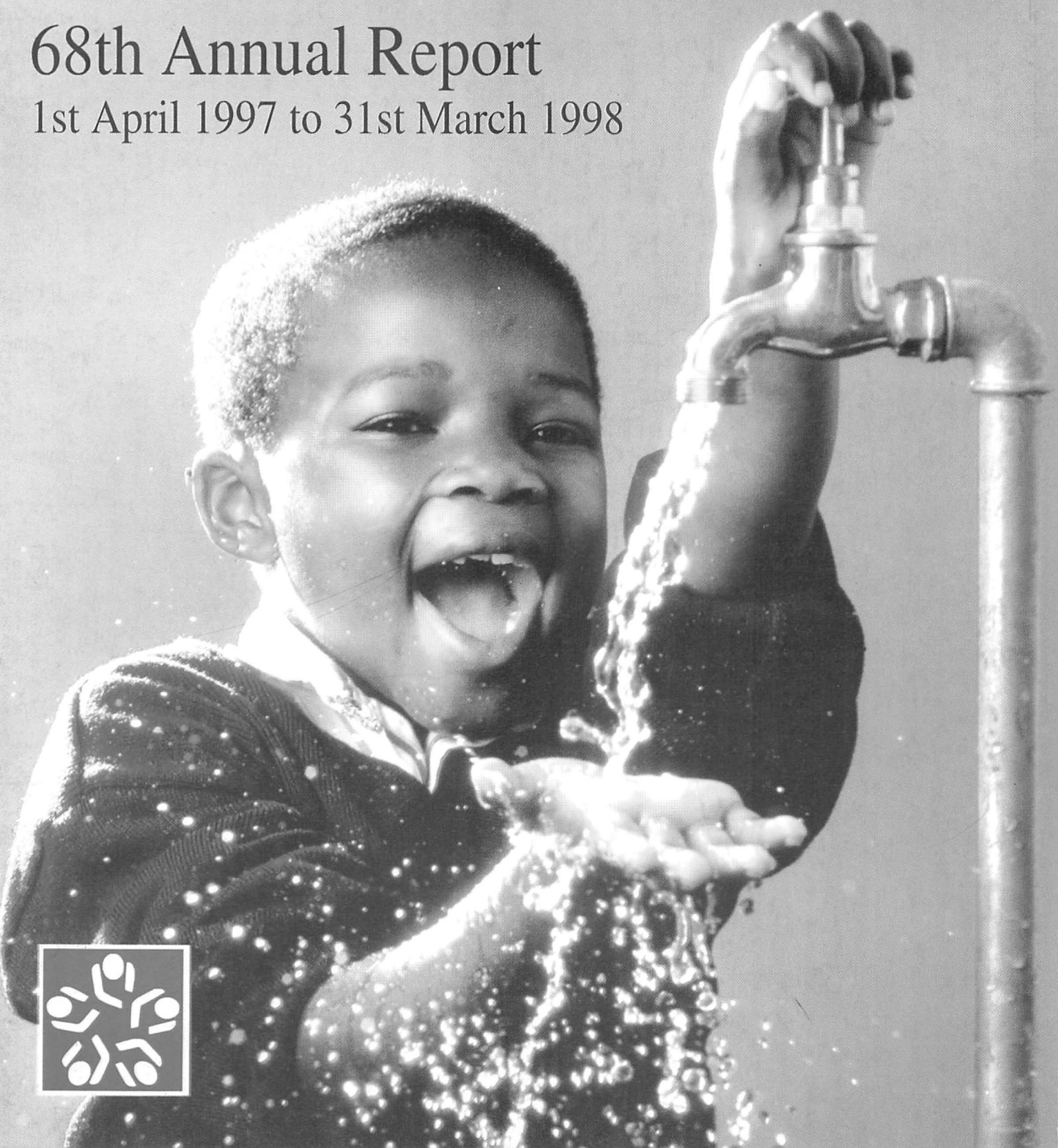


South African Institute of Race Relations

68th Annual Report

1st April 1997 to 31st March 1998



SOUTH AFRICAN INSTITUTE
OF RACE RELATIONS (INC)

68th ANNUAL REPORT

1st APRIL 1997 TO 31st MARCH 1998

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Mr Harry Oppenheimer
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CHIEF EXECUTIVE'S REPORT TO MEMBERS FOR THE ANNUAL GENERAL MEETING ON 27th AUGUST 1998

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 1998, this narrative report is up to date to the end of July 1998.

INTRODUCTION

The most important development of the past year is the almost casual manner in which South Africa has put itself back on the road to statutory racial discrimination, in the form of the Employment Equity Bill, published in November 1997. Despite the fact that the bill seeks to compel employers to classify their staff by race and to discriminate on racial grounds, it generated relatively little opposition. It was perhaps to be expected that much of organised business would adopt a cautious approach, possibly informed by the desire to water down various aspects of the bill. More surprising was the mainly supportive attitude of the press. As with business, there were exceptions, of course. But in general press criticism was either muted or absent.

The Institute, after a careful analysis of the bill, decided that it warranted clear opposition. Quite apart from the obvious principle at stake, our Memorandum of Association, signed in 1937, stated our main object as being 'to encourage, work for, and foster peace, goodwill, and practical co-operation' between the races. If years and years of vigilance and research have taught us one thing, it is that racial goodwill is not promoted by laws which enforce racial discrimination.

We also believe that the bill is based on a faulty assumption – that employers will in general practise racism and keep blacks out of jobs unless compelled by law to give them preference. Given how pervasive the apartheid system was, in the workplace and elsewhere, this assumption is not easily questioned. But again the Institute's research is instructive. Our investigations in the 1980s showed that apartheid laws were eroded before they were repealed. Indeed, on the basis of this research, the Institute proclaimed that apartheid was on the way out long before Mr Mandela was released. Powerful forces, among them economic growth, simply rendered it unenforceable. The faster the economy grows now, the more likely it is that remaining racial hiring and promotion practices will be eroded. Conversely, and perversely, if the bill has a detrimental effect on growth it could reduce demand for skilled people of all races, blacks included.

Here is a further objection to the bill – the risk that it will deter the expansion and start-up of businesses and so further damage the capacity of the South African economy to generate jobs. In the Institute's view the overriding objective of macro-economic policy should be to enable everybody of working age who is able to work to be able to work. Labour policy should further that objective, not undermine it.

FINANCE AND MEMBERSHIP

We ended the financial year on 31st March 1998 with a small deficit (R22 065). Expenditure rose by 15%, mainly because of increased activity in the public policy field. The rise in income (9%) did not match the spending rise, however. Local fund-raising for the *Survey* and *Fast Facts* was much less successful than we had anticipated. While income in the form of membership renewals ran at 100% of the figure budgeted for the year, the enrolment of new members ran at only 35% of budget. At the time of writing this report we were awaiting the results of a survey conducted among current and potential members. This was commissioned to guide us in marketing strategies, among other things.

Given high real interest rates, we used some R305 000 from our reserves to pay off the remaining bond on our two buildings in Braamfontein.

The first draft of our budget for the 1988/89 financial year yielded a deficit of more than R1,1 million. We clearly could not begin the new financial year on this basis, so a number of steps were taken to reduce expenditure. Travel, printing, and computer purchases were cut, but unfortunately we also had to reduce staff costs. Three members of our staff applied for and were granted voluntary retrenchment, while six were involuntarily retrenched. These measures enabled the deficit to be cut in half.

RESEARCH AND PUBLICATIONS

South Africa Survey

At the time of writing, the 1997/98 *South Africa Survey* was still at the printer. It went later than usual partly because of inevitable teething problems with new software that we installed. Last year's *Survey* ran to 910 pages (including an index of nearly 90 pages), but this year's has been designed to be shorter and more user-friendly. The book was simply becoming too bulky. We have cut out much of the detail on green and white papers, reporting instead on the resulting legislation. We have also split some of the longer chapters. Virtually all the statistical information has been retained, except where we felt it was unnecessarily detailed. Wherever it is possible to measure 'outcomes', for example houses built or degrees awarded, we have provided the data. As has become usual, in most cases where a table can be illustrated, we have added a chart or a graph. Just two of many are pie-charts giving a breakdown by race of people in urban and rural areas with no running tap water in their dwellings. At the same time, the forthcoming *Survey* records that the proportion of households without running tap water dropped over a year from 52,4% to 48,6%. Though the *Survey* does not bill itself as such, and though the government seldom refers nowadays to its 'reconstruction and development programme' (RDP), the *Survey* is the only publication in the country which provides an objective 'national progress report' on reconstruction and development.

In order to measure trends over time, we provide comparative data going as far back as they are available. Our tables of crime and education statistics go back to 1974, for example, while some of the economic data go back to 1946.

Frontiers of Freedom

We published four issues of our quarterly, *Frontiers of Freedom*. Now read by a wide range of South African and expatriate liberals, and with a goodly number of its articles being reprinted in the press, *Frontiers* has become a focus of classical liberal opinion. We continue to seek out contributors with original ideas, as well as those courageous enough to withstand fashionable and other pressures that tend to stultify creative discourse.

This year *Frontiers* paid particular attention to citizens at the bottom of the heap – including the very poor, prisoners in overcrowded jails, suspects still being tortured, struggling small builders, patients in deteriorating provincial hospitals, and above all the unemployed. One article was based on a forthright speech by our president, Professor Themba Sono, criticising the Employment Equity Bill. Articles on the economies of the US and the UK showed how dramatically unemployment was cut by freeing up the labour markets in those countries.

The latest issue made poverty its theme. The lead article, by Michael O'Dowd, laid down practical guidelines for dealing with poverty and confronted the muddled thinking that gets in the way of coming to grips with the problem. Two reports about feeding schemes in the Eastern Cape demonstrated the efficiency of non-governmental organisations as distributors of poor relief, and revealed the little known fact that while NGOs used to feed whole schools, government schemes in the Eastern Cape now feed children only as far as standard 2.

There were of course frequent articles by and about liberals and liberalism. We convened a board of political analysts to assess how South Africa is doing. At its first sitting, the board awarded six out of ten to the government and three and a half to the press, most of whom understandably ignored the article. *Frontiers* carried Dr Rolf Freier's farewell address at the end of his six-year term as the Friedrich Naumann Foundation's regional director for Southern, West and East Africa, in which he reminded us that the liberal motto 'is to create opportunities, not regulate them'.

The Truth and Reconciliation Commission featured regularly. One article raised doubts about the commission's 'publicly sanctioned history' – a theme taken up in an editorial predicting that the official history would idealise revolution as opposed to less bloody alternatives. Much controversy – printed in the following edition – followed an editorial calling on liberation theologians to confess their role in condoning murder and mob rule. An editorial argued that the real analogy between Nazi Germany and apartheid South Africa was the process of conditioning people into condoning great wickedness. Rian Malan caused a stir in the media with a piece accusing the commission of paying scant attention to the invisible censorship that held sway in the 1980s, preventing the publication of stories likely to incur the wrath of 'a certain movement' – a phrase widely used by black journalists at that time.

An analysis of the Shell House inquest highlighted Mr Justice Nugent's finding (evocative of Sharpeville) that 'Prima facie there was no justification for shooting at the crowd at all. Moreover the barrage of fire was in any event grossly excessive'. Judge Deon van Zyl wrote about the benefits of judicial activism, which,

he said, did not threaten the common law but signalled a new and exciting phase in its development.

Professor Marcus Ramogale wrote an excellent piece on the 'African renaissance' in which he called for a new struggle, this time a moral one based on notions of decency and excellence.

Fast Facts

Twelve issues of *Fast Facts* were published. While *Frontiers* carries articles on a rather wide range of subjects, *Fast Facts* is focused mainly on socio-economic matters and on aspects of governance.

One issue contained an analysis suggesting that the preliminary results of the 1996 population census had seriously underestimated the number of people in South Africa. This led to a visit to the Institute by a delegation from the Central Statistical Service to discuss the data. *Fast Facts* paid particular attention to labour matters, including labour market flexibility. One issue contained a set of proposals for 'radical labour law reform' submitted by the Institute for the government's 'job summit', a date for which was due to be announced as this report went to the printers. The Employment Equity Bill was featured, along with affirmative action in the civil service. *Fast Facts* also keeps track of income trends: one article highlighted changing patterns of inequality. Various others analysed the budget from a socio-economic perspective and also showed how government spending supposedly designed to help the poor often benefited the better off. To supplement the analytical material, *Fast Facts* contains regular tables of labour statistics, including capacity utilisation, trade union membership trends, and earnings trends by sector.

Progress in socio-economic development is monitored by a regular socio-economic barometer of statistics, supplemented with tables detailing housing construction, and electricity and telephone connections. We keep abreast of trends in education likely to have an impact on the performance of the economy. *Fast Facts* also carried key points from our forthcoming study of local government finance.

Aspects of the process of government, among them transparency, ministerial law-making powers, and the effects of lobbying, were also featured in *Fast Facts*.

The publication ran regular articles on the country's criminal justice system, along with the Institute's proposals to remedy some of its deficiencies. Tables highlighted prison escapes (on the decline) as well as prosecution and conviction trends (also on the decline). Our quarterly tables showing crime trends have been widely (and sometimes selectively) quoted, notably by members of the government seeking to show that crime is not increasing. Our figures, which are based on police statistics, do indeed suggest that many types of crime, notably murder, are on the decrease. What we cannot yet tell is whether the apparent decrease over the past four years is the result of a decrease in the already low reporting rate for crime.

Some banks and other institutions supply us with their latest statistics or forecasts for our 'Fast Stats' and 'Latest Forecasts' pages before they publish this material themselves. Most of these statistics deal with the South African economy, including international trade, but we periodically include data on the Southern African

region too.

The socio-economic focus is not exclusive, however. We usually carry a political scenario once a year: the most recent one was entitled 'A first glimpse at the Mbeki era'. We also carried a preview of the year in our January 'state of the nation' issue, while the February issue ran a parliamentary preview.

Spotlights

Two publications came out in our *Spotlight Series*. One was *Surrender without Defeat: Afrikaners and the South African 'Miracle.'* Written by Professor Hermann Giliomee, a past president and current vice president of the Institute, this was reprinted from *Daedalus*, Journal of the American Academy of Arts and Sciences. The paper analysed how it was that the Afrikaners, against almost universal expectations, gave up political power. It paid particular attention to the role of the then National Party leader and state president, Mr F W de Klerk, and argued that he had succeeded brilliantly in persuading Afrikanerdom to give up its monopoly of power but had then failed in the negotiating process to realise his aim of a constitutionally entrenched coalition government.

The other publication in this series was *Unemployment in South Africa: the Facts, the Prospects, and an Exploration of Solutions* by Professor Lawrence Schlemmer, also a former president and current vice president of the Institute, and Charisse Levitz. In part the outcome of market research commissioned by the Institute, this study suggested that the official estimate of unemployment (29,3% in 1995) was too high and that the figure was closer to 24%. However, the study argued, at current growth rates unemployment was increasing by nearly two percentage points a year and could reach 40% ten years' hence. The findings were presented by Professor Schlemmer to meetings of members in Johannesburg, Cape Town, and Durban.

Special service for members

Three were produced – all on the Employment Equity Bill. The first, published as an *Issue Alert*, contained a detailed analysis of the bill, written by Anthea Jeffery, our Special Research Consultant, and Martin Schönteich, our Parliamentary Affairs Manager. The second was a summary of our submission on the bill to the Department of Labour. The third was an attempt to clarify the debate on the bill following a press conference called by the then minister of labour, Mr Tito Mboweni, to deal with some of the criticisms of the bill made by the Institute and others.

Bill of rights report

This study described the progress made in implementing South Africa's first-ever bill of rights. Legislation giving effect to (or possibly eroding) each of the rights was analysed, along with judicial decisions on the validity of legislation, executive action, and the common law. Where no legislation had been enacted, the study recorded pronouncements by political leaders giving an indication of possible future action having an impact on the bill of rights one way or the other.

BRIEFINGS

Altogether fifteen briefings were organised for Institute members, mostly in Johannesburg, although three of them were held in Cape Town and two in Durban. As noted above, Professor Schlemmer gave members in all three cities an insight into the findings of his unemployment study in advance of publication. Professor Sono and Dr Jeffery gave briefings on the Employment Equity Bill. Martin Schön-teich spoke at meetings in all three cities on *Beating crime without curtailing civil liberties*.

Representatives of a number of political parties also addressed Institute members: Dr Ben Ngubane, premier of KwaZulu-Natal and national chairman of the Inkatha Freedom Party; Mr Walter Felgate, a former IFP MP who had recently joined the African National Congress; General Bantu Holomisa, then co-leader (now leader) of the United Democratic Movement; and Dr Stanley Mogoba, president of the Pan-Africanist Congress (and a former president of the Institute).

The new vice chancellor of the University of the Witwatersrand, Professor Colin Bundy, also addressed an Institute meeting, as did Professor William Makgoba, who spoke about the 'African renaissance'. Mrs Helen Suzman, Mr Peter Leon, Mr Graham McIntosh, and Mr Rudolph Jansen spoke at a panel discussion on the new 'c-max' maximum security prisons.

We also organised briefings for parliamentarians: Anthea Jeffery spoke to five parliamentary caucuses on the Employment Equity Bill, while Ms Saguna Gordhan, director of non-governmental organisations in the department of welfare, spoke at a seminar for parliamentarians and non-governmental organisations on the new legislation covering NGOs.

In addition, of course, Institute representatives are invited to speak to a wide range of audiences. Briefings arising from our research into the criminal justice system and our work on the Employment Equity Bill were particularly in demand, although we also gave briefings on illegal immigration and provided political scenarios.

NATIONAL BURSARIES

Last year's pass rate among our university and technikon students was 82%, compared to 85% in 1996. Altogether 208 students graduated in the following fields: commerce 36, science 34, education 34, business administration 28, engineering 27, health science 19, law 9, arts 9, medicine 5, architecture 4, dentistry 3.

The number of bursaries awarded for the 1998 academic year was 789, 194 more than in 1997. New awards accounted for 544 of these, while 245 of the awards were for students continuing on the programme. Several new bursary programmes were established at the Institute by various companies and trusts: ASA, the Clive Beck Education Trust, Du Pont, Fluor Daniel, Haggie Limited, John Deere, and Liberty Life. Despite these new bursary schemes, the amount available for bursaries for 1998 was only R6,5 million, which is 17% below last year's figure. The main reason for the drop is that international donors are continuing to wind down funding for bursary programmes run by non-governmental organisations.

I am happy to report that in terms of the will of a person who wishes to remain anonymous, a fund to be known as the Hungjao Bequest has been established. We will be receiving approximately R900 000 to be invested, the income to be used for the education of black children. The first awards will be made early next year. The Institute is also grateful to have received R320 000 from the estate of the late George Giannopolous for bursaries for vocational and technical training, especially in animal husbandry, crop cultivation, the prevention of soil erosion, and irrigation.

The decline in the value of the rand against the American dollar enabled us to covert an amount of \$3,7 million remaining under one of our USAID agreements to R17,9 million and extend the agreement from 1999 to 2002. While the original value of the agreement remains at \$15 million, the rand value has increased from R39,7 million to R57,6 million. This will enable us both to see the 84 students remaining on this particular USAID programme through to completion, and also to take on 100 final-year students in science, engineering, business economics, and mathematics and maths teaching. In addition, provision is made in the agreement for 30 bursaries in the economics department at the University of the Western Cape, inter alia for post-graduate study for junior lecturers. Similar provision is made for staff development at 15 selected 'historically disadvantaged institutions', each of which will receive ten bursaries via the Institute to train junior staff in maths, science, and engineering.

CAPE WESTERN REGION

The regional annual general meeting, held at Headstart College on 15th September 1997, was attended by more than 50 people. The main speaker was Mr Andrew Boraine, city manager of Cape Town. In addition, Martin Schönteich reported on the activities of the Institute's Parliamentary Affairs Office. Mrs Thelma Harding was re-elected to the regional chair in October 1997, Mrs Esther Wides being elected vice-chairman.

The regional committee published the text of an address by Anthea Jeffery on the Employment Equity Bill for members in the Western Cape. Also published was a paper on the 'megacity debate' by Dr Donald Craythorne, a past deputy city manager of Cape Town. Dr Craythorne also briefed members of the regional committee on a new white paper on local government.

The major work of the Cape Western region is in education. At the end of 1997, the pass rate of students on bursaries run by the region was 84% – the same as in 1996. Funding available for bursaries for the 1998 academic year was just under R2 million. Altogether 420 awards were made, of which 295 were renewals and 125 new awards to first-year students. Slightly more than half the students in question are at university. About a third are studying at technikons, teacher training colleges taking up the rest of the awards.

Apart from the bursary scheme at tertiary level, the committee runs an 'enrichment programme' that provides extra lessons on Saturday mornings to pupils in secondary schools in Langa and Khayelitsha at a cost of R500 000. At the beginning of the year, 2 400 pupils from more than 60 schools registered for these classes.

The third educational project run by the committee is the Headstart College. In last year's provincial matric examination, Headstart students clocked up pass rates of 100% for English, physical science, and business economics, and 93% for maths. Some 200 students registered with Headstart for the 1998 academic year. The college, which is running to a budget of a bit more than R1 million this year, employs nine teachers. Part of a donation of R200 000 from the Abe Bailey Trust was earmarked for the expansion of training and computer facilities. Discussions are under way between the Cape Western regional committee and the Institute's Head Office with a view to setting Headstart up as an independent body in accordance with the Institute's long-standing policy of enabling projects of this nature to leave the nest, as it were.

The Transitional National Development Trust promised the region a donation of approximately R500 000. About R300 000 was to be allocated to the Enrichment Programme and R200 000 to Headstart.

STAFF

Five staff members (Jeanette Gabattholwe, Shaun Mackay, Johannes Mcira, Ntsoaki Ngwane, and Jill Wentzel) received awards for ten years of service to the Institute. Four (Mildred Monyane, Dennis Venter, Linda Vilakazi, and Obed Zuma) celebrated fifteen years at the Institute. Two (John Masindane and Edna Nhlapo) received awards for 25 years with the Institute.

GOVERNANCE AND OFFICE-BEARERS

The new Executive Committee, elected last year for a two-year term of office, re-elected Professor Elwyn Jenkins as chairman and Professor Charles Simkins as vice chairman at its first meeting in September 1997. The Finance Committee was re-appointed for a two-year period. For the first time, an Audit Committee was appointed, under the chairmanship of our Honorary Treasurer, Mr Brian Hawksworth, who also drew up a charter setting out the committee's responsibilities and modus operandi.

I regret to report the death in December 1997 of Dr Enos Mabuza, one of our four vice presidents.

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, and our annual *South Africa Survey*. Names of supporters always appear in the relevant publication or report, while our students are always told who is financing their particular bursary.

I am grateful to the members who serve on our various governing bodies and in particular offices, including Themba Sono, our President, Elwyn Jenkins, our Chairman, Raymond Tucker, our Honorary Legal Adviser, and Brian Hawksworth, our Honorary Treasurer.

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. Particular appreciation is due to the staff members whom we had to retrench, not only for the contribution they made to the organisation but also for the understanding they displayed in the difficult decision we had to make.

PUBLIC POLICY ISSUES

The main work of the Institute has always been in the public policy field – monitoring and exposing apartheid laws and practices, proposing fundamental change, and offering a vision of a society free of racial discrimination. Although the apartheid laws have been repealed, the consequences of past discrimination will endure for years to come. The choice of appropriate policies to combat such scourges as poverty, ignorance, and disease are of critical importance. The right choices will make this country, the wrong will break it.

The advent of a free and open society, and of political institutions which are accountable and democratic, opened up new opportunities for policy debate and advocacy. The Institute moved into this field in a forceful manner which has brought about a number of successes. We have also gained insights into the type of issue on which we can have influence. Our experience in successful advocacy and interaction on policy issues with the elected political leadership of the country will help us make an impact on future policy decisions. This impact will be greater in some areas than in others. It will sometimes be immediate, but sometimes only in the longer term.

The Institute has achieved a sound reputation for spotting, and being bold enough to debate, policy issues before many others do. We predicted the demise of apartheid and the beginning of negotiations, when the conventional view was that South Africa was headed for cataclysm. The Institute highlighted how the new bail law would violate civil liberties without improving the effectiveness of the criminal justice system, when the media and politicians were demanding draconian measures against accused persons.

Our work in the public policy field was greatly enhanced during the period under review thanks to four sponsors: USAID, the Friedrich Naumann Foundation, the International Republican Institute, and the Westminster Foundation for Democracy. That work includes discussions with ministers, other politicians, and government officials; research; publication of research findings, policy critiques, and policy alternatives in our own publications as well as in newspapers and magazines in all the main cities and on the radio; briefings and seminars; submissions (at least nine during the period under review) to parliamentary committees and government departments; and participation where appropriate in official bodies.

Below are details of some of the issues we have dealt with.

The criminal justice system

Crime is hugely costly in lives and economic damage, while measures to combat it could undermine civil liberties without hurting criminals. We have devoted much effort this past year both to monitoring crime and seeking improvements in policy. Mainly through *Fast Facts* and the *Survey*, the Institute continued to analyse crime statistics. Members of parliament, including the minister for safety and security, made use of our work in National Assembly debates, notably when the analysis suggested that the incidence of certain types of crime was declining.

We supplemented our appraisal of crime statistics with a study of prosecution and conviction rates over the last four years. This helped to emphasise our argument that the fight against crime can be successful only if the criminal justice system as a whole operates successfully. While reported levels of certain serious crimes have begun to subside, prosecution and conviction rates are dropping.

The Institute also pointed out that, declining crime rates notwithstanding, South Africa has not necessarily reached a turning point in the war against crime. A more sobering picture emerges if one looks at long-term trends. Since the mid 1980s, all types of crime have increased. However, year-on-year figures on the crime level have fluctuated. The question we raised was whether the current downward trend in the level of certain crimes is a secular phenomenon or a short-term fluctuation. This question – to which there is as yet no answer – was repeated by a number of opposition parties in parliamentary debates.

Politicians are under pressure to 'do something' about crime. The government has been inclined to pass legislation in an effort to be seen to be meeting this demand. This is sometimes a 'quick-fix' approach which risks infringing people's civil liberties without addressing the problems confronting law enforcement. The Institute has sought to counter this tendency by putting forward practical solutions to some of the problems facing the criminal justice system.

One of these is prison overcrowding. Our jails can accommodate 99 400 prisoners. Yet in March 1998 these jails were holding more than 145 000 inmates. Institute research found that some 20 000 prisoners (14% of the prison population) had been granted bail. These are prisoners who are deemed innocent until the contrary has been proved and who have been granted bail, but are unable to pay. At the request of the Department of Correctional Services we compiled a set of *Proposals to decrease prison overcrowding through the use of bail agents, bail enforcement agents, and bail accommodation facilities*. Our report suggested how overcrowding could be reduced by helping people granted bail by the courts to give effect to this right.

Having investigated a possible role for municipal police services, the Institute made a submission to a team drafting a South African Police Service Amendment Bill, which deals with municipal policing. In our view it is unnecessary that municipal police services should be regulated by national and provincial government to the extent envisaged in the bill. We argued, for example, that it would be unduly onerous for municipal police to be required to be operational round the clock. Municipal policing, we said, should be seen as complementing rather than replacing the South African Police Service.

A Magistrates' Courts Amendment Bill proposes to compel magistrates to make use of two lay assessors in a wide range of trials. In any dispute of fact, the decision of the majority of the court's members will be the decision of the court. At magistrates' courts level virtually all disputes centre around fact rather than law. The Institute made submissions on the bill to the portfolio committee on justice. We did not object to the use of lay assessors to extend community participation in criminal trials. This is not new to our law. We did, however, point to the dangers of empowering laymen to overrule magistrates in determining the guilt or innocence of an accused person.

At the invitation of the portfolio committee on safety and security the Institute compiled a submission on a draft white paper on safety and security. Overall the ideas in the draft document are sound. However, we pointed out that all too often – especially in the safety and security field – opportunities are squandered through the absence of forceful implementation.

The draft white paper emphasises the societal causes of crime. Accordingly, it argues that 'gender inequality; access to firearms; socio-psychological factors; economic underdevelopment and inequality; poverty and unemployment' are causes of crime. The paper is not mistaken in its identification of societal and socio-economic causes of crime. The Institute submitted, however, that sight should not be lost of the fact that individuals make decisions to commit crimes and break the law, just as most poor people decide to lead an honest life and reject crime. This needs to be recognised in the development of policing policy. A substantial reason for the high crime rate is that criminals know they are likely to get away with committing crimes. For most serious offences the chance of a perpetrator being apprehended and convicted is not much better than about one in ten.

The National Prosecuting Authority Act was passed in 1998. The Institute has been keeping track of this issue since mention was first made (in 1994) of creating a post of 'national director of public prosecutions', which official would oversee the various provincial attorneys general. We made a formal submission on the bill, while also placing several articles on the issue in newspapers and our own publications. The act (as passed), while still carrying the risk of subordinating decisions to prosecute to political considerations, is an improvement on the initial draft legislation. Thus, the draft bill did not contain any requirement regarding the qualifications of the national director. We objected to this, and the official in question now 'must possess legal qualifications that would entitle him or her to practise in all courts in the Republic'.

Other legislation enacted during the period under review dealt with bail and minimum sentences. Thanks in part to the Institute's efforts last year, the legislation in question did not remove the discretion of the courts in these two matters. As noted earlier in this report, Martin Schönreich conducted briefing meetings in Johannesburg, Durban, and Cape Town on *Beating crime without curtailing civil liberties*.

At the time of writing, we were preparing for publication in our *Spotlight* series a set of proposals to increase private sector involvement in the criminal justice system in order to maximise both security and choice.

Law-making by the Executive

The Institute opposes excessive law-making by regulation. Under the previous government, some of the most extensive controls of Africans were incorporated in such measures as the Black Labour Regulations and the Regulations Governing the Control and Supervision of an Urban Black Residential Area and Relevant Matters. Most such instruments would no doubt be unconstitutional today. But the new parliament has passed several laws empowering ministers to make regulations, notably in the fields of health, education, and labour. In the making of these regulations they need neither consult the public nor seek the approval of parliament. Many democratic countries have legislation which obliges the executive branch of government to consult the public in the making of regulations. Parliamentary scrutiny of regulations also occurs. In South Africa, we have so far had little consultation and even less scrutiny. This undermines transparency as well as the powers of parliament in relation to the executive.

To encourage debate on this issue, our Parliamentary Affairs Office hosted a meeting at parliament with visiting American specialists in this field who spoke, *inter alia*, about the benefits of an 'administrative procedure act' for South Africa. MPs from the governing party as well as from opposition parties attended, along with a parliamentary law adviser. Prior to the first meeting this year of a parliamentary subcommittee set up to consider this issue, the Institute distributed a document outlining the need for legislation governing the making of rules by the executive. Although the Speaker was present, this meeting was poorly attended – by only the National Party and a few researchers. Subsequently the matter was taken up with the chief whips. The next meeting was augmented by the attendance of both the African National Congress and the Inkatha Freedom Party.

On the basis of further research, including a comparative study of legislation governing executive law-making in America, the UK, Australia, and Canada, the Institute has prepared a set of practical recommendations for South Africa. At the time of writing this annual report, our proposals were being finalised for presentation to the MPs at the next meeting of the subcommittee. All over the world, the standards of corporate governance in the private sector are being made more rigorous. In government itself, high standards of governance need to be applied.

Nonprofit Organisations Act

I reported a year ago that the Institute had successfully thwarted a plan by a small group of misguided non-governmental organisations and lawyers, backed by an American foundation which should have known better, to put NGOs under government control. We not only derailed this plan but also played a prominent role in helping the Department of Welfare to draft liberal legislation in its stead. This year there were renewed attempts at an interventionist approach. We mobilised to defeat these as well. *Inter alia*, we lobbied officials in the department to put pressure on the parliamentary portfolio committee on welfare to pass the bill without amendment. We further circularised 5 000 NGOs urging them to support the bill agreed to between the department and the Institute.

In a meeting before the final deliberations on the bill, the portfolio committee decided that there was enough desire among NGOs to pass the bill without amendment. The Nonprofit Organisations Bill was passed by both houses of parliament in November 1997. The passage of the bill was a victory for freedom of association and an independent civil society, and the advocacy efforts of the Institute. The bill is also a sign that the government is open to outside ideas and that lobbying, if conducted effectively, can work.

Truth and Reconciliation Commission

The Institute's governing Council at its annual general meeting in August last year decided that we would not make a submission to the commission, although the commission had proposed that we should do so. In conveying our decision to the commission, we wrote: 'We wish to refer you to the vast amount of research the Institute has published, in relation to very many issues, over a period of nearly 70 years.

'Much of the material contained in our publications – especially since 1960 – is relevant to the work of the commission. Institute publications provide a comprehensive and objective account of numerous "gross violations of human rights", defined under the Promotion of National Unity and Reconciliation Act as including "killings, abductions, torture or severe ill-treatment" emanating from the conflicts of the past. These publications also record the circumstances surrounding many of these violations committed by the former government, by various political organisations, and by diverse groups, agencies, and individuals.'

Racial policies

At the beginning of this report I referred to the reintroduction of racial classification by the Employment Equity Bill. We scrutinised not only the racial provisions of the bill, but also tried to assess its likely impact on the ability of the economy to generate jobs. The Institute then took the lead right from the start in opposing this measure.

We briefed our members about it, both in published documents and in oral presentations. Anthea Jeffery, who did most of the work on the bill for the Institute, was invited to speak to numerous and diverse gatherings about it. In addition, as also noted above, we gave briefings to various parliamentary caucuses. We also participated in discussions on the bill hosted by the Department of Labour, to which we then made a formal submission. We sought to stiffen opposition to the bill in both business and political circles. Some of the representatives of organised business who were involved in negotiations with the department were, in our view, adopting too complacent an attitude to a piece of draft legislation that could have such harmful consequences for both race relations and the labour absorption potential of the economy. This we wrote up in *Fact Facts*.

The Institute is sometimes accused of being a mouthpiece for business. Connoisseurs of irony will enjoy the fact that on this bill, as on the Labour Relations Bill of 1995, we were critical of business for its failure to oppose harmful legislation strongly enough.

We paid attention also to proposals for affirmative action contained in a third draft white paper on affirmative action in the public service. In a submission to the government we warned of the risks of perpetuating racial discrimination, increasing racial tension, and alienating skilled personnel. We noted that 'possibly the most disturbing feature of the white paper is that employees may be discriminated against on the basis of their beliefs.' This was a reference to the document's suggestion that employees be assessed on the basis of their 'implementation and demonstrable support' of affirmative action policy. This implied that public servants who find race-based affirmative action repugnant will be unfavourably assessed, and have their promotion and future employment jeopardised. The Institute's submission made the point that 'this amounts to discrimination on the basis of political belief and may well constitute an unfair labour practice'.

Unemployment and the labour market

A major part of our work on unemployment this past year was the publication of the study by Schlemmer and Levitz referred to above. Prior to publication the major findings of the study were presented to meetings of members in Johannesburg, Cape Town, and Durban. The Cape Town gathering included as our guests a number of MPs and ministers. Perhaps Professor Schlemmer's most important finding was not that unemployment was not as high as official figures suggested, but that such jobs as had been generated in recent years were in small and medium-sized companies, among whom perceptions of labour market rigidities were found by the study to be 'pervasive'.

The Institute's opposition to the Employment Equity Bill was partly dictated by our fears that it would act as yet another disincentive to the hiring of more workers and the expansion of businesses. At the time of writing this annual report, we had submitted to the government a set of proposals for comprehensive labour law reform. Essentially we argued that the privileges accorded trade unions and employer groupings in our industrial relations law should be removed. Instead, employer-employee relations should be governed by ordinary law and the bill of rights rather than by special law. In this country, though not in countries such as the UK and New Zealand, this idea is heretical. It has little chance of being adopted soon in South Africa. But the Institute's vision has always been informed more by what we believe to be right than by what is immediately expedient or practicable. Throughout our existence we have put forward ideas that seemed unrealistic or naive at the time, only to have our position eventually vindicated.

Our view that the conquest of unemployment should be the over-riding objective of economic policy has led us both to embrace the essential thrust of the government's *Growth, Employment, and Redistribution policy (GEAR)* and to criticise legislation which threatens to undermine it. Unfortunately, GEAR has become identified in the public mind with measures that are easily depicted as harsh and stigmatised as 'right-wing', 'conservative', or 'neo-liberal'. As far as the Institute is concerned – and we believe this to be the government's position as well – reduced budget deficits are not ends in themselves, but a means to the critically important end of making South Africa more attractive for investment.

Less restricted labour markets are a means to the same end. And we want

investment because it in turn is a means to the generation of jobs. Jobs themselves cannot really be 'created'. They arise when investors need people to help them make profits. Rich countries may be able to run for years at high levels of unemployment precisely because they are rich enough to support people out of work. South Africa is not in that fortunate position. A much higher level of employment is the *only* way in which this country can conquer poverty. That is why, from the Institute's perspective, the conquest of unemployment is less an economic necessity than a moral imperative.

Evaluations

During this past year, two of our donor organisations have required evaluations of our work by outsiders.

Among other things, the first evaluator said he could 'attest to the excitement among media colleagues when the Institute takes a public stance on a public policy issue. The reason for this is that the Institute invariably presents a fresh perspective, backed by high-quality research and thus opens the door for consideration of alternatives.'

He added: 'The Institute's interventions on NGO framework legislation, bail laws, the capacity of the police service, the role of the public prosecutor's office, the dangers of increased labour market regulation, the role of commissions, and the growth of bureaucracy, have raised public awareness substantially. Most of these issues have subsequently been picked up by political parties...and the media. If these had not been raised by the Institute in the first place they would in all probability have been swept under the carpet.'

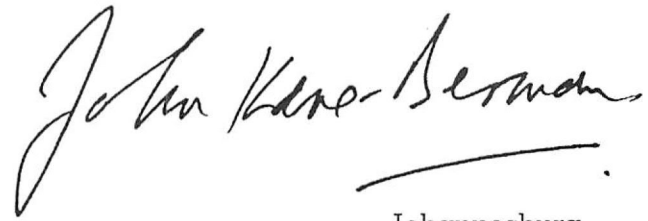
Referring to a report by the Institute on the Nonprofit Organisations Bill, the evaluator said: 'The report's claim that the Institute defended the independence of civil society when interventionist proposals regarding the NGO sector were tabled is entirely justified. If anything, the report underplays the Institute's achievements here. It does not mention the protracted struggle against "insider" NGOs who stood to benefit from such legislation. Nor does it elaborate on the most important facet of its achievement: had the Institute not acted when and as it did, no other organisation would have done so.'

The second evaluator was asked to assess the work of our Parliamentary Affairs Office. He wrote that the Office was 'not merely a passive analyst of legislation. It is actively involved in lobbying, and making submissions on legislation it considers flawed to the appropriate parliamentary committees. These committees, which have been opened to the media and other scrutiny, are extremely influential and the Office uses its considerable powers of persuasion to point out where any proposed law runs counter to the spirit of the new constitution adopted in 1997, or against the values it espouses. On this basis, the committees themselves are enabled to gain insight into the legislation referred to them by the lawmaking executive.'

The evaluator added that the Office produced 'a number of exceptionally lucid and helpful papers and seminars on such issues as freedom of the press, censorship, and respect for individual rights.'

CONCLUSION

The very success of much of our work has been a double-edged sword. While some parts of the government have made use of our research and been influenced by our arguments, President Mandela at the end of last year delivered a fierce attack on critical institutions and some of those who support them. Mr Mandela's speech was a clear sign of the government's split democratic personality. As far as the Institute is concerned, it will not deter us. We are confident it will not intimidate our members. We hope it won't deter other supporters either.

A handwritten signature in black ink, reading "John Koro-Bereman". The signature is written in a cursive style with a long, sweeping underline.

Johannesburg
12th August 1998

HONORARY TREASURER'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 1998

The excess of expenditure over income for the year amounted to R22 065 (1997 surplus: R362 520).

Income was up 9% from R7 215 967 to R7 865 728. Membership fees and subscriptions were up 11% from R1 973 892 to R2 192 623. It continues to be difficult to increase membership. There was a drop in interest received as a result of donor money being utilised for bursaries sooner than the previous year, the cash flow operating deficit of R524 575, and a marginal drop in interest rates. Grants and donations were up 33% from R2 608 219 to R3 477 047 as a result of grants made by foreign donors. The number of bursaries being administered continues to decline. Income is down from R1 651 798 to R1 521 439, due to overseas donors allocating certain of their funds elsewhere.

Expenditure for the year increased by 15% from R6 853 447 to R7 887 793 due to increased research and publication costs and the impact of inflation.

The Institute's financial position at the year end is sound. At that date it had net assets of R19 709 980 (1997: R22 303 712) under its control. The main reason for the decrease is a drop in Special Funds.

The problem with the Headstart Programme funding referred to in the previous report has been rectified as a result of restructuring and fundraising.

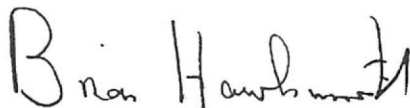
During the year certain bursary fund listed investments were disposed of and most of the proceeds were invested in fixed deposits to generate a higher income. As a result of the drop in equity prices on the Johannesburg Stock Exchange the market value of the portfolio has fallen below cost. The portfolio has been regularly reviewed and varied and will continue to be monitored closely.

In order to achieve a reduction in expenditure in the new year in line with the decline in income, staff retrenchments have had to be implemented. There is a budgeted deficit of R523 000 for the year ending 31st March 1999 of which R211 000 comprises the retrenchment payout.

Bequests from estates of approximately R1 050 000 have been left to the Institute. It is uncertain when these amounts will be received.

During the year an audit committee was established. The objectives of this committee are, inter alia, to ensure good governance, the maintenance of effective controls to safeguard the Institute's assets, and to review the scope and outcome of audits. The members of the committee are listed earlier in this annual report.

I 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 our auditors, PricewaterhouseCoopers (formerly Price Waterhouse), who has recently retired, for his support over a number of years.



Brian M Hawksworth
Honorary Treasurer
Chairman of the Finance Committee

5th August 1998

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 1998

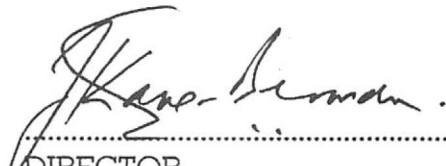
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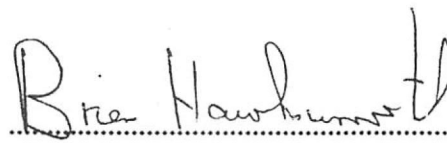
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The annual financial statements which appear on the attached pages have been approved by the Directors and are signed on their behalf by:


.....
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 of the South African Institute of Race Relations set out on pages 31 to 44 for the year ended 31st March 1998. These financial statements are the responsibility of the Institute's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes :

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Institute and the Group at 31 March 1998, and the results of their operations and cash flows for the year then ended, in accordance with generally accepted accounting practice, and in the manner required by the Companies and Fund Raising Acts.

Price Waterhouse
Chartered Accountants (SA)
Sandton
25th May 1998

**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 1998

The Directors have approved the attached Annual Financial Statements and submit their Report for the year ended 31st March 1998.

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 :

T J Sono	-	President of the Institute
E R Jenkins	-	Chairman of the Executive Committee
J S Kane-Berman	-	Chief Executive
E J Mabuza	-	Vice President (died 13 th December 1997)
H B Giliomee	-	Vice President
L Schlemmer	-	Vice President
H Suzman (D B E)	-	Vice President
J W Wentzel	-	Special Research Director
B M Hawksworth	-	Honorary Treasurer

The secretary of the Institute is F G Oppler.

<u>Business address</u>	<u>Postal address</u>
68 De Korte Street	P O Box 31044
Braamfontein	Braamfontein
2000 Johannesburg	2017 South Africa

SUBSIDIARY COMPANY

The name of the Subsidiary is:	1998	1997
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	R852 212	R570 225

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

BALANCE SHEET

at 31st March 1998

	Notes	GROUP		COMPANY	
		1998 R	1997 R	1998 R	1997 R
CAPITAL EMPLOYED					
NON-DISTRIBUTABLE RESERVE	2	821 681	821 681	821 681	821 681
ACCUMULATED FUNDS		540 820	237 216	540 820	237 216
		<u>1 362 501</u>	<u>1 058 897</u>	<u>1 362 501</u>	<u>1 058 897</u>
SPECIAL FUNDS	3/4	15 028 317	17 302 567	15 028 317	17 302 567
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		107 831	128 500	107 831	128 500
LOAN REDEMPTION RESERVE FUND		-	305 000	-	305 000
LONG TERM LIABILITIES	5	14 900	312 317	14 900	14 900
		<u>19 709 980</u>	<u>22 303 712</u>	<u>19 709 980</u>	<u>22 006 295</u>
EMPLOYMENT OF CAPITAL					
FIXED ASSETS	6	1 014 753	1 014 753	30 928	30 928
INVESTMENT IN SUBSIDIARY	7	-	-	852 212	570 225
INVESTMENTS		14 946 775	17 055 450	14 946 775	17 055 450
Special funds		2 205 655	2 963 014	2 205 655	2 963 014
Other		-	-	-	-
	8	<u>17 152 430</u>	<u>20 018 464</u>	<u>17 152 430</u>	<u>20 018 464</u>
		<u>18 167 183</u>	<u>21 033 217</u>	<u>18 035 570</u>	<u>20 619 617</u>
CURRENT ASSETS					
Stock	9	2	2	2	2
Debit balances on special funds	4.4	81 542	247 117	81 542	247 117
Current account with subsidiary		-	-	139 580	94 032
Accounts receivable	10	2 004 347	1 687 449	2 003 396	1 686 225
Cash resources		171 329	242 381	171 329	242 381
		<u>2 257 220</u>	<u>2 176 949</u>	<u>2 395 849</u>	<u>2 269 757</u>
CURRENT LIABILITIES					
Bank overdraft		20 094	26 513	20 094	26 513
Accounts payable	11	694 329	879 941	701 345	856 566
		<u>714 423</u>	<u>906 454</u>	<u>721 439</u>	<u>883 079</u>
NET CURRENT ASSETS		<u>1 542 797</u>	<u>1 270 495</u>	<u>1 674 410</u>	<u>1 386 678</u>
		<u>19 709 980</u>	<u>22 303 712</u>	<u>19 709 980</u>	<u>22 006 295</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 1998

	<u>Notes</u>	GROUP		COMPANY	
		<u>1998</u> R	<u>1997</u> R	<u>1998</u> R	<u>1997</u> R
INCOME					
Membership fees and subscriptions		2 192 623	1 973 892	2 192 623	1 973 892
Administration fees received		1 521 439	1 651 798	1 521 439	1 651 798
Interest received		555 219	854 346	555 219	854 346
Grants and donations		3 477 047	2 608 219	3 477 047	2 608 219
Publication sales		88 671	103 074	88 671	103 074
Profit on sale of shares		1 215	-	1 215	-
Rental received		29 514	24 638	29 514	24 638
		<u>7 865 728</u>	<u>7 215 967</u>	<u>7 865 728</u>	<u>7 215 967</u>
EXPENDITURE					
Auditors' remuneration					
Fees for the audit	12	72 179	64 500	72 304	62 400
Furniture and equipment written down to nominal value		63 295	75 396	63 295	75 396
Interest paid		-	59 992	-	-
Lease expenditure		20 895	21 518	20 895	21 518
Research, publishing and administration expenses		7 731 424	6 632 041	7 685 299	6 671 146
Provision for loss in subsidiary		-	-	46 000	22 987
		<u>7 887 793</u>	<u>6 853 447</u>	<u>7 887 793</u>	<u>6 853 447</u>
EXCESS EXPENDITURE OVER INCOME					
TRANSFER FROM(TO) MOTOR VEHICLE RESERVE FUND (W. CAPE)		(22 065)	362 520	(22 065)	362 520
TRANSFER FROM(TO) LOAN REDEMPTION RESERVE FUND		20 669	(107 500)	20 669	(107 500)
SURPLUS at beginning of year		305 000	(305 000)	305 000	(305 000)
		<u>237 216</u>	<u>287 196</u>	<u>237 216</u>	<u>287 196</u>
SURPLUS at end of year		<u>540 820</u>	<u>237 216</u>	<u>540 820</u>	<u>237 216</u>

**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 1998

<u>Notes</u>	GROUP		COMPANY	
	1998 R	1997 R	1998 R	1997 R
Operating (loss) before interest	(577 284)	(431 834)	(577 284)	(491 826)
Items not involving the flow of funds -				
Adjustments on acquisition of furniture and fittings written down to nominal value	-	75 396	-	75 396
Increase in working capital				
Increase in accounts receivable	(316 898)	(732 389)	(317 171)	(732 116)
Decrease in accounts payable	(185 612)	(632 440)	(155 221)	(640 704)
	(1 079 794)	(1 721 267)	(1 049 676)	(1 789 250)
Interest received	555 219	854 346	555 219	854 346
Interest paid	-	(59 992)	-	-
Cash (utilised) from operations	(524 575)	(926 913)	(494 457)	(934 904)
Increase in Inter-company current account	-	-	(45 548)	(62 086)
External financing - loans repaid	(297 417)	(8 787)	-	-
Additions to buildings	-	(35 189)	-	-
Purchase of furniture and equipment	-	(75 396)	-	(75 396)
Decrease/(increase) in investments	757 359	(1 751)	757 359	(1 751)
Increase in investment in subsidiary	-	-	(281 987)	26 101
Cash effects of investment activities	459 942	(121 123)	429 824	(113 132)
Net cash (utilised)	(64 633)	(1 048 036)	(64 633)	(1 048 036)
Cash resources at beginning of year	215 868	1 263 904	215 868	1 263 904
Cash resources at end of year	151 235	215 868	151 235	215 868

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31st March 1998

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. For this reason, finance leases are not capitalised.

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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for the year ended 31st March 1998

4 SPECIAL FUND BALANCES AT 31st March 1998

4.1 Bursary Funds

	<u>Capital</u>	Amounts held for <u>Bursary</u>	Total	Total
	<u>R</u>	<u>Awards</u>	<u>1998</u>	<u>1997</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
Engen Enrichment Fund	-	24 156	24 156	69 576
KFS Austrian Technikon Bursary Programme	-	-	-	245 923
Bertha McKay Bursary Fund	100 201	41 135	141 336	127 257
Margaret Ballinger Welfare Fund	-	34 911	34 911	28 276
Dorothy Glauber Bursary Fund	55 000	4 138	59 138	74 658
Energos Foundation	1 562 960	222 098	1 785 058	1 802 579
First National Bank Bursary Fund	-	108 002	108 002	155 811
German Enrichment Programme	-	18 423	18 423	18 423
Gert and Irmgard Brusseau Trust	163 533	49 823	213 356	90 872
Harvard S A Fellowship Programme	-	38 079	38 079	17 170
Isaacson Foundation Bursary Fund	752 962	346 101	1 099 063	879 607
Kellogg Foundation Bursary Fund	-	697 468	697 468	1 052 335
Esrael Lazarus Education Fund	100 000	-	100 000	103 988
Luthuli Memorial Foundation Trust Fund	107 883	-	107 883	136 173
Robert Shapiro Trust	3 876 042	44 610	3 920 652	4 060 591
Senior Teachers Training Trust	50 000	9 079	59 079	64 055
South African Scholarship Programme (US Aid)	-	1 039 282	1 039 282	3 285 723
Shirley Simon Bursary Fund	941 237	89 579	1 030 816	832 221
SAIRR Education Trust	143 712	69 140	212 852	527 999
(Engen Bursary Fund)		(113 762)	(113 762)	
(Anglovaal Group Bursary Scheme)		109 503	109 503	
(John Deere Bursary Fund)		6 068	6 068	
(Du Pont Nemours Bursary Fund)		23 015	23 015	
US Aid Test Teach Test	-	26	26	26
US Signatory Education Trust	-	1 112 923	1 112 923	1 129 196
Yvonne Rabbow Memorial Music Award	16 705	2 166	18 871	19 568
SAIRR Funds	66 100	19 455	85 555	112 447
	<u>7 936 335</u>	<u>3 995 418</u>	<u>11 931 753</u>	<u>14 834 474</u>

The SAIRR Funds are an amalgamation of the following:

Joy Abelson Bursary Fund;
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 Bursary Trust;

Dr M Patel and His Parents Trust Fund;
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 1998

4 SPECIAL FUND BALANCES AT 31st March 1998

		Amounts held for		
	<u>Capital</u>	<u>Bursary</u>	<u>Total</u>	<u>Total</u>
	<u>R</u>	<u>Awards</u>	<u>1998</u>	<u>1997</u>
		<u>R</u>	<u>R</u>	<u>R</u>
4.1	<u>Total Bursary Funds</u>			
	Balance brought forward	7 936 335	3 995 418	11 931 753
		<u> </u>	<u> </u>	<u> </u>
4.2	<u>Special Research Projects</u>			
	Unemployment Study Fund		83 016	176 002
	Estate Late CMK Thomas		162 486	166 917
			<u> </u>	<u> </u>
			245 502	342 919
			<u> </u>	<u> </u>
4.3	<u>Funds Administered by Cape Western Region</u>			
	Enrichment Programme	-	1 199	385
	Freda Whitehead Progress Trust			
	Bursary Programme	-	31 639	31 671
	Educational Trust Bursary Programme			
	- Educational Trust	1 612 010	119 435	1 731 445
	- Gregoire Boonzaier Fund	124 000	-	125 341
	- Brodie Trust Fund	339 525	614	342 621
	The D G Murray Trust Fund	-	519	-
	The Headstart Programme	-	622 121	-
		<u> </u>	<u> </u>	<u> </u>
		2 075 535	775 527	2 851 062
		<u> </u>	<u> </u>	<u> </u>
			15 028 317	17 302 567
			<u> </u>	<u> </u>
4.4	<u>Debit Balances on Funds Administered: by Head Office (Johannesburg)</u>			
	German Academic Exchange Service		9 895	1 462
	SAIRR Funds		28 128	6 938
			<u> </u>	<u> </u>
	KFS Austrian Technikon Bursary Programme		32 816	-
	Esrael Lazarus Education Fund		6 444	-
	Luthuli Memorial Foundation Trust Fund		2 757	-
			<u> </u>	<u> </u>
	<u>by Cape Western Region</u>			
	DG Murray Trust Fund Bursary Programme	-	-	190
	Headstart Programme	-	-	238 527
	Gregoire Boonzaier Fund	1 502	1 502	-
		<u> </u>	<u> </u>	<u> </u>
		81 542	81 542	247 117
		<u> </u>	<u> </u>	<u> </u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31st March 1998

	<u>1998</u> R	<u>1997</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 was secured by a mortgage bond registered over stands 2794 and 5088 Johannesburg, with a book value of R948 636.	-	303 830
	14 900	318 730
Less: Payable before 31 st March 1998 included in accounts payable	-	6 413
	<u>14 900</u>	<u>312 317</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31st March 1998

6	FIXED ASSETS	<u>Cost</u> R	<u>Accumulated Depreciation</u> R	<u>1998</u> R	<u>Net Book Value 1997</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>1998</u> R	<u>Net Book Value 1997</u> R
Land and buildings	1 014 747	-	1 014 747	1 014 747
Furniture and equipment	779 285	779 281	4	4
	<u>1 794 032</u>	<u>779 281</u>	<u>1 014 751</u>	<u>1 014 751</u>
Library - At nominal value			<u>2</u>	<u>2</u>
			<u>1 014 753</u>	<u>1 014 753</u>

<u>Details of Land and Buildings</u>	<u>Valuation</u> R	<u>1998</u> R	<u>1997</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
		<u>85 698</u>	<u>85 698</u>
Based on maintainable earnings of R12 per square metre per month and capitalised at 12% per annum.			
Directors' valuation	1 167 600		
		<u>85 698</u>	<u>85 698</u>
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
		<u>898 127</u>	<u>898 127</u>
Based on maintainable earnings of R12 per square metre per month and capitalised at 12% per annum.			
Directors' valuation	381 600		
	<u>1 578 440</u>	<u>1 014 747</u>	<u>1 014 747</u>

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for the year ended 31st March 1998

7	INVESTMENT IN WHOLLY OWNED SUBSIDIARY COMPANY	<u>1998</u> R	<u>1997</u> R
	Shares at cost	6	6
	Loan to subsidiary (net of provision for losses incurred)	852 206	570 219
		<u>852 212</u>	<u>570 225</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	4 732 562	1 175 045
		<u>4 819 062</u>	<u>1 261 545</u>
	Listed Investments at cost		
	0 Allied Electronics Ltd	-	43 310
	1 000 Anglo American Coal Corporation Ltd	500	500
	1 600 Anglo American Corporation of SA Ltd	160	160
	24 000 Anglovaal Ltd "N"	3 556 636	3 720 720
	280 Anglovaal Ltd Ordinaries	43 540	43 540
	14 000 Barlow Ltd - Warrants	6 288	61 900
	0 CG Smith Foods Ltd	-	50 984
	1 696 CG Smith Ltd	34 852	34 852
	0 C.N.A. Gallo Ltd	-	74 927
	700 De Beers Centenary Linked Units	68 445	68 445
	267 Deelkraal Goldmining Co Ltd	1 275	1 275
	0 Evander Goldmines Ltd	-	73 389
	0 First National Bank Ltd	-	80 455
	1 841 Genbel Ltd	19 750	23 796
	0 Gencor Ltd	-	47 978
	700 Gold Fields of SA Ltd	88 200	88 200
	12 700 IBM SA Ltd	26 502	30 187
	429 Ingwe Coal Corporation Ltd	13 728	13 728
	2 157 Liberty Life Association of Africa Ltd	70 720	63 528
	0 Malbak Ltd	-	18 113
	3 000 Murray and Roberts Holdings Ltd	29 024	89 211
	1 000 Palabora Mining Co Ltd	68 356	68 356
	5 000 Pick 'n Pay Stores Ltd	50 353	50 453
	10 115 Pick 'n Pay Stores Ltd "N"	712	100
	0 Rand Gold and Exploration Co Ltd	-	2 700
	274 Rand Mines Ltd	2 384	2 384
	2 000 Rembrandt Group Ltd	29 398	29 398
	0 Reunert Ltd	-	17 550
	3 000 Richemont Securities AG	55 686	55 686
	0 RMP Properties Ltd	-	1 301
	1 006 Rustenburg Platinum Holdings Ltd	76 406	76 264
	400 SA Breweries Ltd	49 061	49 061
	1 500 Tiger Oats Ltd	150	200
	2 000 Goldfields Coal Ltd	42 062	-
	5 066 Billiton AG	29 231	-
		<u>4 363 419</u>	<u>4 982 551</u>
	Carried forward		

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	<u>1998</u> R	<u>1997</u> R
Brought forward	4 363 419	4 982 551
373 Nuclicks Stores Ltd	1 167	-
80 000 Apex Property Fund	54 281	-
800 Vaal Reefs Exploration and Mining Co Ltd	62 236	62 236
240 Western Deep Levels Ltd	240	240
	<hr/>	<hr/>
(Market value : R3 862 818 [1997 : R6 280 994])	4 481 343	5 045 027
	<hr/>	<hr/>
Local Registered Stock		
9,625 % Phalaborwa Water Board	-	7 000
9,5 % Newcastle Town Council	9 926	9 926
9,25 % Eskom	-	60 000
11 % Eskom	120 013	120 013
	<hr/>	<hr/>
(Market value : R139 592 [1997 : R191 204])	129 939	196 939
	<hr/>	<hr/>
	9 430 344	6 503 511
Cash deposits	2 764 714	8 588 927
Debtors	35 635	222 003
	<hr/>	<hr/>
	12 230 693	15 314 441
Less : Creditors	(378 980)	(488 367)
	<hr/>	<hr/>
	11 851 713	14 826 074
	<hr/>	<hr/>
8.1.2 <u>Special Research Projects</u>		
Cash on call	83 016	176 002
Sundry listed investments	162 486	166 917
	<hr/>	<hr/>
(Market value : R197 675 [1997 : R227 194])	245 502	342 919
	<hr/>	<hr/>
8.1.3 <u>Funds Administered by Regional Office</u>		
Enrichment Programme		
Cash on call	106 848	67 710
Other net (liabilities)	(105 649)	(67 325)
Freda Whitehead Progress Trust Bursary Programme		
Syfrets Participation Mortgage Bonds	31 018	29 200
Cash on call	1 950	1 950
Other net assets/(liabilities)	(1 329)	521
Educational Trust Bursary Programme		
Educational Trust		
Participation Mortgage Bonds	1 009 000	1 299 000
Shares (Market value R684 610 : [1997 : R674 700])	90 051	107 135
Cash on call	780 933	790 502
Other net (liabilities)	(148 539)	(571 481)
Gregoire Boonzaier Fund		
Participation Mortgage Bonds	131 719	124 000
Cash on call	5 465	20 619
Other net (liabilities)	(14 686)	(19 278)
	<hr/>	<hr/>
Carried forward	1 886 871	1 782 553

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

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	<u>1998</u> R	<u>1997</u> R
Brought forward	1 886 871	1 782 553
Brodie Trust Fund		
Eskom Stock	320 000	320 000
Cash on call	19 525	19 525
Other net assets	614	3 096
D.G. Murray Trust Fund Bursary Programme		
Net assets/(liabilities)	519	(190)
Headstart Programme		
Cash on call	567 329	560
Other net assets/(liabilities)	54 792	(239 087)
	<u>2 849 560</u>	<u>1 886 457</u>
TOTAL SPECIAL FUNDS INVESTED	<u>14 946 775</u>	<u>17 055 450</u>
8.2 <u>CASH ON CALL AND ON DEPOSIT : OTHER FUNDS</u>		
Head Office:		
General reserve	1 017 601	1 870 815
Other	-	2 652
Regional Office:		
Reserve fund	1 196 431	1 196 431
Other	(8 377)	(106 884)
	<u>2 205 655</u>	<u>2 963 014</u>
TOTAL INVESTMENTS	<u>17 152 430</u>	<u>20 018 464</u>
9 STOCK		
Stock comprises -		
Finished goods, books and publications at nominal value	<u>2</u>	<u>2</u>

	<u>1998</u> R	<u>GROUP</u>	<u>1997</u> R	<u>1998</u> R	<u>COMPANY</u>	<u>1997</u> R
10 ACCOUNTS RECEIVABLE						
Trade and other debtors:						
Head Office	1 669 767		1 293 126	1 668 816		1 291 902
Regional	265 759		342 816	265 759		342 816
Staff debtors -						
- Head Office	68 821		51 507	68 821		51 507
	<u>2 004 347</u>		<u>1 687 449</u>	<u>2 003 396</u>		<u>1 686 225</u>

