

THE KGALAGADI RELIEF TRUST
(Registration number IT 2245/2006)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2015

The Kgalagadi Relief Trust

(Registration number IT 2245/2006)

Annual Financial Statements for the year ended 28 February 2015

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: Lucro Auditing PLC South African Institute of Chartered Accountants
Published	18 August 2015

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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 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 29 February 2016 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 18 August 2015 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 28 February 2015, 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 28 February 2015, 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
18 August 2015

The Kgalagadi Relief Trust

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Trustees' Report

The Trustees have pleasure in submitting their report on the annual financial statements of The Kgalagadi Relief Trust for the year ended 28 February 2015.

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 R7,971,863 were approved of which R3,119,560 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 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 Trust:

The Trust shall endure for 20 years form date of registration (2006) ,which can be extended or reduced by 5 years within the descretion of the Trustees.

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Annual Financial Statements for the year ended 28 February 2015

Trustees' Report

8. Auditors

Lucro Auditing PLC continued in office as auditors for the Trust for 2015.

They will continue in office for the 2016 financial year.

9. Investments

The Trustees are aware of an unrealised loss of 2 642 606 and realised loss of R434 802 incurred during the financial year. This is predominantly as a result of investments held in African Bank, which was placed under curatorship.

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 R1,041,470 (2014: R 1,072,172) of the Trust's funds to cover administration costs in the current period

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Annual Financial Statements for the year ended 28 February 2015

Statement of Financial Position as at 28 February 2015

	Note(s)	2015 R	2014 R
Assets			
Non-Current Assets			
Other financial assets	3	56 789 155	61 709 548
Current Assets			
Trade and other receivables	4	11 479	11 150
Cash and cash equivalents	5	3 172 291	3 248 629
		3 183 770	3 259 779
Total Assets		59 972 925	64 969 327
Equity and Liabilities			
Equity			
Trust capital	6	100	100
Liabilities			
Non-Current Liabilities			
Funds available for distribution	2	56 853 265	62 872 805
Current Liabilities			
Trade and other payables	7	3 119 560	2 096 422
Total Liabilities		59 972 825	64 969 227
Total Equity and Liabilities		59 972 925	64 969 327

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Statement of Comprehensive Income

	Note(s)	2015 R	2014 R
Operating expenses		(1 041 470)	(1 072 172)
Operating deficit		(1 041 470)	(1 072 172)
Investment revenue	8	4 680 349	3 771 306
Fair value adjustments	9	(3 077 408)	(6 024)
Social project expenses	13	(705 569)	(534 566)
(Deficit) surplus for the year		(144 098)	2 158 544
Other comprehensive income		-	-
Total comprehensive (loss) income for the year		(144 098)	2 158 544

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Statement of Changes in Equity

	Trust capital	Accumulated surplus	Total equity
	R	R	R
Balance at 01 March 2013	100	-	100
Surplus for the year	-	2 158 544	2 158 544
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	2 158 544	2 158 544
Transfer of funds available for distribution	-	(2 158 544)	(2 158 544)
Total changes	-	(2 158 544)	(2 158 544)
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 to funds available for distribution	-	144 098	144 098
Total changes	-	144 098	144 098
Balance at 28 February 2015	100	-	100

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Statement of Cash Flows

	Note(s)	2015 R	2014 R
Cash flows from operating activities			
Cash used in operations	12	(580 133)	(3 955 960)
Interest income		4 680 349	3 771 306
Net cash from operating activities		4 100 216	(184 654)
Cash flows from investing activities			
Net movement in financial assets		4 485 591	4 109 362
Net cash from investing activities		4 485 591	4 109 362
Cash flows from financing activities			
Repayment of other financial liabilities		(2 642 606)	55 689
Net movement in funds available for distribution		(6 019 540)	(1 358 725)
Net cash from financing activities		(8 662 146)	(1 303 036)
Total cash movement for the year		(76 339)	2 621 672
Cash at the beginning of the year		3 248 629	626 957
Total cash at end of the year	5	3 172 290	3 248 629

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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.

1.3 Borrowing costs

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

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Notes to the Annual Financial Statements

	2015 R	2014 R
2. Funds available for distribution		
Funds available for distribution: Beneficiaries	(47 959 093)	(52 538 616)
Funds available for distribution: Social Projects	(748 960)	(1 165 607)
Funds available for distribution: Cost	(8 145 212)	(9 168 582)
	(56 853 265)	(62 872 805)
Beneficiaries		
Opening balance	52 538 616	53 529 772
Reversal of claims approved and not paid (prior year)	2 096 421	1 575 710
Claims paid	(4 852 303)	(2 996 558)
Claims approved and not paid	(3 119 560)	(2 096 421)
Transfer to/from Social Projects account	-	(417 027)
Net surplus/(deficit) for the year	1 295 920	2 943 140
	47 959 094	52 538 616
Social Projects		
Opening balance	1 165 607	462 585
Net surplus/(deficit) for the year	288 921	820 561
Transfer to/from Beneficiaries account	-	417 027
Social Project Expenses	(705 569)	(534 566)
	748 959	1 165 607
Cost		
Opening balance	9 168 582	10 239 173
Net surplus/(deficit) for the year	(1 023 370)	(1 070 591)
	8 145 212	9 168 582
3. Other financial assets		
Taquanta Asset Managers		
Investment at book Value	59 789 058	62 066 845
Investment at Fair Value	56 789 155	61 709 548
The fair values of the investments are based on the quoted market price at reporting period date.		
Non-current assets		
At fair value	56 789 155	61 709 548
4. Trade and other receivables		
Trade receivables	11 479	11 150
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	3 172 291	3 248 629

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Notes to the Annual Financial Statements

	2015 R	2014 R
6. Trust capital		
Capital account / Trust capital		
Balance at beginning of year	100	100
7. Trade and other payables		
Trade payables	-	1
Claims payable	3 119 560	2 096 421
	3 119 560	2 096 422
8. Investment revenue		
Interest revenue		
Bank	140 234	84 776
Investment Portfolio: Taquanta Asset Managers	4 540 115	3 686 530
	4 680 349	3 771 306
9. Fair value adjustments		
Investment Portfolio: Realised losses	(434 802)	(61 713)
Investment Portfolio: Unrealised (loss)/profit	(2 642 606)	55 689
	(3 077 408)	(6 024)
10. Taxation		
<i>No provision has been made for 2014 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	50 730	65 790
12. Cash used in operations		
(Deficit) surplus before taxation	(144 098)	2 158 544
Adjustments for:		
Interest received - investment	(4 680 349)	(3 771 306)
Fair value adjustments	3 077 408	6 024
Transfer to funds available for distribution	144 097	(2 158 544)
Changes in working capital:		
Trade and other receivables	(329)	(9 596)
Trade and other payables	1 023 138	(181 082)
	(580 133)	(3 955 960)

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	2015	2014
	R	R
13. Social Project Expenses		
Project expenses / (refunds)		
Asbestos Interest Group (AIG)	120 000	114 000
Asbestos Research (Dr Fig)	7 500	-
Cancer Charity Workers (CCW)	30 000	18 000
Communications	69 981	64 187
Kuruman Palliative Care Nurse Project (KPCNP)	244 715	224 710
Mesothelioma Incidence Near Kuruman Study (MINKS)	131 100	-
Neil White Bursary (NWB)	25 000	-
Death Registry Workshop	27 273	63 669
SA Meso Interest Group (SAMIG)	50 000	50 000
	705 569	534 566

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Detailed Income Statement

	Note(s)	2015 R	2014 R
Other income			
Interest received	8	4 680 349	3 771 306
Fair value adjustments	9	-	55 689
		4 680 349	3 826 995
Operating expenses			
Administration and management fees		(410 400)	(410 400)
Auditors remuneration	11	(50 730)	(65 790)
Bank charges		(5 911)	(6 497)
Claim expenses		(274)	(5 000)
Claimant recruitment costs		(14 483)	-
Claimants transport expenses		(3 207)	(20 081)
Computer expenses		(112)	(79)
Medical evaluation costs		(16 228)	(24 004)
Meeting expenses		(10 390)	(20 462)
Portfolio fees		(18 099)	(1 580)
Postage		(335)	(685)
Printing and stationery		(3 010)	-
Travel and accommodation		(35 860)	(41 225)
Trustee fees		(415 536)	(386 623)
Trustees consulting fees		(56 895)	(89 746)
		(1 041 470)	(1 072 172)
Operating surplus		3 638 879	2 754 823
Fair value adjustments	9	(3 077 408)	(61 713)
Social project expenses	13	(705 569)	(534 566)
		(3 782 977)	(596 279)
(Deficit) surplus for the year		(144 098)	2 158 544