

**THE KGALAGADI RELIEF TRUST**  
(Registration number IT2245/2006)  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 28 FEBRUARY 2011**

# The Kgalagadi Relief Trust

(Registration number IT2245/2006)

Annual Financial Statements for the year ended 28 February 2011

## General Information

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| <b>Country of incorporation and domicile</b> | South Africa   |
| <b>Type of trust</b>                         | Providing compensation to claimants suffering from asbestos related diseases in terms of the qualifying criteria stipulated in the Deed of Trust |
| <b>Trustees</b>                              | B.D.G. Gibson (Chairperson)<br>P. Camay<br>Dr. M. Heitz (Swiss)  |
| <b>Registered office</b>                     | Eton Building, Sherborne Square<br>5 Sherborne Road<br>Parktown<br>2193  |
| <b>Postal address</b>                        | P.O. Box 86<br>Parklands<br>2121   |
| <b>Bankers</b>                               | Nedbank  |
| <b>Auditors</b>                              | LUCRO AUDITING<br>Chartered Accountants (S.A.)<br>Registered Auditor   |
| <b>Trust registration number</b>             | IT2245/2006  |
| <b>Tax reference number</b>                  | 0690/431/15/0  |

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# The Kgalagadi Relief Trust

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## Trustees' Responsibilities and Approval

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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 29 February 2012 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 reviewing 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 statement set out on pages 5 to 15, which have been prepared on the going concern basis, were approved by the board on 02 August 2011 and were signed on its behalf by:

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**B.D.G. Gibson (Chairperson)**

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**P. Camay**

# Independent Auditors' Report

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## 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 2011, and the statement of comprehensive income, statement of changes in equity 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.

## 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 28 February 2011, 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, and in the manner required by the .

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

**Fourways**  
**02 August 2011**

# The Kgalagadi Relief Trust

(Registration number IT2245/2006)

Annual Financial Statements for the year ended 28 February 2011

## Trustees' Report

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The trustees submit their report for the year ended 28 February 2011.

### 1. Review of activities

#### 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 trustees successfully husband the currently available funds for the duration of the life of 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 R 12,483,620 were approved of which R 4,414,466 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:

Name  
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. Auditors

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

### 8. Payment of costs

In terms of clause 6.2.2 of the trust deed, the trustees have set aside R 1,535,339 (2010: R 2,849,317) of the trust's funds to meet administration costs.

# The Kgalagadi Relief Trust

(Registration number IT2245/2006)

Annual Financial Statements for the year ended 28 February 2011

## Trustees' Report

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### 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 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 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.

# The Kgalagadi Relief Trust

(Registration number IT2245/2006)

Annual Financial Statements for the year ended 28 February 2011

## Statement of Financial Position

|                                     | Note(s) | 2011<br>R         | 2010<br>R        |
|-------------------------------------|---------|-------------------|------------------|
| <b>Assets</b>                       |         |                   |                  |
| <b>Current Assets</b>               |         |                   |                  |
| Trade and other receivables         | 3       | 65 510            | 38 665           |
| Cash and cash equivalents           | 4       | 71 327 112        | 9 270 397        |
|                                     |         | <b>71 392 622</b> | <b>9 309 062</b> |
| <b>Total Assets</b>                 |         | <b>71 392 622</b> | <b>9 309 062</b> |
| <b>Equity and Liabilities</b>       |         |                   |                  |
| <b>Equity</b>                       |         |                   |                  |
| Trust capital                       |         | 100               | 100              |
| <b>Liabilities</b>                  |         |                   |                  |
| <b>Current Liabilities</b>          |         |                   |                  |
| Funds available for distribution    | 2       | 66 723 559        | 3 372 501        |
| Trade and other payables            | 5       | 4 668 963         | 5 936 461        |
|                                     |         | <b>71 392 522</b> | <b>9 308 962</b> |
| <b>Total Equity and Liabilities</b> |         | <b>71 392 622</b> | <b>9 309 062</b> |

# The Kgalagadi Relief Trust

(Registration number IT2245/2006)

Annual Financial Statements for the year ended 28 February 2011

## Statement of Comprehensive Income

|   | Note(s) | 2011<br>R          | 2010<br>R          |
|---|---------|--------------------|--------------------|
| Operating expenses                              |         | (2 451 159)        | (3 508 593)        |
| <b>Operating deficit</b>                        |         | <b>(2 451 159)</b> | <b>(3 508 593)</b> |
| Investment revenue                              | 6       | 915 820            | 659 276            |
| <b>Deficit for the year</b>                     |         | <b>(1 535 339)</b> | <b>(2 849 317)</b> |
| Other comprehensive income                      |         | -                  | -                  |
| <b>Total comprehensive deficit for the year</b> |         | <b>(1 535 339)</b> | <b>(2 849 317)</b> |

# The Kgalagadi Relief Trust

(Registration number IT2245/2006)

Annual Financial Statements for the year ended 28 February 2011

## Statement of Changes in Equity

|  | Trust capital | Accumulated surplus | Total equity |
|--|---------------|---------------------|--------------|
|  | R             | R                   | R            |
| <b>Balance at 01 March 2009</b>          | <b>100</b>    | <b>-</b>            | <b>100</b>   |
| 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                            | -             | -                   | -            |
| <b>Balance at 01 March 2010</b>          | <b>100</b>    | <b>-</b>            | <b>100</b>   |
| Changes in equity                        |               |                     |              |
| Total comprehensive deficit for the year | -             | (1 535 339)         | (1 535 339)  |
| Total funds available for distribution   | -             | 1 535 339           | 1 535 339    |
| Total changes                            | -             | -                   | -            |
| <b>Balance at 28 February 2011</b>       | <b>100</b>    | <b>-</b>            | <b>100</b>   |

# The Kgalagadi Relief Trust

(Registration number IT2245/2006)

Annual Financial Statements for the year ended 28 February 2011

## Statement of Cash Flows

|  | Note(s) | 2011<br>R          | 2010<br>R        |
|--|---------|--------------------|------------------|
| <b>Cash flows from operating activities</b>  |         |                    |                  |
| Cash used in operations                      | 7       | (2 210 163)        | (1 103 794)      |
| Interest income                              |         | 915 820            | 659 276          |
| <b>Net cash from operating activities</b>    |         | <b>(1 294 343)</b> | <b>(444 518)</b> |
| <b>Cash flows from financing activities</b>  |         |                    |                  |
| Funds introduced by founder                  |         | 73 000 000         | 23 999 600       |
| Movement in funds available for distribution |         | (9 648 942)        | (23 187 103)     |
| <b>Net cash from financing activities</b>    |         | <b>63 351 058</b>  | <b>812 497</b>   |
| <b>Total cash movement for the year</b>      |         | <b>62 056 715</b>  | <b>367 979</b>   |
| Cash at the beginning of the year            |         | 9 270 397          | 8 902 418        |
| <b>Total cash at end of the year</b>         | 4       | <b>71 327 112</b>  | <b>9 270 397</b> |

# The Kgalagadi Relief Trust

(Registration number IT2245/2006)

Annual Financial Statements for the year ended 28 February 2011

## Accounting Policies

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### 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.

# The Kgalagadi Relief Trust

(Registration number IT2245/2006)

Annual Financial Statements for the year ended 28 February 2011

## Notes to the Annual Financial Statements

|   | 2011<br>R           | 2010<br>R          |
|---|---------------------|--------------------|
| <b>2. Funds available for distribution</b>            |                     |                    |
| Funds available for distribution - Beneficiaries      | (51 942 677)        | (311 280)          |
| Funds available for distribution - Other              | (14 780 882)        | (3 061 221)        |
|   | <b>(66 723 559)</b> | <b>(3 372 501)</b> |
| <b>Beneficiaries</b>                                  |                     |                    |
| Opening balance                                       | 311 280             | 649 066            |
| Funds Introduced                                      | 59 745 000          | 20 000 000         |
| Reversal of claims approved and not paid (prior year) | 4 370 017           | 5 107 855          |
| Claims paid   | (8 069 155)         | (21 075 624)       |
| Claims approved and not paid                          | (4 414 465)         | (4 370 017)        |
|   | <b>51 942 677</b>   | <b>311 280</b>     |
| <b>Other</b>  |                     |                    |
| Opening balance                                       | 3 061 221           | 1 910 938          |
| Funds introduced                                      | 13 255 000          | 3 999 600          |
| Net expenses  | (1 535 339)         | (2 849 317)        |
|   | <b>14 780 882</b>   | <b>3 061 221</b>   |
| <b>3. Trade and other receivables</b>                 |                     |                    |
| Interest receivable                                   | 65 510              | 38 665             |
| <b>4. Cash and cash equivalents</b>                   |                     |                    |
| Cash and cash equivalents consist of:                 |                     |                    |
| Bank balances   | 62 437 713          | 6 105 568          |
| Short-term deposits                                   | 8 889 399           | 3 164 829          |
|   | <b>71 327 112</b>   | <b>9 270 397</b>   |
| <b>5. Trade and other payables</b>                    |                     |                    |
| Trade payables  | 232 648             | 144 158            |
| Claims payable  | 4 414 465           | 4 370 017          |
| Accrued expenses                                      | 21 850              | 1 422 286          |
|   | <b>4 668 963</b>    | <b>5 936 461</b>   |
| <b>6. Investment revenue</b>                          |                     |                    |
| <b>Interest revenue</b>                               |                     |                    |
| Bank  | 915 820             | 659 276            |

# The Kgalagadi Relief Trust

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Annual Financial Statements for the year ended 28 February 2011

## Notes to the Annual Financial Statements

|  | 2011               | 2010               |
|--|--------------------|--------------------|
|  | R                  | R                  |
| <b>7. Cash used in operations</b>            |                    |                    |
| Deficit before taxation                      | (1 535 339)        | (2 849 317)        |
| <b>Adjustments for:</b>                      |                    |                    |
| Interest received                            | (915 820)          | (659 276)          |
| Transfer to funds available for distribution | 1 535 339          | 2 849 317          |
| <b>Changes in working capital:</b>           |                    |                    |
| Trade and other receivables                  | (26 845)           | 344 326            |
| Trade and other payables                     | (1 267 498)        | (788 844)          |
|  | <b>(2 210 163)</b> | <b>(1 103 794)</b> |

# The Kgalagadi Relief Trust

(Registration number IT2245/2006)

Annual Financial Statements for the year ended 28 February 2011

## Detailed Income Statement

|                                    | Note(s) | 2011<br>R          | 2010<br>R          |
|------------------------------------|---------|--------------------|--------------------|
| <b>Other income</b>                |         |                    |                    |
| Interest received                  | 6       | 915 820            | 659 276            |
| <b>Operating expenses</b>          |         |                    |                    |
| Actuarial fees                     |         | -                  | (42 323)           |
| Administration and management fees |         | (820 800)          | (820 800)          |
| Auditors' remuneration             |         | (39 900)           | (16 064)           |
| Bank charges                       |         | (13 148)           | (11 221)           |
| Claimant transportation            |         | (40 374)           | (88 781)           |
| Claims handling fees               |         | (305 732)          | (987 414)          |
| Claims recruitment                 |         | (102 362)          | (123 391)          |
| Communication costs                |         | (54 060)           | (67 509)           |
| Consulting and professional fees   |         | (100 269)          | (219 152)          |
| IT expenses - Database Maintenance |         | (222 066)          | -                  |
| Medical evaluation costs           |         | (99 427)           | (309 038)          |
| Meeting expenses                   |         | (23 624)           | (37 676)           |
| Postage                            |         | -                  | (3 240)            |
| Social project expenses            |         | (369 702)          | (506 908)          |
| Sundry expenses                    |         | (400)              | -                  |
| Telephone and fax                  |         | (540)              | -                  |
| Travel expenses                    |         | (10 960)           | (27 281)           |
| Trustee attendance fees            |         | (247 795)          | (247 795)          |
|                                    |         | <b>(2 451 159)</b> | <b>(3 508 593)</b> |
| <b>Deficit for the year</b>        |         | <b>(1 535 339)</b> | <b>(2 849 317)</b> |

# The Kgalagadi Relief Trust

(Registration number IT2245/2006)

Financial Statements for the year ended 28 February 2011

## Tax Computation

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|   | <b>R</b>    |
|---|-------------|
| Net loss per income statement           | (1 535 339) |
| <b>Non-deductable/Non taxable items</b> |             |
| Non-deductable loss                     | 1 535 339   |
| <b>Taxable income</b>                   | <u>-</u>    |
| <b>Tax thereon @ 40%</b>                | <u>-</u>    |