

THE KGALAGADI RELIEF TRUST
(Registration number IT 2245/2006)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2016

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

General Information

Country of incorporation and domicile	South Africa
Type of trust	Providing compensation to claimants suffering from asbestos related diseases in terms of the qualifying criteria stipulated in the Deed of Trust
Trustees	P. Camay (Chairperson) B.D.G. Gibson Dr. M. Heitz (Swiss)
Business address	Eton Building, Sherborne Square 5 Sherborne Road Parktown 2193
Postal address	P.O. Box 86 Parklands 2121
Bankers	Nedbank Limited
Auditors	Lucro Auditing PLC Chartered Accountants (S.A.) Registered Auditors
Trust registration number	IT 2245/2006
Tax reference number	0690/431/15/0
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Trust Deed.
Preparer	The annual financial statements were independently compiled by: N. Basson South African Institute of Professional Accountants
Published	16 August 2016

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

Index

The reports and statements set out below comprise the annual financial statements presented to the Trustees:

Index	Page
Trustees' Responsibilities and Approval	3
Independent Auditors' Report	4
Trustees' Report	5 - 6
Statement of Financial Position	7
Statement of Comprehensive Income	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Accounting Policies	11
Notes to the Annual Financial Statements	12 - 14
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Detailed Income Statement	15

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

Trustees' Responsibilities and Approval

The Trustees are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Trust as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities and requirements of the Trust Deed. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and requirements of the Trust Deed and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the Trust and place considerable importance on maintaining a strong control environment. To enable the Trustees to meet these responsibilities, the board of Trustees sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Trust and all employees are required to maintain the highest ethical standards in ensuring the Trust's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Trust is on identifying, assessing, managing and monitoring all known forms of risk across the Trust. While operating risk cannot be fully eliminated, the Trust endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Trustees are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Trustees have reviewed the Trust's cash flow forecast for the year to 28 February 2017 and, in the light of this review and the current financial position, they are satisfied that the Trust has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Trust's annual financial statements. The annual financial statements have been examined by the Trust's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 15, which have been prepared on the going concern basis, were approved by the board of Trustees on 16 August 2016 and were signed on its behalf by:

P. Camay (Chairperson)

B.D.G. Gibson

Independent Auditors' Report

To the Trustees of The Kgalagadi Relief Trust

We have audited the annual financial statements of The Kgalagadi Relief Trust, as set out on pages 7 to 14, which comprise the statement of financial position as at 29 February 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Trustees' Responsibility for the Annual Financial Statements

The Trust's Trustees are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and requirements of the Trust Deed and for such internal control as the Trustees determine is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of The Kgalagadi Relief Trust as at 29 February 2016, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the requirements of the Trust Deed.

L.J. Wood
Lucro Auditing PLC
Chartered Accountants (S.A.)
Registered Auditors

Fourways
16 August 2016

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

Trustees' Report

The Trustees have pleasure in submitting their report on the annual financial statements of The Kgalagadi Relief Trust for the year ended 29 February 2016.

1. Nature of business

The Kgalagadi Relief Trust was formed in South Africa to provide compensation to claimants that qualify, as defined in the Trust deed, in respect of asbestos-related diseases as fully, fairly and effectively as its means allow and operates in South Africa.

There have been no material changes to the nature of the Trust's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the Trust are set out in these annual financial statements.

3. Beneficiaries

The beneficiaries of the Trust during the accounting year and up to the date of this report are as follows:

Qualifying claimants for the life of the Trust

To the extent that the Trustees may deem appropriate and in accordance with the provisions of the Trust Deed, charitable organisations having as one of its principal objectives the compensation of those affected by asbestos mining

To the extent that upon the expiry of the life of the Trust, the assets left in the Trust may be donated to any charitable organisation having as one of its principal objectives the promotion of welfare of persons or communities detrimentally affected by asbestos mining.

4. Distributions to beneficiaries

During the year under review claims to the value of R5 219 915 were approved of which R1 800 681 is still required to be paid out subsequent to year end.

5. Trustees

The Trustees in office at the date of this report are as follows:

Trustees

P. Camay (Chairperson)

B.D.G. Gibson

Dr. M. Heitz (Swiss)

6. Events after the reporting period

The Trustees are not aware of any material event which occurred after the reporting date and up to the date of this report.

7. Going concern

The Trustees believe that the Trust has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Trustees have satisfied themselves that the trust is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The trustees are not aware of any new material changes that may adversely impact the Trust. The Trustees are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Trust.

Duration and dissolution of the Trust:

The duration and dissolution of the Trust: The Trust shall endure for 20 years from date of registration (2006), which can be extended or reduced by 5 years within the discretion of the Trustees.

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

Trustees' Report

8. Auditors

Lucro Auditing PLC continued in office as auditors for the Trust for 2016.

They will continue in office for the 2017 financial year.

9. Investments

The Trustees are aware of an unrealised profit and reversals realised of R3 160 660 and a realised loss of R2 930 984 incurred during the financial year. This is predominantly as a result of investments held in African Bank, which has been formerly placed under curatorship. Subsequent to year end the investment in African Bank has been restructured.

10. Founders

The Trust's founder is Becon AG ("Becon") incorporated in Switzerland.

The founder, in terms of an agreement, has agreed to settle fully and finally and without any admission of liability, all disputes arising out of, or in connection with exposure to asbestos dust and the contraction of asbestos related diseases by any occupational, environmental or dependant claimants, as defined in the Trust deed at any of the founder's operations.

In terms of this settlement agreement funds were paid to the Trust for compensation to the qualifying claimants. These funds will be used to settle the obligation to the beneficiaries of the Trust. Accordingly the Trust's assets represent an obligation to the beneficiaries of the Trust. The income generated by the Trust from the assets represents income to the Trust. The Trust will apply this income to meet the main objectives of the Trust. Any income in excess of the expenses of the Trust will increase the obligations to beneficiaries.

11. Payment of costs

In terms of clause 6.2.2 of the Trust Deed, the Trustees have set aside R1,173,138 (2015: R 1,023,370) of the Trust's funds to cover administration costs in the current period

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

Statement of Financial Position as at 29 February 2016

	Note(s)	2016 R	2015 R
Assets			
Non-Current Assets			
Other financial assets	3	57 837 045	56 789 155
Current Assets			
Trade and other receivables	4	13 385	11 479
Cash and cash equivalents	5	2 207 308	3 172 291
		2 220 693	3 183 770
Total Assets		60 057 738	59 972 925
Equity and Liabilities			
Equity			
Trust capital	6	100	100
Liabilities			
Non-Current Liabilities			
Funds available for distribution	2	58 256 959	56 853 265
Current Liabilities			
Trade and other payables	7	1 800 679	3 119 560
Total Liabilities		60 057 638	59 972 825
Total Equity and Liabilities		60 057 738	59 972 925

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

Statement of Comprehensive Income

	Note(s)	2016 R	2015 R
Operating expenses		(1 173 137)	(1 023 371)
Operating deficit		(1 173 137)	(1 023 371)
Investment revenue	8	5 067 830	4 662 250
Fair value adjustments	9	229 676	(3 077 408)
Social project expenses		(533 156)	(705 569)
Finance costs		(3 526)	-
Surplus (deficit) before taxation		3 587 687	(144 098)
Taxation	10	(83 638)	-
Surplus (deficit) for the year		3 504 049	(144 098)
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		3 504 049	(144 098)

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

Statement of Changes in Equity

	Trust capital	Accumulated surplus	Total equity
	R	R	R
Balance at 01 March 2014	100	-	100
Deficit for the year	-	(144 098)	(144 098)
Other comprehensive income	-	-	-
Total comprehensive deficit for the year	-	(144 098)	(144 098)
Transfer of funds available for distribution	-	144 098	144 098
Total changes	-	144 098	144 098
Balance at 01 March 2015	100	-	100
Surplus for the year	-	3 504 049	3 504 049
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	3 504 049	3 504 049
Transfer to funds available for distribution	-	(3 504 049)	(3 504 049)
Total changes	-	(3 504 049)	(3 504 049)
Balance at 29 February 2016	100	-	100

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

Statement of Cash Flows

	Note(s)	2016 R	2015 R
Cash flows from operating activities			
Cash used in operations	12	(3 027 080)	(706 131)
Interest income		5 067 830	4 662 250
Finance costs		(3 526)	-
Tax paid		(83 638)	-
Net cash from operating activities		1 953 586	3 956 119
Cash flows from investing activities			
Net movement in financial assets		(3 978 874)	4 485 591
Net cash from investing activities		(3 978 874)	4 485 591
Cash flows from financing activities			
Net movement in funds available for distribution		4 564 353	(8 373 951)
Transfer of surplus to funds available for distribution		(3 504 048)	(144 097)
Net cash from financing activities		1 060 305	(8 518 048)
Total cash movement for the year		(964 983)	(76 338)
Cash at the beginning of the year		3 172 291	3 248 629
Total cash at end of the year	5	2 207 308	3 172 291

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and requirements of the Trust Deed. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price. This includes transaction costs, except for financial instruments which are measured at fair value through surplus or deficit.

Financial instruments at amortised cost

Debt instruments, as defined in the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At the end of each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised

Financial instruments at cost

Commitments to receive a loan are measured at cost less impairment.

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment. This includes equity instruments held in unlisted investments.

Financial instruments at fair value

All other financial instruments are measured at fair value through profit and loss.

1.2 Revenue

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.3 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
2. Funds available for distribution		
Funds available for distribution: Beneficiaries	(50 126 668)	(47 959 093)
Funds available for distribution: Social Projects	(1 245 382)	(748 960)
Funds available for distribution: Cost	(6 884 909)	(8 145 212)
	(58 256 959)	(56 853 265)
Beneficiaries		
Opening balance	47 959 094	52 538 616
Reversal of claims approved and not paid (prior year)	3 119 560	2 096 421
Claims paid	(3 419 234)	(4 852 303)
Claims approved and not paid	(1 800 681)	(3 119 560)
Net surplus/(deficit) for the year	4 267 929	1 295 920
	50 126 668	47 959 094
Social Projects		
Opening balance	748 959	1 165 607
Net surplus/(deficit) for the year	1 029 578	288 921
Social Project Expenses	(533 156)	(705 569)
	1 245 381	748 959
Cost		
Opening balance	8 145 212	9 168 582
Net surplus/(deficit) for the year	(1 260 303)	(1 023 370)
	6 884 909	8 145 212
3. Other financial assets		
Taquanta Asset Managers		
Investment at Book Value	57 676 289	59 789 058
Investment at Fair Value	57 837 045	56 789 155
The fair value of the investments are based on the quoted market price at the reporting date.		
Non-current assets		
At fair value	57 837 045	56 789 155
4. Trade and other receivables		
Trade receivables	13 385	11 479
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	2 207 308	3 172 291

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

Notes to the Annual Financial Statements

	2016 R	2015 R
6. Trust capital		
Capital account / Trust capital		
Balance at beginning of year	100	100
7. Trade and other payables		
Claims payable	1 800 679	3 119 560
8. Investment revenue		
Interest revenue		
Bank	149 616	140 234
Investment Portfolio: Taquanta Asset Managers	4 989 578	4 540 115
Portfolio expenses	(71 364)	(18 099)
	5 067 830	4 662 250
9. Fair value adjustments		
Investment Portfolio: Realised losses	(2 930 984)	(434 802)
Investment Portfolio: Unrealised (loss)/profit and reversals	3 160 660	(2 642 606)
	229 676	(3 077 408)
10. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	83 638	-
11. Auditors' remuneration		
Fees	64 296	50 730
12. Cash used in operations		
Surplus (deficit) before taxation	3 587 687	(144 098)
Adjustments for:		
Interest received - investment	(5 067 830)	(4 662 250)
Finance costs	3 526	-
Profit and Loss on investments	(229 676)	3 077 408
Changes in working capital:		
Trade and other receivables	(1 906)	(329)
Trade and other payables	(1 318 881)	1 023 138
	(3 027 080)	(706 131)

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

Notes to the Annual Financial Statements

	2016	2015
	R	R
13. Social Project Expenses		
Project expenses / (refunds)		
Asbestos Interest Group (AIG)	129 600	120 000
Asbestos Research (Dr. Fig)	-	7 500
Cancer Charity Workers (CCW)	33 950	30 000
Communications	29 517	69 981
Death Registry Workshop	-	27 273
KRT Medical Recreening (KMR)	14 977	-
Kuruman Palliative Care Nurse Project (KPCNP)	272 113	244 715
Mesothelioma Incidence Near Kuruman Study (MINKS)	28 000	131 100
Neil White Bursary (NWB)	25 000	25 000
SA Meso Interest Group (SAMIG)	-	50 000
	533 157	705 569

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 29 February 2016

Detailed Income Statement

	Note(s)	2016 R	2015 R
Other income			
Interest received	8	5 067 830	4 662 250
Fair value adjustments and reversals	9	229 676	-
		5 297 506	4 662 250
Operating expenses			
Administration and management fees		(443 232)	(410 400)
Auditors remuneration	11	(64 296)	(50 730)
Bank charges		(6 305)	(5 911)
Claim expenses		(71 623)	(274)
Claimant recruitment costs		(11 018)	(14 483)
Claimants transport expenses		-	(3 207)
Computer expenses		(95)	(112)
Consulting and professional fees		(26 790)	-
Medical evaluation costs		(52 687)	(16 228)
Meeting expenses		(5 597)	(10 390)
Postage		-	(335)
Printing and stationery		-	(3 010)
Travel and accommodation		(13 064)	(35 860)
Trustee fees		(446 880)	(415 536)
Trustees consulting fees		(31 550)	(56 895)
		(1 173 137)	(1 023 371)
Operating surplus		4 124 369	3 638 879
Finance costs		(3 526)	-
Fair value adjustments and reversals	9	-	(3 077 408)
Social project expenses		(533 156)	(705 569)
		(536 682)	(3 782 977)
Surplus (deficit) before taxation		3 587 687	(144 098)
Taxation	10	(83 638)	-
Surplus (deficit) for the year		3 504 049	(144 098)