

**MEAT STATUTORY MEASURE SERVICES (ASSOCIATION INCORPORATED UNDER SECTION 21)**

(Registration number 2007/020498/08)

Financial statements

for the year ended 28 February 2011

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

# **Meat Statutory Measure Services (Association Incorporated under Section 21)**

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

## **General Information**

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	To serve, protect and promote the interests of the South African red meat industry
<b>Directors</b>	G Southey A Mahanjana DP Ford TG Davidson
<b>Registered office</b>	Boardwalk Office Park Block J14 Ground Floor 107 Haymeadow Drive Faerie Glen X9 0043
<b>Business address</b>	318 The Hillside Lynnwood Pretoria 0081
<b>Postal address</b>	PO Box 36802 Menlo Park Pretoria 0102
<b>Bankers</b>	First National Bank
<b>Auditors</b>	JTC Chartered Accountants (S.A.) Incorporated Chartered Accountants (S.A.) Registered Auditor
<b>Company registration number</b>	2007/020498/08

# **Meat Statutory Measure Services (Association Incorporated under Section 21)**

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

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## **Meat Statutory Measure Services (Association Incorporated under Section 21)**

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

### **Directors' Responsibilities and Approval**

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The directors are required in terms of the Companies Act of South Africa 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 year 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 board 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 year to 29 February 2012 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 4.

The financial statements set out on pages 5 to 16, which have been prepared on the going concern basis, were approved by the board on 12 June 2012 and were signed on its behalf by:

  
\_\_\_\_\_  
TG Davidson

  
\_\_\_\_\_  
G Southey

# Report of the Independent Auditors

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## To the directors 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 2011, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 14.

### 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. 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 auditors' 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 2011, and of its financial performance and its cash flows for the year 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 15 to 16 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

12 June 2012

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

Per: C F Terhoeven

# **Meat Statutory Measure Services (Association Incorporated under Section 21)**

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

## **Directors' Report**

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The directors submit their report for the year ended 28 February 2011.

### **1. Review of activities**

#### **Main business and operations**

The company is engaged in 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 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 year.

### **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 year. 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 year and to the date of this report are as follows:

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

### **7. Secretary**

The company had no secretary during the year.

### **8. Auditors**

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

# Meat Statutory Measure Services (Association Incorporated under Section 21)

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

## Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
<b>Assets</b>			
<b>Current Assets</b>			
Other financial assets	2	1,323,566	783,803
Trade and other receivables	3	3,789,935	2,860,272
Cash and cash equivalents	4	17,223,875	12,397,097
		<b>22,337,376</b>	<b>16,041,172</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Retained income		1,024,275	534,521
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	5	21,313,101	15,506,651
<b>Total Equity and Liabilities</b>		<b>22,337,376</b>	<b>16,041,172</b>

# Meat Statutory Measure Services (Association Incorporated under Section 21)

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

## Statement of Comprehensive Income

Figures in Rand	Note(s)	2011	2010
Revenue	6	21,592,522	16,722,563
Operating expenses		(21,715,480)	(27,955,468)
<b>Operating (loss) profit</b>	7	<b>(122,958)</b>	<b>(11,232,905)</b>
Investment revenue	8	612,712	761,709
<b>Profit (loss) for the year</b>		<b>489,754</b>	<b>(10,471,196)</b>
Other comprehensive income		-	-
<b>Total comprehensive income (loss)</b>		<b>489,754</b>	<b>(10,471,196)</b>



# Meat Statutory Measure Services (Association Incorporated under Section 21)

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

## Statement of Changes in Equity

Figures in Rand	Reserves	Total equity
<b>Balance at 01 March 2009</b>	<b>11,005,717</b>	<b>11,005,717</b>
Changes in equity		
Total comprehensive income for the 11 months	(10,471,196)	(10,471,196)
Total changes	(10,471,196)	(10,471,196)
<b>Balance at 01 March 2010</b>	<b>534,521</b>	<b>534,521</b>
Changes in equity		
Total comprehensive income for the year	489,754	489,754
Total changes	489,754	489,754
<b>Balance at 28 February 2011</b>	<b>1,024,275</b>	<b>1,024,275</b>

Note(s)

# Meat Statutory Measure Services (Association Incorporated under Section 21)

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

## Statement of Cash Flows

Figures in Rand	Note(s)	2011	2010
<b>Cash flows from operating activities</b>			
Cash receipts from levy payers		23,685,811	19,202,644
Cash paid to suppliers and employees		(18,931,982)	(16,087,560)
Cash generated from operations	10	4,753,829	3,115,084
Interest income		612,712	761,709
<b>Net cash from operating activities</b>		<b>5,366,541</b>	<b>3,876,793</b>
<b>Cash flows from investing activities</b>			
Loans advanced		(539,763)	(783,803)
<b>Net cash from investing activities</b>		<b>(539,763)</b>	<b>(783,803)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		-	(4,025,007)
<b>Net cash from financing activities</b>		<b>-</b>	<b>(4,025,007)</b>
<b>Total cash movement for the year</b>		<b>4,826,778</b>	<b>(932,017)</b>
Cash at the beginning of the year		12,397,097	13,329,114
<b>Total cash at end of the year</b>	4	<b>17,223,875</b>	<b>12,397,097</b>

# **Meat Statutory Measure Services (Association Incorporated under Section 21)**

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

## **Accounting Policies**

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### **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. 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.

#### **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.

# Meat Statutory Measure Services (Association Incorporated under Section 21)

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

## Notes to the Financial Statements

Figures in Rand	2011	2010
<b>2. Other financial assets</b>		
<b>Loans and receivables</b>		
Red Meat Levy Fund	1,323,566	783,803
The 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.		
<b>Current assets</b>		
Loans and receivables	1,323,566	783,803
<b>3. Trade and other receivables</b>		
Trade receivables	3,789,935	2,860,272
<b>Fair value of trade and other receivables</b>		
Trade and other receivables	3,789,935	2,860,272
<b>Trade and other receivables past due but not impaired</b>		
Trade and other receivables which are less than 1 months past due are not considered to be impaired. At 28 February 2011, R 1,812,943 (2010: R 1,718,182) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	223,233	394,901
2 months past due	512,959	94,882
3 months past due	1,076,751	1,228,399
The carrying amount of trade and other receivables are denominated in the following currencies:		
Rand	3,789,935	2,860,272
<b>4. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	17,223,875	12,397,097
<b>Credit quality of cash at bank and short term deposits, excluding cash on hand</b>		
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:		
<b>Credit rating</b>		
AA (Fitch Rating)	17,223,875	12,397,097

# Meat Statutory Measure Services (Association Incorporated under Section 21)

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

## Notes to the Financial Statements

Figures in Rand	2011	2010
<b>5. Trade and other payables</b>		
Trade payables	111,914	1,558,982
VAT	204,585	235,859
Accrued expense	20,996,602	13,711,810
	<b>21,313,101</b>	<b>15,506,651</b>

### Fair value of trade and other payables

Trade payables	111,916	1,558,982
Other	21,201,187	13,947,669

The carrying amounts of trade and other payables are denominated in the following currencies:

Rand	21,313,101	15,506,651
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### 6. Revenue

Levy Income	21,592,522	16,722,563
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### 7. Operating (loss) profit

Operating (loss) profit for the year is stated after accounting for the following:

Distribution to service providers		
National Emergent Red Meat Producers Organisation (NERPO)	1,813,350	1,972,592
Federation of Red Meat Producers of SA (RPO)	5,212,585	5,109,373
SA Feedlot Association (SAFA)	3,986,649	6,087,530
Red Meat Industry Forum (RMIF)	2,381,671	5,210,795
South African Meat Industry Company (SAMIC)	1,751,682	2,194,913
Association of Meat Importers and Exporters (AMIE)	744,581	1,309,230
SA Federation of Livestock Auctioneers (SAFLA)	22,837	39,000
Red Meat Research and Development Trust (RMRDT)	1,445,926	1,387,178
Skin Hide & Leather Council (SHALC)	107,216	42,784
National Federation of Meat Traders (NFMT)	473,140	876,538
Red Meat Abattoir Association (RMAA)	107,500	-
Administrative services	1,016,996	821,930
Employee costs	468,000	429,000
Legal fees	360,949	322,389

### 8. Investment revenue

#### Interest revenue

Bank	589,208	723,323
Interest charged on trade and other receivables	23,504	38,386
	<b>612,712</b>	<b>761,709</b>

# Meat Statutory Measure Services (Association Incorporated under Section 21)

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

## Notes to the Financial Statements

Figures in Rand	2011	2010
<b>9. Auditors' remuneration</b>		
Fees	40,000	59,280
<b>10. Cash generated from operations</b>		
Profit before taxation	489,754	(10,471,196)
<b>Adjustments for:</b>		
Interest received	(612,712)	(761,709)
<b>Changes in working capital:</b>		
Trade and other receivables	(929,663)	172,242
Trade and other payables	5,806,450	14,175,747
	<b>4,753,829</b>	<b>3,115,084</b>

## 11. Related parties

### Relationships

Organisations key management is involved with

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

### Related party transactions

#### Service Providers

Association Meat Importers/Exporters (AMIE)	744,581	1,351,042
National Emergent Red Meat Producers Organisation (NERPO)	1,813,350	2,143,642
National Federation of Meat Traders (NFMT)	473,140	1,038,085
Red Meat Research and Development Trust (RMRDT)	1,445,926	1,607,641
Skin Hide & Leather Council (SHALC)	107,216	42,784
South African Meat Company (SAMIC)	1,751,682	2,194,913
Federation of Red Meat Producers of SA (RPO)	5,212,585	5,489,483
SA Feedlot Association (SAFA)	3,986,649	6,446,734
Red Meat Industry Forum (RMIF)	2,381,671	5,210,795

#### Administration fees paid to (received from) related parties

Ford Feeders CC	300,000	275,000
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# Meat Statutory Measure Services (Association Incorporated under Section 21)

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

## Notes to the Financial Statements

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Figures in Rand	2011	2010
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### 12. Directors' emoluments

#### Non-executive

2011	Emoluments
For services as directors	468,000

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2010	Emoluments
For services as directors	429,000

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### 13. Risk management

#### Financial risk management

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

#### 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

At 28 February 2011, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R 21,300 (2010: R 100,000) lower/higher, mainly as a result of higher/lower interest income on call investments.

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

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers 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	2011	2010
First National Bank	17,223,875	12,397,097

# Meat Statutory Measure Services (Association Incorporated under Section 21)

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

## Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
<b>Revenue</b>			
Levy Income		21,592,522	16,722,563
<b>Other income</b>			
Interest received	8	612,712	761,709
<b>Operating expenses</b>			
Administration and management fees		1,016,996	821,930
Auditors remuneration	9	40,000	59,280
Bad debts		2,475	89,780
Bank charges		22,495	23,351
Consulting and professional fees		9,600	-
Employee costs		468,000	429,000
Insurance		1,877	-
Legal expenses		360,949	322,389
Levy Committee Fees		48,000	44,000
<b>Distributions to service providers</b>			
Consumer Assurance		4,569,365	7,675,717
Consumer Education		5,242,999	7,223,562
Development of Developing Sector		1,813,350	1,972,592
Industry Liaison		2,405,936	4,244,625
Production Development		4,267,512	3,662,064
Research and Development		1,445,926	1,387,178
		<b>21,715,480</b>	<b>27,955,468</b>
<b>Profit (loss) for the year</b>		<b>489,754</b>	<b>(10,471,196)</b>



# Meat Statutory Measure Services (Association Incorporated under Section 21)

(Registration number 2007/020498/08)

Financial Statements for the year ended 28 February 2011

## Supplementary Information

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### 1. Transformation costs

<b>Transformation costs included with other costs</b>	<b>Total cost</b>	<b>Transformation on costs included</b>	<b>Net amount</b>
Consumer Assurance	4,569,365	(1,281,848)	3,287,517
Consumer Education	5,242,999	(1,395,327)	3,847,672
Development of developing sector	1,813,350	(1,813,350)	-
Industry Liason	2,405,936	(1,478,497)	927,439
Production Development	4,267,512	(1,493,629)	2,773,883
	<b>18,299,162</b>	<b>(7,462,651)</b>	<b>10,836,511</b>

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