

Asbestos Relief Trust

Annual Financial Statements

for the year ended 28 February 2011

Asbestos Relief Trust
(IT. 1734/2003)

Annual Financial Statements
for the year ended 28 February 2011

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Asbestos Relief Trust

Trustees' responsibility for the annual financial statements

for the year ended 28 February 2011

The trustees are responsible for the preparation and fair presentation of the annual financial statements, comprising the statement of financial position at 28 February 2011, and the statements of comprehensive income, changes in trust capital and accumulated funds and 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 are also responsible for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for 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 2011 set out on pages 4 to 23 were approved by the trustees on 26 August 2011 and are signed on its behalf by –

_____	} Trustees
P Camay	

P van Zyl	

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 2011, and the statements of comprehensive income, changes in trust capital and accumulated funds and 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2011, 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
26 August 2011

Asbestos Relief Trust

Trustees' report

for the year ended 28 February 2011

The trustees have pleasure in presenting their report for the year ended 28 February 2011.

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 7 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 2011 (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 2011 and the results of its activities for the year ended 28 February 2011.

Trustees during the year and at the date of this report

J de Bruyn	(Chairperson)
P Camay	
J Doidge	
C Moni	(Resigned 24 November 2010)
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	

Asbestos Relief Trust

Statement of financial position

at 28 February 2011

	<i>Note</i>	2011 R	2010 R
Assets			
Non-current assets			
Investments	2	138 586 264	133 085 183
Property and equipment	3	6 158 683	6 604 853
Intangible asset	4	22 404	59 572
Current assets			
Trade and other receivables	5	828 311	2 066 956
Cash and cash equivalents	6	175 243 957	187 874 922
Total assets		320 839 619	329 691 486
Trust capital			
Contribution made by a founder		300	300
Liabilities			
Non current liabilities			
Available for distribution to beneficiaries	7	309 681 255	320 159 595
Current liabilities			
Approved claims payable	7	10 444 123	8 432 072
Trade and other payables	8	713 941	1 099 519
Total trust capital and liabilities		320 839 619	329 691 486

Asbestos Relief Trust

Statement of comprehensive income

for the year ended 28 February 2011

	Note	28 February 2011 R	28 February 2010 R
Income		25 679 445	37 428 967
Interest received		15 000 480	21 270 331
Dividends received		2 781 777	2 021 601
Net gain in fair value of financial assets at fair value through profit or loss		27 443 221	10 228 561
(Loss)/profit on disposal of investments		(18 007 740)	5 469 855
less: Portfolio fees (including costs)		(1 538 293)	(1 561 381)
Sundry income		1 188 712	1 374 867
Recoveries from Kgalagadi Relief Trust and others		1 178 542	1 161 435
Profit on disposal of property and equipment		10 170	–
Adjustment for input VAT claims		–	213 432
Total income		26 868 157	38 803 834
Expenditure		(3 346 354)	(4 617 202)
Claim handlers fee & related expenses		1 183 067	1 653 615
Medical practitioners fees		596 249	1 070 026
Administration fees		25 950	15 442
Actuarial fees		26 447	173 109
Amortisation of intangible asset		37 168	18 242
Auditors remuneration		212 040	199 500
Bank charges		13 896	10 508
Communication expenses		96 899	134 374
Computer expenses		255 331	345 738
Consulting fees – trustees		90 389	91 219
Courier & postage		56 038	36 379
Database maintenance		277 819	321 870
Depreciation		475 061	547 180
– office building		332 884	332 884
– motor vehicles		30 258	63 584
– computer equipment		52 299	65 830
– fire control equipment		–	27 896
– office equipment		20 688	20 708
– office furniture		38 932	36 278
Income in excess of expenditure carried forward		23 521 803	34 186 632

Asbestos Relief Trust

Statement of comprehensive income *(continued)* for the year ended 28 February 2011

	<i>Note</i>	28 February 2011 R	28 February 2010 R
Income in excess of expenditure carried forward		23 521 803	34 186 632
Expenditure		(6 140 633)	(7 602 445)
Insurance		71 138	99 148
Internal audit fees		–	53 548
Legal expenses		3 575	5 097
Loss on disposal of property and equipment		–	38 790
Management fees		145 756	135 142
Meeting expenses		27 497	77 631
Membership fees		10 722	11 125
Office relocation expenses		2 793	38 916
Payroll costs		4 231 667	4 690 397
Penalties and interest (refund)/paid		(677)	241 003
Printing and stationery		21 449	53 259
Professional fees – other		61 292	12 400
Rental and related expenses		594 048	922 534
Repairs and maintenance		18 693	18 421
Subscription fees		2 094	2 030
Sundry expenses		400	4 681
Telephone		119 355	167 359
Training and conferences		5 554	58 578
Travel and accommodation		168 088	343 960
Trustees attendance fees		657 189	628 426
Income in excess of expenditure before taxation		17 381 170	26 584 187
Taxation	9	–	–
Income in excess of expenditure for the year		17 381 170	26 584 187
Other comprehensive income		–	–
Total comprehensive income		17 381 170	26 584 187

Asbestos Relief Trust

Statement of changes in trust capital and accumulated funds

for the year ended 28 February 2011

	Trust capital R	Accumulated funds R	Total R
Balance at 28 February 2009	300	–	300
Income in excess of expenditure for the year		26 584 187	26 584 187
Income in excess of expenditure for the year transferred as available for distribution to beneficiaries (Refer note 7)		(26 584 187)	(26 584 187)
Balance at 28 February 2010	300	–	300
Income in excess of expenditure for the year		17 381 170	17 381 170
Income in excess of expenditure for the year transferred as available for distribution to beneficiaries (Refer note 7)		(17 381 170)	(17 381 170)
Balance at 28 February 2011	300	–	–

Asbestos Relief Trust

Statement of cash flows

for the year ended 28 February 2011

	2011 R	2010 R
Income in excess of expenditure before taxation	17 381 170	26 584 187
Adjustments		
– Amortisation of intangible asset	37 168	18 242
– Depreciation of property and equipment	475 061	547 180
– Decrease/(increase) in trade and other receivables	1 238 645	(638 231)
– Decrease in trade and other payables	(385 578)	(1 100 217)
– Increase/(decrease) in approved claims payable	2 012 051	(5 122 030)
– Loss/(profit) on disposal of investments	18 007 740	(5 469 855)
– (Profit)/loss on disposal of property and equipment	(10 170)	38 790
– Net gain in fair value of financial assets at fair value through profit or loss	(27 443 221)	(10 228 561)
– VAT adjustment to property and equipment	–	400 181
Cash generated by operations	11 312 866	5 029 686
Cash inflow/(outflow) from investing activities	3 915 679	(26 320 655)
Investment income reinvested	(17 782 257)	(22 620 461)
Other movements in investments	21 716 657	(3 614 773)
Acquisition of intangible asset	–	(64 189)
Acquisition of property and equipment	(29 482)	(99 498)
Proceeds on disposal of property and equipment	10 761	9 354
Cash effect of amounts available to beneficiaries	(27 859 510)	(28 945 622)
Claims paid	(27 512 806)	(28 216 449)
Social projects grants	(346 704)	(729 173)
Decrease in cash and cash equivalents for the year	(12 630 965)	(50 236 591)
Cash and cash equivalents at beginning of year	187 874 922	238 111 513
Cash and cash equivalents at end of year	175 243 957	187 874 922

Asbestos Relief Trust

Notes to the financial statements

for the year ended 28 February 2011

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 2012 results were made by management in applying the accounting policies at 28 February 2011.

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 2011 (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 of 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 of 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 profit or loss as an expense is incurred.

Asbestos Relief Trust

Notes to the financial statements

for the year ended 28 February 2011 (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 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 asset

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%
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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 2011 (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 profit or loss 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 2011 (continued)

	2011 R	2010 R
2. Investments		
<i>Taquanta Asset Managers</i>		
Domestic equities	25 585 397	19 857 805
Fixed interest investments – inflation linked	<u>13 204 200</u>	<u>33 517 107</u>
Total Taquanta investments	38 789 597	53 374 912
<i>Prescient Investment Management</i>		
Domestic equities	84 120 085	68 982 841
Fixed interest investments	6 009 438	1 553 458
Fixed interest investments – inflation linked	<u>9 667 144</u>	<u>9 173 972</u>
Total Prescient investments	<u>99 796 667</u>	79 710 271
	138 586 264	133 085 183

3. Property and equipment	Depreciation rate %	Cost R	Accumulated depreciation R	Carrying amount R
2011				
Office buildings	5,00	6 657 680	(868 577)	5 789 103
Motor vehicles	20,00	151 285	(122 289)	28 996
Computer equipment	33,33	338 919	(279 710)	59 209
Office equipment	20,00	114 837	(64 393)	50 444
Office furniture	10,00	<u>368 912</u>	<u>(137 981)</u>	<u>230 931</u>
		7 631 633	(1 472 950)	6 158 683

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.

2010

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
Office equipment	20,00	114 837	(43 705)	71 132
Office furniture	10,00	<u>363 750</u>	<u>(99 794)</u>	<u>263 956</u>
		7 848 166	(1 243 313)	6 604 853

Asbestos Relief Trust

Notes to the financial statements

for the year ended 28 February 2011 (continued)

3. Property and equipment (continued)

Carrying value reconciliation

	Net value at beginning of year R	Additions R	Disposals R	Depreciation R	Carrying value at end of year R
2011					
Office buildings	6 121 987	–	–	(332 884)	5 789 103
Motor vehicles	59 254	–	–	(30 258)	28 996
Computer equipment	88 524	22 984	–	(52 299)	59 209
Office equipment	71 132	–	–	(20 688)	50 444
Office furniture	263 956	6 498	(591)	(38 932)	230 931
	6 604 853	29 482	(591)	(475 061)	6 158 683
	Net value at beginning of year R	Additions R	Disposals R	Depreciation R	Carrying value at end of year R
2010					
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
	7 500 860	99 498	(448 325)	(547 180)	6 604 853

* 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.

	Depreciation rate %	Cost R	Accumulated amortisation R	Carrying amount R
4 Intangible asset				
2011				
Computer software	50%	540 847	(518 443)	22 404
2010				
Computer software	50%	544 076	(484 504)	59 572

Asbestos Relief Trust

Notes to the financial statements

for the year ended 28 February 2011 (continued)

4. Intangible asset (continued)

Carrying value reconciliation	Net value at beginning of year R	(Disposals)/ additions R	Amortisation R	Carrying value at end of year R
2011				
Computer Software	59 572	–	(37 168)	22 404
2010				
Computer software	13 625	64 189	(18 242)	59 572
			2011 R	2010 R

5. Trade and other receivables

Includes:

KRT receivable	222 363	1 200 733
Income accruals	293 981	355 588
VAT control account	311 967	507 633
Other	–	3 002
	828 311	2 066 956

6. Cash and cash equivalents

Comprises:

Cash and bank accounts	7 854 006	8 017 054
Corporate Saver accounts–Gencor	1 690 807	3 065 482
Corporate Saver accounts–Msauli	356 903	325 336
Corporate Saver accounts–Social Projects	2 388 463	3 566 358
Administration expense bank accounts	3 416 314	1 057 840
Petty cash on hand	1 519	2 038
Cash investments	167 389 951	179 857 868
Taquanta Asset Managers	112 500 847	84 862 474
Prescient Investment Management	47 854 688	57 417 392
Investec Asset Management	7 034 416	37 578 002
	175 243 957	187 874 922

Asbestos Relief Trust

Notes to the financial statements

for the year ended 28 February 2011 (continued)

7. Available for distribution to beneficiaries

2011	Gencor settlement account R	Gefco settlement account R	Msauli settlement account R	Total R
Opening balance	319 760 928	–	398 667	320 159 595
Recovery of funds assigned for social projects to settle Gefco claims from contributions received	29 621	–	179	29 800
Net income in excess of expenditure for the period	17 157 832	–	223 338	17 381 170
Claims (paid)/refunded	(17 263 579)	190 972	3 924	(17 068 683)
Amounts transferred to approved claims payable	(9 915 490)	(190 972)	(337 661)	(10 444 123)
Social project grants – other	(371 666)	–	(4 838)	(376 504)
Closing balance	309 397 646	–	283 609	309 681 255
<hr/>				
2010				
Opening balance	321 504 424	–	1 016 606	322 521 030
Recovery of funds assigned for social projects to settle Gefco claims from contributions received	12 260	(12 420)	160	–
Net income in excess of expenditure for the period	26 242 580	–	341 607	26 584 187
Claims paid	(19 748 843)	207 250	(242 784)	(19 784 377)
Amounts transferred to approved claims payable	(7 529 691)	(194 830)	(707 551)	(8 432 072)
Social project grants – other	(719 802)	–	(9 371)	(729 173)
Closing balance	319 760 928	–	398 667	320 159 595

8. Trade and other payables	2011 R	2010 R
Accrued expenses	391 6	797 5
Audit fees	212 0	199 5
Payroll accruals	110 4	102 5
Taxable income	713 9	1 099 5
<hr/>		
9. Taxation		
South African normal taxation		
Net income in excess of expenditure before taxation	17 381 170	26 584 187
Less: awarded to beneficiaries	(17 381 170)	(26 584 187)
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 2011 (continued)

10. 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 2011 (continued)

10. Financial risk management (continued)

Price risk (continued)

	2011 R	2010 R
10.1 Analysis of price risk		
Investments		
Sector composition of quoted equity securities		
Oil and gas	6 914 224	4 486 106
Basic materials	47 081 209	36 039 151
Industrials	2 940 968	2 737 355
Consumer goods	15 310 377	11 401 369
Health care	611 437	673 080
Consumer services	6 263 132	3 702 102
Telecommunication	8 383 901	8 241 935
Technology	145 965	373 083
Domestic equity	–	44 429
Fixed interest investments	6 009 438	1 553 458
Inflation linked investments	22 871 344	42 691 079
Financials	22 054 268	21 142 036
	<u>138 586 263</u>	<u>133 085 183</u>

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:

	2011 1% increase	2011 1% decrease
Impact on income for the year	<u>1 385 863</u>	<u>(1 385 863)</u>

10.2 Inflation rate risk

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

	2011 R	2010 R
Inflation linked investments	<u>22 871 344</u>	<u>42 691 079</u>

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 2011	1% decrease 2011
Impact on income for the year	<u>228 713</u>	<u>(228 713)</u>

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for the year ended 28 February 2011 (continued)

10. Financial risk management (continued)

10.3 Liquidity risk

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

	Carrying amount R	Less than 1 year R	Between 1 and 5 years R	Over 5 years R
At 28 February 2011				
Money market	108 785 091	108 785 091	–	–
Cash at bank and on call	66 458 866	66 458 866	–	–
	<u>175 243 957</u>	<u>175 243 957</u>	<u>–</u>	<u>–</u>
At 29 February 2010				
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>	<u>–</u>	<u>–</u>

10.4 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.

	2011 R	2010 R
<i>Trade and other receivables fair value :</i>		
Trade and other receivables	<u>828 311</u>	<u>2 066 956</u>
Total receivables	<u>828 311</u>	<u>2 066 956</u>

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Notes to the financial statements

for the year ended 28 February 2011 (continued)

10. Financial risk management (continued)

10.4 Credit risk (continued)	Carrying amount 2011 R	Carrying amount 2010 R
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:		
Trade and other receivables	828 311	2 066 956
Cash and cash equivalents	175 243 957	187 874 922
Total exposure to credit risk	176 072 268	189 941 878

Impairment losses

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

	Carrying amount 2011 R	Carrying amount 2010 R
Non-derivative financial liabilities		
Approved claims payable	10 444 123	8 432 072
Trade and other payables	713 941	1 099 519
Total	11 158 064	9 531 591

10.5 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:

	2011		2010	
	Carrying amount R	Fair value R	Carrying amount R	Fair value R
Trade and other receivables	828 311	828 311	2 066 956	2 066 956
Cash and cash equivalents	175 243 957	175 243 957	187 874 922	187 874 922
Investments	138 586 264	138 586 264	133 085 183	133 085 183
Approved claims payable	(10 444 123)	(10 444 123)	(8 432 072)	(8 432 072)
Trade and other payables	(713 941)	(713 941)	(1 099 519)	(1 099 519)
	303 500 468	303 500 468	313 495 470	313 495 470

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Notes to the financial statements

for the year ended 28 February 2011 (continued)

10. Financial risk management (continued)

10.6 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.

11. 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.

12. 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 2011, the following Standards and Interpretations were in issue but not yet effective.

Standard/Interpretation		Effective date
11 individual amendments to 6 standards	<i>Improvements to International Financial Reporting Standards 2010</i>	Amendments are effective for annual periods beginning on or after 1 July 2010 or for annual periods beginning on or after 1 January 2011
IFRS 9 (AC 146)	<i>Financial Instruments</i>	Annual periods beginning on or after 1 January 2013*
IFRS 9	<i>Additions to IFRS 9 Financial Instruments</i>	Annual periods beginning on or after 1 January 2013*
IAS 24 (AC 126) (revised)	<i>Related Party Disclosures</i>	Annual periods beginning on or after 1 January 2011*

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.