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P O Box 31044, Braamfontein, 2017 South Africa
Telephone: (011) 403-3600
Telefax: (011) 403-3671 or (011) 339-2061
E-mail: sairr@sairr.org.za
Website: http://www.sairr.org.za

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Cover: an artist's impression of what the
Green Point Stadium, Cape Town, for the
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Picture courtesy of the City of Cape Town.

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The Institute would deeply appreciate being remembered in your will.

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

HIGHLIGHTS

Professor Sipho Seepe is elected president of the Institute.

Income from investments of R1.6 million changes an operating loss of R1.3 million into a surplus of R337 378.

Assets under the control of the Institute increase in value from more than R37 million at the end of March 2006 to more than R41 million at the end of December 2006.

The 2006/2007 *South Africa Survey* is broken down into the standard eight chapters as follows: demographics, the economy, business and employment, education, health and welfare, living conditions and communications, crime and security, and politics and governance. The *Survey* is made up largely of statistical data supplemented by graphics, but also contains 100 of pages narrative material describing key developments in all eight focus areas.

Eleven editions of *Fast Facts* are printed as a monthly supplement to the annual *Survey*, two of them double editions, bringing the total number of issues published to 194 since the first one appeared in February 1991.

The Institute's annual *South African Mirror* presentation of key demographic, economic, social, and political trends excerpted from the *Survey* and *Fast Facts* or retrieved from our files is given to Institute members, parliamentarians, officials and legislators in all nine provinces, political groups, and business delegations.

Ten briefings on a variety of topics and three *South African Mirror* presentations are hosted for Institute members.

The *Parliamentary Information Service* runs throughout the year. All MPs are supplied with the *Survey* and *Fast Facts*, while they are also supplied with information on demand from the Institute's library and research team.

Our *Provincial Information Service* is expanded to cover all nine provinces and teams of research staff visit all nine provincial capitals to present legislators and officials with versions of *South African Mirror* tailored for each province.

Students on Institute bursaries achieve a 91% pass rate at the end of 2006 and 133 students graduate, bringing the total since 1980 to 3 436 and total bursary expenditure to R194 million.

The Institute awards 578 bursaries for the 2007 academic year.

Public policy issues given special focus over the past year include HIV/ AIDS, education, skills shortages, emigration, employment, the labour market, the two economies, living conditions, land reform, economic growth, crime, race, the rule of law, political matters, constitutional matters, and Zimbabwe.

The Institute launches a new project: Ten Pillars of Democracy, sponsored by the Belgian Embassy, to monitor South Africa's performance as a democracy.

CHIEF EXECUTIVE'S REPORT TO MEMBERS FOR THE ANNUAL GENERAL MEETING ON WEDNESDAY 14th NOVEMBER 2007

Mr President, Members of the Institute, I have pleasure in presenting this report to you. While the attached financial statements cover the financial year ended 31st December 2006, this narrative report is up to date to the end of August 2007. Last year, the governing Council and the Board of Directors of the Institute decided to change our financial year from 1st April to 31st March to coincide with the calendar year. This change should simplify the administration of our bursary programme, where donor budgets are geared to the academic year, which runs from January to December. Our last set of accounts covered the year up to 31st March 2006. The present accounts accordingly cover only the nine months up to 31st December 2006.

FINANCE, MEMBERSHIP, AND GOVERNANCE

Our operating deficit for the period ended 31st December was R1 289 039. Income from investments yielded R1 626 417, leaving us with a surplus of R337 378. Figures for the previous financial year appear in the accounts later on in this report, but I have not highlighted them here since the nine-month year is not comparable with the previous 12-month year. An operating deficit of the size in question is obviously far from satisfactory, necessitating never-ending fund-raising efforts to reduce it. Some of these were fruitful, but the income in question did not materialise until 2007.

We have been concerned for a number of years about the attrition rate among our members. Accordingly, a strategic plan to arrest this rate and strengthen our membership drive was adopted by the Board at its meeting on 2nd May 2007. The plan involves reducing the number of membership categories to cut down on administration costs, enhancing benefits available to certain categories of members, producing electronic versions of *Survey* chapters, and a complete redesign of our antiquated website. No members currently enrolled will lose any benefits as a result of the restructuring. A stepped-up programme of contact with members is an important part of the new drive.

A new Board of Directors was nominated by Council in June. The new Board (which requires election by the AGM of Members) is listed in the earlier pages of this report. The outgoing Board, which held office during the year on which the auditors report, is listed later on in their report. Professor Sipho Seepe, who heads the Graduate Institute of Management and Technology and whose professional field is physics, was elected President of the Institute. Professor Seepe's association with the Institute goes back more than 27 years, to when he attended its Saturday matriculation classes.

MAJOR BEQUEST

During the year we received a bequest from Mr Harry James Barker, a prominent Johannesburg attorney and long-standing member of the Institute, who died in August 2006. The bequest comprised a share portfolio worth R2.8 million at the time of Mr Barker's death. When the shares were transferred to us they were worth some R3.3 million.

RESEARCH, PUBLICATIONS, AND INFORMATION

This comprises the Institute's core business. The annual *South Africa Survey* and its monthly supplement, *Fast Facts*, are the main vehicles for our factual information. Some of the Institute's research also finds its way into the Chief Executive's fortnightly column in *Business Day*. Information is also supplied on demand to members, parliamentarians, and provincial legislators.

South Africa Survey

Last year's *Survey*, dated 2004/2005, was available only in April 2006, and we anticipated bringing out the next one sooner than that. Unfortunately, this has not been possible given the vast amount of information that has to be processed and written up. It is also difficult to resist the temptation to update statistics that have been written up when new ones become available. The new *Survey* was at the printer as this report was being written. The *Survey*, dated 2006/2007, is broken down into the standard eight chapters as follows: demographics, the economy, business and employment, education, health and welfare, living conditions and communications, crime and security, and politics and governance. Each chapter includes both a statistical and a narrative section. All corporate members of the Institute were sent each chapter electronically prior to printed publication.

We have discovered in discussions with some of our members that the *Survey* is underutilised, so as soon as the new one is available we will host workshops to brief members about its contents and the methodology it uses in the hope that such workshops will make this publication a little less formidable and more user-friendly.

Fast Facts

Macro-economic indicators on South Africa are published daily in the press and on the Internet. This is not the case with socio-economic indicators, which are essential to monitoring human progress within the economy. *Fast Facts* was launched in 1991 as a monthly to fill the gap. Inter alia, it keeps track of poverty levels, employment trends, per capita income changes, wage gains, demographic patterns, living conditions, education and health figures, and household confidence indices.

Eleven issues were published during the period under review. They included a ten-year review of demographic and employment trends as well as changes in education levels; a ten-year review of living standards covering housing, access to municipal services, and access to telephones; our annual analysis of both national and provincial crime trends since 1994; two articles on affirmative action; key economic data on 18 sub-Saharan African countries; international comparisons between South Africa and more than thirty other countries embracing data on demography, the economy, health, and living conditions; our annual analysis of the budget; a comparison of the respective electoral performances of the African National Congress (ANC) and the Democratic Alliance (DA) between 1994 and 2006; and a double issue containing 107 indicators for each of the nine provinces as well as for South Africa. One issue of *Fast Facts* announced the launch of the Institute's new *Ten Pillars of Democracy* monitor (see below). *Fast Facts* also continued to publish its regular *Fast Stats* pages containing altogether 176 indicators each month. In response to suggestions from some of our members, key data from the *Survey* was extracted for an issue of *Fast Facts* entitled 'South Africa in Brief'. This will be done every year from now on.

Member Information Service

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

Parliamentary Information Service

With sponsorship from the Royal Danish Embassy, all members of Parliament (MPs) have access to the Institute's library. In addition, they are supplied with a free copy of the *Survey*, a free *Fast Facts* each month, and other occasional publications. They also receive invitations to the Institute's annual *South African Mirror* presentation at a venue close to Parliament. We provide this service because it is vital to strengthen Parliament as an institution. In February 2007 a team of Institute researchers and information staff visited Parliament to brief the chief whips of seven different parties on the Institute's research and information services and discuss with them how best to use these. Meetings were also held with staff of the parliamentary library and with Parliament's own research department. Unfortunately, African National Congress MPs did not arrive for the meeting which had been scheduled with them.

Provincial Information Service

In 2006 we ran a provincial information service for three provinces (Limpopo, Mpumalanga, and North West) sponsored by Irish Aid. In 2007 the service was expanded, again with the sponsorship of Irish Aid, to cover all nine provinces. Members of provincial legislatures (MPLs) all receive the *Survey* and *Fast Facts* as well as access to our library. We have made presentations of key provincial data to provincial legislators, research staff, departmental officials, and local councillors in all nine provinces. The purpose of this project is to strengthen democratic government at provincial level by supplying MPLs with data that they can use in formulating policy and engaging in debates at provincial level. Better informed MPLs should also be better able to hold the executive branch of government to account at provincial level.

South African Mirror

For the last six years (since October 2001) the Institute has been doing an annual presentation of key demographic, economic, social, and political data excerpted from the *Survey* and *Fast Facts* or retrieved from our files. Entitled

South African Mirror this is presented to our members at evening briefings, but is also available to them in-house.

Free Society Project

Since the advent of democracy, the Institute has been monitoring South Africa's performance as a free society with sponsorship from the Friedrich Naumann Foundation in Germany and the International Republican Institute in the United States, whose funding is partly derived from the National Endowment for Democracy in the US. *Fast Facts* is used as a vehicle for publication of relevant information, as is the Chief Executive's column in *Business Day*. The project also makes relevant comment in other newspapers and in the broadcast media.

Ten Pillars of Democracy

In terms of a three-year sponsorship agreement with the Belgian Embassy, the Institute has launched a monitor of South Africa's performance as a democracy. The following ten criteria will be used:

- the rule of law
- individual rights, responsibilities, and opportunities
- democratic governance
- targeted and effective government
- scope for free enterprise both big and small
- liberation of the poor
- growth-focused policies
- racial goodwill
- vigorous and vigilant civil society
- good citizenship.

The project will provide a comprehensive report on South Africa's performance since democracy in 1994. Findings will be presented to a conference in 2008. Thereafter, the monitor will be updated annually.

Assessing Parliament

The Chief Executive was last year invited by the speaker of the National Assembly and the chairperson of the National Council of Provinces to join a twelve-member panel to assess Parliament's performance as a democratic institution. One of the other members is Professor Sipho Seepe, President of the Institute. The panel has not yet completed its work.

Maurice Webb

The Institute has received a grant from the Maurice Webb Trust, which is based at the University of KwaZulu-Natal, to conduct research into 'Trends in race and ethnic relations in South Africa since 1994: Institutional re-racialisation of the society or a passing phase in transformation?' The research will begin later this year.

BRIEFINGS AND LECTURES

A list of the briefings hosted by the Institute (in Johannesburg unless otherwise indicated) is as follows:

Mr Marco MacFarlane, member of the Institute's research team, on *Why not my own language?*

Mr Kallie Kriel, chief executive officer of AfriForum and Mr Dirk Hermann, deputy general secretary of Solidarity, on *Towards a truly equal society: Equal rights for future generations*

Dr Frederik van Zyl Slabbert, former leader of the opposition, on *Broad church or a house devided against itself? The state of the ruling ANC/SACP/COSATU alliance*

Mr Siphiwe Nzimande, chief executive officer of Business Against Crime, on *Government and Business: A change in the fight against crime*

Mr John Kane-Berman, chief executive of the Institute, *South African Mirror* presentations in Cape Town, Johannesburg, and Pretoria

Mr Jacob Zuma on *The Road Ahead: Building on 13 years of democracy*

Mr Dawie Roodt, chief economist of the Efficient Group, on *South Africa, the world and Africa: a socio-economic comparison*

Ms Raenette Taljaard, director of the Helen Suzman Foundation, on *An overview of the arms deal*

Seven of these briefings were sponsored by the Friedrich Naumann Foundation, and one by the Royal Danish Embassy.

BURSARIES

Altogether 133 students graduated last year. In the past 25 years the Institute has awarded bursaries, most of them to black students, worth R194 million. Since 1980, no fewer than 3 436 students have graduated through our bursary programme in the following fields: science and engineering 1 030, business and commerce 934, medicine, health sciences and dentistry 501, education 393, arts 357, and law 221.

Last year's overall pass rate among our 524 tertiary students was 91%. (Some 67 students were not due to write exams until 2007.) In architecture, arts, built environment, business administration, dentistry and economics all our students passed, while in medicine 98% did. The lowest pass rate was 83% in commerce.

The number of bursaries awarded for the 2007 academic year is 578, which is 34 more than in 2006. Of this total 344 are new bursaries and 234 bursaries of students which were renewed following their satisfactory performance last year. Selections are carried out by an independent committee, chaired by Dr Bethuel Sehlapelo, whose names appear at the beginning of this report. Our students are always told who is financing their particular bursary. Sponsors include foreign donor agencies, local trusts, and individuals. We also administer bursary programmes for local and foreign companies. The names of the various bursary trusts administered by the Institute, as well as the names of our corporate clients and of the sponsors of our bursary programme, appear as part of the notes to our financial statements later on in this report.

STAFF

During the period under review, Eunice Mahlaba (Library Assistant) celebrated 30 years of service, Mary Gwala (Membership Assistant) 20 years, Betty Mokone (Receptionist in the Bursary Department) 20 years, Queenie Nkuna (Clerical Assistant) 20 years, and Alfred Nkungu (Special Library Assistant) 20 years. Winnie Makhalemele retired after 33 years at the Institute. She was elected an Honorary Life Member of the Institute in recognition of her long years of service.

THANKS

Thanks are due to all our members for their continuing loyalty and support. We are grateful also to the various sponsors of our bursary programme, along with those who back our annual *South Africa Survey* and our other benefactors. Our thanks are also due to all those who have given donations or made bequests to the Institute. Major donors to the *Survey* are listed in the printed work, while donors to the bursary funds are listed in the notes to the financial statements. We are grateful in addition to the supporters of our Parliamentary and Provincial Information services, our Free Society Project, and our Ten Pillars of Democracy project, all referred to above.

I am grateful to the members who serve on our various governing bodies and in particular offices, including Elwyn Jenkins, our outgoing President; Charles Simkins, our Chairman; Peter Horwitz, our Vice Chairman; Derek Bostock, our Honorary Legal Adviser; and Tom Wixley, Chairman of our Remuneration Committee. I am also particularly grateful to Brian Hawksworth, our Honorary Treasurer, for his careful monitoring of our share portfolio over the years, enabling both the Institute itself and the bursary funds under our control to record impressive gains. Thanks are due also to all our staff for their dedication and professionalism.

PUBLIC POLICY MATTERS

Throughout its existence the Institute has kept track of virtually all aspects of South Africa. The reason is simple: racial policy invaded almost every area of life. In the post-apartheid era we have continued to monitor most aspects of the country on a systematic and regular basis in the annual *Survey*. This past year we have also paid additional attention to various issues that we believed required public comment. Both in our own publications and through the print and broadcast media, the Institute feeds information into the public domain. We strive to deepen understanding of South Africa and to enrich public debate by our fact-based approach and the quality of the information we produce. We seek also to promote liberal ideas.

HIV/AIDS. The forthcoming *Survey* contains comprehensive data on HIV/AIDS. The Institute also made various comments about HIV/AIDS. In November 2006 we noted the government's undertaking to stop spreading misleading information about beetroot and the like as substitutes for medicine in the treatment of the virus. We also returned to a point we had made some years ago, namely that Parliament had failed to assert itself over the government's handling of AIDS. 'That it took international ridicule at the AIDS conference in Toronto in August [2006] for control of South Africa's AIDS policy finally to be wrested — apparently — from Health Minister Manto Tshabalala-Msimang is a terrible indictment of this country's cabinet, Parliament, and ruling party.' In May 2007 we were able to suggest that there might be some good news on the AIDS front. We noted that the Actuarial Society of South Africa, taking into account the provision of anti-retroviral drugs in the public as well as the private health sector, had made downward adjustments in its projections for 2010. 'Though their number was still tragically high,' the society now thought that 'cumulative deaths by that year will be 3.7 million instead of the 5.2 million initially feared'.

Education. Since its foundation in 1929, the Institute has probably devoted more time to education than to any other single issue apart from racial policy. The November 2006 issue of *Fast Facts* noted that English was the predominant language of instruction in South Africa even though it was the mother tongue of only 8.2% of the population. The article, based on an address at the Institute's annual general meeting in September 2006, argued that proficiency in English was often 'better achieved after mastery of the mother tongue has occurred'. The Institute also dealt with the controversy over a high court order compelling an Afrikaans-medium high school in Ermelo (Mpumalanga) to become dual medium so as to be able to admit African children wishing to be taught in English. We said that although the decision might lead to 'feelings of Afrikaner marginalisation', it was justified as there were no longer enough Afrikaans-speaking pupils in the town to fill all the places in the school.

In purely quantitative terms, the country is making some progress in education. In *Fast Facts* in August-September 2006, we compared the results of household surveys conducted by Statistics South Africa in 1995 and 2005. This comparison showed the following among Africans over the age of 20:

Proportion without schooling:	down 23% to 13%
Proportion who have completed Grade Eight:	up 15% to 61%
Proportion who have completed Grade Twelve:	up 34% to 26%
Proportion who have completed Higher Education:	up 52% to 1.8%

Despite these improvements, the proportion of Africans with matric or tertiary qualifications remains very low. Other statistics also show a worrying picture. For example, comparative figures on reading levels and maths proficiency among pupils in Grade Six in various sub-Saharan African countries reveal that pupils in comparatively rich South Africa fare rather badly. The March 2007 issue of *Fast Facts*, reviewing 13 years of matric results, showed that there were fewer university-entrance passes last year than in 1994 (85 830 versus 88 497). Later in the year we pointed out that there had been virtually no increase in the number of Africans obtaining university-entrance passes: the figure for 1994 was 51 016 and that for 2006 only 51 180. We also drew attention to the fact that of the million-plus pupils enrolled in Grade Ten in 2004, only a third had passed matric at the end of Grade Twelve in 2006. Only 8% had passed it well enough to go to university, while only 2.3% of the original million had obtained maths passes on the higher grade.

On several occasions during the period under review the Institute expressed concern about the quality of the education system. 'Perhaps the most telling indictment of the schooling system is that so many African pupils are fleeing township schools. Only a fraction of them can be accommodated in former Model-C or independent schools. What will happen to the rest? Can anyone in the education system truthfully say that the quality of schooling now available to the vast majority of Africans is better than under Bantu Education?'

Skill shortages. In response to a statement in May 2007 by the Commission for Employment Equity that South Africa's skills shortage was an 'urban legend', the Institute produced data suggesting that there were probably only about 10 000 very well qualified black professionals entering the labour market annually. These were mainly graduates in business, commerce, management, engineering, and law. It was unlikely, we said, that these graduates would be sufficient to meet all employment equity demands across all industries, as well as from government itself. We also noted that black employees in the financial sector were able to command premiums of up to 30% on the salaries of their white counterparts. This, we suggested, was further evidence of a severe shortage of skills. This had also been acknowledged last year by the deputy president, Ms Phumzile Mlambo-Ngcuka, when she said that South Africa's skills shortage was a 'potentially fatal constraint to shared growth'.

Emigration. In the August-September 2006 issue of *Fast Facts*, the Institute published data showing demographic, employment, and educational trends over a ten-year period. Among this vast amount of information were figures, derived from official sources, showing a decline of 841 000 in the white population. The population trends were among many to which *Fast Facts* drew attention, but it was these that were headlined across the front page of *Rapport* and which generated wider interest in the media. Most of the reports focused on the loss of skills arising from this high level of white emigration, while a few focused on the possibility that whites were leaving because they had negative attitudes towards South Africa. Some reports said the drop in the white population was less real than apparent: that it arose from the retreat of whites behind high walls in middle-class suburbs, which had made it difficult for census enumerators to count them properly. The extensive publicity surrounding the Institute's analysis helped to create much greater public awareness of the country's skills crisis, even if the extent to which it has been exacerbated by white (or black) emigration is difficult to assess. Unfortunately, it has become very difficult to keep track of skills losses through emigration as Statistics South Africa (Stats SA) stopped publishing emigration figures in 2003.

Employment. The August-September 2006 issue of *Fast Facts* also contained an analysis of employment and unemployment trends from 1995 to 2005 (again based on household surveys by Stats SA). This issue, along with various newspaper articles and our *South African Mirror* presentations, drew attention to a number of important employment trends. These show, in particular, a very rapid increase in the number of people entering the labour market and looking for work. The net number of new jobs created by a more rapidly growing economy has also been accelerating in recent years. However, the supply of new jobs has not increased fast enough to keep up with the growing demand for jobs. Hence, unemployment has risen.

Unemployment is now higher than it was ten years ago. This applies on both the strict and expanded definitions and whether one measures it by absolute numbers or by a rate. The latest figures show that 4.4 million people are unemployed on the strict definition, and 7.6 million on the expanded one (which excludes unemployed people who say they want jobs but who have become too 'discouraged' to look for work). The equivalent unemployment rates are 25.5% and 37.3%. Though still much worse than it was in 1995, unemployment has also been declining since 2003, when the number of jobless people peaked at 5.25 million (31.3%) on the strict definition and at 8.42 million (42.1%) on the expanded definition.

The Institute updated its earlier estimates of the numbers of jobs required to halve unemployment by 2014. Based on the strict unemployment rate, an average of 471 000 net new jobs will be needed every year until 2014. Applying the expanded definition, the average will have to be 785 000 a year. Yet the number of jobs actually created over the past ten years has averaged 335 000 a year — showing the magnitude of the task ahead of the country.

The deputy president, Ms Phumzile Mlambo-Ngcuka, who is in charge of the government's Accelerated and Shared Growth Initiative for South Africa (AsgiSA), said in April 2007 that she was particularly concerned about the army of unskilled people who might reach the age of 35 without ever having had a job. In response, the Institute analysed various figures on youth unemployment derived from Stats SA. We pointed out that unemployment in the 15 to 24 age group was running at 50%. 'For many of them,' we observed, 'unemployment will become a permanent condition, for nearly two thirds of all the unemployed have never worked before.'

Labour market. We also responded to the deputy president's concerns about unskilled and unemployed youngsters by warning yet again against any attempts further to regulate the labour market. We noted that she had said, 'We have too many people who are unable to enter the labour market [and] who are unattractive to the labour market. Anything we can do to make entry easier is welcome.' We pointed out that this required raising the level of skills as well as liberalising the labour market.

'On both scores there has been failure. The "skills revolution" launched in the form of sector education and training authorities (Setas) has done little to improve skill levels. Adult literacy programmes have never got off the ground. As for the labour market, more and more studies identify it as over-regulated. One consequence of this is the growth in casualisation, temporary work, and fixed-term contracts as opposed to permanent employment. Part of the reason is no doubt that employers want to give themselves more flexibility than labour law allows. The deputy president, however, says that the growth of casualisation is a "big concern for government and labour". What employers see as a solution the government and organised labour see as a problem.

'There is a risk that any attempt to put curbs on casualisation will not increase the number of permanent jobs but close off a potential point of entry to the labour market. This will hit the youth the hardest. Common sense tells us that a large proportion of the young men among these no-hopers, unable to join the working class, are likely to join the criminal class.'

The two economies. President Thabo Mbeki has frequently talked of the need to build a connecting staircase between what are often characterised as South Africa's 'two economies'. In the *Mirror* slideshow we observed that the government has partially succeeded in this, in that some of the benefits of faster growth are being redistributed downwards into the second economy. The billions paid out in social grants to about 25% of the population have alleviated poverty among many families. However, this is not the same as enabling the poor to climb the staircase out of the second economy and join the first one.

'Neither affirmative action nor black economic empowerment seem to have done very much to help people climb out of that second economy. The main reason is that their focus has been less on "disadvantage" than on race, and, in particular, on the achievement of demographic "representivity" or "diversity". It is entirely possible that the upper echelons of our society (and the lower ones) will become more racially diverse while material inequality continues to widen and millions continue to languish in squalor.'

Living conditions. Making use of household survey data published by Stats SA, the Institute published a comprehensive analysis of the conditions in which South Africans now live compared with ten years ago. (The data covered the period 1995 to 2005.) We began by noting that the number of households in the country had grown from 8.8 million to 12.8 million over that period. Household formation had in fact grown more rapidly than the population had done, partly because average household size had shrunk over that period from 4.7 persons to 3.7. One consequence was that supply of 'formal' housing — essentially brick-and-mortar structures — could not keep pace with demand. Did this mean government housing provision was a failure? No. Demand for housing — reflected in the formation of new households — had been growing at 392 000 units a year, while the supply of formal houses had been growing by an average of 246 000 units a year. This rate of supply was actually quite fast, we said, but it was nevertheless not fast enough to keep up with demand. As a result, the number of households living in 'informal' housing — mostly shacks and shanties — had risen by 140 000 a year. As a result, nearly two million households now live in shacks, compared with only 628 000 ten years ago. The proportion of households living in shacks has thus more than doubled over that same period — from 7% to nearly 16%.

Our analysis looked also at access to water, sanitation, electricity, and refuse removal services. Again, such services had been provided to a great many more households, but not fast enough to keep pace with growing demand. There had, for example, been a 28% increase in the *number* of households using electricity for heating, but the *proportion* had dropped by almost 12% between 1995 and 2005. 'Has delivery failed?' we asked. 'No, if you measure absolute numbers. Nearly 2.5 million formal houses provided in a decade is an impressive figure. Yes, if you measure proportions. Bringing about a "better life for all" is very difficult when "all" is a moving target.'

The Institute also keeps track of the provision of telephone services. We noted that in the ten-year period in question, the proportion of African households with phones had risen from 14% to 58%. However, this increase has little to do with government initiatives and mostly reflects private sector successes in the cellphone market.

Land reform. Land reform, as our *Mirror* presentation noted, has four components. The most progress has been made with land restitution, the process in terms of which people forcibly deprived of their land by the previous government are able to claim it back. The target date for settlement of all restitution claims is March 2008. We pointed out that 93% of claims had now been settled: most of them in urban areas and most by way of financial compensation rather than actual transfers of land. (Subsequently the minister of agriculture and land affairs, Ms Lulu Xingwana, said there were 5 279 rural claims still to be settled, of which a third were complex and could not be settled before the deadline.) The second component of land reform involves the redistribution of 30% of white-owned commercial farmland to blacks by 2014. How much has been transferred is not clear. Figures range from 1.45 million to 8.2 million hectares. These represent respectively 5.8% and 33% of the 24.6 million hectares of white farmland. The higher figures include land transferred from white to black via the market rather than by state initiative. The third component is contained in legislation enacted ten years ago to give greater security of tenure to the estimated 6 million black families resident on white farms. Over the years there have been persistent reports that some of these families have been evicted, but reliable data is hard to come by. The fourth component of land reform, we noted, is land title reform, provided for in a 2004 statute which is not yet in operation. This includes exchanging communal ownership under traditional leaders for individual title. Potentially 21 million people on 16 million hectares in former 'homelands' are affected, but little change has actually been implemented.

Economic growth. In *South African Mirror* we noted that the economy was now growing faster than at any time since the 1960s. This was the case despite a long and well-known list of factors potentially damaging to investment, confidence, and growth, among them:

the destruction of Zimbabwe
crime
corruption
HIV/AIDS

skill shortages in the private sector
capacity constraints in government
work permit problems
incompetence at all three levels of government
high telecommunications costs
poor road, rail, and harbour infrastructure
looming inland petrol shortages
power failures
the regulatory burden of labour and other legislation
uncertainty over mining licences and taxes, and
a steady increase in the tax burden (from 22% in 1994 through the promised 25% to 28% of GDP in the next few years).

We commented that this was 'a hefty list of serious problems, some of which defy short-term solution. Considering all of them, along with the fact that we have so poor a public education system, plus the disappointingly low levels of foreign direct investment, it is remarkable that growth has been as high as it has. We have of course benefited from the minerals boom and the buoyant world economy, as well as from sound domestic fiscal and monetary management, which itself has helped to attract the portfolio investment that helps to finance our large trade deficit. We have also benefited from tax cuts, trade liberalisation, and the strength of the private sector.'

Crime. The Institute paid more attention than usual to crime. We hosted the chief executive of Business Against Crime to brief members on new initiatives among business leaders to assist the government and the police in combating crime. The *Survey* and *Fast Facts* have for a long time reported all available crime statistics, but in the past year we also published five newspaper articles dealing with various aspects of policing. The first expressed scepticism about the numerous plans and promises made by the police over the years to 'go on to the offensive' against crime, undertake 'blitzes', and put more policemen 'on the streets'. These types of promises had been made time and again. The second drew attention to the high numbers of police officers who were murdered or who committed suicide in South Africa, while also highlighting the large numbers of people shot by the police or who escaped from police custody. The third suggested that promises of 'zero tolerance' made by police officials were little more than slogans. It also called for a commission of inquiry to clean out the 'Augean stables' at the South African Police Service (SAPS). The fourth article gave details of affirmative action plans for the police, among them a proposal to offer severance packages to currently employed police officers whose numbers exceeded the 'numeric' quotas laid down for their race or sex. The fifth complimented the police for publishing a report in which they finally admitted the validity of 'perceptions that one cannot even sleep safely in one's own bed and further that a considerable risk exists of being hurt, maimed, or killed in one's own bedroom'. The report put forward all sorts of arguments about the causes of various types of crime. We said its publication was a sign that public concern about crime — so often trivialised or disdainfully dismissed in the past — was perhaps at long last beginning to be taken seriously.

Our statistical analysis, published in *Fast Facts* and also in the 2006/2007 *Survey,* covered the 21 most serious crimes over the eleven-year period from April 1994 to March 2006. It showed that the overall crime rate — crimes per 100 000 of population — had dropped by 11.3% over that period. It also showed that most crime rates had peaked and were now declining. But it also noted that the rates of rape and aggravated robbery had increased, that crime rates were still very high, and that a disturbing number of crimes involved cold-blooded violence. A separate issue of *Fast Facts* analysed crime trends by province over the same eleven-year period. These vary widely. The murder rate has thus dropped in all nine provinces, whereas the incidence of rape has decreased in four but risen in five. Current crime rates also vary widely. The rate for murders in the Western Cape, for example, is almost five times that for Limpopo. Limpopo also has a relatively low rate of stock theft, whereas the incidence of this crime in both the Free State and the Northern Cape is very high.

Invited to discuss the rule of law in South Africa at a conference in Nairobi on promoting freedom in Africa, the Institute noted the need for a fair and efficient criminal justice system. This needed to comply, we said, with the famous test laid down in Magna Carta in 1215 when King John pledged: 'To no one will we sell, to no one will we deny or delay right or justice.'

We pointed out that the Constitution has comprehensive guarantees of due process in the criminal courts and that judges and magistrates generally go to great lengths to uphold them. Hence (to name but one example), tainted evidence obtained before an accused has been properly cautioned is no longer admissible in a criminal trial and cannot be used to help obtain a conviction.

However, we pointed out, the criminal courts are also plagued by major inefficiencies. 'Many trials drag on inordinately long. This has particular impact on prisoners awaiting trial — people for whom bail has been refused or set at an unaffordable (though often small) amount. Such individuals sometimes remain in jail for two years or longer before their trials end. Indeed, the number of unsentenced prisoners kept in custody for more than 24 months increased from 28 in 1996 to 1 445 in 2004 (though more recent figures show a slight decline).

'Inefficiency', we observed, 'has given rise to a major dissonance between theory and practice. There is so much crime and so little capacity to counter it that most perpetrators are never arrested by the police. Hence, most never confront the criminal justice system at all. This encourages more crime, nullifies the rights of victims, and adds to a sense that crime is out of control. In time, such factors could generate a backlash against due process. Already, some enraged communities — despairing of effective action through the courts — have resorted to self-help, seizing suspected killers and hacking them to death.' The address in Nairobi was later published in *Fast Facts.*

Race. In November 2006 the Institute hosted two speakers representing the Solidarity trade union and AfriForum, a group established by Solidarity to stimulate participation by minority groups in public debate. The text of their addresses was published the following month in *Fast Facts*. Mr Kallie Kriel of AfriForum gave a short history of racial policy since June 1991, when the National Party government repealed the Population Registration Act of 1950. This act had imposed a racial identity on all South Africans and was the foundation of all racial policies and laws. Mr Kriel argued that the repeal of this statute had paved the way for a new political era in which race would not be taken into account. However, this early promise of a non-racial South Africa was soon overtaken by the passage of new racial laws — particularly the Employment Equity Act of 1998 and the Broad-Based Black Economic Empowerment Act of 2003. Mr Kriel also contrasted the non-racial approach of President Thabo Mbeki's 'I am an African' speech of May 1996 with his speech two years later, in which he said South Africa was 'a country of two nations'. This speech seemed to have paved the way for race, rather than poverty or socio-economic need, to become the yardstick for government policy.

Mr Dirk Hermann, speaking for Solidarity, contended that the Employment Equity Act was in conflict with the Constitution. Whereas Section 9 of the Constitution allowed special measures to advance persons previously disadvantaged by unfair discrimination, the Employment Equity Act had a different objective: 'racial representation,' as opposed to equality. This was because its main purpose was to 'reflect the population composition of South Africa at every level in the workplace'. Mr Hermann added: 'Equality is therefore measured by the ability of a company to be representative, not by the degree to which it corrects impairment'.

The two men argued that inequality should be tackled by focusing, not on race, but rather on socio-economic status. 'Given the great poverty in the black community, most of the beneficiaries of such an approach would be black. They would not, however, benefit because they are black but because they are poor… Such an approach will ensure that the growing numbers of needy people in other population groups are not excluded, as is the case at present.'

In a *Business Day* column in March 2007, the Institute said, 'To the extent that affirmative action means hiring and advancing people who were previously barred by racial job restrictions, it clearly does redress a major injustice and economic absurdity.' However, we said, the country had cut off its nose to spite its face by getting rid of scarce white skills in the pursuit of racial targets. 'The public sector would be working more efficiently today if that had not happened, to the benefit of the whole country and particularly of those heavily dependent on public hospitals, public housing projects, and the like.'

The Institute added: 'The numerous forms of disadvantage arising from apartheid will linger for years. But apartheid also serves as a scapegoat. The continuing focus on race allows all too many current ills to be traced back to apartheid and previous disadvantage. In the process the extent to which disadvantage arises from *current* policies is ignored. But the list is long, and growing, especially in education: malfunctioning sector education and training authorities (Setas), failed adult literacy programmes, and one of the worst schooling systems in Africa — whose failures are carried over into tertiary education. Our public education system is *reproducing* disadvantage. It is also reproducing inequality between a small racially mixed elite and the great mass of black schoolchildren. By focusing on the "output" of racial representivity while neglecting the "input" of decent education, affirmative action is failing to address the real problem of disadvantage.' The Institute's new President, Professor Sipho Seepe, addressed the question of affirmative action in his column in *Business Day*. Citing various viewpoints put forward, he said that 'South Africans are now beginning to talk to each other rather than past each other' about affirmative action.

In another column, Professor Seepe took issue with people who 'rubbish blacks who are critical of a black government' and thus 'corral black people into the logic of power'. It was wrong, he wrote, to assume that a black government necessarily acted in the interests of black people, or that criticism of a black government could be motivated only by racism. 'Some of us are critical because we believe in this black government. We believe it can do better,' he wrote.

The Institute also suggested that sooner or later the Constitutional Court would have to determine the criteria according to which South Africans would again be racially classified. Racial classification in the post-apartheid era is essential to both affirmative action and black economic empowerment policies, but at the moment takes the form of self-classification. Since there are substantial advantages under both policies in being able to classify oneself as black, a dispute could arise over a person's classification.

I reported in this space last year that we were planning to conduct research into various aspects of racial policy, including employment equity, empowerment, and equality legislation. A start was made with this but then had to put on hold because the staff in question had to compile their *Survey* chapters. Now that the 2006/2007 *Survey* has been written, work on racial policy will continue.

The rule of law. During the Nairobi conference referred to above, the Institute said that the rule of law 'requires a fair and effective criminal justice system, equality before the law, rules that are certain and not open to arbitrary interpretation, and an independent judiciary'. In elaborating on the need for certainty, we said law should avoid vesting too many discretionary powers in ministers or bureaucrats. Where a discretionary element could not be avoided, its exercise should be constrained by clear and objective criteria. We gave examples of various laws which are highly discretionary (and also uneven in the benefits and burdens they confer). These included the Minerals and Petroleum Resources Development Act of 2002 and its ancillary Mining Charter, under which mining houses must convert their 'old order' rights of ownership into 'new order' licences conferred by the government under ill-defined criteria; and the Broad-Based Black Economic Empowerment Act of 2003 (and its accompanying codes) under which many of the new obligations resting on business are inherently vague.

‘Take the Mining Charter, for instance. The conversion process has been slow, in part at least because the relevant criteria leave too much scope for bureaucrats to shift the goal posts. The result is that South Africa has failed to draw maximum benefit from the current commodities boom. Though rand volatility, infrastructure constraints, and the skills shortage also played a part, uncertain and discretionary law clearly contributed to declines in gross real investment in mining of 20% in 2004 and 13% in 2005. Investment went up by 7% in 2006, but this was far less than the 34% increase in mining investment in Australia in 2005 alone.’

We also referred to threats to the independence of the judiciary. The Department of Justice and Constitutional Development has for many years been working on a number of bills with disturbing implications for judicial independence. The most serious threat lies in a proposal to give the executive branch of government increased administrative and budgetary control over the courts. We noted that last year some of the country’s most senior judges, including a past chief justice, Mr Justice Arthur Chaskalson, pointed to the perils of such provisions and urged a re-think. At President Thabo Mbeki’s behest, the bills were then withdrawn for further consideration. Now, however, it seems that they are likely to be revived.

Referring to possible prosecutions of people who failed to seek amnesty for political murders and other crimes before the Truth and Reconciliation Commission (TRC), we said that the entire TRC operation had been fundamentally flawed by the commission’s one-sided composition and its deficient modus operandi. (A much more detailed critique of the TRC had been published by the Institute in 1999.) We noted that prosecutions of ANC opponents but not of ANC members for crimes committed in earlier political conflict would undermine the credibility of the National Prosecuting Authority, the body responsible for deciding whom to prosecute for past (as well as current) crimes.

Political matters. The Institute commented on various attempts to undermine Ms Helen Zille, mayor of Cape Town, the only major city ruled by the Democratic Alliance (albeit in a coalition with smaller parties). The African National Congress (ANC) in the Western Cape, we said, had not reconciled itself to its defeat in the Cape Town municipal election in March 2006, when the DA won the most votes (though not an absolute majority) and secured Ms Zille’s election as executive mayor. We noted that for the ANC to seek to prise some of Ms Zille’s support away from her on policy issues would be legitimate, but that plans by provincial politicians to use the Municipal Structures Act of 2003 to change the system of municipal government in Cape Town and reduce Ms Zille to a figurehead would be an abuse of power. (In the end the plans were not implemented.)

We said that this and other efforts to unseat Ms Zille raised two questions:

– If the ANC finds it so difficult to accept the outcome of a municipal election it loses, will it be able to accept the outcome of a general election it might one day lose?
– Will the Constitution and the courts be able to protect democracy from assault at the hands of the ruling party?

Liberalism. As a liberal organisation, the Institute was delighted to note the generous and gracious remarks made by Mr Mosiuoa Lekota, minister of defence and national chairman of the ANC, at a farewell dinner to honour the 'contribution to democracy' made by Mr Tony Leon, outgoing leader of the DA. Mr Lekota began his speech by paying tribute to Mrs Helen Suzman, who was present. He recalled her regular visits to political prisoners on Robben Island. She had also asked questions about prisons in Parliament, where she had for many years been the lone voice of liberalism, he said. Mrs Suzman's contribution is well known — but in the course of praising both Mr Leon and Mrs Suzman, Mr Lekota also paid a wider tribute to South African liberalism. Many people today forgot that in the darkest days of apartheid, liberals had given people hope when there seemed to be none. They had shown blacks that there were some whites who did not wish them away. Liberals, said Mr Lekota, were as necessary today as they had been in those days. Among other things, they needed to ask questions in Parliament and elsewhere because the ANC was not doing everything right.

Professor Seepe later wrote that Nelson Mandela and other political prisoners attested that in securing them 'the right to have access to books, and paper, and writing materials, [Helen Suzman] probably did more to ensure the sanity and save the minds of political prisoners than anyone else did'.

Discussing his assumption of the presidency of the Institute in a column in *Business Day*, Professor Seepe said that some of his ANC-aligned friends had found the appointment strange in that they could not reconcile his black consciousness (BC) orientation with the liberalism advocated by the Institute. However, he said, liberalism was not at variance with the BC philosophy. 'The Institute's advocacy of respect for individual rights, the rule of just law, democratic governance, free enterprise, and the creation of opportunities for the poor is not inconsistent with BC'. He added that support for his election from those of the BC tradition was unqualified. In tracing his association with the Institute and its role in the struggle against apartheid, Professor Seepe wrote that this was 'an antidote to those given to the habit of airbrushing the past with the objective of denying certain individuals and institutions their contribution'.

Constitutional matters. The Institute also addressed the question of where power should lie in a parliamentary democracy. We were prompted to do so by complaints that the Presidency under Mr Mbeki has usurped what are properly the functions of the ruling party. Most of the complaints came from within the alliance of the ANC, the South African Communist Party, and the Congress of South African Trade Unions. In essence it reflects anger on the 'left' that the Presidency has used its power to shift policy to the 'right'.

We pointed out that it was not clear to what extent President Mbeki had actually shifted decision-making over policy issues from the ANC to the executive, but that in principle he was right to have done so. Political parties promoted their own narrow ideologies and interests, while ministers were supposed to govern in the interests of the country as a whole. In theory at any rate, ministers also acted on the advice of a professional and non-partisan civil service. Above all else, the cabinet was accountable to Parliament. The elected legislature was the body which paid ministerial salaries and to which ministers were constitutionally bound to account for their departmental expenditure and for everything they did as ministers. The Constitution was explicit. The president and his cabinet 'are accountable collectively and individually to Parliament for the exercise of their powers and the performance of their functions.'

We also addressed South Africa's electoral system. As others have also noted, it puts MPs at the mercy of party bosses who can expel them from the party and ipso facto from Parliament. South Africa, we said, needed 'an electoral system which brings MPs closer to the electorate than is possible with our present party-list system. Hence the calls for a hybrid which retains the advantages of our current proportional representation system without forfeiting those of a system that ties MPs more closely to the electorate via constituencies. As representatives of voters rather than only nominees of parties, parliamentarians would be more likely to take a wider view. They would have job security between elections and therefore be more willing to hold government to account. This would strengthen both Parliament and democracy without derogating from the principle of majority rule.'

We also addressed the issue of how the president of South Africa should be elected. Under the Constitution, he is currently chosen by the National Assembly. However, several commentators have suggested that we should rather have a direct election, as the Americans and French do. This would supposedly enhance democracy, strengthen accountability, and give voters a greater sense of participation.

Arguments for switching to direct popular election draw strength from the perceived deficiencies in the process by which the ANC chooses its president: candidates do not have to declare themselves or clarify their political standpoints, and the public at large are reduced to mere spectators. There are nevertheless disadvantages in a system of direct popular election, the Institute pointed out.

'The American president, once in office, is virtually untouchable. Congress of course holds the purse-strings and can thwart him in various ways, but he is not accountable to it. Nor is his Cabinet. Congress has no means of removing him by a political process, but only via the quasi-judicial process of impeachment. In a parliamentary democracy, by contrast, the executive is directly accountable to, and can at any time be removed by, Parliament.

'For South Africa to shift to direct presidential election would almost certainly diminish accountability. It could even kill off Parliament as anything but a rubber-stamp for legislation written by the executive. Given the critical importance of accountability as an ongoing process, and as part of the day-to-day mechanisms of government, what South Africa needs is a parliament which is stronger in relation to the executive arm of government, not weaker.'

The Institute also stressed the need to strengthen democracy at provincial level. For the president of the ANC to choose provincial premiers was subversive of democracy at the provincial tier of government, we said. 'It means that accountability goes upwards to party headquarters instead of downwards to voters. It is also inconsistent with the Constitution, which states that members of provincial executive councils (MECs) "are accountable collectively and individually to the [provincial] legislature for the exercise of their powers and the performance of their functions". It is likewise inimical to democracy for the president of the party to appoint big-city mayors. They should be accountable to local electorates, not party headquarters.'

Zimbabwe. In a press statement in March the Institute put on record its condemnation of attacks on Zimbabwe opposition MPs and other civil rights activists. The attacks followed an attempt by opposition groups to hold a prayer meeting in Zimbabwe. Various opposition leaders were arrested and transported to a police camp where they were brutally assaulted. Images of the battered opposition leaders were met with shock and outrage around the world. In South Africa the government's response was described as 'tepid' in the Institute's statement after a government spokesperson said that that the government 'took note' of the assaults but failed to condemn them. The South African government has on several occasions said that the people of Zimbabwe should sort out their own problems. The Institute pointed out that the erosion of the rule of law in Zimbabwe had left Zimbabweans 'vulnerable to the worst excesses of the state'. In such a situation there was very little they could do to improve their condition.

The Institute also commented when South Africa objected to discussing the Zimbabwe crisis in the United Nations Security Council. The Institute described as 'feeble' the suggestion that the Zimbabwe matter be referred to the UN's Human Rights Council, where South Africa had previously voted to shield Zimbabwe from criticism. The Institute said that the real indictment of South Africa was not that it had simply failed to condemn Zimbabwe but rather that it had actively supported the Mugabe regime in many of its ruinous policies. South Africa had greeted Mugabe as a 'conquering hero' at President Mbeki's 2004 inauguration, denigrated opposition parties in Zimbabwe, and even supplied military spare parts to the Zimbabwe armed forces. The implication of such conduct was that the ANC in fact endorsed the Zimbabwe government's desire to stay in power at all costs. 'This suggests that democracy in South Africa is safe only as long as the ANC does not face a credible electoral threat.'

CONCLUSION

Vigorous public discourse is a critical component of an open society. Few people participate in current such discourse in South Africa with the authority and enthusiasm of Professor Sipho Seepe, our new President. He does so in a variety of forums, among them a column in *Business Day*. A few years ago I noted in this report that there was too little public debate in South Africa. This is still true with regard to racial legislation in particular, although, as Professor Seepe has noted, this is now changing. The 'race card' is becoming less and less effective as means of silencing government critics, irrespective of whether they happen to be black or white. We expressed this opinion in an editorial in *Fast Facts*. 'President Mbeki in the past has suggested that his critics on issues as diverse as AIDS, the arms deal, and his handling of Zimbabwe, are motivated by racial prejudice. At one stage, fear of being labelled racist had an inhibiting effect on public discourse. This no longer seems to be the case.'

The real story of the race card was its diminishing utility. 'Many people and institutions are still loth to criticise the government, whether for fear of being labelled as racists or because it might damage their business or other interests. But this is beginning to change. South Africa today feels like a more open society than it did ten years ago. There is less fear of being labelled racist.'

This is good news for race relations, for honest public debate, for democracy, and for our future as an open society.

HELEN SUZMAN

Mrs Helen Suzman, one of our Vice Presidents, turns 90 on 7th November 2007. It was work for the Institute that launched her long and distinguished fight for justice. In August 1946 the Smuts government appointed a commission of inquiry under Mr Justice H A Fagan into laws affecting Africans in urban areas. The Institute commissioned Mrs Suzman and Mr (later Professor) Ellison Kahn to compile a memorandum to the Fagan Commission. The memorandum put forward a number of liberalising proposals, among them recognition of the permanent urbanisation of Africans on a family basis with the right to acquire freehold land, abolition of the pass laws, compulsory primary education, and statutory recognition of African trade unions. Many of these were adopted by the commission and the government then prepared legislation to implement some of them. However, liberalisation was not to be: the National Party came to power in a general election in 1948 and did exactly the opposite. But even the National Party eventually had to bow to reality: most of what the Institute had recommended subsequently came about even before the change of government in 1994.

It is a great pleasure to pay tribute on behalf of the Institute to Helen Suzman on the occasion of her 90th birthday.

Johannesburg
10th October 2007

HONORARY TREASURER'S REPORT ON THE FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 31st DECEMBER 2006

The surplus for the period amounted to R337 378, compared to a surplus of R2 204 703 for the year ended 31st March 2006. The Council of the Institute voted on 9th September 2006 to change the year end. As a result, the period reported on comprises nine months ended 31st December 2006. This needs to be taken into consideration in comparison to the prior year ended 31st March 2006. The reasons for this change are explained in greater detail in the audited financial statements which follow.

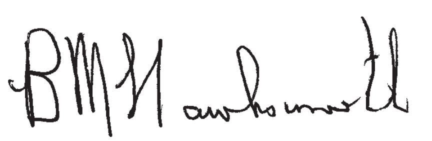
Operating income was R4 369 312 compared with the previous year's figure of R6 596 115. This variance cannot simply be pro rated due to the change of year-end, and closer scrutiny is required, which in the main, reveals other timing differences. The material portion of administration fees the Institute charges to manage the bursary awards is calculated against the value of awards. This income is only recognized when the award is paid. Historically fifty percent of awards are made in the first calendar quarter. As this first quarter is excluded from the reporting period, the income recognised will not be comparable to the previous year. Furthermore, the Bursary Department did not make all the bursary awards budgeted. Grants and donations are nominally down by 15%. The decline in membership fees and subscriptions from R2 190 744 to R1 260 569 is largely attributable to the fact that it has taken longer than expected to re-establish the Marketing Department.

The decline in income from investments from R2 937 940 to R1 626 417 is largely due to a reduction in unrealised gain of the Institute's share portfolio. The second major reason is that a surplus of R266 462 was realised on the sale of the Cape Town property in the prior year. Dividend income increased partly as a result of higher yields on the investment portfolio.

Expenditure was well contained and if pro rated in total has resulted in an increase of only 3.3% over the previous year. Overheads and administration have increased due to higher repairs and maintenance costs related both to the buildings and to computer networks, and website development. Personnel costs were contained due to the delay in certain project roll-outs.

The Institute's financial position at the end of the period was sound. At that date it had total assets of R41 123 031 under its control, compared to R37 038 489 at 31st March 2006. It is anticipated that the market value of the listed investments will continue to increase moderately in 2007.

There is a budgeted operating surplus of approximately R68 000 for the year to December 2007, before any possible increase in the unrealized surplus on investment revaluation. Additional grants and foreign sponsorships have been received in the period subsequent to 1st January 2007, which had not previously been budgeted for and it is expected that budget expectations will be exceeded.



Brian M Hawksworth
Honorary Treasurer
Chairman of the Finance Committee

SOUTH AFRICAN INSTITUTE OF RACE RELATIONS

(INCORPORATED ASSOCIATION NOT FOR GAIN
REGISTERED UNDER SECTION 21
OF THE COMPANIES ACT)
AND ITS SUBSIDIARY COMPANY

ANNUAL FINANCIAL STATEMENTS

for the period ended 31st December 2006

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

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The annual financial statements set out on pages 33 to 56 have been approved by the Board of Directors and are signed on its behalf by:

DIRECTOR

DIRECTOR

12th October 2007

INDEPENDENT AUDITOR'S REPORT

To the Members of the
South African Institute of Race Relations
(Incorporated Association Not For Gain
registered under Section 21 of the Companies Act)

Report on the financial statements

We have audited the accompanying financial statements of the South African Institute of Race Relations and its subsidiary (the group) which comprise the consolidated balance sheet as of 31st December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 43 to 56.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, 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 about 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 judgment, 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 opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the group at 31st December 2006, and of its financial performance and its cash flows for the period then ended, in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: MA Horsfield
Registered Auditor
2 Eglin Road,
Sunninghill, 2007

12th October 2007

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

The Board meets quarterly. The roles of Chairman and Chief Executive do not vest in the same person. Directors are appointed for a specific term of office and re-appointment is not automatic. Membership of the Board is set out on page 38 of the *Annual Financial Statements*.

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

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

FINANCIAL CONTROL

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

CODE OF ETHICS

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

CHANGE OF YEAR END

In pursuance of the principles of good governance the Council of the Institute voted on 9th September 2006 to change the year-end reporting date. As a result, the period reported on comprises only 9 months ended 31st December 2006. This needs to be taken into consideration in comparison to the prior year ended 31st March 2006. This change was brought about primarily due to the fact that it had become increasingly difficult to account for the activities of the Bursary Department, which operates on an academic year, in financial statements with a March year end. This change will in future enable a more accurate portrayal of the results of the Institute's various activities.

REPORT OF THE DIRECTORS

The directors have approved the attached annual financial statements and submit their report for the period ended 31st December 2006.

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.

DIRECTORS AND SECRETARY

The following acted as directors:

E R Jenkins	–	President
H B Giliomee	–	Vice President
L Schlemmer	–	Vice President
M M A Shezi	–	Vice President
H Suzman D B E	–	Vice President
C E W Simkins	–	Chairman of the Board of Directors
P J Horwitz	–	Vice Chairman of the Board of Directors
B M Hawksworth	–	Honorary Treasurer
D Bostock	–	Honorary Legal Adviser
T Coggin		
R D Crawford		
J A Hudson		
J D Jansen		
N C Mathiane		
C J McCaul		
I Mkhabela		
M S Mosikili		
D K Rose		
P S Seepe		
T J Sono		
J W Wentzel		
T A Wixley		
J S Kane-Berman	–	Chief Executive*

* Executive director

The secretary of the company is K Schultz, whose addresses are:

Business address	**Postal address**
68 De Korte Street	P O Box 31044
Braamfontein	Braamfontein
2001 Johannesburg	2017 South Africa

SUBSIDIARY COMPANY

The name of the subsidiary is:	***As at Dec 2006***	***As at Mar 2006***
De Korte Street Properties (Pty) Ltd		
Details are as follows:		
Issued share capital	R6	R6
Company's holding	100%	100%
Book value of company's holding	R6	R6
Book value owing to holding company	R980 843	R920 963

BALANCE SHEET
as at 31st December 2006

	Notes	GROUP		COMPANY	
		As at Dec 2006 R	As at Mar 2006 R	As at Dec 2006 R	As at Mar 2006 R
ASSETS					
Non current assets					
Property, plant and equipment	2	1 528 837	1 530 642	630 087	620 642
Investment in subsidiary	3			885 329	920 969
		1 528 837	1 530 642	**1 515 416**	1 541 611
Investments					
Special funds					
– Bursary	13	29 218 304	24 528 229	29 218 304	24 528 229
– Institute	13	1 580 340	1 143 464	1 580 340	1 143 464
– Other	13	536 644	1 950 807	536 644	1 950 807
		31 335 288	27 622 500	31 335 288	27 622 500
Other Institute investments	13	7 316 792	6 515 989	7 316 792	6 515 989
		38 652 080	34 138 489	**38 652 080**	34 138 489
Current assets					
Accounts receivable	4	563 338	1 177 915	562 387	1 176 964
Cash resources		378 776	191 443	378 776	191 443
		942 114	1 369 358	1 023 800	1 391 164
TOTAL ASSETS		**41 123 031**	**37 038 489**	**41 108 659**	**37 048 507**
FUNDS AND LIABILITIES					
Funds and reserves					
Accumulated funds		8 935 216	8 597 838	8 935 216	8 623 206
		8 935 216	8 597 838	**8 935 216**	8 623 206
Special funds					
– Bursary	5/6	29 218 304	24 528 229	29 218 304	24 528 229
– Institute	5/6	1 580 340	1 143 464	1 580 340	1 143 464
– Other	5/6	536 644	1 950 807	536 644	1 950 807
		31 335 288	27 622 500	**31 335 288**	27 622 500
Current liabilities					
Accounts payable	7	852 527	815 538	838 155	802 801
Taxation	11		2 613		
		852 527	818 151	838 155	802 801
TOTAL FUNDS AND LIABILITIES		**41 123 031**	**37 038 489**	**41 108 659**	**37 048 507**

INCOME STATEMENT

for the 9 month period ended 31st December 2006

	Notes	*GROUP*		*COMPANY*	
		Period ended Dec 2006 R	*Year ended Mar 2006 R*	*Period ended Dec 2006 R*	*Year ended Mar 2006 R*
INCOME					
Administration fees received		635 508	1 599 339	695 508	1 659 339
Bequests		4 470	8 500	4 470	8 500
Grants and donations		2 350 963	2 750 613	2 350 963	2 750 613
Membership fees and subscriptions		1 260 569	2 190 744	1 260 569	2 190 744
Publication sales		117 802	37 683	117 802	37 683
Rental received			9 236		9 236
		4 369 312	6 596 115	**4 429 312**	6 656 115
EXPENSES					
Auditors' remuneration					
– Fees for the audit	8	90 239	119 196	86 802	114 996
Depreciation	2	140 515	173 396	129 265	158 396
Impairment of loan to subsidiary		–	–	95 520	–
Lease expenditure		81 558	126 732	81 558	126 732
Overheads and administration		542 084	547 357	416 383	411 631
Personnel		3 963 197	5 478 151	3 854 564	5 367 708
Postage		146 264	140 043	146 264	140 043
Printing		266 596	221 636	266 596	221 636
Rent and utilities		68 723	86 828	307 592	405 323
Telecommunications		231 121	309 473	231 121	309 473
Travel		128 054	102 757	128 054	102 757
		5 658 351	7 305 569	**5 743 719**	7 358 695
OPERATING DEFICIT FOR THE PERIOD		(1 289 039)	(709 454)	(1 314 407)	(702 580)
INCOME FROM INVESTMENTS					
Dividends		264 873	241 679	264 873	241 679
Interest received		51 224	87 307	51 224	87 307
Surplus on sale of fixed asset		12 000		12 000	
Surplus on sale of property			266 462		266 462
Surplus on investments		1 298 320	2 342 492	1 298 320	2 342 492
		1 626 417	2 937 940	**1 626 417**	2 937 940
SURPLUS BEFORE TAXATION		337 378	2 228 486	312 010	2 235 360
SA NORMAL TAXATION	11		(23 783)		
SURPLUS FOR THE PERIOD		**337 378**	2 204 703	**312 010**	2 235 360

STATEMENT OF CHANGES IN EQUITY

for the 9 month period ended 31st December 2006

GROUP	*Non distributable reserve R*	*Accumulated funds R*	*Research reserve R*	*Total R*
Balance at 1st April 2005	1 233 300	3 159 835	2 000 000	6 393 135
Transfer to accumulated funds	(1 233 300)	3 233 300	(2 000 000)	
Surplus for the year		2 204 703		2 204 703
Balance at 31st March 2006		**8 597 838**		**8 597 838**
Balance at 1st April 2006		8 597 838		8 597 838
Surplus for the period		337 378		337 378
Balance at 31st December 2006		**8 935 216**		**8 935 216**

COMPANY				
Balance at 1st April 2005	1 217 125	3 170 721	2 000 000	6 387 846
Transfer to accumulated funds	(1 217 125)	3 217 125	(2 000 000)	
Surplus for the year		2 235 360		2 235 360
Balance at 31st March 2006		**8 623 206**		**8 623 206**
Balance at 1st April 2006		8 623 206		8 623 206
Surplus for the period		312 010		312 010
Balance at 31st December 2006		**8 935 216**		**8 935 216**

CASH FLOW STATEMENT

for the 9 month period ended 31st December 2006

	GROUP		COMPANY	
	Period ended Dec 2006 R	*Year ended Mar 2006 R*	*Period ended Dec 2006 R*	*Year ended Mar 2006 R*
Cash flows from operating activities				
Operating surplus before tax	337 378	2 228 486	312 010	2 235 360
Adjustments: Depreciation	140 515	173 396	129 265	158 396
Interest received	(51 224)	(87 307)	(51 224)	(87 307)
Impairment of loan to subsidiary	–	–	95 520	–
Surplus on investments	(1 298 320)	(2 342 493)	(1 298 320)	(2 342 493)
Surplus on disposal of fixed asset	(12 000)	(266 462)	(12 000)	(266 462)
Movement in working capital – decrease/(increase) in accounts receivable	614 577	(564 394)	614 577	(564 394)
– increase/(decrease) in accounts payable	36 989	(76 005)	35 354	(79 205)
– decrease in inventory		22 161		22 161
Sub total	(232 085)	(912 618)	(174 818)	(923 944)
Tax paid	(2 613)	(21 170)		
Interest received	51 224	87 307	51 224	87 307
Net cash (outflow) from operating activities	**(183 474)**	(846 481)	**(123 594)**	(836 637)
Cash flows from investing activities				
(Increase) in inter-company current account			(59 880)	(9 844)
Surplus on disposal of property, plant and equipment	12 000	307 361	12 000	307 361
Surplus on disposal of investments	497 517	863 574	497 517	863 574
Additions to property, plant and equipment	(138 710)	(97 847)	(138 710)	(97 847)
Net cash inflow from investing activities	**370 807**	1 073 088	**310 927**	1 063 244
Net cash generated for the period	187 333	226 607	187 333	226 607
Cash resources at beginning of period	191 443	(35 164)	191 443	(35 164)
Cash resources at end of period	**378 776**	191 443	**378 776**	191 443

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the 9 month period ended 31st December 2006

1. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared in accordance with and comply with South African Statements of Generally Accepted Accounting Practice. The financial statements are prepared on the historical cost basis except for listed investments, which are valued at market value, and the revaluation of certain property, plant, and equipment.

Interpretations and amendments to published standards effective in 2006

The following amendments and interpretations to standards are mandatory for the group's accounting periods beginning on or after 1 January 2006:

– AC143 (IFRS6), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)
– Amendments to AC116 (IAS19), *Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures* (effective from 1 January 2006)
– Amendments to AC133 (IAS39), *Financial Instruments: Recognition and Measurement* and AC141 (IFRS4), *Insurance Contracts – Financial Guarantee Contracts* (effective from 1 January 2006)
– Amendments to AC133 (IAS39), *Financial Instruments: Recognition and Measurement – The Fair Value Option* (effective from 1 January 2006)
– Amendments to AC133 (IAS39), *Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions* (effective from 1 January 2006)
– Amendment to AC138 (IFRS1), *First Time Adoption of International Financial Reporting Standards* and AC143 (IFRS6), *Exploration for and Evaluation of Mineral Resources* (effective from 1 January 2006)
– Amendment to AC112 (IAS21), *The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation* (effective from 1 January 2006)

Management assessed the relevance of these improved, revised and replaced statements with respect to the group's operations and concluded that the changes are not relevant to the group.

Interpretations of South African Statements of Generally Accepted Accounting Practice

The following interpretations are mandatory for the group's accounting period beginning on or after 1 January 2006:

– AC437 (IFRIC4), *Determining Whether an Arrangement Contains a Lease* (effective from 1 January 2006)
– AC438 (IFRIC5), *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* (effective from 1 January 2006
– AC439 (IFRIC6), *Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* (effective from 1 December 2005)
– AC502, *Substantively Enacted Tax Rates and Tax Laws* (effective upon issue February 2006)

NOTES (continued)

for the 9 month period ended 31st December 2006

1. ACCOUNTING POLICIES (continued)

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

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 January 2007 or later periods but which the group has not early adopted, as follows:

– AC144 (IFRS7), *Financial Instruments: Disclosures*, and a complementary amendment to AC101 (IAS1), *Presentation of Financial Statements – Capital Disclosures* (effective from 1 January 2007). AC144 (IFRS7) introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces AC120 (IAS30), *Disclosures in the Financial statements of Banks and Similar Financial Institutions* and disclosure requirements in AC125 (IAS32), *Financial Instruments: Disclosure and Presentation*. The amendment to AC101 (IAS1) introduces disclosures about the level of the entity's capital and how it manages capital. Management is currently assessing the impact of AC144 (IFRS7) and the amendment to AC101 (IAS1) on the group's operations.

  The group will apply AC144 (IFRS7) and the amendment to AC101 (IAS1) from annual periods beginning 1 January 2007.

– AC145 (IFRS8), *Operating Segments* (effective from 1 January 2009). Management is currently assessing the impact of IFRS8 on the group's operations.

– AC440 (IFRIC7), *Applying the Restatement Approach Under IAS29 Financial Reporting in Hyper inflationary economies* (effective from 1 March 2006)

– AC441 (IFRIC8), *Scope of AC139 (IFRS2)* (effective from 1 May 2006). The interpretation clarifies that AC139 (IFRS2) applies to transactions in which the entity cannot specifically identify the goods or services received in return for a share based payment, but where other circumstances indicate that goods or services have been received. AC441 (IFRIC8) is not relevant to the group's operations.

– AC442 (IFRIC9), *Reassessment of Embedded Derivatives* (effective from 1 June 2006). AC442 (IFRIC9) is not relevant to the group's operations.

– AC443 (IFRIC10), *Interim Financial Reporting and Impairment* (effective from 1 November 2006). AC443 (IFRIC10) is not relevant to the group's operations.

– AC444 (IFRIC11), AC139 (IFRS2) *Group and Treasury Share Transactions* (effective from 1 March 2007). AC444 (IFRIC11) is not relevant to the group's operations.

– AC445 (IFRIC12), *Service Concession Arrangements* (effective from 1 January 2008). AC445 (IFRIC12) is not relevant to the group's operations.

– AC503, *Accounting for Black Economic Empowerment ("BEE") Transactions* (effective from 1 May 2006). AC503 is not relevant to the group.

NOTES (continued)
for the 9 month period ended 31st December 2006

1. ACCOUNTING POLICIES (continued)

Consolidation

The group results include the company results and the operating results and assets and liabilities of the wholly owned subsidiary.

Membership fees

Membership fees due and payable are brought to account on a cash received basis.

Donations and grants

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

Operating leases

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

Special Funds

Funds specially designated by donors may, at the discretion of the recipient activity, 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 6.

Property, plant, and equipment

Land and library books are not depreciated. Other assets are stated at cost or valuation less accumulated depreciation. The land and buildings are occupied by the holding company and are used for operational purposes and are not treated as an investment. Library books are stated at valuation. The archives, which are housed at the University of the Witwatersrand, are carried at no cost. Depreciation is calculated on a straight-line basis to write off the cost of each asset over its estimated useful life as follows:

Buildings	–	50 years
Furniture and equipment	–	3–6 years
Motor vehicles	–	5 years

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

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

1. ACCOUNTING POLICIES (continued)

Financial instruments

Financial instruments carried on the balance sheet include investments, cash resources, accounts receivable, accounts payable and borrowings. These instruments are generally carried at their estimated fair value.

The financial assets and liabilities are measured as follows:

Financial assets: Loans originated by the enterprise are measured at amortised cost. Any changes in the carrying amount of these financial assets are taken into account in determining operating profit.

Financial liabilities: Other liabilities are measured at amortised cost. Any changes in the carrying amount of these financial liabilities are taken into account in determining operating profit.

Investments

Investments are stated at market value. The increase or decrease in market value is capitalised for Bursary Funds, and recognised in income for Institute investments as fair value through profit and loss.

Inventory

Inventory is stated at the lower of printing cost or net realisable value. Cost is determined on an average cost basis. Cost of research is expensed as incurred. In December 2006 inventory was considered to have no realisable value and had already been written down to nil at March 2006.

Accumulated Funds

All reserves are reflected under accumulated funds.

2. PROPERTY, PLANT, AND EQUIPMENT

GROUP	*Land* *R*	*Buildings* *R*	*Furniture and equipment* *R*	*Motor vehicles* *R*	*Library* *R*	*Total* *R*
Period ended 31st December 2006						
Opening net carrying amount	250 000	660 000	184 133	32 509	404 000	1 530 642
Additions			58 664	80 046		138 710
Depreciation		(11 250)	(87 515)	(41 750)		(140 515)
Closing net carrying amount	**250 000**	**648 750**	**155 282**	**70 805**	**404 000**	**1 528 837**
At 31st December 2006						
Cost	250 000	750 000	1 110 029	296 797	404 000	2 810 826
Accumulated depreciation		(101 250)	(954 747)	(225 992)		(1 281 989)
Closing net carrying amount	**250 000**	**648 750**	**155 282**	**70 805**	**404 000**	**1 528 837**
Year ended 31st March 2006						
Opening net carrying amount	250 000	705 922	211 305	75 863	404 000	1 647 090
Additions			97 847			97 847
Disposals		(30 922)	(9 977)			(40 899)
Depreciation		(15 000)	(115 042)	(43 354)		(173 396)
Closing net carrying amount	**250 000**	**660 000**	**184 133**	**32 509**	**404 000**	**1 530 642**
At 31st March 2006						
Cost	250 000	750 000	1 051 367	247 055	404 000	2 702 422
Accumulated depreciation		(90 000)	(867 234)	(214 546)		(1 171 780)
Closing net carrying amount	**250 000**	**660 000**	**184 133**	**32 509**	**404 000**	**1 530 642**

COMPANY	*Land and buildings* *R*	*Furniture and equipment* *R*	*Motor vehicles* *R*	*Library* *R*	*Total* *R*
Period ended 31st December 2006					
Opening net carrying amount		184 133	32 509	404 000	620 642
Additions		58 664	80 046		138 710
Depreciation		(87 515)	(41 750)		(129 265)
Closing net carrying amount		**155 282**	**70 805**	**404 000**	**630 087**
At 31st December 2006					
Cost		1 110 029	296 797	404 000	1 810 826
Accumulated depreciation		(954 747)	(225 992)		(1 180 739)
Closing net carrying amount		**155 282**	**70 805**	**404 000**	**630 087**
Year ended 31 March 2006					
Opening net carrying amount	30 922	211 305	75 863	404 000	722 090
Additions		97 847			97 847
Disposals	(30 922)	(9 977)			(40 899)
Depreciation		(115 042)	(43 354)		(158 396)
Closing net carrying amount		**184 133**	**32 509**	**404 000**	**620 642**
At 31 March 2006					
Cost	30 922	1 051 367	247 055	404 000	1 733 344
Disposals	(30 922)				(30 922)
Accumulated depreciation		(867 234)	(214 546)		(1 081 780)
Closing net carrying amount		**184 133**	**32 509**	**404 000**	**620 642**

NOTES (continued)
for the 9 month period ended 31st December 2006

2. PROPERTY, PLANT, AND EQUIPMENT (continued)

Details of land and buildings	*As at Dec 2006 R*	*As at Mar 2006 R*
Freehold stand, lot 2794 Johannesburg township Situated at 68 De Korte Street, Braamfontein Purchased 1954 at cost	20 500	20 500
Building erected 1956	65 198	65 198
Revaluation – 2001	667 981	667 981
	753 679	753 679
Freehold stand, lot 5088 Johannesburg township Situated at 70 De Korte Street, Braamfontein Purchased 1989 at cost	375 000	375 000
Improvements and alterations – 1990	440 410	440 410
Improvements and alterations – 1991	47 528	47 528
Improvements and alterations – 1997	35 189	35 189
Revaluation – 2001	(651 806)	(651 806)
	246 321	246 321
	1 000 000	1 000 000

3. INVESTMENT IN WHOLLY OWNED SUBSIDIARY COMPANY

	COMPANY	
	As at Dec 2006 R	*As at Mar 2006 R*
Shares at cost	6	6
Loan to subsidiary	950 612	950 612
Provision for Impairment	(147 926)	(52 406)
	802 692	**898 212**
Current accouht with subsidiary	82 637	22 757
	885 329	**920 969**

4. ACCOUNTS RECEIVABLE

	GROUP		*COMPANY*	
	As at Dec 2006 R	*As at Mar 2006 R*	*As at Dec 2006 R*	*As at Mar 2006 R*
Trade and other debtors	550 828	1 142 275	549 877	1 141 324
Staff debtors	12 510	35 640	12 510	35 640
	563 338	1 177 915	**562 387**	1 176 964

NOTES (continued)

for the 9 month period ended 31st December 2006

5. SPECIAL FUNDS

	Bursary funds R	*Institute funds R*	*Other funds R*	*Total period ended Dec 2006 R*	*Total year ended Mar 2006 R*
INCOME					
Donations and grants	2 714 204	1 024 694		3 738 898	6 832 524
Interest	143 808			143 808	125 702
Dividends	858 013			858 013	686 897
	3 716 025	**1 024 694**		**4 740 719**	**7 645 123**
EXPENSES					
Administration fees and running costs	700 336	848 213	1 414 163	2 962 712	5 285 093
Audit fees	34 650			34 650	34 104
Bursaries and grants	3 603 558			3 603 558	9 885 350
	4 338 544	**848 213**	**1 414 163**	**6 600 920**	**15 204 547**
SURPLUS/(DEFICIT) FOR THE PERIOD	(622 519)	176 481	(1 414 163)	(1 860 201	(7 559 424)
Surplus on investments	5 312 594	260 395		5 572 989	7 603 753
Accumulated funds at beginning of the year net of deficit balances	24 327 125	1 143 464	1 950 807	27 421 396	27 578 171
Prior year adjustment*	201 104			201 104	
Accumulated funds as restated	24 528 229	1 143 464	1 950 807	27 622 500	27 578 171
NET ACCUMULATED FUNDS	**29 218 304**	**1 580 340**	**536 644**	**31 335 288**	**27 622 500**

A list of the balances of the Special Funds administered by the Institute appears in Note 6 and the related investments are set out in notes 13 to 16.

* The prior year adjustment arose mainly due to an overstatement of bursary awards in the Raymond Tucker fund in prior years which has now been corrected. This adjustment has no effect on the income of the Institute but only affects special bursary funds.

NOTES (continued)

for the 9 month period ended 31st December 2006

6. SPECIAL FUNDS

6.1 Bursary Funds

	Capital R	Amounts held for bursary awards R	Total as at Dec 2006 R	Total as at Mar 2006 R
3M Bursary Fund (staff)		25 762	25 762	(30 212)
Amcham Fund		912 434	912 434	1 100 629
ASA Educational Fund		34 830	34 830	117 327
Bertha McKay Fund		5 100	5 100	33 356
Clive Beck Education Trust		215 903	215 903	304 822
Dorothy Glauber Fund	50 000		50 000	50 000
Durban Thekwini Bursary Fund		93 524	93 524	284 093
Edinburgh Bursary Fund		29 954	29 954	40 996
Energos Fund		385 018	385 018	763 194
Esrael Lazarus Education Fund	67 000	226 745	293 745	275 766
Eva Dickhuth-Baumann Education Fund		7 216	7 216	4 566
FNB Fund Bursary Programme		108 227	108 227	176 996
Foschini Bursary Fund				(282 072)
Gert and Irmgard Brusseau Trust	45 990	742 823	788 813	843 081
Giannopoulos Bequest	322 000	276 320	598 320	589 898
GOBA Empowerment Fund				(208 935)
Horace Coaker Fund	500	2 632 106	2 632 606	1 758 532
Hungjao Bequest	821 831	679 666	1 501 497	1 285 534
Isaacson Foundation Bursary Fund		6 088 043	6 088 043	4 424 545
Kilchberg Bursary Fund		411	411	12 271
Luthuli Memorial Foundation Fund	107 883		107 883	100 153
Margaret Ballinger Fund		5 079	5 079	16 086
MTN Fund		87 597	87 597	87 597
Nampak Fund		99 679	99 679	273 305
Oppenheimer Memorial Trust		457 405	457 405	164 068
Pick 'n Pay Bursary Fund				109 347
RCS Bursary Scheme		179	179	179
Reginald Smith Memorial Trust	10 000		10 000	10 000
Robert Shapiro Trust	10 878	10 183 939	10 194 817	8 168 709
SAIRR Education Trust				
3M Bursary Fund (non staff)		11 095	11 095	(17 794)
African Rainbow Minerals Fund		18 162	18 162	143 372
Alumni Bursary Fund		12 949	12 949	68 643
Fulton Fund		17 315	17 315	34 994
John Deere Bursary Fund		106 408	106 408	16 244
National Brands Fund				(81 165)
Raymond Tucker Fund	25	109 418	109 443	323 763
SA Eagle Bursary Fund		77 642	77 642	119 308
Sentrachem Bursary Fund		77 249	77 249	140 837
Senior Bursary Fund	50 000	3 534	53 534	51 193
Shirley Simons Fund	772 778	2 698 892	3 471 670	2 967 955
Sonae Novobord Bursary Fund		258 941	258 941	
Still-Gosnell Trust Fund		85 033	85 033	221 728
MaAfrika Tikkun Jewish Community Scholarship		44 060	44 060	67 976
Trinity College (Cambridge) Bursary Fund				(4 171)
UTI Education Trust Fund		138 474	138 474	
USAID SA Scholarship Programme		277	277	277
Victor Daitz Fund		923	923	923
Yvonne Rabbow Memorial Music Award		1 087	1 087	315
	2 258 885	**26 959 419**	**29 218 304**	**24 528 229**

6.1 Bursary funds (continued)

	Capital R	Amounts held for bursary awards R	Total as at Dec 2006 R	Total as at Mar 2006 R
Total Bursary Funds:				
Totals brought forward	**2 258 885**	**26 959 419**	**29 218 304**	24 528 229

6.2 Special Research Projects:

	Dec 2006 R	Mar 2006 R
Dick Gawith Fellowship	1 235 734	975 338
Irish Aid	12 855	45 062
Royal Danish Embassy	331 751	123 064
	1 580 340	1 143 464

6.3 Other Funds:

	Dec 2006 R	Mar 2006 R
Hecate Fund	88 768	84 816
Johnson and Johnson BTC Fund	447 876	1 865 991
	536 644	**1 950 807**
TOTAL SPECIAL FUNDS	**31 335 288**	**27 622 500**

	GROUP		COMPANY	
	As at Dec 2006 R	As at Mar 2006 R	As at Dec 2006 R	As at Mar 2006 R

7. ACCOUNTS PAYABLE

	GROUP As at Dec 2006 R	GROUP As at Mar 2006 R	COMPANY As at Dec 2006 R	COMPANY As at Mar 2006 R
Trade payables	47 146	35 383	35 733	28 710
Accruals and audit fee provision	287 256	231 870	287 256	231 870
Receiver of Revenue – VAT	3 244	127 189	285	121 125
Provision for leave pay	500 947	407 032	500 947	407 032
Sundry payables	13 934	14 064	13 934	14 064
	852 527	815 538	**838 155**	802 801

8. AUDITORS' REMUNERATION (GROUP)

	Period ended Dec 2006 R	Year ended Mar 2006 R
Holding Company	86 802	88 200
Royal Danish Embassy		26 796
	86 802	114 996
De Korte Street Properties (Pty) Ltd	3 437	4 200
Charged to the income statement	90 239	119 196
Charged to bursary funds	34 650	34 104
	124 889	153 300

9. OPERATING LEASES

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

	As at Dec 2006 R	*As at Mar 2006 R*
Minimum lease payments:		
Not later than one year	104 112	126 732
Later than one year and not later than 5 years	416 448	211 220
	520 560	**337 952**

10. DIRECTORS' REMUNERATION

The directors' emoluments were as follows:	*Period ended Dec 2006 R*	*Year ended Mar 2006 R*
Salaries	642 938	871 328
Fringe benefits	40 077	107 418
	683 015	978 746

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

11. TAXATION

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

	GROUP	
	Period ended Dec 2006 R	*Year ended Mar 2006 R*
Current year		2 613
Prior year under accrual		21 170
		23 783

No provision has been made for South African normal taxation as the subsidiary, De Korte Street Properties (Proprietary) Limited, has an estimated assessed loss of approximately R58 900 (March 2006: Nil) which is available for set off against future taxable income.

12. FINANCIAL INSTRUMENTS

Fair Values

At the year end the carrying amounts of investments, receivables, and payables were the same as their fair values. The fair value of the investments is disclosed in Note 13. Receivables and payables are disclosed in Notes 4 and 7.

Credit and Investment Risk

Investments are placed with high quality institutions and invested in blue chip equities and gilts to reduce credit and investment risk.

Interest Rate Risk

The Institute is exposed to the risk of fluctuations in market interest rates. This risk is monitored closely and cash balances are invested accordingly.

		—COMPANY AND GROUP—	
		As at Dec 2006 R	***As at Mar 2006 R***
13.	**INVESTMENTS**		
13.1	**Special Funds**		
13. 1.1	***Bursary Funds (Note 6.1)***		
	Fixed deposits	125 035	117 305
	Listed investments (Note 14)	24 453 894	19 488 986
		24 578 929	19 606 291
	Funds administered by Standard Private Bank		
	Listed investments (Note 15)	1 022 026	919 991
	Gilts	298 604	305 732
	Cash reserves	29 902	626 717
		1 350 532	1 852 440
	Total equities and other investments	25 929 461	21 458 731
	Cash deposits	3 157 481	4 274 009
	Debtors	173 113	57 619
		29 260 055	25 790 359
	Less : Creditors	(41 751)	(1 262 130)
		29 218 304	24 528 229
13.1.2	***Institute Special Research Projects (Note 6.2)***		
	Unit Trusts and Cash on call	1 580 340	1 143 464
13.1.3	***Other funds (Note 6.3)***	536 644	1 950 807
	Total Special funds	**31 335 288**	27 622 500
13.2	**Other Institute Investments**		
	First National Bank Call account	442 628	477 641
	Listed investments (Note 16)	6 874 164	6 038 348
		7 316 792	6 515 989
	TOTAL INVESTMENTS	**38 652 080**	34 138 489

NOTES (continued)
for the 9 month period ended 31st December 2006

	As at Dec 2006 Qty	As at Dec 2006 R	As at Mar 2006 Qty	As at Mar 2006 R
14. LISTED INVESTMENTS OF BURSARY FUNDS				
Platinum				
Anglo American Platinum Corporation Ltd	4 206	3 600 462	4 206	2 352 752
Banks				
Standard Bank Group Ltd	6 748	637 687	6 748	572 230
Chemicals, Oils, and Plastics				
Sasol Ltd	2 285	591 336	2 285	532 405
Life Insurance				
Liberty Group Ltd	2 048	170 004	2 048	182 272
Old Mutual Plc	10 000	239 000	10 000	214 700
Mining Holdings and Houses				
Anglo American Plc	21 489	7 349 238	21 489	5 088 595
Billiton Plc	5 391	695 169	5 391	606 434
Property				
Liberty International Plc	4 067	774 072	4 067	508 375
Property Unit Trusts				
Allan Gray Property Trust	70 000	427 000	70 000	472 500
Ambit Properties Ltd	270 000	1 080 000	270 000	1 012 500
Apexhi Properties A	40 285	594 204	40 285	612 332
Apexhi Properties B	35 000	627 900	35 000	570 500
Apexhi Properties C	26 165	115 125		
Hyprop Investments Ltd	12 448	479 248	12 448	460 576
IFour Properties Ltd	38 500	456 225	38 500	513 975
Pangbourne Properties Ltd	28 900	414 715	28 900	421 940
Redefine Income Fund Ltd	163 500	1 136 325	163 500	1 095 450
Sycom Property Fund	32 560	586 080	32 560	626 780
Services				
Bidvest Group Ltd	6 000	802 800	6 000	684 000
Consol Ltd	32 870	622 887	32 870	476 286
Food				
Anglovaal Industries Ltd	32 870	640 965	32 870	552 216
Tiger Brands Ltd	1 440	246 240	1 440	250 416
The Spar Group Ltd	1 500	64 800	1 500	57 375
Packaging and Printing				
Nampak Ltd	900	19 566	900	15 075
Diversified Industrial				
Rembrandt Group Ltd	1 000	178 010	1 000	135 000
Richemont Securities Ag	30 000	1 227 000	30 000	877 200
Retail				
Pick 'n Pay Stores Ltd	16 402	542 906	16 402	495 341
Beverages				
SAB Miller Plc	841	134 930	841	101 761
		24 453 894		19 488 986

	As at Dec 2006 Qty	As at Dec 2006 R	As at Mar 2006 Qty	As at Mar 2006 R
15. LISTED INVESTMENTS OF BURSARY FUNDS ADMINISTERED BY STANDARD PRIVATE BANK				
Mining Holdings and Houses				
Anglo American Plc	400	136 800	500	130 240
Billiton Plc	600	77 370	600	67 494
Banks				
ABSA Group Ltd	680	85 068	680	78 880
Standard Bank Group Ltd	750	70 875	750	63 600
Construction & Materials				
Pretoria Portland Cement	100	38 800	100	41 900
Property				
Liberty International Plc	955	181 765	1 155	144 375
Property Unit Trusts				
Sycom Property Fund	3 000	54 000	3 000	57 750
Property Loan Stock				
Hyprop Investments Ltd	2 200	84 700	2 200	81 400
Diversified Industrial				
Remgro Ltd	800	142 408	800	108 000
Food				
Tiger Brands Ltd	480	82 080	480	83 472
Pick 'n Pay Holdings Ltd	4 800	68 160	4 800	62 880
		1 022 026		919 991

	As at Dec 2006 Qty	As at Dec 2006 R	As at Mar 2006 Qty	As at Mar 2006 R
16. LISTED INVESTMENTS OF OTHER FUNDS				
Platinum				
Anglo American Platinum Corporation Ltd	250	214 008	250	139 845
Anglo American Platinum Prefs			200	42 000
Impala Platinum Ltd	2 800	515 200	350	407 750
Mining Holdings and Houses				
Anglo American Plc	4 000	1 368 000	4 000	947 200
Billiton Plc	3 854	469 973	3 854	433 536
Banks				
Standard Bank Group Ltd	1 795	169 628	1 795	152 216
Construction				
Group Five Ltd	5 200	236 600	5 200	158 080
Retail				
Massmart Holdings Ltd			4 000	233 600
Pick 'n Pay Holdings Ltd	10 000	142 000	10 000	131 000
Property				
Liberty International Plc	1 483	282 259	1 483	185 375
Property Trusts				
Ambit Properties Ltd	94 000	376 000	94 000	352 500
Apexhi Properties A	7 215	106 422	7 215	109 668
Apexhi Properties B	10 000	179 400	10 000	163 000
Apexhi Properties C	6 123	26 941		
Hyprop Investments Ltd	3 552	136 752	3 552	131 424
IFour Properties Ltd	12 000	142 200	12 000	160 200
Pangbourne Properties Ltd	10 000	143 500	10 000	146 000
Redefine Income Fund	15 540	108 003	15 540	104 118
Sycom Property Fund Ltd	4 440	79 920	4 440	85 470
Diversified Industrial				
Barloworld Ltd	2 000	328 000	2 000	265 600
Remgro Ltd	1 000	178 010	1 800	243 000
Richemont Securities Ag	7 060	288 754	10 060	294 154
Services				
Bidvest Ltd	2 400	321 120	2 400	273 600
Chemicals, Oils, and Plastics				
Sasol Ltd	2 000	517 580	2 000	466 000
Food				
Tiger Brands Ltd	797	136 287	797	138 598
Telecommunications				
MTN Group	4 462	380 607	4 462	274 414
		6 874 164		**6 038 348**

PRESIDENTS OF THE INSTITUTE 1930–2007

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

PAST HOERNLÉ LECTURES 1945–2007

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?