



# Annual Financial Statements

**For the year ended  
30 June 2004**



## **Executive committee's approval of the annual financial statements**

The annual financial statements of The South African Institute of International Affairs are the responsibility of the committee.

The committee fulfils this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. Such controls provide assurance that the Institute's assets are safeguarded, that transactions are executed in accordance with management's authorisation and that the financial records are reliable.

The annual financial statements have been prepared by management in accordance with South African Statements of Generally Accepted Accounting Practice.

The financial statements for the year ended 30 June 2004 set out on pages 55 to 65 were approved by the committee on 20 October 2004 and are signed on its behalf by the committee.

## **Executive committee's opinion** *for the year ended 30 June 2004*

In the opinion of the committee, the financial statements of The South African Institute of International Affairs for the year ended 30 June 2004 as set out on pages 55 to 65 are drawn up so as to fairly present the financial position of the Institute at 30 June 2004 and the results and cash flows of its operations for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and comply with the provisions of the constitution dated 26 June 1997 as amended.

Dated at Johannesburg on 20 October 2004.

Signed in accordance with a resolution of the committee.



## **Report of the independent auditors**

*To the committee of The South African Institute of International Affairs*

We have audited the annual financial statements of The South African Institute of International Affairs set out on pages 53 to 65 for the year ended 30 June 2004. These financial statements are the responsibility of the committee. Our responsibility is to express an opinion on these financial statements based on our audit.

### **Scope**

Except as discussed in the following paragraph, 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.

### **Qualification**

In common with similar organisations, it is not feasible for the Institute to institute accounting controls over cash collections from subscriptions and donations prior to the initial entry of the collections in the accounting records. Accordingly, it was impractical for us to extend our examination beyond the receipts actually recorded.

### **Qualified audit opinion**

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements fairly present, in all material respects, the financial position of the Institute at 30 June 2004 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice applicable to similar organisations and the provisions of the constitution.

### **Supplementary information**

The supplementary schedule set out on page 66 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.

KPMG Inc., Registered Accountants and Auditors

Chartered Accountants (SA)

*Per ML Watson, Director, 20 October 2004*



## **Committee's report**

*for the year ended 30 June 2004*

The National Executive Committee presents its report together with the financial statements for the year ended 30 June 2004. The Executive committee members in office at the date of this report are:

Mrs E Bradley (Chairman)

Mr K Dlamini

Mr B Hawksworth

Mr R Masebelanga

Mr M Mbeki

Mr J Stead

## **Executive committee members**

Since the end of the previous financial year no committee member has received or become entitled to receive any benefit by reason of a contract made by the Institute with a committee member or with a firm of which a committee member is a member, or with an entity in which the committee member has a substantial interest.



**Balance sheet**  
at 30 June 2004



	Note	2004 R	2003 R
<b>Assets</b>			
<b>Non-current assets</b>		<b>11 864 816</b>	11 181 633
Plant and equipment	2	<b>135 893</b>	128 611
Investments	3	<b>11 728 923</b>	11 053 022
<b>Current assets</b>		<b>5 809 625</b>	4 840 571
The Smuts Memorial Trust		<b>3 114 208</b>	2 758 651
Accounts receivable		<b>1 378 072</b>	873 198
Bank and cash balances		<b>1 308 345</b>	1 208 722
<b>Total assets</b>		<b>17 674 441</b>	16 022 204
<b>Funds and liabilities</b>			
Accumulated funds		<b>3 133 915</b>	2 604 477
Surplus of accumulated funds		<b>1 994 594</b>	1 333 746
Bequest of the late Professor CAW Manning		<b>77 691</b>	77 691
Investment reserve		<b>1 061 630</b>	1 193 040
<b>Long term liabilities</b>			
Project funds	4	<b>7 814 783</b>	7 589 886
<b>Current liabilities</b>		<b>6 725 743</b>	5 827 841
Accounts payable		<b>2 361 166</b>	1 089 789
Project funds	4	<b>4 364 577</b>	4 738 052
<b>Total funds and liabilities</b>		<b>17 674 441</b>	16 022 204

**Income statement***for the year ended 30 June 2004*

<b>Income</b>	<b>2004</b>	<b>2004</b>	2003	2003
<b>Subscriptions</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Corporate membership	<b>1 469 793</b>		1 517 863	
Diplomatic membership	<b>85 600</b>		104 800	
Institutional membership	<b>4 244</b>		—	
		<b>1 559 337</b>		1 622 663
<b>Fellowships and contributions</b>				
Africa Research	—		7 775	
Barratt Rotary	<b>38 331</b>		48 441	
Bradlow Fellowship	<b>120 260</b>		2 240	
Business in Africa	<b>819 055</b>		38 732	
Completed Fellowship Funds	<b>167 787</b>		—	
Development Through Trade	<b>858 026</b>		286 456	
East Asia Research	<b>420 756</b>		136 362	
Global Best Practice	<b>645 182</b>		149 539	
Landmines	<b>177 726</b>		221 367	
Latin America Research	<b>321 526</b>		241 333	
NEPAD Project	<b>203 511</b>		49 062	
Political Parties Research Project	<b>95 608</b>		—	
Research Interns	<b>35 986</b>		24 029	
SADC Barometer	<b>658 426</b>		153 845	
SADC Organ: Politics, Defence and Security	<b>309 251</b>		289 148	
SADC Parliamentary Democracy	<b>929 931</b>		243 725	
SA Foreign Policy Formulation	—		166 277	
War and Organised Crime	<b>722 305</b>		341 247	
Less expenditure	<b>(6 109 451)</b>		(2 333 147)	
		<b>414 216</b>		66 431
<b>Interest received on bank accounts</b>		<b>45 524</b>		82 723
<b>Donations</b>		—		23 000
<b>Projects</b>				
African Human Security Initiative	<b>67 563</b>		—	
Big Dysfunctional States	<b>493 621</b>		—	
Clingendael	—		246 794	
Japanese embassy	—		58 731	
Sanctions (British Council)	<b>44 320</b>		—	
Swiss DFA	—		117 201	
Reports and briefings	<b>61 367</b>		147 219	
		<b>666 871</b>		569 945
<b>Income from publications</b>		<b>196 270</b>		264 390
<b>Other research contributions</b>		—		20 000
<b>Investment income</b>				
—Dividends and interest		<b>130 023</b>		214 081
<b>Conferences and seminars</b>		<b>243 799</b>		124 548
—carried forward—		<b>3 256 040</b>		2 987 781

**Income statement***for the year ended 30 June 2004 (continued)*

	2004 R	2004 R	2003 R	2003 R
—brought forward—		<b>3 256 040</b>		2 987 781
<b>Administration and secretarial fees</b>				
Conferences	<b>120 006</b>		247 753	
Fellowships	<b>1 020 499</b>		404 809	
Projects	<b>389 907</b>		64 025	
The Smuts Memorial Trust	<b>19 500</b>		19 500	
Witwatersrand Branch	<b>56 850</b>		56 850	
		<b>1 606 762</b>		792 937
<b>Expenses —</b>				
Audit fee	<b>22 500</b>		21 150	
Bank charges	<b>39 774</b>		33 031	
Branch support	<b>15 756</b>		—	
Depreciation	<b>60 076</b>		52 578	
General expenses	<b>23 196</b>		20 307	
Insurance	<b>48 922</b>		29 546	
Meetings and functions	<b>23 430</b>		27 886	
Microfilming expenses	<b>5 016</b>		3 570	
Motor vehicle expenses	<b>25 951</b>		18 279	
Postages, printing and stationery	<b>175 690</b>		143 243	
Publications	<b>225 519</b>		275 897	
Repair and maintenance of equipment	<b>81 931</b>		80 055	
Research projects	<b>605 504</b>		308 786	
Salaries and related costs	<b>2 368 796</b>		2 269 754	
Special events	<b>44 944</b>		—	
Staff training	<b>5 502</b>		—	
Telephone and faxes	<b>129 564</b>		130 989	
Ties and scarves	<b>—</b>		19 277	
Travelling and entertainment	<b>299 883</b>		131 398	
		<b>(4 201 954)</b>		(3 565 746)
		<b>660 848</b>		214 972
Adjustment to market value of investments		<b>(131 410)</b>		(380 039)
Surplus/(deficit) for the year		<b>529 438</b>		(165 067)

**Statement of changes in funds**  
for the year ended 30 June 2004



	<b>Accumulated funds R</b>	<b>Investment reserve R</b>	<b>Bequest R</b>	<b>Total R</b>
<b>Balance at 1 July 2002</b>	1 118 774	1 573 079	77 691	2 769 544
Deficit for the year	(165 067)		—	(165 067)
Transfer from investment reserve	380 039	(380 039)	—	—
<b>Balance at 30 June 2003</b>	<u>1 333 746</u>	<u>1 193 040</u>	<u>77 691</u>	<u>2 604 477</u>
<b>Balance at 1 July 2003</b>	1 333 746	1 193 040	77 691	2 604 477
Surplus for the year	529 438		—	529 438
Transfer from investment reserve	131 410	(131 410)	—	—
<b>Balance at 30 June 2004</b>	<u><b>1 994 594</b></u>	<u><b>1 061 630</b></u>	<u><b>77 691</b></u>	<u><b>3 133 915</b></u>

**Cash flow statement**  
for the year ended 30 June 2004



	2004 R	2003 R
<b>Cash generated/(utilised) from operations</b>	<b>545 377</b>	(29 254)
Operating income/(loss)	<b>529 438</b>	(165 067)
Adjusted for:		
–adjustment to market value of investments	<b>131 410</b>	380 039
–depreciation	<b>60 076</b>	52 578
–dividends and interest from investments	<b>(130 023)</b>	(214 081)
–interest received	<b>(45 524)</b>	(82 723)
Dividends and interest from investments	<b>130 023</b>	214 081
Interest received	<b>45 524</b>	82 723
Increase in long term liabilities	<b>224 897</b>	7 589 886
<b>Generated from changes in working capital</b>	<b>28 471</b>	294 220
Increase in receivables	<b>(869 431)</b>	(1 601 554)
(Decrease)/increase in unutilised project funds	<b>(373 475)</b>	1 410 563
Increase in payables	<b>1 271 377</b>	485 211
<b>Cash utilised by investment activities</b>	<b>(874 669)</b>	(8 302 916)
Replacement of fixed assets	<b>(67 358)</b>	(94 496)
Proceeds on disposal of investments	<b>9 104 961</b>	3 937 146
Acquisition of investments	<b>(9 912 272)</b>	(12 145 566)
<b>Increase/(decrease) in cash at bank and on call</b>	<b>99 623</b>	(151 620)
Cash at bank and on call at beginning of year	<b>1 208 722</b>	1 360 342
<b>Cash at bank and on call at end of year</b>	<b>1 308 345</b>	1 208 722



## Notes to the financial statements

for the year ended 30 June 2004



### I. Accounting policies

The annual financial statements are prepared on the historical cost basis, except for the revaluation of investments to market value, and incorporate the following principal accounting policies which are consistent with those adopted in the previous year.

#### I.1 Subscriptions

Subscriptions from members are accounted for on a cash basis.

#### I.2 Fellowships and contributions

Contributions for projects are recognised as income on a reimbursive basis.

#### I.3 Income from investments

Income from investments is accounted for on an accrual basis.

#### I.4 Depreciation of plant and equipment

Depreciation is provided on a straight line basis so as to write off plant and equipment over their estimated useful lives.

#### I.5 Financial assets and liabilities

Financial instruments carried on the balance sheet include investments, bank and cash balances, receivables, payables and projects funds.

#### *Measurement*

Investments are revalued at the end of the financial year to market value. Any surplus or deficit arising on the revaluation of these investments to their market value is transferred to an investment reserve.

Other financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Trade and other receivables are recognised at cost less provision for doubtful debts.

Financial liabilities are recognised at amortised cost.

#### *Derecognition*

Financial assets, or a portion thereof, are derecognised when the company realises the rights to benefits, the rights expire or the institute surrenders or otherwise loses control of the contractual rights that comprise the financial asset or a portion thereof.

Financial liabilities, or a portion thereof, are derecognised when the obligation is discharged, cancelled or expires.

**Notes to the financial statements**  
for the year ended 30 June 2004 (continued)



**2. Plant and Equipment**

	<b>Motor Vehicles</b>	<b>Office Equipment</b>	<b>Market value</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>2004</b>			
<b>Cost</b>			
Opening balance	<b>106 815</b>	<b>359 303</b>	<b>466 118</b>
Additions	<b>—</b>	<b>67 358</b>	<b>67 358</b>
Closing Balance	<b>106 815</b>	<b>426 661</b>	<b>533 476</b>
<b>Accumulated depreciation</b>			
Opening balance	<b>88 615</b>	<b>248 892</b>	<b>337 507</b>
Depreciation charge	<b>15 600</b>	<b>44 476</b>	<b>60 076</b>
Closing balance	<b>104 215</b>	<b>293 368</b>	<b>397 583</b>
<b>Net book value</b>	<b>2 600</b>	<b>133 293</b>	<b>135 893</b>

**2003**

<b>Cost</b>			
Opening balance	106 815	323 941	430 756
Additions	—	94 496	94 496
Disposals	—	(59 134)	(59 134)
Closing balance	106 815	359 303	466 118
<b>Accumulated depreciation</b>			
Opening balance	73 015	271 048	344 063
Depreciation charge	15 600	36 978	52 578
Disposals	—	(59 134)	(59 134)
Closing balance	88 615	248 892	337 507
<b>Net book value</b>	18 200	110 411	128 611

**3. Investments**

Shares and debentures are stated at market value per line item.

Investments comprise a portfolio that is shared with The Smuts Memorial Trust, and a portfolio that is solely owned by the Institute.

The shared portfolio comprises a 46,61% (2003–46,61%) undivided share of investments which is managed by Melville Douglas Investment Management (Proprietary) Limited on behalf of the Institute.

**Notes to the financial statements**  
for the year ended 30 June 2004 (continued)



<b>2004 Funds</b>	<b>Number of units</b>	<b>Cost R</b>	<b>Market value R</b>
<i>Solely owned portfolio</i>			
Investments managed by Melville Douglas Investment Management (Proprietary) Limited -			
Term deposits		<b>7 000 000</b>	<b>7 393 675</b>
Bank accounts		<b>421 108</b>	<b>421 108</b>
Total solely owned portfolio		<b>7 421 108</b>	<b>7 814 783</b>
<i>Shared portfolio</i>			
Standard Bank Call Account	<b>-</b>	<b>67 696</b>	<b>67 696</b>
Investments managed by Melville Douglas Investment Management (Proprietary) Limited -			
Term Deposits	<b>-</b>	<b>500 000</b>	<b>548 171</b>
Bank Account	<b>-</b>	<b>1 009 232</b>	<b>1 009 232</b>
AECI Limited	<b>8 000</b>	<b>191 675</b>	<b>247 200</b>
Anglo American plc	<b>2 500</b>	<b>331 026</b>	<b>317 750</b>
Apexhi Properties "A"	<b>30 000</b>	<b>218 527</b>	<b>249 000</b>
Barloworld Limited	<b>5 000</b>	<b>253 267</b>	<b>333 250</b>
Billiton plc	<b>3 500</b>	<b>202 822</b>	<b>188 370</b>
Implats	<b>500</b>	<b>262 331</b>	<b>235 500</b>
Liberty International plc	<b>2 500</b>	<b>213 331</b>	<b>215 250</b>
Martprop Property Fund	<b>70 000</b>	<b>163 306</b>	<b>154 000</b>
Melville Douglas Global Growth	<b>2 301</b>	<b>1 822 723</b>	<b>1 587 766</b>
Massmart	<b>10 500</b>	<b>176 491</b>	<b>343 350</b>
Nampak Limited	<b>18 000</b>	<b>238 877</b>	<b>261 900</b>
Network Healthcare	<b>60 000</b>	<b>180 719</b>	<b>267 000</b>
Pick 'n Pay Stores Limited	<b>17 000</b>	<b>228 631</b>	<b>297 670</b>
RMB Holdings	<b>35 000</b>	<b>384 726</b>	<b>565 250</b>
Remgro Limited	<b>5 000</b>	<b>315 123</b>	<b>370 000</b>
Reunert Limited	<b>13 000</b>	<b>248 901</b>	<b>315 900</b>
Sasol Limited	<b>2 000</b>	<b>211 668</b>	<b>192 200</b>
Standard Bank Group Limited	<b>12 000</b>	<b>390 049</b>	<b>516 000</b>
SWAP European	<b>151</b>	<b>134 449</b>	<b>115 185</b>
		<b>7 677 874</b>	<b>8 329 944</b>
Total shared portfolio		<b>7 745 570</b>	<b>8 397 640</b>
South African Institute of International Affairs' share		<b>3 610 210</b>	<b>3 914 140</b>
<b>Total Investments</b>		<b>11 031 318</b>	<b>11 728 923</b>

**Notes to the financial statements**  
for the year ended 30 June 2004 (continued)



2003	Number of units	Cost R	Market value R
<i>Solely owned portfolio</i>			
Investments managed by Melville Douglas Investment Management (Proprietary) Limited -			
Term deposits		7 00 0000	7 447 616
Bank accounts		<u>142 270</u>	<u>142 270</u>
Total solely owned portfolio		<u>7 142 270</u>	<u>7 589 886</u>
<i>Shared portfolio</i>			
Standard Bank Call Account	—	<u>67 696</u>	<u>67 696</u>
Investments managed by Melville Douglas Investment Management (Proprietary) Limited -			
Term Deposits	—	1 000 000	1 060 907
Bank Account	—	1 027 676	1 027 676
Melville Douglas Global Growth	1 104	972 723	945 880
Sanlam Gilt Fund of Funds	31 923	440 911	367 784
369RMB International Bonds	293 205	320 814	369 204
Implats	500	262 331	223 000
Standard Bank Group Limited	8 000	251 673	262 400
International Conservative	178 027	250 018	186 376
Reunert Limited	13 000	248 901	231 400
Nampak Limited	18 000	238 877	218 700
Pick 'n Pay Stores Limited	17 000	228 631	231 200
Anglo American plc	1 700	222 878	197 013
Remgro Limited	3 500	218 568	224 000
Liberty International plc	2 500	213 331	195 000
RMB Holdings	20 000	211 787	213 000
Sasol Limited	2 000	211 668	167 100
Barloworld Limited	3 500	204 798	188 125
Network Healthcare	60 000	189 719	207 600
Massmart	10 500	182 896	220 500
Apexhi Properties "A"	25 000	179 833	192 500
Liberty Holdings Limited	1 100	168 111	138 050
AECI Limited	7 000	167 521	165 550
SWAP European	151	134 448	129 367
		<u>7 548 113</u>	<u>7 362 332</u>
Total shared portfolio		<u>7615 809</u>	<u>7 430 028</u>
South African Institute of International Affairs' share		<u>3 549 729</u>	<u>3 463 136</u>
<b>Total Investments</b>		<u>10 691 999</u>	<u>11 053 022</u>

**Notes to the financial statements**  
for the year ended 30 June 2004 (continued)



**4. Project funds**

Balance at beginning of year  
Receipts during the year  
Expenditure reimbursed

<b>2004</b>	<b>2003</b>
<b>R</b>	<b>R</b>
<b>12 327 938</b>	3 327 849
<b>6 375 089</b>	11 399 667
<b>(6 523 667)</b>	(2 399 578)
<b><u>12 179 360</u></b>	<u>12 327 938</u>

**5. Taxation**

The Institute is not liable for South African normal taxation.

**6. Comparative figures**

Where necessary comparatives have been reclassified.

## Schedule of major funders

30 June 2004



### Fellowships

Barratt Rotary Fellowship	Eskom
Bradlow Fellowship	The Bradlow Foundation
Business in Africa	The Government of the Kingdom of Denmark
Development Through Trade	Department for International Development (UK)
	Nathan Associates Inc.
East Asia Research	Taipei Liaison office
Global Best Practice	Konrad Adenauer Foundation
Landmines	Ministry for Foreign Affairs of Finland
Latin American Research	Anglo American Chairman's Fund/DaimlerChrysler South Africa
New Political Parties	Ford Foundation
Research Interns	Konrad Adenauer Foundation
SADC Barometer	NORAD and USAID
SADC Organ: Politics, Defence and Security	Ministry for Foreign Affairs of Finland
SADC Parliamentary Democracy	The Government of the Kingdom of Denmark
War and Organised crime	Open Society Initiative for Southern Africa/ Rockefeller Brothers Fund/Federal Ministry for Foreign Affairs, Austria

### Conferences and projects

British Council  
Ford Foundation  
Institute of International Relations, Taiwan  
Institute for Security Studies  
Konrad Adenauer Foundation  
National Intelligence Council, United States

