

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

(Registration number 2007/020498/08)  
Financial statements  
for the 5 months ended 31 March 2008

JTC Chartered Accountants (S.A.) Incorporated  
Chartered Accountants (S.A.)  
Registered Auditors  
Issued 07 April 2009

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

(Registration number 2007/020498/08)

Financial Statements for the 5 months ended 31 March 2008

## **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 A Brand DP Ford TG Davidson
<b>Registered office</b>	318 The Hillside Lynnwood Pretoria 0081
<b>Business address</b>	318 The Hillside Lynnwood Pretoria 0081
<b>Postal address</b>	PO Box 244 La Montagne Pretoria 0184
<b>Bankers</b>	First National Bank
<b>Auditors</b>	JTC Chartered Accountants (S.A.) Incorporated Chartered Accountants (S.A.) Registered Auditors
<b>Company registration number</b>	2007/020498/08

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

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Financial Statements for the 5 months ended 31 March 2008

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The reports and statements set out below comprise the financial statements presented to the shareholders:

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# **Report of the Independent Auditors**

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## **To the shareholders of Meat Statutory Measure Service (Association Incorporated under Section 21) Report on the Financial Statements**

We have audited the accompanying financial statements of Meat Statutory Measure Service (Association Incorporated under Section 21), which comprise the directors' report, the balance sheet as at 31 March 2008, the income statement, the statement of changes in equity and cash flow statement for the 5 months then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 6 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 South African Statements of Generally Accepted Accounting Practice, 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. Except as discussed in the following paragraph, 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.

### **Opinion**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the completeness of income, the financial statements present fairly, in all material respects, the financial position of the company as of 31 March 2008, and of its financial performance and its cash flows for the 5 months then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa, 1973.

# Report of the Independent Auditors

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## Supplementary Information

We draw your attention to the fact that the supplementary information set out on pages 15 to 16 do not form part of the financial statements and are presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

## Report on Other Legal and Regulatory Requirements

All the legal requirements for the appointment of a director has not been adhered to.



JTC Chartered Accountants (S.A.) Incorporated  
Registered Auditors  
Per C F Terhoeven

07 April 2009

31 Rynlal Building  
320 The Hillside  
Lynnwood  
0081

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

(Registration number 2007/020498/08)

Financial Statements for the 5 months ended 31 March 2008

## **Directors' Responsibilities and Approval**

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The directors are required by 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 period and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice 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 of 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 12 months to 31 March 2009 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 6 to 15, which have been prepared on the going concern basis, were approved by the board of directors on 07 April 2009 and were signed on its behalf by:



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TG Davidson



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G Southey

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

(Registration number 2007/020498/08)

Financial Statements for the 5 months ended 31 March 2008

## **Directors' Report**

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The directors submit their report for the 5 months ended 31 March 2008.

### **1. Incorporation**

The company was incorporated on 20 July 2007 and obtained its certificate to commence business on the same day. The company commenced with operations on 1 November 2007.

### **2. 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 and do not in our opinion require any further comment.

### **3. 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.

### **4. Post balance sheet events**

The directors are not aware of any matter or circumstance arising since the end of the financial 5 months.

### **5. 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.

### **6. Dividends**

No dividends were declared or paid to shareholders during the 5 months. In terms of the company's memorandum and articles of association no dividends may be declared.

### **7. Directors**

The directors of the company during the 5 months and to the date of this report are as follows:

Name	Changes
G Southey	Appointed 20 July 2007
A Mahanjana	Appointed 20 July 2007
A Brand	Appointed 20 July 2007
DP Ford	Appointed 20 July 2007
TG Davidson	Appointed 20 July 2007

### **8. Secretary**

The company had no secretary during the 5 months.

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

(Registration number 2007/020498/08)

Financial Statements for the 5 months ended 31 March 2008

## Balance Sheet

Figures in Rand	Note(s)	2008
<b>Assets</b>		
<b>Current Assets</b>		
Trade and other receivables	2	1,931,996
Cash and cash equivalents	3	9,538,427
		<b>11,470,423</b>
<b>Total Assets</b>		<b>11,470,423</b>
<b>Equity and Liabilities</b>		
<b>Equity</b>		
Reserves		6,038,974
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Other financial liabilities	4	4,147,975
Trade and other payables	5	1,283,474
		<b>5,431,449</b>
<b>Total Equity and Liabilities</b>		<b>11,470,423</b>



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

(Registration number 2007/020498/08)

Financial Statements for the 5 months ended 31 March 2008

## Income Statement

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Figures in Rand	Note(s)	2008
Revenue	6	6,941,420
Operating expenses		(1,149,658)
<b>Operating surplus</b>	7	<b>5,791,762</b>
Investment revenue	8	247,212
<b>Unutilised funds for the period</b>		<b>6,038,974</b>

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

(Registration number 2007/020498/08)

Financial Statements for the 5 months ended 31 March 2008

## Statement of Changes in Equity

Figures in Rand	Reserve fund	Retained income	Total equity
<b>Balance at 01 April 2007</b>	-	-	-
Changes in equity			
Unutilised funds for the period	-	6,038,974	6,038,974
Funds transferred to reserve	6,038,974	(6,038,974)	-
<b>Total changes</b>	<b>6,038,974</b>	<b>-</b>	<b>6,038,974</b>
<b>Balance at 31 March 2008</b>	<b>6,038,974</b>	<b>-</b>	<b>6,038,974</b>

Note(s)

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

(Registration number 2007/020498/08)

Financial Statements for the 5 months ended 31 March 2008

## Cash Flow Statement

Figures in Rand	Note(s)	2008
<b>Cash flows from operating activities</b>		
Cash receipts from levy payers		5,981,223
Cash paid to service providers, suppliers and employees		(837,983)
Cash generated from operations	9	5,143,240
Interest income		247,212
<b>Net cash from operating activities</b>		<b>5,390,452</b>
<b>Cash flows from financing activities</b>		
Proceeds from other financial liabilities		4,147,975
<b>Net cash from financing activities</b>		<b>4,147,975</b>
<b>Total cash movement for the 5 months</b>		<b>9,538,427</b>
Cash at the beginning of the 5 months		-
<b>Total cash at end of the 5 months</b>	3	<b>9,538,427</b>

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

(Registration number 2007/020498/08)

Financial Statements for the 5 months ended 31 March 2008

## **Accounting Policies**

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### **1. Presentation of Financial Statements**

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, 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.

These accounting policies are consistent with the previous period.

#### **1.1 Financial instruments**

##### **Initial recognition**

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.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

##### **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 qualify 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.

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

(Registration number 2007/020498/08)

Financial Statements for the 5 months ended 31 March 2008

## **Accounting Policies**

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### **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 Surplus or loss, using the effective interest rate method.

### **1.4 Turnover**

Turnover comprises of levies raised on registered levy payers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

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

(Registration number 2007/020498/08)

Financial Statements for the 5 months ended 31 March 2008

## Notes to the Financial Statements

Figures in Rand	2008
<b>2. Trade and other receivables</b>	
Trade receivables	1,931,996
<b>3. Cash and cash equivalents</b>	
Cash and cash equivalents consist of:	
Bank balances	9,538,427
<b>4. Other financial liabilities</b>	
<b>Held at amortised cost</b>	
Red Meat Levy Fund	4,147,975
This loan represents the cash surplus from the first levy fund 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 liabilities</b>	
At amortised cost	4,147,975
<b>5. Trade and other payables</b>	
Trade payables	469,465
VAT	814,009
	<b>1,283,474</b>
<b>6. Revenue</b>	
Levy Income	6,941,420
<b>7. Operating surplus</b>	
Operating surplus for the year is stated after accounting for the following:	
<b>Payments, other than to employees, for:</b>	
Administrative services	242,163
National Emergent Red Meat Producers Organisation (NERPO)	100,000
SA Meat Industry Company (SAMIC)	780,000
<b>8. Investment revenue</b>	
<b>Interest revenue</b>	
Bank	247,212

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

(Registration number 2007/020498/08)

Financial Statements for the 5 months ended 31 March 2008

## Notes to the Financial Statements

Figures in Rand

2008

### 9. Cash generated from operations

Surplus before taxation	6,038,974
<b>Adjustments for:</b>	
Interest received	(247,212)
<b>Changes in working capital:</b>	
Trade and other receivables	(1,931,996)
Trade and other payables	1,283,474
	<b>5,143,240</b>

### 10. Directors' emoluments

No emoluments were paid to the directors during the 5 months.

### 11. Risk management

#### 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 available reserves.

#### Credit risk

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

Trade receivables comprise a widespread levy payer base. Management evaluated 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.

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

(Registration number 2007/020498/08)

Financial Statements for the 5 months ended 31 March 2008

## Detailed Income statement

Figures in Rand	Note(s)	2008
<b>Revenue</b>		
Levy Income		6,941,420
<b>Other income</b>		
Interest received	8	247,212
<b>Operating expenses</b>		
Administration and management fees		242,163
Advertising		22,586
Bank charges		4,909
Industry Liason		572,709
Consumer Assurance		207,291
Consumer Education		100,000
		<b>1,149,658</b>
<b>Unutilised funds for the period</b>		<b>6,038,974</b>



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

(Registration number 2007/020498/08)

Financial Statements for the 5 months ended 31 March 2008

## Supplementary information

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### 1. Transformation costs

<b>Transformation costs included with other costs</b>	<b>Amount paid</b>	<b>Transformation costs included</b>	<b>Net amount</b>
Consumer education	100,000	(68,000)	32,000
Consumer assurance	207,291	(41,458)	165,833
Industry liason	572,709	(114,542)	458,167
	<b>880,000</b>	<b>(224,000)</b>	<b>656,000</b>

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