

MEAT STATUTORY MEASURE SERVICES (ASSOCIATION INCORPORATED UNDER SECTION 21)

(Registration number 2007/020498/08)

Financial statements

for the 11 months ended 28 February 2010

JTC Chartered Accountants (S.A.) Incorporated
Chartered Accountants (S.A.)
Registered Auditor
Issued 12 June 2012

Meat Statutory Measure Services (Association Incorporated under Section 21)

(Registration number 2007/020498/08)

Financial Statements for the 11 months ended 28 February 2010

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To serve, protect and promote the interests of the South African red meat industry
Directors	G Southey A Mahanjana DP Ford T G Davidson
Registered office	318 The Hillside Lynnwood Pretoria 0081
Business address	318 The Hillside Lynnwood Pretoria 0081
Postal address	PO Box 36802 Menlo Park 0102
Bankers	First National Bank
Auditors	JTC Chartered Accountants (S.A.) Incorporated Chartered Accountants (S.A.) Registered Auditor
Company registration number	2007/020498/08

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Report of the Independent Auditors

To the shareholder of Meat Statutory Measure Services (Association Incorporated under Section 21)

We have audited the accompanying financial statements of Meat Statutory Measure Services (Association Incorporated under Section 21), which comprise the directors' report, the statement of financial position as at 28 February 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the 11 months then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 16.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973. 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.

Auditors' 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 auditors' judgement, 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 the directors, 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.

Basis for Qualified Opinion

The company's levy income is based on a self assessment basis of all levy payers. It is not possible for the company to implement procedures to ensure that all parties eligible for registration as levy payers are registered for levy purposes. Due to the nature of a self assessment process the company cannot ensure that returns submitted are accurate. We are therefore unable to design audit procedures to test for the completeness of income beyond that that has been accounted for in the accounting records.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of company as of 28 February 2010, and of its financial performance and its cash flows for the 11 months then ended in accordance with International Financial Reporting Standards.

Supplementary Information

We draw your attention to the fact that the supplementary information set out on pages 17 to 18 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.



JTC Chartered Accountants (S.A.) Incorporated
Registered Auditor

Per: C F Terhoeven

12 June 2012

Boardwalk Office Park
Block J14 Ground Floor
107 Haymeadow Drive
Faerie Glen X9
0043

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Financial Statements for the 11 months ended 28 February 2010

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa, 1973 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial 11 months and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the 11 months to 28 February 2011 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 3.

The financial statements set out on pages 5 to 17, which have been prepared on the going concern basis, were approved by the directors on 12 June 2012 and were signed on its behalf by:



T G Davidson



G Southey

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Financial Statements for the 11 months ended 28 February 2010

Directors' Report

The directors submit their report for the 11 months ended 28 February 2010.

1. Review of activities

Main business and operations

The company is engaged to serve, protect and promote the interests of the South African red meat industry and operates principally in South Africa.

The operating results and state of affairs of the company are fully set out in the attached financial statements for the 11 months and do not in our opinion require any further comment.

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial period.

4. Authorised and issued share capital

The company is an association incorporated in terms of section 21 of the Companies' Act and is incorporated with no share capital.

5. Dividends

No dividends were declared or paid to directors during the 11 months. In terms of the company's memorandum and articles of association no dividends may be declared.

6. Directors

The directors of the company during the 11 months and to the date of this report are as follows:

Name	Changes
G Southey	
A Mahanjana	
A Brand	Resigned 16 February 2011
DP Ford	
T G Davidson	

7. Secretary

The company had no secretary during the period under review.

8. Special resolutions

In a resolution that was passed at a general meeting held on 24 November 2009, the company's year end was changed from March to February for this financial year end, to conform with the year end of the first levy period.

9. Auditors

JTC Chartered Accountants (S.A.) Incorporated will continue in office in accordance with section 270(2) of the Companies Act.

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Financial Statements for the 11 months ended 28 February 2010

Statement of Financial Position

Figures in Rand	Note(s)	11 months ended 28 February 2010	2009
Assets			
Current Assets			
Other financial assets	2	783,803	-
Trade and other receivables	3	2,860,272	3,032,514
Cash and cash equivalents	4	12,397,097	13,329,115
		16,041,172	16,361,629
Equity and Liabilities			
Equity			
Retained income		534,521	11,005,717
Liabilities			
Current Liabilities			
Other financial liabilities	5	-	4,025,007
Trade and other payables	6	15,506,651	1,330,905
		15,506,651	5,355,912
Total Equity and Liabilities		16,041,172	16,361,629

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Statement of Comprehensive Income

Figures in Rand	Note(s)	11 months ended 28 February 2010	2009
Revenue	7	16,722,563	19,173,183
Operating expenses		(27,955,468)	(15,330,559)
Operating (loss) profit	8	(11,232,905)	3,842,624
Investment revenue	9	761,709	1,124,120
(Loss) profit for the 11 months		(10,471,196)	4,966,744
Other comprehensive income		-	-
Total comprehensive (loss) income		(10,471,196)	4,966,744

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Statement of Changes in Equity

Figures in Rand	Reserves	Total equity
Balance at 01 March 2008	6,038,973	6,038,973
Changes in equity		
Total comprehensive income for the 11 months	4,966,744	4,966,744
Total changes	4,966,744	4,966,744
Balance at 01 March 2009	11,005,717	11,005,717
Changes in equity		
Total comprehensive loss for the 11 months	(10,471,196)	(10,471,196)
Total changes	(10,471,196)	(10,471,196)
Balance at 28 February 2010	534,521	534,521

Note(s)

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Financial Statements for the 11 months ended 28 February 2010

Statement of Cash Flows

Figures in Rand	Note(s)	11 months ended 28 February 2010	2009
Cash flows from operating activities			
Cash receipts from levy payers		19,202,644	20,756,911
Cash paid to suppliers and employees		(16,087,561)	(17,967,374)
Cash generated from operations	11	3,115,083	2,789,537
Interest income		761,709	1,124,119
Net cash from operating activities		3,876,792	3,913,656
Cash flows from investing activities			
Loans advanced		(783,803)	-
Net cash from investing activities		(783,803)	-
Cash flows from financing activities			
Repayment of other financial liabilities		(4,025,007)	(122,968)
Net cash from financing activities		(4,025,007)	(122,968)
Total cash movement for the 11 months		(932,018)	3,790,688
Cash at the beginning of the 11 months		13,329,115	9,538,427
Total cash at end of the 11 months	4	12,397,097	13,329,115

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Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa, 1973. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently considered for recoverability. No provision for impairment is made. All outstanding balances of debtors are considered by evaluating their recoverability. Amounts that are deemed not recoverable are written off, whilst amounts where recoverability is doubtful are provided for as bad debts.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.2 Tax

Tax expenses

The company has applied for exemption from tax. The directors are of the opinion that the company qualifies for this exemption as the income of the company is not generated from business activities but is based on levies raised in terms of a government regulation. Consequently no provision has been made for tax in the financial statements.

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Accounting Policies

1.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the leviable amounts in the normal course of business, net of value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

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Notes to the Financial Statements

Figures in Rand	2010	2009
2. Other financial assets		
Loans and receivables		
Red Meat Levy Fund	783,803	-
This loan represents the cash surplus/(deficit) from the first levy period that was paid into the common bank account of the first and second levy period. The loan is unsecured, bears no interest and no terms for repayment have been set.		
Current assets		
Loans and receivables	783,803	-
3. Trade and other receivables		
Trade receivables	2,860,272	3,032,514
Fair value of trade and other receivables		
Trade and other receivables	2,860,272	3,032,514
Trade and other receivables past due but not impaired		
Trade and other receivables which are less than 1 months past due are not considered to be impaired. At 28 February 2010, R 1,718,182 (2009: R 3,101,480) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	394,901	464,785
2 months past due	94,882	543,802
3 months and older past due	1,228,399	2,101,893
The carrying amount of trade and other receivables are denominated in the following currencies:		
Rand	2,860,272	3,032,514
4. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	12,397,097	13,329,115

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Notes to the Financial Statements

Figures in Rand	2010	2009
4. Cash and cash equivalents (continued)		
Credit quality of cash at bank and short term deposits, excluding cash on hand		
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:		
Credit rating		
AA (Fitch Rating)	12,397,097	13,329,115
5. Other financial liabilities		
Held at amortised cost		
Red Meat Levy Fund	-	4,025,007
Current liabilities		
At amortised cost	-	4,025,007
Fair value of the financial liabilities carried at amortised cost		
Red Meat Levy Fund	-	4,025,007
The carrying amounts of financial liabilities at amortised cost are denominated in the following currencies:		
Rand	-	4,025,007
6. Trade and other payables		
Trade payables	1,558,982	978,293
VAT	235,859	137,612
Accrued expense	13,711,810	215,000
	15,506,651	1,330,905
Fair value of trade and other payables		
Trade payables	1,558,982	978,293
Other	13,947,668	352,612
The carrying amounts of trade and other payables are denominated in the following currencies:		
Rand	15,506,651	1,330,905
7. Revenue		
Levy Income	16,722,563	19,173,183

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Notes to the Financial Statements

Figures in Rand	2010	2009
8. Operating profit		
Operating (loss) profit for the 11 months is stated after accounting for the following:		
Distribution to service providers		
National Emergent Red Meat Producers Organisation (NERPO)	1,972,592	1,532,904
Federation of Red Meat Producers of SA (RPO)	5,109,373	4,922,899
SA Feedlot Association (SAFA)	6,087,530	3,875,000
Red Meat Industry Forum (RMIF)	5,210,795	-
SA Meat Industry Company (SAMIC)	2,194,913	2,066,000
Association of Meat Importers and Exporters (AMIE)	1,309,230	611,000
SA Federation of Livestock Auctioneers (SAFLA)	39,000	26,000
Red Meat Research and Development Trust (RMRDT)	1,387,178	-
Skin Hide & Leather Council (SHALC)	42,784	-
National Federation of Meat Traders (NFMT)	876,538	880,000
Administration services	821,930	829,835
Employee costs	429,000	195,000
Legal fees	322,389	250,000
9. Investment revenue		
Interest revenue		
Bank	723,323	1,094,044
Interest charged on trade and other receivables	38,386	30,076
	761,709	1,124,120
10. Auditors' remuneration		
Fees	59,280	-
11. Cash generated from operations		
Loss before taxation	(10,471,196)	4,966,744
Adjustments for:		
Interest received	(761,709)	(1,124,120)
Changes in working capital:		
Trade and other receivables	172,242	(1,100,517)
Trade and other payables	14,175,746	47,430
	3,115,083	2,789,537

Meat Statutory Measure Services (Association Incorporated under Section 21)

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Notes to the Financial Statements

Figures in Rand 2010 2009

12. Related parties

Relationships

Organisations key management is involved with

Association Meat Importers/Exporters (AMIE)
National Emergent Red Meat Producers Organisation (NERPO)
National Federation of Meat Traders (NFMT)
SA Meat Industry Company (SAMIC)
Red Meat Research and Development Trust (RMRDT)
SA Feedlot Association (SAFA)
Federation of Red Meat Producers of SA (RPO)
Skin Hide & Leather Council (SHALC)
Red Meat Industry Forum (RMIF)

Related party transactions

Administration fees paid to (received from) related parties

Ford Feeders CC	275,000	125,000
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Service Providers

Association Meat Importers/Exporters (AMIE)	1,309,230	611,000
National Emergent Red Meat Producers Organisation (NERPO)	1,972,592	1,532,904
National Federation of Meat Traders (NFMT)	876,538	880,000
Red Meat Research and Development Trust (RMRDT)	1,387,178	-
Federation of Red Meat Producers of SA (RPO)	5,109,373	4,922,899
SA Feedlot Association (SAFA)	6,087,530	3,875,000
SA Meat Industry Company (SAMIC)	2,194,913	2,066,000
Skin Hide & Leather Council (SHALC)	42,784	-
Red Meat Industry Forum (RMIF)	5,210,795	-

13. Directors' emoluments

Non-executive

2010	Emoluments	Total
For services as directors	429,000	429,000

2009	Emoluments	Total
For services as directors	195,000	195,000

14. Comparative figures

The reporting period is shorter than a year, therefore comparative amounts are not comparable to the current balances.

15. Risk management

Financial risk management

The company's activities expose it mainly to interest rate risk, credit risk and liquidity risk.

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Notes to the Financial Statements

Figures in Rand

2010

2009

15. Risk management (continued)

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and funds collected from levies.

Interest rate risk

The company has significant interest-bearing assets, and its operating cash flows are affected by changes in market interest rates.

At 28 February 2010, if interest rates on Rand-denominated call investments had been 1% higher/lower with all other variables held constant, post-tax surplus for the year would have been R 100,000 (2009: R 100 000) lower/higher, mainly as a result of higher/lower interest income on call investments.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing.

Trade receivables comprise a widespread levy payer base. Management evaluates credit risk relating to levy payers on an ongoing basis. As the company is not a supplier to any customers no credit ratings are determined for levy payers. Management monitors outstanding levy amounts on an ongoing basis.

Financial assets exposed to credit risk at the end of the period were as follows:

Financial instrument	2010	2009
First National Bank	12,397,097	13,329,115

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Detailed Income Statement

Figures in Rand	Note(s)	11 months ended 28 February 2010	2009
Revenue			
Levy Income		16,722,563	19,173,183
Gross profit		16,722,563	19,173,183
Other income			
Interest received	9	761,709	1,124,120
Operating expenses			
Administration and management fees		821,930	914,835
Auditors remuneration	10	59,280	-
Bad debts		89,780	-
Bank charges		23,351	25,022
Employee costs		429,000	195,000
Legal expenses		322,389	250,000
Levy Committee Fees		44,000	20,000
Meeting Expenses		-	11,899
Distributions to service providers			
Consumer Assurance		7,675,717	1,387,275
Consumer Education		7,223,562	4,626,000
Development of Developing Sector		1,972,592	1,532,904
Industry Liason		4,244,625	2,320,725
Production Development		3,662,064	4,046,899
Research and Development		1,387,178	-
		27,955,468	15,330,559
Reserve income for the 11 months		(10,471,196)	4,966,744

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Supplementary Information

1. Transformation costs

Transformation costs included with other costs	Total cost	Transformation costs included	Net amount
Consumer Assurance	7,675,717	(2,195,658)	5,480,059
Consumer Education	7,223,562	(2,130,636)	5,092,926
Development of Developing Sector	1,972,592	(1,972,592)	-
Industry Liason	4,244,625	(1,118,537)	3,126,088
Production Development	3,662,064	(1,281,722)	2,380,342
	24,778,560	(8,699,145)	16,079,415
