

THE KGALAGADI RELIEF TRUST
(Registration number IT2245/2006)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2010

The Kgalagadi Relief Trust

(Registration number IT2245/2006)

Annual Financial Statements for the year ended 28 February 2010

General Information

Country of incorporation and domicile	South Africa
Nature of trust activities	Providing compensation to claimants suffering from asbestos related diseases in terms of the qualifying criteria stipulated in the Deed of Trust
Trustees	B.D.G. Gibson (Chairperson) P. Camay Dr. M. Heitz (Swiss)
Registered office	Eton Building, Sherborne Square 5 Sherborne Road Parktown 2193
Business address	Eton Building, Sherborne Square 5 Sherborne Road Parktown 2193
Postal address	P.O. Box 86 Parklands 2121
Auditors	LUCRO AUDITING Chartered Accountants (S.A.) Registered Auditor
Trust registration number	IT2245/2006

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

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Independent Auditor's report

To the trustees of The Kgalagadi Relief Trust

We have audited the annual financial statements of The Kgalagadi Relief Trust, which comprise the statement of financial position as at 28 February 2010, and the statement of comprehensive income, statement of changes in equ and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the trustees' report, as set out on pages 5 to 13.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual 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.

Auditor's 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 auditor's 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 28 February 2010, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

LUCRO AUDITING
Chartered Accountants (S.A.)
Registered Auditor

02 August 2010
Fourways

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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. 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 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 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 2011 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 auditor's is responsible for independently reviewing and reporting on the trust's annual financial statements. The annual financial statements have been examined by the trust's external auditor's and their report is presented on page 3.

The annual financial statements set out on pages 5 to 15, which have been prepared on the going concern basis, were approved by the trustees on 02 August 2010 and were signed on its behalf by:

B.D.G. Gibson (Chairperson)

P. Camay

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Trustees' Report

The trustees submit their report for the year ended 28 February 2010.

1. Main business and operations

The trust is engaged in providing compensation to claimants suffering from asbestos related diseases in terms of the qualifying criteria stipulated in the deed of trust and operates principally in South Africa.

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

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the trust to continue as a going concern is dependent on a number of factors. The most significant of these is that the trustees continue to procure funding for the ongoing operations for the trust.

3. Events after the reporting period

The trustees are not aware of any matter or circumstance arising since the end of the financial year.

4. Allocation To Beneficiaries

During the year under review claims to the value of R25,718,728 were approved of which R4,370,017 still has to be paid out subsequent to year-end.

5. Trustees

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

B.D.G. Gibson (Chairperson)
P. Camay
Dr. M. Heitz (Swiss)

6. Beneficiaries

The beneficiaries of the trust during the accounting period 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, any charitable organisations having as one of its principal objectives the promotion of welfare affected by asbestos mining

7. Payment of costs

In terms of clause 6.2.2 of the Deed of Trust, the trustees have set aside R2,849,317 (2009 : R2,708,452) of the Trust's funds to meet administration costs.

8. Auditors

LUCRO AUDITING will continue in office for the next financial period.

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Trustees' Report

9. Founders of the Trust

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 or 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 expenses of the trust. Any income in excess of the expenses of the trust will increase the obligation to the beneficiaries.

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Statement of Financial Position

	Note(s)	2010 R	2009 R
Assets			
Current Assets			
Trade and other receivables	3	38 665	382 991
Cash and cash equivalents	4	9 270 397	8 902 418
		9 309 062	9 285 409
Total Assets		9 309 062	9 285 409
Equity and Liabilities			
Equity			
Founder's donation		100	100
Liabilities			
Current Liabilities			
Funds available for distribution	2	3 372 501	2 560 004
Trade and other payables	5	5 936 461	6 725 305
		9 308 962	9 285 309
Total Equity and Liabilities		9 309 062	9 285 409

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Statement of Comprehensive Income

	Note(s)	2010 R	2009 R
Operating expenses		(3 508 593)	(3 923 856)
Operating deficit		(3 508 593)	(3 923 856)
Investment revenue	6	659 276	1 215 537
Interest expense		-	(133)
Deficit for the year		(2 849 317)	(2 708 452)
Other comprehensive income		-	-
Total comprehensive deficit for the year		(2 849 317)	(2 708 452)

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Statement of changes in equity

	Trust capital	Accumulated surplus	Total equity
	R	R	R
Balance at 01 March 2008	100	-	100
Changes in equity			
Total comprehensive deficit for the year	-	(2 708 452)	(2 708 452)
Total funds available for distribution	-	2 708 452	2 708 452
Total changes	-	-	-
Balance at 01 March 2009	100	-	100
Changes in equity			
Total comprehensive deficit for the year	-	(2 849 317)	(2 849 317)
Total funds available for distribution	-	2 849 317	2 849 317
Total changes	-	-	-
Balance at 28 February 2010	100	-	100

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Statement of Cash Flows

	Note(s)	2010 R	2009 R
Cash flows from operating activities			
Cash used in operations	7	(1 103 794)	(2 055 833)
Interest income		659 276	1 215 537
Interest expense		-	(133)
Net cash from operating activities		(444 518)	(840 429)
Cash flows from financing activities			
Funds introduced by founder		23 999 600	27 399 600
Movement in funds available for distribution		(23 187 103)	(22 088 349)
Net cash from financing activities		812 497	5 311 251
Total cash movement for the year		367 979	4 470 822
Cash at the beginning of the year		8 902 418	4 431 596
Total cash at end of the year	4	9 270 397	8 902 418

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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. 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

Financial instruments at amortised cost

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, loans and trade and other payables. At the end of each reporting period 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.

1.2 Revenue

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

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Notes to the Annual Financial Statements

	2010 R	2009 R
2. Funds available for distribution		
Funds Available for Distribution - Beneficiaries	(311 280)	(649 066)
Funds Available for Distribution - Other	(3 061 221)	(1 910 938)
	(3 372 501)	(2 560 004)
Beneficiaries		
Opening Balance	649 066	(4 070 636)
Funds introduced	20 000 000	24 099 600
Reversal of claims approved and not paid (prior year)	5 107 855	5 474 463
Claim paid	(21 075 624)	(19 746 506)
Claims approved and not paid	(4 370 017)	(5 107 855)
	311 280	649 066
Other		
Opening balance	1 910 938	1 319 389
Funds introduced	3 999 600	3 300 000
Net expenses	(2 849 317)	(2 708 451)
	3 061 221	1 910 938
3. Trade and other receivables		
Social Project Grant Accrual	-	294 813
Interest receivable	38 665	88 178
	38 665	382 991
4. Cash and cash equivalents		
<i>Cash and cash equivalents consist of:</i>		
Bank balances	6 105 568	2 361 303
Short-term deposits	3 164 829	6 541 115
	9 270 397	8 902 418
5. Trade and other payables		
Trade payables	144 158	234 087
Claims payable	4 370 017	5 107 855
Accrued expenses	1 422 286	1 383 363
	5 936 461	6 725 305
6. Investment revenue		
Interest revenue		
Bank	659 276	1 215 537

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Notes to the Annual Financial Statements

	2010 R	2009 R
7. Cash used in operations		
Deficit before taxation	(2 849 317)	(2 708 452)
Adjustments for:		
Interest received	(659 276)	(1 215 537)
Interest expense	-	133
Transfer to funds available for distribution	2 849 317	2 708 453
Changes in working capital:		
Trade and other receivables	344 326	(353 981)
Trade and other payables	(788 844)	(486 449)
	(1 103 794)	(2 055 833)

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Detailed Income Statement

	Note(s)	2010 R	2009 R
Other income			
Interest received	6	659 276	1 215 537
Operating expenses			
Actuarial Fees		(42 323)	-
Administration and management fees		(820 800)	(1 164 711)
Auditors remuneration		(16 064)	(32 560)
Bank charges		(11 221)	(10 290)
Claimant Transportation		(88 781)	(34 444)
Claims Handling		(987 414)	(689 550)
Claims Recruitment		(123 391)	(76 195)
Communication costs		(67 509)	(40 915)
Computer expenses		-	(453)
Consulting and professional fees		(219 152)	(218 115)
Medical Evaluation Costs		(309 038)	(231 696)
Meeting expenses		(37 676)	(8 616)
Postage		(3 240)	(141)
Printing and stationery		-	(2 413)
Social Project Expenses		(506 908)	(1 050 681)
Travel expenses		(27 281)	(20 836)
Trustee attendance fees		(247 795)	(342 240)
		(3 508 593)	(3 923 856)
Operating deficit		(2 849 317)	(2 708 319)
Interest expense		-	(133)
Deficit for the year		(2 849 317)	(2 708 452)

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(Registration number IT2245/2006)

(Tax Registration number 0690/431/15/0)

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Tax Computation

	R
Net loss per income statement	(2 849 317)
Amounts distributed and taxable in the hands of beneficiaries	<u>-</u>
Loss attributable to trust	(2 849 317)
Permanent differences	
Non deductible loss	<u>2 849 317</u>
Taxation thereon @ 40c in the Rand	<u><u>NIL</u></u>