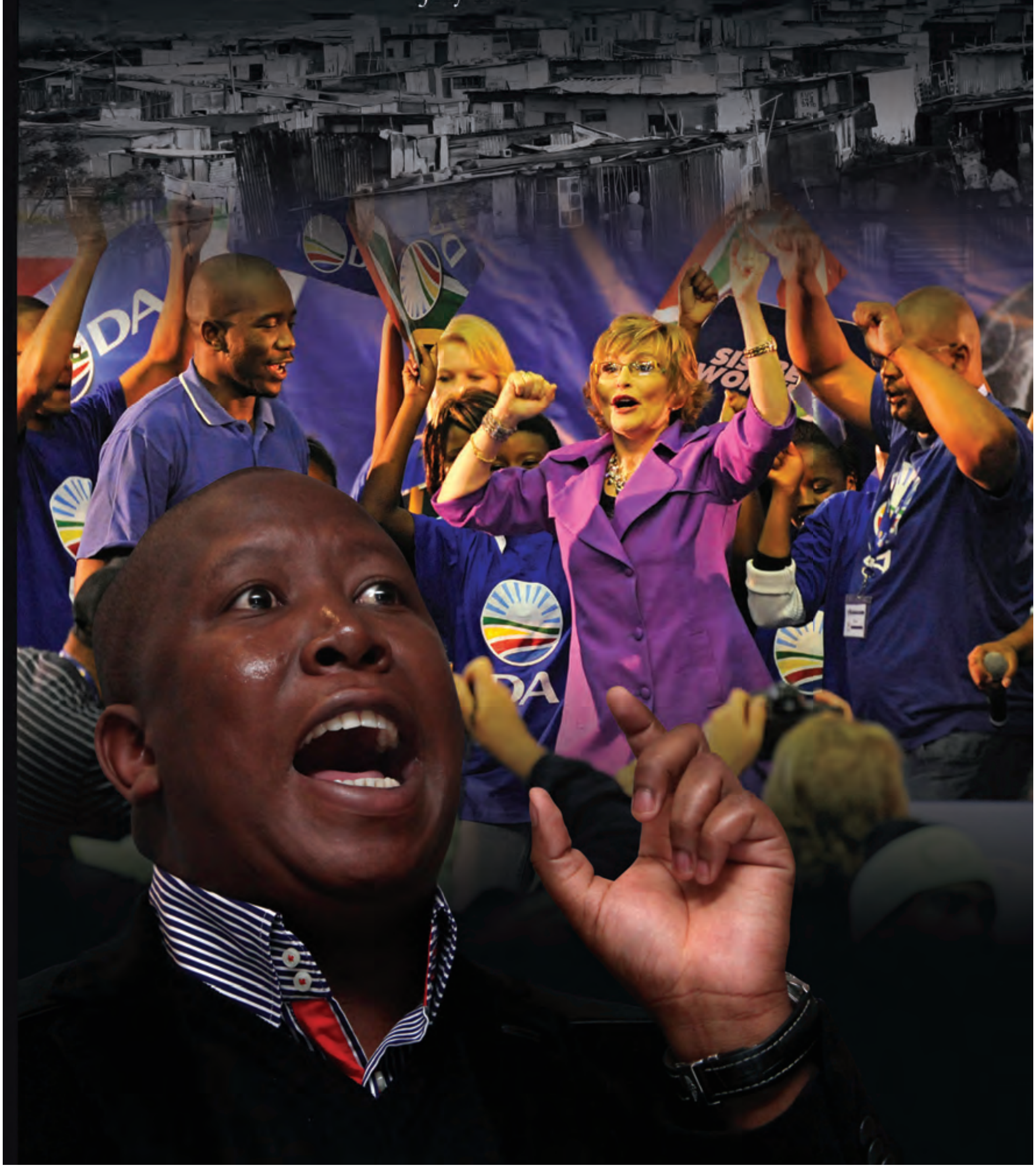
# South African Institute of Race Relations

81st Annual Report
July 2011



# SOUTH AFRICAN INSTITUTE OF RACE RELATIONS NPC

## 81st ANNUAL REPORT

## 1st JANUARY TO 31st DECEMBER 2010

JULY 2011

PUBLISHED BY THE
SOUTH AFRICAN INSTITUTE
OF RACE RELATIONS NPC#
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

P O Box 291722
Melville
2109 South Africa
Telephone: (011) 482-7221
Telefax: (011) 482-7690
E-mail: sairr@sairr.org.za
Website: http://www.sairr.org.za

ISBN 978-1-86982-586-7
PD 7/2011

Our cover, using photographs from *The Citizen* (photographer Johann Hattingh) and *Independent Newspapers* (photographer Sam Clark), depicts Mr Julius Malema, president of the ANC Youth League, and Ms Hellen Zille, leader of the official opposition, the Democratic Alliance. They were the two newsmakers of the year and the dominating personalities in the municipal elections held in May.

# In terms of the new Companies Act, companies incorporated under Section 21 of the old Act are recognised as non-profit companies under the new one and their names must be followed by the expression NPC.

# *COUNCIL**

| | |
|---|---|
| *President* | Professor Jonathan Jansen |
| *Immediate Past President* | Professor Sipho Seepe |
| *Vice Presidents* | Professor Hermann Giliomee<br>Professor Lawrence Schlemmer<br>Dr Musa Shezi |
| *Chairman of the Board of Directors* | Professor Charles Simkins |
| *Audit Committee Chairman and Honorary Treasurer* | Mr Tom Wixley |
| *Honorary Legal Adviser* | Mr Derek Bostock |
| *Representatives of Members:* | |
| *Honorary Life* | Mr Benjy Donaldson<br>Professor Elwyn Jenkins |
| *Individual* | |
| *Gauteng* | Mr Francis Antonie<br>Mr Jack Bloom MPL<br>Professor Tshepo Gugushe<br>Mr Peter Joubert<br>Mr Peter Leon<br>Dr Gavin Lewis<br>Ms Colleen McCaul<br>Professor Charles Simkins<br>Mrs Jill Wentzel<br>Mr Tom Wixley |
| *Limpopo, Mpumalanga and North West* | Mr Brian Kane-Berman |
| *Northern Cape and Free State* | The Right Reverend Thomas Stanage |
| *Western Cape* | Mrs Rosemary de Waal<br>Ms Jenny Elgie<br>Mr Andrew Kenny<br>Dr Musa Shezi<br>Dr Helen van der Horst |
| *Eastern Cape* | Professor Valerie Moller |
| *KwaZulu-Natal Inland* | Mr Graham McIntosh |
| *KwaZulu-Natal Coastal* | Professor Peter Robinson |
| *Foreign* | Dr Rudolf Gruber<br>Mr Fred Jenny<br>Ms Reina Steenwijk |
| *Corporate/Company* | Mr Roger Crawford<br>Professor Peter Ewang<br>Mr Peter Horwitz<br>Mr David Lewis |
| *Institutional* | Dr Norris Dalton<br>Mr Roger Godsmark<br>Mr Mike Myburgh<br>Mr Harry Rutenberg |
| *Co-opted Member* | Mr Ishmael Mkhabela |
| *Chief Executive* | Mr John Kane-Berman |

# *BOARD OF DIRECTORS**

| | | |
|---|---|---|
| Chairman | : | Professor Charles Simkins |
| Vice Chairman | : | Mr Peter Horwitz |
| Audit Committee Chairman and Honorary Treasurer | : | Mr Tom Wixley |
| Honorary Legal Adviser | : | Mr Derek Bostock |
| Representative of Corporate/Company Members | : | Mr Roger Crawford |
| Representative of Institutional Members | : | Mr Mike Myburgh |
| Representatives of Individual Members | : | Mr Theo Coggin<br>Mr Peter Horwitz<br>Mr Peter Joubert<br>Mr Peter Letselebe<br>Ms Colleen McCaul<br>Mr Ishmael Mkhabela<br>Professor Sipho Seepe<br>Professor Charles Simkins<br>Mr Tom Wixley |
| Co-opted Members | : | Mrs Elisabeth Bradley<br>Mr Peter Campbell<br>Ms Jenny Elgie |
| Ex Officio Members | : | The President<br>The Vice Presidents |
| Chief Executive | : | Mr John Kane-Berman |

# *AUDIT, FINANCE, RISK, AND GOVERNANCE COMMITTEE**

| | | |
|---|---|---|
| Chairman | : | Mr Tom Wixley |
| Members | : | Mrs Elisabeth Bradley<br>Mr Peter Campbell<br>Ms Jenny Elgie<br>Mr Peter Horwitz |

# *REMUNERATION COMMITTEE**

| | | |
|---|---|---|
| Chairman | : | Mr Roger Crawford |
| Members | : | Mr Peter Campbell<br>Mr Peter Horwitz<br>Professor Charles Simkins |

# *INVESTMENT COMMITTEE**

Mr Peter Joubert
Mr Ian Cruickshanks

# *STAFF**

| | |
|---|---|
| Chief Executive | John Kane-Berman |
| Deputy Chief Executive | Frans Cronje |
| Head of Special Research, Muriel Horrell Research Fellow, and Dick Gawith Fellow | Anthea Jeffery |
| Head of Information | Tamara Dimant |
| Head of Finance | Rhona le Roux |
| Head of Bursaries | Pule Motaung |
| Bursary Department | Mapule Santhu STUDENT COUNSELLOR |
| Chief Executive's Office | Susanne Eusman PERSONAL ASSISTANT<br>Alfred Nkungu SPECIAL LIBRARY ASSISTANT |
| Deputy Chief Executive's Office and Marketing | Sherwin van Blerk BUSINESS DEVELOPMENT MANAGER<br>Catherine Schulze RESEARCHER/PERSONAL ASSISTANT<br>Natasha de Oliveira ADMINISTRATOR |
| Finance & Administration | Japhet Mhlongo OFFICE ORDERLY & DRIVER<br>Prisca Nkosi OFFICE MANAGER<br>Queenie Nkuna SENIOR OFFICE ASSISTANT<br>William Francis JUNIOR OFFICE ASSISTANT |
| Library | Eunice Mahlaba LIBRARY ASSISTANT<br>Mildred Monyane DATA CAPTURER/LIBRARY ASSISTANT |
| Research and Production | Lucy Holborn RESEARCH MANAGER<br>Carol Archibald RESEARCH ASSISTANT<br>Kerwin Lebone PARLIAMENTARY OUTREACH OFFICER<br>Martin Matsokotere TYPESETTER<br>Thuthukani Ndebele PROVINCIAL OUTREACH OFFICER<br>Jonathan Snyman RESEARCHER<br>Sarah Zwane PRODUCTION SECRETARY |

## *HONORARY LIFE MEMBERS**

Mrs Elisabeth Bradley
Dr Norman Brown
Mr Benjy Donaldson
Professor John Dugard
Mr Rainer Erkens
Professor Elwyn Jenkins
Mrs Winnie Makhalemele
Mrs Ina Perlman
The Most Reverend Philip Russell

## *BURSARY SELECTION COMMITTEE**

| | | |
|---|---|---|
| Chairman | : | Dr Bethuel Sehlapelo |
| Representatives of academic institutions | : | Mr Justice Diremelo<br>Mr Sello Moreroa<br>Mr Graham Renecke<br>Mr Vusi Shongwe |
| Community representatives | : | Dr Claris Palmer<br>Mr Kenneth Maluleka |
| Institute representative | : | Mr Pule Motaung |

## *FRIENDS OF THE SOUTH AFRICAN INSTITUTE OF RACE RELATIONS INC**

(Incorporated in the United States of America)

### Board of Directors

| | | |
|---|---|---|
| Chairman | : | Mr John Kane-Berman |
| Treasurer | : | Mr Ed Stewart |
| Members | : | Mr Josh Berkowitz<br>Dr Chester Crocker<br>Professor Richard Elphick<br>Mr Walter Kansteiner<br>Mr Dan O'Flaherty<br>Mr Hank Slack |

* As at 15th June 2011

# CONTENTS

*SPONSORS AND DONORS*

## Core support

Royal Belgian Embassy
Anglo American Chairman's Fund
Oppenheimer Memorial Trust
FirstRand Foundation

## Project sponsors

Irish Aid
European Union/Friedrich Naumann Foundation for Liberty
Royal Danish Embassy
Donaldson Trust
International Republican Institute/National Endowment for Democracy
Royal Netherlands Embassy

## Survey sponsors

Friedrich Naumann Foundation for Liberty
Johnson & Johnson

### Core donors

Graham Beck Foundation
Johannes van der Horst
Julian Ogilvie Thompson
S G Menell Charitable Trust
George Laurence
Louis Shill

### Project supporters

Raith Foundation
Open Society Foundation
Maurice Webb Trust

### Survey donors

Stella and Paul Loewenstein Trust
Haggie Charitable Trust

# HIGHLIGHTS

- A new Board of Directors, to be nominated by Council on 2nd July 2011, will be elected at the annual general meeting of members on 5th July 2011.
- Income in the financial year ended 31st December 2010 runs at R9.86 million and expenditure at R11.27 million, leaving an operating deficit of R1.41 million. This last is turned by income from investments of R3.04 million into a surplus of R1.64 million.
- Expenditure rises by 3.4% over the figure for the previous financial year.
- We meet our overall membership subscription target income of R2.53 million.
- Assets under the control of the Institute increase slightly to R49.86 million at the end of 2010. Of this amount R22.39 million is accounted for by bursary funds.
- The Institute's share portfolio increases in value from R13.71 million to R15.91 million. The value of bursary shares rises from R15.29 million to R17.29 million.
- Nearly 3 000 public representatives at national, provincial, and local level receive regular information and analysis from the Institute with the aim of helping them do their jobs more effectively.
- Some 500 representatives of newspapers, news agencies, and radio and television outlets receive regular information from the Institute.
- The Free Society Project runs for another year.
- We issue three printed publications, namely *The Long Shadow of Apartheid: Race in South Africa since 1994*; *Poverty Alleviation: Best practices for Local Government*; and *Preventing Electoral Fraud in Zimbabwe*.
- We also issue three electronic publications, *Broken Blue Line – The Involvement of the South African Police Force in Serious and Violent Crime*; *First Steps to Healing the South African Family*; and *The South African Development Index*.
- The *South Africa Survey* is published, along with twelve issues of *Fast Facts*. We also send out 52 press releases and 21 issues of *Research & Policy Brief*.
- We publish an analysis of the 'national democratic revolution' policy of the African National Congress.
- We also publish *The Case for South Africa* and *South Africa: Finding a Way Forward*.
- We give 550 media interviews.
- Our library answers 320 queries from Institute members and subscribers.
- Seven briefings are hosted for Institute members. Thirty-five briefings are given to members, public representatives, business groups, and other audiences by Institute representatives. These include our annual *South African Mirror* presentation.
- Thirty of the 80 students on Institute bursaries graduate at the end of 2010, bringing the total since 1980 to 3 657. All the others bar one are promoted to the next year of study.
- The Institute awards 93 bursaries for the 2011 academic year.
- The Institute is admitted as *amicus curiae* in a case before the Constitutional Court seeking that the president be ordered to appoint an independent judicial enquiry into the 1999 arms procurement deal.

## Bursary Donors

Isaacson Foundation Bursary Fund
Robert Shapiro Trust
Shirley Simons Fund
Clive Beck Education Trust
Johnson & Johnson Medical Bursary Fund
Oppenheimer Memorial Trust
Horace Coaker Fund
Gert & Irmgard Brusseau Trust
Durban Thekwini Bursary Fund
Berkowitz Family Scholarship Fund
Senior Bursary Fund
American Chamber of Commerce in South Africa
Newnham College, Cambridge
Kilchberg Fund

# CHIEF EXECUTIVE'S REPORT TO MEMBERS FOR THE ANNUAL GENERAL MEETING ON TUESDAY 5th JULY 2011

Mr President, Members of the Institute, I have pleasure in presenting this report to you. The attached financial statements cover the financial year ended 31st December 2010, but this narrative report is up to date to June 2011.

## *GOVERNANCE*

A new Board of Directors, to be nominated by Council on 2nd July 2011, will be elected at the annual general meeting of members on 5th July 2011. A list of members of the outgoing Board appears on page 4 of this report. A new Audit, Finance, Risk, and Governance Committee was elected at the Board meeting on 24th November 2010. Mr Tom Wixley was appointed Audit Committee Chairman and Honorary Treasurer, replacing Mr Brian Hawksworth, who was very sadly compelled to resign by ill health. Mr Roger Crawford was elected chairman of the Remuneration Committee. Lists of these committees also appear on page 4 of this report. Mr Ian Cruickshanks was appointed to the Investment Committee, which oversees our share portfolio.

## *FINANCE*

The attached accounts cover the financial year ended 31st December 2010. Income was R9.86 million and expenditure R11.27 million, leaving an operating deficit of R1.41 million. This last was turned by income from investments of R3.04 million into a surplus of R1.64 million.

The previous year's income of R15.40 million was very much higher, but this was thanks to an extraordinary donation of R5.00 million. Our expenditure in 2010 was 3.4% higher than the previous year's. Income from investments in 2010 was half the figure for the year before, but the prior year's figure was inflated by an extraordinary amount of R3.18 million in profit from the sale of our two properties in Braamfontein.

Of income from investments in 2010 some R0.86 million was in the form of interest and dividends (against R0.80 million in 2009), the balance being accounted for by an increase in the value of the Institute's share portfolio.

As at 31st December 2010, the assets of the Institute were worth R49.86 million, a slight increase over the year before. Of this amount, R22.39 million was accounted for by bursary funds.

The year to 31st December 2010 was a good sales year for the Institute as it met its overall membership and subscription target income of R2.53 million.

The Institute's sources of operating income for 2010 (excluding gains on investments) fall into five categories: corporate and individual membership fees (24%), corporate and individual core support (11%), project sponsorships (48%), income from investments (8%), and other (9%) – this last category including royalties, consultancy fees, and bursary administration charges. The names of core supporters and project sponsors are listed on page 8 and/or cited in the relevant project reports.

Most of our current project funding agreements conclude by December 2011. We are currently pursuing 21 funders or donor organisations and trying to marry them to ten fund-raising proposals we have developed. We need to raise R3 million a year in new funding.

## *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 the factual information supplied to our members and subscribers. Members of Parliament, of provincial legislatures, and of all six metropolitan councils and two district municipalities also receive sponsored copies of the *Survey* and *Fast Facts* plus regular newsletters. Additional information is further 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 occasional *Research and Policy Briefs*. Most of the Institute's research is also supplied to the Media. Some articles and texts of speeches are reproduced on the websites of other organisations.

### *South Africa Survey*

The *2009/2010 Survey*, which ran to 746 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 660 national tables and graphics, 182 tables of provincial data, and 27 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 – 78 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 tables for example, start in 1911 and end with forecasts for 2040. 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 2010 to June 2011) 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 2007/08 to 2013/14), supplemented by new tables showing changes in the main government spending components since 1994 and the Government's tax take from 1961 to 2014. Other standard annual features included an analysis of matric results, comparisons of provincial and local social and economic indicators, and the slides and commentary from the Chief Executive's *South African Mirror* presentations. An analysis of South Africa's performance on the ten 'millennium development goals' between 2000 and 2010 was also carried. One issue of *Fast Facts* contained a comparison between South Africa and the BRIC nations (Brazil, Russia, India, and China) on a range of social and economic indicators. *Fast Facts* also featured a detailed analysis of four new labour bills and a new land reform bill. Two issues of *Fast Facts* were devoted to presenting the findings of our Family Life Project (see below). Another contained a report on our four-man panel briefing on South Africa's political prospects. In addition to its statistical pages, *Fast Facts* carried altogether 36 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 councils covered by our Municipal Outreach Project (see below). With effect from the June 2011 issue, *Fast Facts* is being published only electronically.

## Member Information Service

The Institute's databank is 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 is not collected. Far from being simply a mechanical exercise, classification for filing also involves analysing the data the Institute gathers from a wide variety of sources. Members and other beneficiaries entitled to make use of our resources as part of their subscription 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 our library supplied information in answer to some 320 queries from Institute members and subscribers, members of Parliament (MPs), members of provincial legislatures (MPLs), local councillors, and the Media.

## Website

The Institute's website continues to attract in the region of 5 000 unique users a month. The website holds all of the Institute's research products ranging from the *South Africa Survey* and *Fast Facts* to occasional reports and media statements. Most major reports can be accessed only via password or IP recognition, the latter being a benefit available to certain categories of subscriber only. A new development of the past twelve months is that reports and services may now be purchased on line. This was part of the broader marketing efforts of the Institute and has met with some success. A second new development was the launch of a product called *Research & Policy Brief*. These occasional papers are published only on the website and on open access. They dealt, among other things, with property rights, police brutality, the killing of Andries Tatane, the success of Model C schools, electoral fraud in Zimbabwe, the 'national democratic revolution' (NDR) to which the African National Congress (ANC) has proclaimed its commitment, and possible totalitarian risks facing South Africa. One brief was our answers to frequently asked questions about South Africa. Another was the text of the N P Van Wyk Louw Memorial Lecture delivered by Professor Jonathan Jansen in October.

## Parliamentary Information Service

This three-year project, funded by the Royal Danish Embassy, ends in December 2011. The deputy chief executive visited Parliament in March this year for discussions with parliamentarians of various parties and research staff. Since the beginning of the year newsletters to MPs on topical issues have been sent weekly instead of monthly. Members of Parliament have also continued to receive the *Survey*, *Fast Facts*, and the *Research & Policy Brief*.

## Provincial Information Service

This three-year project, sponsored by Irish Aid, continues until 1st July 2011. All members of all nine provincial legislatures received the *Survey*, *Fast Facts*, and weekly newsletters. Newsletters supplied comparative provincial data using a very wide range of social and economic indicators. Briefings to the nine provincial legislatures had to be postponed until after the municipal elections in May.

## Municipal Outreach Project

This three-year project, formally titled *Capacity Building for Local Government in Combating Poverty*, is now in its last year. It concludes in October. It is funded by the European Union via the Friedrich Naumann Foundation for Liberty. The project is aimed at eight urban municipalities: Ekurhuleni, Tshwane, Johannesburg, eThekwini, Nelson Mandela Bay, Cape Town, Capricorn, and Motheo. Through the project, some 1 800 councillors are supplied with statistical data and analysis to aid them in combating poverty in its various manifestations. The information is supplied via a monthly *Fast Facts for Local Government*, a weekly electronic newsletter, and a project website. In March the project published a report entitled *Poverty Alleviation—Best practices for Local Government* which was distributed to all 1 800 councillors. The report was based on discussions at workshops conducted over two years. It contained a great deal of revealing information, not only the statistical data compiled by the Institute but also about how local councillors conceived of poverty and how they might set about dealing with it (see further under Public Policy Issues below). In this respect this project was as educational for the Institute as we hope it was for the councillors.

## Media Alert Service

This project enables the Institute to make its research and expertise available to journalists reporting on South Africa. It has a following of some 500 subscribers, among them almost all domestic print, radio, and television outlets as well as all major local and international news agencies. The project is operated with the support of the Open Society Foundation. Among the comments received from members of the media for an evaluation of the project were the following:

- 'The work done by you and your colleagues at the Institute is consistently accurate, thought-provoking and, unlike the emotion-based work of so many other NGOs, rooted in hard data. Worth noting, too, is the fact that you take exactly the same approach to government as you did when the National Party ran South Africa in the "dark days", showing neither fear nor favour.'
- 'We are always impressed by the objective way in which you all contribute to our discussions on economic and other topics, and there has been no occasion on which you have failed to add value to our broadcasts.'
- 'We are very grateful for the assistance offered by the SAIRR to our reporters, who sadly no longer always have the time – or the skills – to do the necessary research. Access to SAIRR documents and to SAIRR researchers in this respect is invaluable to us.'
- 'I am one of the SAIRR's greatest fans. I greatly appreciate all the information you put out, particularly given the extreme difficulty of getting such info direct from government departments themselves. As for your annual *South Africa Survey*, I treat it as my journalistic bible, full of well-displayed historical facts and figures I can find nowhere else.'

## *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 109 *Mirror* presentations have been given to members, MPs, provincial legislators, and sponsors. The presentations usually include a political and socio-economic analysis and forecast.

## Free Society Project

Funded by the (German) Friedrich Naumann Foundation for Liberty and the (American) National Endowment for Democracy via the International Republican Institute 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, and presentations, and in the Media.

## Ten Pillars of Democracy: *The Rainbow Index*

First published in May last year, this index monitors South Africa's performance according to the following ten criteria: democratic governance, the rule of law, individual rights and responsibilities, a vigilant media and civil society, racial goodwill, effective government, growth-focused policies, scope for free enterprise, liberation of the poor, and good citizenship. The first evaluation covered the period 1994–2009 and the second 2009–2010. Since this *Annual Report* is being written earlier than last year's (in June rather than August), it will go to press before our evaluation of the year 2010–2011 is complete. This will be published before the end of 2011 and reported on in next year's *Annual Report*.

## Project on Race

*The Long Shadow of Apartheid: Race in South Africa since 1994*, sponsored by the Maurice Webb Trust, was published and launched in August 2010. The principal author was Lucy Holborn, though some of the interviews were conducted by Kerwin Lebone and Hannah Botsis. The 220-page book (the findings of which were discussed in last year's *Annual Report*) was distributed through major bookshops around the country. Following the success of the book the trust awarded the Institute an additional grant to conduct a year-long study into the impact and opinions of emerging black opinion-makers. This will be published in an issue of *Fast Facts* later this year.

## Dick Gawith Project on Affirmative Action

As required by the terms of a bequest to the Institute by Mr Dick Gawith, this project seeks to monitor the implementation and impact of racial laws, 'publicly to criticise such laws where appropriate', and to promote policies that will instead advance the goal of 'genuine non-racialism'. The focus of research is primarily on affirmative action and black economic empowerment in their various manifestations.

In November 2009 Professor Terence Gomez of the University of Malaya asked the Institute to participate in an international comparative study of affirmative action in Malaysia, South Africa, the United States, India, Sri Lanka, Fiji, Ireland, and Brazil. In November 2010 Dr Jeffery flew to Kuala Lumpur for a conference on affirmative action in these eight countries. As the Dick Gawith Fellow she presented a paper on affirmative action in South Africa, which evoked a great deal of interest.

## Family Life Project

With support from the Donaldson Trust, we completed a year-long study of family life and youth in South Africa. The final report of the project, written by Lucy Holborn and released in April, was entitled *First Steps to Healing the South African Family*. It covered issues such as orphanhood, child-headed households, absent fathers, single parents, education, youth sexual behaviour, youth crime, and youth drug and alcohol abuse. The report suggested that the fact that children were growing up in unstable families was contributing to poor educational outcomes and other social problems, such as teenage pregnancy. In addition to over 40 media interviews conducted on the findings of the research, we have received many commendations from organisations and individuals working in this field. Ms Holborn was also invited by the Department of Social Development to present our findings to a meeting of around 50 senior officials from provincial and national departments.

### The South African Development Index

This is a quarterly index of key social and economic data published by the Institute with the support of the Royal Netherlands Embassy. It monitors the following key areas: the economy, education, health, living conditions, gender, and crime. Altogether 26 indicators are selected across these six areas. They include GDP per capita, the unemployment rate, adults with higher education and Grade 12, life expectancy for males and females, households living in formal dwellings, the labour participation rate of females, and the total number of serious crimes per 100 000. The first study was published in February 2011 and the second in June.

### Unit for Risk Analysis

The Unit for Risk Analysis has established itself as the branding platform upon which the Institute's sales and marketing staff sell the Institute's reports and services to private sector companies. The name has greatly assisted these staff in securing meetings with potential subscribers and in making them aware that the scope and nature of the Institute's reports and services goes far beyond race relations. The Unit has also produced a range of briefings on South Africa with a focus on future scenarios.

## *BRIEFINGS AND LECTURES*

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

- *South African Mirror 2010: Annual review of the state of South Africa* (John Kane-Berman) (Cape Town and Johannesburg)
- *Future economic prospects for South Africa* (Annabel Bishop, Chris Hart, Ulrich Joubert, and Mike Schüssler)
- *The future political landscape of South Africa* (Anthony Butler, Steven Friedman, Adam Habib, and Lawrence Schlemmer)
- *Five bills building state and union power* (Anthea Jeffery)
- *Preliminary findings of Family Life Project research* (Lucy Holborn)
- *Fractured families: A crisis for South Africa?* (Lucy Holborn)

A total of 35 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: Eli Lilly, Lombard Insurance, Eskom, Lonmin, ACE Insurance, General Reinsurance, Johnson & Johnson, Johannesburg Chamber of Commerce and Industry, Solidarity, Foschini, Shoprite Checkers, South African Institute of Tax Practitioners, SwissCham Southern Africa, the Free Market Foundation, the South African Human Rights Commission, the Department of Social Development, the Centre for Innovative Leadership, the European Union, Cliffe Dekker Hofmeyr, and SAPPI.

## *BURSARIES*

In the past 29 years the Institute has awarded bursaries, most of them to black students, worth R221 million. Since 1980, no fewer than 3 657 students have graduated through our bursary programme in the following fields: science and engineering 1 091, business and commerce 979, medicine, health sciences and dentistry 581, education 409, arts 369, and law 228.

Last year there were 80 students on tertiary bursaries through the Institute's various schemes. Altogether 52 of these students were continued on the programme from the previous year and 28 were new awards for 2010. The overall pass rate of these students was 98%, meaning that this proportion either graduated or was promoted to the next year of study. Altogether 30 students graduated.

The number of bursaries awarded for the 2011 academic year is 93. Of this total 37 are new bursaries and 56 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 on page 10 and as part of the notes to our financial statements later on in this report.

## *ACCOMMODATION*

We are happily settled in our new premises at 2 Clamart Road in Richmond, Johannesburg. The walls in the library, entrance foyer, and passages have been decorated with framed covers of the *Survey* and various other Institute publications, the great majority of them written by past and present office-bearers and staff.

## *STAFF*

Sherwin van Blerk was promoted to the position of Business Development Manager and Lucy Holborn to that of Research Manager.

During the period under review, Susi Eusman (Chief Executive's PA) celebrated 25 years of service, and Mapule Santhu (Student Counsellor) celebrated 20 years of service.

## *THANKS*

Thanks are due to our members for their continuing loyalty and support. We are grateful also to our core supporters, the various sponsors of our special projects, and to the donors to our bursary programme. Names are listed on page 8, which refers to support received since last year's report and up to the time of writing this year's. 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; Tom Wixley, our Audit Committee Chairman and Honorary Treasurer; Derek Bostock, our Honorary Legal Adviser; Jenny Elgie, who plays a key role on the Audit Committee and has now joined the Board of Directors; and Peter Joubert of our Investment Committee. Thanks are due also to staff for their dedication and professionalism.

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

Finally, thanks are due to all the organisations, governmental and private, that supply us with, or allow us to use, information they compile. Their names are cited in the publication in question.

## *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 36 articles in *Fast Facts*, 21 issues of *Research & Policy Brief*, 17 fortnightly columns in *Business Day* by the Chief Executive, various other newspaper articles by our staff, 55 press statements, 35 presentations by our staff to various audiences, and 79 newsletters to parliamentarians, provincial legislators, and members of local councils. Many press releases and briefs were reproduced in various newspapers and on websites, while staff featured in radio, television, and newspaper interviews on at least 550 occasions.

Though we monitor a very wide range of issues, and publish extensive data about all aspects of the society, we are not able to provide comment about all of it or about everything that is happening. Though it is essential that the voice of the Institute be heard on many of the issues that do arise, we do not wish to be merely reactive. We keep track of what others, including like-minded organisations, might be saying, and will leave some issues to them while focusing on others. One of our guiding principles is also to inject new information, new ideas, and new angles into public debate. Our research into the 'people's war' some years ago was one example of this. More recently, we have taken up the question of the South African family. Also, of course, we will tackle issues that others tackle but where we have a different angle – such as the critique we have long provided of the thrust of government racial and labour policy. On both these issues we have been the most consistent public critic over at least a decade. As always, we endeavour to root critique in factual information, notably the statistical data in the *Survey*.

- **Health.** The Institute noted that the number of people receiving anti-retroviral therapy had increased substantially in recent years, although access was still a long way from universal. South Africa spent a greater proportion of GDP on health care than other members of the BRIC (Brazil, Russia, India, and China) group of countries the country was then still aspiring to join, but our health indicators were generally worse. For example, we had more tuberculosis than the others. Commenting on a 'discussion document' issued by the African National Congress (ANC) about its plans for a national health insurance (NHI) system, we said it was more concerned with criticising the private health sector than with fixing the multiple deficiencies of public health care. While boasting, inter alia, of the 1 800 clinics and community health centres built in the country since 1994, the document failed to ask why the public system was still failing. It was easier simply to attack the private sector. We warned that the envisaged NHI system – whose final proposals have yet to be made public – was likely to be characterised by an incompetent and corrupt bureaucracy while causing great damage to private health care. Also, while public institutions had produced nearly two thirds of all nurses in 2000 and the private sector about one third, these positions had now been reversed.
- **Education.** We published an analysis of the matriculation results of African pupils dating back to 1955. Although access to education had improved greatly from the low levels of the Verwoerdian era, the university entrance pass rate had fallen by more than half from the rates of the 1960s and 1970s. Yet technological change meant that today's employers were likely to demand a higher level of skill than those of yesteryear. Our analysis of more recent matric results was broken down by key subject, province, and the largest municipalities. We recognised the improvement in the pass rate between 2009 and 2010, but commented that 'the greatest cause for concern regarding the matric examinations is the low threshold needed to pass' – sometimes as low as 30%. Even then, results were poor: in accounting, for example, not much more than a third of matric candidates achieved 40%. Professor Jonathan Jansen, rector and vice chancellor of the University of the Free State and president of the Institute, had rightly commented, 'Slowly we are digging our collective graves as we fall into a sinkhole of mediocrity from which we are unlikely to emerge'.
- **Employment.** Backed by our close monitoring of unemployment and the numerous factors keeping it so high, the Institute maintained its long-established position as the leading public critic of the fundamentals of South Africa's labour legislation. We noted that the number of unemployed people had more than doubled since 1994, and that huge numbers of people were simply dropping out of the labour market altogether

(though for reasons difficult to fathom). Two out of every three young African women were now jobless, while sectors that the Government's planned 'new growth path' had earmarked for massive job creation – notably mining, manufacturing, and agriculture – had been shedding jobs for years. We published a comprehensive analysis of four labour bills unveiled just before the end of 2010. This was submitted to the Department of Labour and also presented to Institute members at a briefing in February. We noted that, if enacted without major amendment, the bills would put labour brokers out of business, increase the regulatory burden on employers, further tilt the balance of power towards trade unions, destroy opportunities for first-time jobseekers, impose unrealistic racial quotas, and further hinder the hiring of foreign skills. The bill's curbs on temporary employment seemed to assume that all temporary workers would automatically be made permanent. This was a 'huge gamble' with the livelihoods of all those people who relied on brokers or temporary employment as a stepping-stone to permanent jobs.

We also noted, however, that sooner or later the unemployment crisis would force labour market liberalisation upon the government. And we suggested that the Constitution should be amended to protect the right to work, perhaps along the following lines: 'Everyone shall have the right to seek, obtain, or offer employment without the interference of third parties'. Among other things, this would render unconstitutional the activities of bargaining councils – joint employer-union bodies – who were busy closing down clothing factories in Newcastle in KwaZulu-Natal for undercutting the minimum wages decreed by the councils. The Institute has previously described the councils – which date back to the 1920s – as a sacred cow which needs to be slaughtered. (At the time of writing this *Annual Report* it appeared that some of the draft legislation was to be re-written.)

- **Racial policies.** We noted that the Government was once again complaining about the 'scourge' of racial 'fronting' in black economic empowerment (BEE) transactions. This was not a new problem. The Government had complained about it at least as early as 2003, when it said that it was working to find ways of penalising companies for using black people as façades for whites. In the past, we noted, whites had 'fronted' for blacks to enable the latter to occupy property for residential and/or business purposes in areas from which they were barred by the Group Areas Act. Now blacks were fronting for whites to circumvent BEE and affirmative procurement restrictions. Efforts to stop racial fronting were likely to be as futile now as they had been in the past. Moreover, although the Government complained that employers in the private sector failed to comply with employment equity targets, leading state-owned enterprises also failed to fulfil the racial targets provided for in the Employment Equity Act. We also drew attention to anomalies in some of the Government's own racial targets: the police were expected to cut the proportion of whites from 13% to below 10%, while the defence force was supposed to increase it from 17% to 24%. One consequence was that the defence force would have to reduce its African component from 70% to 65%.

  We published a detailed critique of proposed amendments to the Employment Equity Act. These were designed to remove some of the defences for failure to attain demographic 'representivity' at all levels of the workforce and also to impose tougher penalties. For example, the shortage of suitably qualified black people in a particular area could no longer be cited as a defence for failing to fulfil racial quotas based on the racial breakdown of the population. The bill also provided that employers would have to apply the national rather than the regional racial breakdown of population in determining their employment equity targets. In the Western Cape this would mean that an employer who had previously made his workforce 55% coloured and 29% African, in accordance with the racial breakdown of that province's economically active population, would now have to push Africans up to 74% and coloured employees down to 11% to comply with the national breakdown. In response to these arguments, President Jacob Zuma said the intention was not to impose national demographics, but the Institute pointed out that the bill as approved by the Cabinet provided otherwise. Indeed, its provisions were in line with the view of the government spokesman, Mr Jimmy Manyi, that there was an 'over-supply' of coloured people in the Western Cape. Even though Mr Manyi's statement had been retracted, the bill, if enacted in the form in which it was tabled shortly before the end of 2010, was likely to cause coloured people to lose their jobs or at least find it virtually impossible to obtain employment. Moreover, tighter employment equity legislation was likely to deter companies from expanding and to discourage foreign investment.

We also criticised the University of Cape Town for using race as a criterion in student admissions. We pointed out that our own bursary programme showed that, if one wanted to target disadvantaged people to benefit from empowerment programmes, household income was a more appropriate criterion than race. In making this observation, we were essentially repeating our own critique of the employment equity legislation before it was enacted in 1998. We said then that if affirmative action policies were targeted at the poor rather than at black people, the vast majority of beneficiaries would in practice be black anyway. It was therefore unnecessary to reintroduce race as a criterion.

- **Race relations.** Although the two are obviously linked, race in South Africa is not only a question of legislation – as was the case in the past – but also of attitude. Professor Lawrence Schlemmer, one of the Vice Presidents of the Institute, noted earlier in the year that everyday race relations in South Africa were mainly benign. In April, however, we found it necessary to issue a statement warning against threats by right-wing groups against the State, the ANC, and black people in general. These statements appeared to endorse revenge attacks by white South Africans against the perpetrators of farm attacks. In failing to condemn the public singing of the 'kill the boer' chant by Mr Julius Malema, the ANC and its youth league had allowed a dangerous precedent to take root. In May when the singer Steve Hofmeyr threatened to sing about 'kaffirs' if the judge in the Malema 'hate-speech' trial ruled in Mr Malema's favour, we wrote him an open letter rebuking him for using his 'not insignificant following to sow anger and hate among young white people'. The letter, written by the Deputy CEO of the Institute, Frans Cronje, generated an enormous response on websites and elsewhere, one senior judge describing it as 'brave and brilliant' and a 'morally lucid klap', but some people suggesting that Mr Cronje was a traitor to Afrikanerdom for writing it. (Mr Hofmeyr subsequently said he would avoid the abusive term in question as his black friends would take offence. The Malema case had not been concluded at the time of writing.)
- **Land reform.** The Institute made detailed comment on official documents released during the year. One of these was a draft green paper on land reform that was leaked to the Press but not officially published (and is evidently now to be split into two papers). Another was a draft land tenure security bill. The former contained some worthy objectives, such as assisting small-scale farmers to expand. But while admitting that most of the six million hectares of agricultural land acquired through land reform were now out of production, it still seemed determined to speed up the expropriation of commercial farms. The land tenure bill risked destabilising the established agricultural sector while also promoting even more land reform failures. It was also self-contradictory. On the one hand, it incentivised new invasions of commercial farms by creating a series of new rights for relatives of farm residents. On the other, it seemed to want to move farmworkers off farms and settle them in 'agri-villages' where their occupation rights would depend on their using the land to the satisfaction of

government officials. As an alternative policy to expropriation we suggested that the Government should issue tenders for firms in the private sector to bid for land reform contracts in particular areas or industries where they would be responsible for mentoring new farmers.

We also published data showing that the Government's plans radically to increase the number of jobs in the agricultural sector would require the reversal of the long-established trend of declining employment and consolidation into fewer and fewer farms. And we queried the widely-quoted figures that 87% of the land in the country belongs to whites and only 13% to blacks. We pointed out that Africans probably owned closer to 20% if one included the land transferred by the State or purchased on the open market. We noted also that the State possibly owned as much as 25% of the country. If previously this was regarded as white land it should now be regarded as black. We further questioned claims that millions of people had been evicted from white farms. These claims are used to rationalise plans to extend land reform and make evictions from farms very much more difficult – if not in practice impossible – but we pointed out that the Government's own figures for evictions run into only a few thousand.

- **Property rights.** Apart from the threats to property rights in the agricultural sector, the Institute warned against threats to mining companies. In this regard we cited a warning in the *Financial Times* that such threats undermined the ability of the country to attract foreign direct investment. But we also noted in an address to the Free Market Foundation at the launch of the 2011 edition of the international property rights index that 'the protection of property from illegal seizure is something that benefits everyone from the mightiest to the humblest'. Confiscation of the goods of hawkers and the destruction of poor people's shacks were often carried out in South Africa in violation of property rights and of the rule of law. We noted also that the ANC's commitment to a 'national democratic revolution' (see below) posed a further potential threat to property rights. 'Nor should we forget the paradox of government. Protection of life, liberty, and property is its primary function. But the lesson of history, and of the 20th century in particular, is that government can also be the greatest threat to life, liberty, and property.'
- **Living standards and development.** The Institute continued to monitor living standards as closely and comprehensively as possible. In the first place – though many lobbyists overlook this – living standards depend critically on the health of the economy, so both the *Survey* and *Fast Facts* monitored trends in economic growth, GDP per capita, inflation, and employment as well as incomes, expenditure, poverty, and other indicators. National data is supplemented by provincial and local data, broken down where possible by race, sex, and/or age. This applies not only to macroeconomic data but also to information about living conditions such as housing types and access to clean water, sanitation, electricity, and refuse removal. This information is supplemented by data on communications, including transport and access to telephony, postal services, radio and television, and the Internet. Needless to say, there are huge discrepancies, not least between municipalities. Wherever possible, international comparisons are provided. We also monitor the provision of social grants and various free services designed to reduce the impact of poverty on poorer households. Information on access to health care and educational levels further fills out the picture we paint of living standards.

  Among the trends we highlighted was the substantial increase since 1994 in the number of households living in formal houses and with access to water, electricity, and other amenities. The weekend newspaper *City Press* headlined our report about this 'ANC does deliver – survey'. But we pointed out that a great many of the formal houses provided by the State were of such poor quality that they had been officially classified as 'high risk' and would probably have to be rebuilt at a cost of some R59 billion.

At the same time we noted that South Africa's human development index was on the rise after many years of decline as anti-retroviral treatment countered the drop in life expectancy earlier caused by HIV/AIDS. Although education was still the largest single budget item, government spending on housing and social protection had increased more than any other kind of expenditure since the ANC came to power in 1994. The construction of a welfare state was indeed in progress – although South Africa was nowhere near the levels of welfare that characterised European countries. We pointed out also that the ratio of white to African per capita personal income had risen from 11 to 1 in 1917 to 15 to 1 in 1970, before dropping to 8 to 1 in 2008. Indian income had grown faster than that of any other race group. We noted also that the annual average growth rate of per capita GDP between 1970 and 2008 was less than 1%. This was much lower than a wide range of other countries had clocked up.

- **Local government.** In January we published an analysis of the results of municipal by-elections since 2006 which showed that the ANC had lost 38 wards while the Democratic Alliance had gained 24. This suggested that the ANC was likely to lose support in the municipal elections in May. Our Municipal Outreach Project (see above) enabled us to pay special attention to local government, which was particularly useful in an election year.

As indicated above, much of the information collected by the Institute on living standards was disaggregated according to municipal area. All of it was supplied to the 1 800 local councillors from all parties covered by the project, in accordance with our objective of empowering them with useful data. This included information about their finances. Inter alia, this showed the main components of both their income and their expenditure. We also supplied information on outstanding municipal debt, which last year amounted to R56 billion. Some 55% of this was owed to the six metropolitan municipalities, and 21% to South Africa's 21 secondary cities. More than half the debt was owed by households and the largest single component was water. Nearly 80% of all debt was older than 90 days. Information supplied on 16 selected urban areas showed major discrepancies in population change between 1990 and 2009. Vanderbijlpark showed a net loss in population whereas Polokwane and Rustenburg recorded gains of almost 30% each. South Africa's overall urban population rose over that 20-year period from 52% to 62%. Population growth must of course be taken into account in planning for the provision of municipal services.

An analysis of satisfaction levels on which we reported shortly before the local elections in May showed wide discrepancies – 17% were satisfied in the Vaal Triangle but 53% in Bloemfontein and 57% in Cape Town. Whether people had a post-matric qualification or no formal education at all seemed to make little difference to their levels of satisfaction, though there were racial discrepancies: 33% of Indians were satisfied, 37% of Africans, 45% of whites, and 54% of coloured people. People on the lowest living standard were generally less satisfied (11%) than those at the top (46%).

As regards manifestations of dissatisfaction, we reported that violent protests were growing in both size and number. However, contrary to the impression one might get from the Media, for every violent protest there were 10 peaceful ones. We noted also that although 'poor service delivery' was usually given by the Media as the reason for protest, high unemployment and dissatisfaction over the manner in which councillors were chosen were now cited more and more often as among the reasons.

The workshops we have conducted with our eight target municipalities over the past two years show that councillors define the poverty challenges they face in many different ways. These range from exposure of households in informal settlements to rain and cold; through lack of commitment of teachers, pupils, and parents; to staff shortages in public health facilities. Proposals councillors put forward to deal with challenges range from collecting revenue more efficiently, to establishing food gardens and feeding schemes, to the moral regeneration of family structures, to encouraging people to plough land, to getting companies to advertise on streetlights to provide revenue for better service delivery. What was striking was the modesty of most of the proposals – though some authorities will struggle to achieve even these. Although local authorities in South Africa have limited power and many of them a very poor track record, the high poll in the election – 58% against 48% in 2006 – suggests that voters expect their performance to improve. Watch this space.

- **Crime and security.** Our coverage of crime embraces the 20 most serious crimes, and includes national, provincial, and local statistics. Both long and short-term trends are monitored, as are particular categories of crime: crime on farms, crimes against foreign nationals, witch and muti killings, crimes against children under the age of 18 (including deaths at initiation schools), crimes committed to enforce strikes, crimes committed in the minibus taxi industry, and crimes committed by the police. We commented that allegations of reckless shootings of civilians, suppression of protests, torture, burning of shacks, involvement in party-political battles, and lawless arrests of journalists suggested that the police were sometimes not simply thuggish but becoming 'terroristic'.

  In February we published *Broken Blue Line – The involvement of the South African Police Force in Serious and Violent Crime*. This study not only assessed the extent to which police officers were themselves implicated in committing serious and violent crimes, but suggested ways in which the problem could be dealt with. The report elicited a statement from the relevant minister committing the police to 'rooting [out] these tsotsi-cops who may be amongst us'. When Mr Andries Tatane was shot dead by police during a protest in April in Ficksburg in the Free State, we published an open letter to the minister criticising his handling of the matter. We subsequently noted that there were few penalties for police abuses, and that they would not stop without political accountability, including ministerial resignations. Earlier we had criticised the police for acting against officers who had merely been doing their duty when they stopped a vehicle carrying Mrs Winnie Madikizela-Mandela because it was speeding.

  Our coverage of the criminal justice system embraces not only the police, but also the prosecution service, the private legal profession and the courts, along with prisons and correctional services. We drew attention to the major inefficiencies in the criminal justice system. These led, among other things, to long delays in criminal trials and very long periods awaiting trial for accused persons held in overcrowded prisons. We pointed out that the number of people held for more than 24 months while awaiting trial went up by 5 000% between 1996 and 2005. The number of awaiting-trial detainees had been growing at a much faster rate than that of sentenced prisoners. We commented that unless political accountability was enforced, the numerous abuses would continue and the entire criminal justice system would fall into disrepute.

- **Civil society and the media.** Thirteen years ago the Institute played a leading role in fending off draft legislation that would have put non-governmental organisations (NGOs) under effective control of the Government. Thanks to an intensive lobbying campaign we mounted across the political spectrum, a draft bill that would have destroyed the independence of civil society never made it to the parliamentary order paper. Fortunately, the chairman of the portfolio committee responsible for processing the draft legislation had at one stage been closely associated with the Institute. However, given the ruling party's intentions to capture control of as many institutions as possible, it is no surprise that the issue of controlling civil society has never gone away. In September last year we drew attention to ANC discussion documents proposing 'an effective regulatory architecture for private funding of political parties and civil society groups'. Shortly after this both the ANC and the South African Communist Party launched an attack on the general secretary of the Congress of South African Trade Unions (Cosatu), Mr Zwelinzima Vavi, for organising a meeting of some 300 trade unionists and members of various civil society organisations in October. Cosatu, the ANC said, was being 'oppositionist, dangerous, and populist' and was aiming at 'regime change'. The Institute issued a statement in support of Cosatu warning that it would 'require considerable courage to withstand ANC attempts to stop the new initiative from going anywhere'.

On proposals to control the Media, we noted that the Government was wrong in claiming that the press ombudsman was ineffective and/or biased against it. An analysis of 356 complaints received by the ombudsman in the last three years showed that only 12% came from the ANC or the Government, which was a small number for a party claiming to have been so hard done by in the Press that a tribunal was necessary to regulate the Media. Moreover, of the 20 cases decided upon by the ombudsman, two thirds had been decided in favour of the ANC or the Government. We suggested to the ombudsman that he regularly publish a tally of complaints received and dealt with, and that he also request newspapers to advertise complaints procedures more prominently. With regard both to the tribunal proposed by the ANC and draft legislation drastically to curtail what the Media might publish about the goings-on of government, we said that the Press was right to protest vigorously, and, we hoped, successfully. However, we pointed out, the Media had previously been willing to support the steady stream of intrusive legislation emanating from the ANC since it came to power in 1994. Newspapers were now getting a taste of the medicine they had been happy to see prescribed to others. Perhaps in future they would defend the freedom of others as vigorously as they were now defending their own.

- **The family.** Since the end of 2007, the Institute has been collating and publishing statistics on the state of family life in South Africa, while also providing commentary. Until now this has been a neglected field. However, the breakdown of family life – or for many people its complete absence – could be at the root of many of the country's problems. With sponsorship from the Donaldson Trust we have extended our research, and in April published *First Steps to Healing the South African Family*. This report was also spread across two issues of *Fast Facts* and it formed the basis of two audio-visual presentations to members and organisations working in relevant areas. Excerpts of the research were re-published by Tshikululu Social Investments, the country's leading manager of corporate social investment programmes. The general secretary of Cosatu quoted some of the data and said South Africa had a 'massive crisis' on its hands.

  The response from the Media to this research has also been extraordinary. Apart from extensive coverage in news columns and news broadcasts in both the mainstream and community media, the research was featured in numerous editorials and articles commenting on its implications. Many of these focused on the problem of absent but living fathers, perhaps one of the most serious issues to which the research drew attention. Moreover a columnist on the *Sowetan* said that when she talked about absent fathers on her radio show, the topic 'drew one of the highest responses in my radio career' and that her 'inbox was still being flooded with heartbreaking stories about fathers who just don't give a damn'. She mentioned that she had two years previously done a broadcast from inside a crowded cell in 'Sun City' (Johannesburg) prison. The majority of inmates had never met their fathers. (This echoed a comment from a judge of the high court who said a few years ago that he had never met a criminal who had a normal relationship with his father.) The *Daily Sun* put a poster on the streets worded 'Our broken families'.

A selection of the headlines over newspaper columns is as follows:

* We can't fix the world if we can't fix our families
* Paying tribute to single moms
* Granny made me what I am
* South Africa in need of role models
* It takes a village to raise a child
* Men who make babies, be fathers
* A dadless, angry generation
* Runaway dads must please get a grip on themselves
* A country without fathers falls apart
* I'm glad her dad is in her life even though we are not together
* It's difficult to bring up a boy alone
* Reuniting fathers, children vital

- **Corruption.** The Institute has monitored developments surrounding the Government's strategic arms acquisition ever since the deal was concluded in 1999. In March this year we were asked to assist in the case in which Mr Terry Crawford-Browne is seeking an order from the Constitutional Court to instruct President Zuma to appoint an independent judicial commission of enquiry into the deal. The chief justice granted our application to be admitted as *amicus curiae*. In our submission we presented argument based on previous decisions of the court that the president was indeed obliged to appoint an independent enquiry. At the hearing in May the court postponed the case until September to give the president more time to respond on the relevant facts. We are grateful to the Raith Foundation for its contribution to the costs of our submission. Haffejee, Roskam, Savage were the instructing attorneys, while Messrs Max du Plessis and Andreas Coutsoudis and Ms Nadine Fourie appeared as counsel on our behalf. We thank them all for accepting reduced fees.
- **Government.** One of the important respects in which government has become more effective is that the number of registered individual taxpayers has risen from 3.4 million in 2002/03 to 5.9 million in 2009/10, an increase of 73%. We pointed out that the second biggest contributor to government revenue after individual tax was value-added tax (VAT). It was thus misleading to claim, as many commentators did, that individual taxpayers bore the major burden of financing social grants. In one way or another everyone in the country paid VAT.

  Among the other aspects of government to which we paid attention was the fact that one in eight people now worked for it. This included national, provincial, and local government, along with eight state-owned enterprises, but excluded employees of 280 other public institutions. Moreover average public sector wages were increasing faster than their private sector counterparts. In 2000, average public sector earnings were 12% higher than those in the private sector. In 2010, they were 44% higher. Despite – or perhaps partly because of – the size of the public sector, government in many respects is failing. Details of such failure have previously been pointed out by the Institute on several occasions, and there is no need to repeat them here. But we noted that although the ANC wielded enormous power in relation to representative institutions at all levels through its policies of 'democratic centralism' and 'cadre deployment', it had in fact weakened the State. Affirmative action had denuded the State of both skills and institutional memory, while 'democratic centralism' had undermined accountability. Centralised party control was 'incompatible with the functioning of a prosperous society and a modern democratic state'. Also, we said, it was contradictory that the Government making more and more promises as its ability to fulfil them waned.

## CONCLUSION

The Institute is frequently asked to identify risks and compile scenarios. We do so by extrapolating from current statistical and policy trends, while also scrutinising documents and calling upon the expertise of specialists. One of these was Professor Lawrence Schlemmer, whose briefing to members last year was published in *Fast Facts* in December.

- **Risks.** Professor Schlemmer identified destructive instability, collapse of investor confidence, system entropy, and ideological conflict which threatened effective government as among the key risks facing the country. Aggravating factors included youth unemployment, service delivery failures, ideological residues of the liberation struggle, capacity problems in the police and courts, stress resulting from the uncontrolled inflow of foreign migrants, emigration, stagnation in skills production, low levels of entrepreneurship, corruption, and vacillating leadership. Among the factors reducing the risks were high levels of tax revenue able to 'buy' stability, basic acceptance of the corporate sector, a largely moderate mainstream population and electorate, ideological pluralism, widespread religiosity, and the strong influence of an international democratic and rights-based culture.
- **The 'National Democratic Revolution'.** Among the documents we scrutinised were the various discussion papers of the ANC and its 'strategy and tactics' documents. Using these, in August last year we published *NDR: The Cornerstone of any Policy Analysis of South Africa*. This focused on the 'national democratic revolution' (NDR) to which the ANC is committed. This was traced back to its origins in Lenin's theory of imperialism. As updated at the organisation's conference in Polokwane in 2007, the NDR involves liberating blacks from 'political and economic bondage', eliminating 'apartheid property relations' via the 'redistribution of wealth and income', and 'democratising' the state and society through demographic proportionality in all spheres. Cosatu and the South African Communist Party go further, making it clear that the NDR is intended to provide the foundation for a socialist and then communist society.

  One of the implications of the NDR is that neither Parliament nor the Constitution, nor yet the Judiciary or the Media, should be allowed to stand in its way. Another implication is the use of cadre deployment to give the ANC control over all the 'levers of state power'. Yet another is affirmative action to ensure demographic proportionality in both the public and the private sector. A further implication is the redistribution of wealth and income. We commented, 'The NDR is poorly understood in South Africa, but it serves as the philosophical and ideological grounding of the ANC. It is only possible to make sense of the policy environment by understanding the NDR.' If policies that appear puzzling or counter-productive are viewed against it, it often becomes clear that they are part of a wider design. In another document we noted that there were parallels between some of the thinking of the NDR and totalitarian mindsets.

  Our analysis went on, however, to identify countervailing forces that might limit the implementation of the NDR. Among these were the strength and importance of the private sector, the country's need to attract foreign investment, divisions within the ANC and its allied organisations about various policies and practices, and South Africa's strong tradition of critical vigilance on the part of civil society and the Media. We also noted in a document entitled *The Case for South Africa* that there was growing openness about policy failures. Further, the implementation of many populist policies was often tempered by pragmatism. On the nationalisation of mines demanded by some factions within the ANC, an influential core of the party had said this was not in the interests of South Africa. Also, we said, true dictatorial regimes such as that in Zimbabwe would simply not tolerate the criticism that the ANC puts up with.

- **'South Africa: Finding a Way Forward'.** This was the title of a speech in March to the South Africa Chapter of SwissCham Southern Africa that we then published. The speech identified where the country was going wrong and why. In fact, South Africa was pursuing an unworkable political model. This would disintegrate, however, just as communism and apartheid had disintegrated. The National Party (NP) had thought it could run a successful economy without fully exploiting the skills of the black population. The ANC thought it could run a successful state without fully exploiting the skills of the white population. This could not be done. Another parallel was that just as the NP had steadily lost support among the intelligentsia, this was now happening with the ANC. One reason for this was that contradictions were mounting. Despite widespread antipathy to business, many members of the ruling alliance recognised that they could not succeed without the help of the private sector. Nor was it possible to create millions of new jobs, as the ANC was promising, while constantly adding to the regulatory burden on business. Eventually these and other contradictions would become unsustainable.

  It was critically important, the document said, to keep exposing the contradictions until such time as a critical mass of opinion within the ruling alliance came to recognise that provision of the promised jobs and decent services was incompatible with the NDR. Secondly, it was vital to stand firm in the defence of institutions and practices as they came under threat, not only the rule of law but also academic freedom, independent civil society, a free press, an autonomous legal profession and prosecution service, independent courts, the free market system, private enterprise, and entrepreneurship.

  Thirdly, it was necessary to keep proposing classically liberal alternatives to present policies. However fanciful some of these might seem right now, growing contradictions, policy failures, and paralysis in government meant that the climate for classically liberal ideas was in fact auspicious.

  We concluded: 'Social and racial engineers failed in South Africa last time around, and they will fail this time too. That is cause not for despair but for eager anticipation.'

  *South Africa: Finding a Way Forward* was republished on various websites, and generated an unprecedented and favourable response both in South Africa and abroad. Perhaps that is confirmation both of the value of the forthright analysis the Institute seeks to provide and of the fact that the climate for classically liberal alternatives to current policies is indeed auspicious.

Johannesburg
June 2011

# SOUTH AFRICAN INSTITUTE OF RACE RELATIONS NPC AND ITS SUBSIDIARY COMPANY

## ANNUAL FINANCIAL STATEMENTS
## for the year ended 31st December 2010

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 34 to 52 have been approved by the Board of Directors.

# SOUTH AFRICAN INSTITUTE OF RACE RELATIONS NPC AND ITS SUBSIDIARY COMPANY

## *ANNUAL FINANCIAL STATEMENTS* for the year ended 31st December 2010

---

## 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 and bursary administration |
| ***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 |
| T A Wixley | Appointed Honorary Treasurer 24th November 2010 |
| D S L Bostock | Honorary Legal Adviser |
| T Coggin | |
| R D Crawford | |
| P G Joubert | |
| E le Roux Bradley | |
| P Letselebe | |
| C J McCaul | |
| I Mkhabela | |
| M J Myburgh | |
| S Seepe | |
| B M Hawksworth | Resigned 24th November 2010 |
| M S Mosikili | Resigned 21st January 2011 |

***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 |

# CORPORATE GOVERNANCE

The South African Institute of Race Relations applies the principles set out in the King Report on Governance for South Africa 2009 (King lll) except for those principles that are inappropriate because of its nature and limited size. Exceptions are explained below.

## *Board of Directors*

The Institute is controlled by the Board, which meets quarterly. The roles of Chairman and Chief Executive do not vest in the same person. Directors are appointed for a two-year term of office and re-appointment is not automatic. New members of the Board are appropriately inducted and the Board and its committees are evaluated annually. Membership of the Board is set out on page 35 of the Annual Financial Statements. The board is assisted by the Audit and Remuneration committees.

## *Audit Committee*

The Audit Committee assists the Board by reviewing the annual financial statements and obtaining assurance from management, supplemented by external audit, regarding the effectiveness of internal controls, the management of risk, and compliance with relevant laws and regulations. The small size of the Institute's administrative structures makes it unnecessary to establish formal risk management or an internal audit function. The Committee satisfies itself regarding the effectiveness of the Institute's finance function. The Committee, consisting of five non-executive members, meets at least twice a year.

## *Remuneration Committee*

The Remuneration Committee is responsible for determining the remuneration of executive management and recommending overall remuneration policies to the Board. The Committee consists of no fewer than four members appointed by the Board, all of them non-executive. The remuneration of the chief executive is disclosed but in view of the Institute's small size, no disclosure is made of the remuneration of other executive managers. Members of the Institute will be asked to approve the remuneration policy at the Annual General Meeting.

## *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 appropriately executed and recorded. These controls include proper delegation of responsibilities, effective accounting procedures, and adequate segregation of duties, and are monitored regularly.

## *Sustainability*

The Institute's main purpose is to promote democracy, development, human rights, and reconciliation across the colour line. In doing so it aims to enhance the sustainability of South African civil society. The sustainability of the Institute itself depends on careful management of its financial resources as reflected in its annual financial statements. The effect of the Institute's operations on the physical environment is immaterial and is not separately dealt with in this report.

## *Code of ethics*

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

# DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa 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 and its wholly-owned dormant subsidiary (hereinafter referred to as 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 the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements 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 2011 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 Institute.

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 33.

The annual financial statements set out on pages 34 to 52 which have been prepared on the going concern basis, were approved by the Board on 11th May 2011, and were signed on its behalf by:

Tom Wixley

J S Kane-Berman T A Wixley

# REPORT OF THE INDEPENDENT AUDITORS

To the members of
South African Institute of Race Relations ("SAIRR")

We have audited the group annual financial statements and annual financial statements of the South African Institute of Race Relations ("SAIRR"), which comprise the consolidated and separate statements of financial position as at 31st December 2010, 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 34 to 52.

## *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 and in the manner required by the Companies Act of South Africa. 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 entity'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.

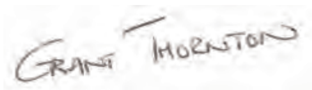
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *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 as at 31st December 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities 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 of the subsidiary, De Korte Street Properties (Proprietary) Limited, have been prepared on the liquidation basis. Management's intention is 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

11 May 2011

Grant Thornton Office Park
137 Daisy Street
Sandown
2196

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

# REPORT OF THE DIRECTORS

The directors submit their report for the year ended 31st December 2010.

## *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. The Institute adopted the International Financial Reporting Standards for Small and Medium-sized Entities for the first time in the 2010 financial year.

## *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.

## *Dividends*

The Institute is a non-profit organisation. It has no shareholders and is not permitted by its articles to distribute profits to its members.

## *Interest in Subsidiaries*

Details of the Institute's investments in subsidiaries are set out in note 3.

## *Events after reporting date*

The directors are not aware of any 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 Institute or the results of those operations significantly.

## *Auditors*

Grant Thornton will continue in office in accordance with the Companies Act as nominated by the Audit Committee and approved by the Board and the AGM of Members.

## *Secretary*

R le Roux served as secretary of the Institute for the year ended 31st December 2010.

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 |
| | T A Wixley | – | Appointed Honorary Treasurer 24th November 2010 |
| | D S L Bostock | – | Honorary Legal Adviser |
| | T Coggin | | |
| | R D Crawford | | |
| | P G Joubert | | |
| | E le Roux Bradley | | |
| | P Letselebe | | |
| | C J McCaul | | |
| | I Mkhabela | | |
| | M J Myburgh | | |
| | S Seepe | | |
| | B M Hawksworth | – | Resigned 24th November 2010 |
| | M S Mosikili | – | Resigned 21st January 2011 |
| *Executive Director* | J S Kane-Berman | – | Chief Executive |

## *Remuneration policy*

The Remuneration Committee operates in terms of a charter approved by the Board. All members are non-executive. The committee meets in time to approve pay rises normally due on 1st October each year. Pay rises of senior management are determined by the committee in consultation with the Chief Executive. The Chief Executive's own salary is determined by the committee in his absence. Salaries of other staff members are decided by the Chief Executive after consulting the committee and his senior colleagues. All pay rises are performance-related, while also taking into account affordability and increased responsibility. Remuneration consists entirely of a fixed salary except in the case of a few individuals whose remuneration is partly dependent on success in marketing Institute services or raising funds for special projects (excluding the Chief Executive, deputy Chief Executive, and head of finance). The Chief Executive is provided by the Institute with a car, which fringe benefit is taxed.

The Chief Executive is authorised to grant pay rises during the year at his discretion except that where these involve senior management he obtains permission from the Chairman of the Committee.

## *Report of the Chairman of the Audit Committee*

The committee has five members, of whom two are independent non-executive members of the Institute and three of whom are directors. The audit committee has met twice since the previous annual general meeting of members and has performed the following functions:

- Nominated Grant Thornton as auditors and Andrew Cawdry as the designated auditor for the 2011 financial year in terms of the Companies Act;
- Satisfied itself that the auditors are independent;
- Approved the annual financial statements of the Institute for 2010, prepared for the first time on the basis of the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), and recommended them to the Board for approval;
- Satisfied itself, based on information received from management and the auditors, that the internal control of the Institute is adequate, that the financial policies followed are appropriate and that the audit was properly carried out.

# STATEMENT OF FINANCIAL POSITION

**as at 31st December 2010**

| | Notes | GROUP 2010 R | GROUP 2009 R | INSTITUTE 2010 R | INSTITUTE 2009 R |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non current Assets** | | | | | |
| Property, plant and equipment | 2 | 1 339 459 | 893 559 | 1 339 459 | 893 559 |
| | | 1 339 459 | 893 559 | 1 339 459 | 893 559 |
| **Investments** | | | | | |
| Special Funds | | | | | |
| — Bursary | 17.1.1 | 22 391 431 | 23 765 892 | 22 391 431 | 23 765 892 |
| — Institute | 17.1.2 | 936 940 | 1 670 902 | 936 940 | 1 670 902 |
| — Other | 17.1.3 | 3 145 978 | 3 386 179 | 3 145 978 | 3 386 179 |
| | | 26 474 349 | 28 822 973 | 26 474 349 | 28 822 973 |
| Other Institute investments | 17.2 | 20 513 690 | 17 865 620 | 20 513 690 | 17 865 620 |
| | | 46 988 039 | 46 688 593 | 46 988 039 | 46 688 593 |
| **Current Assets** | | | | | |
| Accounts receivable | 4/21 | 1 282 276 | 765 083 | 1 282 276 | 765 083 |
| Cash resources | 5 | 248 851 | 711 338 | 248 851 | 711 338 |
| | | 1 531 127 | 1 476 421 | 1 531 127 | 1 476 421 |
| **TOTAL ASSETS** | | **49 858 625** | **49 058 573** | **49 858 625** | **49 058 573** |
| **FUNDS AND LIABILITIES** | | | | | |
| **Funds and reserves** | | | | | |
| Accumulated funds | | 19 966 132 | 18 327 050 | 16 978 918 | 15 339 835 |
| | | 19 966 132 | 18 327 050 | 16 978 918 | 15 339 835 |
| **Special funds** | | | | | |
| — Bursary | 15/16 | 22 391 431 | 23 765 892 | 22 391 431 | 23 765 892 |
| — Institute | 15/16 | 936 940 | 1 670 902 | 936 940 | 1 670 902 |
| — Other | 15/16 | 3 145 978 | 3 386 179 | 3 145 978 | 3 386 179 |
| | | 26 474 349 | 28 822 973 | 26 474 349 | 28 822 973 |
| **Non current liabilities** | | | | | |
| Wesbank instalment sale agreement | 7 | 130 085 | – | 130 085 | – |
| Sunlyn investment finance lease agreement | 8 | 349 867 | – | 349 867 | – |
| | | 479 952 | – | 479 952 | – |
| **Current liabilities** | | | | | |
| Wesbank instalment sale agreement | 7 | 45 400 | – | 45 400 | – |
| Sunlyn investment finance lease agreement | 8 | 95 372 | – | 95 372 | – |
| Taxation payable | 13 | – | 61 389 | – | – |
| Accounts payable | 6/21 | 2 797 420 | 1 847 161 | 2 797 420 | 1 834 662 |
| Loan from subsidiary | 3 | – | – | 2 987 214 | 3 061 103 |
| | | 2 938 192 | 1 908 550 | 5 925 406 | 4 895 765 |
| **TOTAL FUNDS AND LIABILITIES** | | **49 858 625** | **49 058 573** | **49 858 625** | **49 058 573** |

## *STATEMENT OF COMPREHENSIVE INCOME*

**for the year ended 31st December 2010**

| | Notes | GROUP | | INSTITUTE | |
|---|---|---|---|---|---|
| | | **2010** | **2009** | **2010** | **2009** |
| **INCOME** | | **R** | **R** | **R** | **R** |
| Administration fees received | | 828 318 | 901 558 | 828 318 | 901 558 |
| Bequests | | – | 291 191 | – | 291 191 |
| Rent received | | – | 33 554 | – | – |
| Grants and donations | | 6 350 188 | 11 501 732 | 6 350 188 | 11 501 732 |
| Membership subscriptions | 21 | 2 533 838 | 2 671 411 | 2 533 838 | 2 671 411 |
| Publication sales | | 150 031 | 3 620 | 150 031 | 3 620 |
| | | **9 862 375** | **15 403 066** | **9 862 375** | **15 369 512** |
| **EXPENSES** | | | | | |
| Auditors' remuneration | | | | | |
| — Fees for the audit | 11 | 268 024 | 337 550 | 268 024 | 325 050 |
| Bad debts | 21 | 121 979 | 171 801 | 121 979 | 171 801 |
| Depreciation | 2 | 272 510 | 195 176 | 272 510 | 195 176 |
| Finance costs | 10 | 42 991 | 16 168 | 42 991 | 16 168 |
| Lease expenditure | | 65 082 | 149 980 | 65 082 | 149 980 |
| Loss on disposal of fixed asset | | 65 965 | – | 65 965 | – |
| Overheads and administration | | 944 910 | 1 016 781 | 944 910 | 912 382 |
| Personnel | | 7 311 781 | 7 043 575 | 7 311 781 | 7 043 575 |
| Postage | | 420 885 | 340 602 | 420 885 | 340 602 |
| Printing | | 572 998 | 627 694 | 572 998 | 627 694 |
| Rent and utilities | | 767 709 | 550 335 | 767 709 | 494 323 |
| Telecommunications | | 240 733 | 268 232 | 240 733 | 268 232 |
| Travel | | 172 536 | 177 813 | 172 536 | 177 813 |
| | | **11 268 103** | **10 895 707** | **11 268 103** | **10 722 797** |
| **OPERATING (DEFICIT)/SURPLUS FOR THE YEAR** | | **(1 405 728)** | **4 507 359** | **(1 405 728)** | **4 646 715** |
| **INCOME FROM INVESTMENTS** | | | | | |
| Dividends | | 466 685 | 202 904 | 466 685 | 202 904 |
| Gain on investments | | 2 187 745 | 1 943 445 | 2 187 745 | 1 943 445 |
| Interest received | | 390 381 | 592 686 | 390 381 | 585 975 |
| Profit on sale of building | | – | 3 181 250 | – | – |
| | | **3 044 811** | **5 920 285** | **3 044 811** | **2 732 324** |
| **SURPLUS BEFORE TAXATION** | | **1 639 083** | **10 427 644** | **1 639 083** | **7 379 040** |
| Normal taxation | 13 | – | 61 389 | – | – |
| **SURPLUS FOR THE YEAR** | | **1 639 083** | **10 366 255** | **1 639 083** | **7 379 040** |
| Other comprehensive income | | – | – | – | – |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **1 639 083** | **10 366 255** | **1 639 083** | **7 379 040** |

# *STATEMENT OF CHANGES IN EQUITY*

**for the year ended 31st December 2010**

| **GROUP** | ***Notes*** | ***Accumulated funds R*** |
|---|---|---|
| Balance at 1st January 2009 | | 7 772 385 |
| Surplus for the year | | 10 366 255 |
| Previously reported | | 18 138 640 |
| Revaluation of fixed assets | 20 | $\boxed{188\ 410}$ |
| **Balance at 31st December 2009 – restated** | | **18 327 050** |
| Balance at 1st January 2010 | | 18 327 050 |
| Surplus for the year | | 1 639 083 |
| **Balance at 31st December 2010** | | **19 966 133** |

| **INSTITUTE** | | |
|---|---|---|
| Balance at 1st January 2009 | | 7 772 385 |
| Surplus for the year | | 7 379 040 |
| Previously reported | | 15 151 425 |
| Revaluation of fixed assets | 20 | $\boxed{188\ 410}$ |
| **Balance at 31st December 2009 – restated** | | **15 339 835** |
| Balance at 1st January 2010 | | 15 339 835 |
| Surplus for the year | | 1 639 083 |
| **Balance at 31st December 2010** | | **16 978 918** |

## *STATEMENT OF CASH FLOWS*

**for the year ended 31st December 2010**

| | GROUP | | INSTITUTE | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| **Cash flows from operating activities** | **R** | **R** | **R** | **R** |
| Surplus for the year | 1 639 083 | 10 366 255 | 1 639 083 | 7 379 040 |
| Adjustments: Depreciation | 272 510 | 195 176 | 272 510 | 195 176 |
| Interest received | (390 381) | (592 686) | (390 381) | (585 975) |
| Taxation paid | (61 389) | – | – | – |
| Gain on investments | (2 187 745) | (1 943 445) | (2 187 745) | (1 943 445) |
| Profit on sale of building | – | (3 181 250) | – | – |
| Straight lining of office lease | 62 056 | – | 62 056 | – |
| Lease instalments paid | (63 960) | – | (63 960) | – |
| Loss on disposal of fixed assets | 80 966 | – | 80 966 | – |
| Movement in working capital | | | | |
| — (increase)/decrease in accounts receivable | (517 193) | 508 429 | (517 193) | 507 478 |
| — increase/(decrease) in accounts payable | 950 259 | (651 724) | 962 758 | (232 387) |
| Sub total | (215 794) | 4 700 755 | (141 906) | 5 319 887 |
| Interest received | 390 381 | 592 686 | 390 381 | 585 975 |
| Net cash inflow from operating activities | 174 585 | 5 293 441 | 248 475 | 5 905 861 |
| **Cash flows from investing activities** | | | | |
| Increase in inter-company current account | – | – | – | 437 865 |
| (Decrease) in inter-company loan account | – | – | (73 890) | 3 061 103 |
| Investments purchased | (441 241) | (4 792 475) | (441 241) | (8 903 863) |
| Inflow from initial acquisition of leased assets and instalment sale of motor vehicle | 603 544 | – | 603 544 | – |
| Acquisition of property, plant and equipment | (799 375) | (89 556) | (799 375) | (89 556) |
| Net cash outflow from investing activities | (637 072) | (4 882 031) | (710 962) | (5 494 451) |
| Net cash (utilised in)/generated for the period | (462 487) | 411 410 | (462 487) | 411 410 |
| Cash resources at beginning of period | 711 338 | 299 928 | 711 338 | 299 928 |
| **Cash resources at end of period** | **248 851** | **711 338** | **248 851** | **711 338** |

# *NOTES TO THE ANNUAL FINANCIAL STATEMENTS*

***for the year ended 31st December 2010***

## 1. ACCOUNTING POLICIES

### Basis of preparation

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

Where there are references to the Institute and its wholly-owned dormant subsidiary in these financial statements it will be referred to as 'Institute' only.

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

These accounting policies are consistent with the previous period, except for the changes set out in note 20: First-time adoption of the International Financial Reporting Standard for Small and Medium-sized Entities.

### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

#### Financial assets measured at cost and amortised cost

The company assesses its financial assets measured at cost and amortised cost for impairment at each reporting period date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment of financial assets measured at cost and amortised cost is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting period date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the residual value assumption may change which may then affect the estimations and may then require a material adjustment to the carrying value of tangible assets.

The Institute reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Expected future cash flows used to determine the value of use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including political stability, foreign sponsor contributions and demand for research as produced by the Institute, together with economic factors such as exchange rates, inflation, and interest rates.

#### Taxation

Although the Institute is a Public Benefit Organisation in terms of section 30 of the Income Tax Act, ('the Act') and the receipts and accruals are exempt from Income Tax in terms of Section 10(1) (cN) of the Act, the subsidiary recognises liabilities based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

# NOTES (continued)

## 1.2 Property, plant, and equipment

Library books are not depreciated. Library books are stated at fair value and the archives, which are housed at the University of the Witwatersrand, are carried at no cost. Other assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis to write off the depreciable 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.

## 1.3 Investments

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

### 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 15.

## 1.4 Consolidation

The consolidated financial statements include the assets and liabilities of the Institute and its subsidiary company. The subsidiary company is dormant and there are currently no assets or liabilities in the subsidiary company.

### 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 the subsidiary 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.

### Investment in subsidiary

The investment in the subsidiary is measured at cost less impairment in the separate financial statements of the Institute.

### Transactions eliminated on consolidation

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

## 1.5 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Institute has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Institute retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

## NOTES (continued)

- it is probable that the economic benefits associated with the transaction will flow to the Institute; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Institute;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and valued added tax.

**Membership fees**

Membership fees are recognised in the accounting period in which the services to members 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.

### 1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**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 profit or loss 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.

**Finance leases**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction in outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

### 1.7 Accumulated Funds

All reserves are reflected under accumulated funds.

### 1.8 Financial instruments

#### *Initial recognition*

The Institute classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the agreement.

## NOTES (continued)

Financial assets and financial liabilities are recognised on the Institute's statement of financial position when the Institute becomes party to the contractual provisions of the instrument.

***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 date, 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.

### 1.9 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.

### 1.10 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 profit or loss. 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.

### 1.11 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 reporting date. The accrual has been calculated at undiscounted amounts based on current salary rates.

### 1.12 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 assets is reduced to its recoverable amount. The reduction is an impairment loss and is charged to the profit and loss.

### 1.13 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.

# NOTES (continued)

## 2. PROPERTY, PLANT, AND EQUIPMENT

| | *Furniture and equipment R* | *Motor vehicles R* | *Library R* | *Total R* |
|---|---|---|---|---|
| **GROUP** | | | | |
| **Year ended 31st December 2010** | | | | |
| Opening net carrying amount | 381 880 | 107 679 | 404 000 | 893 559 |
| Additions | 600 444 | 198 931 | – | 799 375 |
| Disposals | (68 958) | (12 008) | – | (80 966) |
| Depreciation | (234 890) | (37 619) | – | (272 509) |
| **Closing net carrying amount** | **678 476** | **256 983** | **404 000** | **1 339 459** |
| **Year ended 31st December 2010** | | | | |
| Cost as revalued | 1 561 127 | 500 683 | 404 000 | 2 465 810 |
| Accumulated depreciation | (882 651) | (243 700) | – | (1 126 351) |
| **Closing net carrying amount** | **678 476** | **256 983** | **404 000** | **1 339 459** |
| **Year ended 31st December 2009** | | | | |
| Opening net carrying amount | 368 081 | 38 688 | 404 000 | 810 769 |
| Additions | 89 556 | – | – | 89 556 |
| Residual value movement | 103 410 | 85 000 | – | 188 410 |
| Depreciation | (179 167) | (16 009) | – | (195 176) |
| **Closing net carrying amount** | **381 880** | **107 679** | **404 000** | **893 559** |
| **Year ended 31st December 2009** | | | | |
| Cost as revalued | 1 650 635 | 381 797 | 404 000 | 2 436 432 |
| Accumulated depreciation | (1 268 756) | (274 117) | – | (1 542 873) |
| **Closing net carrying amount** | **381 880** | **107 680** | **404 000** | **893 559** |
| **INSTITUTE** | | | | |
| **Year ended 31st December 2010** | | | | |
| Opening net carrying amount | 381 880 | 107 679 | 404 000 | 893 559 |
| Additions | 600 444 | 198 931 | – | 799 375 |
| Disposals | (68 958) | (12 008) | – | (80 966) |
| Depreciation | (234 890) | (37 619) | – | (272 509) |
| **Closing net carrying amount** | **678 476** | **256 983** | **404 000** | **1 339 459** |
| **Year ended 31st December 2010** | | | | |
| Cost as revalued | 1 561 127 | 500 683 | 404 000 | 2 465 810 |
| Accumulated depreciation | (882 651) | (243 700) | – | (1 126 351) |
| **Closing net carrying amount** | **678 476** | **256 983** | **404 000** | **1 339 459** |
| **Year ended 31st December 2009** | | | | |
| Opening net carrying amount | 368 081 | 38 688 | 404 000 | 810 769 |
| Additions | 89 556 | – | – | 89 556 |
| Residual value movement | 103 410 | 85 000 | – | 188 410 |
| Depreciation | (179 167) | (16 009) | – | (195 176) |
| **Closing net carrying amount** | **381 880** | **107 679** | **404 000** | **893 559** |
| **Year ended 31st December 2009** | | | | |
| Cost as revalued | 1 650 635 | 381 797 | 404 000 | 2 436 432 |
| Accumulated depreciation | (1 268 756) | (274 117) | – | (1 542 873) |
| **Closing net carrying amount** | **381 880** | **107 680** | **404 000** | **893 559** |

## 3. INVESTMENT IN WHOLLY-OWNED SUBSIDIARY COMPANY

| | INSTITUTE 2010 R | INSTITUTE 2009 R |
|---|---|---|
| Shares at cost | 6 | 6 |
| Loan to subsidiary | – | 680 407 |
| | 6 | 680 413 |
| Less: Loan | (2 987 220) | (3 741 516) |
| The loan from De Korte Street Properties (Proprietary) Limited is interest free with no fixed repayment terms and conditions. | (2 987 214) | (3 061 103) |

The subsidiary is incorporated in South Africa and shares the year end of the Intstitute.
The carrying amount of the subsidiary is shown net of impairment losses.

## 4. ACCOUNTS RECEIVABLE

| | GROUP 2010 R | GROUP 2009 R | INSTITUTE 2010 R | INSTITUTE 2009 R |
|---|---|---|---|---|
| Other receivables | 1 150 455 | 671 661 | 1 150 455 | 671 661 |
| Receiver of Revenue – VAT | 102 967 | 82 722 | 102 967 | 82 722 |
| Staff debtors | 28 854 | 10 700 | 28 854 | 10 700 |
| | 1 282 276 | 765 083 | 1 282 276 | 765 083 |

## 5. CASH RESOURCES

| | GROUP 2010 R | GROUP 2009 R | INSTITUTE 2010 R | INSTITUTE 2009 R |
|---|---|---|---|---|
| Cash on hand | 1 800 | 1 800 | 1 800 | 1 800 |
| Current account | 180 629 | 664 909 | 180 629 | 664 909 |
| Call account | 66 422 | 44 629 | 66 422 | 44 629 |
| | 248 851 | 711 338 | 248 851 | 711 338 |

## 6. ACCOUNTS PAYABLE

| | GROUP 2010 R | GROUP 2009 R | INSTITUTE 2010 R | INSTITUTE 2009 R |
|---|---|---|---|---|
| Other payables | 836 978 | 247 748 | 836 978 | 247 748 |
| Accruals | 26 579 | 12 500 | 26 579 | – |
| Accrual for leave pay | 561 981 | 489 806 | 561 981 | 489 806 |
| Sundry payables | 176 970 | 165 271 | 176 970 | 165 271 |
| Income received in advance | 1 194 912 | 931 837 | 1 194 912 | 931 837 |
| | 2 797 420 | 1 847 162 | 2 797 420 | 1 834 662 |

## 7. INSTALMENT SALE

The Institute entered into a new instalment sale agreement for a motor vehicle in 2010.

| | GROUP 2010 R | GROUP 2009 R | INSTITUTE 2010 R | INSTITUTE 2009 R |
|---|---|---|---|---|
| **Motor vehicle:** | | | | |
| **Minimum instalment payments:** | | | | |
| — within a year | 45 400 | | 45 400 | |
| — within second to fith year | 174 035 | – | 174 035 | – |
| | 219 435 | – | 219 435 | – |
| Less future lease charges | (43 950) | | (43 950) | |
| Present value of minimum lease payment | 175 485 | | 175 485 | |
| Current liabilities | 45 400 | – | 45 400 | – |
| Non current liabilities | 130 085 | – | 130 085 | – |
| | 175 485 | – | 175 485 | – |

## 8. FINANCE LEASE

The Institute has a finance lease for office equipment. In terms of the lease the Institute's commitments are as follows:

| | GROUP | | INSTITUTE | |
|---|---|---|---|---|
| **Office equipment:** | ***2010 R*** | ***2009 R*** | ***2010 R*** | ***2009 R*** |
| **Minimum lease payments:** | | | | |
| — within a year | 95 372 | – | 95 372 | – |
| — within second to fith year | 551 493 | – | 551 493 | – |
| | 646 865 | – | 646 865 | – |
| Less future lease charges | (201 626) | – | (201 626) | – |
| Present value of minimum lease payment | 445 239 | – | 445 239 | – |
| Current liabilities | 95 372 | – | 95 372 | – |
| Non current liabilities | 349 867 | – | 349 867 | – |
| | 445 239 | – | 445 239 | – |

## 9. OPERATING LEASE

The Institute has an operating lease for office premises. In terms of the lease the Institute's commitments are as follows.

| | GROUP | | INSTITUTE | |
|---|---|---|---|---|
| **Premises:** | ***2010 R*** | ***2009 R*** | ***2010 R*** | ***2009 R*** |
| **Minimum lease payments:** | | | | |
| Not later than one year | 543 695 | 516 000 | 543 695 | 516 000 |
| Later than one year and not later than 5 years | 2 018 471 | 2 549 124 | 2 018 471 | 2 549 124 |
| Later than 5 years | – | 243 556 | – | 243 556 |
| | 2 562 166 | 3 308 680 | 2 562 166 | 3 308 680 |
| **Office equipment:** | | | | |
| **Minimum lease payments:** | | | | |
| Not later than one year | – | 143 133 | – | 143 133 |
| Later than one year and not later than 5 years | – | 212 017 | – | 212 017 |
| | – | 355 150 | – | 355 150 |

The lease for office equipment was cancelled and a new agreement has been signed in the current year. This has been treated as a finance lease. Refer to note 8.

## 10. FINANCE COST

| | ***2010 R*** | ***2009 R*** | ***2010 R*** | ***2009 R*** |
|---|---|---|---|---|
| Interest paid | 4 541 | 16 168 | 4 541 | 16 168 |
| Finance lease charges | 39 450 | – | 39 450 | – |
| | 42 991 | 16 168 | 42 991 | 16 168 |

## 11. AUDITORS' REMUNERATION (GROUP)

| | GROUP | | INSTITUTE | |
|---|---|---|---|---|
| | ***2010 R*** | ***2009 R*** | ***2010 R*** | ***2009 R*** |
| Holding Company | 268 024 | 325 050 | 268 024 | 325 050 |
| De Korte Street Properties (Proprietary) Limited | – | 12 500 | – | 12 500 |
| Charged to the income statement | 268 024 | 337 550 | 268 024 | 337 550 |

Audit fees paid in the 2010 financial year to Grant Thornton were for the audit of the 2009 financial year. The 2010 audit fees will be paid in 2011 and reflect as such in the financial statements. Audit fees for De Korte Street Properties (Proprietary) Limited will be paid by the Institute as the company has been dormant since 1st January 2010.

## NOTES (continued)

### 12. DIRECTORS' REMUNERATION

The directors' emoluments in connection with the affairs of the Institute, were as follows:

| | GROUP | | INSTITUTE | |
|---|---|---|---|---|
| | 2010 R | 2009 R | 2010 R | 2009 R |
| Salaries | 1 342 000 | 1 180 077 | 1 342 000 | 1 180 077 |
| Fringe benefits | 57 889 | 49 874 | 57 889 | 49 874 |
| | 1 399 889 | 1 229 951 | 1 399 889 | 1 229 951 |

The directors' emoluments were payable to executive directors only. Non-executive directors are not paid for their services.

### 13. TAXATION

The Institute is exempt from tax in terms of Section 10(1) of the Income Tax Act for the period under review.

| | GROUP | |
|---|---|---|
| | 2010 R | 2009 R |
| **TAXATION** | | |
| **Major components of the tax expense** | | |
| Local income tax – current period | – | 61 389 |
| 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% (2009 : 28%) | – | 858 138 |
| **Tax effect of adjustments to taxable income** | | |
| Non taxable accounting profit | – | (895 278) |
| Capital gains tax | – | 132 484 |
| Utilising assessed loss not recognised in the past | – | (34 254) |
| Tax losses carried forward | – | 61 389 |

### 14. RETIREMENT BENEFITS

**Defined contribution plan**

The Group 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. The Group is under no obligation to cover any unfunded benefits.

| | GROUP | | INSTITUTE | |
|---|---|---|---|---|
| | 2010 R | 2009 R | 2010 R | 2009 R |
| The total contribution to such schemes | 161 965 | 149 643 | 161 965 | 149 643 |

### 15. SPECIAL FUNDS

| INCOME | Bursary R | Institute R | Other funds R | 2010 Total R | 2009 Total R |
|---|---|---|---|---|---|
| Donations and grants | 1 351 343 | 638 386 | | 1 989 729 | |
| Interest | 188 499 | 35 968 | 156 801 | 381 268 | 670 786 |
| Dividends | 639 176 | | | 639 176 | 443 467 |
| Surplus on investments | 1 999 179 | | | 1 999 179 | 3 306 700 |
| | 4 178 197 | 674 354 | 156 801 | 5 009 352 | 8 974 453 |

# NOTES (continued)

## 15. SPECIAL FUNDS (continued)

| EXPENSES | Bursary R | Institute R | Other funds R | 2010 Total R | 2009 Total R |
|---|---|---|---|---|---|
| Administration fees and running costs | 880 276 | 1 408 316 | 397 002 | 2 685 594 | 3 802 409 |
| Audit fees | 20 000 | – | – | 20 000 | 25 000 |
| Funds repaid to donors | 221 846 | – | – | 221 846 | 1 081 178 |
| Bursaries and grants | 4 430 536 | – | – | 4 430 536 | 4 082 171 |
| | 5 552 658 | 1 408 316 | 397 002 | 7 357 976 | 8 990 758 |
| **LOSS FOR THE YEAR** | (1 374 461) | (733 962) | (240 201) | (2 348 624) | (16 305) |
| Accumulated funds at beginning of the year net of deficit balances | 23 765 892 | 1 670 902 | 3 386 179 | 28 822 973 | 28 839 278 |
| **NET ACCUMULATED FUNDS** | **22 391 431** | **936 940** | **3 145 978** | **26 474 349** | **28 822 973** |

A list of the balances of the Special Funds administered by the Institute appears in Note 16 and the related investments are set out in note 18.

## 16. SPECIAL FUNDS

### 16.1 Bursary Funds

| | Capital R | Amounts held for Bursary awards R | 2010 R | 2009 R |
|---|---|---|---|---|
| 3M Bursary Fund (staff) | – | – | – | 27 151 |
| Amcham Fund | – | 1 186 954 | 1 186 954 | 1 159 652 |
| ASA Educational Fund | – | – | – | 33 843 |
| Berkowitz Scholarship Fund | – | 1 099 455 | 1 099 455 | 1 723 152 |
| Clive Beck Education Trust | – | (14 136) | (14 136) | 173 214 |
| Dorothy Glauber Fund | 50 000 | 3 510 | 53 510 | 52 866 |
| Durban Thekwini Bursary Fund | – | 31 715 | 31 715 | 31 624 |
| Esrael Lazarus Education Fund | 67 000 | (43 721) | 23 279 | 16 658 |
| FNB Fund Bursary Programme | – | – | – | 233 885 |
| Gert and Irmgard Brusseau Trust | 45 990 | 553 326 | 599 316 | 616 877 |
| Giannopoulos Bequest | 322 000 | 19 081 | 341 081 | 307 846 |
| GMKS Fund | – | – | – | 22 515 |
| Horace Coaker Fund | 500 | 1 281 418 | 1 281 918 | 1 173 430 |
| Hungjao Bequest | 821 831 | (98 266) | 723 565 | 638 046 |
| Isaacson Foundation Bursary Fund | – | 4 876 653 | 4 876 653 | 4 872 948 |
| Johnson and Johnson Medical Bursary Fund | – | 275 489 | 275 489 | 365 567 |
| Kilchberg Bursary Fund | – | 32 085 | 32 085 | – |
| Luthuli Memorial Foundation Fund | 107 883 | 49 900 | 157 783 | 156 139 |
| MTN Fund | – | 89 651 | 89 651 | 87 597 |
| Oppenheimer Memorial Trust | – | 45 868 | 45 868 | 183 296 |
| Pick & Pay Fund | – | 164 501 | 164 501 | 160 733 |
| Reginald Smith Memorial Trust | 10 000 | 234 | 10 234 | 10 000 |
| Robert Shapiro Trust | 10 878 | 7 276 313 | 7 287 191 | 7 002 915 |
| SAIRR Education Trust | | | | |
| 3M Bursary Fund (non staff) | – | – | – | 1 036 |
| African Rainbow Minerals Fund | – | – | – | 13 655 |
| Alumni Bursary Fund | – | – | – | 38 520 |
| Fulton Fund | – | – | – | 42 513 |
| National Brands Fund | – | – | – | 132 |
| Raymond Tucker Fund | 25 | 10 773 | 10 798 | 18 790 |
| Zurich Fund | – | – | – | 320 188 |
| Senior Bursary Fund | 50 000 | 226 685 | 276 685 | 268 384 |
| Shirley Simons Fund | 772 778 | 2 941 975 | 3 714 753 | 3 871 866 |
| Sonae Novobord Bursary Fund | – | 100 760 | 100 760 | 97 827 |
| Trinity College Fund | – | 22 323 | 22 323 | 39 840 |
| UTI Education Trust Fund | – | – | – | 2 329 |
| USAID SA Scholarship Programme | – | – | – | (65) |
| Victor Daitz Fund | – | – | – | 923 |
| **TOTAL BURSARY FUNDS** | 2 258 885 | 20 132 546 | 22 391 431 | 23 765 892 |

## NOTES (continued)

| | GROUP | | INSTITUTE | |
|---|---|---|---|---|
| **16.2 Special Research Projects:** | **2010 R** | **2009 R** | **2010 R** | **2009 R** |
| Royal Belgian Embassy | 1 102 | 53 435 | 1 102 | 53 435 |
| Dick Gawith Fellowship | 472 894 | 1 035 540 | 472 894 | 1 035 540 |
| Irish Aid | 458 798 | 509 069 | 458 798 | 509 069 |
| IRI | 545 | 69 857 | 545 | 69 857 |
| Maurice Webb | 1 464 | 1 000 | 1 464 | 1 000 |
| Royal Danish Embassy | 2 137 | 2 000 | 2 137 | 2 000 |
| | 936 940 | 1 670 902 | 936 940 | 1 670 902 |
| **16.3 Other funds:** | | | | |
| Hecate | 293 630 | 292 980 | 293 630 | 292 980 |
| Johnson and Johnson BTC Fund | 2 852 348 | 3 093 199 | 2 852 348 | 3 093 199 |
| | 3 145 978 | 3 386 179 | 3 145 978 | 3 386 179 |
| **TOTAL SPECIAL FUNDS** | **26 474 349** | **28 822 973** | **26 474 349** | **28 822 973** |
| **17. INVESTMENTS** | | | | |
| **17.1 Special funds** | | | | |
| **17.1.1 Bursary Funds (Note 16.1)** | | | | |
| Fixed deposits | – | 173 291 | – | 173 291 |
| Listed investments (Note 18) | 17 290 421 | 15 291 242 | 17 290 421 | 15 291 242 |
| | 17 290 421 | 15 464 533 | 17 290 421 | 15 464 533 |
| Total equities and other investments | 17 290 421 | 15 464 533 | 17 290 421 | 15 464 533 |
| Cash deposits | 5 121 010 | 8 327 359 | 5 121 010 | 8 327 359 |
| | 22 411 431 | 23 791 892 | 22 411 431 | 23 791 892 |
| Less: Creditors | (20 000) | (26 000) | (20 000) | (26 000) |
| | **22 391 431** | **23 765 892** | **22 391 431** | **23 765 892** |
| **17.1.2 Institute Special Research Projects (Note 16.2)** | | | | |
| Unit Trusts and Cash on call | 936 940 | 1 670 902 | 936 940 | 1 670 902 |
| **17.1.3 Other funds (Note 16.3)** | 3 145 978 | 3 386 179 | 3 145 978 | 3 386 179 |
| **Total Special Funds** | **4 082 918** | **5 057 081** | **4 082 918** | **5 057 081** |
| **17.2 Other Institute Investments** | | | | |
| First National Bank Call Accounts | 4 600 000 | 4 158 759 | 4 600 000 | 4 158 759 |
| Listed investments (Note 19) | 15 913 690 | 13 706 862 | 15 913 690 | 13 706 862 |
| | **20 513 690** | **17 865 621** | **20 513 690** | **17 865 621** |
| **TOTAL INVESTMENTS** | **46 988 039** | **46 688 593** | **46 988 039** | **46 688 593** |

## NOTES *(continued)*

### 18. LISTED INVESTMENTS OF BURSARY FUNDS

| | *2010 Qty* | *2010 R* | *2009 Qty* | *2009 R* |
|---|---|---|---|---|
| **Banks** | | | | |
| Standard Bank Group Limited | 10 665 | 1 147 021 | 10 665 | 1 087 830 |
| **Beverages** | | | | |
| SAB Miller Plc | 2 280 | 537 008 | 2 280 | 493 392 |
| **Chemicals, Oils, and Plastics** | | | | |
| Sasol Limited | 2 285 | 791 250 | 2 285 | 680 930 |
| **Clothing and Accessories** | | | | |
| Compagnie Fin Richemont SA | 24 900 | 971 847 | 24 900 | 619 512 |
| **Food** | | | | |
| AVI Limited | 32 870 | 990 702 | 32 870 | 686 983 |
| **Mining Holdings and Houses** | | | | |
| Anglo American Plc | 7 245 | 2 485 035 | 7 245 | 2 314 705 |
| Kumba Iron Ore Limited | 3 640 | 1 545 180 | 3 640 | 1 110 200 |
| BHP Billiton Plc | 5 991 | 1 590 311 | 5 991 | 1 419 867 |
| **Platinum** | | | | |
| Anglo American Platinum Corporation Limited | 2 463 | 1 709 642 | 2 463 | 1 951 928 |
| **Property** | | | | |
| Liberty International Plc | – | – | 7 850 | 463 778 |
| Capital Shopping Centres Group Plc | 7 850 | 333 625 | – | – |
| **Property Unit Trusts** | | | | |
| Capital & Counties Properties Plc | 7 850 | 119 320 | – | – |
| Redefine Income Fund Limited | 344 733 | 2 754 417 | 344 733 | 2 464 841 |
| **Retail** | | | | |
| Pick n Pay Stores Limited | 16 802 | 813 217 | 16 802 | 698 963 |
| **Services** | | | | |
| Bidvest Group Limited | 6 247 | 979 217 | 6 247 | 805 863 |
| **Tobacco** | | | | |
| British Am. Tobacco Plc | 2 035 | 522 629 | 2 035 | 492 450 |
| | | **17 290 421** | | **15 291 242** |

The fair values of listed investments are based on the quoted market price at the reporting period date.

# NOTES (continued)

## 19. LISTED INVESTMENTS OF OTHER FUNDS

| | *2010 Qty* | *2010 R* | *2009 Qty* | *2009 R* |
|---|---|---|---|---|
| **Banks** | | | | |
| Standard Bank Group Limited | 9 860 | 1 060 443 | 9 860 | 1 005 720 |
| **Building Material and Fixtures** | | | | |
| Pretoria Portland Cement Limited | 5 229 | 182 754 | 5 229 | 181 603 |
| **Beverages** | | | | |
| SAB Miller Plc | 4 166 | 981 218 | 4 166 | 901 522 |
| **Chemicals, Oils, and Plastics** | | | | |
| Sasol Limited | 2 834 | 981 358 | 2 834 | 844 532 |
| **Clothing and Accessories** | | | | |
| Compagnie Fin Richemont SA | 7 060 | 275 552 | 7 060 | 175 653 |
| **Food Retailers and Wholesalers** | | | | |
| Tiger Brands Limited | 4 575 | 885 857 | 4 575 | 782 828 |
| Shoprite Holdings Limited | 6 000 | 597 900 | 6 000 | 391 320 |
| The Spar Group Limited | 10 200 | 997 458 | 10 200 | 725 118 |
| **Heavy Construction** | | | | |
| Group Five Limited | 5 200 | 189 800 | 5 200 | 200 200 |
| **Marine Transportation** | | | | |
| Grindrod Limited | 27 000 | 511 650 | 27 000 | 480 060 |
| **Mobile Electronic** | | | | |
| Allied Technologies Limited | 4 500 | 295 875 | 4 500 | 334 890 |
| MTN Group Limited | 4 462 | 599 782 | 4 462 | 526 070 |
| **Mining Holdings and Houses** | | | | |
| Anglo American Plc | 4 150 | 1 423 450 | 4 150 | 1 325 884 |
| BHP Billiton Plc | 5 564 | 1 476 964 | 5 564 | 1 318 668 |
| Kumba Iron Ore Limited | 3 300 | 1 400 850 | 3 300 | 1 006 500 |
| **Platinum** | | | | |
| Anglo American Platinum Corporation Limited | 402 | 279 040 | 364 | 288 470 |
| Impala Platinum HLGS Limited | 3 703 | 862 651 | 3 703 | 751 672 |
| **Property** | | | | |
| Liberty International Plc | – | – | 3 947 | 233 189 |
| Capital Shopping Centres Group Plc | 3 947 | 167 748 | – | – |
| **Property Unit Trusts** | | | | |
| Capital & Counties Properties Plc | 3 947 | 59 994 | – | – |
| **Retailers** | | | | |
| Clicks Group Limited | 12 000 | 520 080 | 12 000 | 327 000 |
| **Services** | | | | |
| Bidvest Group Limited | 7 080 | 1 109 790 | 7 080 | 913 320 |
| **Tobacco** | | | | |
| British Am. Tobacco Plc | 4 102 | 1 053 476 | 4 102 | 992 643 |
| | | **15 913 690** | | **13 706 862** |

The fair values of listed investments are based on the quoted market price at the reporting period date.

## 20. FIRST-TIME ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARD FOR SMALL AND MEDIUM-SIZED ENTITIES.

The Institute has applied the International Financial Reporting Standard for Small and Medium-sized Entities, for the first time for the 2010 year end. On principle this standard has been applied retrospectively and the 2009 comparatives contained in these financial statements differ from those published in the financial statements published for the year ended 31st December 2009. The standard gives certain mandatory exemptions from this principle, and certain optional exemptions. All adjustments were made to the opening comparative statement of financial position. The date of transition was 1st January 2009, and the changes were as follows:

| | |
|---|---|
| Property, plant and equipment | R188 410 |
| Accumulated funds | R188 410 |

## 21. RECONCILIATION OF FINANCIAL STATEMENT OF POSITION.

The 2009 allowance for bad debts has been reclassified from accounts payable to accounts receivable. The bad debt expense was previously set off against membership subscriptions. It has been reclassified and disclosed separately.

| | ***2009*** ***R*** |
|---|---|
| Accounts receivable | (171 801) |
| Accounts payable | 171 801 |
| Membership subscriptions | (171 801) |
| Bad debts | 171 801 |

## 22. RELATED PARTY NOTE – INSTITUTE

**Board of Directors:**

Full details of all the directors of the Group are set out under the Report of the Directors on pages 34 and 35 of this annual report.

**Subsidiaries:**

De Korte Street Properties (Proprietary) Limited

| **Related party balance:** | ***2010*** ***R*** | ***2009*** ***R*** |
|---|---|---|
| Loan to (from) subsidiary De Korte Street Properties (Proprietary) Limited | (2 987 214) | (3 061 103) |

| **Related party transactions:** | ***2010*** ***R*** | ***2009*** ***R*** |
|---|---|---|
| Admin fees received De Korte Street | – | 92 504 |
| Legal fees paid to related party: P J Horwitz | 9 313 | 19 704 |