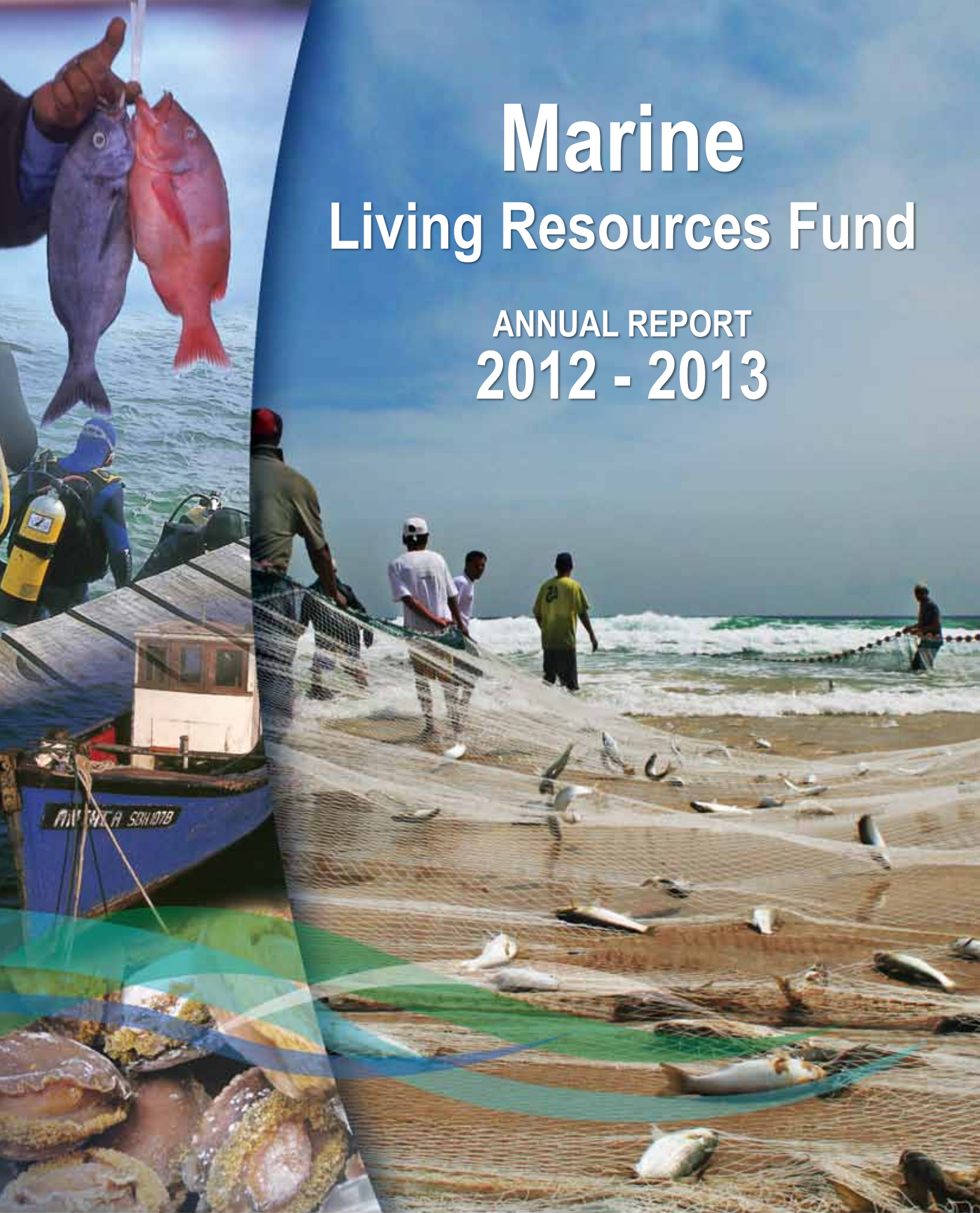


Marine Living Resources Fund

ANNUAL REPORT
2012 - 2013



agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA



Marine Living Resources Fund

ANNUAL REPORT
2012 - 2013





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Minister of Agriculture, Forestry and Fisheries

Annual Report 2012/13

In terms of section 55(3) of the Public Finance Management Act (PFMA), 1999, the Accounting Authority of a Public Entity must submit the annual report with audited financial statements, for tabling in Parliament, to the relevant Executive Authority.

The Marine Living Resources Fund is proud to present an unqualified audit report.

In my capacity as both the Accounting Authority of the Marine Living Resources Fund (MLRF) and the Accounting Officer of the Department of Agriculture, Forestry and Fisheries as the designated department, I hereby formally submit to you as Executive Authority the Annual Report with audited financial statements for the MLRF for the 2012/13 financial year.

Mr Mortimer Manny
Acting Director-General
Department of Agriculture, Forestry and Fisheries

Date: 31 July 2013





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Executive Summary



EXECUTIVE SUMMARY OF THE ANNUAL REPORT

The Marine Living Resources Fund (MLRF) finances the operations of the Fisheries Branch of the Department of Agriculture, Forestry and Fisheries. The Fisheries Branch is responsible for managing the development, management, monitoring and sustainable uses of marine living resources, to protect the integrity and quality of the marine ecosystem, and to ensure the growth of the aquaculture sector. The MLRF covers the operational costs four Chief Directorates, as well as the operational and administrative costs of a number of support components as follows:

- **Aquaculture and Economic Development** which promotes the growth of the aquaculture sector by providing public support and an integrated platform for the management of aquaculture. The Chief Directorate also facilitates the development of alternative livelihoods for coastal communities and the management of the 12 proclaimed fishing harbours.
- **Fisheries Research and Development** which promotes the sustainable development of fisheries resources and ecosystems by conducting and supporting appropriate research;
- **Marine Resource Management** which fosters the sustainable use and the equitable and orderly access to marine living resources through improved management and regulation.
- **Monitoring, Control and Surveillance** which ensures the protection and promotion of sustainable use of marine living resources by intensifying enforcement and compliance efforts.

The MLRF also covers the operational and administrative costs of the Chief Director: Fisheries Operations Support, the Chief Directorate Financial Management for the MLRF and the support components of Communications, Human Resources, Information Technology, Legal Services; International Relations; Stakeholder Relations; and Customer Services.

OVERVIEW OF KEY ACHIEVEMENTS AND CHALLENGES:

Achievements

The Small Scale Fisheries Policy was approved by Cabinet in May 2012 after many years of public consultation. The Small Scale Fisheries Policy gives formal recognition and legal protection to a previously neglected and vulnerable sector of society. The Policy aims to provide a dispensation that will contribute to efforts to eradicate poverty, ensure food security and promote equity while promoting the sustainability of marine living resources. Implementation of the Small Scale Fisheries Policy will commence in the 2013/14 financial year.

The department in collaboration with the Department of Trade and Industry (the DTI) finalized the Aquaculture Development and Enhancement Programme (ADEP). This was identified as a joint deliverable for DAFF and the dti under the Industrial Policy Action Plan (IPAP). The incentive scheme is designed to attract investment in aquaculture and broaden participation and improve competitiveness of the aquaculture sector.

1 343 jobs were created through the implementation of 11 projects under the Working for Fisheries Programme (WFFP) which is a sub-programme of the National Extended Public Works Programme. The WFFP included the Western Cape Marine Anti-poaching project; Fishing harbour facilities management; 3 Catch Data Monitors projects in KZN; Eastern Cape and Western Cape; the Doringbaai Fish Farm; the development of Fish Processing Facilities in Cederberg and other parts of the the Western Cape and the development of harbour facilities in Port Nolloth and Hondeklip Bay.

In March 2013 the Department worked with assessors appointed by the Marine Stewardship Council to provide support to the deep-sea trawling industry's certification of the hake deep-sea fishery. This was the third annual surveillance

EXECUTIVE SUMMARY OF THE ANNUAL REPORT (continued)

report for a 5 year certification period. Issues of concern to the certifiers, such as stock assessment surveys, the level of activities of the Chief Directorate: Monitoring, Control and Surveillance and the Offshore Research Observer Programme were addressed to their satisfaction and the report turned out to be very positive for the sector. The MSC Certification helps to protect the valuable hake export markets, thereby ensuring the retention of thousands of jobs in the sector.

Challenges

The plight and state of the Department's fleet of research and patrol vessels received much publicity during the period under review. As a result of the Department's decision to cancel a tender for the management of the DAFF fleet that should have taken effect from 1 April 2012, the DAFF entered into a Memorandum of Understanding (MOU) with the SA Navy (SAN) for the Management of the DAFF fleet for an interim period of one year. The SAN, however experienced difficulties in effectively managing the DAFF fleet, and as a result, the DAFF fleet has spent most of the financial year 2012/2013 alongside in Simon's Town. This has had a negative impact on deep sea research and patrols as well as on the budget for the Cost Centres Fisheries Protection Vessels (FPVs) and Fisheries Research and Development.

In order to ensure that essential stock assessment surveys, critical to the department's ability to determine the Total Allowable Catch (TAC) and Total Allowable Effort for key fisheries, the Department used emergency procurement procedures and in partnership with the fishing industry, chartered vessels for the Small Pelagics (Anchovy and Sardine) spawner biomass survey in November 2012; the Hake West Coast biomass survey in February 2013, and the Pelagic recruitment survey in May 2014. Despite these challenges, the Department was able to set the TACs and TAE for all the commercial fisheries within the specified timeframes.

Poaching of abalone and West Coast Rock Lobster still remain a serious challenge for the country which requires special attention.

It should be noted that the cancelled vessel tender process and the expired vessel management contract are the subject of three separate investigations by the Hawks, the Office of the Public Protector and Competitions Commission. None of the findings of these three investigations have yet been released.

GOVERNANCE ENVIRONMENT

The Auditor-General has issued an unqualified audit report for 2012/13, however the management team acknowledges the emphasis of matters raised in the Auditor-General's report and commits itself to addressing, improving and strengthening the internal controls and compliance with laws and regulations, particularly in the areas of Supply Chain Management and Performance Reporting.



Mr Mortimer Mannya
Acting Director-General
Department of Agriculture, Forestry and Fisheries

Date: 31 July 2013



Statement of Responsibility



STATEMENT OF RESPONSIBILITY

for the year ended 31 March 2013

The Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, requires the accounting authority to ensure that the Marine Living Resources Fund keeps full and proper records of its financial affairs. The annual financial statements should fairly present the state of affairs of the Marine Living Resources Fund, its financial results, its performance against predetermined objectives and its financial position at the end of the year in terms of the basis of accounting as set out in note 1 to the financial statements.

The annual financial statements are the responsibility of the accounting authority. The Auditor-General is responsible for independently auditing and reporting on the financial statements. The Auditor-General has audited the entity's financial statements and the Auditor-General's report appears on pages 14 to 18.

The annual financial statements have been prepared in accordance with the basis of accounting as set out in note 1 to the financial statements. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

The accounting authority has reviewed the entity's budgets and cash flow forecasts for the year ended 31 March 2013. On the basis of this review, and in view of the current financial position, the accounting authority has every reason to believe that the entity will be a going concern in the year ahead and has continued to adopt the going concern basis in preparing the financial statements.

The accounting authority sets standards to enable management to meet the above responsibilities by implementing systems of internal control and risk management that are designed to provide reasonable, but not absolute assurance against material misstatements and losses. The entity maintains internal financial controls to provide assurance regarding:

- The safeguarding of assets against unauthorised use or disposition.
- The maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. An effective system of internal control therefore aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statement presentation. Furthermore, because of changes in conditions, the effectiveness of internal financial controls may vary over time.

The accounting authority has reviewed the entity's systems of internal control and risk management for the period from 1 April 2012 to 31 March 2013. The accounting authority is of the opinion that the entity's systems of internal control and risk management were effective for the period under review.

In the opinion of the accounting authority, based on the information available to date, the annual financial statements fairly present the financial position of the fund at 31 March 2013 and the results of its operations and cash flow information for the year and that the Code of Corporate Practices and Conduct has been adhered to.

STATEMENT OF RESPONSIBILITY for the year ended 31 March 2013 (continued)

The annual financial statements for the year ended 31 March 2013, set out on pages 48 - 86, were submitted for auditing on 31 May 2013 in terms of section 55(1)(c)(i) & (ii) of the PFMA, 1999 (Act No. 1 of 1999) and approved on 31 July 2013 by the Accounting Authority in terms of section 51(1)(f) of the PFMA (Act No 1 of 1999), as amended and are signed on its behalf by:



Ms Lindè Botha
Acting Chief Financial Officer

Date: 31 July 2013



Mr Mortimer Manny
Acting Director-General
Department of Agriculture, Forestry and Fisheries

Date: 31 July 2013



Report of the Audit Committee

REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2013

We are pleased to present our report for the financial year ended 31 March 2013.

Audit Committee members and attendance:

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 5 meetings were held.

Name of Member	Number of meetings attended
M Moja (Chairperson)	5
Z Abrams	2
Z Hoosain (resigned 30 September 2012)	4
L Somo	5
N Mnconywa	5

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the PFMA and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Effectiveness of internal control

The system of internal control applied by the entity over financial risk and risk management is effective, efficient and transparent. However, deficiencies were noted in controls over the EPW programs and the procurement system as reported by Internal Auditors.

In line with the PFMA and the guidelines from King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors it was noted that no further matters were reported that indicate material deficiencies in the system of internal control or deviations therefrom, other than the above mentioned areas and the significant findings mentioned in the Report of the Auditor-General.

Accordingly, we can report that the system of internal control for the period under review was efficient and effective.

Matters of concern

The following matters of concern to Audit Committee were reported to the Accounting Authority during the year:

- ICT activities are not aligned to the MRLF business activities and therefore cannot provide a strategic support as intended. The MRLF rely on DAFF to provide ICT technical expertise;
- Control weaknesses around SCM environment take long to be addressed due to limited capacity; and

REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2013 (continued)

- The template employed to report Performance against Pre-Determined Objectives as design by DAFF, did not provide for reporting progress against quarterly targets but only annual targets and that made it difficult for the Audit Committee to Monitor and report on the activities during the year.

Evaluation of Financial Statements

The Audit Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report;
- Noted that there were no changes in accounting policies and practices;
- Reviewed the Auditor-General of South Africa's (AGSA) management report and management's response thereto;
- Reviewed the entity's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from the audit.

Internal audit

The Audit Committee is satisfied that the internal audit function operated effectively during the year under review and that it has addressed the risks pertinent to the entity in its audits.



Chairperson of the Audit Committee

Date: 31 July 2013



Report of the Auditor-General

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF MARINE LIVING RESOURCES FUND

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Marine Living Resources Fund set out on pages 48 to 86, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual information for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. 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 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 management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Marine Living Resources Fund as at 31 March 2013, and its financial performance, cash flows and the statement of comparison of budget and actual information for the year then ended in accordance with the SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 15 to the financial statements, the corresponding figures for 31 March 2012 have been

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF MARINE LIVING RESOURCES FUND

(continued)

restituted, as a result of an error discovered during the 2012-13 financial year in the financial statements of the Marine Living Resources Fund at, and for the year ended, 31 March 2012.

Material underspending of the budget

9. As disclosed in the statement of comparison of budget and actual information and note 7 to the financial statements, the entity has materially underspent the budget on directorates: fisheries research and development, monitoring, control and surveillance and aquaculture and economic development to the amount of R193 790 000 (61%). As a consequence, the entity has not achieved its objectives of conducting deep sea research which promotes the sustainable development of fisheries resources and ecosystems as well as patrols which ensure the protection and promotion of sustainable use of marine living resources by intensifying enforcement and compliance efforts.

Additional matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

11. The supplementary information set out on pages 87 to 88 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 22 to 47 of the annual report.
14. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability for the strategic goals selected for auditing. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information (FMPP)*.
15. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
16. There were no material findings on the annual performance report concerning the reliability of the information.
17. The material findings are as follows:

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF MARINE LIVING RESOURCES FUND (continued)

Usefulness of information

Reported objectives not consistent with planned objectives

18. Treasury Regulation 30.1.3(g) requires that the annual performance plan should form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 100% of the reported objectives are not consistent with the objectives, as per the approved annual performance plan. This was due to the limited review/monitoring of the completeness of reporting documents by management.

Reported indicators not consistent with planned indicators

19. Treasury Regulation 30.1.3(g) requires that the annual performance plan should form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 77% of the reported indicators were not consistent with the indicators as per the approved annual performance plan. This was due to the limited review/monitoring of the completeness of reporting documents by management.

Reported targets not consistent with planned targets

20. Treasury Regulation 30.1.3(g) requires that the annual performance plan should form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 43% of the reported targets were not consistent with the targets as per the approved annual performance plan. This was due to the limited review/monitoring of the completeness of reporting documents by management.

Performance indicators not well defined

21. The FMPPI requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 26% of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the performance information process being centralised to the monitoring and evaluation branch of the Department of Agriculture, Forestry and Fisheries (DAFF) and consequently there was no designated person assigned to perform the review function at the entity.

Additional matters

22. I draw attention to the following matters below. These matters do not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

23. Of the total number of 32 targets planned for the year, 18 were not achieved during the year under review. This represents 56% of total planned targets that were not fully achieved during the year under review. This was due to underspending of the budget relevant to strategic goal 1: Increase profitable production of food, fibre and timber products by all categories of producers.

Material adjustments to the annual performance report

24. Material audit adjustments in the annual performance report were identified during the audit, of which 50% were corrected by management and those that were not corrected have been reported accordingly.

Compliance with laws and regulations

25. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF MARINE LIVING RESOURCES FUND

(continued)

compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Procurement and contract management

26. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, which is in contravention of Treasury Regulation 16A6.4.
27. Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury Regulation 16A8.3.

Expenditure management

28. The accounting authority did not take effective steps to prevent irregular expenditure as required by section 51(1)(b)(ii) of the PFMA.

Internal control

29. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

30. The accounting authority did not sufficiently consider the supply chain management prescripts when approving the extension of certain contracts. The extensions were granted due to a lack of proper planning which is not a sufficient reason when dispensing with prescribed bidding processes.
31. Actions were not in all instances taken to address risks relating to the achievement of complete and accurate performance reporting as the roles and responsibilities were not clearly defined between DAFF and the entity.

Financial and performance management

32. The Director: Supply Chain Management did not perform adequate monitoring and review over the compliance to procurement processes in line with applicable laws and regulations.
33. The Chief Director: Fisheries Operations Support and the Director: Monitoring and Evaluation did not properly review the annual performance report for completeness, accuracy, and compliance thereof with all the requirements as per the FMPPI.

OTHER REPORTS

Investigations

34. The minister of Agriculture, Forestry and Fisheries requested a forensic investigation into the procurement of goods and services for the manning of ships from the period 1 January 1999 to 29 February 2011. The investigation is still in progress.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF MARINE LIVING RESOURCES FUND (continued)

Agreed-upon procedures engagements

35. As requested by the public entity, an engagement was conducted by an independent service provider during the year under review, to substantively test the occurrence, accuracy and completeness of revenue collected by the South African Post Office on behalf of the entity. The report covered the period 1 April 2012 to 31 March 2013 and was issued on 25 June 2013 and no significant findings were identified.

Auditor-General

Cape Town
31 July 2013



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annual Financial Statements

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013

The accounting authority presents the annual report, which forms part of the audited financial statements of the fund for the year ended 31 March 2013.

PRINCIPAL ACTIVITY OF THE FUND

South Africa has a 3 000 km coastline that serves as a major shipping trade route, is home to a vast biodiversity of marine and coastal species, provides jobs and food to many South Africans, and also attracts growing numbers of tourists each year.

The Fisheries Management Branch (Fisheries) of the Department of Agriculture, Forestry and Fisheries (DAFF) is tasked with managing the development, sustainable use and orderly exploitation of our marine and coastal resources, as well as protecting the integrity and quality of our marine and coastal ecosystems. The Branch's activities are governed by the Marine Living Resources Act of 1998, and the Branch operations are funded through the Marine Living Resources Fund.

EXECUTIVE OFFICERS

Director-General	: Mr Langa Zita (1 April 2012 – 24 June 2012)
Acting Director-General	: Mr S Ntombela (25 June 2012 – 31 March 2013)
Acting Deputy Director-General	: Ms S Middleton (1 April 2012 – 30 April 2012)
Acting Deputy Director-General	: Dr M Mashaba (4 May 2012 – 2 September 2012)
Acting Deputy Director-General	: Mr C Mtoba (3 September 2012 – 30 November 2012)
Deputy Director-General	: Ms G Appelgren-Narkedien (1 December 2012 – 31 March 2013)
Acting Chief Financial Officer	: Mr W Rooifontein

REMUNERATION OF EXECUTIVE OFFICERS

Compensation of the employees that administer the MLRF is paid by the Department of Agriculture, Forestry and Fisheries (DAFF). The compensation of the executive officers is disclosed in the financial statements of DAFF.

During this financial year no payments were made to the Acting Director-General, Mr S Ntombela.

From 1 April 2012 to 30 April 2012 payments to the value of R12 000 were made to the Acting Deputy Director-General, Ms S Middleton, for subsistence, travel and other related reimbursement costs from the MLRF.

From 4 May 2012 to 2 September 2012 no expenditure was incurred and no payments were made to the Acting Deputy Director-General, Dr M Mashaba.

From 3 September 2012 to 30 November 2012 payments to the value of R13 009 were made to the Acting Deputy Director-General, Mr C Mtoba for subsistence, travel and other related reimbursement costs from the MLRF.

From 1 December 2012 to 31 March 2013 expenditure was incurred and payments to the value of R88 316 were made to the Deputy Director-General, Ms G Appelgren-Narkedien for subsistence, travel and other related reimbursement costs from the MLRF.

From 1 April 2012 to 31 March 2013 expenditure was incurred and payments to the value of R31 524 were made to the Acting Chief Financial Officer for subsistence, travel and other related reimbursement costs from the MLRF.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

GOVERNMENT DEPARTMENT

Department of Agriculture, Forestry and Fisheries

ADDRESS

Foretrust Building
Private Bag X2
Martin Hammerschlag Way
Roggebaai
Foreshore
8012
Cape Town
8000

LEGAL FORM

The entity is a schedule 3A Public Entity in terms of the Public Finance Management Act No 1 of 1999 and is governed by the Marine Living Resources Act No 18 of 1998 as amended.

LEGISLATIVE MANDATE

The mandate and core business of the Marine Living Resources Fund (MLRF), managed under the Fisheries Management Branch of The Department of Agriculture, Forestry and Fisheries (DAFF), is underpinned by the Constitution and all other relevant legislation and policies applicable to government departments.

The specific mandate of the MLRF is derived from the following Acts, Policies, Treaties and Conventions:

- Constitution of the RSA, Act 108 of 1996;
- Cabinet and Ministerial directives and policy decisions;
- White Paper on Marine Fisheries, 1997;
- Marine Living Resources Act, 29 of 1999;
- Public Finance Management Act 1 of 1999;
- National Treasury Regulations;
- Preferential Procurement Framework Act and regulations;
- Public Service Act, 1994;
- Sea Fisheries Act, 1998
- Supply Chain Management Framework
- Basic Conditions of Employment Act, 1997.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION for the year ended 31 March 2013

The Department of Agriculture, Forestry and Fisheries has established and implemented a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information.

The performance information provided in the annual report for the Marine Living Resources Fund, in my opinion, reflects the performance of the department for the financial year ended 31 March 2013.

Mr Mortimer Manny
Acting Director-General
Department of Agriculture, Forestry and Fisheries

Date: 31 July 2013

PERFORMANCE INFORMATION FOR THE MARINE LIVING RESOURCES FUND (MLRF) Period under review: 1 April 2012 – 31 March 2013

The Marine Living Resources Fund (MLRF) was established in terms of Section 10 of the Marine Living Resources Act, Act 18 of 1998. The MLRF is the main source of funding for the operations of Fisheries Management, which is a Branch of the national Department of Agriculture, Forestry and Fisheries.

Fisheries Management comprises four Chief Directorates, namely Aquaculture and Economic Development; Fisheries Research and Development; Marine Resource Management; and Monitoring, Control and Surveillance.

Aquaculture and Economic Development: Will ensure aquaculture growth and fisheries economic development for sustainable livelihoods by providing public support and an integrated platform for the management of aquaculture. The Chief Directorate, through the implementation of the National Aquaculture Strategic Framework (NASF), has guided the development of an equitable, diverse, viable and competitive aquaculture sector through creating an enabling environment that promotes government and private sector interventions. The construction of 3 fish farms in Xhariep, namely: Gotswamentsing project in Koffiefontein, Springfontein and Lephoi project in Bethulie were completed and the farms received fingerlings to commence with operations. Technical assessment of the project was also concluded. A target of revitalizing/establishing 5 fish farms was not met due to non-completion of the Disaneng Aquaculture Farm in North West (NW) and Hamburg Aquaculture project in Eastern Cape (EC). To complete this, work will continue in the financial year 2013/14.

An existing Abalone Hub in Hermanus was also identified as a potential Aquaculture Development Zone (ADZ) and processes initiated in collaboration with the Western Cape Province. A total of 1 343 jobs were created through implementation of 11 projects under the Working for Fisheries Programme. The Gans and Lamberts bay harbours were repaired and maintained for the harbour revitalisation process. The development of the Environmental Integrity Framework for Marine Aquaculture was completed and approved. Finfish Monitoring Programme was also completed, participation has been included as a requirement in permit conditions for the current 8 marine finfish farms.

REPORT OF THE ACCOUNTING AUTHORITY

for the year ended 31 March 2013 (continued)

Fisheries Research and Development: To ensure the promotion of the sustainable development of fisheries resources and ecosystems by conducting and supporting appropriate research.

In order to constantly improve on the understanding of the biological, ecological, population dynamics and other life-history attributes of exploited species; the Chief Directorate has continuously been conducting scientific research to support the branch in the implementation of the Ecosystem Approach to Fisheries Management (EAF). South Africa is considered internationally to be a leader in the field of EAF and is one of the few countries that regularly conducts Ecosystem Risk Assessments (ERAs) for its important fisheries. The Chief Directorate also provides scientific advice and recommendations to the branch when setting the Total Allowable Catches (TAC) and Total Allowable Effort (TAE) levels for all sectors of fisheries including the commercial, recreational and small-scale fisheries.

During the period under review, the department signed two Memoranda of Understanding (MoUs) with the Universities of Free State and Limpopo for the implementation of Aquaculture Research and Capacity Development Programme. To continue providing specific guidance for aquaculture research and development activities as well as guiding other government departments, research institutions, funding agencies and the private sector; the following researches were conducted: (a) Research on aquatic animal health and diseases, (b) Research and development of culture technology for finfish and invertebrate species and (c) Research on the interaction between the environment and aquaculture. Various publications such as scientific papers, conference abstracts, technical reports and dissertations were done in all the mentioned aquaculture researches.

The Chief Directorate has investigated the feasibility of two potential new fisheries. Data was collected for the red and live bait as well as other fisheries. The research is still ongoing. The challenge is that new fisheries require more than just scientific support – they also require dedicated economic, business development and administrative support. Without such support it is exceptionally difficult for new fisheries to develop.

The 2012 Status of the South African Marine Fishery Resources was also published. The Chief Directorate has continued to give recommendations and advice on ecosystem considerations in annual catch limits for 22 fisheries sectors.

Marine Resource Management: Ensures the sustainable utilisation and equitable and orderly access to the marine living resources through improved management and regulation.

Marine Resource Management is responsible for regulating the utilization of marine resources through the administration of fishing rights, permits and licenses. To prevent the over exploitation of fish stocks governments apply restrictive measures (regulations) or policy tools such as catch quotas – Total Allowable Catch (TAC) and fishing efforts limits ; Total Allowable Effort (TAE) to monitor compliance with such regulations.

The TACs and TAEs were set for all 22 commercial sectors. The Draft Guidelines for the Fish Processing Establishment sector was completed. The Draft Guidelines for the Fish Processing Establishment sector, and the Small Pelagic and Abalone ERA Review reports were finalized. The Small Scale Fisheries Policy was approved by Cabinet in May 2012 and a plan for the implementation of the Small-Scale Fisheries Policy is being developed.

Monitoring, Control and Surveillance: Ensure the protection and promotion of sustainable use of marine living resources by intensifying enforcement and compliance.

During the period under review, efforts were focused on coordinating and improving law enforcement efforts in Hake, Abalone, Squid, West Coast Rock Lobster (WCRL) and Linefish. The Chief Directorate's targets of inspecting vessels at sea were adversely affected by the Patrol Vessels not being at sea. A total 1 362 of Vessels were inspected at

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

sea for 5 key fisheries and a total of 940 vessels were inspected out of 800 targeted. A total of 315 rights holders were reviewed in all 5 key fisheries in compliance with policies and prescripts. Continuous inspections were also conducted at land and air borders as well as Fish Processing Establishments (FPEs).

Strategic Goals and Objectives: Although DAFF has six strategic goals (SGs) and each SG comprises a number of strategic objectives (SOs), the Marine Living Resources Fund and the Fisheries Branch report under Strategic Goals 1, 2 and 5 as follows:

Strategic Goal 1: Increased profitable production of food, fibre and timber products by all categories of producers

SO 2: Coordinate government food security initiative

Strategic Goal 2: Sustained management of natural resources

SO 1: Ensure the sustainable management and efficient use of natural resources

Strategic Goal 5: Increased contribution of the sector to economic growth and development

SO 1: Increase growth, income and sustainable job opportunities in the value chain

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Aquaculture and Economic Development					
SG 1: Increased profitable production of food, fibre and timber products by all categories of producers					
SO 2: Coordinate government food security initiative					
Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		Reason for Variance
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
Number of fish farms revitalised/established	Two projects were implemented. The third project was cancelled because of non-compliance	5 fish farms	Number of farms established and revitalised	Three (3) fish farms were established in Xhariep, namely: the Gotswamentsing project in Koffiefontein, Springfontein and the Lephoi project in Bethulie.	Disaneng Aquaculture Farm (North West), no progress.
				One (1) dusky kob pilot farm is 90% complete, namely Hamburg Aquaculture Project (Eastern Cape)	Delays experienced due to failure of the contractors to meet deadlines.
				Technical assessments report on Disaneng Aquaculture Farm (North West) completed. No further progress due to financial; constraints.	Farm not constructed due to financial limitations.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Aquaculture and Economic Development (continued)

SG 1: Increased profitable production of food, fibre and timber products by all categories of producers (continued)

SO 2: Coordinate government food security initiative (continued)

Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		Reason for Variance
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
Number of producer associations established	1 formal association exists for small-holder farmers (Camdeboo Women's Trust)	1 small-holder producer association	Small-holder producer association established	One (1) producer organization established (Abalone Producers Association of South Africa established and recognized by the Ministers approval and gazetted).	
Feasibility study on the status and potential of inland fisheries	No data exists in terms of the status of fishing and fisheries management in inland water bodies	1 status report on the potential of inland fisheries	Completed study and approved status report	Data collected and site visit conducted on state-owned dams (water bodies) in the country. Draft report compiled and put on hold until legislative gaps on inland fisheries are addressed.	Report not approved due to legislative gaps identified with regards to management and development of inland fisheries

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Aquaculture and Economic Development (continued)					
SG 5: Increased contribution of the sector to economic growth and development					
SO 2: Strengthen policy, planning, monitoring, evaluation and reporting and sector information					
Indicator	Baseline (Actual Output) 2011/12	Actual Performance against Target			Reason for Variance
		Target (2012/13)	Contributing APP Indicators (2012/13)	Actual (2012/13)	
Number of Aquaculture Development Zones (ADZ) revitalised/ established	-	1 Aquaculture Development Zone	Number of aquaculture development zones established and revitalised	Target not met	The existing Abalone Hub in Hermanus was identified as a potential ADZ and processes initiated in collaboration with the Western Cape Province. Activity put on hold due to the Spatial Development Framework and Growth Development Plan undertaken by the Overstrand Municipality. The Spatial Development Framework will take into consideration the ADZ and the SEZ's.
Number of hatcheries revitalised/established	-	1 hatchery	Number of hatcheries revitalised	Target not met	Due to delays and challenges experienced in acquiring land from Department of Public Works, the DG approved a decision that the Cape Agulhas Municipality be appointed to run this project as they have made land available for the establishment of the hatchery.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Aquaculture and Economic Development (continued)

SG 5: Increased contribution of the sector to economic growth and development (continued)

SO 2: Strengthen policy, planning, monitoring, evaluation and reporting and sector information (continued)

Indicator	Baseline (Actual Output) 2011/12	Actual Performance against Target			Reason for Variance
		Target (2012/13)	Contributing APP Indicators (2012/13)	Actual (2012/13)	
Number of permitted Fish Processing Establishments	62	3 Fish Processing Facilities	Permitted Fish Processing Establishments	<p>1. Agreements signed with 3 implementers for the 3 FPE's. The Kleinmond Visser's Ontwikkelings Vereniging Completed the planning phase of the FPE in Kleinmond and have been ready to move to phase 2 of the project.</p> <p>2. The Cederberg district municipality also completed the planning phase and are awaiting approval of revised budgets from the Fund to continue with phase 2.</p> <p>3. The Port Nolloth facility has completed the planning phase and has started with the refurbishment of the existing factory.</p>	<p>The primary delay has been the allocation of land by the municipality. The land was allocated to a holding entity and negotiations for the transfer were started but not concluded.</p> <p>The original project required R5m due to existing infrastructure in the harbour. The infrastructure was condemned by Marine and Civil engineers due to sea corrosion. The new site requires construction from scratch therefore the increased budget request.</p> <p>Delays on this project were primarily due to supplier chain processes in the District Municipality (Namakwa). Project is underway and activities will be finalized during 2013/14 financial year.</p>

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Aquaculture and Economic Development (continued)					
SG 1: Increased profitable production of food, fibre and timber products by all categories of producers					
SO 2: Coordinate government food security initiative					
Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		Reason for Variance
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
Number of Working for Fisheries Programme jobs created	<p>10 projects were implemented as planned. They were as follows:</p> <ul style="list-style-type: none"> Western Cape marine anti-poaching Fishing harbour facilities Fishing harbour facilities management KwaZulu-Natal catch data monitors Western Cape catch data monitors Eastern Cape catch data monitors Western Cape development of processing facilities Doringbaai Fish Farm Port Nolloth and Hondekip Bay Harbour Cedarberg fish processing facility 	1 000 Working for Fisheries Programme jobs created	Number of jobs created through implementation of projects	1 343 jobs were created through implementation of 11 projects under the Working for Fisheries Programme	
Number of fishing harbours established and revitalised	<p>The deliverable was reviewed for the 2012/13 plan as number of harbour projects implemented.</p> <p>2011/12 Indicator: increase proclaimed fishing harbours from 12 to 19.</p>	2 fishing harbours	Number of harbour projects implemented	<p>The following two (2) harbour projects were implemented (repaired and maintained for revitalization process) during the period under review:</p> <ul style="list-style-type: none"> Gans bay Harbour Lamberts Bay Harbour 	

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Aquaculture and Economic Development (continued)

SG 1: Increased profitable production of food, fibre and timber products by all categories of producers (continued)

SO 2: Coordinate government food security initiative (continued)

Indicator	Baseline (Actual Output) 2011/12	Actual Performance against Target			Reason for Variance
		Target (2012/13)	Contributing APP Indicators (2012/13)	Actual (2012/13)	
Number of aquaculture management programmes established	-	1 Aquaculture Management Programme	Number of farms participating in the Finnish Monitoring Programme	Two (2) programmes were completed, namely the Development of the Environmental Integrity Framework for Marine Aquaculture and the Finnish Monitoring Programme.	

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Fisheries Research and Development
 SG 2: Sustainable management of natural resources
 SO 1: Ensure sustainable management and efficient use of natural resources

Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		Reason for Variance
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
Feasibility reports on new fisheries	Target is still in progress.	Investigation of feasibility of two potential new fisheries	Reports approved by CD: Fisheries Research and Development	<p>Redbait: Reports and data indicate that a small-scale fishery for redbait could be established from clearing of jetties rather than beach collection as very poor beach collection yields were recorded. The potential for establishment of this fishery will be considered in the implementation of the Small-Scale Fisheries Policy.</p> <p>A second applicant from the Stujsbaai area has been collecting washed-up redbait for the last two years but the yield has been very sporadic and in small quantities. This will need a further period to evaluate whether this may be economically viable.</p> <p>Livebait (tuna fishery): There is still an insufficient amount of data being recorded on which to base any proper analysis.</p>	<p>New fisheries require more than just scientific support – they also require dedicated economic, business development and administrative support. These are still lacking, and without such support it is exceptionally difficult for new fisheries to develop.</p> <p>Permit holders are not always active enough to provide sufficient data</p>

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		Reason for Variance
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
<p>Sub-programme: Fisheries Research and Development (continued) SG 1: Increased profitable production of food, fibre and timber products by all categories of producers SO 2: Coordinate government food security initiative</p>					
Implement the Framework (ARTDP)	The Aquaculture Research and Technology Development Programme was approved by DEXCO on 15 March 2012.	Implement ARTDP (5 Published Scientific Papers 5 conference abstracts 5 technical reports)	Published scientific papers (submitted, accepted and in press) Conference abstract, Technical report and dissertations on aquatic animal health and diseases for aquaculture	The following are the published scientific papers (submitted, accepted and in press) for research done on aquatic animal health diseases for aquaculture: 5 Published Scientific Papers: 5 conference abstracts were produced 5 technical reports were produced	
		Research and development on culture technology for finfish and invertebrate species. (3 scientific papers; 1 Conference abstract; 1 Technical report; 2 Dissertations)	Published scientific papers (submitted, accepted and in press) Conference abstract, Technical report and dissertations on culture technology for finfish and invertebrate species	Dissertations: 3 MSc dissertations were done, one being upgraded to a PhD. 3 Scientific papers were published Conference Abstracts: 3 conference abstracts were prepared and presented at conferences. Technical reports: 1 technical report was published Dissertations: 2	

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Fisheries Research and Development (continued)					
SG 1: Increased profitable production of food, fibre and timber products by all categories of producers (continued)					
SO 2: Coordinate government food security initiative (continued)					
Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		Reason for Variance
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
		Research on the interaction between the environment and aquaculture (5 scientific papers; 2 Conference abstracts; 1 Technical report; 2 Dissertations)	Published scientific papers (submitted, accepted and in press) Conference abstract, Technical report and dissertations on the interaction between the environment and aquaculture	Published scientific papers – Conference abstracts: 3 Technical report: 1 Dissertations: 2 dissertations (1 MSc and 1 BSc Hons) were completed.	
Aquaculture research and capacity development programme implemented	-	Finalised MoUs with two universities		Two MOUs were signed: with the University of the Free State and Limpopo University to implement aquaculture research and capacity development programmes.	

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Marine Resources Management					Reason for Variance
Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
SG 1: Increased profitable production of food, fibre and timber products by all categories of producers					Participants responded positively, but extensive investments are needed to take matter forward
SO 2: Coordinate government food security initiative					
Promote utilization of anchovy for human consumption	-	Pilot study conducted on different uses of anchovy for human consumption	Approved project report by DDG: Fisheries Management on pilot project on different anchovy uses	A two-day workshop was held to explore options to utilize anchovy for human consumption.	
Sub-programme: Marine Resources Management (continued)					
SG 2: Sustainable management of natural resources					
SO 1: Ensure sustainable management and efficient use of natural resources					
Extent of the recovery in terms of spawning biomass of abalone, hake, West Coast rock lobster and Linefish from current levels	Abalone: Recovery plan approved in TAC Hake: Recovery plan approved in TAC WCR: Recovery plan approved in TAC Linefish: Recovery plan approved in TAE	Implementation of recovery strategy and management recommendations towards target set for abalone, hake, West Coast rock lobster, and linefish	Improvement in biomass from current level	The Abalone TAC for the 2012/13 fishing season was approved at 150 tons, which is the same as for the 2011/12 fishing season. The Linefish TAE was approved at 455 Rights Holders and 3 182 crew, the same as for the 2011/12 fishing season. The West Coast Rock Lobster TAC was at 2 426 tons, the same as for the 2011/12 fishing season.	
				The Hake TAC was approved at 156 151 . 009 tons, an increase of 7.883% on the previous season.	

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Marine Resources Management (continued)

SG 1: Increased profitable production of food, fibre and timber products by all categories of producers (continued)

SO 2: Coordinate government food security initiative (continued)

Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		Reason for Variance
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
Commercial fishing rights allocated in 22 fishing sectors	Obtained DG's approval to outsource the policy review and allocations process. Sought DG's approval to appoint a specifications committee as well as an evaluation committee after bids will be invited.	Revised General Fishing Policy and 8 sector specific fishing policies and establish rights allocation process	Revised rights registers, sector policies and permit conditions	The bid for the allocation of fishing rights in the eight sectors to be split into two (the one for the policy review process and the other one for the rights allocation process) and to be re-advertised due to lack of suitable service providers. The revised general policy and 8 sector specific policies will be finalized in the 2013/14 year.	Delays were encountered as a result of the need to readvertise the rights allocation bid.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Marine Resources Management (continued)

SG 2: Sustainable management of natural resources

SO 1: Ensure sustainable management and efficient use of natural resources

Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		Reason for Variance
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
Framework for the management of the fish-processing establishments	Draft guidelines are currently being finalised.	Develop a framework for the management of the fish-processing establishments	Amended rights register	The Draft Guidelines for the Fish Processing Establishment sector has been completed. The Draft Guidelines for the Fish Processing Establishment sector will be published in the Government Gazette inviting comment from external stakeholders.	.
Small-scale Fisheries policy implemented	Draft Policy in place	127 fishing coastal communities	Rights allocated in the Small-scale Fisheries Sector in 4 coastal provinces	A draft Implementation Plan for the Small-Scale Fisheries Policy has been developed, including an implementation plan framework and roadmap have been developed and approved; Internal Task Team to guide in the development of an implementation plan has been appointed by the office of the Deputy Director-General: Fisheries Management; Advisory memorandums, document on the process of allocation of rights has been considered and adopted. Stakeholder consultation is continuously conducted. Targeted date for the final implementation plan document is earmarked for the 30 June 2013.	The process for allocating rights in the Small-scale Fisheries Sector has been defined, but allocations will take place by June 2013.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Marine Resources Management (continued)					
SG 2: Sustainable management of natural resources (continued)					
SO 1: Ensure sustainable management and efficient use of natural resources (continued)					
Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		
			Contributing APP Indicators (2012/13)	Actual (2012/13)	Reason for Variance
Managed and regulated recreational fishing sector	Recreational Fisheries Management Working Group	1 framework for licensing of Charter Boat Stakeholders	Engagement with Charter Boat Stakeholders	The Charter boat issue has been discussed at the Recreational Forum meeting on 7 February 2013 There are 2 issues: a) the drafting of a policy to regulate the charter industry has not commenced yet. (b) the sale of permits by the current operators to their clients is being pursued..	Information on the number of operators/trips/permits involved was obtained for the Western Cape area but the stakeholder representing the operators from the KwaZulu-Natal area has not as yet provided information
Finalised National Programme of Action (NPOA) for Fishing Capacity	Established Capacity Management regime in fisheries sectors	2 NPOA for Fishing Capacity	Approved NPOA for Fishing Capacity	Inputs were received from some fishing sectors but very little progress was made in developing the NPOAs. Target not achieved and will be reviewed.	This is quite a lengthy process. The process of collecting comprehensive capacity data, writing detailed reports, arranging sector specific workshops with external stakeholders in order to get consensus proved to be more challenging (time frames to achieve this plan were short).
Managed Ecosystem approach to Fishing (EAF) for Offshore Fisheries	Ecological Risk Assessment (ERA) reports for Small and Large Pelagics, Patagonian toothfish	3 ERA reports	Small and Large Pelagics ERA reviewed	The Small Pelagic ERA Review report was finalized and adopted.	

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Marine Resources Management (continued)				Reason for Variance	
Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
SG 2: Sustainable management of natural resources (continued)					
SO 1: Ensure sustainable management and efficient use of natural resources (continued)					
Fisheries Management Plans (FMPs) for key fishing sectors	Framework for FMPs	1 draft FMP for West Coast Rock Lobster sector	Draft FMP for West Coast Rock Lobster	Target not met	The process to finalise a FMP is a lengthy one and the target needs to be redefined.
Sub-programme: Monitoring, Control and Surveillance					
SG 1: Increased profitable production of food, fibre and timber products by all categories of producers					
SO 2: Coordinate government food security initiative					
Implement and review Integrated Fisheries Security Strategy (IFSS) through inspection of fishing vessels at sea, landings and random review of rights holders in 5 key fisheries sector	The decision was taken at DEXCO to update the draft strategy and present it in the 2012/13 financial year for adoption	Inspection of vessels at sea: 600	Number of sea-based inspections of vessels in 5 priority fisheries i.e. hake, abalone, squid, Linefish and rock lobster, and other random sea inspection of vessels in other sectors	FISHERIES PROTECTION VESSELS Hake Target: 120 Actual: 44 Abalone Target: 120 Actual: 0 Squid Target: 120 Actual: 18 Rock Lobster Target: 120 Actual: 1 Linefish Target: 120 Actual: 31	

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Monitoring, Control and Surveillance (continued)

SG 1: Increased profitable production of food, fibre and timber products by all categories of producers (continued)

SO 2: Coordinate government food security initiative (continued)

Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		Reason for Variance
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
				RANDOM FISH SECTORS Pelagic: 3 Demersal Shark: 1 Interim Relief: 23 SMALL CRAFT Hake: 0 Abalone: 21 Squid Target: 29 Rock Lobster Target: 343 Linefish Target: 557 RANDOM FISHERIES Pelagics: 8 Demersal Shark: 1 Recreational: 279 Interim Relief: 3 A total 1 362 Vessels were inspected at sea	

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		Reason for Variance
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
<p>Sub-programme: Monitoring, Control and Surveillance (continued) SG 1: Increased profitable production of food, fibre and timber products by all categories of producers (continued) SO 2: Coordinate government food security initiative (continued)</p>					
		Inspection of vessels at landings: 800 fishing vessels	Number of vessel landings inspected in 5 key fisheries (hake, abalone, pelagics, Linefish and rock lobster) inspected and spot checks conducted in other sectors	A total of 940 vessels were inspected out of 800 targeted	Set target was not reached in Hake and Abalone to reduction in vessels in that sector. Extra vessels were found in the line fish sector.
		Review of permit and rights holders compliance with policies and prescripts: 276 of 2 304 right holders	Number of rights holders investigated in key fisheries sectors, namely hake, abalone, rock lobster, squid and linefish	Number of rights holders investigated as follows: <ul style="list-style-type: none"> A total of 23 rights holders for Hake long line A total of 14 rights holders for Hake deep sea trawl A total of 21 rights holders for Hake hand line A total of 16 rights holders for Hake inshore trawl 	<ul style="list-style-type: none"> Annual target of 20 was exceeded Annual target of 8 exceeded by 6 investigations Annual target of 12 exceeded by 9 investigations Annual target of 15 exceeded by 1

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Monitoring, Control and Surveillance (continued)

SG 1: Increased profitable production of food, fibre and timber products by all categories of producers (continued)

SO 2: Coordinate government food security initiative (continued)

Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		Reason for Variance
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
				<ul style="list-style-type: none"> A total of 100 rights holders for West Coast Rock Lobster near shore A total of 24 rights holders for West Coast Rock Lobster offshore A total of 58 rights holders for Traditional line fish A total of 36 rights for Abalone. A total of 23 rights holders for squid 	<ul style="list-style-type: none"> Annual target of 104 was not reached due to challenges identified with WCRL offshore allocation of investigation at East London station Annual target of 52 exceeded by 20 investigations Annual target of 48 exceeded by 10 investigations Annual target achieved Annual target of 16 exceeded by 9 investigations
Number of Fishing Vessels Processing Establishments (FPEs) inspections conducted at sea	100	100	Compliance with FPE permit conditions	44 FPEs were inspected at sea. Target not met.	The Fisheries Patrol Vessels were not able to go to sea during the period under review as a result in a change in the management and maintenance of the vessels.
Number of Fishing Vessels monitored by the Vessel Monitoring System	1000	1000	Compliance with PFE permit conditions	21942 fishing vessels observations were completed through the Vessel Monitoring System.	

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

Sub-programme: Monitoring, Control and Surveillance (continued)

SG 1: Increased profitable production of food, fibre and timber products by all categories of producers (continued)

SO 2: Coordinate government food security initiative (continued)

Indicator	Baseline (Actual Output) 2011/12	Target (2012/13)	Actual Performance against Target		Reason for Variance
			Contributing APP Indicators (2012/13)	Actual (2012/13)	
Land and Air Border Inspections conducted	50	50 Land and Air Border Inspections conducted	Compliance with MLRA and permit conditions	79 Land and Air Border Inspections were conducted.	
Land Based Fish Processing Establishments (FPE) inspections conducted	104	104 Land Based Fish Processing Establishments (FPE) inspections conducted	Number of inspections conducted	232 FPE permit notices were issued to those establishments that process fish without a permit. As a result some of the establishments acquired the necessary permits.	
					<ul style="list-style-type: none"> Annual target of 104 was not reached due to challenges identified with WCRL offshore allocation of investigation at East London station Annual target of 52 exceeded by 20 investigations Annual target of 48 exceeded by 10 investigations Annual target achieved Annual target of 16 exceeded by 9 investigations

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

INTERNATIONAL TRIPS					
No	Dates	Venue	Delegation	Title of Event	Cost & Source of funding
FIRST QUARTER					
1	18-26 April 2012	Freemantle, Australia	Mr S Pheeha, Mr C Mtoba Ms M Kashorte, M Ngadlela	9 th Annual session and 16 th Session of IOTC Meeting	R188 000.00: MLRF
2	6-11 May 2012	Hobart, Tasmania	Ms G Maharaj Mr R Tarr	8 th International Abalone Symposium	R113 000.00: MLRF
3	14-18 May 2012	La Reunion	Dr R W Leslie	Del Cano rise Workshop	R33 390.00: MLRF
4	15-19 May 2012	Yeosu, South Korea	Dr D Yemane Ghebrehiwet, Dr C van der Lingen	Second Climate Change symposium	R60 000.00: MLRF
5	03-06 June 2012	Wapkopmond, Namibia	Mr B Semoli, Ms Z Nkhereanye Dr M Hlatshwayo	Namibian's National Fisheries Conference	R48 600.00: MLRF
6	5-25 June 2012	China	Ms K Morake MS P Sibanda Ms M Moepi	Seminar on the Management of Agricultural Technology Demonstration Centre for English Speaking countries in Africa	R211 080.00: MLRF
7	17-21 June 2012	Beijing, China	Dr M J Mashaba	6 th China/South Africa SPS Technical Working Group meeting	R0.00: MLRF R70 000.00: MLRF
SECOND QUARTER					
1	9-13 July 2012	Rome, Italy	Dr M Hlatshwayo	FAO /COFI Committee on fisheries Meeting	R25 500.00: MLRF
2	16-18 July 2012	Beijing, China	Mr B Semoli Ms D Arendse Mr M Goodman Ms F Samodien	Forum on Fishery Science and Technology	R161 900.00:MLRF
3	16-20 July 2012	Dars Salaam, Tanzania	Mr A Nakani	International Institute of Fisheries Economics and Trade Conference	R17 122.00: MLRF

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

INTERNATIONAL TRIPS					
No	Dates	Venue	Delegation	Title of Event	Cost & Source of funding
SECOND QUARTER (continued)					
4	01 – 20 August 2012	China	Mr V Krala Mr HK Halley	Training course on Extension Development System and Management	R136 400.00: MLRF
5	25 September 24 October 2012	China	Mr J Madibana	Seminar on Aquaculture and technical Extension for Developing Countries	R89 000.00:MLRF
6	27 September – 4 October 2012	Japan	Ms M Kashorte Dr J Augustyn	19 th Annual meeting of the Commission for the Southern Bluefin Tuna (CCSBT)	R103 092.00: MLRF
7	30 September -5 October 2012	Bali, Indonesia	Mr J Foord Mr O Dubula	Annual Codex meeting	R63 952.00: MLRF
8	10 September 2012- 01 April 2013	Iceland	Mr L Madikiza Ms B Zantsi	Course on Fisheries Policy and Planning	R61 432.00: MLRF
THIRD QUARTER					
1	15-18 October 2012	Brazzaville, Congo	Ms Z Nkhereanye Mr J De Goede	Launch of the South Africa-Congo Joint Trade Committee	R77 716.00: MLRF
2	04-10 November 2012	Columbia	Mr L Adendorf Mr B Semoli	Fish Farm study Tour	R137 000.00: MLRF
3	12-19 November 2012	Agadir, Morocco	Ms M Kashorte Dr J Augustyn Mr C Smith	The International Commission for the Conservation of Atlantic Tunas (ICCAT)	R77 016.00: MLRF
4	14 November -12 December 2012	Dusseldorf University, Germany	Dr L Auerswald Mr J Knapp	International Research Collaborators at Dusseldorp University	R0.00: MLRF NRF and German collaborator
5	28 November - 7 December 2012	Korea	Mr Xolela Wellem Ms M Kashorte	8 th Annual meeting of South East Fisheries Organization (SEAFO)	R128 368.00: MLRF
6	4-6 December 2012	Uganda	Mr B Semoli	4 th Aquaculture Network for Africa (ANAF)	R00.00 : MLRF R28 000.00: NPCA

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

INTERNATIONAL TRIPS					
No	Dates	Venue	Delegation	Title of Event	Cost & Source of funding
FOURTH QUARTER					
1	4-8 February 2013	Rome, Italy	Dr J Augustyn	United Nations Food and Agriculture Organization (UN-FAO) Technical Consultation on Flag State Performance	R0.00: MLRF
2	16-20 February 2013	Muscat, Oman	Mr S Pheeha Ms M Kashorte	2 nd Technical Committee on Allocation Criteria and Management Options Workshop of IOTC	R32 000.00: MLRF Other: UNFSA
3	27 February 2013	Dar es Salaam	Dr A Cockcroft	South West Indian Ocean Fisheries Commission and Project	R0.00: MLRF Other: SWIOFP
4	25-28 February 2013	Swakopmund, Namibia	Mr C Mtoba Mr B Semoli Ms Z Nkhereanye	Southern African Development Community Technical Meeting	R0.00: MLRF Other: SADC

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2013 (continued)

LIST OF ACRONYMS

ADZ	Aquaculture Development Zone	FRD	Fisheries Research and Development
ADEP	Aquaculture Development and Enhancement Programme	GRAP	Generally Recognised Accounting Practices
AED	Aquaculture and Economic Development	ICCAT	International Commission for the Conservation of Atlantic Tuna
AGSA	Auditor-General of South Africa	IDP	Integrated Development Plan
ANAF	Aquaculture Network for Africa	IPSAS	International Public Sector Accounting Standards
ARTDP	Aquaculture Research and Technology Programme	IT	Information Technology
ASB	Accounting Standards Board	IUU	Illegal, Unreported and Unregulated (fishing)
BCC	Benguela Current Commission	KZN	Kwazulu-Natal
BSC	Bachelor of Science	MCS	Monitoring, Control and Surveillance
CCAMLR	Commission for the Conservation of Antarctic Marine Living Resources	M&E	Monitoring and Evaluation
CCSBT	Conservation of Southern Bluefin Tuna	MLRA	Marine Living Resources Act
CD	Chief Director	MLRF	Marine Living Resources Fund
COFI	Committee of Fisheries	MRM	Marine Resource Management
DAFF	Department of Agriculture, Forestry and Fisheries	MSC	Marine Stewardship Council
DEA	Department of Environmental Affairs	Msc	Master of Science
DEXCO	Departmental Executive Committee	MTEF	Medium Term Expenditure Framework
DDG	Deputy Director-General	MTSF	Medium Term Strategic Framework
DG	Director-General	MOU	Memorandum of Understanding
DST	Department of Science and Technology	NASF	National Aquaculture Strategic Framework
DTI	Department of Trade and Industry	NRF	National Research Foundation
EAF	Ecosystems Approaches to Fisheries	NT	National Treasury
EC	Eastern Cape	NW	North West
EE	Employment Equity	PhD	Doctor of Philosophy
EIA	Environmental Impact Assessment	PFMA	Public Finance Management Act
EPWP	Expanded Public Works Programme	PPPFA	Preferential Procurement Framework Act
ERA	Ecological Risk Assessment	RFMO	Regional Fishery Management Organisation
EU	European Union	SA	South Africa
FAO	Food and Agricultural Organisation	SA GAAP	South African Statements of Generally Accepted Accounting Practices
FPE	Fish Processing Establishments	SADC	Southern African Development Community
FPV	Fisheries Protection Vessel	SAN	South African Navy

REPORT OF THE ACCOUNTING AUTHORITY

for the year ended 31 March 2013 (continued)

LIST OF ACRONYMS

SCL	Sustainable Coastal Livelihoods	SWIOFP	South West Indian Ocean Fisheries Project
SCM	Supply Chain Management	TAC	Total Allowable Catch
SEAFO	South East Atlantic Fisheries Organisation	TAE	Total Allowable Effort
SPS	Sanitary and Phyto-sanitary	ToR	Terms of Reference



Mr Mortimer Mannya
Acting Director-General
Department of Agriculture, Forestry and Fisheries

Date: 31 July 2013

STATEMENT OF FINANCIAL POSITION as at 31 March 2013

	NOTES	2013 R'000	2012 R'000
ASSETS			
Non-current assets			
Plant and equipment	2	437 475	462 510
Intangible assets	3	57	104
		437 532	462 614
Current assets			
Inventory	4	3 690	2 185
Trade and other receivables	5	12 516	11 455
Cash and cash equivalents	6	260 630	104 880
		276 836	118 520
Total assets		714 368	581 134
LIABILITIES			
Current liabilities			
Deferred income	7	193 790	71 428
Donor funds	8	2 766	2 878
Trade and other payables	9	42 932	36 167
Total liabilities		238 488	110 473
Net assets		474 880	470 661
NET ASSETS			
Accumulated surplus		474 880	470 661
Total net assets		474 880	470 661

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2013

	NOTES	2013 R'000	2012 R'000
Revenue			
Operating revenue	10	114 250	113 769
Other income	11	149 487	229 729
Finance income	13	9 168	5 800
Donor funds revenue	14	343	898
		273 248	350 196
Expenses			
Consumables used		(5 202)	(6 546)
Depreciation and amortisation		(31 216)	(30 793)
Transportation cost		(38 359)	(44 625)
Advertising costs		(1 373)	(1 426)
Operating lease payments		(2 108)	(1 811)
Other deficits		(72)	(14)
Other operational costs		(190 458)	(290 665)
Finance cost		-	(9)
Donor funds expenses	8	(241)	(768)
		(269 029)	(376 657)
Surplus/(Deficit) for the year		4 219	(26 461)

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2013

	NOTES	Accumulated surplus R'000	Total net assets R'000
Balance at 1 April 2011		497 291	497 291
Restatement due to prior year error		(169)	(169)
Restated balance at 1 April 2011		497 122	497 122
Deficit for the year		(26 461)	(26 461)
Deficit for the year as previously reported		(26 801)	(26 801)
Effect of restatement due to prior year error	15	340	340
Restated balance at 1 April 2012		470 661	470 661
Surplus for the year		4 219	4 219
Balance at 31 March 2013		474 880	474 880

CASH FLOW STATEMENT

for the year ended 31 March 2013

	NOTES	2013 R'000	2012 R'000
Cash flows from operating activities			
Cash receipts from customers		305 595	294 574
Cash paid to suppliers		(232 523)	(336 921)
Net cash generated from/(utilised) by operations	16.1	73 072	(42 347)
Finance cost		-	(9)
Finance income		9 168	5 800
Net cash inflow/(outflow) from operating activities		82 240	(36 556)
Cash flows from investing activities			
Purchases of plant and equipment		(6 683)	(6 128)
Purchases of plant and equipment funded by Government grants	7	(227)	(1 937)
Proceeds from disposal of plant and equipment		4	105
Purchases of intangible assets		(40)	(100)
Net cash outflow from investing activities		(6 946)	(8 060)
Cash flows from financing activities			
Proceeds from grant received	7	80 456	71 805
Net cash inflow from financing activities		80 456	71 805
Net increase in cash and cash equivalents		155 750	27 189
Cash and cash equivalents at the beginning of the year		104 880	77 691
Cash and cash equivalents at the end of the year	6	260 630	104 880

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION for the year ended 31 March 2013

	NOTES	Original Approved Budget	Final Budget	Actual	Difference Final Budget and Actual
		2012/2013	2012/2013	2012/2013	2012/2013
		R'000	R'000	R'000	R'000
Revenue	24.3				
Operational revenue		108 138	105 835	114 250	8 415
Other income		289 325	403 194	149 487	(253 707)
Finance income		3 000	7 137	9 168	2 031
Donor funds revenue		-	-	343	343
		400 463	516 166	273 248	(242 918)
Expenses	24.4				
Consumables used		(6 998)	(10 010)	(5 202)	4 808
Depreciation and amortisation		-	-	(31 216)	(31 216)
Transportation cost		(18 387)	(23 286)	(38 359)	(15 073)
Advertising cost		(1 535)	(2 387)	(1 373)	1 014
Operating lease payments		(2 230)	(2 974)	(2 108)	866
Other deficits		-	-	(72)	(72)
Other operational costs		(357 718)	(457 465)	(190 458)	267 007
Finance cost		(118)	-	-	-
Donor funds expenses		-	-	(241)	(241)
		(386 986)	(496 122)	(269 029)	227 093
Surplus for the year	24.2	13 477	20 044	4 219	(15 825)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1 ACCOUNTING POLICIES

The principal accounting policies adopted in preparation of these financial statements are set out below:

1.1 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued or adopted by the Accounting Standards Board (ASB).

Basis of measurement

The financial statements have been prepared on the historical cost basis except as noted in the accounting policies below.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards adopted, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

The Fund has selected to apply the principles established in Standards not yet effective in developing an appropriate accounting policy in terms of paragraph 30 of Directive 5. The guides are as follow:

Reference	Description
GRAP 20	Related Party Disclosures
GRAP 105	Transfer of Functions between Entities under Common Control

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

1.2 STANDARDS NOT YET EFFECTIVE

The following standards and interpretations have been issued but are not yet effective. These have been assessed as not applicable to the Fund and will not have an impact.

Reference	Description
GRAP 18	Segment Reporting
GRAP 25	Employee Benefits
GRAP 106	Transfer of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

1.3 Presentation currency

The functional currency of the Fund is South African Rand. These annual financial statements are presented in South African Rand. All amounts have been rounded to the nearest thousand (1 000) Rand.

1.4 Going concern assumption

These annual financial statements are prepared on a going concern basis.

1.5 Foreign currency transactions

Foreign currency transactions are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date, the monetary assets and liabilities outstanding shall be translated using the closing rate. Gains or losses arising on translation are recognised in the statement of financial performance.

1.6 Plant and equipment

Recognition and measurement

Items of plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Items of plant and equipment acquired at no or a nominal cost are initially recognised at fair value at the date of acquisition and are subsequently carried at deemed cost less accumulated depreciation and impairment losses. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The cost of an item of plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs incurred in the acquisition, establishment and installation of such assets so as to bring them to a working condition for their intended use.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised.

The cost of the day-to-day servicing of plant and equipment are recognised in the statement of financial performance as incurred.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Fund and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred. Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment.

Depreciation

Depreciation is recognised in the statement of financial performance on a straight-line basis over the estimated useful life of each part of an item of plant and equipment.

Each part of an item of plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The Fund deems vessels as the only item of plant and equipment with significant identifiable components for the purpose of depreciation.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives are as follows:

Item	Number of years:
Infrastructure fixed	15 - 25
Computer equipment	3
Computer software	2
Furniture and fittings	10
Plant and equipment	5
Vehicles	5
Vessels - inflatable and ski boats	5
Vessels - Research and patrol	
- Hull	25 – 35
- Propulsion system, engine, gear box, propellers	25 – 35
- Deck equipment, rib, winches, cranes and anchors	25 – 35
- Navigation, communication and scientific surveillance equipment	25 – 35
- Life rafts	25 – 35

The depreciation method, useful lives and residual values are reviewed at each reporting date. In re-assessing asset useful lives, factors such as technological innovation, product life cycles and maintenance

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of asset and projected disposal values.

Vessels under construction are stated at historical cost. Depreciation only commences when the asset is commissioned into use.

Derecognition

An item of plant and equipment is derecognised on disposal or when no future economic benefits or service potential are expected from its continued use or disposal. The carrying amounts of assets are written off on disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of financial performance in the year the asset is derecognised.

1.7 Intangible assets

Computer software acquired by the Fund, which has a finite useful life, is measured at cost less accumulated amortisation and accumulated impairment loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits or service potential embodied in the specific asset to which it relates. All other expenditures are recognised in the statement of financial performance as they occur.

Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Computer software 2 years

1.8 Impairment of assets

Non-cash generating assets

The Fund assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Fund shall estimate the recoverable service amount of the asset.

The Fund takes the following factors into account when assessing indication for impairment of assets:

- Cessation or near cessation of the demand or need for service provided by the asset.
- Significant long-term changes with an adverse effect in the technological, legal or government policy of the Fund's operation.
- Available evidence of physical damage on the asset and indication that service performance of an asset is or will be worse than expected.
- Significant long-term changes with an adverse effect in the manner in which the asset is used or expected to be used.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

- Decision to halt construction of the asset before it is completed or in usable condition.

When the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable service amount. The reduction is an impairment loss. An impairment loss shall be recognised immediately in the statement of financial performance.

1.9 Inventory

Inventory is initially recognised at cost. Where inventory is acquired at no cost or nominal consideration, the cost shall be the fair value at the date of acquisition. Fair value is the amount for which the inventory could be exchanged.

The cost of inventory comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition.

Inventory is subsequently valued at the lower of cost and net realisable value on a first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of operation less estimated costs of completion and estimated costs necessary to make the sale, exchange or distribution.

1.10 Leases

Finance leases consistent with the definition set out in the Treasury Regulations refer to a contract that transfers the risks, rewards, rights and obligations incidental to ownership to the lessee and are recorded as a purchase of an asset by means of long term borrowing.

All other leases are classified as operating leases. Payments made under operating leases (leases other than finance leases) are charged to the statement of financial performance on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised in the statement of financial performance as an expense in the period in which the termination takes place.

1.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money-market instruments. In the statement of financial position and cash flow statement bank overdrafts are included in borrowings.

1.12 Provisions and contingencies

Provisions

Provisions are recognised when the Fund has a legal or constructive present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are recognised as the best estimate of the expenditure required to settle the present obligation at the reporting date. Risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflect current market assessments of the time value of money and the risks specific to the liability. The discount rate shall not reflect risks for which future cash flow estimates have been adjusted.

Provision shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation, the provision shall be reversed.

Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

1.13 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Fund and when the amount of revenue can be reliably measured, and specific criteria have been met for the Fund's activities. Revenue from the rendering of services is recognised in the statement of financial performance in proportion to the stage of completion of the transaction at the reporting date.

The amount is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved.

1.13.1 Revenue from exchange transactions

Revenue from exchange transactions include application fees, chartering of departmental vessels, harbour fees, licences and permits, pollution clean up equipment hire and confiscated assets and fish products.

Application fees, licences and permits are accounted for when they are supplied.

Interest income is recognised on a time-proportion basis using the effective interest rate method, taking into account the principal outstanding and the effective interest rate over the period to maturity.

1.13.2 Revenue from non-exchange transactions

Levies on fish products are recognised on receipt of levy declaration certificates from the right holders.

Unconditional grant

An unconditional grant is recognised in revenue when the grant becomes receivable.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Fund has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the liability and if not, it is recognised as interest earned in the statement of financial performance.

Grants that compensate the Fund for expenses incurred are recognised in the statement of financial performance on a systematic basis in the same periods in which the expenses are recognised.

Services in kind

Compensation of employees that administers the Fund and the lease of the premises which are utilised by the Fund for administration purposes are paid by the Department of Agriculture, Forestry and Fisheries. These transactions are disclosed as Government Assistance in the financial statements and included in the Related Parties note.

1.14 Financial instruments

Recognition

Financial assets and financial liabilities are recognised on the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets of the Fund were categorised as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each year end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of financial performance.

Financial liabilities

All financial liabilities of the Fund were classified as other financial liabilities. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised using the effective method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

1.15 Critical accounting estimates and judgements

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of receivables

An estimate for the impairment of receivables is made when collection of the full amount is no longer probable. The provision for impairment of debt shall be calculated on trade receivables only. The total impairment provision of the Fund shall be calculated either by individual debtor or at least per risk category. The Fund reviews trade receivables on a regular basis to identify amounts due by individual debtors that are no longer collectable and should be written off. The total write-off amount is recognised in the statement of financial performance.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

Useful lives of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are depreciated and amortised over their useful lives which are based on management's estimates of the period over which the assets will be utilised, taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually for appropriateness and may vary depending on a number of factors. In re-assessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Property, plant and equipment and intangible assets are considered for impairment where the carrying amount of an asset is greater than its estimated recoverable service amount. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

1.16 Transfer of functions between entities under common control

The Fund shall recognise only the consideration received (if any) and derecognise the assets transferred and liabilities relinquished in a transfer of functions as governed by the terms and conditions of the binding arrangement.

As of the transfer date, the Fund shall derecognise from its financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the Fund shall continue to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received (if any) from the acquirer shall be recognised in accumulated surplus or deficit.

1.17 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

1.18 Fruitless and wasteful and irregular expenditure

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the Public Finance Management Act.

All fruitless and wasteful and irregular expenditure is recognised in the statement of financial performance against the respective class of expenditure in the period in which they are incurred and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Budget information

The annual budget figures which have been prepared on an accrual basis are scheduled in a separate additional financial statement, called the statement of comparison of budget and actual information. Explanatory comments are provided in the notes to the annual financial statements stating reasons for and motivating overspending and underspending. The annual budget figures included in the financial statements are for the Fund. These figures are approved by the Executive Authority.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

2 PLANT AND EQUIPMENT

	Plant and equipment R'000	Vehicles R'000	Computer equipment R'000	Office furniture and fittings R'000	Vessels R'000	Vessels under construction R'000	Total R'000
Carrying value 1 April 2012	13 150	3 250	3 450	6 640	436 020	-	462 510
Cost price	30 207	5 472	17 359	9 609	608 694	-	675 054
Accumulated depreciation	(17 057)	(2 222)	(13 909)	(2 969)	(172 674)	-	(212 544)
Additions	2 867	-	2 381	939	723	-	6 910
Disposals/Retirements	(803)	-	(12)	(1)	-	-	(816)
Cost price	(891)	-	(539)	(26)	(11 664)	-	(13 120)
Accumulated depreciation	88	-	527	25	11 664	-	12 304
Depreciation	(5 050)	(870)	(2 329)	(970)	(21 910)	-	(31 129)
Carrying value 31 March 2013	10 164	2 380	3 490	6 608	414 833	-	437 475
Cost price	32 183	5 472	19 201	10 522	597 753	-	668 844
Accumulated depreciation	(22 019)	(3 092)	(15 711)	(3 914)	(182 920)	-	(231 369)
Carrying value 1 April 2011	15 598	1 702	4 008	6 306	457 525	-	485 139
Cost price	31 558	3 359	15 357	8 404	608 449	-	667 127
Accumulated depreciation	(15 960)	(1 657)	(11 349)	(2 098)	(150 924)	-	(181 988)
Effect of prior year error	-	-	-	-	-	-	-
Cost	(3 700)	-	(13)	-	-	-	(3 713)
Accumulated depreciation	3 700	-	13	-	-	-	3 713
Additions	2 383	2 113	2 113	1 211	245	-	8 065
Disposals/Retirements	(5)	-	(5)	(2)	-	-	(12)
Cost price	(34)	-	(98)	(6)	-	-	(138)
Accumulated depreciation	29	-	93	4	-	-	126
Depreciation	(4 826)	(565)	(2 666)	(875)	(21 750)	-	(30 682)
Carrying value 31 March 2012	13 150	3 250	3 450	6 640	436 020	-	462 510
Cost price	30 207	5 472	17 359	9 609	608 694	-	675 054
Accumulated depreciation	(17 057)	(2 222)	(13 909)	(2 969)	(172 674)	-	(212 544)
Cost price	30 207	5 472	17 359	9 609	608 694	-	675 054
Accumulated depreciation	(17 057)	(2 222)	(13 909)	(2 969)	(172 674)	-	(212 544)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

	2013	2012
	R'000	R'000
2 PLANT AND EQUIPMENT (continued)		
Other information		
Plant and equipment fully depreciated still in use		
Cost	31 720	41 517
Accumulated depreciation	(31 717)	(41 513)
Net book value	3	4

The assets included in the total above have reached the end of their useful lives however these assets are still in their economic lives which are different to the useful lives. Management has evaluated the useful lives of these assets considering technological innovation, product lifecycles, maintenance programmes, capacity planning and availability of funds and concluded that the useful lives of these assets have not changed. Management has the intention to replace these assets provided there is availability of future funding.

3 INTANGIBLE ASSETS

Computer software

Opening carrying value	104	115
Additions	40	100
Amortisation charge	(87)	(111)
	57	104

At 31 March

Cost	7 897	7 859
Accumulated amortisation	(7 840)	(7 755)
	57	104

4 INVENTORY

Confiscated products	3 690	2 185
	3 690	2 185

5 TRADE AND OTHER RECEIVABLES

Trade receivables – local	13 227	12 043
Less: Provision for impairment of trade receivables	(1 044)	(1 208)
Trade receivables – net	12 183	10 835
Prepayments and advances	311	340
Other receivables	22	280
	12 516	11 455

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

5 TRADE AND OTHER RECEIVABLES (continued)	2013	2012
	R'000	R'000
5.1 Trade and other receivables from exchange transactions		
Trade receivables from exchange transactions – local	7 339	2070
Less: Provision for impairment of trade receivables from exchange transactions	(539)	(592)
Trade receivables from exchange transactions - net	6 800	1 478
Prepayments and advances	311	340
Other receivables	22	280
Total trade and other receivables from exchange transactions	7 133	2 098
5.2 Trade and other receivables from non-exchange transactions		
Fines	517	126
Levy of fish products	5 371	9 847
Less: Provision for impairment of trade receivables from non-exchange transactions	(505)	(616)
Trade and other receivables from non-exchange transactions - net	5 383	9 357
Total trade and other receivables	12 516	11 455

Included in trade receivables, prepayments and advances is a receivable from the Department of Environmental Affairs of R1 066 269 (2012: Department of Agriculture, Forestry and Fisheries: R36 422).

The fair value of trade and other receivables approximate their carrying values.

The value of trade receivables past due but not impaired is R1 391 217 (2012: R3 098 960). The ageing of trade receivables past due but not impaired at the reporting date was:

Current	-	-
1-30 Days	(2 270)	(48)
31-60 Days	(3 280)	(174)
61 Days plus	6 941	3 321
	1 393	3 099

Movements on the provision for impairment of trade receivables are as follows:

At the beginning of the year	1 208	1 062
Increase in provision from prior year	(164)	146
At the end of the year	1 044	1 208

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

5 TRADE AND OTHER RECEIVABLES (continued)

The creation of the provision for impaired receivables has been included in the relevant income stream in the statement of financial performance. Amounts charged to the provision for impairment account are generally written off when there is no expectation of recovery of additional cash.

The other classes of receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The fund does not hold any collateral as security.

6 CASH AND CASH EQUIVALENTS

	2013 R'000	2012 R'000
Cash at bank and on hand	3 199	2 511
Short-term investments	257 431	102 369
	260 630	104 880

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

Cash at bank and on hand	260 630	104 880
	260 630	104 880

Included in the short-term investments are the following call deposit accounts:

Operational contributions	170 268	18 606
Earmarked Funds	84 349	80 364
Donor Funds	2 814	3 399
	257 431	102 369

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

7 DEFERRED INCOME	2013	2012
	R'000	R'000
7.1 Deferred Income – Operational		
Balance at the beginning of the year	1 553	5 318
Conditional grants under utilised	115 707	-
Expenditure incurred	(1 317)	(3 765)
Operational projects	(1 090)	(1 828)
Capital projects	(227)	(1 937)
Balance at the end of the year	115 943	1 553
7.2 Deferred Income – Working For Fisheries Programme		
Balance at the beginning of the year	69 875	45 828
Conditional grants received	80 456	71 805
Expenditure incurred	(72 484)	(47 758)
Balance at the end of the year	77 847	69 875
Total Deferred Income balance at the end of the year	193 790	71 428
8 DONOR FUNDS		
Balance at the beginning of the year	2 878	3 458
Donor receipts	134	128
Finance income earned	97	190
Donor expenses	(343)	(898)
Operational expenses	(241)	(768)
Capital expenses	(102)	(130)
Balance at the end of the year	2 766	2 878
9 TRADE AND OTHER PAYABLES		
Trade and other payable from exchange transactions consist of:		
Trade payables – local	42 852	34 890
Trade payables – foreign	80	1 277
	42 932	36 167

The fair value of trade and other payables transactions approximate their carrying value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

10 OPERATING REVENUE	2013	2012
	R'000	R'000
10.1 Revenue from exchange transactions		
Application fees	5 433	5 559
Chartering of departmental vessels	1 305	6 450
Harbour fees	5 868	5 363
Licences and permits	37 825	35 141
Total operating revenue from exchange transactions	50 431	52 513
10.2 Revenue from non-exchange transactions		
Levy of fish products	63 819	61 256
Total operating revenue from non-exchange transactions	63 819	61 256
Total operating revenue	114 250	113 769
11 OTHER INCOME		
11.1 Revenue from exchange transactions		
Confiscated assets and fish products	19 891	46 053
- Confiscated assets and fish products	18 387	46 665
- Net movement in confiscated inventory	1 504	(612)
Surplus from the sale of plant and equipment	4	105
Other income	110	224
Total other income from exchange transactions	20 005	46 382
11.2 Revenue from non-exchange transactions		
Fines	2 766	2 456
Grants and other transfer payments	52 915	129 368
Other income – realisation of conditional grants	73 801	51 523
Total other income from non-exchange transactions	129 482	183 347
Total other income	149 487	229 729

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

12 OPERATING DEFICIT	2013	2012
	R'000	R'000
Operating deficit is stated after:		
Operating lease charges	2 108	1 811
Auditors' remuneration		
- Audit fees	1 742	1 547
Professional fees	26 055	30 018
(Decrease)/Increase in impairment provision for trade receivables	(164)	146
Bad debt write-off for the year	693	742
Commission paid	6 060	5 528
Depreciation and amortisation		
- A detailed analysis of depreciation and amortisation can be found in the detailed statement of financial performance	31 216	30 793
Legal costs	3 153	1 058
Minor assets purchased	140	192
Repairs and maintenance	1 436	8 036
Surplus on the sale of plant and equipment	4	105
Vessel operating costs	46 616	159 915

13 FINANCE INCOME

Revenue from exchange transactions

Interest earned on investments and cash balances	8 882	5 451
Other outstanding amounts	286	349
	9 168	5 800

14 DONOR FUNDS REVENUE

Revenue from non-exchange transactions

Donor funds realised	343	898
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

15 EFFECT OF PRIOR YEAR ERROR

The Fund collects revenue from permits on behalf of the Department of Environmental Affairs in terms of a Memorandum of Understanding between the Department of Agriculture, Forestry and Fisheries and the Department of Environmental Affairs with effect from 1 April 2010. During the year management restated the prior year balances of trade and other payables and operating revenue for the outstanding amounts payable to the Department of Environmental Affairs.

During the year management restated the prior year balances of trade and other receivables and other operational cost for an amount due from Smit Amandla Marine (Pty) Ltd.

During the year management restated the cost of plant and equipment by R3 713 355 and the accumulated depreciation by R3 713 355. Two assets were transferred to the Department of Environmental Affairs during the 2010/11 financial year but were still reflecting on the asset register of the MLRF. The assets were retired during 2012/13. The net effect of the adjustment is zero as both assets were fully depreciated at the time of the transfer. Refer to note 2.

Reconciliation of accumulated surplus on 31 March 2012	As previously stated R'000	Effect of prior year error R'000	Restated amount R'000
ASSETS			
Non-current assets			
Plant and equipment	462 510	-	462 510
Intangibles	104	-	104
	462 614	-	462 614
Current assets			
Inventories	2 185	-	2 185
Trade and other receivables	10 389	1 066	11 455
Cash and cash equivalents	104 880	-	104 880
	117 454	1 066	118 520
Total assets	580 068	1 066	581 134
LIABILITIES			
Current liabilities			
Deferred income	71 428	-	71 428
Donor funds	2 878	-	2 878
Trade and other payables	35 272	895	36 167
Total liabilities	109 578	895	110 473
Total net assets	470 490	171	470 661
NET ASSETS			
Accumulated surplus	470 490	171	470 661
Net assets	470 490	171	470 661

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

15 EFFECT OF PRIOR YEAR ERROR (continued)	As previously stated R'000	Effect of prior year error R'000	Restated amount R'000
Reconciliation of deficit for the year 2012			
Operating revenue	114 495	(726)	113 769
Other income	229 729	-	229 729
Donor funds revenue	898	-	898
Consumables used	(6 546)	-	(6 546)
Depreciation and amortisation	(30 793)	-	(30 793)
Transportation cost	(44 625)	-	(44 625)
Advertising costs	(1 426)	-	(1 426)
Operating lease payments	(1 811)	-	(1 811)
Other deficits	(14)	-	(14)
Other operational costs	(291 731)	1 066	(290 665)
Donor funds expenses	(768)	-	(768)
Deficit	(32 592)	340	(32 252)
Foreign exchange surplus	-	-	-
Finance income	5 800	-	5 800
Finance cost	(9)	-	(9)
Deficit for the year	(26 801)	340	(26 461)

16 CASH FLOW INFORMATION

16.1 Cash generated from/(utilised by) operations	2013 R'000	2012 R'000
Operating surplus/(deficit)	4 219	(26 461)
Non-cash items and items dealt with separately:		
Bad debt write-off	693	742
Depreciation and amortisation	31 216	30 793
Finance income	(9 168)	(5 800)
Finance cost	-	9
Realisation of deferred income	(73 801)	(51 523)
Operating grants under utilised	115 707	-
(Decrease)/Increase in provision for impairment of trade receivables	(164)	146
Loss/(Surplus) on sale of plant and equipment	812	(93)
Cash generated from/(utilised by) operations before working capital changes	69 514	(52 187)
Working capital changes		
Inventory	(1 505)	612
Trade receivables	(1 590)	1 592
Trade payables, accruals and provisions	6 765	8 216
Donor funds	(112)	(580)
	73 072	(42 347)
In the cash flow statement, proceeds from sale of plant and equipment comprises:		
(Loss)/Surplus on sale of plant and equipment	(812)	93
Proceeds from sale of plant and equipment	4	105

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

17 GOVERNMENT OPERATING GRANTS	2013 R'000	2012 R'000
Grants revenue	168 622	129 368
Financial contribution	6 300	6 300
Vessel operating cost	162 322	112 394
Other transfers	-	10 674
Grants expenditure	52 915	129 368
Financial contribution	6 300	6 300
Vessel operating cost	46 615	112 394
Other transfers	-	10 674
Net grants transferred to deferred income	115 707	-

Government Grants are received through DAFF via the Medium Term Expenditure Framework. Refer to note 21 where Government Grants are disclosed as related party transactions with the Fund's controlling entity, DAFF.

18 GOVERNMENT ASSISTANCE

As disclosed in note 21 Related Parties the following government assistance was received during the year:

Compensation of the employees that administers the Fund is paid by the Department of Agriculture, Forestry and Fisheries (DAFF). The compensation is disclosed in the financial statements of DAFF.	212 974	190 660
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The increase in the compensation of the employees is mainly due to a decrease in vacant positions and the increase paid to employees during the year.

The leases for premises which are utilised by the Fund for administration purposes were paid by the Department of Agriculture, Forestry and Fisheries (DAFF) The lease expenditure is disclosed in the financial statements of DAFF.	52 528	42 128
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The increase in the above lease cost is due the increase in the monthly rental charges as well as the increase in municipal rates. In the prior year only 10 months of the lease expenditure was paid by 31 March 2012.

These amounts are not recognised in the statement of financial performance of the Fund as it was incurred and paid by the DAFF.

19 OPERATING LEASES

Operating lease commitments - where the Fund is the lessee. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Not later than 1 year	879	509
Later than 1 year, but not later than 5 years	894	387
Later than 5 years	-	-
	1 773	896

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

20 CONTINGENT LIABILITIES

2013
R'000

2012
R'000

Litigation:

As was reported in the prior year, litigation was initiated against a service provider who installed an integrated financial system. The service provider was unable to deliver a fully functional system and was consequently sued for breach of contract for an amount of R3 165 337.

The service provider instituted a counter-claim for R1 667 811. The matter has been ongoing. A trial date has not been set. Parties are engaging in the preliminary steps to trial.

Estimated legal costs:	1 080	1 080
Possible losses:	3 396	3 396

An Applicant brought an urgent application for an interdict against the Minister and Right Holders harvesting abalone in zones F and G. A further application was brought for review of the Abalone Policy and the TURF system. The implications if the order is granted would have a serious impact on how TAC is apportioned amongst rights holders and how the Department applies the TURF system.

Opposing papers for the review application were filed. Judgement and costs were handed down in November 2012 in favour of the Department. The matter is finalised.

Estimated legal costs:	-	250
Possible losses:	-	170

There is a matter that involves an application for an order directing the Department to issue export permits. The implication if the order is granted is that it will affect the Minister's power in terms of section 80 of the MLRA since no appeal process has been followed. The catches relate to illegally harvested west coast rock lobster and granting an order will have a negative impact on dealing with exports of illegally harvested fish products. The matter was heard and the application was granted with costs. The Department instructed the State Attorney to file a request for reasons and consider an appeal against the decision. Based on the merits it was decided that an appeal would not be successful.

Estimated legal costs:	-	300
Possible losses:	-	200

A Magistrates Court matter involves a cumulative claim for unlawful arrest in the amount of R300 000. The matter has proceeded to trial and judgement is awaited.

Estimated legal costs:	100	100
Possible losses:	300	300

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

20	CONTINGENT LIABILITIES (continued)	2013	2012
		R'000	R'000

Litigation: (continued)

Two Magistrates Court matters involve a cumulative claim for unlawful arrest and claim for value of fish products seized in the amount of R101 850. The Department filed its plea in both matters, and the applicant's response is awaited.

Estimated legal costs:	80	80
Possible losses:	102	102

A High Court matter was instituted in the Western Cape High Court against the Department and officials within the Department for damages in the amount of R2 280 000 for assault and various other charges. This matter is being defended and plaintiff has been requested to rectify certain irregularities in its summons.

Estimated legal costs:	200	200
Possible losses:	2 280	2 280

There is a matter whereby the applicant applied for an abalone right but was unsuccessful as he did not meet the necessary requirements.

The applicant is in the process of filing opposing papers.

Estimated legal costs:	100	100
Possible losses:	66	66

If the Fund wins these cases it will only be liable for approximately one third of its own legal costs as the unsuccessful parties could bear approximately two thirds of the Funds costs. If the Fund loses these cases it will be liable for its own legal costs, approximately two thirds of the costs of the successful parties and the counter claim.

Fishing reviews:

As was reported in the prior year, approximately 30 reviews have been instituted against the Department of Agriculture, Forestry and Fisheries and the Minister, challenging the decisions taken during the process of allocating long term fishing rights. Five matters were finalised or settled in the High Court. There are currently 14 pending fishing review matters.

Some of the remaining cases may be finalised in the forthcoming year however in the event of success there is a good chance that they will be appealed, increasing the contingent liability.

Due to the uncertainty of the legal process of the above litigations, the possible legal costs to the Fund cannot be reasonably quantified.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

20	CONTINGENT LIABILITIES (continued)	2013 R'000	2012 R'000
	Litigation: (continued)		
	Accumulated surplus	4 219	-

In terms of section 53 (3) of the Public Finance Management Act No.1 of 1999 written approval must be obtained from the National Treasury to accumulate surpluses.

The MLRF has requested the National Treasury to retain the surplus of R4 219 000 reported in the statement of financial performance at 31 March 2013.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

21 RELATED PARTIES	2013	2012
	R'000	R'000
The following related parties were identified:		
21.1 Department of Agriculture, Forestry and Fisheries (DAFF)		
The following are transactions with DAFF:		
Compensation of the employees that administer the Fund is paid by DAFF.	212 974	190 660
The lease expenditure for the premises which are utilised by the Fund for administration purposes, were paid by the DAFF.	52 528	42 128
Government Grants received from DAFF in terms of Earmarked Funds in a Medium Term Expenditure Framework:		
Operational grants received (refer note 17)	168 622	129 368
Working for Fisheries conditional grant (refer note 7)	80 456	71 805
Transfer to settle old debt owed to the Department of Public Works (refer to note 24.3.2)	67 287	-
Included in trade receivables, prepayments and advances is a receivable from the DAFF of R0 (2012: R36 422)	-	(36)
- Payments made for the current year	750	74
- Outstanding balance payable as at 31 March	252	435
21.2 Department of Environmental Affairs (DEA)		
Included in trade receivables, prepayments and advances is an amount due from the DEA of R1 304 625 (2012: R84 851).	1 304	(85)
- Payments made for the current year	-	-
- Outstanding balance payable as at 31 March	2 016	-
21.3 Department of National Treasury		
- Payments made for the current year	231	-
- Outstanding balance payable as at 31 March	-	181
21.4 Department of Justice		
- Payments made for the current year	2 706	1 879
- Outstanding balance payable as at 31 March	448	-
21.5 Department of Defence		
- Payments made for the current year	20 766	-
- Outstanding balance payable as at 31 March	11 820	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

21	RELATED PARTIES (continued)	2013 R'000	2012 R'000
21.6	Department of Public Works		
	- Payments made for the current year	67 287	-
	- Outstanding balance payable as at 31 March	-	-
21.7	Key personnel		
	Minister T Joemat-Pettersson		
	No subsistence, travel and other related reimbursement costs have been paid	-	-
	Acting Director-General: S Ntombela		
	No subsistence, travel and other related reimbursement costs have been paid.	-	-
	Acting Deputy Director-General: JM Mashaba		
	- Payments made for the current year	-	-
	- Outstanding balance payable as at 31 March	-	-
	Acting Deputy Director-General: R Seleke		
	- Payments made for the current year	-	2
	- Outstanding balance payable as at 31 March	-	-
	Acting Deputy Director-General: J Sebola		
	- Payments made for the current year	-	31
	- Outstanding balance payable as at 31 March	-	-
	Acting Deputy Director-General: S Middleton		
	- Payments made for the current year	12	15
	- Outstanding balance payable as at 31 March	-	-
	Acting Deputy Director-General: C Mtoba		
	- Payments made for the current year	13	-
	- Outstanding balance payable as at 31 March	-	-
	Deputy Director-General: G Appelgren-Narkedien		
	- Payments made for the current year	25	-
	- Outstanding balance payable as at 31 March	63	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

22	FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE	2013 R'000	2012 R'000
22.1	Fruitless and wasteful expenditure		
	Fraudulent payments from donor funds	250	150
	Interest paid on late payment	-	9

The current year amount of R249 861 (2012: R150 315) relates to fraudulent payments from donor funds that occurred during the 2009/10 financial year. The staff members involved resigned before the internal disciplinary hearings were completed. Criminal charges were laid with the SAPS. Accused 1 has entered into a plea bargain with the State whereby Accused 1 has agreed to repay the fraudulent payments. To date R8 800 has been recovered from Accused 1.

Accused 2 has also entered into a plea bargain with the State whereby accused 2 has agreed to repay the fraudulent payments. To date R5 429 has been recovered from Accused 2.

During the prior year the Fund paid interest due to the late payment of a supplier.

22.2 Irregular expenditure

During the current year the Fund incurred irregular expenditure of R9 062 000 which is made up as follows:

During the year the Fund entered into an agreement with The South African Deep Sea Trawling Association (SADSTIA) for the provision of service personnel capable of providing handover familiarisation who have working knowledge of the vessels and who can impart this information to the South African Navy over a period of the demersal and hydro acoustic survey cruises which was scheduled to take place during the period April 2012 to June 2012. The total payments made to SADSTIA in 2012/13 was R1 853 000. There was no competitive bid advertised and no approval for urgent/emergency/sole source or single source procurement in line with the delegations of the MLRF. The matter was reported to the Accounting Authority in line with the MLRF policies and after investigation it was condoned by the Accounting Authority.

During the year the Fund procured goods and services from various suppliers to the value of R174 419 without receiving the SBD4 forms from the respective suppliers as required by paragraph 4.1.2 of the National Treasury Practice Note 7 of 2009/10.

In April 2010 the Department of Agriculture, Forestry and Fisheries (DAFF) took over the management of the fisheries related EPWP projects that had previously been managed under the Social Responsibility Policy and Projects Programme (SRPP) of the then Department of Environmental Affairs and Tourism (DEAT). The Marine Anti-poaching project was one of these projects that DAFF inherited, along with the appointed implementer, Manuel Security CC, who had a contract that was valid until 31 March 2012. During the year the Accounting Authority approved two separate extensions for the period 1 July 2012 to 31 March 2013 which were deemed necessary in order to allow for a proper exit of Manuel Security and handover to the new successful bidder. There was no competitive bid advertised however approval was obtained from the Accounting Authority for urgent/emergency/sole source or single source procurement in line with the delegations of the MLRF. Management is in the process of requesting the Accounting Authority to condone the irregular expenditure. The total payments on the abovementioned extensions were R7 035 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

22 FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE (continued)

22.2 Irregular expenditure (continued)

The bid MLRF 102 was advertised on 24 August 2012, with a closing date of 21 September 2012. Due to the fact that the bid MRLF 102 had not been concluded by the 30 September, the Accounting Authority approved a further extension to 31 March 2013 in order to allow for a proper exit of Manuel Security and handover to the new successful bidder.

Management is therefore of the view that the extensions were necessary in order to finalise the tender process which had been initiated and would thus argue that on irregular expenditure was incurred. It should also be noted the new tender (MLRF 102) aimed to expand the scope of the project by extending it to include the West Coast and the Eastern Cape in addition to the Overberg region, thereby increasing the complexity of the tender.

Reconciliation of irregular expenditure	2013	2012
	R'000	R'000
Opening Balance	-	-
Non-compliance to PPPFA and PPR requirements	9 062	-
Condoned during the year	(1 853)	-
Closing balance awaiting condonement	7 209	-

23 FINANCIAL RISK MANAGEMENT

23.1 Financial risk factors

The management of the Fund have overall responsibility for the establishment and monitoring of the Fund's risk management policies and procedures which have been established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and interest rate risk.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Fund's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

(i) Foreign exchange risk

The Fund operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from, recognised assets and liabilities. The Fund has a medium foreign exchange risk for accounts payable as a result of not taking cover against unfavourable changes in the exchange rate. Foreign exchange risk arises when recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

23 FINANCIAL RISK MANAGEMENT (continued)

23.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from customers. An allowance for impairment is established based on management's estimate of losses in respect of specific trade and other receivables. Bad debts identified are written off as they occur. The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no significant concentration of unsecured credit risk. Reputable financial institutions are used for investing and cash handling purposes.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The liquidity risk is deemed to be low, because the Fund has adequate funds at its disposal.

(d) Interest risk

The Fund's exposure to changes in interest rates is on a floating rate basis relating to funds invested with reputable financial institutions.

(e) Capital management

The policy of the Fund's management is to maintain a strong capital base so as to maintain public sector confidence and to sustain future development of the Fund. There were no changes in management's approach to capital management of the Fund during the year.

Interest risk

The carrying amount of financial assets and financial liabilities represent the maximum interest exposure. The maximum exposure to interest risk at the reporting date was:

31 March 2013	Floating Interest rate R'000	Non-interest bearing R'000	Total R'000
ASSETS			
Trade and other receivables	12 516	-	12 516
Cash and cash equivalents	260 630	-	260 630
Total assets	273 146	-	273 146
LIABILITIES			
Trade and other payables	-	42 932	42 932
Total liabilities	-	42 932	42 932
Net financial assets/(liabilities)	273 146	(42 932)	230 214

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

23 FINANCIAL RISK MANAGEMENT (continued)

23.1 Financial risk factors (continued)

31 March 2012	Floating Interest rate R'000	Non-interest bearing R'000	Total R'000
ASSETS			
Trade and other receivables	11 455	-	11 455
Cash and cash equivalents	104 880	-	104 880
Total assets	116 335	-	116 335
LIABILITIES			
Trade and other payables	-	36 167	36 167
Total liabilities	-	36 167	36 167
Net financial assets/(liabilities)	116 335	(36 167)	80 168

At 31 March 2013, if market interest rates had been 50 basis points higher or lower with all other variables held constant, the deficit for the year would have been R1 303 150 lower/higher (2012: R524 398 lower/higher), mainly as a result of the higher/lower interest income on floating rate cash and cash equivalents.

Credit risk

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

	2013 R'000	2012 R'000
Trade and other receivables	12 488	11 427
Staff loans	28	28
	12 516	11 455

The ageing of trade receivables at the reporting date was:

	2013	2012
Current	8 855	8 307
31-60 Days	(3 282)	(174)
61 Days plus	6 943	3 322
	12 516	11 455

The movement in the allowance for impairment in respect of trade receivables over the year was:

	2013	2012
Balance at the beginning of the year	1 208	1 062
Increase in impairment provision	(164)	146
Balance at the end of the year	1 044	1 208

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

23 FINANCIAL RISK MANAGEMENT (continued)

23.1 Financial risk factors (continued)

Currency risk

There were no open forward exchanges contracts at year-end. The funds net exposure to foreign currency risk at the reporting date was:

	2013 Foreign currency	2012 Foreign currency	2013 R'000	2012 R'000
Included in trade and other payables				
CAD \$	7 395	7 245	70	59
AUS \$	-	14 950	-	124
US\$	1 063	103 400	10	815
EURO	-	26 370	-	279
			80	1 277

At 31 March 2013, if the Rand had strengthened by 10% against major foreign currencies with all other variables held constant, the deficit for the year would have been R7 960 lower (2012: R127 698), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade payables.

Conversely, if the Rand had weakened by 10% against major foreign currencies with all other variables held constant, the deficit for the year would have been R7 960 (2012: R127 698) higher.

Liquidity risk

The carrying amounts of financial liabilities at the reporting date was:

Trade and other payables	42 932	36 167
	42 932	36 167

The contractual maturities for all borrowings and payables outstanding at 31 March 2013 are 12 months or less.

23.2 Fair value estimation

The face value of cash, trade receivables and trade payables less any estimated credit adjustments, are the approximate fair values on 31 March 2013, as a result of the short-term maturity of these assets and liabilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

24 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION

24.1 The approved original and final budgets of the Fund are prepared on an accrual basis and covers the period 1 April 2012 to 31 March 2013.

The approved original budget was submitted to the Executive Authority in line with the Public Finance Management Act, 1999, Chapter 6 Public Entities, part 2 par 53. The Fund performed a budget reprioritisation exercise during 2012/13 and adjusted the initial approved budget. All changes to the initial budget were approved by the Executive Authority.

24.2 The Fund does not budget for a surplus. The R13 477 000 surplus in the original budget and the R20 044 000 shown in the final budget was budgeted as capital expenditure of which R6 951 000 was spent during 2012/13. A reconciliation of the budgeted and actual surplus is provided. Refer to note 24.5.

24.3 Revenue

The Fund recorded total revenue of R273 248 000 which is 55% of its final budget.

24.3.1 Operational revenue

The Fund exceeded its total operational revenue budget by R8 413 677. The total revenue from levies on fish products and licences and permits exceeded the budgeted amount by R6 669 604 as a result of the improvement of the Fund's revenue management and collection processes. The Fund also recorded revenue from the chartering of vessels of R1 304 625. This amount relates to a charter that commenced at the end of 2011/12 and completed during April 2012. No charters were planned for the 2012/13 financial year.

24.3.2 Other income

Transfer for the Department of Public Works:

The National Treasury made available an amount of R67 287 000 to the Fund during the year to be transferred to the Department of Public Works for the settlement of old outstanding debt relating to the repairs and maintenance of the 12 proclaimed fishing harbours in the Western Cape. The Fund in substance acted as an agent in this transaction and did not receive any economic benefit from this transfer payment. As the definition of revenue from non-exchange transactions in terms of GRAP 23 has not been met, the Fund is not required to recognise the revenue nor the related expenditure of this transaction in the statement of financial performance.

Vessel Operating Costs:

The total government grant allocated to the Fund during 2012/13 for vessel operating costs was R162 322 000. The Department of Agriculture, Forestry and Fisheries (DAFF) and the South African Navy (SAN) entered into a Memorandum of Understanding (MOU) on 31 March 2012 whereby the SAN was to assist the DAFF with interim vessel management of the DAFF fleet. The outcome of the MOU between the DAFF and the SAN was that the SAN was unable to meet the requirements of the DAFF hence creating a challenge for the DAFF in terms of ensuring proper and effective expenditure for the fleet. The unspent amount on this conditional grant was R115 707 000 and is recognised as a liability in the statement of financial position. Refer to Note 7.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

24 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION (continued)

24.3 Revenue (continued)

24.3.2 Other income (continued)

Working for Fisheries projects:

Included in the final budget of 2012/13 is government grants relating to the Working for Fisheries Projects (WFFP) of R151 884 000. This is a conditional grant and is only recognised in the statement of financial performance to the extent that the Fund has complied with the criteria, conditions or obligations. The amount of R73 801 000 was recognised in the statement of financial performance as Other Income - Realisation of conditional grants. The unspent amount of R77 847 000 is recognised as a liability in the statement of financial position. The main reason for the underspend on the projects and subsequent non-recognition of revenue in the statement of financial performance is the delays experienced in the implementation of infrastructure projects.

Confiscated assets and fish products:

Continuous enforcement efforts have led to more confiscations during 2012/13 hence the excess of actual revenue from confiscations of R6 591 587 over the budget.

24.4 Expenditure

The Fund recorded expenditure of R269 029 000 during 2012/13 (54% over the approved budget).

24.4.1 Consumables used

The number of vacancies and the limited sea trips undertaken by the Fisheries Research and Protection vessels during 2012/13 are the main reasons for the underspend of R4 808 000.

24.4.2 Depreciation and Amortisation

The Fund does not budget for depreciation and amortisation expenditure but for the additions of tangible and intangible assets.

24.4.3 Transportation costs

The overspend of R15 073 000 is due to increased transportation costs, i.e. higher fuel prices and the increase in the daily and kilometre rates for the use of Government Motor Transport vehicles. Further to this there was a significant increase in land-based compliance and enforcement patrols to compensate for the lack of sea-based patrols during 2012/13.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

24 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION (continued)

24.4 Expenditure (continued)

24.4.4 Other operational costs

Transfer for the Department of Public Works:

The National Treasury made available an amount of R67 287 000 to the Fund during the year to be transferred to the Department of Public Works for the settlement of old outstanding debt relating to the repairs and maintenance of the 12 proclaimed fishing harbours in the Western Cape. The Fund in substance acted as an agent in this transaction and did not receive any economic benefit from this transfer payment hence the Fund is not required to recognise the revenue nor the related expenditure of this transaction in the statement of financial performance.

Vessel Operating Costs:

The Department of Agriculture, Forestry and Fisheries (DAFF) and the South African Navy (SAN) entered into a Memorandum of Understanding (MOU) on 31 March 2012 whereby the SAN was to assist the DAFF with interim vessel management of the DAFF fleet. The outcome of the MOU between the DAFF and the SAN was that the SAN was unable to meet the requirements of the DAFF hence creating a challenge for the DAFF in terms of ensuring proper and effective expenditure of the budget for the fleet. The total vessel operating costs budget for 2012/13 was R162 322 000, of which only R46 615 438 (29%) was spent.

Working for Fisheries projects:

Included in the final budget of other operational expenditure are financial contributions relating to the Working for Fisheries Projects (WFFP) of R151 884 000. This is a conditional grant and is only recognised in the statement of financial performance to the extent that the Fund has complied with the criteria, conditions or obligations. The amount of R73 801 000 was recognised in the statement of financial performance as Other Income - Realisation of conditional grants. The unspent amount of R77 847 000 is recognised as a liability in the statement of financial position. The main reason for the underspend on the projects is the delays experienced in the implementation of infrastructure projects during 2012/13.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013 (continued)

24 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION (continued)

24.5 Reconciliation between statement of financial performance and the approved final budget

	2013 R'000
Net surplus per the Statement of Financial Performance	4 219
Adjusted for:	
Expenditure items not included in budget	32 050
Donor funds expenditure	241
Depreciation and amortisation	31 216
Movement in impairment provision for trade receivables	(164)
Bad debt write-off for the year	693
Foreign exchange deficit	63
Budgeted capital expenditure not in Statement of Financial Performance	(20 044)
Budget overspent/(not spent)	(189 247)
Consumables used	(4 808)
Transportation cost	15 073
Advertising cost	(1 014)
Operating lease payments	(866)
Other deficits	9
Other operational costs	(197 641)
Finance cost	-
Revenue items not included in budget	(74 258)
Donor funds revenue	(343)
Foreign exchange surplus	-
Other income	(73 915)
Rolled over earmarked funds from prior year	71 428
Revenue (in excess of budget)/not received	(17 702)
Operating revenue	(8 414)
Other income	(7 257)
Finance income	(2 031)
Unspent conditional grants recognised in the Statement of Financial Position	193 554
Net surplus/(deficit) per approved final budget	-

DETAILED STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2013

	NOTES	2013 R'000	2012 R'000
Operating revenue		114 250	113 769
Application fees		5 433	5 559
Chartering of departmental vessels		1 305	6 450
Harbour fees		5 868	5 363
Levy on fish products		63 819	61 256
Licences and permits		37 825	35 141
Donor funds revenue		343	898
Other income		149 487	229 729
Net confiscated assets and fish products		19 891	46 053
Confiscated assets and fish products		18 387	46 665
Net movement in confiscated inventory		1 504	(612)
Fines		2 766	2 456
Grants and other transfer payments	11.2	52 915	129 368
Surplus from the sale of plant and equipment		4	105
Other income		73 911	51 747
Consumables used		(5 202)	(6 546)
Depreciation and amortisation		(31 216)	(30 793)
Depreciation-computer equipment		(2 329)	(2 666)
Depreciation-plant and equipment		(5050)	(4 826)
Depreciation-motor vehicles		(870)	(565)
Depreciation-office furniture		(970)	(875)
Depreciation-vessels		(21 910)	(21 750)
Amortisation-computer software		(87)	(111)
Travelling cost		(38 359)	(44 625)
Advertising costs		(1 373)	(1 426)
Donor funds expenses	8	(241)	(768)
Operating lease payments		(2 108)	(1 811)
Other deficits		(72)	(14)
Other operational costs		(190 458)	(290 665)
Audit fees		(1 742)	(1 547)
Net write-off of trade receivables		(529)	(888)
Bad debt write-off for the year		(693)	(742)
Increase for impairment provision of trade receivables		164	(146)

DETAILED STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2013 (continued)

	2013 R'000	2012 R'000
Bank charges	(123)	(113)
Commission paid	(6 060)	(5 528)
Confiscation expenses	(2 531)	(1 879)
Consultancy and outsourced services	(26 055)	(30 018)
Entertainment	(339)	(596)
Hire of equipment	(13)	(9)
Legal costs	(3 153)	(1 058)
Membership fees, licenses and training	(2 210)	(3 724)
Minor assets purchased	(140)	(192)
Other expenses	(1 336)	(2 142)
Financial Contributions	(72 117)	(51 060)
Postage and telecommunication	(10 500)	(8 212)
Printing	(717)	(1 361)
Repairs and maintenance	(1 436)	(8 036)
Service fees	(815)	(979)
Subsistence	(14 027)	(13 408)
International	(645)	(1 034)
Local	(13 381)	(12 374)
Vessel operating costs	(46 616)	(159 915)
Operating deficit for the year	(4 949)	(32 252)
Foreign exchange surplus	-	-
Finance income	9 168	5 800
Finance cost	-	(9)
Surplus/(Deficit) for the year	4 219	(26 461)



