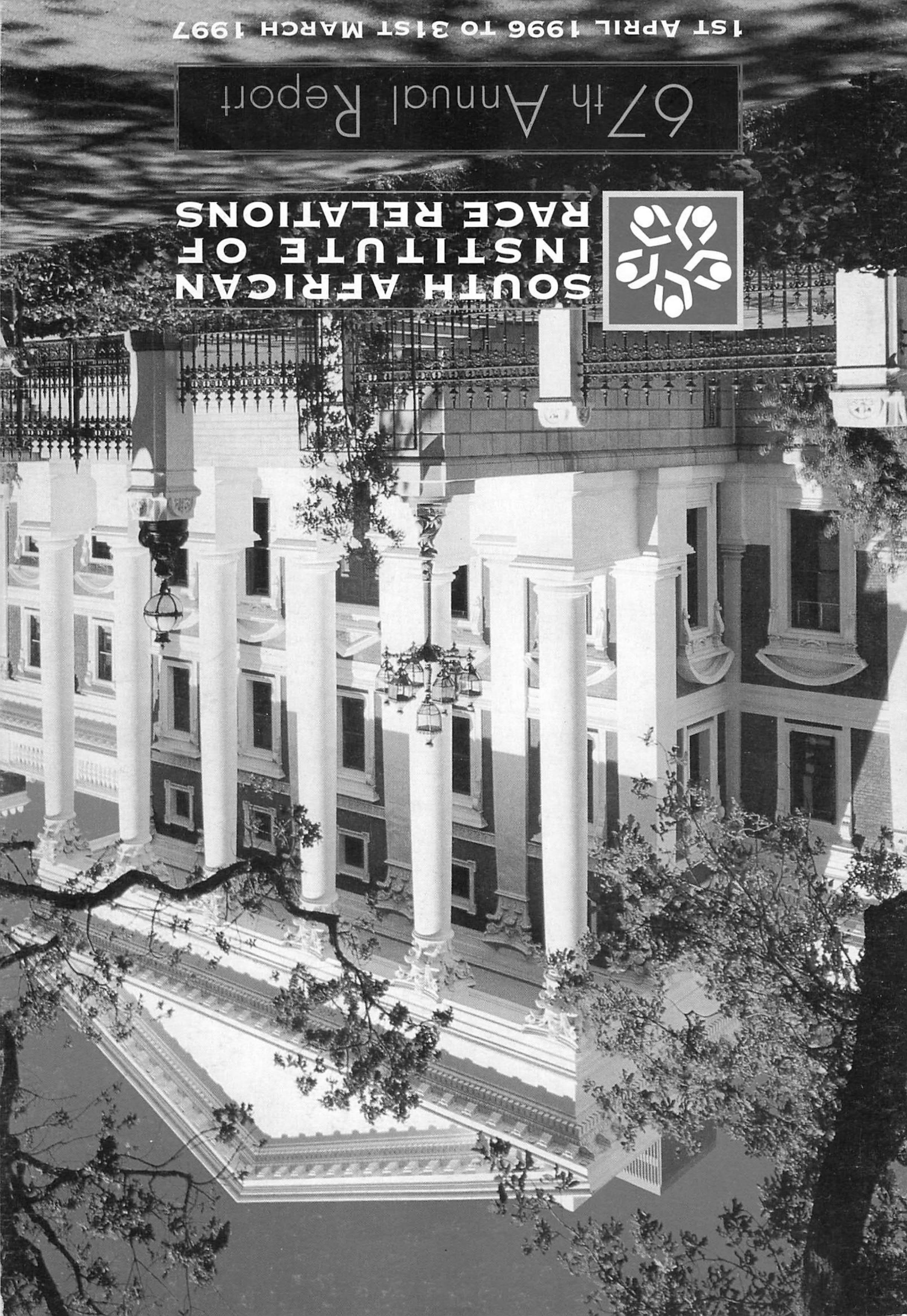


1ST APRIL 1996 TO 31ST MARCH 1997

67th Annual Report

**SOUTH AFRICAN
INSTITUTE OF
RACE RELATIONS**



SOUTH AFRICAN INSTITUTE
OF RACE RELATIONS (INC)

67th ANNUAL REPORT

1st APRIL 1996 TO 31st MARCH 1997

PUBLISHED BY
THE SOUTH AFRICAN INSTITUTE
OF RACE RELATIONS,
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BRAAMFONTEIN, JOHANNESBURG,
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ISBN 0-86982-455-4
PD13/97

Cover design by Emma Willemse of Assemble,
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CHIEF EXECUTIVE'S REPORT TO MEMBERS FOR THE ANNUAL GENERAL MEETING ON 21st AUGUST 1997

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 March 1997, most of this narrative report is up to date to the end of the first week in August 1997.

INTRODUCTION

One of the healthiest features of the 'new' South Africa is the extent to which politicians are willing to engage in public debate. At the time of writing the minister of labour, in a long letter to the *Sunday Times*, had attacked Institute comments on his plan for a 'skills revolution' launched earlier in the year. We naturally struck back at Mr Mboweni. The thrust of the argument need not detain us here: the important things are both the recognition by the minister that constructive criticism deserves an answer and his willingness to defend his policies by way of letter to the press. Equally encouraging is that some ministers have been willing to amend legislative proposals in response to argument and debate.

The Institute has vigorously exploited this new openness both to perform its traditional watchdog role and to advance the cause of a free society. As will be discussed in more detail below, we paid particular attention to plans to introduce racial audits, the cost and intrusive powers of various statutory bodies, deficiencies in both the criminal justice system and plans to change it, censorship, regulation of the labour market, unemployment, and the operating environment of non-governmental organisations. We have had considerable success both in fostering public debate and in influencing legislation.

These comments about debate need to be qualified, however. There are issues on which there is not enough public debate - affirmative action, for example. Also, it is disturbing that critics and people who ask awkward questions are often dismissed as 'racists' or 'rightists'. Given South Africa's history, nothing is more calculated to inhibit debate. Yet part of our history is vigorous argument about public policy and powerful criticism of both the racial and the security policies of previous governments. We owe it to ourselves to maintain this tradition of public scrutiny, however much some people may now seek to belittle it. The new constitution, in operation since 4th February this year, guarantees free speech. This right should not lie dormant. To borrow the words Tennyson put into the mouth of Ulysses about his sword, it would be a pity if free speech were 'To rust unburnished, not to shine in use'.

FINANCE AND MEMBERSHIP

After adjusting for a bequest last year, income increased by 10% while expenditure rose by 21%. The Institute suffered a 46% decline in administration fees received from our bursary programme. This reflects the fact that foreign donors to the programme are winding down their commitments. Some are now donating to the government, others have changed their focus and stopped financing tertiary education and bursaries. Membership income rose by only 2%, which is of course a decline in real terms. We were successful in retaining members, income from renewals running at 95% of the figure budgeted for the year. The enrolment of new members, particularly in the private sector, was well below target, however. Income from new enrolments ran at only 53% of budget. The one exception to this was in the individual membership category, where enrolments were exactly on budget (as were renewals). The uphill struggle to enrol new members has continued into the new financial year, necessitating a re-think of our marketing strategies. This will be conducted shortly.

The drop in income from administration fees and membership was partly counterbalanced by a substantial increase in interest received, along with a 20% rise in research grants. Given high interest rates we decided to use most of our operating surplus to pay off the remainder of the bond on our property in Braamfontein, which still had 12 years to run. This will deplete our reserves by a bit more than R300 000, but save a lot more than that in the years ahead.

RESEARCH AND PUBLICATIONS

South Africa Survey

The 1996/1997 *South Africa Survey*, both literally and metaphorically, was the weightiest ever. The last year or two have seen a flood of white and green papers and other policy documents coming out of various branches of government. Our meticulous *Survey* research team, led by Elizabeth Sidiropoulos, studied and carefully summarised nearly all of these - cumulatively they took up about 100 pages of the book. At the end of each chapter we added for the first time a concise 'Policy Review' section highlighting important policy matters in dispute or left unresolved during the period covered by the *Survey*. As our readers expect, of course, each chapter also contained summaries of key legislation. Adding even more value were the numerous tables, charts, and graphs dealing with everything from the proposed new national educational qualifications framework, through mine fatalities dating back to 1905, to the distances Africans in rural areas have to travel from their homes to the nearest source of water. Wherever possible, data is presented in both tabular and graphical form. On page 434, for example, there is a table of figures showing crimes against children; below it is a chart where the horrifying increase in child rape appears at a glance.

It is sometimes claimed that the *Survey* relies mainly on the press for its data. But a look at the list of references at the end of each chapter reveals the extensive use we make of other sources, including official documents, reports by specialist bodies, and direct communications with trade unionists, academics, government officials, and many others. Departmental budgets are studied, bills and acts of parliament scrutinised, Hansard and the Central Statistical Service mined for information. One business journalist, presented with a review copy of the *Survey*, asked how many years it was in the writing. His jaw dropped when told we did it every year.

The Natal Story: Sixteen Years of Conflict

As weighty as the *Survey*, again both literally and metaphorically, was *The Natal Story: Sixteen Years of Conflict* by Anthea Jeffery. This study used a unique approach: the viewpoint of each of the two main antagonists was put forward, with all the supporting evidence, as a 'case for the prosecution'. The result was not only the most comprehensive but also the first thoroughly objective study of the violence which has claimed at least 12 000 lives in that province and which continues, albeit at a much lower level, to this day. Writing in *City Press*, Z B Molefe said, 'The book's strongest feature - politically incorrect in some quarters - is providing both the ANC and Inkatha equal platforms to state their positions.' Though most reviewers had high praise for the book, one or two self-styled 'violence monitors' who have long had a clear run as propagandists for one side were disconcerted by the triumphant success of Dr Jeffery's scrupulously even-handed approach.

Business and Affirmative Action

Dr Jeffery also produced *Business and Affirmative Action - What South African Business Leaders are Doing, and Think, about Affirmative Action*. This study was based on interviews with chairmen, chief executives, or other senior officers of a sample of companies that are members of the Institute. They were chosen to obtain a spread by region, sector, size of work-force, and nationality of ownership.

Spotlights

Two publications were produced in our *Spotlight* series. The first, *Addressing Tertiary Failure Rates in South Africa*, examined what 'historically white' and 'historically black' universities are doing by way of 'educational support programmes' to help students bridge the gap between poor schooling and the requirements of universities. This was in fact the sixth, and last, report arising from a study conducted for the United States Agency for International Development, which has invested large sums in bursaries and other forms of support for black students in South Africa. The study was designed to find ways of reducing failure rates and otherwise improve education in this country.

The second *Spotlight* was *The Story of a Good Law, its Bad Application, and the Ugly Results*, by Martin Schönreich. This study was produced in response to proposals by the minister of justice to tighten up the South

African bail law. A pre-publication draft was presented to parliamentarians who attended a special briefing on the issue by its author. Essentially, the Institute argued that merely tightening up the bail law would do little to remedy the real defects in the criminal justice system.

Also to be published in our *Spotlight* series is the study of unemployment being conducted by Professor Lawrence Schlemmer. He was putting the finishing touches to it as this report was being written. Some of the preliminary findings were published during the year in *Fast Facts*.

Frontiers of Freedom

Five issues of our quarterly, *Frontiers of Freedom*, came out. Edited by Jill Wentzel - who welcomes fine writing from all quarters - this has established a reputation as the country's foremost forum for viewpoints which fearlessly challenge conventional wisdom. Whereas liberals, especially white ones, sometimes seem apologetic or defensive about putting forward liberal views, *Frontiers* is bold and unashamed. Not that it puts forward only a single perspective: one issue juxtaposed two articles for and against the idea of 'Africanising' universities - the case against being put by Professor Themba Sono, who succeeds Professor Hermann Giliomee as the Institute's president on 23rd August. Another, under the heading 'Off with their wigs and up with their sleeves', carried a powerful piece by a former chief justice of Zimbabwe putting the case for judicial activism - against the dangers of which the Institute had argued before the Constitutional Court last year. Several articles questioned various aspects of the Truth and Reconciliation Commission (attacks on which articles were also carried). There were a number of pieces, mostly by Institute staff, commenting on the weakness of opposition in the country. Opposition groupings probably came in for as much criticism in *Frontiers* as the government. One article, widely reprinted in the press, suggested that the state was withering away. An earlier contribution had challenged the view, especially among whites, that the wheels were coming off the country. Affirmative action also featured (arguments pro and con), along with the state of race relations, and whether or not apartheid was a 'crime against humanity'.

Frontiers believes that free people operating in free markets are likely to make better decisions than bureaucrats trying to regulate markets: one article hailed the success of meat producers in liberating themselves from the Meat Board. Another described how wool farmers were following suit with regard to the Wool Board. *Frontiers* also believes that when the state intervenes, it must do so in a way that benefits the poor rather than the most vocal, the best organised, or the people with the best political connections. It accordingly commended the government for promising to make the fight against unemployment its top priority. 'Unintended consequences' was another, related, focus: would some of the proposed reforms in education, or land regulation, or health, not hurt the people they were intended to help? One article argued the case for food stamps as the most efficient way of combating malnutrition. Finally, of course, *Frontiers* will not forget that even

people among the least popular in the country have rights: one article, prompted by a judge who told us how terrible he thought South African prisons were, examined conditions in some of them. Another described the plight of illegal immigrants.

Fast Facts

Thirteen issues of *Fast Facts* were published. The statistical material at the back of this monthly, 'Fast Stats' and 'Latest Forecasts', compiled by Tamara Dimant, is in particularly great demand among our members. This year we have introduced a third regular page of statistics showing trends in labour, the socio-economic field, and crime. Among other things, the front half of *Fast Facts* kept a close watch on all aspects of labour policy, on unemployment, on the cost and powers of various statutory bodies, on demographic trends and forecasts, on trends in education at all levels, on policies to combat crime, on proposals to change parts of the criminal justice system, on trends in fiscal policy and the allocation of government spending, and on social security. The most recent issue suggested that the results of the 1996 census were a 'very serious underestimate.'

Fast Facts, which varies from 8 to 12 pages in length, is designed to be read quickly by busy people. We not only provide hard information, but try also to get an inside track on government policy proposals. We thus aim not only to brief members but also to alert them. Our Parliamentary Affairs Office, a stone's throw from parliament and the ministerial offices across the road at 120 Plein Street, plays a vital role in these efforts. All parliamentarians receive *Fast Facts*. Some ministers have made use of it in argument. Our Marketing Department reports that members use the data not only to brief themselves, but also for business presentations, and for strategic planning. Some business leaders never travel abroad without the latest copy in their briefcases. Some have the latest issue faxed to them should it arrive on their desks while they're travelling. One company told us the economic data and forecasts in *Fast Facts* are the only version of these statistics trade union representatives will accept in wage bargaining.

Fast Facts has been going since the beginning of 1991. A cumulative index is published annually. However, the index is updated monthly and available to members on request. The publication itself is put on to the Institute's website the moment it goes to the printers. Members can then use passwords available from our Marketing Department to get access to *Fast Facts* by clicking a mouse.

Customised research

Several member companies made use of our corporate briefing and research services. Political and socio-economic scenarios were presented at the request of members to conferences of foreign associates or clients they were hosting. At the request of other members we prepared briefings on such matters as the green paper on public works and border disputes between provinces.

Presidential address

We also published *Liberal and Populist Democracy in South Africa: Challenges, New Threats to Liberalism*, which was the text of Professor Giliomee's 1996 presidential address, reported on last year.

INFORMATION SERVICES

More and more Institute material is being made available on the Internet. As this report goes to the printers, we are looking at various options to upgrade our website. Already about 200 of our members have been issued with passwords to enable them to read the material on the Internet. Of course, only a fraction of the information in the Institute's possession is published. A great deal more is housed in the Hofmeyr Library at Auden House, with its extensive sets of specialist documents and its matchless collection of press clippings. We are planning to computerise the library card index.

More and more members are making use of the library, some of them expressing amazement at the range and depth of material it stocks. Our Marketing Department offers a customised library service as an increasingly important part of the package of services available to members. Veena Pather of our marketing staff reports that many businesses find access to the library to be one of the key attractions of membership.

BRIEFINGS AND CONFERENCES

Once again, the Institute hosted a variety of speakers, mostly in Johannesburg but also in Cape Town, Durban, and Arniston in the Western Cape. In August 1996 Professor Charles Simkins chaired a seminar on affirmative action under the title *'Redressing the past: Which way the future?'* The panellists were Mr Lot Ndlovu, Professor Lawrence Schlemmer, Dr Ewald Wessels, Dr Charles Carter, Mr Mathatha Tsedu, and Dr Rachel Jaftha. A month later Mr Tom Callahan, programme director of the International Republican Institute in South Africa, spoke on *'Biting one's tongue in the new South Africa: Informal constraints on speech'*. In November the Institute for Multi-Party Democracy and ourselves jointly hosted a conference on *'Democracy in a one-party dominant system: Taiwan, South Africa, Mexico, Malaysia'* in Cape Town and Arniston. The driving force behind the conference, in which a number of scholars from all four countries participated, was Professor Giliomee.

The first briefing of the year was given over breakfast by Dr Otto Count Lambsdorff, a former German federal economics minister and currently chairman of the Friedrich Naumann Foundation. He spoke on *'Whither Germany's Social Partnership?'* Later in January Dr Kelvin Kemm, a technology consultant, addressed an evening meeting at Auden House on *'The non-science of environmental myths'*.

On 16th April this year Ms Patti Waldmeir, former *Financial Times*

correspondent in South Africa, spoke on her book *'Anatomy of a Miracle'*. The following month Messrs Ashwin Trikamjee, president of the Association of Law Societies of South Africa, and Martin Schönteich, the Institute's parliamentary analyst, and Mrs Esther Steyn, a lecturer in criminal and procedural law, spoke over a breakfast in Parliament on *'Beating crime without curtailing civil liberties'*. The month after that Mr Mark Jennings and Ms Judy Wade of the Project Lifeline team sponsored by McKinsey spoke at a breakfast in Johannesburg on *'Turning the police around: beating crime'*.

Two functions were held in June to launch *The Natal Story*. Professor R W ('Bill') Johnson, executive director of the Helen Suzman Foundation, spoke at the first, which we co-hosted with Facts and Fiction. Mr Graham McIntosh, president of the KwaZulu-Natal Agricultural Union, spoke at the second, held in conjunction with Adams and Company, in Durban.

During the first week of February 1997, under the title *'Shaping the New Republic: the Institute's Public Policy Programme'*, our parliamentary affairs manager, Colin Douglas, and I addressed a series of meetings of members in Johannesburg, Cape Town, Durban and Hilton (near Pietermaritzburg).

NATIONAL BURSARIES

Down the years the Institute has made a substantial contribution to black education. Our bursary programme dates back to 1935 but has expanded greatly in the last fifteen years or so under the leadership of Dennis Venter. Since 1980 alone, bursaries worth R104 million have been awarded and 1 765 students have graduated through our programme. Degrees in science or engineering account for the largest single proportion (22%) of those awarded to our students since 1980, followed by education (16%), and arts (15%). At the end of last year 256 students graduated, in the following fields: commerce 41, science 39, law 35, business administration 30, arts 30, health science 23, education 23, engineering 21, dentistry 6, medicine 5, and architecture 3.

Last year's pass rate among all our university and technikon students was a comparatively low 85% - low because the previous year's figure was 92% and the figure the year before that, 91%.

Some of our bursaries are open only to black students because the sponsors have so stipulated. Where the Institute has discretion, however, bursaries are open to students of all races, academic ability and financial need being the two criteria according to which students are chosen. Demand upon the Institute for bursaries remains unabated. The programme is so well known that we still receive letters of application addressed to a post office box number that we have not used on any of our stationery for more than a decade. Regrettably, however, as foreign donors wind down their commitments or withdraw altogether, the number of bursaries we have been able to award has dropped from a peak of 1 243 in 1994 to only 635 this year. Some 70% of the 1997 awards are renewals of bursaries to students who performed satisfactorily in the 1996 academic year. Of our intake of

new students this year, there are almost as many in technikons as in universities.

The amount available for bursaries for the 1997 academic year is R7,8 million, which is 58% below last year's figure. Efforts are being made to reverse the decline or at least slow it down. Our single largest sponsor is the United States Agency for International Development. Our USAID programme was due to end in 1999, but I am delighted to report that an extension is being prepared which will provide approximately \$3 million for additional bursaries, including bursaries for postgraduate study, between 1998 and 2002.

We are also attempting to replace foreign with local sponsors, notably by inviting companies to 'outsource' their in-house bursary programmes to the Institute, whose expertise embraces not only selection procedures, financial administration, and reports to donors, but private counselling of students. This last aspect of our bursary service, we are convinced, is one of the reasons for the generally excellent pass rate. New clients on whose behalf we administer bursaries include the Rennies Group, Standard Bank, the Mackenzie Foundation, and Ginsburg Malan and Carsons.

Most of our educational work involves tertiary institutions. But we also have a small 'enrichment programme' for pupils at secondary schools. Funding from the German embassy came to an end in 1996, but a new sponsor was found in Engen and the programme is now known as the Engen Education Enrichment Programme. Altogether 313 pupils in standards 6 to 10 are offered extra lessons in mathematics, physical science and accounting. Computer literacy, study skills, examination techniques, career guidance, and 'life skills' also form part of the curriculum. These pupils come from a variety of schools - some in shack settlements, others in ordinary townships, and yet others in the Johannesburg inner city. In the standard 10 public exams at the end of last year, a fifth of our candidates obtained matriculation certificates. The overall pass rate (including both senior certificates and matric) was 74%.

CAPE WESTERN REGION

In September 1996 the Institute's Western Cape regional committee welcomed Ms Thelma Harding to its chair. Among the speakers hosted by the committee during the year were Mr Moussa Joojee, chairman of the Scottish Council for Racial Equality, and Mr John MacRobert, a labour lawyer, who spoke on the legal implications of changes in the education system. The committee was also addressed by Mr Martin Mulcahy, vice-principal of the National Access Consortium, and Mr Willie Hofmeyr, MP for Claremont, who presented an overview of the constitution, focusing on aspects where the Institute had entered into the debate.

The region's well-known shop, the African Art Centre, was closed with much reluctance in August, having provided funds to both the regional branch and to craft producers from all over southern Africa for the past 12 years.

The main work of the regional committee involves its education programmes, which are financially and otherwise independent of the Institute's national education programmes, run from Head Office. Students on bursaries awarded by the region achieved a pass rate of 82% at the end of 1996. Altogether 86 students graduated in the following fields: education 15, arts 14, engineering 13, social sciences 9, commerce and science 8 each, business administration 6, law 4, health science and information technology 3 each, agriculture 2, and dentistry 1.

Awards totalling R1,75m were made to 456 students in 1997. The split between renewals and new bursaries was 60%/40%. Two thirds of the new awards went to students at technikons.

The enrichment programme continues to flourish with support from the German government. It provides supplementary teaching to some 2 000 pupils in standards 9 and 10 in Langa and Khayelitsha.

The Headstart Programme, now in its sixth year, again showed what could be done with good teaching and motivated students. Headstart provides an upgrading course for youngsters wanting to study science, technology, or commerce at tertiary level but who are prevented from doing so by deficits at matric level in maths and physical science. In the 1996 exams, Headstart students achieved pass rates for these subjects of 93% and 99% respectively. Support for Headstart in 1997 has come from the Kleding Inzamelings Charitatieve Instellingen (Holland), Broederlijk Delen (Belgium), the D G Murray Trust, and the Abe Bailey Trust, while Institute members in the Western Cape responded generously to a special appeal for support. However, the programme is in financial difficulty, a problem which is being addressed.

STAFF

Mr Louis Seloto (Administrative Manager) and Mrs Mary Gwala (Human Resources and Administrative Assistant) received their awards for 10 years of service in November last year, while Mrs Betty Mokone (Receptionist/Switchboard Operator, Bursary Department) received hers in January of this year. In March this year, Mrs Eunice Halo (Library Assistant) celebrated her 20th anniversary with the Institute, and Mrs Ellen Potter (Chief Librarian), Mr Alfred Nkungu (Special Library Assistant), and Ms Queenie Nkuna (Catering Assistant) their 10th anniversary each.

EXECUTIVE COMMITTEE AND OFFICE-BEARERS

The Institute's newly-elected Executive Committee takes office on 23rd August for a term of two years. For the first time in many years, Mr Jack Unterhalter SC, who loyally served the Institute in a variety of different ways, will no longer be with us. We mourn his passing in July at 83.

I am delighted that Professor Themba Sono has been elected as our new president, with effect from 23rd August. Professor Giliomee remains on the Executive and on Council as one of the four vice-presidents. I am also very

pleased to report that Mr Brian Hawksworth is the Institute's Honorary Treasurer. He was appointed to this position a year ago to fill a vacancy and has now been re-elected. Mr Hawksworth will *ex officio* be chairman of a new audit committee which is being set up.

THANKS

Thanks are due to all our members for their continuing loyalty and support. Scattered throughout this report and in the notes to the financial statements which form part of it are the names of various others without whom the Institute would not be able to do nearly as much as it does. We are grateful to them all: the various sponsors of our bursary and other educational programmes, both at Head Office and in Cape Town, along with those who back our Free Society Project, our Parliamentary Affairs Office, our annual *South Africa Survey*, and our Unemployment Study. Names of supporters always appear in the relevant publication, while students are always told who is sponsoring their bursary or otherwise supporting them.

I am grateful to the members who serve on our various governing bodies, including Raymond Tucker, Honorary Legal Adviser, and Brian Hawksworth, Honorary Treasurer. Elwyn Jenkins, apart from his duties as chairman, lends time and guidance to our bursary selection committee, which he chairs.

Thanks are also due to all our staff, here and in Cape Town, for their solid support for all that the Institute tries to do.

PUBLIC POLICY ISSUES

The Institute has been concerned with public policy throughout its existence. Until a few years ago we had our hands full with our work against apartheid. Our main purpose now is to ensure that what replaces it is a free society, not some other kind of social engineering. We have been quick off the mark. In August 1994 we launched our Free Society Project, with the sponsorship of the Friedrich Naumann Foundation, the International Republican Institute, and the Westminster Foundation for Democracy. *Frontiers of Freedom* is used to promote our vision of a free society, but our programme of briefings also forms part of the project, now entering its fourth year. Our work on public policy has been greatly strengthened in the past eighteen months. At the beginning of 1996, as I reported last year, we established our Parliamentary Affairs Office in Cape Town. This got off to an excellent start as a one-man show with Colin Douglas, and it has since gained two more people. In September last year we signed an agreement with USAID in terms of which we are receiving \$1m over two years for additional public policy work conducted by the whole organisation.

This work is designed to promote a free society by generating, enriching, and widening public debate on important matters of national policy and by influencing legislation and other decisions of government. We seek to alert South Africa to anything that might undermine the values of liberal democracy, while also supporting measures that have the opposite effect. We have put Parliament on to the cover of this report to highlight the fact

that it is the focus of much of our work. Earlier this year Colin Douglas and I toured the country to talk to members about our public policy initiatives. In May, as also noted above, we held our first 'Seminar in Parliament' to take our arguments (in this case about problems with the criminal justice system) directly to MPs, making use of the old House of Assembly dining room. Our work on public policy includes direct interaction with ministers, other politicians, and government officials; research; publication of research findings, policy critiques, and policy alternatives in our own publications as well in newspapers and magazines in all the main cities and on the radio; briefings and seminars; and participation where appropriate in official bodies.

Below are details of some of the issues we have dealt with, what we have done about them, and the outcome of our efforts:

The bill of rights

As reported last year, we were partly successful in our endeavours to limit the extent to which the bill of rights in the new constitution could be used 'horizontally' to regulate private relationships. Having gone thus far in lobbying members of the Constitutional Assembly, we took our remaining objections to the Constitutional Court. (We objected to the horizontal application of the bill of rights, as well as to the inclusion within it of non-justiciable socio-economic rights, on the grounds that both would, among other things, erode the separation of powers envisaged by the Constitutional Principles.) The court gave judgement in September 1996, dismissing the Institute's objections. In our view the court's reasoning in this regard was shallow, while it seemed to have misconceived the points we made. The court also seemed to ignore the concerns it had itself raised (in a decision in May 1996) on the negative consequences of making the bill of rights horizontal in its application (instead of making it applicable only to the 'vertical' relationship between the state and its citizens).

The criminal justice system

The *Survey* and *Fast Facts* contain horrifying graphs showing the relentless rise in violent crime over the past decade. Initially the government tried to make light of the problem. Recently, it has taken crime more seriously. The Institute welcomes this though we have disagreed with some of the proposals initially put forward. Our starting point is that there are ways of combating crime that do not involve eroding South Africa's hard-won civil liberties. Backed by the Institute's long commitment to the rule of law, we raised objections to the introduction of mandatory sentences for certain offences. With regard to proposals to remove judicial discretion over bail applications, we argued that the bail law is tough enough and that the real problem is not the law itself but poor enforcement. We further maintained that the only way to counter crime is to enhance the effectiveness of policing and the criminal justice system. We pointed out that as long as criminals continue to have a 20:1 chance of avoiding detection and punishment, changes to bail and sentencing laws will not provide much deterrence.

New bail legislation was due for enactment at the time this report was being written. The Institute succeeded in ensuring that the changes will not involve altering the bill of rights. Nor will the discretion of magistrates be as seriously eroded as initially proposed. Indeed, most of our objections to the minister's original proposals have been met. Thanks in part to widely publicised Institute research identifying weaknesses in the public prosecution service, the minister of justice and the press have recognised that the entire criminal justice system needs overhaul, including the appointment of additional prosecutors, recently announced by the minister.

Institute views on the dangers of eroding judicial independence by imposing mandatory sentences for certain offences have also borne fruit. Draft legislation recently released indicates that the independence of the judiciary in determining appropriate sentences will be left intact. We issued a press release congratulating the minister for this move away from earlier more intrusive proposals.

As long ago as 1995, in *Frontiers*, the Institute criticised proposals by the National Association of Democratic Lawyers to introduce a 'super' attorney general. More recently we have voiced strong - and widely publicised - objections to the proposed National Prosecuting Authority Bill, especially provisions that could undermine the security of tenure of provincial attorneys general and make them subordinate to a national director of prosecutions who need not have any legal qualifications and could be a political appointee.

As this report goes to the printers, our views on the dangers of the bill have been echoed by some of the current attorneys general (now to be known as directors of prosecutions), who have argued that the independence and security of tenure attached to this office should be enhanced.

Censorship

We discovered in August last year that a subcommittee of the parliamentary portfolio committee on home affairs was meeting behind closed doors to consider introducing significant new censorship provisions into the Films and Publications Bill, which in its original form was a liberal document welcomed by the Institute. After we had alerted other non-governmental organisations and the press to these developments, they were widely publicised. Though the new censorship provisions were in due course enacted, they encountered more public and parliamentary opposition than would otherwise have been the case. Colin Douglas was subsequently appointed by the president, Mr Nelson Mandela, to serve on the Films and Publications Advisory Panel to advise him on the selection of a new board of censors.

Unemployment, poverty, and the labour market

Poverty, and the misery it causes, afflicts millions of South Africans. The Institute has long been concerned about rising unemployment, which is one of the chief reasons why there is so much poverty in the country. In

1995 we voiced doubts about the new Labour Relations Act on the grounds that it ignored the interests of both the unemployed and small enterprises. Inter alia, we expressed the view that organised business should have put up more opposition to the act. Early last year we launched our unemployment study under Lawrie Schlemmer with a view both to measuring the extent of the problem more accurately and putting forward policy proposals. The subsequent adoption by the government of the policy now widely known as GEAR (for *Growth, Employment, and Redistribution*), with its focus on reducing unemployment as the main means of tackling poverty, was accordingly welcomed by the Institute. We expressed regret that the government's politically courageous commitment to reducing the budget deficit has not resulted in the hoped-for levels of foreign private direct investment.

The Institute has also sought to promote the greater labour market flexibility promised by the government in terms of GEAR and the report of the Labour Market Commission. We encouraged the Democratic Party to put forward a private member's motion exempting small businesses from key provisions of the Labour Relations Act. This fell away, however, when an adviser to the minister of labour told the relevant parliamentary committee that the government was already planning to introduce legislation to this effect. At the time of writing this report, the government's proposed amendments had not yet seen the light of day. The Institute will continue to press for the exemption of small businesses from labour regulation whose likely effect is to undermine the labour-absorption capacity of the economy. The sad fact that the country is failing to meet the employment targets set out in GEAR will strengthen our case for 'transformation' where it is perhaps most needed.

In February 1997 the Institute hosted a breakfast briefing on labour market flexibility, and in particular the lessons that could be learned from Germany's experience of her 'social partnership'. As reported above, the briefing was given by a former federal economics minister, Count Lambsdorff. In July I spent a week in Washington looking at possible lessons that might be applied from American experience. The Employment Standards Bill, at the time of writing still the focus of dispute between the government and trade unions, was scrutinised by the Institute, as was the labour ministry's green paper on skills development, which proposes a new payroll levy on employers and the creation of what seems to be new bureaucracy to direct the spending of these funds. Though the relationship between such things as minimum employment standards and the rate at which an economy generates (or loses) jobs is far from simple, the Institute's view is that it is unwise for South Africa to be introducing more regulation into the labour market. We have thus highlighted the lesson to be drawn from experience in Germany, South Korea, and the United Kingdom - that it is much easier to enact laws inhibiting the labour market than it is to amend or repeal them.

Race-based policies and affirmative action

Opposition to racial discrimination is the principle that has guided just about everything the Institute has said and done these past 68 years. We view with some alarm the ease with which South Africa seems to be lapsing back into the ways of the past barely three years into the post-apartheid era.

Our half-day seminar on '*Redressing the past*', referred to earlier in this report, was an attempt to at least generate some debate before affirmative action simply became accepted as the right way to go. Debate was lively for we took care to ensure that strong views both for and against were expressed. Finding a spread of speakers was not easy: some people who told us they were opposed to affirmative action were not willing to say so in public. Perspectives on both sides of the debate were published in *Frontiers*. Shortly after this we issued *Business and Affirmative Action*, the collection of interviews with business leaders referred to earlier in this report. This publication also canvassed government proposals on employment equity.

In September 1996 the Human Rights Commission published proposals to 'combat racism' in the public and private spheres. It advocated annual 'racism audits' of all institutions and organisations, the appointment of monitors to assess the 'racist' content of certain court judgements, the banning of certain forms of speech, the introduction of a special school curriculum to teach the meaning of racism, and the appointment of a board to investigate and assess incidents of racist practice. These proposals were highlighted in *Fast Facts*. We regard them as objectionable not only because they are intrusive but also because they run the risk of perpetuating racial divisions. It is pleasing to note, as *Fast Facts* later reported, that some people within government have expressed doubts as to whether it is practicable to classify employees and job applicants by race. The commission's chairman has made it clear, however, that he wants to press ahead with measures to oblige employers to undertake an annual 'social/racism audit' with the same force in law as a financial audit. We will keep a close watch on this.

The Institute has noted with some concern proposals by the minister of justice to amend the law so as to negate a recent Pretoria High Court judgement invalidating discrimination in the appointment of public servants. The ANC has said it wishes to 'get rid of merit as the overriding principle in the appointment of public servants'.

The consolidation of democracy

There are many challenges to South Africa's developing into a fully-fledged multi-party system. There seems little foreseeable prospect of our becoming the kind of democracy where political parties alternate in office. What this might mean for the consolidation of democracy was the theme of the Arniston conference on one-party dominant states organised by Hermann

Giliomee in October last year and written up in *Frontiers*. Inter alia, the conference once again drew attention to the role and effectiveness of political opposition.

The Institute has always believed in a colour-blind society. But whether or not South Africa's simple majoritarian political system caters adequately for ethnic minorities is a question that deserves attention, however vexed and contentious that question might be. Professor Giliomee highlighted opinion surveys showing that there is little sense of a common nationhood in South Africa. Though he was criticised by various academics for drawing attention to this politically inconvenient fact, he has performed a public service by confronting issues that some people would rather see left - or swept - under the carpet.

Commissions

The Institute has kept a careful eye on various commissions and other statutory bodies. We have paid attention to their sometimes rather high costs as well as to the interventionist powers some of them enjoy. Our research about these bodies was given prominent press coverage. It has also borne fruit in that the budgets of the more intrusive of these bodies have been cut back. Earlier efforts we made to highlight the powers of some of these commissions were also rewarded: when the legislation establishing them was finally enacted, their powers, though still fundamentally objectionable, were less intrusive than had initially been proposed. This was true of both the Human Rights Commission and the Commission on Gender Equality. Advocacy by the Institute persuaded some parliamentarians who had initially demanded more powers for commissions to do an about-face and oppose even the more limited powers they were granted. The objection to the remaining powers is twofold and quite simple: commissions may investigate private institutions and they may do so even when there is no suggestion that any law has been broken. The Human Rights Commission objected to our having been publicly critical of some of its powers, and suggested we have a 'constructive dialogue' with it instead. It has not yet responded to an invitation issued five months ago to hold a meeting with us. The Institute will continue to monitor these bodies and will stay on the lookout for new ones with intrusive powers.

Truth and Reconciliation Commission

The Institute remains concerned about the procedures of the Truth and Reconciliation Commission and the utterances of some of its members. We have been particularly critical, in *Frontiers*, of its deputy chairman for having apparently prejudged certain issues. Some of the commission's procedures are also open to question on the grounds that they may undermine due process of law. Statements by some of the most prominent members of the commission have sometimes given the impression that the body regards itself as a kind of 'high court of truth' superior to the ordinary courts of the land, the former Appellate Division of the Supreme Court included. The Institute has also previously objected to the granting of amnesty to people

convicted of heinous crimes simply because they claim these were committed for political objectives. Nor are we convinced that the commission will promote, and not undermine, reconciliation between former adversaries.

More than two years ago, before the commission had been established, the idea was mooted that one of its purposes would be to construct an 'official history' of apartheid. This idea was criticised in *Frontiers* at the time. Recently, it has surfaced again. One of the commissioners, Mr Richard Lyster, thus said a few weeks ago that it 'is vitally important that the nation is not left with a number of contradictory versions of our history' which 'serve narrow and regional nationalism, factional interests, and legitimise the ideologies of those who wish to wage civil war'. He went on to make it clear that the 'final task' of the truth commission would be to provide the government with a 'publicly sanctioned history' which 'can be taught in schools'.

Plus ça change, plus c'est la même chose. We have been warned.

Guiding principles

During the year I tried to encapsulate what the Institute believed in and was trying to promote. We were, I said, committed to upholding five things:

- the rule of law,
- human rights,
- the belief that free individuals in free markets make better decisions than governments seeking to regulate markets,
- the view that government must be limited and narrowly focused rather than interventionist or overextended, and
- the conviction that where intervention does take place it must be targeted so that it benefits the poorest section of the community rather than the most vocal or best organised or with the best political connections.

Non-profit Organisations Bill

As reported last year, the Institute mobilised a campaign against a proposed Non-profit Organisations Bill drafted by a firm of Cape Town attorneys. Enacted, the bill would have given a state-appointed commission extensive powers over the institutions of civil society. Our campaign yielded excellent results.

To cut a long story short, in January this year the minister of welfare and population development appointed a technical task team to advise her on new legislation to govern the non-profit sector. Our then senior public affairs and policy manager, Paul Pereira, played a leading role on this team. The outcome of its deliberations was wholly satisfactory from the point of view of all those seeking a free environment for civil society as opposed to the regime of dictatorial regulation previously envisaged. In June the Department of Welfare and Population Development released policy

proposals for new legislation governing the non-profit sector. In essence, these proposals called for a minimalist approach to the regulation of the non-profit sector, and suggested that registration with the state be a straightforward and voluntary matter backed by carrots rather than sticks. The Institute circularised several thousand non-governmental organisations commending the proposals. We urged NGOs to back legislation giving effect to them.

From the point of view of both our advocacy campaign and the free society which the Institute seeks to promote, the outcome could not have been better.

A handwritten signature in black ink, reading "John Kane-Rowman," with a long horizontal flourish extending to the right.

Johannesburg,
7th August 1997

HONORARY TREASURER'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 1997

The excess of income over expenditure for the year amounted to R362 520 (1996: R2 076 659 including a bequest of R1 196 431).

After adjusting for the bequest the income was up 10% from R6 559 705 in the previous year to R7 215 969. Membership fees and subscriptions were regrettably only up 2% from R1 934 347 in the previous year to R1 973 892. It is becoming increasingly difficult to maintain the membership at the previous level. Administration fees received were down by 46% from R3 032 095 in the previous year to R1 651 789. In 1996 there was a special grant made available by USAID for disbursement to additional final year students who had unpaid accounts. The number of bursaries being administered has reduced due to overseas donors allocating their funds elsewhere.

Due to greater funds being available and higher rates received, interest increased by 61% from R530 492 to R854 346. Grants and donations were up by 167% from R975 199 (after adjusting for the bequest of R1 196 431) to R2 608 219. This substantial increase was mainly due to a new grant from USAID to fund public policy research and to increase the long term sustainability of the Institute.

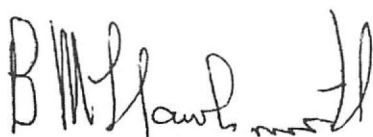
The expenditure for the year increased by 21% from R5 679 477 to R6 853 447 due to the impact of inflation and to fund research, publications, and the requirements of USAID as already mentioned.

The Institute's financial position at the year end is sound. At that date it had net assets of R22 303 712 (1996: R14 276 236) under its control. The main reason for the increase is a significant increase in Special Projects.

It is of concern to note that the Headstart Programme fund is overdrawn by R239 087 (1996 balance: R8 080) with an expectation that it will be overdrawn further during this year.

The listed investments of the bursary funds showed a market value increase of R1 230 232 (1996: R1 556 416) above the cost price of R5 241 966 (1996: R1 288 057). This is for the benefit of those funds.

I would like to thank Mr Frank Oppler and his staff for the efficient manner in which they have handled the finances of the Institute. Thanks also to Mr Michael Reid of the auditors, Price Waterhouse, for his support and advice to the Institute.



Brian M Hawksworth
Honorary Treasurer
Chairman of the Finance Committee

July 1997

THE SOUTH AFRICAN INSTITUTE OF RACE
RELATIONS
(INCORPORATED ASSOCIATION NOT FOR GAIN)
AND ITS SUBSIDIARY COMPANY

ANNUAL FINANCIAL STATEMENTS
for the year ended 31st March 1997


REGISTRATION NO: 05/10068/08

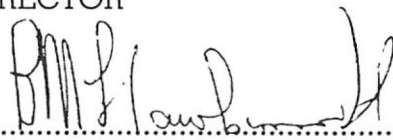
FUND RAISING NO: 01 100066 0006

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The annual financial statements which appear on the attached pages were approved by the Directors on 29th May 1997 and are signed on their behalf by:


.....
DIRECTOR


.....
DIRECTOR

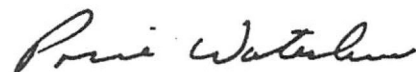
REPORT OF THE INDEPENDENT AUDITORS

To the members of the
South African Institute of Race Relations
(Incorporated Association Not For Gain)

We have audited the annual financial statements and group annual financial statements set out on pages 33 to 47. These financial statements are the responsibility of the Institute's directors, while our responsibility is to report thereon.

We conducted our audit in accordance with generally accepted auditing standards which required that we plan and carry out the audit to obtain reasonable assurance that fair presentation is achieved in the financial statements in all material respects. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We consider that our audit procedures were appropriate in the circumstances to express the opinion presented below.

In our opinion, these annual financial statements fairly present the financial position of the Institute and the Group at 31st March 1997 and the results of their operations and cash flow information for the year then ended in conformity with generally accepted accounting practice and in the manner required by the Companies and Fund Raising Acts.



Price Waterhouse
29th May 1997

**THE SOUTH AFRICAN INSTITUTE OF RACE RELATIONS
(INCORPORATED ASSOCIATION NOT FOR GAIN)
AND ITS SUBSIDIARY COMPANY**

REPORT OF THE DIRECTORS

for the year ended 31st March 1997

The Directors have approved the attached Annual Financial Statements and submit their Report for the year ended 31st March 1997.

REVIEW OF THE INSTITUTE'S BUSINESS AND OPERATIONS

The main activity of the Institute is that of a Research and Educational Welfare Organisation. The Financial Statements adequately disclose the results of the operations of the Institute and the state of its affairs.

DIRECTORS AND SECRETARY

The following acted as Directors :

H B Giliomee	-	President of the Institute
E R Jenkins	-	Chairman of the Executive Committee
J S Kane-Berman	-	Chief Executive
E J Mabuza	-	Vice President
T Sono	-	Vice President
L Schlemmer	-	Vice President
H Suzman (D B E)	-	Vice President
J W Wentzel	-	Special Research Director
B M Hawksworth	-	Honorary Treasurer (Appointed 16 th July 1996)

The secretary of the Institute is F G Oppler.

Business address	Postal address
68 De Korte Street	P O Box 31044
Braamfontein	Braamfontein
Johannesburg	2017

SUBSIDIARY COMPANY

The name of the Subsidiary is:

	1997	1996
De Korte Street Properties (Pty) Ltd		

Details are:

Issued Share Capital	R6	R6
Company's Holding	100%	100%
Book Value of Company's Holding	R6	R6
Amount owing to Holding Company		
net of provision for losses incurred	R570 225	R596 320

**THE SOUTH AFRICAN INSTITUTE OF RACE RELATIONS
(INCORPORATED ASSOCIATION NOT FOR GAIN)
AND ITS SUBSIDIARY COMPANY**

BALANCE SHEET

at 31st March 1997

	Notes	GROUP		COMPANY	
		1997 R	1996 R	1997 R	1996 R
CAPITAL EMPLOYED					
NON-DISTRIBUTABLE RESERVE	2	821 681	821 681	821 681	821 681
ACCUMULATED FUNDS		237 216	287 196	237 216	287 196
		<u>1 058 897</u>	<u>1 108 877</u>	<u>1 058 897</u>	<u>1 108 877</u>
SPECIAL FUNDS	3/4	17 302 567	9 628 823	17 302 567	9 628 823
RESEARCH FUND		2 000 000	2 000 000	2 000 000	2 000 000
RESERVE FUND - WESTERN CAPE		1 196 431	1 196 431	1 196 431	1 196 431
MOTOR VEHICLE RESERVE FUND - WESTERN CAPE		128 500	21 000	128 500	21 000
LOAN REDEMPTION RESERVE FUND		305 000	-	305 000	-
LONG TERM LIABILITIES	5	312 317	321 105	14 900	14 900
		<u>22 303 712</u>	<u>14 276 236</u>	<u>22 006 295</u>	<u>13 970 031</u>
EMPLOYMENT OF CAPITAL					
FIXED ASSETS	6	1 014 753	979 564	30 928	30 928
INVESTMENT IN SUBSIDIARY	7	-	-	570 225	596 326
INVESTMENTS					
Special funds		17 055 450	9 272 589	17 055 450	9 272 589
Other		2 963 014	2 961 263	2 963 014	2 961 263
	8	<u>20 018 464</u>	<u>12 233 852</u>	<u>20 018 464</u>	<u>12 233 852</u>
		<u>21 033 217</u>	<u>13 213 416</u>	<u>20 619 617</u>	<u>12 861 106</u>
CURRENT ASSETS					
Stock	9	2	2	2	2
Debit balances on special funds	4.4	247 117	356 234	247 117	356 234
Current account with subsidiary		-	-	94 032	31 946
Accounts receivable	10	1 687 449	955 060	1 686 225	954 109
Cash resources		242 381	1 263 904	242 381	1 263 904
		<u>2 176 949</u>	<u>2 575 200</u>	<u>2 269 757</u>	<u>2 606 195</u>
CURRENT LIABILITIES					
Bank overdraft		26 513	-	26 513	-
Accounts payable	11	879 941	1 512 381	856 566	1 497 270
		<u>906 454</u>	<u>1 512 381</u>	<u>883 079</u>	<u>1 497 270</u>
NET CURRENT ASSETS		<u>1 270 495</u>	<u>1 062 818</u>	<u>1 386 678</u>	<u>1 108 925</u>
		<u>22 303 712</u>	<u>14 276 236</u>	<u>22 006 295</u>	<u>13 970 031</u>

THE SOUTH AFRICAN INSTITUTE OF RACE RELATIONS
(INCORPORATED ASSOCIATION NOT FOR GAIN)
AND ITS SUBSIDIARY COMPANY

INCOME STATEMENT

for the year ended 31st March 1997

	Notes	GROUP		COMPANY	
		1997 R	1996 R	1997 R	1996 R
INCOME					
Membership fees and subscriptions		1 973 892	1 934 347	1 973 892	1 934 347
Administration fees received		1 651 798	3 032 095	1 651 798	3 032 095
Interest received		854 346	530 492	854 346	530 492
Grants and donations		2 608 219	2 171 630	2 608 219	2 171 630
Publication sales		103 074	62 623	103 074	62 623
Rental received		24 638	24 949	24 638	22 457
		<u>7 215 967</u>	<u>7 756 136</u>	<u>7 215 967</u>	<u>7 753 644</u>
EXPENDITURE					
Auditors' remuneration					
Fees for the audit	12	64 500	55 100	62 400	52 810
Furniture and equipment written down to nominal value		75 396	69 158	75 396	69 158
Interest paid		59 992	57 001	-	-
Lease expenditure		21 518	16 068	21 518	16 068
Research, publishing and administration expenses		6 632 041	5 482 150	6 671 146	5 541 198
Provision for loss/(profit) in subsidiary		-	-	22 967	(2 249)
		<u>6 853 447</u>	<u>5 679 477</u>	<u>6 853 447</u>	<u>5 676 985</u>
EXCESS INCOME OVER EXPENDITURE		362 520	2 076 659	362 520	2 076 659
TRANSFER TO RESEARCH FUND		-	(800 000)	-	(800 000)
TRANSFER TO MOTOR VEHICLE RESERVE FUND (W. CAPE)		(107 500)	(21 000)	(107 500)	(21 000)
TRANSFER TO RESERVE FUND (WESTERN CAPE)		-	(1 196 431)	-	(1 196 431)
TRANSFER TO LOAN REDEMPTION RESERVE FUND		(305 000)	-	(305 000)	-
SURPLUS at beginning of year		287 196	227 968	287 196	227 968
		<u>237 216</u>	<u>287 196</u>	<u>237 216</u>	<u>287 196</u>
SURPLUS at end of year					

**THE SOUTH AFRICAN INSTITUTE OF RACE RELATIONS
(INCORPORATED ASSOCIATION NOT FOR GAIN)
AND ITS SUBSIDIARY COMPANY**

CASH FLOW STATEMENT

for the year ended 31st March 1997

	Notes	GROUP		COMPANY	
		1997 R	1996 R	1997 R	1996 R
Operating profit/(loss) and profit in subsidiary before interest	16.1	(431 834)	1 603 168	(491 826)	1 546 167
Items not involving the flow of funds - Adjustments on acquisition of furniture and fittings written down to nominal value		75 396	69 158	75 396	69 158
Decrease/(increase) in working capital	16.2	(1 364 829)	232 009	(1 372 820)	236 632
		(1 721 267)	1 904 335	(1 789 250)	1 851 957
Interest received		854 346	530 492	854 346	530 492
Interest paid		(59 992)	(57 001)	-	-
Cash retained/(utilised) from operations		(926 913)	2 377 826	(934 904)	2 382 449
Increase in Inter-company current account		-	-	(62 086)	(8 084)
External financing - loans repaid		(8 787)	(5 710)	-	-
Additions to buildings		(35 189)	-	-	-
Purchase of furniture and equipment		(75 396)	(69 158)	(75 396)	(69 158)
Decrease/(increase) in investments		(1 751)	(1 975 590)	(1 751)	(1 975 590)
Increase in investment in subsidiary		-	-	26 101	(2 249)
Cash effects of investment activities		(121 123)	(2 050 458)	(113 132)	(2 055 081)
Net cash generated/(utilised)		(1 048 036)	327 368	(1 048 036)	327 368
Cash resources at beginning of year		1 263 904	936 536	1 263 904	936 536
Net cash resources at end of year		215 868	1 263 904	215 868	1 263 904

THE SOUTH AFRICAN INSTITUTE OF RACE RELATIONS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31st March 1997

1 ACCOUNTING POLICIES

The Financial Statements are prepared on the historical cost basis.

1.1 Membership Fees

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

1.2 Donations

Donations are brought to account on a cash received basis upon being banked to the account of the Institute.

1.3 Special Funds

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

1.4 Bursary Funds and Special Research Projects

The Funds and Projects administered by the Institute are disclosed in these Financial Statements by way of note 3.

1.5 Fixed Assets

Land and Buildings are not depreciated. Other Fixed Assets are written off when purchased and are shown at nominal value.

1.6 Stock

Stock is valued at nominal value.

1.7 Regional Accounting

Regional operating results and their assets and liabilities are incorporated in these Financial Statements.

1.8 Consolidation

The company results include the operating results and assets and liabilities of the Johannesburg Head Office and the Western Cape region. The group results include the company results and the operating results and assets and liabilities of the wholly-owned subsidiary.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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		<u>1997</u>		<u>1996</u>		
		R		R		
2	NON-DISTRIBUTABLE RESERVE					
2.1	Specific bequests, surplus on sale of investments and extraordinary donations of a non-recurring nature:	231 181		231 181		
2.2	Building Fund	590 500		590 500		
		<u>821 681</u>		<u>821 681</u>		
3	SPECIAL FUNDS					
		<u>Head Office Bursary Funds</u>	<u>Head Office Special Research Projects</u>	<u>Regional Bursary and Special Funds</u>	<u>Total 1997</u>	<u>Total 1996</u>
		R	R	R	R	R
	INCOME					
	Donations and grants	15 466 428	112 758	2 987 577	18 566 763	24 365 583
	Interest	994 502	-	430 544	1 425 046	1 713 938
	Dividends	107 065	3 636	-	110 701	105 972
		<u>16 567 995</u>	<u>116 394</u>	<u>3 418 121</u>	<u>20 102 510</u>	<u>26 185 493</u>
	EXPENDITURE					
	Administration costs	1 814 334	-	2 351 467	4 165 801	5 197 878
	Audit fees	50 639	-	1 929	52 568	133 413
	Bursaries and grants	10 012 127	275 099	1 797 784	12 085 010	21 268 920
		<u>11 877 100</u>	<u>275 099</u>	<u>4 151 180</u>	<u>16 303 379</u>	<u>26 600 211</u>
	Surplus/(deficit) for the year	4 690 895	(158 705)	(733 059)	3 799 131	(414 718)
	Accumulated funds at beginning of year net of deficit balances	6 151 449	501 624	2 619 516	9 272 589	9 504 977
	Funds introduced during the year	3 983 730	-	-	3 983 730	182 330
	FUNDS at year end	<u>14 826 074</u>	<u>342 919</u>	<u>1 886 457</u>	<u>17 055 450</u>	<u>9 272 589</u>

A list of the balances of the Special Funds administered by the Institute appears in Note 4.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31st March 1997

4 SPECIAL FUND BALANCES AT 31st MARCH 1997

4.1 Bursary Funds

	<u>Capital</u>	Amounts held for <u>Bursary</u>	Total	Total
	<u>R</u>	<u>Awards</u>	<u>1997</u>	<u>1996</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
Engen Enrichment Fund	-	69 576	69 576	-
KFS Austrian Technikon Bursary Programme	-	245 923	245 923	358 974
The Bertha McKay Bursary Fund	100 201	27 056	127 257	121 322
Margaret Ballinger Welfare Fund	-	28 276	28 276	13 903
Dorothy Glauber Bursary Fund	55 000	19 658	74 658	65 811
Energos Foundation	1 524 326	278 253	1 802 579	1 081 067
First National Bank Bursary Fund	-	155 811	155 811	116 095
German Academic Exchange Scholarship Programme	-	-	-	472 890
German Enrichment Programme	-	18 423	18 423	81 198
Gert and Irmgard Brusseau Trust	67 191	23 681	90 872	62 514
Harvard S A Fellowship Programme	-	17 170	17 170	62 937
Isaacson Foundation Bursary Fund	517 983	361 624	879 607	734 510
Kellogg Foundation Bursary Fund	-	1 052 335	1 052 335	-
Esrael Lazarus Education Fund	100 000	3 988	103 988	93 004
Luthuli Memorial Foundation Trust Fund	107 883	28 290	136 173	129 244
Robert Shapiro Trust	3 998 848	61 743	4 060 591	82 172
Senior Teachers Training Trust	50 000	14 055	64 055	58 128
South African Scholarship Programme (US Aid)	-	3 285 723	3 285 723	-
Shirley Simon Bursary Fund	782 227	49 994	832 221	843 018
SAIRR Education Trust (Engen Bursary Fund)	103 592	424 407	527 999	176 085
(Anglovaal Group Bursary Scheme)	-	-	-	40 000
US Aid Test Teach Test	-	26	26	14 267
US Signatory Education Trust	-	1 129 196	1 129 196	1 183 264
Swiss Church Group Scholarship Programme	-	-	-	602 162
Yvonne Rabbow Memorial Music Award	16 705	2 863	19 568	19 446
SAIRR Funds	66 100	46 347	112 447	95 670
	<u>7 490 056</u>	<u>7 344 418</u>	<u>14 834 474</u>	<u>6 507 683</u>

The SAIRR Funds are an amalgamation of the following:

Joy Abelson Bursary Fund;
Eva Auerbach Trust;
Sir Robert Birley Trust;
Boxer Bursary Fund;
Horace Coaker Trust;

Ellen Hellmann Fund;
Emily Hobhouse Bursary Fund;
Andrew Hofmeyr Book Award;
B & E Koch Bursary Fund;
Mampu School Bursary Fund;

Dr M Patel and his Parents Trust;
Alan Paton Fund;
G M Robertson Bursary Fund;
Reginald H Smith Bursary Fund.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31st March 1997

4 SPECIAL FUND BALANCES AT 31st MARCH 1997

	<u>Capital</u> R	Amounts held for Bursary <u>Awards</u> R	Total 1997 R	Total 1996 R
4.1 <u>Total Bursary Funds</u>				
Balance brought forward	7 490 056	7 344 418	14 834 474	6 507 683
4.2 <u>Special Research Projects</u>				
International Republican Institute			-	267
Friedrich Naumann Foundation			-	20 463
Unemployment Study Fund			176 002	314 156
Estate Late CMK Thomas			166 917	166 738
			<u>342 919</u>	<u>501 624</u>
4.3 <u>Funds Administered by Cape Western Region</u>				
Enrichment Programme		385	385	5 906
Freda Whitehead Progress Trust Bursary Programme	31 197	474	31 671	31 197
Educational Trust Bursary Programme				
- Educational Trust	1 590 673	34 483	1 625 156	1 768 119
- Gregoire Boonzaier Fund	124 000	1 341	125 341	124 109
- Brodie Trust Fund	339 525	3 096	342 621	339 224
DG Murray Trust Fund Bursary Programme			-	6 558
Headstart Programme			-	344 403
	<u>2 085 395</u>	<u>39 779</u>	<u>2 125 174</u>	<u>2 619 516</u>
			<u>17 302 567</u>	<u>9 628 823</u>
4.4 <u>Debit Balances on Funds Administered: by Head Office (Johannesburg)</u>				
German Academic Exchange		1 462	1 462	-
Kellogg Foundation Bursary Awards			-	215 238
South African Scholarship Programme (US Aid)			-	140 996
SAIRR Fund		6 938	6 938	-
<u>by Cape Western Region</u>				
DG Murray Trust Fund Bursary Programme		190	190	-
Headstart Programme		238 527	238 527	-
		<u>247 117</u>	<u>247 117</u>	<u>356 234</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31st March 1997

	<u>1997</u> R	<u>1996</u> R
5 LONG TERM LIABILITIES		
<u>Institute</u>		
<u>Secured</u>		
Secured by a first mortgage bond over land and buildings in Cape Town, with a book value of R30 922. There is no interest payable and no fixed terms of repayment at present.	14 900	14 900
<u>Consolidated</u>		
<u>Secured</u>		
5.1 Secured by a first mortgage bond over land and buildings in Cape Town, with a book value of R30 922. There is no interest payable and no fixed terms of repayment at present.	14 900	14 900
5.2 This loan is secured by a mortgage bond registered over stands 2794 and 5088 Johannesburg, with a book value of R948 636. Interest is payable at 20%, and monthly instalments inclusive of interest are R5 551.	303 830	316 001
	318 730	330 901
Less: Payable before 31 st March 1998 included in accounts payable	6 413	9 797
	<u>312 317</u>	<u>321 104</u>

**THE SOUTH AFRICAN INSTITUTE OF RACE RELATIONS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31st March 1997

6	FIXED ASSETS	<u>Cost</u> R	<u>Accumulated Depreciation</u> R	<u>Net Book Value</u> 1997 R	<u>1996</u> R
	Land and buildings	30 922	-	30 922	30 922
	Furniture and equipment	779 285	779 281	4	4
		<u>810 207</u>	<u>779 281</u>	<u>30 926</u>	<u>30 926</u>
	Library - at nominal value			<u>2</u>	<u>2</u>
				<u>30 928</u>	<u>30 928</u>
	<u>Consolidating De Korte Street Properties (Pty) Ltd</u>	<u>Cost</u> R	<u>Written down to Nominal Value</u> R	<u>Net Book Value</u> 1997 R	<u>1996</u> R
	Land and buildings	1 014 747	-	1 014 747	979 558
	Furniture and equipment	779 285	779 281	4	4
		<u>1 794 032</u>	<u>779 281</u>	<u>1 014 751</u>	<u>979 562</u>
	Library - At nominal value			<u>2</u>	<u>2</u>
				<u>1 014 753</u>	<u>979 564</u>
	<u>Details of Land and Buildings</u>		<u>Valuation</u> R	<u>1997</u> R	<u>1996</u> R
	Freehold property, Stand 28701, situated at No. 5 Long Street, Mowbray, Cape Town - Purchased January 1975 at cost			27 723	27 723
	Improvement during that year			3 199	3 199
				<u>30 922</u>	<u>30 922</u>
	Municipal valuation		29 240		
	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
	Based on maintainable earnings of R12 per square metre per month and capitalised at 12% per annum.				
	Directors' valuation		1 167 600	85 698	85 698
	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	-
	Based on maintainable earnings of R12 per square metre per month and capitalised at 12% per annum.				
	Directors' valuation		381 600	898 127	862 938
			<u>1 578 440</u>	<u>1 014 747</u>	<u>979 558</u>

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for the year ended 31st March 1997

7	INVESTMENT IN WHOLLY OWNED SUBSIDIARY COMPANY	<u>1997</u> R	<u>1996</u> R
	Shares at cost	6	6
	Loan to subsidiary (net of provision for losses incurred)	570 219	596 320
		<u>570 225</u>	<u>596 326</u>
8	INVESTMENTS		
8.1	SPECIAL FUNDS		
8.1.1	<u>Bursary Funds : Head Office</u>		
	Participation Mortgage Bonds	86 500	86 500
	Fixed Deposits	1 175 045	128 516
		<u>1 261 545</u>	<u>215 016</u>
	Listed Investments at cost		
	500 Allied Electronics Ltd	43 310	43 310
	1 000 Anglo American Coal Corporation Ltd	500	500
	1 600 Anglo American Corporation of SA Ltd	160	160
	25 140 Anglovaal Ltd "N"	3 720 720	-
	280 Anglovaal Ltd Ordinaries	43 540	-
	1 391 Barlow Ltd	61 900	-
	1 300 CG Smith Foods Ltd	50 984	50 984
	1 696 CG Smith Ltd	34 852	-
	20 905 C.N.A. Gallo Ltd	74 927	74 927
	700 De Beers Centenary Linked Units	68 445	68 445
	267 Deelkraal Goldmining Co Ltd	1 275	-
	2 492 Engen Ltd	-	101 858
	1 200 Evander Goldmines Ltd	73 389	73 389
	5 000 First National Bank Ltd	80 455	80 455
	1 805 Genbel Ltd	23 796	5 240
	4 734 Gencor Ltd	47 978	47 978
	700 Gold Fields of SA Ltd	88 200	-
	10 000 IBM SA Ltd	30 187	30 187
	429 Ingwe Coal Corporation Ltd	13 728	-
	2 101 Liberty Life Association of Africa Ltd	63 528	63 528
	990 Malbak Ltd	18 113	18 113
	8 220 Murray and Roberts Holdings Ltd	89 211	89 211
	1 000 Palabora Mining Co Ltd	68 356	68 356
	5 000 Pick 'n Pay Stores Ltd	50 353	50 453
	10 000 Pick 'n Pay Stores Ltd "N"	100	-
	100 Rand Gold and Exploration Co Ltd	2 700	-
	274 Rand Mines Ltd	2 384	-
	2 000 Rembrandt Group Ltd	29 398	29 398
	975 Reunert Ltd	17 550	-
	3 000 Richemont Securities AG	55 686	55 686
	54 RMP Properties Ltd	1 301	-
	1 000 Rustenburg Platinum Holdings Ltd	76 264	76 264
	400 SA Breweries Ltd	49 061	-
	2 000 Tiger Oats Ltd	200	200
	200 Vaal Reefs Exploration and Mining Co Ltd	62 236	62 236
	240 Western Deep Levels Ltd	240	240
		<u>5 045 027</u>	<u>1 091 118</u>
	(Market value : R6 280 994 [1996 : R2 661 130])		

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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	<u>1997</u>	<u>1996</u>
	R	R
Local Registered Stock		
9,625 % Phalaborwa Water Board	7 000	7 000
9,5 % Newcastle Town Council	9 926	9 926
9,25 % Eskom	60 000	60 000
11 % Eskom	120 013	120 013
	<hr/>	<hr/>
(Market value : R191 204 [1996 : R183 343])	196 939	196 939
	<hr/>	<hr/>
	6 503 511	1 503 073
Cash deposits	8 588 927	5 904 401
Debtors	222 003	17 057
	<hr/>	<hr/>
	15 314 441	7 424 531
Less : Creditors	488 367	1 273 082
	<hr/>	<hr/>
	14 826 074	6 151 449
	<hr/>	<hr/>
8.1.2 <u>Special Research Projects</u>		
Cash on call	176 002	334 707
Sundry listed investments	166 917	166 736
	<hr/>	<hr/>
(Market value : R227 194 [1996 : R223 614])	342 919	501 443
	<hr/>	<hr/>
8.1.3 <u>Funds Administered by Regional Office</u>		
Enrichment Programme		
Cash on call	67 710	26 098
Other net assets/(liabilities)	(67 325)	(20 192)
Freda Whitehead Progress Trust Bursary Programme		
Syfrets Participation Mortgage Bonds	29 200	29 200
Eskom Stock (Market value 1996 : R1 928)	-	1 997
Cash on call	1 950	-
Other net assets/(liabilities)	521	-
Educational Trust Bursary Programme		
Educational Trust		
Participation Mortgage Bonds	1 299 000	1 290 000
Fixed Deposit	-	182 330
Shares (Market value R674 700 : [1996 : R728 845])	107 135	68 245
Cash on call	790 502	768 495
Other net assets/(liabilities)	(571 481)	(540 951)
Gregoire Boonzaier Fund		
Participation Mortgage Bonds	124 000	124 000
Cash on call	20 619	17 343
Other net assets/(liabilities)	(19 278)	(17 234)
Brodie Trust Fund		
Eskom Stock (Market value : R301 269 [1996 : R299 578])	320 000	339 525
Cash on call	19 525	-
Other net assets/(liabilities)	3 096	(301)
D.G. Murray Trust Fund Bursary Programme		
Net assets/(liabilities)	(190)	6 558
Headstart Programme		
Cash on call	560	336 341
Other net assets/(liabilities)	(239 087)	8 062
	<hr/>	<hr/>
	1 886 457	2 619 516
	<hr/>	<hr/>
TOTAL SPECIAL FUNDS INVESTED	17 055 450	9 272 589
	<hr/>	<hr/>

**THE SOUTH AFRICAN INSTITUTE OF RACE RELATIONS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31st March 1997

	<u>1997</u> R	<u>1996</u> R		
8.2 CASH ON CALL AND ON DEPOSIT : OTHER FUNDS				
Head Office:				
Research reserve	-	500 000		
General reserve	1 870 815	1 111 603		
Other	2 652	62 891		
Regional Office:				
Reserve fund	1 196 431	1 196 431		
Other	(106 884)	90 338		
	<u>2 963 014</u>	<u>2 961 263</u>		
TOTAL INVESTMENTS	<u>20 018 464</u>	<u>12 233 852</u>		
9 STOCK				
Stock comprises -				
Finished goods, books and publications at nominal value	<u>2</u>	<u>2</u>		
	<u>GROUP</u>	<u>COMPANY</u>		
	<u>1997</u> R	<u>1996</u> R	<u>1997</u> R	<u>1996</u> R
10 ACCOUNTS RECEIVABLE				
Amounts due from bursary funds	-	36 831	-	36 831
Trade and other debtors:				
Head Office	1 293 126	854 389	1 291 902	853 438
Regional	342 816	19 653	342 816	19 653
Staff debtors -				
- Head Office	51 507	44 187	51 507	44 187
	<u>1 687 449</u>	<u>955 060</u>	<u>1 686 225</u>	<u>954 109</u>
11 ACCOUNTS PAYABLE AND PROVISIONS				
Trade and other creditors:				
Head Office	826 938	1 379 519	809 976	1 374 205
Regional	46 590	123 065	46 590	123 065
Current portion of long term liabilities	6 413	9 797	-	-
	<u>879 941</u>	<u>1 512 381</u>	<u>856 566</u>	<u>1 497 270</u>

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		<u>1997</u>	<u>COMPANY</u>	<u>1996</u>
		R		R
12	AUDITORS' REMUNERATION			
	Fees for the audit including management services			
	Head Office Central Funds			
	- Audit	38 520		31 800
	- Prior year under provision	1 020		-
	Head Office Bursary Department	-		3 060
	Cape Western Region Institute	17 088		13 440
	Cape Western Bursary Department	5 772		4 510
		<u>62 400</u>		<u>52 810</u>
	De Korte Street Properties (Pty) Ltd	2 100		2 290
	Charged to the income statement	64 500		55 100
	Charged to bursary funds - Head Office	17 670		15 081
		<u>82 170</u>		<u>70 181</u>

13 **DIRECTORS' REMUNERATION**

The directors' emoluments for the year under review were R390 807 (1996 : R379 424).

14 **COMMITMENT**

There is a commitment in respect of the unexpired portion of lease agreements over office equipment and a motor vehicle amounting to R221 392, of which R93 124 is payable in the next financial year in instalments of R7 760 per month.

15 **TAXATION**

The Institute is exempt from tax in terms of Section 10(i) of the Income Tax Act.

16 **CASH FLOW INFORMATION**

		<u>1997</u>	<u>GROUP</u>	<u>1996</u>	<u>COMPANY</u>	<u>1996</u>
		R		R	R	R
16.1	OPERATING PROFIT/(LOSS) AND PROFIT IN SUBSIDIARY BEFORE INTEREST					
	Excess income over expenditure	362 520		2 076 659	362 520	2 076 659
	Interest received	(854 346)		(530 492)	(854 346)	(530 492)
	Interest paid	59 992		57 001	-	-
		<u>(431 834)</u>		<u>1 603 168</u>	<u>(491 826)</u>	<u>1 546 167</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31st March 1997

16.2 DECREASE/(INCREASE) IN
WORKING CAPITAL

(Increase)/decrease in accounts receivable	(732 389)	(42 969)	(732 116)	(42 969)
(Decrease)/increase in accounts payable	<u>(632 440)</u>	<u>274 978</u>	<u>(640 704)</u>	<u>279 601</u>
	<u><u>(1 364 829)</u></u>	<u><u>232 009</u></u>	<u><u>(1 372 820)</u></u>	<u><u>236 632</u></u>

South African Institute of Race Relations



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1st April 1992 to 31st March 1993

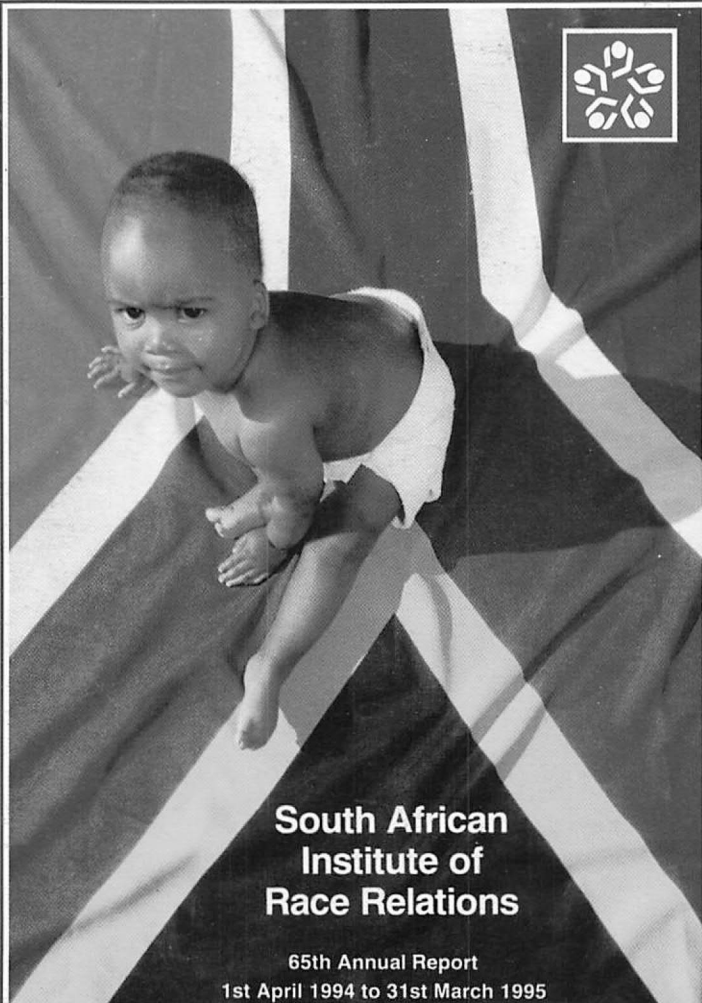
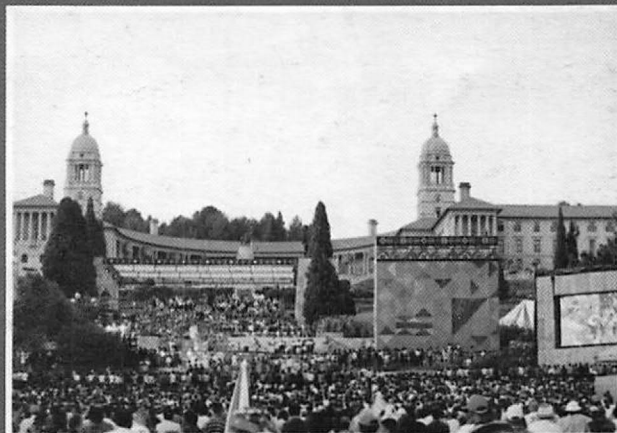


South African Institute of Race Relations



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1st April 1993 to 31st March 1994



**South African
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