

Balance Sheet
at 30 June 2006

	Note	2006 R	2005 R
ASSETS			
<i>Non-current assets</i>			
		3 739 242	3 351 751
Equipment	2	139 151	76 918
The Smuts Memorial Trust	3	3 600 091	3 274 833
<i>Current assets</i>			
		14 890 223	14 497 403
Investments held for trading	4	11 442 545	11 740 163
Accounts receivable		760 619	1 149 458
Bank and cash balances		2 687 059	1 607 782
Total assets		18 629 465	17 849 154
FUNDS AND LIABILITIES			
<i>Accumulated funds</i>			
		6 713 065	5 074 402
Surplus of accumulated funds		3 240 453	2 568 92
Investment reserve		3 472 612	2 505 474
<i>Long term liabilities</i>			
Project funds	5	—	6 831 028
<i>Current liabilities</i>			
Accounts payable		11 916 400	5 943 724
		3 018 079	2 354 842
Project funds	5	8 898 321	3 588 882
Total funds and liabilities		18 629 465	17 849 154

Income Statement

for the year ended 30 June 2006

	2006 R	2005 R
Revenue		
Subscriptions		
Corporate membership	1 337 737	1 125 559
Diplomatic membership	95 856	68 511
Institutional membership	12 950	7 505
	1 446 543	1 201 575
Fellowships and contributions		
Barratt Rotary Fellowship	1 425	34 670
Bradlow Fellowship	14 036	53 931
Business in Africa	1 188 783	944 760
Development Through Trade	2 386 550	1 632 017
East Asia Research	243 349	64 830
Global Best Practice	451 566	496 512
Latin American Research	171 163	386 490
Political Parties Research	312 086	249 640
Regional Integration	156 235	187 500
Research Interns	20 636	46 519
SADC Barometer	—	500 751
SADC Organ: Politics, Defence and Security	25 680	282 949
SADC Parliamentary Democracy	1 543 201	2 460 562
Social Economy of Organised Crime	273 728	—
Staff training	18 493	80 312
Terrorism research	547 913	254 283
War and Organised Crime	123 991	772 214
Less expenditure	(7 017 933)	(8 044 554)
	460 902	403 386
Projects		
African Human Security Initiative	44 710	146 520
IBSA – Consumer Unity Trust	108 950	85 472
Malawi African Peer Review Mechanism	110 639	174 593
Reports and briefings	302 257	192 285
SACU – US FTA	3 836	—
Sustainable Development Policy Institute	120 399	—
UFJ Institute	81 365	—
Less expenditure	(346 190)	(268 432)
	425 966	330 438
Income from publications	254 972	466 161
Conferences and seminars	31 521	192 955
– carried forward –	2 619 904	2 594 515

Income Statement

for the year ended 30 June 2006

	2006 R	2005 R
– brought forward –	2 619 904	2 594 515
Administration and secretarial income		
Conferences	27 451	77 878
Fellowships	1 204 783	1 318 757
Projects	74 332	285 353
Interest received on bank accounts	34 059	34 814
The Smuts Memorial Trust	21 500	20 500
Witwatersrand Branch	7 708	7 255
	1 369 833	1 744 557
Surplus on disposal of plant and equipment	—	35 000
Operating expenditure		
Audit fee	—	37 200
Bank charges	33 872	43 513
Branch support	25 000	22 298
Depreciation	59 964	48 806
General expenses	16 095	22 491
Impairment loss	—	10 969
Insurance	47 585	57 715
Legal fees	35 000	—
Media and marketing expenses	28 849	—
Meetings and functions	27 500	34 636
Microfilming expenses	—	1 680
Motor vehicle expenses	—	35 450
Postages, printing and stationery	136 132	180 523
Publications	413 617	283 081
Repairs and maintenance of equipment	87 904	92 437
Salaries and related costs	2 401 311	2 543 264
Special events	31 923	18 508
Staff costs – National Director Search	—	263 571
Strategic planning	—	28 205
Telephone and faxes	97 116	156 93
Ties and scarves	—	9 815
Travel and entertainment	139 963	81 380
	3 581 831	3 972 479
Operating surplus	407 906	401 593
Income from investments		
Fair value adjustment of held for trading investments	682 778	1 249 994
Profit on disposal of held for trading investments	284 360	193 850
Dividends and interest from investments	263 619	95 050
Net surplus for the year	1 638 663	1 940 487

Statement of changes in funds
for the year ended 30 June 2006

	Accumulated funds R	Investment reserve R	Bequest R	Total R
Balance at 1 July 2004	1 994 594	1 061 630	77 691	3 133 915
Net surplus for the year	1 940 487	1 940 487		
Transfer to investment reserve	(1 443 844)	1 443 844	—	
Balance at 30 June 2005	2 491 237	2 505 474	77 691	5 074 402
Balance at 1 July 2005	2 491 237	2 505 474	77 691	5 074 402
Net surplus for the year	1 638 663	1 638 663		
Transfer to investment reserve	(967 138)	967 138	—	
Transfer to accumulated funds	77 691	(77 691)	—	
Balance at 30 June 2006	3 240 453	3 472 612	—	6 713 065

Cash Flow Statement

for the year ended 30 June 2006

	2006 R	2005 R
Cash generated from operations	433 811	391 554
Net profit for the year	1 638 663	1 940 487
Adjusted for		
– profit on disposal of investments	(284 360)	(193 850)
– fair value adjustment of investments	(682 778)	(1 249 994)
– depreciation	59 964	48 806
– dividends and interest from investments	(263 619)	(95 050)
– interest received	(34 059)	(34 814)
– surplus on disposal of plant and equipment	—	(35 000)
– impairment loss	—	10 969
Dividends and interest from investments	263 619	95 050
Interest received	34 059	34 814
Decrease in long term liabilities – project funds	(6 831 028)	(983 755)
Generated from changes in working capital	6 361 515	(544 405)
Decrease in receivables	388 839	237 614
Increase/(decrease) in unutilised project funds	5 309 439	(775 695)
Increase/(decrease) in accounts payable	663 237	(6 324)
Net cash inflow/(outflow) from operating activities	261 976	(1 006 742)
Cash inflow from investment activities	817 301	1 306 179
Proceeds on disposal of investments	5 528 952	7 262 886
Acquisition of investments	(4 264 196)	(5 830 282)
Replacement of plant and equipment	(122 197)	(800)
Proceeds on disposal of plant and equipment	—	35 000
Increase in amount due from The Smuts Memorial Trust	(325 258)	(160 625)
Increase in cash at bank and on call	1 079 277	299 437
Cash and cash equivalents at beginning of year	1 607 782	1 308 345
Cash and cash equivalents at end of year	2 687 059	1 607 782

Notes to the Financial Statements for the year ended 30 June 2006

1. Accounting policies

The financial statements are prepared using the recognition and measurement criteria set out below.

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These are the Institute's first financial statements prepared in this manner.

There has been no material effect on the Institute's financial results, financial position or cash flows and therefore no adjustment to opening accumulated funds has been made and no IFRS first time adoption adjustments prepared.

1.2 Basis of preparation

The financial statements are presented in Rands. They are prepared on the historical cost basis except for investments stated at fair value as financial instruments designated as held for trading.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimated associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1.3 Equipment

Items of equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each item of equipment.

The depreciation rates used are as follows:

- Motor vehicles 5 years
- Office equipment 2 – 5 years

Impairment

The carrying amounts of the Institute's equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. The recoverable amount is its net selling price. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimated use to determine the recoverable amount.

1.5 Investments

Investments are held for trading and are classified as current assets. They are stated at fair value with any resultant gain or loss recognised in the income statement and then transferred to the investment reserve.

The fair value of financial instruments classified as held for trading is their quoted traded price at the balance sheet date.

1.6 Income

Income comprises subscription income, fellowships and project contributions, donations, and investment income other than non-operating income. Donations are recognised when the cash has been received. Subscription income is recognised on the accrual basis. Contributions to the fellowships and projects are recognised as income on a reimbursive basis. Investment income and other non-operating income are recognised on the accrual basis of accounting.

Notes to the Financial Statements *(continued)*
for the year ended 30 June 2006

1. Accounting policies *(continued)*

1.7 Leases

Operating leases

Leases are classified as operating leases where the lessor retains the risks and rewards of ownership of the underlying asset. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

1.8 Employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the Institute has a present obligation to pay as a result of employees' service provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

1.9 Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdraft all of which are available for use by the Institute unless otherwise stated.

1.10 Trade and other payables

Trade and other payables are stated at cost.

1.11 Financial instruments

Measurement

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

Trade and other receivables are classified as loans and receivables and are stated at cost less any impairments.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

Non-derivative financial liabilities are recognised at amortisation cost, comprising original debt less principal payments and amortisations.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the value of financial instruments are included in net profit or loss in the period in which the change arises.

Offset

Financial assets and liabilities are offset and the net amount reported in the balance sheet when the Institute has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

	Motor vehicles R	Office equipment R	Total R
2. Plant and equipment			
2006			
Cost			
Opening balance	28 815	372 269	401 084
Additions	—	122 197	122 197
Closing balance	28 815	494 466	523 281
Accumulated depreciation			
Opening balance	28 815	295 351	324 166
Depreciation charge	—	59 964	59 964
Closing balance	28 815	355 315	384 130
Net book value	—	139 151	139 151
2005			
Cost			
Opening balance	106 815	426 661	533 476
Additions	—	800	800
Disposals	(78 000)	(44 223)	(122 223)
Impairment loss	—	(10 969)	(10 969)
Closing balance	28 815	372 269	401 084
Accumulated depreciation			
Opening balance	104 215	293 368	397 583
Depreciation charge	2 600	46 206	48 806
Disposals	(78 000)	(44 223)	(122 223)
Closing balance	28 815	295 351	324 166
Net book value	—	76 918	76 918

3. The Smuts Memorial Trust

The amount due earns no interest and has no fixed terms of repayment.

4. 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% (2005: 46,61%) undivided share of investments which is managed by Melville Douglas Investment Management (Pty) Limited on behalf of the Institute.

Notes to the Financial Statements *(continued)*
for the year ended 30 June 2006

	Number of units	Cost R	Market value R
4. Investments <i>(continued)</i>			
2006			
Funds			
<i>Solely owned portfolio</i>			
Investments managed by Melville Douglas Investment Management (Pty) Limited			
Term deposits	3 000 000	3 000 000	3 082 599
Bank account	—	1 809 891	1 809 891
Total solely owned portfolio	4 809 981	4 892 490	
<i>Shared portfolio</i>			
Investments managed by Melville Douglas Investment Management (Pty) Limited			
Term deposit	1 000 000	1 000 000	1 016 092
Bank Account	—	690 238	690 238
Anglo American plc	2 500	346 383	733 050
Apexhi Properties "A"	40 000	300 855	484 000
Aspen Pharmacare Holdings Ltd	15 000	334 192	547 500
Foreign shares	2 535	1 770 420	2 300 007
Billiton plc	5 000	302 871	693 750
Impala Platinum	400	209 685	527 928
Liberty International plc	2 500	213 331	355 875
Pick 'n Pay Stores Limited	17 000	228 631	494 700
Pretoria Portland Cement	1 000	311 486	367 490
Remgro Limited	5 000	315 123	675 050
RMB Holdings	32 000	319 749	790 400
Reunert Limited	11 700	232 033	760 500
SABMiller Plc	3 500	333 334	448 735
Sasol Limited	2 000	211 668	550 000
SB Retail Jibar Feb	10 000	1 013 956	1 007 400
Standard Bank Group Limited	11 090	360 470	853 930
Tiger Brands	3 360	336 417	482 160
Woolworths	20 000	207 814	274 000
Total shared portfolio		9 038 925	14 052 896
South African Institute of International Affairs's share		4 213 042	6 550 055
Total investments		9 022 933	11 442 545

	Number of units	Cost R	Market value R
4. Investments (continued)			
2005			
Funds			
<i>Solely owned portfolio</i>			
Investments managed by Melville Douglas Investment Management (Pty) Limited			
Term deposits	—	6 000 000	6 503 754
Bank account	—	327 274	327 274
Total solely owned portfolio		6 327 274	6 831 028
<i>Shared portfolio</i>			
Investments managed by Melville Douglas Investment Management (Pty) Limited			
Term deposit	—	1 000 000	1 084 076
Bank account	—	371 910	371 910
Anglo American plc	2 500	331 026	392 000
Apexhi Properties "A"	40 000	300 855	426 000
Aspen Pharmacare Holdings Limited	13 000	293 073	309 400
Barloworld Limited	4 000	202 614	380 000
Billiton plc	5 000	302 871	426 500
Implats	500	262 331	298 500
Liberty International plc	2 500	213 331	288 750
Martprop Property Fund	100 000	244 623	295 000
Melville Douglas Global Growth	2 535	1 770 420	1 892 138
Pick 'n Pay Stores Limited	17 000	228 631	425 000
RMB Holdings	35 000	384 726	778 750
Remgro Limited	5 000	315 123	526 000
Reunert Limited	11 700	232 033	428 922
SAB Miller	3 500	333 334	364 350
Sasol Limited	2 000	211 668	361 600
Standard Bank Group Limited	11 090	360 470	716 969
Tiger Brands	3 500	350 434	399 000
Woolworths	35 000	370 675	367 500
Total shared portfolio		8 080 148	10 532 365
South African Institute of International Affairs share		3 766 157	4 909 135
Total investments		10 093 431	11 740 163

Notes to the Financial Statements *(continued)*
for the year ended 30 June 2006

	2006 R	2005 R
5. Fellowship and Project funds		
Balance at beginning of year	10 484 215	12 179 360
Receipts during the year	7 676 421	6 965 587
Expenditure reimbursed	(9 262 315)	(8 660 732)
	8 898 321	10 484 215
<i>Less: included in current liabilities</i>	(8 898 321)	(3 588 882)
Long-term liabilities	—	6 831 028
Included in the project funds balance as at 30 June 2006 are amount owed to the Danish Government in respect of the SADC parliamentary Democracy, Nepad partnership with Business Africa and Security and Terrorism project 104.SAR.4.a.187		
Security and Terrorism project 104.SAR.4.a.187		
Unspent funds at completion of financial year to 30 June 2005	550 200	
Disbursements for the period 1 July 2005 to 30 June 2006	270 227	
Unspent funds at completion of financial year to 30 June 2006	279 973	
NEPAD: Partnership with Business in Africa		
Unspent funds at completion of the financial year to 30 June 2005	2 075 295	
Disbursements for the period 1 July 2005 to 30 June 2006	1 188 783	
Unspent funds at completion of the financial year to 30 June 2006	886 512	
Consolidating SADC Parliamentary Democracy		
Unspent funds at completion of the financial year to 30 June 2005	1 681 182	
Disbursements for the period 1 July 2005 to 30 June 2006	1 543 201	
Unspent funds at completion of the financial year to 30 June 2006	137 981	
6. Taxation		
The Institute is not liable for South African normal taxation.		

7. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Interest rate risk

Exposure to interest rate risk arises in the normal course of the Institute's business. Reputable financial institutions are used for investing and cash handling purposes.

8. Related parties**8.1 Identity of related parties**

The Wits Branch was established in terms of The South African Institute of International Affairs constitution and operates as one of the six branches of The South African Institute of International Affairs.

The Smuts Memorial Trust was set up to maintain The Smuts Memorial House, where The South African Institute of International Affairs is located and operates The South African Institute of International Affairs library.

The Nepad project is administered by The South African Institute of International Affairs.

	2006	2005
	R	R
8.2 Material transactions with related parties		
Administration and secretarial fees		
– The Smuts Memorial Trust	21 500	20 500
– The Wits Branch	7 708	7 255
8.3 Material balance with related parties		
– Amounts owing to The Wits Branch	(112)	99 867
– Amounts owing by The Smuts Memorial Trust	3 600 091	3 274 833
– Amounts owing by The Nepad project	472 167	914 013

Schedule of major funders

30 June 2006

Fellowships

Bradlow Fellowship	The Bradlow Foundation
Business in Africa	The Government of the Kingdom of Denmark
Development through Trade Agency	AusAid Swedish International Development
East Asia Research	Taipei Liaison office
KAS – SAIIA Partnership	Konrad Adenauer Foundation
Latin America Research	Anglo American Chairman’s Fund
NEPAD Project	Embassy of the Kingdom of the Netherlands
Political Parties Research	Ford Foundation
Regional Integration	Swedish International Development Agency
Research Interns	Konrad Adenauer Foundation
SADC Organ: Politics, Defence and Security	Finnish Ministry for Foreign Affairs
SADC Parliamentary Democracy	The Government of the Kingdom of Denmark
Social Economy of Organised Crime	Open Society Foundation of South Africa
	Conflict and Governance Facility
Terrorism research	The Government of the Kingdom of Denmark
	Finnish Ministry for Foreign Affairs
	Swedish International Development Agency
War and Organised Crime	Rockefeller Brothers Fund, Open Society Initiative
tive	
	For Southern Africa, Austrian Embassy

Conferences and projects

Consult 101
 Consumer Unity Trust, India
 CRS Technologies
 Dept of Public Service and Administration
 Friedrich Ebert Stiftung
 Sustainable Development Policy Institute
 UFJ Institute (Japan)