

The Kgalagadi Relief Trust

(Registration number IT2245/2006)

Financial Statements for the 13 months ended 28 February 2007

General Information

Country of registration and domicile	South Africa
Trustees	BDG Gibson P Camay Dr M Heitz
Registered office	32 Fricker Road Illovo 2196
Business address	32 Fricker Road Illovo 2196
Postal address	PO Box 781396 Sandton 2146
Auditors	BDO Spencer Steward (Johannesburg) Incorporated Chartered Accountants (South Africa) Registered Auditors

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**BDO Spencer Steward
(Johannesburg) Inc**
Chartered Accountants (SA)

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Report of the Independent Auditors

To the trustees of The Kgalagadi Relief Trust

We have audited the accompanying financial statements of The Kgalagadi Relief Trust, which comprise the trustees' report, the balance sheet as at 28 February 2007, the income statement, the statement of changes in equity and cash flow statement for the 13 months then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 11.

Trustees' Responsibility for the Financial Statements

The trustees are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the trust deed. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 the trustees, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of the trust as of 28 February 2007, and of its financial performance and its cash flows for the 13 months then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the trust deed.

BDO Spencer Steward (Johannesburg) Incorporated
Registered Auditors

21 August 2007

**13 Wellington Road
Parktown
2193**

Registration No. 1995/002310/21
Financial Services Provider
Licence No. 16505
Practice No. 905526E

Member Offices in southern Africa:

Cape Town Durban Gaborone Harare
Johannesburg Lusaka Livingstone
Mutare Pietermaritzburg Pretoria
Port Elizabeth Windhoek Walvis Bay

Directors:

JJ Boland M Cowley S Dansie N Griffith RDW Henry
RI King GE Levick M Margolis D McCallum
JFK Munnik TJ Parsons CE Schoombie SD Shaw
JHM Spencer UY van Eck

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Trustees' Responsibilities and Approval

The trustees responsibilities are to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the trust as at the end of the financial 13 months and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.


The trustees acknowledge that they are responsible for the system of internal financial control established by the trust and set 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.

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 financial statements.

The financial statements set out on pages 5 to 11, were approved by the trustees on 21 August 2007 and were signed on its behalf by:



BDC Gibson



P Camay

Johannesburg

21 August 2007

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Trustees' Report

The trustees submit their report for the 13 months ended 28 February 2007.

1. Incorporation

The trust was registered on 09 February 2006 and the trustees were issued letters of authority on 13 February 2006.

2. Review of activities

Objective of the trust

The trust is engaged in providing compensation to qualifying claimants in respect of asbestos-related diseases.

The operating results and state of affairs of the trust are fully set out in the attached financial statements and do not in our opinion require any further comment.

Payment of costs

In terms of clause 6.2.2 of the Deed of Trust the Trustees have set aside R 1,361,447 of the Trust Funds to meet administration costs.

3. Post balance sheet events

The trustees are not aware of any material matter or circumstance arising since the end of the financial 13 months that requires disclosure for an appreciation of the trusts financial affairs.

4. Trustees

The trustees of the trust during the 13 months and to the date of this report are as follows:

Name	Nationality
BDG Gibson	
P Camay	
Dr M Heitz	Swiss

5. Founders of the trust

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

The founder, in terms of a settlement agreement, have 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 or the contraction of asbestos-related diseases by any occupational, environmental or dependant claimant, as defined in the trust deed or any of the founders' 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 these assets represent income of the trust. The trust will apply this income to meet the expenses of the trust. Any income in excess of the expenses of the trust will increase the obligation to the beneficiaries.

6. Beneficiaries

The beneficiaries of the trust are:

- Qualifying claimants for the life of the trust.
- To the extent that the trustees may deem appropriate, any charitable organisation having as one of its principal objectives the promotion of welfare of persons or communities affected by asbestos mining.

7. Auditors

The Kgalagadi Relief Trust

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Trustees' Report

7. Auditors

BDO Spencer Steward (Johannesburg) Incorporated will continue in office as appointed by the trustees.

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Financial Statements for the 13 months ended 28 February 2007

Balance Sheet

Figures in Rand	Notes	2007
Assets		
Current Assets		
Trade and other receivables	2	106,713
Cash and cash equivalents	3	11,962,999
		12,069,712
Total Assets		12,069,712
Trust capital and liabilities		
Trust capital		
Contribution made by founder		100
Liabilities		
Current Liabilities		
Trade and other payables	5	4,686,901
Funds available	4	7,382,711
		12,069,612
Total trust Capital and Liabilities		12,069,712

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Income Statement

Figures in Rand	2007
Income	
Interest received	1,129,631
Expenditure	
Administration and management fees	(921,383)
Auditors remuneration	(23,028)
Bank charges	(7,083)
Computer expenses	(3,534)
Consulting and professional fees	(295,117)
Meeting expenses	(1,590)
Trustees fees	(201,150)
Petty cash expenses	(794)
Claims handling expenses	(515,272)
Medical evaluation expenses	(313,692)
Postage	(1,758)
Printing and stationery	(22,794)
Telephone and fax	(138,696)
Claimant transportation	(10,349)
Travel & accomodation	(34,698)
	(2,490,938)
Operating deficit	(1,361,307)
Interest expense	(140)
Deficit for the period	(1,361,447)

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Cash Flow Statement

Figures in Rand	Notes	2007
Cash flows from operating activities		
Cash used in operations	7	(765,018)
Interest income		1,129,631
Interest expense		(140)
Claims paid		(6,401,474)
Net cash from operating activities		(6,037,001)
Cash flows from financing activities		
Contribution by founder		18,000,000
Total cash movement for the period		11,962,999
Cash at the beginning of the period		-
Total cash at end of the period	3	11,962,999

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Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

1.1 Financial instruments

Initial recognition

The trust classifies financial instruments, or their component parts, on initial recognition as a financial asset or a financial liability in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the trust's balance sheet when the trust becomes party to the contractual provisions of the instrument.

Receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.2 Revenue

Interest is recognised, in profit or loss, using the effective interest rate method.

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Notes to the Financial Statements

Figures in Rand	2007
2. Trade and other receivables	
Interest receivable	106,713
3. Cash and cash equivalents	
Cash and cash equivalents consist of:	
Bank balances	11,643
Short-term deposits	11,951,356
	<u>11,962,999</u>
4. Funds available	
For beneficiaries	
Funds introduced	15,000,000
Founding capital	(100)
Claims paid	(6,401,474)
Claims approved not paid	(2,854,268)
	<u>5,744,158</u>
Other	
Funds introduced	3,000,000
Net expenses	(1,361,447)
	<u>1,638,553</u>
Total	<u><u>7,382,711</u></u>
5. Trade and other payables	
Trade payables	1,832,633
Claims payable	2,854,268
	<u>4,686,901</u>
6. Taxation	
No provision has been made for 2007 tax as the trust has no taxable income.	
7. Cash used in operations	
Deficit before taxation	(1,361,447)
Adjustments for:	
Interest received	(1,129,631)
Interest expense	140
Changes in working capital:	
Trade and other receivables	(106,713)
Trade and other payables	1,832,633
	<u>(765,018)</u>