

THE KGALAGADI RELIEF TRUST
(Registration number IT 2245/2006)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2013

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 28 February 2013

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 Auditor
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: LUCRO CONSULTING (RANDBURG) PTY LTD South African Institute of Public Accountants
Published	20 August 2013

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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 judgements 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 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 2014 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 statements set out on pages 5 to 15, which have been prepared on the going concern basis, were approved by the trustees on 20 August 2013 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 trustees' report, the statement of financial position as at 28 February 2013, 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 28 February 2013, 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 the requirements of the Trust Deed.

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

Fourways
20 August 2013

The Kgalagadi Relief Trust

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Trustees' Report

The trustees submit their report for the year ended 28 February 2013.

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.

Net surplus of the trust was R 2 442 630 (2012: profit R 2 731 542).

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.

3. Events after the reporting period

The trustees are not aware of any matter or circumstance arising since the end of the financial year that has a material impact on the annual financial statements.

4. Accounting policies

There were no major changes in the accounting policies or the application thereof for the company during the year under review.

5. Allocation To Beneficiaries

During the year under review claims to the value of R6,039,306 were approved of which R1,575,710 still has to be paid out subsequent to year end.

6. Trustees

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

Name

P. Camay (Chairperson)

B.D.G. Gibson

Dr. M. Heitz (Swiss)

7. 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 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.

8. Auditors

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

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Trustees' Report

9. Payments of costs

In terms of clause 6.2.2 of the trust deed, the trustees have set aside R 1,018,349 (2012: R 1,043,842) of the trust's funds to cover administration costs in the current period.

10. 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 main objectives of the trust. Any income in excess of the expenses of the trust will increase the obligations to beneficiaries.

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Annual Financial Statements for the year ended 28 February 2013

Statement of Financial Position as at 28 February 2013

	Note(s)	2013 R	2012 R
Assets			
Non-Current Assets			
Other financial assets	3	65 880 623	64 425 257
Current Assets			
Trade and other receivables	4	1 554	4 441
Cash and cash equivalents	5	626 957	4 181 232
		628 511	4 185 673
Total Assets		66 509 134	68 610 930
Equity and Liabilities			
Equity			
Founders donation		100	100
Liabilities			
Non-Current Liabilities			
Funds available for distribution	2	64 231 530	65 135 262
Current Liabilities			
Trade and other payables	6	2 277 504	3 475 568
Total Liabilities		66 509 034	68 610 830
Total Equity and Liabilities		66 509 134	68 610 930

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Statement of Comprehensive Income

	Note(s)	2013 R	2012 R
Operating expenses		(1 018 349)	(1 043 842)
Operating deficit		(1 018 349)	(1 043 842)
Investment revenue	7	4 067 784	4 508 602
Fair value adjustments	8	(22 332)	(413 742)
Social project expenses		(584 473)	(319 476)
Surplus for the year		2 442 630	2 731 542
Other comprehensive income		-	-
Total comprehensive income for the year		2 442 630	2 731 542

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Statement of Changes in Equity

	Trust capital	Accumulated surplus	Total equity
	R	R	R
Balance at 01 March 2011	100	-	100
Surplus for the year	-	2 731 542	2 731 542
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	2 731 542	2 731 542
Transfer to funds available for distribution	-	(2 731 542)	(2 731 542)
Total changes	-	(2 731 542)	(2 731 542)
Balance at 01 March 2012	100	-	100
Surplus for the year	-	2 442 630	2 442 630
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	2 442 630	2 442 630
Transfer to funds available for distribution	-	(2 442 630)	(2 442 630)
Total changes	-	(2 442 630)	(2 442 630)
Balance at 28 February 2013	100	-	100

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Statement of Cash Flows

	Note(s)	2013 R	2012 R
Cash flows from operating activities			
Cash used in operations	12	(5 240 629)	(5 227 186)
Interest income		4 067 784	4 508 602
Net cash from operating activities		(1 172 845)	(718 584)
Cash flows from investing activities			
Purchase of financial assets		(3 338 998)	(61 500 000)
Sale of financial assets		1 861 300	(3 338 999)
Net cash from investing activities		(1 477 698)	(64 838 999)
Cash flows from financing activities			
Net movement in funds available for distribution		(903 732)	(1 588 297)
Net cash from financing activities		(903 732)	(1 588 297)
Total cash movement for the year		(3 554 275)	(67 145 880)
Cash at the beginning of the year		4 181 232	71 327 112
Total cash at end of the year	5	626 957	4 181 232

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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

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.

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Notes to the Annual Financial Statements

	2013 R	2012 R
2. Funds available for distribution		
Funds available for distribution: Beneficiaries	(53 529 772)	(47 622 837)
Funds available for distribution: Social Projects	(462 585)	(6 645 083)
Funds available for distribution: Cost	(10 239 173)	(10 867 342)
	(64 231 530)	(65 135 262)
Beneficiaries		
Opening balance	47 622 836	51 942 677
Reversal of claims approved and not paid (prior year)	2 692 944	4 414 465
Claims paid	(4 463 596)	(6 557 662)
Claims approved and not paid	(1 575 710)	(2 692 944)
Refund received	-	516 300
Transfer from Social Projects account	9 253 298	-
	53 529 772	47 622 836
Social Projects		
Opening balance	6 645 083	2 482 317
Net surplus/(deficit) for the year	2 145 630	4 162 766
Transfer to Beneficiaries account	(9 253 298)	-
	(462 585)	6 645 083
Cost		
Opening balance	10 867 342	12 989 565
Net surplus/(deficit) for the year	(628 169)	(2 122 223)
	10 239 173	10 867 342
Non-current liabilities	(64 231 530)	(65 135 262)
3. Other financial assets		
At fair value		
Investment Portfolio: Taquanta Asset Managers	65 880 623	64 425 257
<i>The fair values of listed or quoted investments are based on the quoted market price at reporting period date.</i>		
Non-current assets		
At fair value	65 880 623	64 425 257
4. Trade and other receivables		
Income accruals	1 554	4 441

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Notes to the Annual Financial Statements

	2013 R	2012 R
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	626 957	3 051 067
Short-term deposits	-	1 130 165
	626 957	4 181 232
6. Trade and other payables		
Trade payables	1 161 946	767 519
Claims payable	1 575 710	2 692 944
Accrued expenses	(460 152)	15 105
	2 277 504	3 475 568
7. Investment revenue		
Interest revenue		
Bank	88 539	1 168 352
Investment Portfolio: Taquanta Asset Managers	3 979 245	3 340 250
	4 067 784	4 508 602
8. Fair value adjustments		
Investment Portfolio: Taquanta Asset Managers	(22 332)	(413 742)
9. Social Projects		
Project expenses / (refunds)		
Insurance	3 700	3 640
Asbestos Interest Group (AIG)	105 000	105 000
Cancer Charity Workers (CCW)	12 000	12 000
Asbestos Co-ordinating Committee of Kgalagadi (ACCK)	-	(30 000)
Kuruman Nurse (KPCNP)	208 983	228 836
Other Grants	15 390	-
Mesothelioma Incidence Near Kuruman Study (MINKS)	239 400	-
	584 473	319 476
10. Taxation		
<i>No provision has been made for 2013 tax as the trust has no taxable income. In terms of section 25B of the Income Tax Act, the income in excess of expenditure for the year will be taxed in the hands of the beneficiaries.</i>		
11. Auditors' remuneration		
Fees	42 750	42 750

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Notes to the Annual Financial Statements

	2013	2012
	R	R
12. Cash used in operations		
Surplus before taxation	2 442 630	2 731 542
Adjustments for:		
Interest received	(4 067 784)	(4 508 602)
Fair value adjustments	22 332	413 742
Transfer to funds available for distribution	(2 442 630)	(2 731 542)
Changes in working capital:		
Trade and other receivables	2 887	61 069
Trade and other payables	(1 198 064)	(1 193 395)
	<u>(5 240 629)</u>	<u>(5 227 186)</u>

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Detailed Income Statement

	Note(s)	2013 R	2012 R
Other income			
Interest received	7	4 067 784	4 508 602
Operating expenses			
Administration and management fees		(410 400)	(547 200)
Auditors' remuneration	11	(42 750)	(42 750)
Bank charges		(6 820)	(7 212)
Claims handling fees		-	(47 994)
Communication costs		(11 870)	-
Computer expenses		(149)	(140)
Consulting and professional fees		(101 865)	(53 235)
IT expenses - Database maintenance		-	(4 435)
Medical evaluation costs		(14 996)	(43 542)
Meeting expenses		(10 497)	(13 881)
Portfolio fees - Taquanta Asset Managers		(1 547)	(1 252)
Postage		(216)	(179)
Sundry expenses		-	(3 090)
Travel and accomodation		(20 637)	(14 505)
Trustee fees		(396 602)	(264 427)
		(1 018 349)	(1 043 842)
Operating surplus		3 049 435	3 464 760
Fair value adjustments	8	(22 332)	(413 742)
Social project expenses		(584 473)	(319 476)
		(606 805)	(733 218)
Surplus for the year		2 442 630	2 731 542
Other comprehensive income		-	-
Total comprehensive income for the year		2 442 630	2 731 542