



**Asbestos Relief Trust**  
**(IT. 1734/2003)**

**Annual Financial Statements**  
*for the year ended 28 February 2010*

| <i>Contents</i>  | <i>Page</i> |
|--|-------------|
| Trustees' responsibility for the annual financial statements | 2           |
| Independent auditor's report                                 | 3           |
| Trustees' report   | 4 – 5       |
| Statement of financial position                              | 6           |
| Statement of comprehensive income                            | 7 – 8       |
| Statement of changes in trust capital and accumulated funds  | 9           |
| Statement of cash flows                                      | 10          |
| Notes to the financial statements                            | 11 – 23     |



## Asbestos Relief Trust

### Trustees' responsibility for the annual financial statements

*for the year ended 28 February 2010*

The trustees are responsible for the preparation and fair presentation of the annual financial statements, comprising the statement of financial position at 28 February 2010, and the statement of comprehensive income, statement of changes in trust capital and accumulated funds and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the trustees' report, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Trust Deed dated 12 March 2003.

The trustees' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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.


The trustees' responsibility also includes maintaining adequate accounting records and an effective system of risk management.


The trustees have made an assessment of the trust's ability to continue as a going concern and have no reason to believe that the trust will be not a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

### Trustees' approval of the annual financial statements

The annual financial statements for the for the year ended 28 February 2010 set out on pages 4 to 23 were approved by the trustees on 24 August 2010 and are signed on its behalf by –

  
\_\_\_\_\_  
J de Bruyn (Chairman)

  
\_\_\_\_\_  
P van Zyl

} Trustees



**KPMG Inc**  
KPMG Crescent  
85 Empire Road, Parktown, 2193  
Private Bag 9, Parkview, 2122, South Africa

Telephone +27 (11) 647 7111  
Fax +27 (11) 647 8000  
Docex 472 Johannesburg  
Internet <http://www.kpmg.co.za/>

## Independent auditor's report

### To the trustees of Asbestos Relief Trust

We have audited the annual financial statements of Asbestos Relief Trust, which comprise the statement of financial position at 28 February 2010, and the statement of comprehensive income, the statement of changes in trust capital and accumulated funds and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the trustees' report as set out on pages 4 to 23.

#### *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 dated 12 March 2003. 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.

#### *Auditor's 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 auditor's judgment, 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 management, 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, these financial statements present fairly, in all material respects, the financial position of Asbestos Relief Trust at 28 February 2010, and its financial performance and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Trust Deed dated 12 March 2003.

**KPMG Inc.**

Per N Keshav  
Chartered Accountant (SA)  
Registered Auditor  
Director  
24 August 2010

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Policy Board:  
Chief Executive: RM Kgosana  
Executive Directors: TH Bashall\*, DC Duffield, A Hari, TH Hoole, FB Leith, JS McIntosh, AM Mokgabudi, D van Heerden  
Other Directors: LP Fourie, A Jaffer, E Magondo, CM Read, Y Suleman (Chairman of the Board), A Thunström, JM Vice

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.

\* British



# Asbestos Relief Trust

## Trustees' report

*for the year ended 28 February 2010*

The trustees have pleasure in presenting their report for the year ended 28 February 2010.

### 1. Objective of the trust

The primary object of the trust is 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.

### 2. Founders of the trust

The founders of the trust are Gencor Limited ("Gencor"), Griqualand Exploration and Finance Company Limited ("Gefco") and Msauli Asbes Beperk ("Msauli"). The funds provided by the founders are detailed in note 6 to the annual financial statements.

The founders, 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 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 these assets represents 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.

The Gencor settlement account is specifically utilised by the Trustees to make awards to the following beneficiaries:

- All persons who have contracted an asbestos related disease with a lung function impairment who had occupational exposure to asbestos dust at the qualifying operations solely during the period 1965 to 1988 inclusive.
- All persons who have contracted an asbestos related disease with a lung function impairment who had environmental (non-occupational exposure) to asbestos dust in the vicinity of any of the qualifying operations and who have no prior history of any occupational exposure to asbestos dust at any time.
- All persons who have contracted mesothelioma or asbestos related lung cancer who had occupational exposure to asbestos dust at any time of the qualifying operations partly during 1965 to 1988 and partly outside this period.
- The dependants of persons who have died and a cause of death is mesothelioma or asbestos related lung cancer in circumstances where it is satisfied that the deceased had asbestos dust exposure at a qualifying operation or, as a case may be, environmental exposure to asbestos dust in the vicinity of any of the qualifying operations and who had no history of any occupational exposure to asbestos dust at any time.



## Asbestos Relief Trust

### Trustees' report

*for the year ended 28 February 2010 (continued)*

#### Beneficiaries

Beneficiaries of the trust are:

- Qualifying claimants for the life of the trust.
- To the extent that upon the expiry of the life of the trust the assets left in the trust, any charitable organisation having as one of its principal objectives the promotion of welfare of persons or communities detrimentally affected by asbestos mining.

#### Financial results

The financial statements reflect the financial position of the trust at 28 February 2010 and the results of its activities for the year ended 28 February 2010.

#### Trustees during the year and at the date of this report

J de Bruyn (Chairperson)  
P Camay  
J Doidge  
C Moni  
P van Zyl

#### The business and postal address of the trust is:

|                                 |           |
|---------------------------------|-----------|
| Eton building, Sherborne Square | PO Box 86 |
| 5 Sherborne Road                | Parklands |
| Parktown                        | 2121      |
| 2193                            |           |

*M*



## Asbestos Relief Trust

### Statement of financial position

at 28 February 2010

|   | <i>Note</i> | <b>2010</b><br><b>R</b> | <b>2009</b><br><b>R</b> |
|---|-------------|-------------------------|-------------------------|
| <b>Assets</b>                               |             |                         |                         |
| <b>Non-current assets</b>                   |             |                         |                         |
| Investments                                 | 2           | <b>133 085 183</b>      | 91 220 445              |
| Property and equipment                      | 3           | <b>6 604 853</b>        | 7 500 860               |
| Intangible asset                            | 4           | <b>59 572</b>           | 13 625                  |
| <b>Current assets</b>                       |             |                         |                         |
| Trade and other receivables                 |             | <b>2 066 956</b>        | 1 428 725               |
| Cash and cash equivalents                   | 5           | <b>187 874 922</b>      | 238 111 513             |
| <b>Total assets</b>                         |             | <b>329 691 486</b>      | 338 275 168             |
| <b>Trust capital</b>                        |             |                         |                         |
| Contribution made by a founder              |             | <b>300</b>              | 300                     |
| <b>Liabilities</b>                          |             |                         |                         |
| <b>Non current liabilities</b>              |             |                         |                         |
| Available for distribution to beneficiaries | 6           | <b>320 159 595</b>      | 322 521 030             |
| <b>Current liabilities</b>                  |             |                         |                         |
| Approved claims payable                     | 6           | <b>8 432 072</b>        | 13 554 102              |
| Trade and other payables                    |             | <b>1 099 519</b>        | 2 199 736               |
| <b>Total trust capital and liabilities</b>  |             | <b>329 691 486</b>      | 338 275 168             |



## Asbestos Relief Trust

### Statement of comprehensive income for the year ended 28 February 2010

|  | Note | 28 February<br>2010<br>R | 28 February<br>2009<br>R |
|--|------|--------------------------|--------------------------|
| <b>Income</b>  |      | 37 428 967               | 29 168 915               |
| Interest received  |      | 21 270 331               | 31 360 723               |
| Dividends received   |      | 2 021 601                | 4 125 639                |
| Net gain/(loss) in fair value of financial assets at fair value through profit or loss |      | 10 228 561               | (26 356 771)             |
| Profit on disposal of investments  |      | 5 469 855                | 21 643 093               |
| less: Portfolio fees (including costs)   |      | (1 561 381)              | (1 603 769)              |
| <b>Sundry income</b>   |      | 1 374 867                | 2 170 872                |
| Recoveries from Kgalagadi Relief Trust and others                                      |      | 1 161 435                | 2 170 872                |
| Adjustment for input VAT claims  |      | 213 432                  | -                        |
| <b>Total income</b>  |      | 38 803 834               | 31 339 787               |
| <b>Expenditure</b>   |      | (4 617 202)              | (5 174 474)              |
| Claim handlers fee & related expenses  |      | 1 653 615                | 1 733 901                |
| Medical practitioners fees   |      | 1 070 026                | 1 587 350                |
| Administration fees  |      | 15 442                   | 20 519                   |
| Actuarial fees   |      | 173 109                  | 104 585                  |
| Accounting fees  |      | -                        | 12 605                   |
| Amortisation of intangible asset   |      | 18 242                   | 6 836                    |
| Auditors remuneration  |      | 199 500                  | 256 500                  |
| - current year   |      | 199 500                  | 188 100                  |
| - prior year under provision   |      | -                        | 68 400                   |
| Bank charges   |      | 10 508                   | 4 531                    |
| Communication expenses   |      | 134 374                  | 76 255                   |
| Computer expenses  |      | 345 738                  | 199 432                  |
| Consulting fees - trustees   |      | 91 219                   | 215 917                  |
| Courier & postage  |      | 36 379                   | 45 629                   |
| Database maintenance   |      | 321 870                  | 486 072                  |
| Depreciation   |      | 547 180                  | 424 342                  |
| - office building  |      | 332 884                  | 202 809                  |
| - motor vehicles   |      | 63 584                   | 74 119                   |
| - computer equipment   |      | 65 830                   | 64 693                   |
| - fire control equipment   |      | 27 896                   | 27 896                   |
| - office equipment   |      | 20 708                   | 13 295                   |
| - office furniture   |      | 36 278                   | 41 530                   |
| <b>Income in excess of expenditure carried forward</b>                                 |      | 34 186 632               | 26 165 313               |

MW



## Asbestos Relief Trust

### Statement of comprehensive income (continued) for the year ended 28 February 2010

|  | Note | 28 February<br>2010<br>R | 28 February<br>2009<br>R |
|--|------|--------------------------|--------------------------|
| <b>Income in excess of expenditure carried forward</b> |      | <b>34 186 632</b>        | <b>26 165 313</b>        |
| <b>Expenditure</b>                                     |      | <b>(7 602 445)</b>       | <b>(7 796 541)</b>       |
| Donations  |      | –                        | 9 983                    |
| Insurance  |      | 99 148                   | 81 838                   |
| Internal audit fees                                    |      | 53 548                   | 50 234                   |
| Legal expenses   |      | 5 097                    | 6 521                    |
| Loss on disposal of property and equipment             |      | 38 790                   | 319                      |
| Management fees  |      | 135 142                  | 86 961                   |
| Meeting expenses                                       |      | 77 631                   | 19 708                   |
| Membership fees  |      | 11 125                   | 2 070                    |
| Office relocation expenses                             |      | 38 916                   | 242 668                  |
| Payroll costs  |      | 4 690 397                | 4 635 844                |
| Penalties and interest paid                            |      | 241 003                  | –                        |
| Printing and stationery                                |      | 53 259                   | 67 840                   |
| Professional fees – other                              |      | 12 400                   | 129 433                  |
| Rental and related expenses                            |      | 922 534                  | 899 088                  |
| Repairs and maintenance                                |      | 18 421                   | 9 823                    |
| Subscription fees                                      |      | 2 030                    | 932                      |
| Sundry expenses  |      | 4 681                    | 2 870                    |
| Telephone  |      | 167 359                  | 184 044                  |
| Training and conferences                               |      | 58 578                   | 51 139                   |
| Travel and accommodation                               |      | 343 960                  | 388 606                  |
| Trustees attendance fees                               |      | 628 426                  | 608 794                  |
| Vat adjustment   |      | –                        | 253 262                  |
| Work records scanning project                          |      | –                        | 64 564                   |
| <b>Income in excess of expenditure before taxation</b> |      | <b>26 584 187</b>        | <b>18 368 772</b>        |
| <b>Taxation</b>  | 7    | <b>–</b>                 | <b>–</b>                 |
| <b>Income in excess of expenditure for the year</b>    |      | <b>26 584 187</b>        | <b>18 368 772</b>        |
| <b>Other comprehensive income</b>                      |      | <b>–</b>                 | <b>–</b>                 |
| <b>Total comprehensive income</b>                      |      | <b>26 584 187</b>        | <b>18 368 772</b>        |





## Asbestos Relief Trust

### Statement of changes in trust capital and accumulated funds

for the year ended 28 February 2010

|  | Trust capital<br>R | Accumulated<br>funds<br>R | Total<br>R   |
|--|--------------------|---------------------------|--------------|
| <b>Balance at 29 February 2008</b>   | 300                | –                         | 300          |
| Income in excess of expenditure for the year   |                    | 18 368 772                | 18 368 772   |
| Income in excess of expenditure for the year transferred<br>as available for distribution to beneficiaries (Refer note<br>6) |                    | (18 368 772)              | (18 368 772) |
| <b>Balance at 28 February 2009</b>   | <b>300</b>         | –                         | <b>300</b>   |
| Income in excess of expenditure for the year   |                    | 26 584 187                | 26 584 187   |
| Income in excess of expenditure for the year transferred<br>as available for distribution to beneficiaries (Refer note<br>6) |                    | (26 584 187)              | (26 584 187) |
| <b>Balance at 28 February 2010</b>   | <b>300</b>         | –                         | <b>300</b>   |

*M*



## Asbestos Relief Trust

### Statement of cash flows

for the year ended 28 February 2010

|  | 2010<br>R           | 2009<br>R           |
|--|---------------------|---------------------|
| <b>Income in excess of expenditure before taxation</b>                                   | <b>26 584 187</b>   | <b>18 368 772</b>   |
| Adjustments  |                     |                     |
| – Amortisation of intangible asset   | 18 242              | 6 836               |
| – Depreciation of property and equipment   | 547 180             | 424 342             |
| – (Increase)/decrease in trade and other receivables                                     | (638 231)           | 376 527             |
| – (Decrease)/increase in trade and other payables  | (1 100 218)         | 627 645             |
| – Decrease in approved claims payable  | (5 122 030)         | (463 149)           |
| – Profit on disposal of investments  | (5 469 855)         | (21 643 093)        |
| – Loss on disposal of property and equipment   | 38 790              | 319                 |
| – Net (gain)/loss in fair value of financial assets at fair value through profit or loss | (10 228 561)        | 26 356 771          |
| – VAT adjustment to property and equipment   | 400 181             | –                   |
| <b>Cash generated by operations</b>  | <b>5 098 598</b>    | <b>24 054 970</b>   |
| Cash (outflow) /inflow from investing activities   | (26 389 567)        | 10 026 212          |
| Investment income reinvested   | (22 620 461)        | (33 882 593)        |
| Other movements in investments   | (3 614 773)         | 51 150 023          |
| Acquisition of intangible asset  | (64 189)            | (13 353)            |
| Acquisition of property and equipment  | (99 498)            | (7 260 942)         |
| Proceeds on disposal of equipment  | 9 354               | 33 077              |
| <b>Cash effect of amounts available to beneficiaries</b>                                 | <b>(28 945 622)</b> | <b>(31 704 235)</b> |
| Claims paid  | (28 216 449)        | (30 359 874)        |
| Social projects grants   | (729 173)           | (1 344 361)         |
| (Decrease)/increase in cash and cash equivalents for the year                            | (50 236 591)        | 2 376 947           |
| Cash and cash equivalents at beginning of year   | 238 111 513         | 235 734 566         |
| <b>Cash and cash equivalents at end of year</b>  | <b>187 874 922</b>  | <b>238 111 513</b>  |



# Asbestos Relief Trust

## Notes to the financial statements

for the year ended 28 February 2010

### 1. Significant accounting policies

The Asbestos Relief Trust (the "trust") is domiciled in the Republic of South Africa.

The financial statements incorporate the following principal accounting policies which are consistent with those adopted in the previous year.

#### 1.1 Statement of compliance

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice ("SA GAAP") and the Interpretations of the statements of SA GAAP and the requirements of the Trust Deed dated 12 March 2003.

#### 1.2 Basis of preparation

The financial statements are presented in South African Rand, rounded to the nearest Rand. They are prepared on the historical cost basis, except for financial instruments which are measured at fair value.

The preparation of financial statements in conformity with SA GAAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of SA GAAP that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year have been considered. No estimates or judgements which would have a significant effect on the 2010 results were made by management in applying the accounting policies at 28 February 2010.

#### 1.3 Financial instruments

##### *Financial assets*

The principal financial assets are investments, trade and other receivables and cash and cash equivalents.

##### *Held-to maturity investments*

If the Trust has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to maturity. Held-to-maturity investments are recognised initially as fair value plus any directly attributable transaction costs. Subsequent to initial recognition investments are at amortised cost using the effective interest rate method, less any impairment losses.



## Asbestos Relief Trust

### Notes to the financial statements

for the year ended 28 February 2010 (continued)

#### 1. Significant accounting policies (continued)

##### 1.3 Financial instruments (continued)

###### *Financial assets at fair value through profit or loss*

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the trust manages such investments and makes purchase and sale decisions based on their fair value in accordance with the trust's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

###### *Trade and other receivables*

Trade and other receivables are stated at their nominal value and reduced by an appropriate impairment for estimated irrecoverable amounts.

###### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts, all of which are available for use by the trust unless otherwise stated. Bank overdrafts that are repayable on demand and form an integral part of trust cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

###### *Financial liabilities*

Comprise available for distribution to beneficiaries, approved claims payable and trade and other payables.

Available for distribution to beneficiaries represents the contributions made by founders, adjusted for claims paid and payable and net income in excess of expenditure for the period. This is carried at amortised cost although the effects of discounting are immaterial.

Approved claims payable and trade and other payables are stated at cost.

##### 1.4 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The trust recognises in the carrying amount of an item of plant and equipment the cost of replacement of part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the trust and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.



## Asbestos Relief Trust

### Notes to the financial statements

for the year ended 28 February 2010 (continued)

#### 1. Significant accounting policies (continued)

##### 1.4 Property and equipment (continued)

Depreciation is provided on a straight line basis, at rates deemed appropriate to reduce the carrying values of such assets at the end of their lives. Useful lives and residual values are re-assessed annually.

The following depreciation rates are used –

|                                   |        |
|-----------------------------------|--------|
| Office buildings                  | 5%     |
| Motor vehicles                    | 20%    |
| Computer equipment                | 33,33% |
| Office and fire control equipment | 20%    |
| Office furniture                  | 10%    |

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised in profit or loss.

##### 1.5 Intangible assets

Software is stated at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight line basis, at rates deemed appropriate to reduce the carrying value of such assets at the end of their lives. Useful lives and residual values are re-assessed annually.

The following amortisation rate is used:

|          |     |
|----------|-----|
| Software | 50% |
|----------|-----|

##### 1.6 Impairment of assets

The carrying amounts of the trust's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

##### 1.7 Employee benefits

###### *Short term employee benefits*

The cost of all short term benefits is recognised during the year in which date the employee renders the related service. The accrual for employee benefits represent the amount which the trust has a present obligation to pay as a result of employees' services provided to the reporting date.



## **Asbestos Relief Trust**

### **Notes to the financial statements**

*for the year ended 28 February 2010 (continued)*

#### **1. Significant accounting policies (continued)**

##### **1.8 Provisions**

A provision is recognised if, as a result of a past event, the trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

##### **1.9 Financial income**

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest rate.

##### **1.10 Dividends income**

Dividends are recognised when the right to receive payment is established.



## Asbestos Relief Trust

### Notes to the financial statements

for the year ended 28 February 2010 (continued)

|   | 2010<br>R          | 2009<br>R         |
|---|--------------------|-------------------|
| <b>2. Investments</b>                         |                    |                   |
| <i>Taquanta Asset Managers</i>                |                    |                   |
| Preference shares                             | –                  | 771 888           |
| Domestic equities                             | 19 857 805         | 7 860 626         |
| Fixed interest investments – inflation linked | 33 517 107         | 15 236 877        |
| Total Taquanta investments                    | <u>53 374 912</u>  | <u>23 869 391</u> |
| <i>Prescient Investment Management</i>        |                    |                   |
| Domestic equities                             | 68 982 841         | 67 351 054        |
| Fixed interest investments                    | 1 553 458          | –                 |
| Fixed interest investments – inflation linked | 9 173 972          | –                 |
| Total Prescient investments                   | <u>79 710 271</u>  | <u>67 351 054</u> |
|   | <u>133 085 183</u> | <u>91 220 445</u> |

| 3. Property and equipment | Depreciation<br>rate<br>% | Cost<br>R        | Accumulated<br>depreciation<br>R | Carrying<br>amount<br>R |
|---------------------------|---------------------------|------------------|----------------------------------|-------------------------|
|                           |                           |                  |                                  |                         |
| Office buildings          | 5,00                      | 6 657 680        | (535 693)                        | 6 121 987               |
| Motor vehicles            | 20,00                     | 351 245          | (291 991)                        | 59 254                  |
| Computer equipment        | 33,33                     | 360 654          | (272 130)                        | 88 524                  |
| Fire control equipment    | 20,00                     | –                | –                                | –                       |
| Office equipment          | 20,00                     | 114 837          | (43 705)                         | 71 132                  |
| Office furniture          | 10,00                     | 363 750          | (99 794)                         | 263 956                 |
|                           |                           | <u>7 848 166</u> | <u>(1 243 313)</u>               | <u>6 604 853</u>        |

Property represents section 1 on Sherborne Square, under sectional title development, situated at Parktown, City of Johannesburg in terms of a Sectional Plan to the extent of 478 square metres.

2009

|                        |       |                  |                  |                  |
|------------------------|-------|------------------|------------------|------------------|
| Office buildings       | 5,00  | 7 057 861        | (202 809)        | 6 855 052        |
| Motor vehicles         | 20,00 | 351 245          | (228 407)        | 122 838          |
| Computer equipment     | 33,33 | 377 604          | (284 490)        | 93 114           |
| Fire control equipment | 20,00 | 139 479          | (69 740)         | 69 739           |
| Office equipment       | 20,00 | 96 741           | (22 997)         | 73 744           |
| Office furniture       | 10,00 | 355 492          | (69 119)         | 286 373          |
|                        |       | <u>8 378 422</u> | <u>(877 562)</u> | <u>7 500 860</u> |



## Asbestos Relief Trust

### Notes to the financial statements

for the year ended 28 February 2010 (continued)

#### 3. Property and equipment (continued)

##### Carrying value reconciliation

| 2010                   | Net value at beginning of year<br>R | Additions<br>R | Disposals<br>R   | Depreciation<br>R | Carrying value at end of year<br>R |
|------------------------|-------------------------------------|----------------|------------------|-------------------|------------------------------------|
| Office buildings       | 6 855 052                           | –              | (400 181)*       | (332 884)         | 6 121 987                          |
| Motor vehicles         | 122 838                             | –              | –                | (63 584)          | 59 254                             |
| Computer equipment     | 93 114                              | 61 240         | –                | (65 830)          | 88 524                             |
| Fire control equipment | 69 739                              | –              | (41 843)         | (27 896)          | –                                  |
| Office equipment       | 73 744                              | 18 096         | –                | (20 708)          | 71 132                             |
| Office furniture       | 286 373                             | 20 162         | (6 301)          | (36 278)          | 263 956                            |
|                        | <b>7 500 860</b>                    | <b>99 498</b>  | <b>(448 325)</b> | <b>(547 180)</b>  | <b>6 604 853</b>                   |

\* This relates to input VAT on building not previously claimed. The trustees are satisfied based on representations made to the South Africa Revenue Services and discussions with them, that the amount will be recovered.

| 2009                   | Net value at beginning of year<br>R | Additions<br>R   | Disposals<br>R  | Depreciation<br>R | Carrying value at end of year<br>R |
|------------------------|-------------------------------------|------------------|-----------------|-------------------|------------------------------------|
| Office buildings       | –                                   | 7 057 861        | –               | (202 809)         | 6 855 052                          |
| Motor vehicles         | 178 378                             | 18 579           | –               | (74 119)          | 122 838                            |
| Computer equipment     | 102 087                             | 55 720           | –               | (64 693)          | 93 114                             |
| Fire control equipment | 97 635                              | –                | –               | (27 896)          | 69 739                             |
| Office equipment       | 8 988                               | 78 051           | –               | (13 295)          | 73 744                             |
| Office furniture       | 310 568                             | 50 731           | (33 396)        | (41 530)          | 286 373                            |
|                        | <b>697 656</b>                      | <b>7 260 942</b> | <b>(33 396)</b> | <b>(424 342)</b>  | <b>7 500 860</b>                   |

| 4 | Intangible asset  | Depreciation rate<br>% | Cost<br>R | Accumulated amortisation<br>R | Carrying amount<br>R |
|---|-------------------|------------------------|-----------|-------------------------------|----------------------|
|   | <b>2010</b>       |                        |           |                               |                      |
|   | Computer software | 50%                    | 544 076   | (484 504)                     | 59 572               |
|   | <b>2009</b>       |                        |           |                               |                      |
|   | Computer software | 50%                    | 495 613   | (481 988)                     | 13 625               |





## Asbestos Relief Trust

### Notes to the financial statements

for the year ended 28 February 2010 (continued)

#### 4. Intangible asset (continued)

| Carrying value reconciliation | Net value at beginning of year<br>R | Net Additions<br>R | Amortisation<br>R | Carrying value at end of year<br>R |
|-------------------------------|-------------------------------------|--------------------|-------------------|------------------------------------|
| 2010                          |                                     |                    |                   |                                    |
| Computer Software             | 13 625                              | 64 189             | (18 242)          | 59 572                             |
| 2009                          |                                     |                    |                   |                                    |
| Computer software             | 7 108                               | 13 353             | (6 836)           | 13 625                             |
|                               |                                     |                    | 2010<br>R         | 2009<br>R                          |

#### 5. Cash and cash equivalents

Comprises:

|  |                    |             |
|--|--------------------|-------------|
| <b>Cash and bank accounts</b>            | <b>8 017 054</b>   | 9 849 604   |
| Corporate Saver accounts–Gencor          | 3 065 482          | 4 086 991   |
| Corporate Saver accounts–Msauli          | 3 566 358          | 1 130 379   |
| Corporate Saver accounts–Social Projects | 325 336            | 3 591 606   |
| Administration expense bank accounts     | 1 057 840          | 1 039 636   |
| Petty cash on hand                       | 2 038              | 992         |
| <b>Cash investments</b>                  | <b>179 857 868</b> | 228 261 909 |
| Taquanta Asset Managers                  | 84 862 474         | 117 458 343 |
| Prescient Investment Management          | 57 417 392         | 72 329 309  |
| Investec Asset Management                | 37 578 002         | 38 474 257  |
|  | <b>187 874 922</b> | 238 111 513 |



## Asbestos Relief Trust

### Notes to the financial statements

for the year ended 28 February 2010 (continued)

#### 6. Available for distribution to beneficiaries

| 2010  | Gencor<br>settlement<br>account<br>R | Gefco<br>settlement<br>account<br>R | Msauli<br>settlement<br>account<br>R | Total<br>R         |
|---|--------------------------------------|-------------------------------------|--------------------------------------|--------------------|
| Opening balance   | 321 504 424                          | –                                   | 1 016 606                            | 322 521 030        |
| Recovery of funds assigned for<br>social projects to settle Gefco<br>claims from contributions received | 12 260                               | (12 420)                            | 160                                  | –                  |
| Net income in excess of expenditure<br>for the period   | 26 242 580                           | –                                   | 341 607                              | 26 584 187         |
| Claims (paid)/refunded  | (19 748 843)                         | 207 250                             | (242 784)                            | (19 784 377)       |
| Amounts transferred to approved<br>claims payable   | (7 529 691)                          | (194 830)                           | (707 551)                            | (8 432 072)        |
| Social project grants – other   | (719 802)                            | –                                   | (9 371)                              | (729 173)          |
| <b>Closing balance</b>  | <b>319 760 928</b>                   | <b>–</b>                            | <b>398 667</b>                       | <b>320 159 595</b> |
| <b>2009</b>   |                                      |                                     |                                      |                    |
| Opening balance   | 335 056 147                          | –                                   | 800 346                              | 335 856 493        |
| Recovery of funds assigned for<br>social projects to settle Gefco<br>claims from contributions received | (5 873)                              | 5 949                               | (76)                                 | –                  |
| Net income in excess of expenditure<br>for the period   | 18 132 744                           | –                                   | 236 028                              | 18 368 772         |
| Claims paid   | (17 901 973)                         | 470 002                             | 626 199                              | (16 805 772)       |
| Amounts transferred to approved<br>claims payable   | (12 449 534)                         | (475 951)                           | (628 617)                            | (13 554 102)       |
| Social project grants – other   | (1 327 087)                          | –                                   | (17 274)                             | (1 344 361)        |
| <b>Closing balance</b>  | <b>321 504 424</b>                   | <b>–</b>                            | <b>1 016 606</b>                     | <b>322 521 030</b> |
|   |                                      |                                     | <b>2010<br/>R</b>                    | <b>2009<br/>R</b>  |

#### 7. Taxation

##### South African normal taxation

|   |              |              |
|---|--------------|--------------|
| Net income in excess of expenditure before taxation | 26 584 187   | 18 368 772   |
| Less: awarded to beneficiaries                      | (26 584 187) | (18 368 772) |
| 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.



## Asbestos Relief Trust

### Notes to the financial statements

for the year ended 28 February 2010 (continued)

#### 8. Financial risk management

##### *Overview*

The trust has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk

The trustees have overall responsibility for the establishment and oversight of the trust's risk management framework.

The trustees have mandated various assets managers namely, Taquanta Asset Managers, Investec Asset Management and Prescient Investment Management to manage the investment portfolio on its behalf. These asset managers have discretion in managing the portfolio, however they seek to create a balance to provide short term liquidity and long term capital growth through investment in securities across all mature sectors of the economy. They indemnify the trust against any losses, liabilities, costs, charges or expenses caused by the negligence, default, fraud or dishonesty of its representatives.

##### *Market risk*

Market risk is the risk that changes in market prices, such as equity prices and interest rates will affect the trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

##### *Liquidity risk*

Liquidity risk is the risk that the trust will not be able to meet its financial obligations as they fall due. The trust's approach to managing liquidity, through the use of portfolio managers, is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the trust's reputation.

The trust ensures that it has sufficient cash on call to meet expected claims, operating expenses and other financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

##### *Credit risk*

Credit risk is the risk of financial loss to the trust if a third party to a financial instrument fails to meet its contractual obligations, and arises principally from the trust's receivables from third parties and investment securities.

##### *Price risk*

The trust is exposed to price risk due to changes in the market values of its quoted securities that are classified as fair value through profit or loss. Although the portfolio managers follow a policy of diversification some concentration of price risk towards certain sectors does exist.



## Asbestos Relief Trust

### Notes to the financial statements

for the year ended 28 February 2010 (continued)

#### 8. Financial risk management (continued)

##### Price risk (continued)

|  | 2010<br>R   | 2009<br>R  |
|--|-------------|------------|
| <b>8.1 Analysis of price risk</b>              |             |            |
| Investments                                    |             |            |
| Sector composition of quoted equity securities |             |            |
| Oil and gas                                    | 4 486 106   | 5 376 168  |
| Basic materials                                | 36 039 151  | 33 302 747 |
| Industrials                                    | 2 737 355   | 2 984 142  |
| Consumer goods                                 | 11 401 369  | 9 076 333  |
| Health care                                    | 673 080     | –          |
| Consumer services                              | 3 702 102   | 3 170 789  |
| Telecommunication                              | 8 241 935   | 6 160 238  |
| Technology                                     | 373 083     | 503 225    |
| Domestic equity                                | 44 429      | 116 807    |
| Preference shares                              | –           | 771 888    |
| Fixed interest investments                     | 1 553 458   | –          |
| Inflation linked investments                   | 42 691 079  | 15 236 877 |
| Financials                                     | 21 142 036  | 14 521 231 |
|  | 133 085 183 | 91 220 445 |

The table below summarises the sensitivity of the trust's income for the year as a result of market fluctuations on the assumption that market prices increase or decrease by 1% with all other variables held constant:

|                               | 2010<br>1% increase | 2010<br>1% decrease |
|-------------------------------|---------------------|---------------------|
| Impact on income for the year | 1 330 852           | (1 330 852)         |

#### 8.2 Inflation rate risk

The trust is exposed to inflation risk due to changes in the market values of its investments which are inflation linked.

|                              | 2010<br>R  | 2009<br>R  |
|------------------------------|------------|------------|
| Inflation linked investments | 42 691 079 | 15 236 877 |

The table below summarises the sensitivity of the trust's income for the year as a result of market fluctuations on the assumption that inflation rate linked investments increase or decrease by 1% with all other variables held constant.

|                               | 1% increase<br>2010 | 1% decrease<br>2010 |
|-------------------------------|---------------------|---------------------|
| Impact on income for the year | 426 911             | (426 911)           |



## Asbestos Relief Trust

### Notes to the financial statements

for the year ended 28 February 2010 (continued)

#### 8. Financial risk management (continued)

##### 8.3 Liquidity risk

The table below analyses the trust's financial assets into relevant maturity groupings based on their maturity dates:

|                            | Carrying<br>amount<br>R | Less than 1<br>year<br>R | Between 1<br>and 5 years<br>R | Over 5 years<br>R |
|----------------------------|-------------------------|--------------------------|-------------------------------|-------------------|
| <b>At 28 February 2010</b> |                         |                          |                               |                   |
| Money market               | 116 523 785             | 116 523 785              | --                            | --                |
| Cash at bank and on call   | 71 351 137              | 71 351 137               | --                            | --                |
|                            | <u>187 874 922</u>      | <u>187 874 922</u>       | --                            | --                |
| <b>At 29 February 2009</b> |                         |                          |                               |                   |
| Money market               | 190 401 554             | 190 401 554              | --                            | --                |
| Cash at bank and on call   | 47 709 959              | 47 709 959               | --                            | --                |
|                            | <u>238 111 513</u>      | <u>238 111 513</u>       | --                            | --                |

##### 8.4 Credit risk

Trade and other receivables

The trust's exposure to credit risk is limited as there are minimal trade activities or services rendered to third parties.

|   | 2010<br>R        | 2009<br>R        |
|---|------------------|------------------|
| <i>Trade and other receivables fair value :</i> |                  |                  |
| Trade and other receivables                     | 2 066 956        | 1 428 725        |
| <b>Total receivables</b>                        | <u>2 066 956</u> | <u>1 428 725</u> |



## Asbestos Relief Trust

### Notes to the financial statements

for the year ended 28 February 2010 (continued)

#### 8. Financial risk management (continued)

##### 8.4 Credit risk (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

|                                      | Carrying<br>amount<br>2010<br>R | Carrying<br>amount<br>2009<br>R |
|--------------------------------------|---------------------------------|---------------------------------|
| Trade and other receivables          | 2 066 956                       | 1 428 725                       |
| Cash and cash equivalents            | <u>187 874 922</u>              | <u>238 111 513</u>              |
| <b>Total exposure to credit risk</b> | <b><u>189 941 878</u></b>       | <b><u>239 540 238</u></b>       |

Impairment losses

Based on past experience and present assessments the trust believes that no impairment is necessary in respect of accounts receivable.

|                                      | Carrying<br>amount<br>2010<br>R | Carrying<br>amount<br>2009<br>R |
|--------------------------------------|---------------------------------|---------------------------------|
| Non-derivative financial liabilities |                                 |                                 |
| Approved claims payable              | 8 432 072                       | 13 554 102                      |
| Trade and other payables             | <u>1 099 519</u>                | <u>2 199 736</u>                |
| <b>Total</b>                         | <b><u>9 531 591</u></b>         | <b><u>15 753 838</u></b>        |

##### 8.5 Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

|                             | 2010                      |                           | 2009                      |                           |
|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                             | Carrying<br>amount<br>R   | Fair value<br>R           | Carrying<br>amount<br>R   | Fair value<br>R           |
| Trade and other receivables | 2 066 956                 | 2 066 956                 | 1 428 725                 | 1 428 725                 |
| Cash and cash equivalents   | 187 874 922               | 187 874 922               | 238 111 513               | 238 111 513               |
| Investments                 | 133 085 183               | 133 085 183               | 91 220 445                | 91 220 445                |
| Approved claims payable     | (8 432 072)               | (8 432 072)               | (13 554 102)              | (13 554 102)              |
| Trade and other payables    | <u>(1 099 519)</u>        | <u>(1 099 519)</u>        | <u>(2 199 736)</u>        | <u>(2 199 736)</u>        |
|                             | <b><u>313 495 470</u></b> | <b><u>313 495 470</u></b> | <b><u>315 006 845</u></b> | <b><u>315 006 845</u></b> |



## Asbestos Relief Trust

### Notes to the financial statements

for the year ended 28 February 2010 (continued)

#### 8. Financial risk management (continued)

##### 8.6 Fair value hierarchy

The investments in equities has been classified as a level 1 hierarchy. Level 1 hierarchy represents quoted prices (adjusted) in active markets for identical assets or liabilities.

#### 9. Related parties

The founders and trustees of the trust are set out in the trustees report.

The trustees' fees and fees for professional services are set out in the statement of comprehensive income.

#### 10. Standards not yet effective

In terms of South African statement of Generally Accepted Accounting Practice, the trust is required to include in its annual financial statements disclosure about the future impact of Standards and Interpretations issued but not yet effective at the reporting date.

At the date of authorisation of the financial statements of Asbestos Relief Trust for the year ended 28 February 2010, the following Standards and Interpretations were in issue but not yet effective.

| Standard/Interpretation                  |   | Effective date                                    |
|--|---|---|
| IAS 24 (revised)                         | <i>Related Party Disclosures</i>  | January 2011                                      |
| Improvement IFRS 5 (AC 142)              | <i>Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations</i> | Annual periods commencing on or after 1 July 2009 |
| 15 individual amendments to 12 standards | <i>Improvements to International Financial Reporting Standards 2009</i>   | Annual periods commencing on or after 1 July 2009 |

All standards and interpretations will be adopted at their effective date, except for those standards and interpretations that are not applicable to the trust.

The trustees have reviewed the above standards and are of the opinion that the majority of the standards and interpretations are not applicable to the trust and will therefore have no impact on the future financial statements.