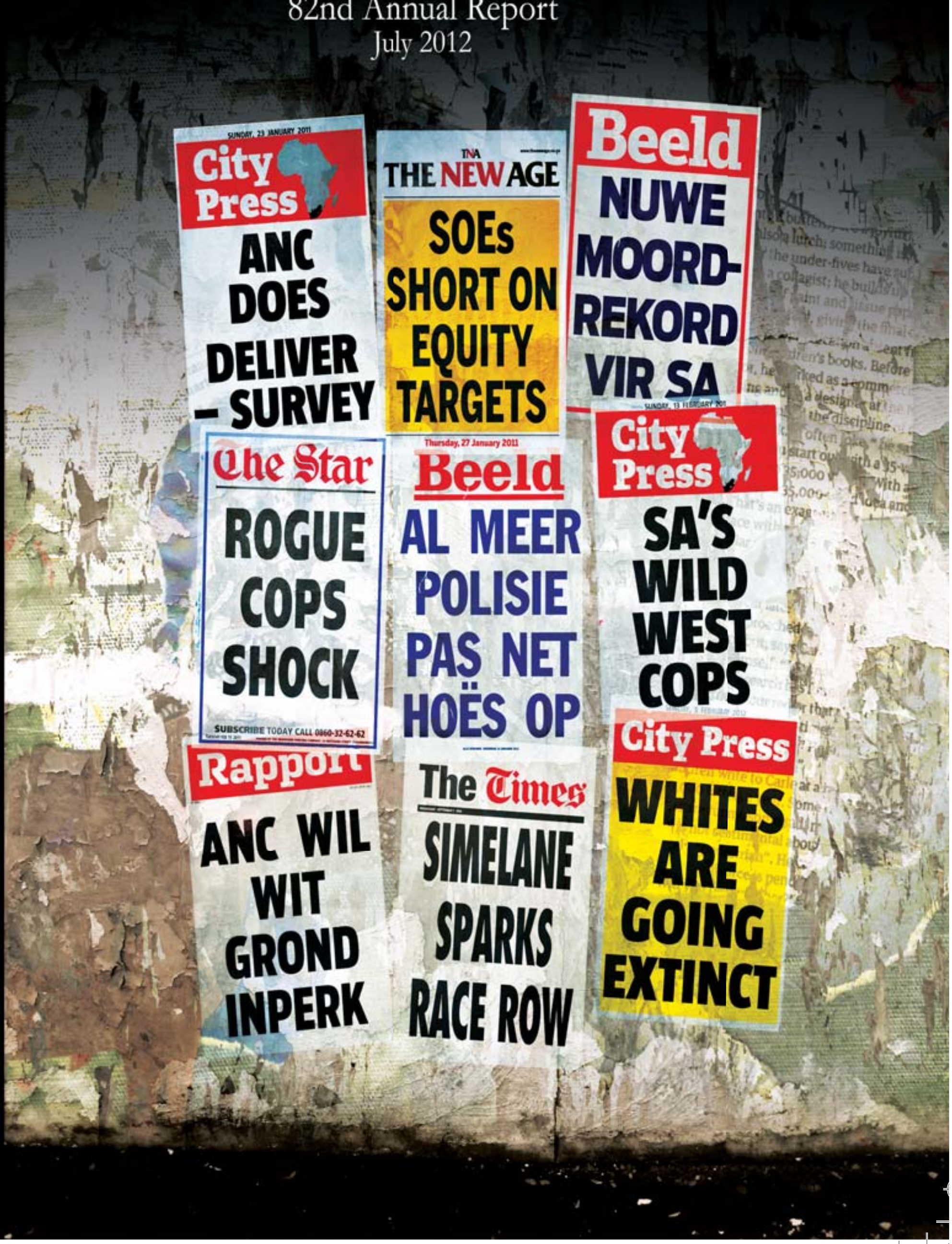
South African Institute of Race Relations

82nd Annual Report
July 2012



SOUTH AFRICAN INSTITUTE
OF RACE RELATIONS NPC

82nd ANNUAL REPORT

1st JANUARY TO 31st DECEMBER 2011

JULY 2012

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Our front cover reproduces newspaper posters referring to articles citing the Institute in the most recent past. On the back is a photograph of the late Professor Lawrence Schlemmer.

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.

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(Incorporated in the United States of America)

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HIGHLIGHTS

- A new Board of Directors, nominated by Council on 2nd July 2011, was elected at the annual general meeting of members on 5th July 2011.
- A new Council was elected in April 2012 for a four-year term of office.
- As required by the new Companies Act (No 71 of 2008), a Social and Ethics Committee was appointed by the Board on 27th February 2012.
- Even though the new Companies Act does not require it, oddly, we have decided to retain our Audit Committee.
- Professor Lawrence Schlemmer, a long-standing vice president and also a former president of the Institute, died in October 2011.
- Our application for tax advantages under Section 18A of the Income Tax Act was granted in September 2011, so that donations to the Institute are now tax-deductible in the hands of the donor.
- Income in the financial year ended 31st December 2011 amounted to R15.20 million and expenditure R11.35 million, leaving an operating surplus of R3.86 million. Income from investments ran to R1.68 million, increasing the surplus to R5.54 million.
- We received a donation of R5 million from the Elisabeth Bradley Trust.
- We exceeded our overall membership subscription target income of R2.58 million by R450 000.
- Expenditure went up by 1% over 2010.
- Assets under the control of the Institute increased to R50.39 million at the end of 2011. Of this amount, R18.61 million was accounted for by bursary funds.
- The Institute's share portfolio increased in value from R15.91 million to R18.13 million. The value of bursary shares entrusted to us decreased from R17.21 million to R12.83 million, mainly due to the sale of shares worth nearly R4 million to finance bursaries.
- The *2010/2011 South Africa Survey* was published, along with twelve issues of *Fast Facts*. We also sent out 39 press releases and 10 issues of *Research & Policy Brief*.
- *Beating Poverty – An Insight into Four Trends Driving Poverty at Local Government Level*; and *The Future of the Liberal Tradition in South Africa: 42nd Alfred and Winifred Hoernlé Memorial Lecture* were also published.
- Good Governance Africa (GGA) was established at the Institute in February 2012 to maintain and promote good governance across the continent.
- In terms of a new Democracy Support Programme launched in February 2012, some 2 000 public representatives at national, provincial, and local level receive regular information and analysis from the Institute.
- Altogether 553 representatives of newspapers, news agencies, and radio and television outlets also receive regular information from the Institute.
- We gave more than 500 media interviews.
- Our library answered some 257 queries from Institute members and subscribers.
- Seven briefings were hosted for Institute members. Altogether 70 presentations were given to members, public representatives, business groups, and other audiences by Institute representatives.
- Fifteen students on Institute bursaries graduated at the end of 2011, bringing the total since 1980 to 3 672.
- The Institute awarded 87 bursaries for the 2012 academic year.
- Following President Jacob Zuma's decision to appoint a judicial commission of enquiry into the 1999 arms procurement deal, we withdrew as amicus curiae in the case before the Constitutional Court seeking an order upon him to do so.

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
Berkowitz Family Scholarship Fund
Senior Bursary Fund
American Chamber of Commerce in South Africa
Newnham College, Cambridge
Kilchberg Fund

Tax-free donations

Donations to the Institute are tax-deductible in the hands of donors under Section 18A of the Income Tax Act. They are also exempt from donations tax.

Bequests are exempt from estate duty.

Please contact the Chief Executive should you wish to make a donation or bequest.

CHIEF EXECUTIVE'S REPORT TO MEMBERS FOR THE ANNUAL GENERAL MEETING ON THURSDAY 12th JULY 2012

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 2011, but this narrative report is up to date to May 2012.

GOVERNANCE

A new Board of Directors, nominated by Council on 2nd July 2011, was elected at the annual general meeting of members on 5th July 2011. A list of members of the current Board appears on page 4 of this report. (The list differs from the one on page 35 in that the latter names Board members in office during part or whole of 2011.) A new Council was elected in April 2012 for a four-year term of office from 1st May 2012. The new Council is listed on page 3. As required by the new Companies Act, the Board appointed a Social and Ethics Committee at its meeting on 27th February 2012 to advise it on social and ethical matters. The Committee is listed on page 4. The Act does not require the Institute to have an Audit Committee but we have decided to retain this committee, whose members are also listed on page 4. Under the Act we are obliged to identify the Institute's 'prescribed officers', which we have done on pages 6 and 34. As also required by the Act, we are compiling a new memorandum of incorporation, which has to come into operation before 1st May 2013.

LAWRENCE SCHLEMMER

Lawrence Schlemmer, who had been a vice president of the Institute since 1976, died in October 2011. He had also served as president from 1983 to 1985. His contribution both to the Institute, dating back more than 40 years, and to South Africa at large was immeasurable. The Institute and a number of other organisations with whom he had been associated hosted a well-attended function in Johannesburg on 28th November to pay tribute to him. Professor Schlemmer was a man of long-standing liberal convictions who also had the pioneering spirit to act them out, paying a high personal price when his office and home were firebombed by people on the hard Left in 1986. He was in a class of his own. A one-time social worker, he combined practical experience, on-the-ground survey research, theoretical and historical knowledge, an apparently unlimited store of factual information about all aspects of South Africa, and human sympathy to produce over a period of many years what were certainly the sharpest insights into our society. His knowledge of the country was subtle, wise, profound, humane – and fascinating. Lawrence Schlemmer's observations always enriched the Institute's annual Council meetings and he will be greatly missed.

FINANCE

The attached accounts cover the financial year ended 31st December 2011. Operating income was R15.20 million and expenditure R11.35 million, leaving an operating surplus of R3.86 million. Income from investments was R1.68 million, increasing the surplus to R5.54 million before tax of R214 492 paid by De Korte Street Properties. (The tax charge consists mainly of secondary tax on companies following the sale in 2009 of our premises in Braamfontein, which were owned by De Korte Street Properties (Pty) Ltd, a wholly-owned subsidiary of the Institute.) Total net surplus for the year after tax was R5.33 million.

The excellent positive result was mainly thanks to an extraordinary donation of R5 million from the Elisabeth Bradley Trust. Income from investments in 2011 was less than in 2010, because the gain on investments was lower by R1.44 million.

The year to 31st December 2011 was another good sales year as we generated R3.03 million in membership and subscription income, against a budget of R2.58 million.

Our expenditure in 2011 was only 1% higher than the previous year's.

As at 31st December 2011, the assets under the control of the Institute were worth R50.39 million, a 1.1% increase over the year before. Of this amount, R18.61 million was accounted for by bursary funds.

The Institute's sources of operating income in 2011 (excluding gains on investments) fell into five categories: corporate and individual membership fees (19%), individual and corporate core support (including the extraordinary R5 million) (41%), project sponsors (27%), income from investments (6%), and other (7%) – 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 concluded in December 2011. We were asked to administer a new five-year project for good governance in Africa, funded by private donors.

TAXATION

The Institute has long been exempt from paying income tax. In March 2005 this exemption was confirmed upon our registration as a public benefit organisation in terms of Section 30 of the Income Tax Act of 1962. I am delighted now to report that the Institute's application for tax advantages under Section 18A of the Act was granted in September 2011. This means that donations to the Institute now qualify for substantial tax benefits in the hands of the donor. Under Section 18A, taxpayers who make bona fide donations to the Institute may deduct from their taxable income so much of their donations as does not exceed ten percent of their taxable income in the year of assessment. The South African Revenue Service (SARS) has also reaffirmed that donations to the Institute, irrespective of the amount, are exempt from donations tax. In addition, SARS has reconfirmed that all bequests to the Institute are exempt from estate duty.

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, and political. All our projects 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, provincial legislatures, and eight major municipalities also receive regular newsletters under a new Democracy Support Programme. Additional information is further supplied on demand to corporate members and premium subscribers. 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 *2010/2011 Survey*, which ran to 860 pages, was published in December 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 757 national tables and graphics, 185 tables of provincial data, and 34 of municipal data. Each of the nine chapters also carried tables comparing South Africa with some 35 other countries from all regions of the world (66 international tables in all). In addition, in the latest *Survey*, new tables were added comparing South Africa with emerging markets and the rest of Africa – 34 tables on emerging markets and 27 African tables. Wherever possible, tables on South Africa itself go as far back as comparable data is available and as far forward as forecasts and projections have been made. Our population data, for example, starts in 1911 and ends 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.

The *Survey's* international reputation was established many years ago by Muriel Horrell MBE, a tribute to whom we recently added to our website. Written by Ms Sue Krige, it noted that Dr Horrell, who died in 1994, compiled no fewer than 27 issues of the *Survey* between 1949 and 1977. Apart from this pioneering work, she wrote 46 monographs for the Institute covering a wide range of topics. Major Horrell, as she previously was, served in the women's auxiliary wing of the South African Air Force in Egypt during the Second World War. Denied, as a woman, the right to fly in combat even though she was a qualified pilot, she prefigured some of her later work at the Institute by producing research on topics that included laws governing marriage in war zones.

Fast Facts

Our monthly *Fast Facts* bulletin supplements the *Survey*. Twelve issues of *Fast Facts* (July 2011 to June 2012) were published, the June issue being number 250 since publication began in February 1991. In January our regular five pages of statistics on economic, socio-economic, and business trends and forecasts were increased to six – 220 line items in all. Our annual analysis of the national budget covered the usual seven-year period (this time from 2008/2009 – 2014/2015), supplemented by tables comparing data for 1994 with the latest available. Other standard annual features included our *South Africa in Brief* statistical breakdown, and comparisons of provincial and local social and economic indicators. These statistics reveal wide discrepancies between the different provinces and also between different local authorities. An analysis of South Africa before and after its political transition was carried in one issue to mark the centenary of the African National Congress (ANC). Three issues were dedicated to presenting the latest updates and scores for our Rainbow Index. Another issue analysed the role and impact of black opinion-makers in South African politics. *Fast Facts* also featured a detailed analysis of the green paper on land reform. In addition to its statistical pages, *Fast Facts* carried altogether 51 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 until October 2011 for the municipal councils covered by our Municipal Outreach Project.

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 257 queries from Institute members and subscribers, members of Parliament (MPs), members of provincial legislatures (MPLs), local councillors, and the Media.

Website

The website remains an important tool in the marketing arsenal of the Institute. All our reports are held on the website. The site also features electronic facilities that allow any user to purchase a particular report or document via credit card. The site averages 5 000 unique users a month.

Parliamentary Information Service

This three-year project, funded by the Royal Danish Embassy, enabled us to send all MPs the *2010/2011 Survey*, *Fast Facts*, and 20 newsletters on various socio-economic subjects. It came to an end in December 2011.

Provincial Information Service

This three-year project, funded by Irish Aid, ended on 31st August 2011. Members of the nine provincial legislatures received the *Survey*, *Fast Facts*, and weekly newsletters. They were also able to submit queries on topics within the Institute's focus. Following receipt of a report by an independent external evaluator, Irish Aid commented on the 'impressive range, depth, and quality of the publications and researched material. Certainly the hallmark of the SAIRR'.

Municipal Outreach Project

The three-year project, formally called *Capacity Building for Local Government in Combating Poverty*, came to an end in October 2011. It was funded by the European Union via the Friedrich Naumann Foundation for Liberty and was aimed at eight urban municipalities: Cape Town, Capricorn, Ekurhuleni, eThekwini, Johannesburg, Motheo, Nelson Mandela Bay, and Tshwane. Some 1 800 councillors were supplied with statistical data and analysis to aid them in combating poverty within their respective communities. This was done via a monthly electronic *Fast Facts for Local Government*, a weekly electronic newsletter, a project website, and a report entitled *Beating Poverty: An Insight into Four Trends Driving Poverty at Local Government Level*.

Democracy Support Programme

This new programme was established in February 2012 for public representatives previously served by the three projects just mentioned. Participants have access to electronic versions of the *Survey* and *Fast Facts*, weekly newsletters, and a query service. The weekly newsletters are limited to a single page sent out by e-mail. Many of them provide comparative data for the different provinces, data which is much sought after. Where possible, we also provide comparative data on municipalities. This also awakens much interest. We are currently seeking funding to ensure the continuation of this programme.

Media Alert Service

This project, operated with the help of the Open Society Foundation, enables the Institute to disseminate its information and analysis to the local and international Media. By April 2012 altogether 553 journalists, newspapers, and television and radio stations had become subscribers to this service. Chiefly as a result of media releases generated by the Research Department the Institute gave more than 500 media interviews in

2011 on different topics. Between January and April 2012, a further 371 interviews were granted. This coverage is important for two reasons. The first is that it serves as an advertising campaign against which the marketing staff can go to work. Secondly, it ensures that the ideas and information generated in the Institute reach a wide audience at minimal distribution cost.

Social Media

We have decided to grow our social media presence. This involves posting updates of Institute reports and commentary on both Facebook and Twitter. So far the results suggest that these are avenues deserving further attention. Our 1 245 Facebook and Twitter followers or users include a considerably younger audience than those who typically read the Institute's reports.

South African Mirror

Since October 2001 the Institute has been compiling an audio-visual presentation of key demographic, economic, social, and political data excerpted from the *Survey* or *Fast Facts* or retrieved from our files. To date some 140 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

This project is funded by the (German) Friedrich Naumann Foundation for Liberty and the (American) National Endowment for Democracy via the International Republican Institute. It promotes a free 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. The Institute encourages and disseminates these ideas through its research, publications, and presentations, as well as in the Media through articles and letters.

Ten Pillars of Democracy: The Rainbow Index

Anthea Jeffery's book on the Ten Pillars of Democracy in the 15 years from 1994 to 2009 (published in 2010) has been followed by two subsequent annual reports, covering events in 2009/10 and 2010/11 respectively. A third annual report, which will cover developments in 2011/12, will be published in *Fast Facts* later this year. Scores on the Ten Pillars – which range from the Rule of Law to Growth-Focused Policies and Good Citizenship – have generally been declining as the country's performance declines.

Maurice Webb Project on Black Opinion-makers

With funding from the Maurice Webb Trust the Institute conducted research on the role and impact of black opinion-makers in South African public debate. Over a year we monitored the opinions of black politicians, business leaders, and academics as represented in the print Media. The common perception is that black opinion-makers tend to be less vocal and less critical of the Government. The research found that this was not the case, and that scrutiny and criticism of the Government was thriving among black opinion-makers. The research was published in an issue of *Fast Facts*.

Dick Gawith Project on Affirmative Action

As specified in the terms of a bequest to the Institute by 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'. Research has focused on affirmative action in employment; black economic empowerment (BEE) legislation, codes, and sectoral charters; and land reform in its various aspects. The first major product of the project – a book by Anthea Jeffery in her capacity as Dick Gawith Fellow at the Institute, focusing on the implementation and impact of these racial laws – will soon be published. Our work on affirmative action in South Africa has also become part of a comparative study looking at India, Sri Lanka, and America. The book, edited primarily by Terence Gomez of the University of Malaya, is due out later this year.

Anglo American Chairman's Fund Family Project

This project is a continuation of the research done by the Institute into the state of the South African family. Funded by the Anglo American Chairman's Fund, its objectives are to identify laws, policies, ideas, and values with an impact on children, their parents, and their families; to gather relevant international comparisons; to conduct in-depth interviews with government officials and professionals in relevant fields; and to update and extend relevant statistics. Reports with the findings of all of this research will be compiled and disseminated to government, civil society, business, and the Media.

South African Development Index

The project, supported by the Royal Netherlands Embassy, came to an end in December 2011. It generated press coverage for each quarterly update on development in South Africa based on the six areas chosen (the economy, education, health care, living conditions, gender, and crime).

UNIT FOR RISK ANALYSIS

The Unit is the marketing and public relations arm of the Institute. Through the unit subscribers in the private sector and government obtain access to the Institute's reports. The unit achieved pleasing results for 2011, recording an increase in the number of top-tier subscribers from 150 to 156. That number had increased to 169 by April 2012. Top-tier subscribers include Premium and Core subscribers (previously Corporate and Company members). They pay an annual fee of between R15 000 and R32 000 to obtain access to various of the Institute's reports and services. These range from hard and soft copies of reports to research support services and briefings. A particularly important development over the year was the interest shown in these reports and services by government departments and agencies. Almost half of new sales went into the government sector, ranging from premiers' offices and parastatals to national and provincial departments.

GOOD GOVERNANCE AFRICA

Good Governance Africa (GGA) was established under the auspices of the Institute on 1st February 2012. Its aim is to promote good governance on the continent by monitoring and reporting on governance issues and by producing research and analysis. It enjoys editorial independence. GGA received funding from two private donors, and has its own staff of four.

GGA will be producing a monthly newsletter entitled *Africa in Fact*, as well as an annual *Africa Survey* modelled on the *South Africa Survey*. It will also publish an annual monitor on South Africa, co-operate with like-minded individuals and organisations in other countries, and devise a governance index to rank African countries. GGA will further issue 'alerts' or 'calls to action' in response to threats to good governance, as well as run a governance website to disseminate information. It will also hold an annual conference.

BRIEFINGS AND LECTURES

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

- *The future of the liberal tradition in South Africa* (Hoernlé Memorial Lecture) (R W Johnson) (17th August 2011)
- *Revealing the master plan: What the ANC has in store for South Africa* (annual briefing to members) (John Kane-Berman) (Cape Town and Johannesburg) (19th and 27th September)
- *Tributes to Professor Lawrence Schlemmer* (Ann Bernstein, Francis Antonie, Tertia van der Walt, Eleanor Preston-Whyte, Helga Dickow, Valerie Moller, Mangosuthu Buthelezi, and John Kane-Berman) (28th November)
- *Religion and attitudes towards life in South Africa: Pentecostals, charismatics, and reborns* (Helga Dickow) (6th March 2012)
- *South Africa's economy in 2012 and beyond* (Azar Jammine, Dawie Roodt, and Chris Hart) (28th March)
- *Travelling to learn* (Julia de Kadt) (15th May)

Altogether 70 presentations were given by Institute staff to members and others. Many of these took the form of audio-visual *South African Mirror* presentations. Apart from the briefings to parliamentary staff, provincial legislatures, and municipalities, we addressed the following: South African-German Chamber of Commerce & Industry, BMW, Transvaal Agricultural Union, Santam, Lombard Insurance, Eskom, KwaZulu-Natal Agricultural Union, Milk Producers Organisation, Altech, Merrill Lynch, Cliffe Dekker Hofmeyr, Eli Lilly, Wits Department of Psychology, Families South Africa, Sonke Gender Justice Network, Roberts and Chaplin, Institute for Independent Business, Norton Rose, University of the Third Age, Highveld Forum, South African Water & Energy Forum, Zurich Insurance, Ethos Private Equity, The Presidency, Lonmin, Solidarity, SwissCham Southern Africa, and various embassies and consulates. We also addressed meetings hosted by the Friedrich Naumann Foundation for Liberty and Belgian Trade and Development Cooperation in Berlin and Brussels respectively.

BURSARIES

In the past 30 years the Institute has awarded bursaries, most of them to black students, worth R226 million. Since 1980, no fewer than 3 672 students have graduated through our bursary programme in the following fields: science and engineering 1 094, business and commerce 983, medicine, health sciences and dentistry 585, education 410, arts 371, and law 229.

Last year there were 73 students on tertiary bursaries through the Institute's various schemes. Altogether 47 of these students continued on the programme from the previous year, while 26 new awards were made for 2011. The overall pass rate of these students was 96%, meaning that this proportion either graduated or was promoted to the next year of study. Altogether 15 students graduated.

The number of bursaries awarded for the 2012 academic year is 87. Of this total, 24 are new bursaries and 63 are 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 on page 47 as part of the notes to our financial statements later on in this report.

STAFF

We had two resignations and appointed two new researchers and a new senior bookkeeper as well as three staff to the new Good Governance Africa project.

Eunice Mahlaba (Library Assistant) celebrated 35 years of service, and Queenie Nkuna (Senior Office Assistant) and Alfred Nkungu (Special Library Assistant) 25 years each.

THANKS

Thanks are due to our members and subscribers 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. Their names are on pages 8 and 10. We are especially grateful to Elisabeth Bradley for her (second) generous gift. We wish also to thank the members who serve on our various governing bodies and in particular offices, including Jonathan Jansen, our President; Theo Coggin, our Chairman; Peter Horwitz, our Vice Chairman; Tom Wixley, our Audit Committee Chairman and Honorary Treasurer; Roger Crawford, Chairman of the Remuneration Committee; and Peter Joubert and Ian Cruickshanks of our Investment Committee. We further thank Derek Bostock for taking the chair of the new Social and Ethics Committee. Thanks are due also to staff for their dedication and professionalism.

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

PUBLIC POLICY ISSUES

Introduction. Often described as a 'think-tank', the Institute has also to be a factory. Thought goes into all of this, but so do planning, budgeting, adherence to deadlines, and such mundane things as typesetting. The bulk of our published output – by far – is the hard statistical data contained in the *Survey* and *Fast Facts*. However, members, subscribers, and donors also expect output in the form of commentary, analysis, and public statements. Members of the public who may not be directly associated with the Institute have also come to expect comment or research on particular issues. So once again this past year, we published information about, or commented on, a very wide range of public policy issues. We also drew attention to important social, economic, and political trends.

Our vehicles were 51 articles in *Fast Facts*, 10 issues of *Research & Policy Brief*, 21 fortnightly columns in *Business Day* by the Chief Executive, 3 (new) columns in *Rapport* by the Deputy CEO, various other newspaper articles by our staff, 39 press statements, 70 presentations by our staff to various audiences, and 61 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 conducted more than 500 media interviews.

In addition to publishing information and analysis, the Institute dealt with public policy issues in submissions to various government departments on labour, land, and racial legislation, while also appearing as amicus curiae in litigation in the Constitutional Court.

- **Health, welfare, and demographics.** Drawing on the Institute for Futures Research, the Actuarial Society of South Africa, and Statistics South Africa, we highlighted several important trends:
  - the number of children receiving social grants has risen from 800 500 in 2001 to almost 10.4 million in 2011
  - in 2010, schoolgirls had babies at the rate of 144 per day
  - 10% of women who have abortions are girls under the age of 18
  - after several years of decline, life expectancy of women has risen from 55.5 years to 56.2 and of men from 50.6 to 52.1

- ✳ the number of old people is increasing faster than the working-age population, so the old-age dependency ratio is rising
- ✳ but for HIV/AIDS, South Africa's population would have been 4.4 million higher than it is, and will rise to 53.4 million in 2040 instead of 77.5 million
- ✳ thanks in part to urbanisation and higher living standards, the country's fertility rate will drop below the replacement level of 2.1 by 2035
- ✳ there are currently more females than males in South Africa but the positions will be reversed by 2020
- ✳ tuberculosis (closely tied to AIDS) is the number one killer of Africans whereas whites die primarily of heart disease and Indians of diabetes mellitus
- ✳ South Africa accounts for only 0.7% of the world's population but 17% of its HIV/AIDS cases, and
- ✳ the proportion of women attending public antenatal clinics who are HIV-positive will drop from 29% to 25% by 2025

- **Education.** We highlighted some of the signs of improvement, among them that the number of children attending early childhood development centres had risen from 1 million in 2000 to 1.5 million in 2010 (although the latter number still represented only a third of those in the relevant age group). But our annual analysis of matriculation results questioned the assertion by the minister of basic education that the schooling system was 'making great strides'. We pointed out that the numbers of pupils taking and passing mathematics and physical science had declined. We noted also that only one in four of those who wrote the national senior certificate examination passed well enough to enrol for a bachelor's degree. Moreover, even these standards were low: a bachelor's pass required the 'achievement' of only 30% in the language of learning and teaching coupled with 50% or better in four subjects.

  We also drew attention to the fact that nobody in authority had expressed any public concern about teachers who joined yet another stoppage, this time a one-day strike in March 2012 against labour broking and new toll-road charges. We pointed out that white trade unionists did not routinely undermine the education of their own (or black) children in the way black trade unions did. Black South Africa at large seemed to tolerate the outrage that was most current public schooling, which, we said, was 'as disempowering of black schoolchildren as anything HF Verwoerd ever designed'. Until the 'culture of acquiescence' in the behaviour of trade unions who were laying waste the futures of black schoolchildren was broken, 'the slow suicide of black South Africa will continue'.

- **Employment.** Figures published in the *Survey* showed that the numbers of unemployed had more than doubled since the African National Congress (ANC) came to power. The Institute also noted that some 3.3 million youngsters between the ages of 15 and 24 (a third of that age cohort) were neither working nor learning. Waiting in the wings, moreover, were nearly 11 million children between the ages of 7 and 17. On current trends, perhaps a third of them could look forward to a lifetime of unemployment, illiteracy, and innumeracy. The president of the ANC Youth League, Julius Malema, had sought to exploit this constituency, inter alia by offering them the remedy of nationalisation. This was his equivalent of the garlic and beetroot a previous health minister had offered as a cure for AIDS. Although it was now a cliché to describe youth unemployment as a 'ticking time-bomb', nobody was offering the unemployed anything better than Mr Malema purported to do. Government, unions, and business had long ago struck a bargain over legislation which meant a tighter labour market, legislation which was now being made more restrictive. A long-mooted youth wage subsidy has still not been implemented.

  Early in 2011 we published (and submitted to the Department of Labour) an analysis of proposed amendments to various labour laws published at the end of 2010. There was so much opposition to these amendments that they never reached Parliament and were further amended. At the time of writing this report we were accordingly preparing an analysis of the amendments to the amendments earlier proposed.

Yet, we suggested, there were at long last some (small) signs of changes in the labour environment. Exemptions for smaller companies from minimum wage requirements laid down by the bargaining council for the clothing industry could herald the beginning of the slow erosion of the essentially undemocratic bargaining council system, one of whose chief consequences was to price unskilled workers employed by smaller companies out of the labour market. Also, there was a change in the way government and media were framing the country's major social problem: unemployment, rather than poverty. Perhaps this is because explicit anti-poverty interventions, notably social grants, have gone about as far as they can without beginning to threaten the fiscus. Although there is now more and more talk about 'job-creation' and more and more promises from the Government about how many jobs it will 'create', the Institute argued that this was the wrong focus. Jobs were the incidental result of profit-seeking entrepreneurship. Policy should therefore be directed not at artificial 'job-creation' but at running the country and the economy in such a way as to inspire private investment in whatever goods and services entrepreneurs thought they could make money from.

- **Race.** Last year's report noted that Professor Lawrence Schlemmer had observed earlier in 2011 that everyday race relations in South Africa were mainly benign. A survey he had conducted for the Institute a decade previously had come to essentially the same conclusion. At the time of writing the present report there was much attention in the Press to racially abusive remarks stuck up on somebody's Twitter post on the Internet. Some commentators suggested that this proved that the society was still drowning in racism. Facebook and Twitter certainly provide new opportunities for all sorts of people instantly to go public globally with views for which previously they had few outlets. Yet the outrage against the culprit and the fact that she immediately lost various sponsorships suggests that those who publicly express racist views may be outnumbered by those who find such views odious and are willing to say so. Meanwhile, the Institute was itself subject to a bit of electronic vitriol when we pointed out that there was little statistical evidence that whites were singled out as targets for crime, contrary to what many believed.

  We remain convinced that the real problem with race in South Africa is not rank-and-file attitudes or everyday behaviour, but racial legislation, including employment equity and black economic empowerment (BEE) laws. These, we pointed out, were proving costly and had failed to help the truly disadvantaged. Last year we published an analysis of proposed amendments to the Employment Equity Act – amendments which have not yet gone to Parliament. In March 2012 we published a detailed critique of proposed new procurement and BEE legislation. The latter, we pointed out, sought to combat 'fronting' by defining it extremely widely and then imposing tough punishments. These included fines amounting to 10% of turnover, setting aside of contracts and licences, and prison sentences of up to ten years for senior managers and directors responsible. The jail terms envisaged in the BEE amendment bill, published in December 2011, are the first time such penalties have been provided for breach of affirmative action requirements since the ANC came to power. If these provisions are enacted, some kind of Rubicon will have been crossed.

- **Land reform.** Last year's report quoted from our analysis of a draft green paper on land reform and a draft land tenure security bill. At the end of 2011 we published a further analysis of the green paper. We noted that it was likely to extend the State's control over land and put more and more land into state ownership via a new 'valuer-general' and 'land management commission'. There would be ceilings on the size of commercial farms, the optimum size of farms to be decided by government officials. There was a possibility that 'excess' land would have to be sold, which might drive down the price of land, enabling the Government to acquire it cheaply. However, new farmers provided by the State with land thus acquired would have no right of ownership and would instead have to lease their land from the State. We further pointed out that there still seemed no prospect that all the people living on communal land in the former homelands would be granted individual title. 'Far from extending land ownership to many more black South Africans, the green paper and the 2010 bill will work together to bring about incremental land nationalisation. There will be no big-bang approach, but the Government will gradually assume ownership of ever more land while more and more South Africans find themselves occupying land by grace and favour of the State.' Our analysis of the green paper and the proposed legislation was submitted to the Department of Rural Development and Land Reform.

The Institute also pointed out that the oft-cited figures that whites owned 87% of the land in South Africa and blacks only 13% were misleading. In the first place, between 20% and 25% of land was in the hands of the State. Secondly, the supposed 87% ignored land already transferred via restitution or redistribution, land that might have been transferred had some beneficiaries not opted for some R5.7 billion in financial compensation instead, and land transferred on the open market. We also noted that the Government and the ANC's attitude to land reform should be seen in the context of the National Democratic Revolution view (see below) that whites-owned land was the result of colonialist dispossession. This meant that the success of land reform would be measured by the quantum of land redistributed, not by the quantum of food produced on it.

We further pointed out that the suggestion in the National Development Plan published in November 2011 that almost a million new jobs could be created in agriculture was fanciful in light of the fact that that sector had been shedding jobs for years. But, we noted, despite a widely held view to the contrary, South Africa remained a net food exporter – selling abroad in 2010 some 30% more agricultural goods than we imported.

- **Living standards and development.** Perhaps no aspect of South Africa is more puzzling than what is happening – or not happening – to living standards. A great many people – perhaps most – seem to think there have been no improvements. The rising number of 'service delivery' protests is said to confirm this. Increases in unemployment, largely abysmal education, apparently declining standards in public hospitals, rising mortality thanks to AIDS, spreading shacks and shanty towns described as 'informal settlements', and obvious poverty and squalor are further signs of failure.

No organisation in the country has been more consistently critical of government policy and failures over a long period of time than the Institute. We have, however, also taken the lead in pointing to the voluminous statistical evidence of success. Although some of Statistics South Africa's unemployment figures have been questioned, few people have questioned its surveys showing significant increases in subsidised housing construction, along with greater access to piped water, modern sanitation, and electricity. Looking at asset ownership, Africans now own the majority of houses in South Africa – a significant change given that denial of homeownership rights was one of the essential components of the apartheid system. Figures from other sources show a decline in the incidence of absolute poverty, thanks largely to the extension of the welfare system. Moreover, as the Institute pointed out in January 2012 on the basis of data compiled by the South African Advertising Research Foundation, the proportion of adults living in the bottom three living standards categories has fallen in the last decade. In March and April both *City Press* and *Rapport* devoted a whole broadsheet page to data compiled by the Institute from various sources testifying to some of these successes. The editor of *City Press*, Ferial Haffajee, wrote that our figures revealed the 'democratic dividend' and were 'very different' to the 'entirely misplaced and, personally, nauseating' 'narrative of dysfunction that is still dominant in descriptions of South Africa'. And in April Jimmy Manyi, CEO of the Government Communication and Information System (and also cabinet spokesman), wrote in *The New Age*, 'The lives of South Africans have markedly improved according to a recent survey by the South African Institute of Race Relations'.

Why then all the protest, some of it violent? We have frequently pointed out that however successful 'delivery' has been, demand has risen faster than supply, thanks in part to increasing urbanisation. We have also observed that much of what the State has provided has been very poor – tumble-down houses or collapsed water supplies being a major problem. Further, we have said, a revolution of rising expectations has been at work: when people see their neighbours getting houses their own frustrations increase rather than diminish. Writing in *New Agenda* in March, the ANC MP Ben Turok referred to an article our deputy CEO, Frans Cronje, had written in the *Cape Times* in February, in which he had argued: 'It is possible to demonstrate that South Africa has achieved more in improving the lives of its people than many within the country admit'. Asked Mr Turok:

> 'So why do we have the opposite impression from press reports, especially concerning service delivery protests? Cronje's answer accords with academic writing on revolution: people are stimulated to struggle when there seems to be a turn of the tide of misery. When the masses sense the opening of new possibilities, they gain in confidence and resort to mass action.'

While it is true that 'service delivery' has improved, various dangers loom. One is that the cost eventually becomes too great for the fiscus to bear. A second is that a large and growing part of the population becomes increasingly dependent on the State, which strengthens the hold of the ruling party. A third is that government is seen mainly as a mechanism for 'delivery' rather than as having responsibility for creating the kind of environment in which people can provide for their own needs and entrepreneurship can flourish. Elections thus become contests over which party's promises to 'deliver' are more credible.

- **Crime and safety.** Statistics on crime are not straightforward. There is evidence that some police stations exaggerate their success in combating crime by deflating the crime statistics when they report to police headquarters, while surveys by Statistics South Africa show that only 42% of households think violent crime has come down. Nevertheless, when the latest statistics were issued by the South African Police Service (SAPS) in September 2011, we commented that the 'overall picture is positive' in that most crime rates were coming down. This applies irrespective of whether the statistics are compared with the previous year's or with the earliest comparable figures available, which are for the year the ANC came to power. (Earlier figures are distorted by the exclusion of data from some of the ten 'homelands' into which the country was fragmented under National Party rule.) The total number of the 20 most serious crimes rose from 2.02 million in 1994/95 to 2.07 million (that is, by 2.6%), but the crime rate dropped from 5 202 per 100 000 people in the earlier year to 4 146 per 100 000 in the latter year (that is, by 20.3%). In particular, the murder rate has dropped by more than 50%.

  The main exceptions to the decline are aggravated robbery, commercial crime, and 'crimes dependent on the police for detection' (such as alcohol or drug abuse). The total number of aggravated robberies rose from just under 85 000 in the earlier year to more than 101 000 in the latter (although the peak year was 2003/04, when the number was nearly 134 000). Moreover, although the number of armed response businesses in the private security industry has shot up by 264% over the past five years, there has been an increase in both home and business robberies.

Looking at other aspects of security, we pointed out that the last 15 years have seen an increase of more than 2 400% in the number of prisoners serving sentences longer than 10 years. This, we noted, rather than an increase in the number of criminals being sentenced, might explain the rise in the prison population. The Institute also argued that alcohol was a contributing factor when drunken youths perpetrated violent crimes such as gang rapes, robberies, and assaults. We asked whether it was right for companies such as SABMiller to ferry alcohol into communities 'that it knows are wracked by alcohol-fuelled crime and abuse'. The Institute also pointed out that railway accidents accounted for five times as many deaths as mining accidents, but that the Government seemed far more concerned about the latter than about the former.

In a press release in August last year the Institute pointed out that the number of police officials murdered had dropped by 62% since 1994. Ironically, while crimes against policemen may be on the decrease, crimes by policemen seem to be on the increase. In fact in February last year, the Institute published *Broken Blue Line — the Involvement of the South African Police Force in Serious and Violent Crime*. Since then there have been more and more reports of criminal behaviour, whether violent or otherwise, on the part of policemen. Very serious allegations (including murder) against a top policeman, evidence that the security services are being subverted by political factionalism, political interference with prosecutions, threats to the lives of prosecutors, intimidation and unlawful arrests of journalists, and the bullying (and sometimes lethal) behaviour of police vehicles escorting politicians and other officials – all this suggests that lawlessness within the state institutions responsible for public safety and security has become endemic. Corruption – whether petty, or on a major scale, involving highly placed police officials – appears to be widespread. At the apex of the State sits a president against whom very serious allegations have been made by the courts but who seems determined to avoid any kind of judicial process that would involve his appearance in court.

There have, of course, been persistent allegations of corruption surrounding the big arms purchase deal signed in 1999. We have published numerous articles about it in the newspapers and on our website. Last year we appeared as amicus curiae in an application to the Constitutional Court for an order compelling the president to appoint a judicial commission of enquiry into the arms deal. However, shortly before the court was due to give judgement in September 2011, President Jacob Zuma announced the appointment of a judicial commission, making it unnecessary to proceed with the case. The commission has yet to begin its inquiry.

- **Civil society, opposition, and the Press.** Although violent but localised protest is now endemic, the past year or two have seen a burgeoning of non-violent protest. At the time of writing this report, opposition from a range of different organisations had caused the ANC and the Government to shelve plans to introduce an electronic tolling system in Gauteng province. Earlier we had commented that corruption, inefficient government, and ANC plans to curb the Press had helped to galvanise civil society organisations into action, 'prompting a level of opposition unprecedented in the post-apartheid period'. Sustained public opposition from a range of different organisations resulted in changes to the Protection of State Information Bill of 2010 so that its 2011 version contains certain safeguards. One of these, we noted, was that official documents could be classified only where there was a possibility of 'demonstrable harm' to 'national security'. Moreover, classification could not be used to hide unlawful behaviour. However, we pointed out, these amendments did not eliminate the risk of arrest and prosecution of journalists. That legislation was being contemplated was testimony to the fact that some of the mounting opposition to corruption was coming from within the Government in that anonymous officials were leaking information about it to the Press.

Proposals in the ANC to establish a tribunal to discipline the Press – which the Institute described as part of a 'quest for untrammelled power' – appear to have been shelved. One reason may be the extent of the opposition to such a tribunal. Another may be proposals in April 2012 from a press freedom commission set up by editors and newspaper companies. Key to these proposals is replacing the long-standing tradition of self-regulation by the Press Council of South Africa by 'co-regulation' in that the council would now comprise seven members of the public and only five from the media industry. The Institute has consistently argued that the Government has no real basis for complaint against the previous self-regulatory system in that it had lodged relatively few complaints, and, where it did complain, the findings were often favourable to it. Though the new system of 'co-regulation' is designed to be independent of the Government, there is a risk that it could be the first step towards official regulation, especially if the Press continues to expose corruption and criminality.

One of the healthiest developments in South Africa in the last few years has been the growing opposition to threats from within the ruling alliance to the independence of the Press and the Judiciary, along with threats to amend the Constitution to dilute property rights and the powers of the courts. This opposition has, moreover, come as much from blacks as from whites. Some of it has come from within the ruling alliance. And in a study of the views of black opinion-makers, our research manager, Lucy Holborn, found that criticism and scrutiny of the Government were 'thriving' on a range of issues.

Business organisations and a handful of business leaders were among the critics of the proposals to curb the Press, but the strongest criticism of the ANC and the Government from anyone in business in a long time came from the chairman of Nedbank, Reuel Khoza, in his chairman's statement in April. The ANC, he said, was out to 'undermine the rule of law and override the Constitution'. Its 'moral quotient' was 'degenerating' and its 'putative' leaders suffered from sheer 'incapacity' to deal with the complexity of 21st century government and leadership. His comments provoked an angry reaction from the ANC and the Government, but the Institute pointed out that they could not but be aware of the truth of his remarks. We also suggested that his remarks might encourage public servants who had evidence of corruption to leak it to the Press.

- **The State.** Many years ago the Institute argued that an increasingly interventionist government was biting off more than it could chew and was failing – or likely to fail – in some of the key areas for which governments were responsible. In August 2008 we posed the question, 'Will Jacob Zuma be able to fix the failing state?' A year later we suggested that the 'failing state threatens to undo the progress made since 1994' and the year after that that 'large-scale failure threatens South Africa'. Since then there have been some signs of improvement, such as speedier issuing of passports by the Department of Home Affairs. Acknowledgement must also be made of some of the successes with provision of social services referred to above, and also the drop in the overall crime rate. Prudent management of fiscal policy has been recognised internationally by favourable credit ratings for the country. The Institute pointed out that while national departments showed an increase in qualified audits, municipal and provincial departments showed a decrease. That all said, signs of failure are apparent in all provinces, at all three levels of government, and in numerous government departments and agencies. Some failures – notably skill shortages – arise in part from the previous government's education system. Most – failure to deliver school books on time, for example – cannot be blamed on the past. It is indeed almost beyond belief that 18 years after the end of the apartheid system, so many black pupils still start the year without books. The fundamental reason for this failure – a sign of callousness also – is that nobody (apart from the schoolchildren) pays any price for it. The same is true of many other areas where the state is failing. In our monitor of 'effective government' as one of the 'ten pillars of democracy' in our Rainbow Index, the Institute assigned a declining score: 29% in the first 15 years of ANC rule, 26% in 2009/10, and 25% in 2010/11. We expressed surprise that *The Economist* 'index of democracy' gave South Africa 82% for the 'functioning of government'. This declining performance by the State coincides with a 22% increase in public service employment over the past decade, at a time when total employment grew by only 5%.

- **The Rainbow Index.** With the financial support of the Royal Belgian Embassy the Institute launched an annual monitor of political and economic freedom in South Africa according to ten essential 'pillars of democracy'. The pillars include social as well as economic and political issues. The first report on the country's performance, covering the first 15 years of ANC rule, was published in 2010 as a book entitled *Chasing the Rainbow: South Africa's move from Mandela to Zuma*. We then published two annual reviews in *Fast Facts*, and a third was being prepared as this report was being written. While our annual *South Africa Survey* is a largely statistical monitor of the country's progress, the Rainbow Index supplements it with commentary and analysis about all major developments and happenings in the country. The index assigns a score to each pillar – or criterion – to enable both relative performance and trends over time to be assessed. However, these scores are but the tip of an iceberg of careful analysis. This analysis embraces not only some of the statistical data covered in the *Survey*, but also trends in legislation and policy. It further includes an account of social trends, and how the different components of society – business, unions, non-governmental organisations, the Media, citizens at large, and others – are reacting to one another, attempting to influence policy, or otherwise attempting to shape the society.

  The scores so far are as follows:

Pillar	***1994 to 2009***	***2009/10***	***2010/11***
Democratic Governance	51%	45%	42%
Rule of Law	48%	37%	35%
Individual Rights and Responsibilities	61%	65%	59%
A Vigilant Media and Civil Society	64%	61%	56%
Racial Goodwill	52%	55%	50%
Good Citizenship	32%	30%	34%
Liberation of the Poor	25%	21%	28%
Effective Government	29%	26%	25%
Scope for Free Enterprise	49%	45%	42%
Growth-Focused Policies	35%	32%	30%

- **The National Democratic Revolution.** Over the past year we have devoted increased attention to the 'national democratic revolution' (NDR) to which the African National Congress (ANC) and its allies in the South African Communist Party (SACP) and the Congress of South African Trade Unions (Cosatu) remain committed. The NDR was the focus of our annual briefing to Institute members and subscribers in Cape Town and Johannesburg in September 2011. It was also the topic of addresses to various other audiences in Johannesburg, KwaZulu-Natal, and the Western Cape. In addition, the NDR featured in several articles in *Business Day* and *Fast Facts*. These were not the first occasions on which we paid attention to the NDR. It was discussed in *The Rainbow Index* published in 2010 and, indeed, alluded to in our study of the *People's War* published the year before that. It was also discussed at some length at the meeting of the Institute's Council in August 2010, and further touched on in last year's *Annual Report* to members.

Why then the additional attention to a policy that was after all adopted way back in the 1950s, first by the SACP and then by the ANC? Firstly, the escalating threats to the Constitution reminded us that revolutionary thinking remains a powerful strain within the ruling tripartite alliance. Secondly, the NDR is a useful analytical tool in that NDR thinking helps to explain policy developments and attitudes – such as the special hostility to mining and agriculture – that many people find 'baffling'. In the third place, understanding the NDR is necessary to dealing with some of the risks it poses.

We accordingly noted that the NDR had 'picked up steam' after the ANC's conference at Polokwane in 2007, and that it was updated from time to time in various 'strategy and tactics' documents. Some of the key milestones in implementation of the NDR were as follows:

1. The supremacy of party headquarters at Luthuli House, eroded under the presidency of Thabo Mbeki, had been re-established.
2. The cadre deployment policy was applied throughout the public sector at all three levels of government.
3. More and more state control was being introduced via regulatory and licensing bodies, nationalisation of mineral and water rights, and the appropriation via tax of an increasing share of GDP.
4. The market-orientated strategy of the Growth, Employment and Redistribution (GEAR) document adopted in 1996 had been steadily eroded by more intrusive policy documents.

Increasing attacks on the independence of the Judiciary and of the Press, threats to amend the Constitution to dilute property rights, and the intensification of African nationalist policy in the form of various affirmative action laws had to be seen in the context of NDR thinking. Indeed, threats to amend the Constitution were entirely consistent with the NDR view that the agreements reached after constitutional negotiations in the early 1990s were not matters of principle but merely tactical compromises necessitated by the 'balance of forces' at that time. We warned that apparent retreats in 2011 and 2012 from some of the more drastic threats to the Judiciary and the Press could similarly be no more than tactical compromises. When 'the balance of forces' shifted against 'neo-liberalism' and in favour of the NDR, as the 'strategy and tactics' documents made clear, tougher measures could be reintroduced. We noted that whereas checks and balances were the very essence of the Constitution, they were anathema to the revolutionary ethos.

As if on cue, in March and April 2012 the ANC published various 'discussion documents' for its conferences in the middle and at the end of 2012. One such document highlighted the need to lay the foundation for the 'second transition' aimed at 'social and economic transformation' over the next 30 to 50 years. The second focused on the importance of setting up 'a comprehensive system of political schools that will massively churn out cadres who are properly prepared for the tasks of revolutionary transformation'.

We pointed out that the cadre deployment policy meant that the role of public servants in South Africa was not simply to manage the various components of the State in terms of the law but to transform it. 'They are not professional bureaucrats but professional revolutionaries funded by taxpayers.'

- **What next?** In our discussion of the ANC's 'second transition' document, we noted that the organisation's economic agenda was not clear. In terms of the original theory of the NDR based on Leninist principles adapted for South Africa's 'colonialism of a special type', economic liberation was not possible under capitalism. At this stage, however, the plan seemed to be to harness the private sector to a 'developmental state' agenda. Was this 'merely an interim phase on the road to socialism, an objective which at this stage is being kept below the radar?' The risk, we said, was that failures by the developmental state to deal with unemployment, poverty, and inequality would be used as a pretext to push for more radical economic policies.

The National Development Plan published by the National Planning Commission towards the end of 2011 identified the risk that the plan 'could fail because the State is incapable of implementation'. We pointed out that development required a professional civil service, whereas the NDR wanted a revolutionary civil service composed of deployed cadres. Development also required business participation on a major scale in the provision of infrastructure, but the ruling alliance and the NDR were hostile to business.

The short-term outlook for South Africa, we said, was that the planned 'second transition' would be characterised by policy confusion, uncertainty, and frustration. This meant low growth, anaemic investment, and high unemployment. Our Unit for Risk Analysis suggested that 'a rudderless government, blind to the world, may continue to do great damage to investor sentiment'. Despite the presence in the Cabinet of such people as Trevor Manuel and Pravin Gordhan, 'transformative and redistributive policy will trump growth-focused policy over the next decade'. However, we said, low growth was 'most unlikely' to translate into the 'Tunisia moment' that some people had predicted would happen by 2020. 'That we are a free and open democracy distinguishes us from many North African states…as long as we remain free and open, young men will not need to pick up guns to change the Government.'

On economic policy, we said, the longer-term outlook was that eventually the ANC government would have to change course and that 'liberal modernity will replace revolutionary retrogression'. In the end, we suggested, the ANC would have to give up on the NDR just as the National Party had eventually had to give up on apartheid. 'The retreat from apartheid started in 1970 and it took 20 years before it culminated in F W De Klerk's announcements on 2nd February 1990. We must hope the disintegration of the national democratic revolution does not take that long.'

CONCLUSION

The Institute has been trying to measure its public impact. The easiest part of this is to collect statistics. In 2011, some 48 articles by Institute staff appeared in the newspapers, along with 33 letters. We were cited in 934 reports, and gave 552 media interviews. In the first three months of 2012, some 11 articles and 7 letters appeared, while we were cited in 426 reports, and gave 355 interviews. These statistics are an underestimate. We're not able to monitor the foreign Press, citations on Twitter and Facebook, or the various webites around the world in different languages on which we are reported.

Subject to that reservation, combining the whole of last year with the first three months of this year adds up to 2 366 media appearances, which averages out at six a day. Given that we employ no external public relations or media agency, this excellent performance testifies to the success of our internal media alert service. The objectives are to assist our marketing drive, contribute to public debate, put issues on to the public agenda, and influence opinion.

Last year our research on families was reported or cited on 158 occasions. The other top topics on which we appeared in the media were youth unemployment (131 occasions), race relations (106), Julius Malema (71), labour legislation (69), employment equity (57), and violence and killings by the police (54). The main topics on which we were cited in the first three months of 2012 were road deaths (60), employment (57), fertility and population growth (49), child support grants (44), and the drop in mining investment (44).

The Media in which the Institute is cited include all the better-known newspapers and magazines in all the major cities but also specialist journals, among them *Mining Weekly*, *Farmer's Weekly*, *Medical Chronicle*, *Auto Dealer*, *Engineering News*, and the *South African Real Estate Investor*. We are reported also in local papers such as the *Southern Suburbs Tatler*, the *Roodepoort Northsider*, the *Meadowlands Urban Chronicle*, and the *Springs Advertiser*. Other papers include *Isolezwe*, *Ilanga le Theku*, and *Vukani*. Foreign newspaper coverage is difficult to measure but it includes Agence France Presse, Associated Press, *Le Monde*, *The Economist*, Reuters, *The New York Times*, and the *Wall Street Journal*. Radio and television includes the BBC, Channel Islam International, Radio Sonder Grense, East Coast Radio, Voice of the Cape, Classic FM, Imbokodo, Igagasi FM, and Lesedi FM. Our staff also feature regularly on Radio 702 as well as on e-TV and the e-News channel.

Much of the coverage arises from press releases we issue, most of them comprising statistical data from all the fields that we cover in the *Survey*.

Determining whether the data we publish has an impact is harder than collecting statistics on coverage. Looking at the above analysis, some coverage arises from requests from the Media for interviews by our staff, who are encouraged to give such interviews. But many of the topics covered arise from our own decisions to inject information into the public arena – the research on families being the best example. Even though we have not published anything on family life for some time, the data we issued last year keeps on appearing in the Press. Another good example is the coverage of our press release in January 2012 on youth unemployment. The figures it contained were frequently quoted in local and international reports on Mr Malema – who thus had the effect of drawing global attention to the extent of unemployment among South African youth.

The national democratic revolution is another issue that we have injected into the public arena. We are one of only two or three organisations that pay attention to it. Most organisations and the bulk of the Media either ignore or pooh-pooh the NDR, but thanks to the Institute it has recently received attention in publications such as *Farmer's Weekly* and *Rapport*, the latter of which published an extensive article about it based on Institute research. Possibly prompted by several recent articles published by the Institute, a prominent businessman also took up the dangers of cadre deployment policy in a lengthy article in *City Press* in May 2012.

A further sign of the impact of the Institute is the increased demand for our information from the various parts of government. Various independent evaluations over several years of the information services we provided to public representatives told us how highly politicians across the spectrum valued our publications. But most recently, we have been asked not only to rush additional copies of the *Survey* over to the Union Buildings but also to provide slideshow briefings, help train researchers, undertake research on commission, and help write reports. Given the fact that we have never tempered anything we've said about the Government in public, this is an encouraging sign. It tells us the Institute's age-old approach of telling the truth without fear or favour is as appropriate under the present Government as it was under the previous one.

Johannesburg
18 May 2012

SOUTH AFRICAN INSTITUTE OF RACE RELATIONS NPC AND ITS SUBSIDIARY COMPANY

ANNUAL FINANCIAL STATEMENTS
for the year ended 31st December 2011

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 36–50 were drawn up by R D le Roux, audited as required by the Companies Act, and 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 2011

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 Richmond 2092 Johannesburg
Postal address	P O Box 291722 Melville 2109 Johannesburg
Auditors	Grant Thornton Chartered Accountants (SA) Registered Auditors A South African member of Grant Thornton International
Bankers	First National Bank

Non Executive Directors

J D Jansen	President
H B Giliomee	Vice President
M M A Shezi	Vice President
T Coggin	Chairman of Board of Directors
P J Horwitz	Vice Chairman of Board of Directors
T A Wixley	Audit Committee Chairman and Honorary Treasurer
D S L Bostock	Honorary Legal Adviser
P L Campbell	Appointed 5th July 2011
R D Crawford	
J A Elgie	Appointed 5th July 2011
P G Joubert	
E le Roux Bradley	
P Letselebe	
C J McCaul	
I Mkhabela	
M J Myburgh	
C E W Simkins	
D F P Taylor	Appointed 30th November 2011

Executive Director — J S Kane-Berman Chief Executive

Company Secretary — R D le Roux

Business address:	*Postal address:*
2 Clamart Road Richmond 2092 Johannesburg	P O Box 291722 Melville 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, Remuneration, and Social and Ethics Committees, whose members are listed on page 4.

Audit Committee

The Audit Committee, which is not a statutory committee but established by decision of the Board, 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 and the Prescribed Officers is disclosed. Members of the Institute are asked to approve the remuneration policy at the Annual General Meeting.

Social and Ethics Committee

To advise it on social and ethical matters in accordance with the Companies Act, the Board appointed a Social and Ethics Committee at its meeting on 27th February 2012. The Committee will report to the Annual General Meeting of members in July 2012.

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 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 2012 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 36 to 50 which have been prepared on the going concern basis, were approved by the Board on 28th May 2012, and were signed on its behalf by:

J S Kane-Berman

T A Wixley

REPORT OF THE INDEPENDENT AUDITORS

To the members of the
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 2011, 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 50.

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 2011, 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.

Grant Thornton

GRANT THORNTON
Chartered Accountants (SA)
Registered Auditors

per A Cawdry
Chartered Accountant (SA)
Registered Auditor

28th May 2012

Grant Thornton Office Park
137 Daisy Street
Sandown
2196

REPORT OF THE DIRECTORS

The directors submit their report for the year ended 31st December 2011.

Review of the Institute's business and operations

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

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

Going concern

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

Dividends

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

Interest in its subsidiary

Details of the Institute's investments in subsidiaries are set out in note 4.

Tax exemption

The Institute was informed by the South African Revenue Service on 21st September 2011 that its application for donations to be tax deductible in the hands of donors in terms of Section 18A of the Income Tax Act had been approved.

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 recommended by the Audit Committee and approved by the Board and the AGM of Members.

Prescribed officers

The prescribed officers are:
F J C Cronje
A J Jeffery
R D le Roux

Secretary

R D le Roux served as secretary of the Institute for the year ended 31st December 2011.

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
	M M A Shezi	Vice President
	T Coggin	Chairman of Board of Directors
	P J Horwitz	Vice Chairman of Board of Directors
	T A Wixley	Audit Committee Chairman and Honorary Treasurer
	D S L Bostock	Honorary Legal Adviser
	P L Campbell	Appointed 5th July 2011
	R D Crawford	
	J A Elgie	Appointed 5th July 2011
	P G Joubert	
	E le Roux Bradley	
	P Letselebe	
	C J McCaul	
	I Mkhabela	
	M S Mosikili	Resigned 21st January 2011
	M J Myburgh	
	L Schlemmer	Deceased 26th October 2011
	S Seepe	Resigned 5th July 2011
	C E W Simkins	
	D F P Taylor	Appointed 30th November 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 remuneration adjustments 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 Audit Committee

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

- Recommended Grant Thornton as auditors and Andrew Cawdry as the designated auditor for the 2011 financial year;
- Satisfied itself that the auditors are independent;
- Approved the annual financial statements of the Institute for 2011, prepared in accordance with 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

at 31st December 2011

	Notes	*GROUP*		*INSTITUTE*	
		2011 ***R***	***2010*** ***R***	***2011*** ***R***	***2010*** ***R***
ASSETS					
Non current assets					
Plant and equipment	2	1 147 709	1 339 459	1 147 709	1 339 459
Intangible assets	3	42 993	–	42 993	–
		1 190 702	1 339 459	1 190 702	1 339 459
Investments					
Special Funds					
– Bursary	18.1.1	18 606 579	22 391 431	18 606 579	22 391 431
– Institute	18.1.2	825 632	936 940	825 632	936 940
– Other	18.1.3	1 928 472	3 145 978	1 928 472	3 145 978
		21 360 683	26 474 349	21 360 683	26 474 349
Other Institute investments	18.2	25 631 660	20 513 690	25 631 660	20 513 690
		46 992 343	46 988 039	46 992 343	46 988 039
Current assets					
Accounts receivable	5	649 509	1 282 276	649 509	1 282 276
Cash resources	6	1 561 283	248 851	1 561 283	248 851
		2 210 792	1 531 127	2 210 792	1 531 127
TOTAL ASSETS		**50 393 837**	**49 858 625**	**50 393 837**	**49 858 625**
FUNDS AND LIABILITIES					
Funds and reserves					
Accumulated funds		25 291 990	19 966 132	22 521 940	16 978 918
		25 291 990	19 966 132	22 521 940	16 978 918
Special funds					
– Bursary	16/17	18 606 579	22 391 431	18 606 579	22 391 431
– Institute	16/17	825 632	936 940	825 632	936 940
– Other	16/17	1 928 472	3 145 978	1 928 472	3 145 978
		21 360 683	26 474 349	21 360 683	26 474 349
Non current liabilities					
Wesbank instalment sale agreement	8	100 043	130 085	100 043	130 085
Sunlyn investment finance lease agreement	9	230 264	349 867	230 264	349 867
		330 307	479 952	330 307	479 952
Current liabilities					
Wesbank instalment sale agreement	8	45 400	45 400	45 400	45 400
Sunlyn investment finance lease agreement	9	125 713	95 372	125 713	95 372
Accounts payable	7	3 239 744	2 797 420	3 239 744	2 797 420
Loan from subsidiary	4	–	–	2 770 049	2 987 214
		3 410 857	2 938 192	6 180 306	5 925 406
TOTAL FUNDS AND LIABILITIES		**50 393 837**	**49 858 625**	**50 393 837**	**49 858 625**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December 2011

	Notes	*GROUP*		*INSTITUTE*	
		2011 ***R***	***2010*** ***R***	***2011*** ***R***	***2010*** ***R***
INCOME					
Administration fees received		880 179	828 318	880 179	828 318
Bequests		50 000	–	50 000	–
Grants and donations		11 128 455	6 350 188	11 128 455	6 350 188
Membership fees and subscriptions		3 032 278	2 533 838	3 032 278	2 533 838
Publication sales		110 577	150 031	110 577	150 031
		15 201 489	**9 862 375**	**15 201 489**	**9 862 375**
EXPENSES					
Amortisation	3	3 907	–	3 907	–
Auditors' remuneration					
– Fees for the audit	12	303 186	268 024	303 186	268 024
Bad debts		136 092	121 979	136 092	121 979
Depreciation	2	283 993	272 510	283 993	272 510
Finance costs	11	54 508	42 991	54 508	42 991
Lease expenditure		37 020	65 082	37 020	65 082
Loss on disposal of fixed asset		–	65 965	–	65 965
Overheads and administration		1 255 347	944 910	1 252 674	944 910
Personnel		7 787 220	7 311 781	7 787 220	7 311 781
Postage		202 265	420 885	202 265	420 885
Printing		262 659	572 998	262 659	572 998
Rent and utilities		723 780	767 709	723 780	767 709
Telecommunications		164 553	240 733	164 553	240 733
Travel		130 914	172 536	130 914	172 536
		11 345 444	**11 268 103**	**11 342 771**	**11 268 103**
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR		**3 856 045**	**(1 405 728)**	**3 858 718**	**(1 405 728)**
INCOME FROM INVESTMENTS					
Dividends		593 559	466 685	593 559	466 685
Realised and unrealised gain on investments		743 741	2 187 745	743 741	2 187 745
Interest received		347 004	390 381	347 004	390 381
		1 684 304	**3 044 811**	**1 684 304**	**3 044 811**
SURPLUS BEFORE TAXATION		**5 540 349**	**1 639 083**	**5 543 022**	**1 639 083**
Secondary tax on companies paid	14.1	276 000	–	–	–
Normal tax overpaid 2009	14.2	(61 508)	–	–	–
SURPLUS FOR THE YEAR		**5 325 857**	**1 639 083**	**5 543 022**	**1 639 083**
Other comprehensive income		–	–	–	–
SURPLUS AFTER COMPREHENSIVE INCOME		**5 325 857**	**1 639 083**	**5 543 022**	**1 639 083**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2011

GROUP	***Note***	***Accumulated funds R***
Balance at 1st January 2010		18 327 050
Surplus for the year		1 639 083
Balance at 31st December 2010		**19 966 133**
Balance at 1st January 2011		19 966 133
Surplus for the year		5 325 857
Balance at 31st December 2011		**25 291 990**

INSTITUTE	
Balance at 1st January 2010	15 339 835
Surplus for the year	1 639 083
Balance at 31st December 2010	**16 978 918**
Balance at 1st January 2011	16 978 918
Surplus for the year	5 543 022
Balance at 31st December 2011	**22 521 940**

STATEMENT OF CASH FLOWS

for the year ended 31st December 2011

	GROUP		***INSTITUTE***	
	2011 R	***2010 R***	***2011 R***	***2010 R***
Cash flows from operating activities				
Surplus for the year	5 540 349	1 639 083	5 543 022	1 639 083
Adjustments: Depreciation/Amortisation	287 900	272 510	287 900	272 510
Interest received	(347 004)	(390 381)	(347 004)	(390 381)
Taxation paid	(276 000)	(61 389)	–	–
Gain on investments	(743 741)	(2 187 745)	(743 741)	(2 187 745)
Straight lining of office lease	64 444	62 056	64 444	62 056
Lease instalments paid	(119 305)	(63 960)	(119 305)	(63 960)
Loss on disposal of fixed assets	–	80 966	–	80 966
Movement in working capital				
– decrease/(increase) in accounts receivable	632 767	(517 193)	632 767	(517 193)
– increase in accounts payable	439 390	950 259	377 880	962 758
Sub total	5 478 800	(215 794)	5 695 963	(141 906)
Interest received	347 004	390 381	347 004	390 381
Net cash inflow from operating activities	5 825 804	174 585	6 042 968	248 475
Cash flows from investing activities				
Decrease in inter-company loan account	–	–	(217 164)	(73 890)
Increase in investments	(4 374 229)	(441 241)	(4 374 229)	(441 241)
Inflow from initial acquisition of leased assets and instalment sale of motor vehicle	–	603 544	–	603 544
Acquisition of plant and equipment	(139 143)	(799 375)	(139 143)	(799 375)
Net cash outflow from investing activities	(4 513 372)	(637 072)	(4 730 536)	(710 962)
Net cash (utilised in)/generated for the period	1 312 432	(462 487)	1 312 432	(462 487)
Cash resources at beginning of period	248 851	711 338	248 851	711 338
Cash resources at end of period	**1 561 283**	**248 851**	**1 561 283**	**248 851**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31st December 2011

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.

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 Institute 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 Institute 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 in 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 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 plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

1.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are initially recognised at cost.

All research and development costs are recognised as an expense unless they form part of the cost of another asset that meets the recognition criteria.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

If the company is unable to make a reliable estimate of the useful life of an intangible asset, the life will be presumed to be 10 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting period date if there are indicators present that there is a change from the previous estimate.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Website development	1 year

1.4 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 16.

1.5 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 Institute. 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 Institute.

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.

1.6 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;
- 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 and subscriptions

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.

1.7 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.

NOTES (continued)

1.8 Accumulated Funds

All reserves are reflected under accumulated funds.

1.9 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.

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.

1.10 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.

1.11 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.

1.12 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 Institute 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.

1.13 Impairment

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

If 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.

1.14 Contingencies and commitments

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

NOTES (continued)

2. PLANT AND EQUIPMENT

GROUP AND INSTITUTE	*Furniture and equipment* R	*Motor vehicles* R	*Library* R	*Total* R
Year ended 31st December 2011				
Opening net carrying amount	678 476	256 983	404 000	1 339 459
Additions	92 243	–	–	92 243
Depreciation	(238 207)	(45 786)	–	(283 993)
Closing net carrying amount	**532 512**	**211 197**	**404 000**	**1 147 709**
Year ended 31st December 2011				
Cost as revalued	1 653 370	500 683	404 000	2 558 053
Accumulated depreciation	(1 120 858)	(289 486)	–	(1 410 344)
Closing net carrying amount	**532 512**	**211 197**	**404 000**	**1 147 709**
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**

3. INTANGIBLE ASSETS

	GROUP		*INSTITUTE*	
	2011 R	***2010*** R	***2011*** R	***2010*** R
Website development	46 900	–	46 900	–
Amortisation	(3 907)	–	(3 907)	–
Net book value at 31st December 2011	42 993	–	42 993	–

4. INVESTMENT IN WHOLLY-OWNED SUBSIDIARY COMPANY

	INSTITUTE	
	2011 R	***2010*** R
Shares at cost	6	6
Less: Loan	(2 770 055)	(2 987 220)
The loan from De Korte Street Properties Proprietary Limited was interest-free with no fixed repayment terms and conditions.	(2 770 049)	(2 987 214)

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.

5. ACCOUNTS RECEIVABLE

	GROUP		*INSTITUTE*	
	2011 R	***2010*** R	***2011*** R	***2010*** R
Receivables	631 775	1 150 455	631 775	1 150 455
Receiver of Revenue – VAT	5 734	102 967	5 734	102 967
Staff debtors	12 000	28 854	12 000	28 854
	649 509	1 282 276	649 509	1 282 276

NOTES (continued)

6. CASH RESOURCES

	GROUP		INSTITUTE	
	2011 R	2010 R	2011 R	2010 R
Cash on hand	3 500	1 800	3 500	1 800
Current account	184 633	180 629	184 633	180 629
Call account	1 373 150	66 422	1 373 150	66 422
	1 561 283	248 851	1 561 283	248 851

7. ACCOUNTS PAYABLE

Payables	1 042 333	1 013 948	1 042 333	1 013 948
Accruals	271 953	26 579	271 953	26 579
Accrual for leave pay	535 251	561 981	535 251	561 981
Subscription fees received in advance	1 390 207	1 194 912	1 390 207	1 194 912
	3 239 744	2 797 420	3 239 744	2 797 420

8. INSTALMENT SALE

Motor vehicle:

Minimum instalment payments:				
– within a year	45 400	45 400	45 400	45 400
– within second to fifth year	128 635	174 035	128 635	174 035
	174 035	219 435	174 035	219 435
Less future finance charges	(28 592)	(43 950)	(28 592)	(43 950)
Present value of minimum instalments	145 443	175 485	145 443	175 485
Current liabilities	45 400	45 400	45 400	45 400
Non current liabilities	100 043	130 085	100 043	130 085
	145 443	175 485	145 443	175 485

9. FINANCE LEASE

The Institute has certain finance leases on office equipment. In terms of the leases the Institute's commitments are as follows:

	GROUP		INSTITUTE	
Office equipment:	2011 R	2010 R	2011 R	2010 R
Minimum lease payments:				
– within a year	125 713	95 372	125 713	95 372
– within second to fifth year	425 780	551 493	425 780	551 493
	551 493	646 865	551 493	646 865
Less future lease charges	(195 516)	(201 626)	(195 516)	(201 626)
Present value of minimum lease payment	355 977	445 239	355 977	445 239
Current liabilities	125 713	95 372	125 713	95 372
Non current liabilities	230 264	349 867	230 264	349 867
	355 977	445 239	355 977	445 239

NOTES (continued)

10. OPERATING LEASE

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

	GROUP		INSTITUTE	
Premises:	**2011 R**	**2010 R**	**2011 R**	**2010 R**
Minimum lease payments:				
Not later than one year	587 032	543 695	587 032	543 695
Later than one year and not later than 5 years	1 431 439	2 018 471	1 431 439	2 018 471
	2 018 471	2 562 166	2 018 471	2 562 166

11. FINANCE COST

	GROUP		INSTITUTE	
	2011 R	**2010 R**	**2011 R**	**2010 R**
Interest paid	6 382	4 541	6 382	4 541
Finance lease charges	48 126	39 450	48 126	38 450
	54 508	43 991	54 508	42 991

12. AUDITORS' REMUNERATION

	GROUP		INSTITUTE	
	2011 R	**2010 R**	**2011 R**	**2010 R**
Holding Company	303 186	268 024	303 186	268 024
De Korte Street Properties Proprietary Limited	–	–	–	–
Charged to the income statement	303 186	268 024	303 186	268 024

Audit fees paid in the 2011 financial year to Grant Thornton were for the audit of the 2010 and 2009 financial year. The 2011 audit fees will be paid in 2012 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.

13. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

	GROUP		INSTITUTE	
The directors' and prescribed officers' emoluments in connection with the affairs of the Group, were as follows:	**2011 R**	**2010 R**	**2011 R**	**2010 R**
JS Kane-Berman — Salary	1 373 590	1 342 000	1 373 590	1 342 000
JS Kane-Berman — Fringe benefits	53 436	57 889	53 436	57 889
FJC Cronje — Salary	687 216	580 800	687 216	580 800
AJ Jeffery — Salary	665 625	605 745	665 625	605 745
RD le Roux — Salary	581 790	528 900	581 790	528 900
	3 361 657	3 115 334	3 361 657	3 115 334

NOTES *(continued)*

14. TAXATION

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

14.1 TAXATION	GROUP 2011 R	GROUP 2010 R
Major components of the tax expense		
Secondary Tax on Companies	276 000	–
Total taxation for current year payable	276 000	–
Reconciliation of Secondary Tax paid:		
Dividend to be declared by De Korte Street Properties to South African Institute of Race Relations.	2 760 000	–
Tax at the applicable tax rate of 10% (2010 : 10%)	276 000	–

14.2 TAXATION

Local income tax – paid for 2009 tax year Refund to the Institute by the Receiver of Revenue – Tax overprovided and paid for 2009 tax year	(61 509)

15. RETIREMENT BENEFITS

Defined contribution plan

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

	GROUP		INSTITUTE	
	2011 R	2010 R	2011 R	2010 R
The total contribution to such schemes	174 977	161 965	174 977	161 965

16. SPECIAL FUNDS

INCOME	Bursary R	Institute R	Other funds R	2011 R	2010 R
Donations and grants	1 658 586	2 928 847	336 625	4 924 058	1 989 729
Interest	133 530	39 889	107 906	281 325	381 269
Dividends	570 341	–	–	570 341	639 176
Surplus on investments	–	–	–	–	1 999 179
	2 362 457	2 968 736	444 531	5 775 724	5 009 353
EXPENSES					
Administration fees and running costs	895 196	3 080 044	1 662 037	5 637 277	2 685 594
Audit fees	20 900	–	–	20 900	20 000
Bursaries and grants	4 498 956	–	–	4 498 956	4 430 536
Funds repaid to donors	172 105	–	–	172 105	221 846
Loss on investments	560 152	–	–	560 152	–
	6 147 309	3 080 044	1 662 037	10 889 390	7 357 976
SURPLUS (LOSS) FOR THE YEAR	(3 784 852)	(111 308)	(1 217 506)	(5 113 666)	(2 348 624)
Accumulated funds at beginning of year net of deficit balances	22 391 431	936 940	3 145 978	26 474 349	28 822 973
NET ACCUMULATED FUNDS	**18 606 579**	**825 632**	**1 928 472**	**21 360 683**	**26 474 349**

A list of the balances of the Special Funds administered by the Group appears in Note 17 and the related investments are set out in note 19.

NOTES (continued)

17. SPECIAL FUNDS

17.1 Bursary Funds

	Capital R	***Amounts held for Bursary awards R***	***2011 R***	***2010 R***
Amcham Fund	–	1 142 342	1 142 342	1 186 954
Berkowitz Scholarship Fund	–	721 167	721 167	1 099 455
Clive Beck Education Trust	–	84 608	84 608	(14 136)
Dorothy Glauber Fund	50 000	4 058	54 058	53 510
Durban Thekwini Bursary Fund	–	32 887	32 887	31 715
Esrael Lazarus Education Fund	67 000	(43 721)	23 279	23 279
Gert and Irmgard Brusseau Trust	45 990	359 564	405 554	599 316
Giannopoulos Bequest	322 000	21 540	343 540	341 081
Horace Coaker Fund	500	1 066 786	1 067 286	1 281 918
Hungjao Bequest	821 831	(93 672)	728 159	723 565
Isaacson Foundation Bursary Fund	–	4 053 570	4 053 570	4 876 653
Johnson and Johnson Medical Bursary Fund	–	(141 013)	(141 013)	275 489
Kilchberg Bursary Fund	–	7 027	7 027	32 085
Luthuli Memorial Foundation Fund	107 883	55 104	162 987	157 783
MTN Fund	–		–	89 651
Oppenheimer Memorial Trust	–	83 828	83 828	45 868
Pick & Pay Fund	–	171 096	171 096	164 501
Reginald Smith Memorial Trust	10 000	645	10 645	10 234
Robert Shapiro Trust	10 878	6 393 857	6 404 735	7 287 191
SAIRR Education Trust				
Raymond Tucker Fund	25	6 495	6 520	10 798
Senior Bursary Fund	50 000	140 989	190 989	276 685
Shirley Simons Fund	772 778	2 252 387	3 025 165	3 714 753
Sonae Novobord Bursary Fund	–	5 022	5 022	100 760
Trinity College Fund	–	23 128	23 128	22 323
TOTAL BURSARY FUNDS	2 258 885	16 347 695	18 606 579	22 391 431

	GROUP		***INSTITUTE***	
17.2 Special Research Projects:	***2011 R***	***2010 R***	***2011 R***	***2010 R***
Anglo American Chairman's Fund				
Family research project	503 318	–	503 318	–
Royal Belgian Embassy	1 000	1 102	1 000	1 102
Dick Gawith Fellowship	98 719	472 894	98 719	472 894
Good Governance Africa	216 592	–	216 592	–
Irish Aid	–	458 798	–	458 798
International Republican Institute	2 000	545	2 000	545
Maurice Webb	1 003	1 464	1 003	1 464
Royal Netherlands Embassy	1 000	–	1 000	–
Open Society Foundation	1 000	–	1 000	–
Royal Danish Embassy	1 000	2 137	1 000	2 137
	825 632	936 940	825 632	936 940
17.3 Other funds:				
Hecate	98 269	293 630	98 269	293 630
Johnson and Johnson BTC Fund	1 830 203	2 852 348	1 830 203	2 852 348
	1 928 472	3 145 978	1 928 472	3 145 978
TOTAL SPECIAL FUNDS	**21 360 683**	**26 474 349**	**21 360 683**	**26 474 349**

NOTES (continued)

18. INVESTMENTS

	INSTITUTE AND GROUP		INSTITUTE AND GROUP	
18.1 Special funds	**2011 R**	**2010 R**	**2011 R**	**2010 R**
18.1.1 Bursary Funds (Note 17.1)				
Listed Investments (Note 19)	12 826 419	17 290 421	12 826 419	17 290 421
	12 826 419	17 290 421	12 826 419	17 290 421
Total equities and other investments	12 826 419	17 290 421	12 826 419	17 290 421
Cash deposits	5 801 060	5 121 010	5 801 060	5 121 010
	18 627 479	22 411 431	18 627 479	22 411 431
Less: Creditors	(20 900)	(20 000)	(20 900)	(20 000)
	18 606 579	**22 391 431**	**18 606 579**	**22 391 431**
18.1.2 Institute Special Research Projects (Note 17.2)				
Unit Trusts and Cash on call	825 632	936 940	825 632	936 940
18.1.3 Other funds (Note 17.3)	1 928 472	3 145 978	1 928 472	3 145 978
Total Special Funds	**2 754 104**	**4 082 918**	**2 754 104**	**4 082 918**
18.2 Other Institute Investments				
First National Bank Call Accounts	7 500 000	4 600 000	7 500 000	4 600 000
Listed Investments (Note 20)	18 131 660	15 913 690	18 131 660	15 913 690
	25 631 660	**20 513 690**	**25 631 660**	**20 513 690**
TOTAL INVESTMENTS	**46 992 343**	**46 988 039**	**46 992 343**	**46 988 039**

19. LISTED INVESTMENTS OF BURSARY FUNDS

	2011 Qty	**2011 R**	**2010 Qty**	**2010 R**
Banks				
Standard Bank Group Limited	9 300	918 375	10 665	1 147 021
Beverages				
SAB Miller Plc	2 280	645 445	2 280	537 008
Chemicals, Oils and Plastics				
Sasol Limited	2 285	880 868	2 285	791 250
Clothing and Accessories				
Compagnie Fin Richemont SA	24 900	1 015 173	24 900	971 847
Food				
AVI Limited	–	–	32 870	990 702
Mining Holdings and Houses				
Anglo American Plc	6 745	1 996 520	7 245	2 485 035
Kumba Iron Ore Limited	3 640	1 820 000	3 640	1 545 180
BHP Billiton Plc	5 991	1 403 691	5 991	1 590 311
Platinum				
Anglo American Platinum Limited	2 200	1 170 400	2 463	1 709 642
Property				
Capital Shopping Centres Group Plc	–	–	7 850	333 625
Property Unit Trusts				
Capital & Counties Properties Plc	–	–	7 850	119 320
Redefine Income Fund Limited	161 200	1 192 880	344 733	2 754 417
Arrowhead Properties Limited	5 820	33 058	–	–
Retail				
Pick 'n Pay Stores Limited	16 802	782 973	16 802	813 217
Services				
Bidvest Group Limited	6 247	967 036	6 247	979 217
Tobacco				
British American Tobacco Plc	–	–	2 035	522 629
		12 826 419		**17 290 421**

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

NOTES (continued)

20. LISTED INVESTMENTS OF INSTITUTE FUNDS

	2011 Qty	2011 R	2010 Qty	2010 R
Banks				
Standard Bank Group Limited	9 860	973 675	9 860	1 060 443
Building Material and Fixtures				
Pretoria Portland Cement Limited	–	–	5 229	182 754
Beverages				
SAB Miller Plc	4 166	1 179 353	4 166	981 218
Chemicals, Oils and Plastics				
Sasol Limited	2 834	1 092 507	2 834	981 358
Clothing and Accessories				
Compagnie Fin Richemont SA	16 360	666 997	7 060	275 552
Coal				
Exxaro Resources Limited	3 400	571 200	–	–
Food Retailers and Wholesalers				
Tiger Brands Limited	4 575	1 147 776	4 575	885 857
Shoprite Holdings Limited	9 250	1 259 850	6 000	597 900
The Spar Group Limited	10 200	1 107 618	10 200	997 458
Heavy Construction				
Group Five Limited	–	–	5 200	189 800
Home Improvement Retailers				
Lewis Group Limited	7 900	633 185	–	–
Marine Transportation				
Grindrod Limited	27 000	378 000	27 000	511 650
Mobile Electronic				
Allied Technologies Limited	4 500	240 750	4 500	295 875
MTN Group Limited	4 462	641 323	4 462	599 782
Mining Holdings and Houses				
Anglo American Plc	4 150	1 228 400	4 150	1 423 450
BHP Billiton Plc	5 564	1 303 645	5 564	1 476 964
Kumba Iron Ore Limited	3 300	1 650 000	3 300	1 400 850
Platinum				
Anglo American Platinum Limited	402	213 864	402	279 040
Impala Platinum HLGS Limited	3 703	619 697	3 703	862 651
Property				
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	554 760	12 000	520 080
Services				
Bidvest Group Limited	7 080	1 095 984	7 080	1 109 790
Tobacco				
British American Tobacco Plc	4 102	1 573 076	4 102	1 053 476
		18 131 660		**15 913 690**

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

NOTES (continued)

21. RELATED PARTY NOTE – INSTITUTE

Board of Directors:

Full details of all the directors of the Institute 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:	***2011*** ***R***	***2010*** ***R***
Loan from subsidiary		
De Korte Street Properties Proprietary Limited	(2 770 049)	(2 987 214)

Related party transactions:	***2011*** ***R***	***2010*** ***R***
Legal fees paid to related party:		
P J Horwitz	715	9 313

PRESIDENTS OF THE INSTITUTE 1930–2012

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

HOERNLÉ LECTURES 1945–2011

No	Year	Lecturer	Title
1st	1945	Jan Hendrik Hofmeyr	Christian principles and race problems
2nd	1946	E G Malherbe	Race attitudes and education
3rd	1947	I D MacCrone	Group conflicts and race prejudice
4th	1948	Winifred Hoernlé	Penal reform and race relations
5th	1949	W M Macmillan	Africa beyond the Union
6th	1950	Edgar Brookes	We come of age
7th	1951	H J van Eck	Some aspects of the South African industrial revolution
8th	1952	Herbert Frankel	Some reflections on civilisation in Africa
9th	1953	Radcliffe Brown	Outlook for Africa
10th	1954	Emory Ross	Colour and Christian community
11th	1955	T B Davie	Education and race relations in South Africa
12th	1956	Gordon Allport	Prejudice in modern perspective
13th	1957	B B Keet	The ethics of apartheid
14th	1958	David Thomson	The government of divided communities
15th	1959	Simon Biesheuwel	Race, culture and personality
16th	1960	C W de Kiewiet	Can Africa come of age?
17th	1961	D V Cowen	Liberty, equality, fraternity — today
18th	1964	Denis Hurley	Apartheid: A crisis of the Christian conscience
19th	1966	Gwendolen Carter	Separate development: The challenge of the Transkei
20th	1966	Keith Hancock	Are there South Africans?
21st	1968	Meyer Fortes	The plural society in Africa
22nd	1970	Hobart Houghton	Enlightened self-interest and the liberal spirit
23rd	1971	A S Mathews	Freedom and state security in the South African plural society
24th	1972	Philip Mayer	Urban Africans and the bantustans
25th	1973	Alan Pifer	The higher education of blacks in the United States
26th	1974	Mangosuthu Buthelezi	White and black nationalism, ethnicity and the future of the homelands
27th	1975	Monica Wilson	'…So truth be in the field…'
28th	1976	M W Murphree	Education, development and change in Africa
29th	1977	G R Bozzoli	Education is the key to change in South Africa
30th	1978	Hugh Ashton	Moral persuasion
31st	1979	Alan Paton	Towards racial justice: Will there be a change of heart?
32nd	1980	Leon Sullivan	The role of multinational corporations in South Africa
33rd	1985	Alan Paton	Federation or desolation?
34th	1986	Charles Simkins	Liberalism and the problem of power
35th	1990	M M Corbett	Guaranteeing fundamental freedoms in a new South Africa
36th	1993	Richard Goldstone	Do judges speak out?
37th	1996	Lionel Abrahams	The democratic chorus and individual choice
38th	2000	Michael O'Dowd	Ideas have consequences
39th	2002	Carl Gershman	Aiding democracy around the world: the challenges after September 11
40th	2004	Jonathan Jansen	When does a university cease to exist?
41st	2006	Otto Count Lambsdorff	The welfare state: poverty alleviation or poverty creation?
42nd	2011	R W Johnson	The future of the liberal tradition in South Africa