this year that ministers and senior officials sign performance contracts are a sign that the Government recognises its own poor performance as one of these problems. A minister has even been assigned to evaluate performance.

Two things are lacking. One is penalties. Voters have punished poor performance in the Western Cape, but otherwise the ruling party faces minimal threats on election day. Our top-down model of government ensures that the interests of the party outweigh those of anyone else. The culture of impunity ensures that neither incompetence nor the looting of the public purse entails penalties. Unless we ensure that the mismanagement, incompetence, callousness, and corruption that characterise our political system are penalised, we can forget about repeating the World Cup success more generally.

The second thing lacking is commitment to high standards. FIFA would not have tolerated what South Africans tolerate. We have become used to low standards in everything from public transport through electricity supply to police forensics to parliamentary ethics. In the United Kingdom, they cashier crooked politicians. We promote them. If truth be told, the real 'Afro-pessimists' are South Africans themselves who accept that most of the time mediocrity is the best the country can do. We have lowered the pass mark at schools to 30%. We are not even honest enough to describe that as a fail, preferring to delude ourselves that it is simply a case of 'not achieving'. As for allowing school inspectors to exact from teachers the kinds of standards FIFA exacted from our government, that would never be tolerated by the ruling trade union.

Will the success of the World Cup encourage South Africans to provide for themselves the excellence they provide for foreigners? As Mao Tse-tung said, it's too soon to tell.

## *FINANCE AND GOVERNANCE*

A new Board of Directors, nominated by Council on 27th June 2009, was elected at the annual general meeting of members on 13th July 2009. A list of Board members appears on page 4 of this report.

The attached accounts cover the financial year ended 31st December 2009. Our operating surplus was R4.5 million. Income was R15.2 million and expenses ran to R10.7 million. The abnormally high income figure includes a most generous R5m gift from Mrs Elisabeth Bradley that has been invested in the stock market. Income from investments (including a R3.2 million profit on the sale of Auden House in 2008) turned our operating surplus into an overall surplus of R10.4 million (against a deficit of R4.3 million the year before). Part of the explanation for this dramatic improvement was the fact that the market value of our share portfolio increased in 2009 whereas it had declined in 2008.

The year to December 2009 was a very good marketing year for the Institute as it met its overall membership subscription target income of R2.3 million. In doing so it put an end to declining subscriber figures in the top business and corporate categories; those categories also showed some modest growth in what was a tough financial climate in the country.

The Institute's sources of income fall into five categories: corporate and individual membership fees (22%), corporate and individual core support (15%), project sponsorships (44%), income from investments (7%), and other (12%) – this last category including royalties, consultancy fees, and bursary administration charges. (The above figures are based on actuals for the first six months of the current financial year.) The names of core supporters and project sponsors are given below under *Thanks* or cited in the relevant project reports.

Most of our current project funding agreements conclude by December 2011. We are busy drafting and submitting new funding proposals to replace some of this project funding, and also to receive additional funds.

New auditors were appointed at a special general meeting of members on 24th February 2010.

I regret to report that Mr Brian Hawksworth, Honorary Treasurer for many years, has been taken ill and granted indefinite leave of absence.

## *RESEARCH, PUBLICATIONS, AND INFORMATION*

This is the Institute's core activity. It involves gathering, analysing, publishing, and disseminating information on all aspects of South Africa, social, economic, political, and developmental. All our projects are able to draw on this extensive basic research. The annual *South Africa Survey* and its monthly supplement *Fast Facts* are the main vehicles for our factual information. Members of Parliament, of provincial legislatures, of all six metropolitan councils and two district municipalities also receive sponsored copies of the *Survey* and *Fast Facts*. Information is also supplied on demand to corporate members. Our website not only enables us to make the *Survey* and *Fast Facts* available on line, but also provides a vehicle for information and opinion that appears only on line, notably in our weekly newsletter *SAIRR Today*. Some of the Institute's research is also supplied to the Media.

## *South Africa Survey*

The *2008/2009 Survey*, which ran to 730 pages, was published in November last year. The nine chapters covered demographics, the economy, employment and incomes, business and labour, education, health and welfare, living conditions and communications, crime and security, and politics and government. The *Survey* included 384 national tables and graphics, 167 tables of provincial data, and 50 of local data. Each of the nine chapters also carried tables comparing South Africa with some 35 other countries from all regions of the world – 71 international tables in all. Wherever possible, tables on South Africa itself go back as far as comparable data is available and as far forward as forecasts and projections have been made. Our population table for example, starts in 1911 and ends with forecasts for 2021. The *Survey* has now appeared every year since 1946. It maintains its reputation as the only comprehensive source of information on all aspects of South Africa published by a private organisation. Over the years various newspapers have described the *Survey* as 'our best researched compendium of statistics', as 'a priceless reference', and as 'the best general source of South African statistics in one volume'. We try every year to live up to these accolades.

## *Fast Facts*

Our monthly *Fast Facts* bulletin supplements the *Survey*. Twelve issues of *Fast Facts* (July 2009 to June 2010) were published. They contained the regular five pages of statistics on economic, socio-economic, business, property market, and labour trends, plus forecasts of all key economic indicators – more than 175 line items in all. Our annual analysis of the national budget covered the usual seven-year period (this time from 2006/07 to 2012/13). In addition, this year we showed revenue and expenditure trends from 1961 to 2013 as well as a breakdown of expenditure from 1994/95 to 2012/13. A ten-year analysis of labour market trends was also carried in *Fast Facts*. One issue of *Fast Facts* contained key demographic, educational, employment, and social data for all the municipalities in the country. *Fast Facts* also featured comparative statistics between South Africa and 35 other countries in the fields of the economy, trade, business, education, health, labour, demographics, communications, security, and living conditions. Two issues of *Fast Facts* were devoted to the first annual update (covering the period April 2009 to April 2010) of South Africa's performance according to the ten criteria used in our Ten Pillars of Democracy monitoring project (see below). In addition to its statistical pages, *Fast Facts* carried 43 special features, analytical articles, and editorials. Most of these – there is no space for all of them – are reported under *Public Policy Issues* below.

A version of *Fast Facts* entitled *Fast Facts for Local Government* was also produced each month for the municipal councils covered by our Municipal Outreach Project (see below).

## Member Information Service

The Institute's library is an unrivalled resource made up of both physical and intellectual capital. The physical material embraces both archives dating back over the decades and current files updated on a daily basis, so that there is little happening in South Africa about which information does not find its way into the appropriate file. Far from being simply a mechanical exercise, classification for filing involves separating the wheat from the chaff, which means we are constantly analysing the data the Institute gathers from a wide variety of sources. Corporate and company members who make use of the library as part of their membership entitlement thus draw not only on what is in the files but on the knowledge about all aspects of South Africa that goes into compiling them. Over the past year the library supplied information in answer to some 340 queries from Institute members, MPs, members of provincial legislatures, local councillors, and the Media.

## Website

The Institute has commissioned a new website, to be launched later in the year. The current site averages around 4 000 to 5 000 unique users a month. However, when the Institute says something more than usually interesting – or controversial – that figure jumps. For example, following the death of Mr Eugene TerreBlanche close on 50 000 unique users read the comment we posted. Web users include many people based abroad, particularly in North America and Western Europe. Our weekly electronic newsletter appears every Friday on the website. Sometimes this draws on data being compiled for the *Survey* or *Fast Facts*, but *SAIRR Today* also carries comment and analysis on topical issues not carried in any of our publications.

## Parliamentary Information Service

This three-year project, funded by the Royal Danish Embassy, runs until the end of 2011. All 490 parliamentarians received free copies of the *South Africa Survey* and of *Fast Facts* as well as the Institute's weekly online newsletter, *SAIRR Today* (see below). During a visit to Parliament in August last year our research staff held 18 meetings with MPs, the Speaker's office, and research staff of eight different parties to brief them about the service, and obtain suggestions for improvement. A second visit to Parliament will take place later this year.

## Provincial Information Service

This three-year project, sponsored by Irish Aid until 2011, continued to operate. All members of all nine provincial legislatures received the *Survey* and *Fast Facts*. Presentations to provincial legislatures took place in Gauteng, KwaZulu-Natal, Mpumalanga, and the Western Cape, while the remaining visits (deferred because of the Soccer World Cup) will take place in the second half of 2010. Our staff are usually well received on these visits, but those visiting Mpumalanga encountered a hostile response from the ruling party, while opposition MPs there were forbidden by that party to hold meetings with the Institute. Opposition MPs informed us that they were not permitted to meet anyone without the Speaker's consent.

## Municipal Outreach Project

This three-year project, sub-titled *Capacity Building of Local Government in Combating Poverty*, is funded by the European Union via the Friedrich Naumann Foundation for Liberty. The project is aimed at eight urban municipalities – six metropolitan and two district. These are Ekurhuleni, Johannesburg, Tshwane, eThekwini, Nelson Mandela Bay, Cape Town, Capricorn in Limpopo, and Motheo in the Free State. The project supplies 1 800 local councillors with statistical data and analysis that may assist them in combating poverty in its various manifestations. Information is supplied via *Fast Facts for Local Government* monthly, a weekly electronic newsletter, and on a special project website. Eight more workshops, to take place in the second half of 2010, were being arranged at the time of writing. A special 100-page supplement to the *Survey* entitled *Local Government and the Poverty Challenge* was distributed at the end of 2009 to the more than 1 800 local government councillors, officials, and development organisations targeted by the project.

## Media Alert Service

We secured funding from the Open Society Foundation to help run this project for a second year. This is a service to the Media designed to enhance the quality of reporting on South Africa and to supply Institute research on demand to local and foreign media. We currently have 560 media subscribers, which includes newspapers, television stations, radio stations, news organisations, and individual journalists.

## *South African Mirror*

Since October 2001 the Institute has been compiling an audio-visual annual presentation of key demographic, economic, social, and political data excerpted from the *Survey* and *Fast Facts* or retrieved from our files. To date some 97 *Mirror* presentations have been given to members, MPs, provincial legislators, and sponsors. The presentations usually include a political and socio-economic forecast.

## Free Society Project

Funded by the (German) Friedrich Naumann Foundation for Liberty and the (American) International Republican Institute via the National Endowment for Democracy since 1993, this project continued for another year. Its objective is to promote the idea that the alternative to apartheid is not another form of social engineering but a free and open society based on the rule of law, democratic processes and principles, individual liberty, limited government, free enterprise, and the creation of opportunities for the poor. This is promoted through the Institute's research, publications, presentations, and in the Media.

## *People's War: New Light on the Struggle for South Africa*

This 615-page book, written by Anthea Jeffery and sponsored by the Donaldson Trust in memory of Mrs Marjorie Britten, who served the Institute over many years, was launched in September last year. Articles by Dr Jeffery on her book were given major coverage in various newspapers. Several hostile reviews were replied to as well. The first print-run was sold out and the publishers (Jonathan Ball) did a second print-run, which also seems to have sold out.

The distinguished South African historian Professor Hermann Giliomee (who is also a vice president of the Institute) commented as follows: 'It is a superb book in the rich tradition of the SAIRR of leadership through facts. You have done historiography and the country an immense favour. No one can now write about the period 1980–1994 without taking your book very, very seriously.' Professor Jonathan Jansen wrote to Dr Jeffery: 'Congratulations on your excellent book, meticulously researched as always.'

I myself have no doubt that this book is one of the most important ever to emanate from the Institute. Apart from the meticulous scholarship that it reflects, its writing required courage in that it shows a side of the ruling party and the manner in which it rose to power that is ignored or discreetly veiled in most other accounts of the events leading up to the political transition in April 1994. The book was entered (we do not know by whom) for the 2010 Alan Paton Award for works of non-fiction. One of the criteria for the award is the 'illumination of truthfulness, especially those forms of it which are new, delicate, unfashionable, and fly in the face of power'. That *People's War* did not even make it on to the short list seems less of a reflection on the book than on the weight given this criterion in the selection process. I wonder what Alan Paton – who never shied away from speaking truth to power – would have thought.

## Ten Pillars of Democracy: *Chasing the Rainbow: South Africa's move from Mandela to Zuma*

The three-year Ten Pillars of Democracy project, sponsored by the Royal Belgian Embassy, was completed with the publication in May of a 400-page study entitled *Chasing the Rainbow: South Africa's move from Mandela to Zuma*. The book covers events over the 15 years from April 1994 to April 2009, analysing South Africa's performance according to ten social, economic, and political criteria. Four briefings were held, in Cape Town, Pretoria, Johannesburg, and Durban to launch the book. Copies were sent to MPs, MPLs, and all Institute members. The first of the Ten Pillars annual reports, covering the period from April 2009 to April 2010, appeared in the April and May issues of *Fast Facts* as the Institute's annual new *Rainbow Index*.

The project gave the following assessments for South Africa for the first 15 years since 1994 (1994–2009) and the year since then (2009–2010):

| | ***Fifteen years*** | ***Last year*** |
|---|---|---|
| Democratic governance | 51% | 45% |
| The rule of law | 48% | 37% |
| Individual rights and responsibilities | 61% | 65% |
| A vigilant Press and civil society | 64% | 61% |
| Racial goodwill | 52% | 55% |
| Effective government | 29% | 26% |
| Growth-focused policies | 35% | 32% |
| Scope for free enterprise | 49% | 45% |
| Liberation of the poor | 25% | 21% |
| Good citizenship | 32% | 30% |

In a report for the sponsor of the project an outside evaluator commented as follows: 'The project's use of the data demonstrates a good understanding not only of the principles and characteristics of liberal democracy but also of its more elusive social, economic, and political underpinnings… Its great strength lies in the accurate and dispassionate analysis of the challenges the country confronts… By drawing together this comprehensive range of information and insights, the project has strengthened the hand of journalists, opposition parties, and a range of civil society organisations seeking to influence events and to help strengthen South Africa's democracy… With the Zuma administration being palpably more open to outside ideas, including critical ones, than its predecessor was, the project has a very important role to play in the consolidation of democracy at a critical juncture.'

## Maurice Webb: *The Long Shadow of Apartheid: Race in South Africa since 1994*

At the time of writing this report, *The Long Shadow of Apartheid: Race in South Africa since 1994*, sponsored by the Maurice Webb Trust, was being prepared for printing. The 220-page book is in two parts. First is an analysis of 15 years of clippings from English-language newspapers to track trends in opinions on race issues, incidents of racial violence, race relations in sport, business, and employment, and how race is dealt with by the courts. The second part consists of interviews on racial matters with 20 different opinion leaders. One of the key findings was that the Media has a major impact on racial attitudes, suggesting that it needs to exercise care in reporting on racial issues.

## Family Life Project

With support from the Donaldson Trust, we have embarked on a one-year study of family life in South Africa with particular attention to the situation of women and children. A preliminary examination of some of the data available has suggested to us that family life is an impossible dream for millions of South Africans, and that this might be one of the biggest risks facing the country. The project will look at problems such as orphanhood arising from HIV/AIDS, challenges faced by single parents, the impact of teenage pregnancy on educational opportunity, the impact of crime, and the impact of unemployment. Apart from scrutinising as much statistical data as is available, the study will examine courses of action available to government and civil society.

## Monthly Data Analysis for Corporate Subscribers

This was discontinued as it consumed too much of the chief executive's time. In its place we launched a risk analysis service under the auspices of a new Unit for Risk Analysis established at the Institute.

## Unit for Risk Analysis

We launched this new project, financed with our own resources and making use of existing staff, in order better to market the Institute to the private sector by enabling us to point out the social, economic, and political risks that business might face.

In July 2010, the unit issued a medium-term socio-economic and political forecast for South Africa. The forecast looked at the model according to which the country is governed, and the problems facing local government in particular. Health, education, infrastructure, and land reform were dealt with, as well as inequality and the economy's low labour absorption rate. The forecast cited some of the advantages South Africa has over other emerging markets – but also points to how it may fall behind them.

We are currently completing a report on the police's involvement in serious and violent crime in South Africa. This report will be released exclusively to our corporate tier subscribers and will also be sent to all MPs.

# *BRIEFINGS AND LECTURES*

A list of the briefings hosted by the Institute is as follows:

- S*outh African Mirror 2009: South Africa in the Zuma era* (John Kane-Berman) (Cape Town and Johannesburg)

- *Rand strength: Should the Government intervene to weaken the rand?* (Azar Jammine)
- *The politics of forgiveness: How I see South Africa's future* (Professor Jonathan Jansen)
- *Presentation on 'The Long Shadow of Apartheid: Race in South Africa since 1994'* (Lucy Holborn)
- *'Chasing the Rainbow: South Africa's move from Mandela to Zuma'* (Anthea Jeffery) (Cape Town, Pretoria, Johannesburg, and Durban)

A total of 56 presentations were given by Institute staff to members, provincial legislatures, municipal councils, and other bodies. Many of these took the form of audio-visual *South African Mirror* presentations. Apart from the briefings to Parliament, provincial legislatures, and municipalities, we addressed the following: Coca-Cola, Allan Gray, Lombard Insurance, J P Morgan, Hollard Insurance, ASIAN heads of diplomatic missions in Pretoria, the Rand Club, the Rotary Club of Johannesburg, the Southern African Vehicle Rental and Leasing Association, the Solidarity trade union, Pfizer, the Afrikanerbond, Janssen-Cilag, Lonmin, Clientele Life, the Brenthurst Library, European Union counsellors, Shoprite Checkers, organisations in the retail motor industry, Rand Merchant Bank, St Augustine College of South Africa, and Innovative Medicines South Africa.

## *BURSARIES*

In the past 28 years the Institute has awarded bursaries, most of them to black students, worth R216 million. Since 1980, no fewer than 3 627 students have graduated through our bursary programme in the following fields: science and engineering 1 084, business and commerce 975, medicine, health sciences and dentistry 569, education 406, arts 366, and law 227.

In 2009, there were 87 students on tertiary bursaries through the Institute's various schemes. Altogether 55 of these students were continued on the programme from the previous year and 32 were new awards for 2009. The overall pass rate of these students was 99%. In architecture, arts, dentistry, engineering, health sciences, law, medicine, and science all our students passed with 100%. The lowest pass rate was 93% in commerce. Altogether 42 students graduated.

The number of bursaries awarded for the 2010 academic year is 82. Of this total 36 are new bursaries and 46 bursaries of students which were renewed following their satisfactory performance last year. The names of the various bursary trusts administered by the Institute, as well as the names of our corporate clients and of the sponsors of our bursary programme, appear as part of the notes to our financial statements later on in this report. Our current major external funds are the Shapiro and Brusseau Trusts, the Berkowitz Family Scholarship Fund, the Clive Beck Education Trust, the Oppenheimer Memorial Trust, the Durban Thekwini Bursary Fund, and the Johnson and Johnson Medical Education Fund.

## *ACCOMMODATION*

As reported last year we moved to rented premises in Renaissance Centre on Gandhi Square at the end of 2008. However, the building was very poorly maintained and our attempts to get better service were fruitless. We therefore moved again, to No 2 Clamart Road in Richmond, in April 2010, a much more attractive building.

## *STAFF*

During the period under review, both our head of research and our head of marketing resigned. These are extremely difficult jobs to fill, so for that reason and also to cut costs and flatten structures, the chief executive and the deputy chief executive have absorbed those responsibilities into their own jobs.

During the period under review, Pule Motaung (head of bursaries) celebrated 15 years of service. Anthea Jeffery (head of special research) will celebrate her 20 years of service in September this year. This is an appropriate point in which to pay tribute to Anthea Jeffery for her outstanding contribution to the Institute – a combination of scholarship, courage, intellectual energy, and sheer hard work. Two years ago, in recognition of her contribution, Dr Jeffery was appointed as Muriel Horrell Research Fellow at the Institute. She has now also been appointed as Gawith Fellow in terms of an arrangement with the late Mr Dick Gawith to conduct research into affirmative action using a bequest he made to the Institute.

## *THANKS*

Thanks are due to our members for their continuing loyalty and support. We are grateful also to the various sponsors of our special projects, mentioned in the note on each project above, and to the donors to our bursary programme, also mentioned above. I am grateful to the members who serve on our various governing bodies and in particular offices, including Jonathan Jansen, our president; Charles Simkins, our chairman; Peter Horwitz, our vice chairman; Brian Hawksworth, our honorary treasurer; Derek Bostock, our honorary legal adviser; Tom Wixley, chairman of our remuneration committee; Jenny Elgie, who plays a key role on the audit committee; and Peter Joubert of our investment committee. Thanks are due also to staff for their dedication and professionalism.

Special thanks are due to the Oppenheimer Memorial Trust, the Anglo American Chairman's Fund, the FirstRand Foundation, the Graham Beck Foundation, and Absa Bank, our major core supporters. I should also like to thank the Haggie Charitable Trust and the S G Menell Charitable Trust. We should further like to thank those individual members who contributed a second time to a special individual core funding appeal, namely Mr Peter Joubert, Mr Julian Ogilvie Thompson, Mr Louis Shill, and Mr George Laurence. Mr Bobby Godsell has also become one of our core supporters.

We have received *Survey* funding from the Friedrich Naumann Foundation for Liberty, Johnson & Johnson, Fluor, and the Stella and Paul Loewenstein Trust. Thank you to them as well.

Thanks are also due to Theo and Ruth Coggin of Quo Vadis Communications for valuable advice on our marketing strategy.

Finally, Mrs Elisabeth Bradley's donation of R5 million is enormously appreciated.

## *PUBLIC POLICY ISSUES*

**Introduction.** In accordance with both long-standing tradition and current policy, the Institute published information about, or commented on, a very wide range of public policy issues. Our vehicles were 43 articles in *Fast Facts*, 43 issues of *SAIRR Today*, fortnightly columns in *Business Day* by the chief executive, various other newspaper articles by our staff, 44 press statements, and 56 presentations by our staff to various audiences. Many press releases and issues of *Today* were reproduced in various newspapers, while staff featured in radio, television, and newspaper interviews on at least 274 occasions. Some of these interviews were reprinted in dozens of newspapers and websites around the world. In addition we sent out 46 newsletters to members of local councils on issues of particular relevance to them. The statistical data in the *Survey* was the foundation on which much of our commentary was based. Among the issues to which we have devoted attention over the past year are the following:

- **Health care.** Prompted by renewed talk in ruling circles of introducing a national health insurance (NHI) system, *Fast Facts* devoted an entire issue to examining this idea in the context of the country's health system as a whole. The first of four articles described some of the major failings of the public health care system. The second identified some of the strengths of private health care. The third examined the NHI proposals from the point of view of both costs and human resources, while the fourth discussed evidence that the emerging African middle class did not seem to regard the purchase of private medical aid as a priority. An editorial concluded that what the Government needed to do to improve public health care was to reduce the role of the State and expand that of the private sector – including private medical insurance – not the other way around.

  The Institute also drew attention to the fact that the *South African Medical Journal* had questioned claims by the Department of Health that the HIV infection rate among women attending public antenatal clinics had dropped from 29% to 28%. The journal had suggested that the apparent decline was the result of a change in methodology and that there had in fact been a slight increase (to 29.4%) in the infection rate. While noting the provision of anti-retroviral treatment to more people, we also drew attention to the apparent contradiction between surveys showing an increase in the visibility of HIV/AIDS awareness campaigns and a decrease in the proportion of people with knowledge of how HIV was transmitted. We noted that the new health minister had stated that although South Africa had only 0.7% of the world's population, it had 17% of the people who were infected with HIV and AIDS.

  The new minister had blamed Mr Thabo Mbeki for the AIDS pandemic in South Africa, and the Young Communist League had suggested that he be charged with genocide. We pointed out that whatever Mr Mbeki's responsibility was, at no time had anyone in his party seriously challenged his handling of the AIDS crisis. 'The ANC therefore shares collective responsibility with Thabo Mbeki.' We commented in *Today* that had a white government denied treatment to mainly black people, this would have been labelled a crime against humanity and the ANC would have ensured that the issue was on the agenda of the United Nations. 'However, 15 years after white South Africans surrendered political power to the ANC, that party has presided over substantially more deaths of black people than were killed in the preceding 400 years of colonial rule.'

- **Education.** Among the material we published on education was an analysis of the matriculation results in mathematics in 2008, broken down by race. We noted that of the more than 257 000 Africans who wrote matric maths, only 4 486 (1.7%) achieved more than 80% for the subject. Only a few more than 20 000 whites had written matric maths, but 5 693 of these (28%) achieved 80% or more. We suggested that government policy to enforce affirmative action, employment equity, and black economic empowerment would be undermined by failures in the education system. 'Without dramatic improvements in the quality of schooling, social and economic inequality between race groups will be maintained in South Africa for decades to come.' Although higher proportions of pupils obtained 30% matric maths passes, we said that such a low pass rate did not prepare them adequately for post-school education. Looking beyond maths at overall pass rates, we noted that only 13.4% of Africans who wrote matric passed well enough to allow them to study for a bachelor's degree, against 69% in the case of whites. The gap in the standards of school education between black and white 'will exacerbate other gaps in inequality, incomes, and equal opportunities.'

Turning to the 2009 matric results, we noted that Africans in former Model C schools (previously whites-only schools that were desegregated and partially privatised in the dying days of apartheid) achieved much better results than Africans in other schools. The overall African pass rate was thus 56%, but that of Africans in former Model C schools 88%. Although politicians and education officials in the Eastern Cape had attacked Model C schools as having 'too many luxuries', these figures showed that their African pupils did very well. Former Model C schools account for some 11% of the country's 5 477 public secondary schools but 82% of former Model C schools achieved matric pass rates of between 80% and 100%. While former Model C schools had done particularly well, about 22% of other public secondary schools had also achieved pass rates of between 80% and 100%. Although the South African education system was in crisis, we observed, 'it is clear that centres of excellence still exist'. The factors enabling them to do so should be identified and replicated in other schools.

We noted, however, that fixing the rest of South Africa's public schools would necessitate not only changes to both policy and management, but also a showdown with the South African Democratic Teachers' Union (Sadtu), which had an inappropriate degree of influence over education policy in the country. As a consequence, the government found itself at a perpetual disadvantage in implementing policy and managing changes. Among other things, Sadtu was opposed to reintroducing a system of school inspectors and teacher performance monitoring. We listed a number of examples of thuggish and intimidating behaviour on the part of Sadtu and its members to enforce strikes at schools.

When Dr Blade Nzimande was appointed as minister of higher education and training we welcomed his statements that nursing, teacher, artisan, and agricultural colleges should be reintroduced. But we questioned his apparent desire to push up the number of students in universities despite the failings of the school system. We commented, 'Dr Nzimande is putting the cart before the horse by insisting that universities expand access when children are receiving poor pre-university education.'

Addressing Institute members in March 2010, the Institute's new president (and vice chancellor and rector of the University of the Free State), Professor Jonathan Jansen, said that 'at many of our universities about 75% of what is supposed to be tuition is fraudulent… Hence, it is not surprising that the graduates being pushed out are unemployable. But it makes for a very great anger among them'.

- **Employment.** Statistics on South Africa's high levels of unemployment are now widely published. One way of presenting the data that is not widely used is to show the difference between the 'labour market participation rate' and the 'labour absorption rate'. These two figures have long since appeared in the *Survey* but are now published monthly in *Fast Facts* too. The former essentially measures the demand for jobs and embraces both people who have jobs and those who would like to work but are unemployed. The rate in the first quarter of 2010 was 55%. The 'labour absorption rate' measures the supply of jobs – in other words, the proportion of working-age people who actually have jobs. That rate was 41%. Unemployment as officially measured is essentially the gap between the two – that is, between 55% and 41%.

Over the past 10 years the labour absorption rate has dropped by almost 11%, which indicates declining demand for labour. This is not surprising given the lack of flexibility in our labour market, high labour costs, and the declining need of the economy for unskilled labour. But the labour market participation rate – the demand for jobs – has dropped by not much less – 10%. This 10% decline – from 61% to 55% – is not easy to explain.

It suggests that a diminishing proportion of people of working age actually wish to work. Some of these are officially classified as 'discouraged' in that they have lost hope of finding any work, cannot find jobs requiring their skills, or have not tried to find jobs because there are none where they live. According to Statistics South Africa the number of discouraged workers grew by 114 000 over the past decade. But the number of other 'not economically active' people grew by 3.4 million, as we showed in the May 2010 issue of *Fast Facts*.

This is puzzling. Over that same period the working-age population grew by 4.1 million, and one would have expected the economically active population (those wishing or needing to work) to have grown by a figure in the same ball-park. Instead, the number of not economically active people grew by that staggering figure of 3.4 million and the number of economically active people by a paltry 538 000. In other words, the bulk of the increment in the working age population over the past decade has gone into the not economically active category.

Persons classified as not economically active include students, housewives, pregnant women, those who can't afford to pay for transport to go and look for work, and 'other'. It seems most unlikely that the numbers of these people could have grown so much faster than the working-age population – 33% against 15%. Why are so many people apparently dropping out of, or not even entering, the labour market? Are the proceeds of crime now so widely spread that fewer people need to work? Has the rollout of social grants – they are now paid to nearly 30% of the population as against less than 8% ten years ago – caused a decrease in the demand for jobs? Are far more people working in the informal sector than are captured in the official job statistics? Has subsistence agriculture grown to such an extent that more people can live off the land? Has there been so great a widening in the gap between the actual unskilled pay on offer and the minimum that would-be workers expect that they would rather stay at home? Is some of the Stats SA data simply wrong? The Institute has been asking some of these questions – notably in our *South African Mirror* presentations – for a long time but unfortunately we are nowhere nearer the answers. There is a great need for a proper study of the unemployed based on extensive fieldwork.

It is worth noting that if the labour market participation rate had remained at its earlier level of 61%, then the difference between that rate and the labour absorption rate would be that much higher, and the number of unemployed people also that much higher – not 4.3 million, the current official figure, but 6.3 million, pushing up the unemployment rate from the official figure of 25% to 33%.

That said, we have long puzzled over why our very high levels of unemployment have not led to much greater social instability. Clearly, competition for jobs has fuelled the resentment of foreign Africans that has from time to time caused outbreaks of violence against them. Idleness and hopelessness may be among the ingredients of so-called 'service delivery' protests.

Among other labour issues to which we paid attention were demands from trade unions for a ban on labour broking. Such a ban, we said, would destroy jobs. Referring to attempts to enforce minimum wages on smaller firms in the clothing industry, we said that these were unlikely to succeed. Nor do they deserve to. South Africa, the Institute has repeatedly argued, needs a free labour market.

- **Poverty and inequality.** The government has still not published an official poverty line, even though this is now several years overdue. As reported above, our Municipal Outreach Project is designed to provide local authorities with information enabling them to better understand the various manifestations of poverty in the hope that they may be able to reduce its impact in their areas. One of the newsletters sent to local councils as part of the project pointed out, using data from IHS Global Insight Southern Africa, a private economic research agency, that all six of the metropolitan municipalities covered by the project had experienced declines in poverty between 1996 and 2008. Seven other urban areas in South Africa had experienced increases in poverty rates. On several occasions during the year the Institute reiterated its viewpoint that the only real weapons in the Government's armoury against poverty were the provision of free or subsidised services and the payment of millions more social grant. Far from the poor being liberated by better education and health care or easier access to the labour market, they were becoming more dependent on the State – even though various ministers had from time to time warned against South Africa's becoming a welfare state.

  Data published in the *Survey* showed that inequality was greater among Africans than among whites and other races. It also showed that inequality among Africans widened by 12% between 1996 and 2008, while that among whites narrowed by almost 7%. *SAIRR Today* noted that organisations such as the Black Management Forum were in the habit of deriding the white middle and upper classes for not sharing their wealth with blacks, while they seemed oblivious of the growing resentment on the Left of the ruling party and the trade union movement, as well as among communists, of black wealth and black capitalists. *Today* suggested that the black uprising against white wealth that was sometimes threatened might also have black targets.

  We also noted, however, in an article in *Business Day*, that middle-class populists could use widening material inequality for racial mobilisation in which whites, given their history of privilege and their current advantages, might be made scapegoats for government failure.

- **Business.** Although we have been frequently critical of affirmative action and empowerment requirements, and also pointed out some of their harmful effects, the Institute commented that they had had other 'arguably much more important results' that were seldom identified. 'In supporting the rapid emergence of a class of politically connected black business leaders, white corporate South Africa ensured its own interests by placing a buffer between itself and the aspirations of many poor black South Africans while at the same time ensuring that policymakers in government and the ANC will pursue sound fiscal and monetary policy.' One benefit of this approach was that when calls for the nationalisation of private assets were made, it was often black South African business leaders, and leaders within the ANC, who raised questions about the wisdom of such a policy. Many people who made policy in South Africa now had a vested interest in maintaining stability and would act to protect their own private assets.

  However, we also pointed out, the Government was doing a great deal to undermine the ability of the private sector to generate growth. This comment was made in response to a call by the new finance minister, Mr Pravin Gordhan, for new thinking on jobs and growth. Growth was being undermined not only by nationalisation threats, but also by the imposition of affirmative action under threat of penalty and threats to 'name and shame' companies for not 'transforming'. 'Quite where the government thinks its poorly skilled population will find work when it stifles the efforts of private sector employers while at the same time providing these employers with a very poorly skilled workforce, is unclear.'

We also said it was likely that billions in investment capital 'have been alienated in the past 15 years by bureaucratic incompetence, corruption and nepotism, partisan and ideological interference with mining and other licences, racial preferencing requirements, perpetually shifting goalposts, and never-ending threats to property rights'. With regard to the last of these we warned that government denials of its intention to nationalise private property should be seen against the fact that it had already nationalised both water and mineral rights, respectively in 1998 and 2002.

- **Race relations.** At the time of writing this report, the fruits of a three-year project were being prepared for publication under the title *The Long Shadow of Apartheid: Race in South Africa since 1994*. As noted above, one of the key findings of this project was that the media had a major impact on racial attitudes. Another important finding was that Mr Jacob Zuma had set the country a good example by generally refraining from using racial rhetoric in an attempt to answer critics. Elsewhere the Institute noted that there were other positive signs as well. One was that the number of violent racial incidents over the past 16 years was low. A second was that the number of cases alleging racial discrimination brought before the equality courts was also low. A third was that mixing across the colour line in various institutions was growing, without problems. While recognising that the successful Soccer World Cup had been hailed as a milestone on the road to better race relations, we suggested that day-to-day mixing as part of normal life was probably more important. The Institute also noted that although none of the three major national South African teams – in cricket, rugby, and soccer – complied with the ideology of racial 'representivity', nobody apart from politicians and a scattering of ideologues seemed to be bothered about this.

From a race relations point of view, the soccer tournament could probably not have come at a better time. We noted when Mr Eugene Terreblanche was murdered in April that racial tensions appeared to be increasing, mainly as a result of incitement by leading figures in the ANC to 'Kill the farmer! Kill the Boer!' We warned of the consequences of alienating minorities and attempting to make them scapegoats for the Government's own failures.

Earlier in the year, the Institute had pointed out that although whites were quick to complain that affirmative action and black economic empowerment policies had undermined their chances of economic advancement, white South Africans in general continued to maintain a much higher standard of living than Africans. We also noted that although whites saw themselves as victims of affirmative action and other 'reverse apartheid' laws, these laws were an exception to the generally equal treatment that people now received under the law, irrespective of colour. 'By contrast, the equivalent job reservation laws under the apartheid system were merely one aspect of a pervasive system of discrimination and denial of opportunity.' Whites, we said, had got off lightly. This was no doubt why they had accepted majority rule without much fuss.

Referring to threats of nationalisation, we suggested in *Today* that white wealth now rested to a large extent in the mindset and skill-set of that community – an asset the Government could never expropriate – while the failure of much public education meant that most Africans were unlikely to get much benefit from affirmative action or black economic empowerment, or indeed from the confiscation of a major bank or mining company.

On a somewhat lighter note, we pointed out that the growing demand for companies to obtain empowerment ratings was being handicapped by a shortage of verification agencies, and that there had even been indications that whites were 'getting the largest slice of the BEE verification cake'. We pointed to the irony of the fact that race classification had been a state monopoly under National Party rule, but that under African National Congress rule it had been privatised and that there did not seem to be any shortage of racial entrepreneurs touting for verification business. We commented, 'Race classification in the post-apartheid era is a good example of how Marx was right when he said that history occurred first as tragedy and then as farce.'

- **Family life.** The July 2009 issue of *Fast Facts* was devoted to data on the state of the South African family, some of which was also reproduced in the *Survey*. Among other things we looked at the incidence of orphanhood, child-headed households, absentee parents, single parents, and teenage pregnancy. An accompanying analysis suggested that HIV/AIDS was only one of the problems facing South African families. We noted that although apartheid policies, especially influx control, had made it impossible for millions of South African families to live together, family life still seemed an impossible dream for millions in the post-apartheid era. Apart from the fact that more fathers were dying, more living fathers were also absent. In the Eastern Cape, we pointed out, children growing up with neither parent outnumbered those growing up with both. An editorial in that issue of *Fast Facts* quoted the previous minister of education, Ms Naledi Pandor, as having said that parents should 'ensure that your children do their homework'. However, we pointed out, for growing numbers of children there weren't any parents to do this. We suggested that family life might be in dire straits, but that this was a risk not widely recognised.

- **Local government.** Our Municipal Outreach Project has enabled the Institute to pay particular attention over the past year to local government. Both the *Survey* and *Fast Facts* contain as much statistical information as we can find about the country's municipalities, which comprise six metropolitan and 46 district municipalities, giving a total of 52. The district municipalities are further broken down into 231 locals, so that the total number of municipalities in the country is 283. As one would expect, there are vast discrepancies between them, many of which we highlighted. To take but one or two examples: the proportion of people living in 'informal settlements' varies from 1.6% in Alfred Nzo in the Eastern Cape to 33% in the Bojanala Platinum District Municipality in the North West province. Alfred Nzo has the highest poverty rate, one of the lowest levels of 'service delivery', and a 58% non economically active rate, while the prospect of employment on the platinum mines attracts far more people to Bojanala than are accommodated in formal housing. The district municipality with the largest increase in the poverty rate between 1996 and 2008 was Lejweleputswa in the Free State, partly because of the decline in mining activity there.

  Social disturbances, many of them violent, have been breaking out at local level since 2004. Apart from the 62 people, about half of them foreign Africans, killed in what is usually called 'xenophobic' violence in May 2008, there have been relatively few fatalities in these disturbances. It may of course be wrong to classify xenophobic violence as something different from other violence at community level, since so many of the grievances and frustrations seem to be linked.

The Media now habitually describe disturbances at local level as 'service delivery protests'. But our own research and investigations – including workshops that we conducted over the past year in eight metropolitan and two district municipalities – indicate that service delivery, or the lack thereof, are only one ingredient in these protests. If service delivery failures were the main reason for the protests, we said, it was puzzling that areas with worse delivery and greater poverty had been relatively quiet. Factors that could help to explain why the very poor Eastern Cape, for example, had been relatively calm included less inequality, the presence of traditional leadership, and fewer informal settlements. Our investigations also revealed that failure of councillors and officials to respond to memorandums of complaint, along with corruption and financial mismanagement, were almost as common as service delivery failures as reasons for protests. Demands for the removal of mayors, councillors, and municipal officials were commonplace. We commented that the present crop of local councillors 'seem to have no more legitimacy than their predecessors under the National Party's local government system'. Some councillors could not risk setting foot among their supposed constituents without security guards.

We also noted that the Government and the ANC had begun to recognise drawbacks in their policy of 'deploying' councillors and officials to local level rather than allowing them to be genuinely elected at that level. Proposed legislation to stop party-political office-bearers from becoming town councillors or municipal officials was a small movement away from one of the key components of the ANC's 'national democratic revolution', its deployment policy.

- **The police.** Referring to the looting and violence that characterises some of these protests, the Institute said that the Government was right to crack down on it. Violent protest might have been justified under the previous political system, but could have no place in a democracy. However, we also warned against the possible abuse of power by the police. This was in response to media reports that the police had beaten people in an apparent search for organisers of local protests. Nor was this the first occasion on which there had been complaints, including complaints of torture, by activist organisations. We welcomed the extensive media coverage of the arrest and torture of a person in Cape Town in February for supposedly insulting the president when a convoy of cars carrying Mr Zuma was speeding past. Such coverage might alert complacent South Africans to the culture of intolerance taking root in the Government and the ANC. We noted how the 'bullying and often violent behaviour' of official convoys driving political leaders around the country had been well documented in the Media, and described these 'blue-light' convoys as a 'well-known menace on South Africa's highways'.

At the time of writing this report, we were preparing to publish an analysis of violent behaviour in the police force and the involvement of police in crime. The *2009/2010 Survey* will report that 2 593 deaths occurred as a result of police action over the six-year period 2003/04 to 2008/09. The latter year saw 2 134 charges laid against members of the police force, though the proportion resulting in convictions was minimal. We also noted various incidents in which police appeared to act in a partisan fashion towards Mr Julius Malema, president of the ANC youth league. The Institute pointed out that the police force was headed by a former ANC politician, creating the impression that the police were answerable to the party. 'This is actually the position of the ANC itself, which claims that senior leaders in government and the civil service are deployed by the party and therefore answerable first and foremost to the party.'

- **The State.** The Institute pays close attention to the intentions of the State as well as to its abilities. We have for many years been the leading public critic of the increasingly interventionist thrust of the ANC government. Commenting on the first budget introduced by the new finance minister, Mr Pravin Gordhan, in February 2010, we said, 'The proportion of GDP taken in tax has risen from 22.5% in 1994–95 to 26.8% in 2009–10, but the bigger tax take (and a doubling of the public sector wage bill in five years) has been accompanied by diminishing state effectiveness.'

  Before he became president, the Institute posed the question, 'Will Jacob Zuma be able to fix the failing state?' Signs of failure were dealt with in a number of articles in *Fast Facts* during the year. South Africa is of course a long way from being a failed state – one has only to compare us with Somalia or even Zimbabwe to realise this. A failed state could not have pulled off the World Cup in the way that South Africa did; indeed, no failed state would have been given the opportunity to host the tournament. But the direction in which we are headed is not clear. One positive sign is the recognition of failure in education and health care. Another is the acknowledgement of widespread failure in local government. Some of the trade unions have also complained of major incompetence in the civil service. The ANC secretary general, Mr Gwede Mantashe, last year went so far as to suggest following the British permanent secretary model as a means of professionalising our civil service. Attempts are being made to put some of our large parastatals on a sounder financial and managerial footing. Corruption? It is acknowledged as a problem, but draft legislation currently before Parliament on the classification of official information suggests that the overriding intention is not to stop the looting of the State but to prevent newspapers from reporting it.

  An article in *Fast Facts* in January 2010 focused on skills deficits in the public sector. It provided data about shortages in health care, local government, security, the police, Transnet, Eskom, teaching, and even Statistics South Africa itself. The article noted that a large number of skilled personnel, such as nurses and teachers, were reaching retirement age. 'Without adequate numbers of people to replace them, the skills shortage in the public sector will worsen.'

- **Government.** We published a number of articles poking fun at the never-ending squabbles within the tripartite alliance, which we on occasion described as a three-ring circus – although we suggested that this circus did not really have a ringmaster. Despite the frequency with which we criticise the Government, the Institute has been consistently supportive of its attempts to reduce the budget deficit and curb inflation. (We supported the Growth, Employment, and Redistribution – Gear – policy right from the start, back in 1996.) In October last year we warned that if the ANC lost control of policy to the South African Communist Party (SACP) and the Congress of South African Trade Unions (Cosatu), there would be far-reaching changes in how the economy was run. 'These would probably include the abandonment of inflation targeting while aggressively cutting interest rates and borrowing heavily to fund state expenditure.' In an editorial in *Fast Facts*, we said that whenever the ANC and its generally prudent macro-economic policy came under attack from the SACP and Cosatu, organised business and the independent policy sector should publicly support Mr Trevor Manuel (minister in The Presidency: National Planning Commission) and the ANC.

- **Ten Pillars of Democracy: The Rainbow Index.** Many of the public policy issues referred to above were covered in two editions of *Fast Facts* published in April and May 2010. As noted earlier in this report, these were the first of our annual monitors of South Africa's performance as a democracy following the 15-year assessment given in *Chasing the Rainbow: South Africa's Move from Mandela to Zuma*. These annual monitors, known as 'The Rainbow Index' are designed as an analytical supplement to the statistical data published in our annual *South Africa Survey*. Comparing the score we assigned at the end of the 15-year review with that at the end of the first annual review, some indicators showed improvement and others deteriorations, as follows:
  - ✳ *Democratic governance:* down from 51% to 45%, mainly because of the ANC's continued insistence on unlawful cadre deployment; illegitimate efforts to undermine opposition rule in the Western Cape; the apparent instigation of various violent protests to undermine 'Mbeki-ite' local councillors; a failure to discipline Travelgate MPs; and a failure to act on an auditor-general's report identifying corrupt officials.
  - ✳ *The rule of law:* dropped from 48% to 37%, mainly because of the withdrawal of all charges against Mr Zuma on spurious grounds; the appointment of an unsuitable candidate as national director of public prosecutions instead of the 'fit and proper' person wrongfully dismissed; the politically motivated dismissal of the Constitutional Court's complaint against Judge John Hlophe; and the appointment of Mr Mokotedi Mpshe (the official who had withdrawn the charges against Mr Zuma) as an acting judge.
  - ✳ *Individual rights and responsibilities:* up from 61% to 65%, mainly because the courts did well in upholding the franchise rights of registered voters abroad; enforcing the right of a school-governing body (in the Hoërskool Ermelo case) to decide the school's language policy; and in reasserting the need for judges to show caution in adjudicating on socio-economic rights in order to safeguard the separation of powers.
  - ✳ *A vigilant Media and civil society:* down from 64% to 61%, mainly because of a flawed Supreme Court of Appeal judgment (in *McBride* v *The Citizen*) making it hard to report accurately on past political killings; the entry into force of the Films and Publications Amendment Act; a failure to sanction the SABC for blacklisting various political commentators; and the tabling of several bills likely to undermine media freedom.
  - ✳ *Racial goodwill:* rose from 52% to 55%, mainly because Mr Zuma has avoided the racial slurs that Mr Thabo Mbeki often made when president; incidents of raw racism have remained rare; the Zuma administration has promised to 'manage' affirmative action better to retain skills in the public sector (but has yet to implement this pledge); and the Labour Court ruled in favour of a white policewoman denied promotion because of her race.
  - ✳ *Effective governance:* dropped from 29% to 26%, mainly because of a failure to counter incompetence, corruption, and other unlawful conduct within the police; lax financial reporting and great wastage of money at all levels of government; gross inefficiency and mismanagement at local level; continued malaise within parastatals such as Eskom and Transnet; and the complete collapse of border controls in some areas.

* *Growth-focused policies:* down from 35% to 32%, mainly because of recession; increasing public debt; failure to contain public sector wage increases; sustained pressures to lower interest rates and peg the rand; repeated demands for nationalisation of the mines; and a debilitating policy uncertainty which the South African Chamber of Commerce and Industry (Sacci) describes as 'undermining local business confidence, investor confidence, and the pace of economic recovery'.
* *Scope for free enterprise:* down from 49% to 45%, mainly because of increased ideological hostility to the free market; more crime against business; further interventionist pressures on agriculture and mining, accompanied by calls for nationalisation; unhelpful shifts in industrial policy; and a failure to build up the necessary skills or improve the operating environment for small businesses.
* *Liberation of the poor:* dropped from 25% to 21%, mainly because of the loss of a million jobs; a decision to regulate labour brokers still further; the deterioration of basic education and public health care; and the further extension of the social grants which build dependence on the State even as they become ever more difficult for the country to afford.
* *Good citizenship:* down from 32% to 30%, mainly because of Mr Zuma's repeated attempts to place himself above all legal and social norms; the persistence of sexual abuse, xenophobia, and other violent crimes; a contempt for the rules of the road; a persistent readiness to resort to violence during demonstrations and strikes; and a widespread moral malaise pointing to what Professor Jonathan Jansen has called 'a crisis of values'.

## *CONCLUSION*

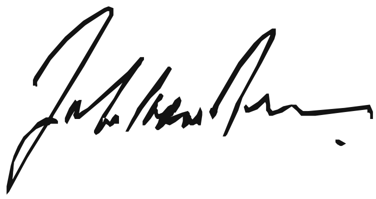
As noted at the beginning of this report, the past year has seen the Institute supplement its normal output with three major studies. The first was our seminal book *People's War: New Light on the Struggle for South Africa*, dating back to 1960 although focusing mainly on the period 1984 to 1994. The second was *Chasing the Rainbow: South Africa's Move from Mandela to Zuma*, which covers the period 1994 to 2010. The third was *The Long Shadow of Apartheid: Race in South Africa since 1994*. Adding these to 16 editions of the annual *South Africa Survey* published since 1994 means that there is little that has escaped the scrutiny of the Institute over that period. We have published most of the key social economic and political statistics, plus commentary and analysis of almost every area of public policy, as well as a comprehensive review of race relations as reported in the English-language Press. We have now analysed the new South Africa as extensively as we did the old.

Apart from *Surveys* every year since 1946, and numerous other serial publications, we issued several hundred other books, booklets, texts of lectures, fact papers, records of conference proceedings, and monographs. Determining the exact number since our foundation in 1929 would constitute a research project in itself. We have a list of 555 publications still in print (in some cases only a handful of copies) which will be posted on our new website. But a great many are out of print or have perhaps been lost down the years, copies to be found only in the archives of libraries in South Africa or other parts of the world that have been subscribers over the decades. Some of the publications were banned, necessitating steps to distribute certain future publications to members before they came to the attention of the authorities: one of these was *Behind Closed Doors* (now out of print), a study of deaths in detention discreetly distributed in 1987 in advance of formal publication after several earlier lists of detainees had been banned.

The scope of these publications was wide. There were of course plenty on the obvious topics such as education, the pass laws, attacks on civil liberties, forced removals, and the homelands. Some were more technical: studies of cheap building methods, and how to administer voluntary societies, for example. Others were designed to help black people find library or holiday facilities from which they were not excluded. Some were pioneering: studies of malnutrition and of the cost of living in Soweto were among the first in the country to focus on these issues. Other booklets looked at conditions in prisons. There were studies also of such topics as farm labour, riot policing, and the rights of African women. In addition, there were numerous papers or the texts of lectures dealing with all the moral and ethical problems presented by the apartheid policy.

This is a rich tradition, testifying to the wisdom of our founders back in the 1920s as well as all those down the years whose membership subscriptions or donations made all this work possible. These publications are also a monument to staff, members, office-bearers, academic and other associates, and political and community leaders who wrote them or delivered the lectures.

They are, in addition, testimony to the fact that even during the darkest days of apartheid, and despite the bannings of publications and people, South Africa was an open society in which there were always people willing to ensure that we never stopped looking at ourselves in the mirror.



Johannesburg
August 2010

# AUDIT COMMITTEE'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2009

The surplus for the year amounted to R10 366 255, compared to a deficit of R4 292 440 after prior year adjustments the previous year.

Operating income was R15 231 265 compared to the previous year's R8 838 453. The significant variances in income were an increase in membership fees of R364 215, an increase in grants and donations of R6 861 119, and a negative variance of R941 133 in administration fees received. The decline in administration fees from bursaries was due to a decision made by the Board of Directors in the previous year to scale down the programme. There was an unrealised gain of R1 943 445 on investments compared to a loss of R3 261 300 in the previous year.

Expenditure increased from R10 569 861 the previous year to R10 723 906 for the twelve months ended December 2009. There was a decline in personnel costs of R702 101, which is largely attributable to a decrease in numbers as staff leaving were not replaced. There was an increase in general overheads and administration cost of R45 754 and the cost of printing and posting of publications increased by R470 869.

The unrealised surplus on bursary fund investments was R3 359 080 (2009: loss of R7 330 294).

The sale of the property in the subsidiary De Korte Street Properties was concluded in this financial year and the balance of the selling price of R4 050 000 was received in February 2009.

The Institute's financial position at the year end was sound. At that date it had total assets of R49 041 964 under its control, compared to R39 282 349 at December 2009. We anticipate in due time an increase in the value of the Institute's share portfolio.

Cash resources increased by R411 409 for the year ended December 2009.

Jenny Elgie
Member of the Audit Committee

August 2010

# SOUTH AFRICAN INSTITUTE OF RACE RELATIONS (INCORPORATED ASSOCIATION NOT FOR GAIN REGISTERED UNDER SECTION 21 OF THE COMPANIES ACT) AND ITS SUBSIDIARY COMPANY

## ANNUAL FINANCIAL STATEMENTS
for the year ended 31st December 2009

COMPANY REGISTRATION NUMBER: 1937/010068/08
NON-PROFIT REGISTRATION NUMBER: 000-709-NPO
PUBLIC BENEFIT ORGANISATION NUMBER: 930006115

## CONTENTS



The annual financial statements set out on pages 38 to 57 have been approved by the Board of Directors.

**SOUTH AFRICAN INSTITUTE OF RACE RELATIONS (INCORPORATED ASSOCIATION NOT FOR GAIN REGISTERED UNDER SECTION 21 OF THE COMPANIES ACT) AND ITS SUBSIDIARY COMPANY ANNUAL FINANCIAL STATEMENTS**
**for the year ended 31st December 2009**

# COMPANY INFORMATION

| | | |
|---|---|---|
| **Country of incorporation** | South Africa | |
| **Registration numbers:** | | |
| **Company registration number** | 1937/010068/08 | |
| **Non-Profit registration number** | 000-709-NPO | |
| **Public Benefit Organisation number** | 930006115 | |
| **Nature of business** | Research | |
| **Registered address** | 2 Clamart Road<br>Richmond<br>2092 Johannesburg | |
| **Postal address** | P O Box 291722<br>Melville<br>2109 Johannesburg | |
| **Auditors** | Grant Thornton<br>Chartered Accountants (SA)<br>Registered Auditors<br>A South African Member of Grant Thornton International | |
| **Bankers** | First National Bank | |
| **Non Executive Directors** | J D Jansen | President |
| | H B Giliomee | Vice President |
| | L Schlemmer | Vice President |
| | M M A Shezi | Vice President |
| | C E W Simkins | Chairman of Board of Directors |
| | P J Horwitz | Vice Chairman of Board of Directors |
| | B M Hawksworth | Honorary Treasurer |
| | D S L Bostock | Honorary Legal Adviser |
| | T Coggin | |
| | R D Crawford | |
| | C J McCaul | |
| | I Mkhabela | |
| | T A Wixley | |
| | P G Joubert | |
| | M S Mosikili | |
| | S Seepe | |
| | E le Roux Bradley | Appointed 13 July 2009 |
| | P Letselebe | Appointed 13 July 2009 |
| | M J Myburgh | Appointed 13 July 2009 |
| **Executive Director** | J S Kane-Berman | Chief Executive |
| **Company Secretary** | R D le Roux | |
| | *Business address:* | *Postal address:* |
| | 2 Clamart Road<br>Richmond<br>2092 Johannesburg | P O Box 291722<br>Melville<br>2109 Johannesburg |

# DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa, 1973, 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 year then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors 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 directors to meet these responsibilities, the Board sets 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 minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors 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 directors have reviewed the Institute's cash flow forecast for the year to 31st December 2010 and, in the light of this review and the current financial position, they are satisfied that the Institute has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Board of Directors is responsible for the affairs of the company.

The external auditors are responsible for independently reviewing and reporting on the Institute's annual financial statements. The annual financial statements have been examined by the Institute's external auditors and their report is presented on page 36.

The annual financial statements set out on pages 38 to 57, which have been prepared on the going concern basis, were approved by the Board on 2nd June 2010 and were signed on its behalf by:

J S Kane-Berman

P J Horwitz

# REPORT OF THE INDEPENDENT AUDITORS

To the members of
South African Institute of Race Relations and its Subsidiary

We have audited the group annual financial statements and annual financial statements of the South African Institute of Race Relations and its subsidiary which comprise the consolidated and separate statements of the financial position as at 31st December 2009, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 38 to 57.

## *Directors' responsibility for the financial statements*

The Institute's directors are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of the South African Institute of Race Relations and its subsidiary as at 31st December 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa.

## *Emphasis of matter*

Without qualifying our opinion above, we draw attention to the fact that the separate annual financial statements the subsidiary, De Korte Street Properties (Proprietary) Limited, have been prepared on the liquidation basis. Management has decided to deregister the subsidiary in the near future as there is no intention to continue with operational activities.

**GRANT THORNTON**
Chartered Accountants (SA)
Registered Auditors

**per A Cawdry**
Chartered Accountant (SA)
Registered Auditor

2 June 2010

Grant Thornton Office Park
137 Daisy Street
Sandown
2196

# CORPORATE GOVERNANCE

The South African Institute of Race Relations remains committed to the principles of transparency, integrity, and accountability as advocated in the King Report of 1994 on corporate governance and the subsequent King II Report as they apply to the Institute. The directors consider the Institute to be a going concern.

## *Board of Directors*

The Board meets quarterly. The roles of chairman and chief executive do not vest in the same person. Directors are appointed for a specific term of office and re-appointment is not automatic. Membership of the Board is set out on page 34 of the *Annual Financial Statements*.

## *Audit, Risk, and Governance Committee*

An Audit Committee has been in existence since 1998. The Committee is responsible for ensuring that management creates and maintains an environment of effective corporate control, for reviewing the accounting policies, and for the optimal functioning of the financial and operational control systems. The Committee, consisting of five non-executive members, meets at least twice annually.

## *Remuneration Committee*

A Remuneration Committee was established on 15th November 2002. The Committee is responsible for determining the remuneration packages of executive management. The Committee consists of no fewer than three members appointed by the Board, all of them non-executive.

## *Company Secretary*

All directors have unlimited access to the advice and services of the company secretary, who is responsible to the Board for ensuring that board procedures are followed.

## *Financial Control*

The Institute maintains accounting and administrative control systems designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with general business practices. These controls include proper delegation of responsibilities, effective accounting procedures, and adequate segregation of duties, and are monitored regularly throughout the Institute. Employees are required to act with integrity in all transactions.

## *Code of Ethics*

The South African Institute of Race Relations conducts activities in accordance with the principles of excellence, integrity, human dignity, and fairness.

# REPORT OF THE DIRECTORS

The directors submit their report for the year ended 31st December 2009.

## *Review of the Institute's Business and Operations*

The main purpose of the Institute is to promote democracy, development, human rights, and reconciliation across the colour line. We seek to attain these objectives by conducting and publishing relevant research and policy analysis and by providing bursaries (mainly to black South Africans) on the basis of merit and need.

The operating results and state of affairs of the Institute are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

## *Going Concern*

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## *Post Balance Sheet Events*

The existing lease agreement for three photostat copiers was replaced with a new lease agreement for two copiers in April 2010. The offices of the Institute relocated to Richmond, Johannesburg, in April 2010 and a new rental agreement was entered into. The rental agreement for the premises in Marshalltown, Johannesburg, was cancelled at the end of April 2010. The directors are not aware of any other matter or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which would affect the operations of the company and the group or the results of those operations significantly.

## *Dividends*

No dividends were declared or paid to shareholders during the year.

## *Interest in Subsidiaries*

Details of the Institute's investments in subsidiaries are set out in note 5.

## *Auditors*

Grant Thornton will continue in office in accordance with S270(2) of the Companies Act.

## *Secretary*

R le Roux served as secretary of the Institute for the year ended 31st December 2009.

Her addresses are:

| *Business address* | *Postal address* |
|---|---|
| 2 Clamart Road | P O Box 291722 |
| Richmond | Melville |
| 2092 Johannesburg | 2109 Johannesburg. |

## *Directors*

The directors of the Institute during the year and to the date of this report are as follows:

| | | | |
|---|---|---|---|
| *Non Executive Directors* | J D Jansen | – | President |
| | H B Giliomee | – | Vice President |
| | L Schlemmer | – | Vice President |
| | M M A Shezi | – | Vice President |
| | C E W Simkins | – | Chairman of Board of Directors |
| | P J Horwitz | – | Vice Chairman of Board of Directors |
| | B M Hawksworth | – | Honorary Treasurer |
| | D S L Bostock | – | Honorary Legal Adviser |
| | T Coggin | | |
| | R D Crawford | | |
| | C J McCaul | | |
| | I Mkhabela | | |
| | T A Wixley | | |
| | P G Joubert | | |
| | M S Mosikili | | |
| | S Seepe | | |
| | E le Roux Bradley | – | Appointed 13 July 2009 |
| | P Letselebe | – | Appointed 13 July 2009 |
| | M J Myburgh | – | Appointed 13 July 2009 |
| | H Suzman D B E | – | Deceased 1 January 2009 |
| *Executive Director* | J S Kane-Berman | – | Chief Executive |

# *STATEMENT OF FINANCIAL POSITION*

## as at 31st December 2009

| | *Notes* | *GROUP* | | | *INSTITUTE* | | |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | ***2009 R*** | ***2008 R*** | ***2007 R*** | ***2009 R*** | ***2008 R*** | ***2007 R*** |
| **Non current Assets** | | | | | | | |
| Property, plant and equipment | 3 | 705 149 | 810 769 | 1 646 902 | 705 149 | 810 769 | 763 152 |
| Investment in subsidiary | 5 | – | – | – | – | 437 865 | 864 890 |
| | | 705 149 | 810 769 | 1 646 902 | 705 149 | 1 248 634 | 1 628 042 |
| **Investments** | | | | | | | |
| Special Funds | | | | | | | |
| — Bursary | 16.1.1 | 23 765 892 | 23 614 880 | 30 899 374 | 23 765 892 | 23 614 880 | 30 899 374 |
| — Institute | 16.1.2 | 1 670 902 | 2 161 316 | 1 905 173 | 1 670 902 | 2 161 316 | 1 905 173 |
| — Other | 16.1.3 | 3 386 179 | 3 063 082 | 1 065 862 | 3 386 179 | 3 063 082 | 1 065 862 |
| | | 28 822 973 | 28 839 278 | 33 870 409 | 28 822 973 | 28 839 278 | 33 870 409 |
| Other Institute investments | 16.2 | 17 865 621 | 7 018 311 | 11 729 091 | 17 865 621 | 7 018 311 | 11 729 091 |
| | | 46 688 593 | 35 857 589 | 45 599 500 | 46 688 593 | 35 857 589 | 45 599 500 |
| **Current Assets** | | | | | | | |
| Non current assets held for sale | 4 | – | 868 750 | – | | – | – |
| Accounts receivable | 6 | 936 884 | 1 445 313 | 1 032 978 | 936 884 | 1 444 362 | 1 032 027 |
| Cash resources | 7 | 711 338 | 299 928 | – | 711 338 | 299 928 | – |
| | | 1 648 222 | 2 613 991 | 1 032 978 | 648 222 | 1 744 290 | 1 032 027 |
| **TOTAL ASSETS** | | **49 041 964** | **39 282 349** | **48 279 380** | **49 041 964** | **38 850 513** | **48 259 569** |
| **FUNDS AND LIABILITIES** | | | | | | | |
| **Funds and reserves** | | | | | | | |
| Accumulated funds | | 18 138 640 | 7 772 385 | 12 064 825 | 15 151 425 | 7 772 385 | 12 064 825 |
| | | 18 138 640 | 7 772 385 | 12 064 825 | 15 151 425 | 7 772 385 | 12 064 825 |
| **Special funds** | | | | | | | |
| — Bursary | 14/15 | 23 765 892 | 23 614 880 | 30 899 374 | 23 765 892 | 23 614 880 | 30 899 374 |
| — Institute | 14/15 | 1 670 902 | 2 161 316 | 1 905 173 | 1 670 902 | 2 161 316 | 1 905 173 |
| — Other | 14/15 | 3 386 179 | 3 063 082 | 1 065 862 | 3 386 179 | 3 063 082 | 1 065 862 |
| | | 28 822 973 | 28 839 278 | 33 870 409 | 28 822 973 | 28 839 278 | 33 870 409 |
| **Current liabilities** | | | | | | | |
| Taxation payable | 12 | 61 389 | – | – | – | – | – |
| Accounts payable | 8 | 2 018 962 | 2 670 686 | 2 304 552 | 2 006 463 | 2 238 850 | 2 284 741 |
| Loan from subsidiary | 5 | – | – | 39 594 | 3 061 103 | – | 39 594 |
| | | 2 080 351 | 2 670 686 | 2 344 146 | 5 067 566 | 2 238 850 | 2 324 335 |
| **TOTAL FUNDS AND LIABILITIES** | | **49 041 964** | **39 282 349** | **48 279 380** | **49 041 964** | **38 850 513** | **48 259 569** |

## *STATEMENT OF COMPREHENSIVE INCOME*

**for the year ended 31st December 2009**

| | *Notes* | *GROUP* | | *INSTITUTE* | |
|---|---|---|---|---|---|
| | | ***2009*** ***R*** | ***2008*** ***R*** | ***2009*** ***R*** | ***2008*** ***R*** |
| **INCOME** | | | | | |
| Administration fees received | | 901 558 | 1 842 691 | 901 558 | 1 935 195 |
| Bequests | | 291 191 | 218 802 | 291 191 | 218 802 |
| Rent received | | 33 554 | – | – | – |
| Grants and donations | | 11 501 732 | 4 640 613 | 11 501 732 | 4 640 613 |
| Membership fees and subscriptions | 19 | 2 499 610 | 2 135 395 | 2 499 610 | 2 135 395 |
| Publication sales | | 3 620 | 953 | 3 620 | 953 |
| | | **15 231 265** | **8 838 453** | **15 197 711** | **8 930 958** |
| **EXPENSES** | | | | | |
| Auditors' remuneration | | | | | |
| — Fees for the audit | 9 | 337 550 | 205 850 | 325 050 | 200 850 |
| Depreciation | 3 | 195 176 | 213 413 | 195 176 | 198 413 |
| Impairment of loan to subsidiary | | | – | – | 20 413 |
| Interest paid | | 16 168 | – | 16 168 | – |
| Lease expenditure | | 149 980 | 110 216 | 149 980 | 110 216 |
| Loss on sale of fixed asset | | – | 29 990 | – | 29 990 |
| Overheads and administration | | 1 016 781 | 971 027 | 912 382 | 844 571 |
| Personnel | | 7 043 575 | 7 745 676 | 7 043 575 | 7 623 428 |
| Postage | | 340 602 | 179 634 | 340 602 | 179 634 |
| Printing | | 627 694 | 317 793 | 627 694 | 317 793 |
| Rent and utilities | | 550 335 | 277 163 | 494 323 | 617 959 |
| Telecommunications | | 268 232 | 290 272 | 268 232 | 290 272 |
| Travel | | 177 813 | 228 825 | 177 813 | 228 825 |
| | | **10 723 906** | **10 569 861** | **10 550 996** | **10 662 366** |
| **OPERATING (DEFICIT)/SURPLUS FOR THE YEAR** | | **4 507 359** | **(1 731 407)** | **4 646 715** | **(1 731 408)** |
| **INCOME FROM INVESTMENTS** | | | | | |
| Dividends | | 202 904 | 322 174 | 202 904 | 322 174 |
| Gain (loss) on investments | | 1 943 445 | (3 261 300) | 1 943 445 | (3 261 300) |
| Interest received | | 592 686 | 378 094 | 585 975 | 378 094 |
| Profit on sale of building | | 3 181 250 | – | – | – |
| | | **5 920 285** | **(2 561 032)** | **2 732 324** | **(2 561 032)** |
| **SURPLUS (DEFICIT) BEFORE TAXATION** | | 10 427 644 | (4 292 440) | 7 379 040 | (4 292 440) |
| **SA NORMAL TAXATION** | 12 | 61 389 | – | – | – |
| **SURPLUS (DEFICIT) FOR THE YEAR** | | **10 366 255** | **(4 292 440)** | **7 379 040** | **(4 292 440)** |

## *STATEMENT OF CHANGES IN EQUITY*

**for the year ended 31st December 2009**

| **GROUP** | ***Note*** | ***Accumulated funds R*** |
|---|---|---|
| Balance at 1st January 2007 | | 8 935 216 |
| Surplus for the year | | 3 994 030 |
| Previously reported | | 12 929 246 |
| Adjustment for prior period error | 19 | (864 421) |
| **Balance at 31st December 2007** | | **12 064 825** |
| Balance at 1st January 2008 — previously reported | | 12 064 825 |
| | | (4 292 440) |
| Deficit for the year — previously reported | | (3 999 565) |
| Adjustment for prior period error | 19 | (292 875) |
| **Balance at 31st December 2008** | | **7 772 385** |
| Balance at 1st January 2009 | | 7 772 385 |
| Surplus for the year | | 10 366 255 |
| **Balance at 31st December 2009** | | **18 138 640** |

| **INSTITUTE** | | |
|---|---|---|
| Balance at 1st January 2007 | | 8 935 216 |
| Surplus for the year | | 3 994 030 |
| Previously reported | | 12 929 246 |
| Adjustment for prior period error | 19 | (864 421) |
| **Balance at 31st December 2007** | | **12 064 825** |
| Balance at 1st January 2008 — previously reported | | 12 064 825 |
| | | (4 292 440) |
| Deficit for the year — previously reported | | (3 999 565) |
| Adjustment for prior period error | 19 | (292 875) |
| **Balance at 31st December 2008** | | **7 772 385** |
| Balance at 1st January 2009 | | 7 772 385 |
| Surplus for the year | | 7 379 040 |
| **Balance at 31st December 2009** | | **15 151 425** |

## *STATEMENT OF CASH FLOWS*

**for the year ended 31st December 2009**

| | GROUP | | INSTITUTE | |
|---|---|---|---|---|
| **Cash flows from operating activities** | ***2009 R*** | ***2008 R*** | ***2009 R*** | ***2008 R*** |
| Operating (deficit)/surplus for the year | 10 332 000 | (4 292 440) | 7 379 040 | (4 292 440) |
| Adjustments: Depreciation | 195 176 | 213 413 | 195 176 | 198 413 |
| Interest received | 592 686 | (378 094) | (585 975) | (378 094) |
| Impairment of loan to subsidiary | – | – | 680 413 | 20 413 |
| (Increase)/decrease of investments | (1 943 445) | 3 261 300 | (1 943 445) | 3 261 300 |
| Profit on sale of building | (3 181 250) | – | – | – |
| Surplus on disposal of fixed assets | – | 29 990 | – | 29 990 |
| Movement in working capital | | | | |
| — decrease/(increase) in accounts receivable | 508 429 | (412 335) | 507 478 | (412 335) |
| — (decrease)/increase in accounts payable | (651 724) | 366 134 | (232 387) | (45 891) |
| Sub total | 5 851 872 | (1 212 031) | 6 000 300 | (1 618 643) |
| Interest received | 592 686 | 378 094 | 585 975 | 378 094 |
| **Net cash inflow (outflow) from operating activities** | **6 444 558** | **(833 938)** | **6 586 275** | **(1 240 550)** |
| | | | | |
| **Cash flows from investing activities** | | | | |
| (Increase)/decrease in inter-company current account | (220 978) | – | (242 549) | 406 612 |
| (Increase)/decrease in inter-company loan account | – | – | 3 061 103 | – |
| (Increase)/Proceeds on disposal of investments | (5 722 614) | 1 449 480 | (8 903 863) | 1 449 480 |
| Additions to property, plant and equipment | (89 556) | (276 020) | (89 556) | (276 020) |
| Net cash inflow from investing activities | (6 033 148) | 1 173 460 | (6 174 865) | 1 580 072 |
| Net cash generated for the period | 411 410 | 339 522 | 411 410 | 339 522 |
| Cash (overdraft)/resources at beginning of period | 299 928 | (39 594) | 299 928 | (39 594) |
| **Cash resources at end of period** | **711 338** | **299 928** | **711 338** | **299 928** |

# *NOTES TO THE ANNUAL FINANCIAL STATEMENTS*

**for the year ended 31st December 2009**

## 1. ACCOUNTING POLICIES

### Basis of preparation

The principal accounting policies adopted in the preparation of these annual financial statements are set out below, and are consistent, in all material respects, with those applied in the previous period.

These annual financial statements are presented in South African rands, the currency of South Africa, and the country in which the company is incorporated.

The annual financial statements have been prepared on the historical cost basis of accounting, as modified by the revaluation of financial assets and financial liabilities, and in accordance with, and comply with, South African Statements of Generally Accepted Accounting Practice.

The preparation of financial statements in conformity with South African Statements of Generally Accepted Accounting Practice requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

*(a) Interpretations of South African Statements of Generally Accepted Accounting Practice effective for the first time this year*

The following interpretations are mandatory to the company's accounting periods beginning on or after 1st January 2008:

– AC 101, Presentation of Financial Statements – Revised (effective date 1st January 2009).

– Amendment to AC 125 Financial instruments: Presentation and AC 101 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective date 1st January 2009).

The above interpretations are effective and adopted in the financial statements for the year ending 31st December 2009.

*(b) Standards, interpretations and amendments to published standards that are not yet effective*

*New standards and interpretations*

At the date of approval of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the entity.

Management anticipates that all of the pronouncements will be adopted in the entity's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the entity's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the entity's financial statements.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting period beginning on or after 1st January 2009 or later periods, but which the group has not early adopted, as follows:

– AC 132, Consolidated and Separate Financial Statements – Revised (effective date 1st July 2009).

– AC133, Financial Instruments: Recognition and Measurement Exposure Qualifying for Hedge Accounting – Revised (effective date 1st July 2009).

Management assessed the relevance of these interpretations with respect to the group's operations, and concluded that they are not relevant to the group.

### Consolidation

The consolidated financial statements include the assets and liabilities of the company and its subsidiary company.

## *NOTES (continued)*

### Subsidiary company

The subsidiary is an entity controlled by the group. Control exists when an entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commenced until the date that control ceases.

Where necessary, accounting policies of the subsidiary have been changed to ensure consistency with the policies adopted by the group.

Investments in subsidiary companies in the separate financial statements of the company are measured at cost less impairment.

### Transactions eliminated on consolidation

Intra-group balances and transactions, any realised and unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

### Membership fees

Membership fees are recognised in the accounting period in which the services are rendered.

### Donations and grants

Donations and grants are brought to account on a cash-received basis except where they cover a specific period, in which case they are brought into income over the period.

### Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

### Special funds

Funds specially designated by donors may, at the discretion of the Institute, be retained and invested by the Institute pending disbursement.

### Bursary funds and special research projects

The Funds and Projects administered by the Institute are disclosed in these financial statements in note 14.

### Property, plant, and equipment

Library books are not depreciated. Other assets are stated at cost or valuation less accumulated depreciation. Library books are stated at valuation. The archives, which are housed at the University of the Witwatersrand, are carried at no cost. Depreciation is calculated on a straight-line basis to write off the depreciated value of each asset over its estimated useful life as follows:

| | |
|---|---|
| Furniture and equipment | 3–6 years |
| Motor vehicles | 5 years |

The depreciable value is the cost less the residual value.

The residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (thus impairment losses are recognised).

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

### Investments

Investments are stated at market value. The increase or decrease in market value is capitalised for Bursary Funds and for the Institute and recognised as fair value through profit and loss in the Statement of Comprehensive Income.

## Accumulated funds

All reserves are reflected under accumulated funds.

## Financial liabilities

The group's financial liabilities include loans payable, trade and other payables, which are initially measured at fair value and subsequently at amortised costs using the effective interest rate method. Short term trade payables are measured at original invoice amount when the effect of discounting is immaterial.

## 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 agreement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

### Subsequent measurement

– ***Financial instruments at amortised cost***

  Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, loans and trade and other payables. At the end of each reporting period, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

– ***Trade and other receivables***

  Trade receivables are measured at the initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

– ***Cash and cash equivalents***

  Cash and cash equivalents are measured at fair value, by reference to expected cash flows and current market interest rates.

  For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and bank balances, all of which are available for use by the group unless otherwise stated.

## Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

### Tax

*Current tax assets and liabilities*

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the moment expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

### Investment policy

Investment income consists of net realised surpluses and deficits on the sale of investments, net unrealised surpluses and deficits on the valuation of investments at fair value, interest and dividends.

Realised and unrealised surpluses and deficits are recognised in the income statement. Interest income is recognised on an accrual basis, using the effective interest rate method. Dividends received are recognised when the right to receive payment is established.

### Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The accrual for employee entitlements to annual leave represents the amount which the group has a present obligation to pay as a result of employees' service provided up to the balance sheet date. The accrual has been calculated at undiscounted amounts based on current salary rates.

## Impairment

The group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, a recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual assets, the recoverable amount of the cash generating unit to which the asset belongs, is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of the fair value less cost to sell and its value in use. 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. The reduction is an impairment loss and is charged to the income statement.

## Contingencies and commitments

Transactions are classified as contingencies where the group's obligations depend on uncertain future events. Items are classified as commitments where the group commits itself to future transactions with external parties.

## 2. FINANCIAL RISK MANAGEMENT

## Financial risk factors

The group's activities expose it to a variety of financial risks: market risk, credit risk, and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. Risk management is carried out under policies approved by management.

### (a) Market risk

*Foreign exchange risk*

Transactions arising in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. All exchange differences are taken to profit and loss account in the year.

*Price risk*

The group is exposed to equity securities price risk because of investments held by the group classified on the balance sheet at fair value through profit or loss. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio.

At 31st December 2009, the market value of investments had strengthened by 19% in this financial year with all other variables held constant, and post taxation profit for the year on investments was R1 943 445 (2008: (R3 999 565) higher/(lower).

# NOTES (continued)

*Cash flow and fair value interest rate risk*

As the group has no significant interest-bearing assets, the group's income is substantially independent of changes in market interest rates. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Borrowings issued at variable rates expose the group to cash flow interest rate risk. The interest rates are monitored on a daily basis and any additional or available cash resources are redirected towards reducing the interest bearing debts.

All borrowings are denominated in South African rand. The group has no specific processes in place to manage cash flow risks. Interest rate exposure is not analysed on a specific basis but should the interest rates increase/decrease by 2% the profit after tax will decrease/increase by R208 552 (2008: R150 000).

### (b) Credit risk

Potential concentrations of credit risk consist mainly of short-term cash and trade debtors. The group limits its counter party exposure from its money market operations by only dealing with well established financial institutions of high quality credit standing. The table below shows the credit limit and balances of the major counter parties at the balance sheet date:

| Counter party | 2009 Balance R | 2008 Balance R |
|---|---|---|
| First National Bank | 711 338 | 292 658 |

### (c) Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Due to the dynamic nature of the underlying businesses, the group aims to maintain flexibility in funding by keeping committed credit lines available.

| GROUP | 2009 | 2008 |
|---|---|---|
| **Payable within a year** | **R** | **R** |
| Accounts payable | 2 018 962 | 2 670 686 |
| **INSTITUTE** | **2009** | **2008** |
| **Payable within a year** | **R** | **R** |
| Accounts payable | 2 006 463 | 2 238 850 |

### (d) Capital risk management

The Institute's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital. The chief executive is involved in the daily operations of the Institute, and the necessary decisions regarding capital risk management are made as and when necessary.

*Fair value estimation*

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

*Fair value of financial instruments*

| | *2009* | | *2008* | |
|---|---|---|---|---|
| **GROUP** | ***Carrying value R*** | ***Fair value R*** | ***Carrying value R*** | ***Fair value R*** |
| Investments | 46 688 593 | 46 688 593 | 35 857 589 | 35 857 589 |
| Accounts receivable | 936 884 | 936 884 | 1 445 313 | 1 445 313 |
| Cash resources | 711 338 | 711 338 | 299 658 | 299 928 |
| Accounts payable | (2 018 962) | (2 018 962) | (2 670 686) | (2 670 686) |
| **INSTITUTE** | | | | |
| Investments | 46 688 593 | 46 688 593 | 35 857 589 | 35 857 589 |
| Investment in subsidiary | – | – | 437 865 | 437 865 |
| Accounts receivable | 936 884 | 936 884 | 1 444 362 | 1 444 362 |
| Cash resources | 711 338 | 711 338 | 299 928 | 299 928 |
| Loan from subsidiary | 3 061 103 | 3 061 103 | – | – |
| Accounts payable | (2 006 463) | (2 006 463) | (2 238 850) | (2 238 850) |

# NOTES (continued)

## 3. PROPERTY, PLANT, AND EQUIPMENT

| GROUP | *Furniture and equipment R* | *Motor vehicles R* | *Library R* | *Total R* |
|---|---|---|---|---|
| **Year ended 31st December 2009** | | | | |
| Opening net carrying amount | 368 081 | 38 688 | 404 000 | 810 769 |
| Additions | 89 556 | – | – | 89 556 |
| Depreciation | (179 167) | (16 009) | – | (195 176) |
| **Closing net carrying amount** | **278 470** | **22 680** | **404 000** | **705 149** |
| **Year ended 31st December 2009** | | | | |
| Cost/Revaluation | 1 547 225 | 296 797 | 404 000 | 2 248 022 |
| Accumulated depreciation | (1 268 756) | (274 117) | – | (1 542 873) |
| **Closing net carrying amount** | **278 470** | **22 680** | **404 000** | **705 149** |
| **Year ended 31st December 2008** | | | | |
| Opening net carrying amount | 304 455 | 54 697 | 404 000 | 763 152 |
| Additions | 276 020 | – | – | 276 020 |
| Disposals | (29 990) | – | – | (29 990) |
| Depreciation | (182 404) | (16 009) | – | (198 413) |
| **Closing net carrying amount** | **368 081** | **38 688** | **404 000** | **810 769** |
| **Year ended 31st December 2008** | | | | |
| Cost/Revaluation | 1 457 670 | 296 797 | 404 000 | 2 158 467 |
| Accumulated depreciation | (1 089 589) | (258 109) | – | (1 347 698) |
| **Closing net carrying amount** | **368 081** | **38 688** | **404 000** | **810 769** |
| **INSTITUTE** | | | | |
| **Year ended 31st December 2009** | | | | |
| Opening net carrying amount | 368 081 | 38 688 | 404 000 | 810 769 |
| Additions | 89 556 | – | – | 89 556 |
| Depreciation | (179 167) | (16 009) | – | (195 176) |
| **Closing net carrying amount** | **278 470** | **22 680** | **404 000** | **705 149** |
| **Year ended 31st December 2009** | | | | |
| Cost | 1 547 225 | 296 797 | 404 000 | 2 248 022 |
| Accumulated depreciation | (1 268 756) | (274 117) | – | (1 542 873) |
| **Closing net carrying amount** | **278 470** | **22 680** | **404 000** | **705 149** |
| **Year ended 31st December 2008** | | | | |
| Opening net carrying amount | 304 455 | 54 697 | 404 000 | 763 152 |
| Additions | 276 020 | – | – | 276 020 |
| Disposals | (29 990) | – | – | (29 990) |
| Depreciation | (182 404) | (16 009) | – | (198 413) |
| **Closing net carrying amount** | **368 081** | **38 688** | **404 000** | **810 769** |
| **Year ended 31st December 2008** | | | | |
| Cost | 1 457 670 | 296 797 | 404 000 | 2 158 467 |
| Accumulated depreciation | (1 089 589) | (258 109) | – | (1 347 698) |
| **Closing net carrying amount** | **368 081** | **38 688** | **404 000** | **810 769** |

# NOTES (continued)

## 3. PROPERTY, PLANT, AND EQUIPMENT (continued)

| ***Details of valuation of land and buildings*** | ***2009 R*** | ***2008 R*** |
|---|---|---|
| Freehold stand, lot 2794 Johannesburg township | | |
| Situated at 68 De Korte Street, Braamfontein | | |
| Purchased 1954 at cost | – | 20 500 |
| Building erected 1956 | – | 65 198 |
| Revaluation – 2001 | – | 667 981 |
| | – | 753 679 |
| Freehold stand, lot 5088 Johannesburg township | | |
| Situated at 70 De Korte Street, Braamfontein | | |
| Purchased 1989 at cost | – | 375 000 |
| Improvements and alterations – 1990 | – | 440 410 |
| Improvements and alterations – 1991 | – | 47 528 |
| Improvements and alterations – 1997 | – | 35 189 |
| Revaluation – 2001 | – | (651 806) |
| | – | 246 321 |
| | – | 1 000 000 |

## 4. NON-CURRENT ASSETS HELD FOR SALE

| | ***GROUP*** | |
|---|---|---|
| | ***2009 R*** | ***2008 R*** |
| The following non-current assets of the group were presented as held for sale following approval of the company's management in August 2008 to sell the buildings situated in Braamfontein, Freehold stand lot 2794 Johannesburg township situated at 68 De Korte Street and Freehold stand lot 5088 Johannesburg township situated at 70 De Korte Street. The completion date of the transaction was February 2009. | | |
| Property Plant and Equipment | – | 868 750 |

## 5. INVESTMENT IN WHOLLY-OWNED SUBSIDIARY COMPANY

| | ***INSTITUTE*** | |
|---|---|---|
| | ***2009 R*** | ***2008 R*** |
| Shares at cost | 6 | 6 |
| Loan to subsidiary | 680 407 | 700 820 |
| Provision for Impairment | – | (20 413) |
| | 680 413 | 680 413 |
| Less: Loan from Investement Company | (3 741 516) | (242 548) |
| De Korte Street Properties – Interest free loan from subsidiary company with no fixed repayment terms and conditions. | (3 061 103) | 437 865 |

## NOTES (continued)

### 6. ACCOUNTS RECEIVABLE

| | GROUP 2009 R | GROUP 2008 R | INSTITUTE 2009 R | INSTITUTE 2008 R |
|---|---|---|---|---|
| Other receivables | 843 462 | 1 344 197 | 843 462 | 1 343 246 |
| Receiver of Revenue – VAT | 82 722 | 94 279 | 82 722 | 94 279 |
| Staff debtors | 10 700 | 6 837 | 10 700 | 6 837 |
| | 936 884 | 1 445 313 | 936 884 | 1 444 362 |

### 7. CASH RESOURCES

| | GROUP 2009 R | GROUP 2008 R | INSTITUTE 2009 R | INSTITUTE 2008 R |
|---|---|---|---|---|
| Cash on hand | 1 800 | 270 | 1 800 | 270 |
| Current account | 664 909 | 101 097 | 664 909 | 101 097 |
| Call account | 44 629 | 198 561 | 44 629 | 198 561 |
| | 711 338 | 299 928 | 711 338 | 299 928 |

### 8. ACCOUNTS PAYABLE

| | GROUP 2009 R | GROUP 2008 R | INSTITUTE 2009 R | INSTITUTE 2008 R |
|---|---|---|---|---|
| Other payables | 247 748 | 194 536 | 247 748 | 167 699 |
| Accruals | 184 300 | 190 449 | 171 801 | 190 449 |
| Accrual for leave pay | 489 806 | 582 324 | 489 806 | 582 324 |
| Sundry payables | 165 271 | 141 083 | 165 271 | 141 083 |
| Liliane Property Investments | – | 405 000 | – | – |
| Income received in advance | 931 837 | 1 157 296 | 931 837 | 1 157 296 |
| | 2 018 962 | 2 670 687 | 2 006 463 | 2 238 850 |

### 9. AUDITORS' REMUNERATION (GROUP)

| | 2009 R | 2008 R |
|---|---|---|
| Holding Company | 325 050 | 200 850 |
| De Korte Street Properties (Pty) Ltd | 12 500 | 5 000 |
| Charged to the income statement | 337 550 | 205 850 |

Audit fees paid in 2009 to Price WaterhouseCoopers were for the 2007 and 2008 financial years. The 2009 audit fees will be paid in 2010 and reflect as such in the financial statements.

### 10. OPERATING LEASES

The Institute has certain operating leases pertaining to office equipment and office premises. In terms of the leases the Institute's commitments are as follows:

| | 2009 R | 2008 R |
|---|---|---|
| **Office equipment:** | | |
| **Minimum lease payments:** | | |
| Not later than one year | 143 133 | 104 106 |
| Later than one year and not later than 5 years | 212 017 | 199 529 |
| | 355 150 | 303 635 |
| **Premises:** | | |
| **Minimum lease payments:** | | |
| Not later than one year | 516 000 | 338 800 |
| Later than one year and not later than 5 years | 2 549 124 | 1 643 519 |
| Later than 5 years | 243 556 | – |
| | 3 308 680 | 1 982 319 |

A new lease for office premises was signed on 8th March 2010. The existing lease at year end was cancelled in April 2010. The Institute did not suffer any penalties due to early cancellation.

## NOTES (continued)

### 11. DIRECTORS' REMUNERATION

| | 2009 R | 2008 R |
|---|---|---|
| The directors' emoluments were as follows: | | |
| Salaries | 1 180 077 | 1 053 436 |
| Fringe benefits | 49 874 | 53 436 |
| | 1 229 951 | 1 106 872 |

### 12. TAXATION

The Institute is exempt from tax in terms of Section 10(1) of the Income Tax Act for the period under review. Provision was made for taxation in the subsidiary, De Korte Street Properties (Proprietary) Limited, of R61 389.

| **TAXATION – Current** | ***GROUP*** |
|---|---|
| **Major components of the tax expense** | |
| Local income tax – current period | 61 389 |
| — CGT | – |
| **Total taxation for current year payable** | **61 389** |
| **Reconciliation between accounting profit and taxation expenses:** | |
| Profit (Loss) before tax | 3 064 778 |
| Tax at the applicable tax rate of 28% (2008:28%) | 858 138 |
| **Tax effect of adjustments to taxable income** | |
| Non taxable accounting profit | (895 279) |
| Capital Gains tax | **132 484** |
| Utillising assessed loss not recognised in the past | (34 254) |
| Tax losses carried forward | – |
| | **61 389** |

### 13. RETIREMENT BENEFITS

The Institute encourages employees to belong to a pension or provident fund. Eight staff members are currently covered by an umbrella fund under the SA Welfare Consolidated Investment Portfolio (a defined contribution plan). The Institute is under no obligation to cover any unfunded benefits.

| | 2009 R | 2008 R |
|---|---|---|
| The total contribution to such schemes | 149 643 | 206 989 |

### 14. SPECIAL FUNDS

| **INCOME** | *Bursary* R | *Institute* R | *Other funds* R | *2009* R | *2008* R |
|---|---|---|---|---|---|
| Donations and grants | 2 029 579 | 1 833 855 | 690 069 | 4 553 503 | 17 609 626 |
| Interest | 375 235 | 66 561 | 228 990 | 670 786 | 505 322 |
| Dividends | 443 466 | – | – | 443 466 | 886 217 |
| Surplus/(Loss) on investments | 3 359 080 | (52 381) | – | 3 306 699 | (7 330 294) |
| | 6 207 360 | 1 848 035 | 919 059 | 8 974 453 | 11 670 871 |
| **EXPENSES** | | | | | |
| Administration fees and running costs | 867 999 | 2 338 449 | 595 962 | 3 802 409 | 5 071 624 |
| Audit fees | 25 000 | – | – | 25 000 | 30 000 |
| Funds repaid to donors* | 1 081 178 | – | – | 1 081 178 | – |
| Bursaries and grants | 4 082 171 | – | – | 4 082 171 | 11 600 378 |
| | 6 056 348 | 2 338 449 | 595 962 | 8 990 758 | 16 702 002 |
| **SURPLUS (LOSS) FOR THE YEAR** | 151 012 | (490 414) | 323 097 | (16 305) | (5 031 131) |
| Accumulated funds at beginning of year net of deficit balances | 23 614 880 | 2 161 316 | 3 063 082 | 28 839 278 | 33 870 409 |
| **NET ACCUMULATED FUNDS** | **23 765 892** | **1 670 902** | **3 386 179** | **28 822 973** | **28 839 278** |

* At the end of 2008 unused funds of some donors were returned to the value of R1 081 178.

A list of the balances of the Special Funds administered by the Institute appears in Note 15 and the related investments are set out in note 17.

# NOTES (continued)

## 15. SPECIAL FUNDS

### 15.1 Bursary Funds

| | ***Capital* *R*** | ***Amounts held for Bursary awards* *R*** | ***2009* *R*** | ***2008* *R*** |
|---|---|---|---|---|
| 3M Bursary Fund (staff) | – | 27 151 | **27 151** | 27 151 |
| Amcham Fund | – | 1 159 652 | **1 159 652** | 1 148 785 |
| ASA Educational Fund | – | 33 843 | **33 843** | 33 648 |
| Bertha McKay Fund | – | – | **–** | 6 782 |
| Berkowitz Scholarship Fund | – | 1 723 152 | **1 723 152** | 2 333 572 |
| Clive Beck Education Trust | – | 173 214 | **173 214** | 208 285 |
| Dorothy Glauber Fund | 50 000 | 2 866 | **52 866** | 52 003 |
| Durban Thekwini Bursary Fund | – | 31 624 | **31 624** | 153 703 |
| Energos Fund | – | – | **–** | 22 647 |
| Esrael Lazarus Education Fund | 67 000 | (50 342) | **16 658** | 3 906 |
| Eva Dickhuth-Baumann Education Fund | – | – | **–** | 6 987 |
| FNB Fund Bursary Programme | – | 233 885 | **233 885** | 215 880 |
| Foschini Fund | – | – | **–** | 138 041 |
| Gert and Irmgard Brusseau Trust | 45 990 | 570 887 | **616 877** | 670 000 |
| Giannopoulos Bequest | 322 000 | (14 154) | **307 846** | 289 733 |
| GMKS Fund | – | 22 515 | **22 515** | 22 515 |
| Horace Coaker Fund | 500 | 1 172 930 | **1 173 430** | 978 090 |
| Hungjao Bequest | 821 831 | (183 785) | **638 046** | 528 673 |
| Isaacson Foundation Bursary Fund | – | 4 872 948 | **4 872 948** | 4 232 205 |
| Johnson and Johnson Medical Bursary Fund | – | 365 567 | **365 567** | 144 454 |
| Kilchberg Bursary Fund | – | – | **–** | 46 |
| Luthuli Memorial Foundation Fund | 107 883 | 48 256 | **156 139** | 127 888 |
| Margaret Ballinger Fund | – | – | **–** | 6 615 |
| MTN Fund | – | 87 597 | **87 597** | 87 597 |
| Nampak Fund | – | – | **–** | 190 439 |
| Oppenheimer Memorial Trust | – | 183 296 | **183 296** | 365 973 |
| Pick & Pay Fund | – | 160 733 | **160 733** | 160 733 |
| RCS Bursary Scheme | – | – | **–** | 9 881 |
| Reginald Smith Memorial Trust | 10 000 | – | **10 000** | 10 000 |
| Robert Shapiro Trust | 10 878 | 6 992 037 | **7 002 915** | 6 508 476 |
| SAIRR Education Trust | | | | |
| 3M Bursary Fund (non staff) | – | 1 036 | **1 036** | 1 036 |
| African Rainbow Minerals Fund | – | 13 655 | **13 655** | 13 655 |
| Alumni Bursary Fund | – | 38 520 | **38 520** | 26 245 |
| Fulton Fund | – | 42 513 | **42 513** | 29 966 |
| John Deere Bursary Fund | – | – | **–** | 106 407 |
| National Brands Fund | – | 133 | **132** | 81 208 |
| Raymond Tucker Fund | 25 | 18 765 | **18 790** | 113 752 |
| Zurich Fund | – | 320 188 | **320 188** | 295 588 |
| Sentrachem Bursary Fund | – | – | **–** | 80 |
| Senior Bursary Fund | 50 000 | 218 384 | **268 384** | 63 805 |
| Shirley Simons Fund | 772 778 | 3 099 088 | **3 871 866** | 3 490 617 |
| Sonae Novobord Bursary Fund | – | 97 827 | **97 827** | 93 944 |
| Trinity College Fund | – | 39 840 | **39 840** | 77 884 |
| UTI Education Trust Fund | – | 2 329 | **2 329** | 533 315 |
| USAID SA Scholarship Programme | – | (65) | **(65)** | 221 |
| Victor Daitz Fund | – | 923 | **923** | 923 |
| Yvonne Rabbow Memorial Music Award | – | – | **–** | 1 526 |
| TOTAL BURSARY FUNDS | 2 258 885 | 21 507 007 | **23 765 892** | 23 614 880 |

# NOTES (continued)

| 15.2 Special Research Projects: | 2009 R | 2008 R |
|---|---|---|
| Royal Belgian Embassy | 53 435 | 241 419 |
| Dick Gawith Fellowship | 1 035 540 | 1 164 495 |
| Irish Aid | 509 069 | 628 754 |
| IRI | 69 857 | – |
| Maurice Webb | 1 000 | – |
| Royal Danish Embassy | 2 000 | 1 728 |
| | 1 670 902 | 2 161 316 |

**15.3 Other funds:**

| | | |
|---|---|---|
| | 292 980 | 273 094 |
| Johnson and Johnson BTC Fund | 3 093 199 | 2 789 987 |
| | 3 386 179 | 3 063 082 |
| **TOTAL SPECIAL FUNDS** | **28 822 973** | **28 839 278** |

## 16. INVESTMENTS

| | COMPANY AND GROUP | |
|---|---|---|
| **16.1 Special funds** | **2009 R** | **2008 R** |
| **16.1.1 Bursary Funds (Note 15.1)** | | |
| Fixed Deposits | 173 291 | 145 040 |
| Listed Investments (Note 17) | 15 291 242 | 14 736 097 |
| | 15 464 533 | 14 881 137 |
| Total equities and other investments | 15 464 533 | 14 881 137 |
| Cash Deposits | 8 327 359 | 8 812 045 |
| Debtors | – | 5 000 |
| | 23 791 892 | 23 698 182 |
| Less: Creditors | (26 000) | (83 302) |
| | **23 765 892** | **23 614 880** |
| **16.1.2 Institute Special Research Projects (Note 15.2)** | | |
| Unit Trusts and Cash on call | 1 670 902 | 2 161 316 |
| **16.1.3 Other funds (Note 15.3)** | 3 386 179 | 3 063 082 |
| **Total Special Funds** | **28 822 973** | **28 839 275** |
| **16.2 Other Institute Investments** | | |
| First National Bank Call Accounts | 4 158 759 | – |
| Listed Investments (Note 18) | 13 706 862 | 7 018 311 |
| | **17 865 621** | **7 018 311** |
| **TOTAL INVESTMENTS** | **46 688 594** | **35 857 586** |

## NOTES (continued)

| 17. LISTED INVESTMENTS OF BURSARY FUNDS | 2009 Qty | 2009 R | 2008 Qty | 2008 R |
|---|---|---|---|---|
| **Banks** | | | | |
| Standard Bank Group Ltd | 10 665 | 1 087 830 | 10 665 | 869 198 |
| **Beverages** | | | | |
| SAB Miller Plc | 2 280 | 493 392 | 2 280 | 365 963 |
| **Chemicals, Oils and Plastics** | | | | |
| Sasol Ltd | 2 285 | 680 930 | 2 285 | 667 448 |
| **Clothing and Accessories** | | | | |
| Compagnie Fin Richemont | 24 900 | 619 512 | 24 900 | 423 549 |
| **Diversified Industrial** | | | | |
| Rembrandt Group Ltd | – | – | 1 500 | 109 890 |
| **Equity Investment Instruments** | | | | |
| Reinet Investments SCA | – | – | 7 843 | 75 293 |
| **Food** | | | | |
| AVI Ltd | 32 870 | 686 983 | 32 870 | 683 696 |
| **Mining Holdings and Houses** | | | | |
| Anglo American Plc | 7 245 | 2 314 705 | 14 101 | 3 157 073 |
| Kumba Iron Ore Ltd | 3 640 | 1 110 200 | 1 710 | 282 133 |
| BHP Billiton Plc | 5 991 | 1 419 867 | 5 991 | 1 108 395 |
| **Platinum** | | | | |
| Anglo American Platinum Corporation Ltd | 2 463 | 1 951 928 | 3 663 | 2 003 661 |
| **Property** | | | | |
| Liberty International Plc | 7 850 | 463 778 | 4 650 | 319 222 |
| **Property Unit Trusts** | | | | |
| Ambit Properties ltd | – | – | 174 500 | 698 000 |
| Apexhi Properties A | – | – | 33 753 | 472 542 |
| Apexhi Properties B | – | – | 40 188 | 677 168 |
| Apexhi Properties C | – | – | 19 230 | 132 687 |
| Redefine Income Fund Ltd | 344 733 | 2 464 841 | 135 836 | 848 975 |
| **Retail** | | | | |
| Pick 'n Pay Stores Ltd | 16 802 | 698 963 | 19 102 | 678 312 |
| **Services** | | | | |
| Bidvest Group Ltd | 6 247 | 805 863 | 6 185 | 637 055 |
| **Tobacco** | | | | |
| British AM. Tobacco PLC | 2 035 | 492 450 | 2 035 | 505 189 |
| **Trading Cash** | | – | | 20 648 |
| | | **15 291 242** | | **14 736 099** |

## NOTES (continued)

| 18. LISTED INVESTMENTS OF OTHER FUNDS | *2009 Qty* | *2009 R* | *2008 Qty* | *2008 R* |
|---|---|---|---|---|
| **Banks** | | | | |
| Standard Bank Group Ltd | 9 860 | 1 005 720 | 5 660 | 461 290 |
| FirstRand Ltd | | | – | – |
| **Building Material and Fixtures** | | | – | – |
| Pretoria Portland Cement | 5 229 | 181 603 | 5 229 | 165 759 |
| **Beverages** | | | – | – |
| SAB Miller Plc | 4 166 | 901 522 | 966 | 155 053 |
| **Chemicals, Oils and Plastics** | | | – | – |
| Sasol Ltd | 2 834 | 844 532 | 2 834 | 827 811 |
| **Clothing and Accessories** | | | – | – |
| Compagnie Fin Richemont | 7 060 | 175 653 | 7 060 | 120 091 |
| **Diversified Industrial** | | | – | – |
| Rembrandt Group Ltd | | | 1 000 | 73 260 |
| **Equity Investment Instruments** | | | – | – |
| Reinet Investments SCA | | | 2 883 | 27 677 |
| **Food Retailers and Wholesalers** | | | – | – |
| Tiger Brands Ltd | 4 575 | 782 828 | 1 775 | 253 843 |
| Shoprite Holdings Ltd Ord | 6 000 | 391 320 | | |
| The Spar Group Ltd | 10 200 | 725 118 | 3 600 | 205 920 |
| **Heavy Construction** | | | – | – |
| Group Five Ltd Ord | 5 200 | 200 200 | 5 200 | 183 560 |
| **Marine Transportation** | | | – | – |
| Grindrod Ltd | 27 000 | 480 060 | 27 000 | 403 650 |
| **Mobile Electronic** | | | – | – |
| Allied Technologies | 4 500 | 334 890 | | |
| MTN Group Ltd | 4 462 | 526 070 | 4 462 | 472 526 |
| **Mining Holdings and Houses** | | | – | – |
| Anglo American Plc | 4 150 | 1 325 884 | 5 834 | 1 306 174 |
| BHP Billiton Plc | 5 564 | 1 318 668 | 5 564 | 1 029 396 |
| Kumba Iron Ore Ltd | 3 300 | 1 006 500 | | |
| **Platinum** | | | – | – |
| Anglo American Platinum Corporation Ltd | 364 | 288 470 | 364 | 199 108 |
| Impala Platinum HLGS Ltd | 3 703 | 751 672 | 3 703 | 523 123 |
| **Property** | | | – | – |
| Liberty International Plc | 3 947 | 233 189 | 2 147 | 147 391 |
| **Retailers** | | | | |
| Clicks Group Ltd | 12 000 | 327 000 | | |
| **Services** | | | – | – |
| Bidvest Group Ltd | 7 080 | 913 320 | 2 356 | 242 668 |
| **Tobacco** | | | – | – |
| British AM. Tobacco PLC | 4 102 | 992 643 | 802 | 199 096 |
| **Trading Cash** | | | – | 20 915 |
| | | **13 706 862** | | **7 018 311** |

*NOTES (continued)*

## 19. PRIOR PERIOD ERRORS

The correction of a prior period error is excluded from profit or loss for the year in which the error is discovered. Any information presented about prior year including any historical summaries of financial data is restated as far as it is practicable.

| | |
|---|---|
| The nature of prior period error | Annual memberships were recognised as income in year of incoice and cash receipt and not in accordance with accrual accounting. |
| Line item affected | Sales memberships |

| | ***2009*** ***R*** | ***2008*** ***R*** | ***2007*** ***R*** |
|---|---|---|---|
| Income received in advance | 931 836 | 1 157 296 | 864 421 |
| Revenue (prior to adjustment) | 2 274 150 | 2 428 269 | * |
| Revenue (restated) | 2 499 610 | 2 135 394 | * |

* Not required for financial statement comparative purposes.

## 20. RELATED PARTY NOTE – COMPANY

**Board of Directors:**

Full details of all the directors of the Company are set out under the Report of the Directors on page 34 of this annual return.

**Subsidiaries:**

De Korte Street Properties (Pty) Ltd

| **Related party balance:** | ***2009*** ***R*** | ***2008*** ***R*** |
|---|---|---|
| Loan to (from) subsidiary De Korte Street Properties | (3 741 000) | (335 000) |

| **Related party transactions:** | ***2009*** ***R*** | ***2008*** ***R*** |
|---|---|---|
| Legal fees paid to related party P Horwitz | 19 704 | – |
| Rent paid to De Korte Street | – | 340 796 |

## *PRESIDENTS OF THE INSTITUTE 1930–2007*

| | |
|---|---|
| 1930–1931 | Charles Loram |
| 1931–1933 | Edgar Brookes |
| 1933–1943 | Alfred Hoernlé |
| 1943–1945 | Maurice Webb |
| 1945–1948 | Edgar Brookes |
| 1948–1950 | Winifred Hoernlé |
| 1950–1953 | J D Rheinallt Jones |
| 1953–1955 | Ellen Hellmann |
| 1955–1957 | Leo Marquard |
| 1957–1958 | Johannes Reyneke |
| 1958–1960 | Donald Molteno |
| 1960–1961 | Edgar Brookes |
| 1961–1963 | Oliver Schreiner |
| 1963–1965 | Denis Hurley |
| 1965–1967 | E G Malherbe |
| 1967–1968 | Leo Marquard |
| 1968–1969 | I D MacCrone |
| 1969–1971 | Sheila van der Horst |
| 1971–1972 | William Nkomo and Duchesne Grice |
| 1972–1973 | Duchesne Grice |
| 1973–1975 | Bernard Friedman |
| 1975–1977 | Ezekiel Mahabane |
| 1977–1979 | John Dugard |
| 1979–1980 | René de Villiers |
| 1980–1983 | Franz Auerbach |
| 1983–1985 | Lawrence Schlemmer |
| 1985–1987 | Stuart Saunders |
| 1987–1989 | Stanley Mogoba |
| 1989–1992 | Helen Suzman |
| 1992–1994 | W D (Bill) Wilson |
| 1994–1996 | Hermann Giliomee |
| 1996–2003 | Themba Sono |
| 2003–2007 | Elwyn Jenkins |
| 2007–2009 | Sipho Seepe |
| 2009– | Jonathan Jansen |