Marine Living Resources Fund

ANNUAL REPORT 2013-2014

agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

2013-2014

Annual Report

MARINE LIVING RESOURCES FUND

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Minister of Agriculture, Forestry and Fisheries

Annual Report 2013/14

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 2013/14 financial year.

Edith V Vries
Director-General
Department of Agriculture, Forestry and Fisheries

Date: 30 July 2014

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Executive summary

EXECUTIVE SUMMARY OF THE ANNUAL REPORT

The Marine Living Resources Fund (MLRF) finances the operations of the Fisheries Management Branch (Fisheries) 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 of 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 MLRF has partnered with the Department of Trade and Industry (the dti); the Chief Directorate Aquaculture and Economic Development implemented the Aquaculture Development and Enhancement Programme (ADEP) where 20 farms were technically and financially supported. The 20 farms supported received a total incentive of R87 million, attracting private investments of R384 million, with expected output of 5000 tons and 525 direct jobs. In addition, a further three (3) farms were supported technically and linked to private funding and funding under the Comprehensive Agricultural Support Programme (CASP). One of the key activities managed was the sector performance studies which annually culminate into publication of the South African Aquaculture Yearbook, which has become an important report for the sector. An aquaculture legislative review study was also finalized resulting into a report titled "Comprehensive review and audit of legislation governing aquaculture in South Africa" (DAFF, 2013).

The General Policy on the Allocation and Management of Fishing Rights as well as eight (8) Sector Specific (Hake Handline, Demersal Shark, Tuna Pole-line, KZN Prawn Trawl, Traditional Linefish, Squid, Oysters and White Mussels) Policies were revised, approved and gazetted. A call for Rights Application was made and 593 successful applicants were allocated seven (7) years commercial fishing rights in the eight (8) fishing sectors and over 90% of those successful applicants are Small, Medium and Micro Enterprises (SMMEs).

EXECUTIVE SUMMARY OF THE ANNUAL REPORT (Continued)

During the period under review, increased law enforcement efforts were exerted within the four (4) key fisheries sectors namely Hake, Abalone, West Coast Rock Lobster and Traditional Line Fish in addition to other fisheries sectors which includes the large pelagics and squid. The Fisheries Protection Vessels were also returned from the SA Navy back to the MLRF. The annual targets of 800 land-based inspections and 275 right holder investigations were all met and exceeded. Seven (7) foreign Illegal, Unreported and Unregulated (IUU) vessels were arrested during the third quarter and successfully charged in terms of the Marine Living Resources Act, Act 18 of 1998 (MLRA) and Regional Fishery Management Organisation (RFMO) legislation, with their catches and the vessels forfeited to the state at the end of the fourth quarter.

GOVERNANCE ENVIRONMENT

The management team of the Branch: Fisheries Management and the MLRF strive for continuous improvement, based on the valuable inputs and suggestions received from the staff of the Auditor-General of South Africa, the Internal Auditors for the MLRF and the guidance received from National Treasury.

The MLRF adheres to a comprehensive set of policies designed in accordance with inputs from all appropriate stakeholders. This contributes towards the effectiveness of corporate governance strategies. The continuous review of the internal controls of the MLRF by management and the audit committee has ensured that management addresses the risk areas. Risk management processes are in place to enable management to effectively identify, evaluate and assess risk. The Internal Auditors monitor the prescribed procedure in line with the requirements set out by National Treasury.

The management team is proud to have achieved an unqualified audit. The entity does, however, note the emphasis of matter on under-expenditure on the vessels and the Working for Fisheries Programme. This occurred as a result of deferred funds from prior financial years which affected the entity's ability to expend all the allocated funds in the 2013-2014 financial year. The entity was further required to record vessel expenditure as irregular as a result of the delays in finalising a new tender for the management, manning and maintenance of the department's fleet of vessels. This will also have a bearing on the 2014-2015 financial year as the new tender was not in place at the commencement of the new financial year.

Edith V Vries
Director-General
Department of Agriculture, Forestry and Fisheries

Date: 30 July 2014

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Statement of responsibility

STATEMENT OF RESPONSIBILITY
for the year ended 31 March 2014

The Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, requires the accounting authority to ensure that the MLRF keeps full and proper records of its financial affairs. The annual financial statements should fairly present the state of affairs of the MLRF, 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 13 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 2014. 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 2013 to 31 March 2014. 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 2014 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 2014 (Continued)

The annual financial statements for the year ended 31 March 2014, set out on pages 33 to 71, were submitted for auditing on 31 May 2014 in terms of section 55(1)(c)(i) & (ii) of the PFMA, 1999 (Act No. 1 of 1999) and approved on 30 July 2014 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:

Lindè Mouton
Acting Chief Financial Officer
Date: 30 July 2014

KCM Mannya
Deputy Director-General
Date: 30 July 2014

Edith V Vries
Director-General
Department of Agriculture, Forestry and Fisheries
Date: 30 July 2014

Line fish

NOTES

Report of the Audit committee

REPORT OF THE AUDIT COMMITTEE
for the year ended 31 March 2014

We are pleased to present our report for the financial year ended 31 March 2014.

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 4 meetings were held.

Name of Member	Number of meetings attended
M Moja (Chairperson)	4
Z Abrams (resigned on 13 January 2013)	3
L Somo	4
N Mnconywa	4
Mervyn Burton (appointed on 23 October 2013)	1

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 Extended Public Works (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.

REPORT OF THE AUDIT COMMITTEE
for the year ended 31 March 2014 (Continued)

Matters of Concern

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

- The outsourced Internal Audit service provider undertook a special management project at significant cost compared to the total audit fees and spent a substantial amount of time without the approval of the Audit Committee. This compromised the risk based audit time and the Audit Committee was not presented with the assignment report.
- On expiry of the outsourced Internal Audit contract the service provider did not hand over working documents to the organization. To ensure non-recurrance of this situation management included a protective clause in the Service Level Agreement with the new service provider.
- The Audit Committee had not access on cases under investigation. All cases were conducted from the Executive Authority's office. This denies the Audit Committee the opportunity to advise management on detecting related risks and enhancing controls.

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 and
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed the Auditor-General of South Africa's (AGSA) management report and management's response thereto and
- Reviewed significant adjustments resulting from the audit.

Internal audit

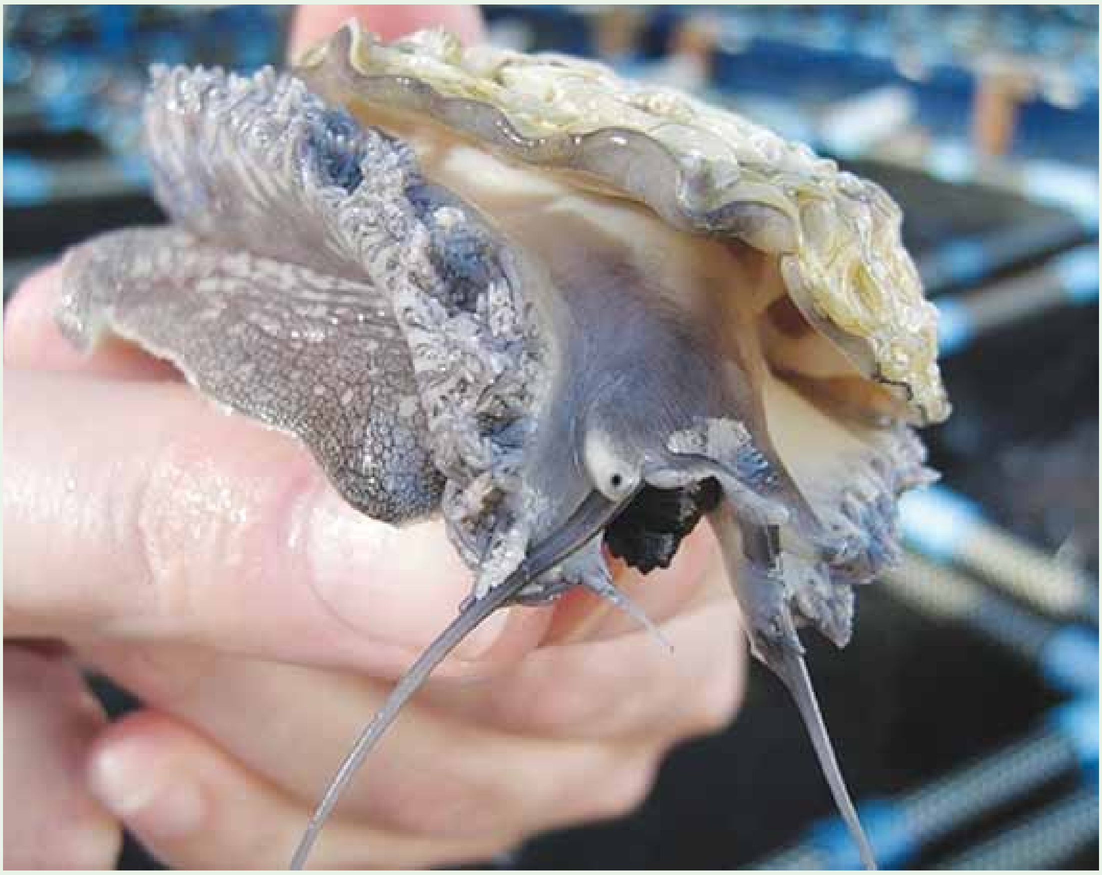
The Audit Committee is satisfied that the internal audit function operated effectively during the year under review and that it has addressed the risks pertinent to the entity in its audits. The following reports were prepared by Internal Audit and approved by the Audit Committee during the financial year:

- Review of Corporate and Human Resource Policies
- Review of financial control over budget
- IT control review
- ICT infrastructure development report
- Extended Public Works Programme Quarter 3 Report

The outsourced Internal Audit contract expired in September 2013 and a close-out report was tabled in October 2013. A three-year contract was awarded to a new company and an Internal Audit Plan and three-year rolling plan was tabled and adopted in January 2014.

Chairperson of the Audit Committee
Date: 30 July 2014

Abalone *(Haliotis midae)*



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Report of the Auditor-General

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE 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 33 to 71, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual information for the year then ended, as well as 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 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MARINE LIVING RESOURCES FUND (Continued)

Emphasis of matter

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

Material underspending of the budget

8. As disclosed in the statement of comparison of budget and actual information and note 23.4.4 to the financial statements, the entity materially underspent the budget on the fisheries research and development; monitoring, control and surveillance; and aquaculture and economic development directorates by R139 260 000 (56%). This was as a result of the entity underspending on its vessel operating cost budget and the working for fisheries programme by R79 369 000 and R59 891 000, respectively.

Additional matter

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

Unaudited supplementary schedules

10. The supplementary information set out on pages 72 to 73 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

11. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected strategic goals presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected strategic goals presented in the annual performance report of the entity for the year ended 31 March 2014:

- Strategic goal 1: increase profitable production of food, fibre and timber products by all categories of producers, on page 25
- Strategic goal 2: sustained management of natural resources, on pages 27 to 29
- Strategic goal 5: increase contribution of the sector to economic growth and development, on pages 26 and 30

13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MARINE LIVING RESOURCES FUND (Continued)

14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned strategic goals. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.

15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic goals.

Additional matters

17. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected strategic goals, I draw attention to the following matters:

Achievement of planned targets

18. Refer to the annual performance report on pages 25 to 30 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for strategic goal 1: increase profitable production of food, fibre and timber products by all categories of products; strategic goal 2: sustained management of natural resources; and strategic goal 5: increased contribution of the sector to economic growth and development. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

20. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Procurement and contract management

21. Deviations were approved by the accounting officer in contravention of treasury regulation 16A6.4.

22. Persons in the service of the entity and other role players in the supply chain management system who had a private or business interest in contracts awarded by the entity participated in the process relating to those contracts, in contravention of treasury regulation 16A8.4.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MARINE LIVING RESOURCES FUND (Continued)

Expenditure management

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

Internal control

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

Leadership

25. The leadership of the entity did not exercise adequate oversight over compliance with laws and regulations governing supply chain management. In particular, the entity did not have sufficient monitoring controls to ensure compliance with policies and regulations relating to procurement planning, the awarding of contracts, deviations and extensions due to emergencies and conflict of interest. This resulted in irregular expenditure not being prevented.

26. The leadership and the appropriate level of management did not adequately monitor the implementation of action plans to address internal control deficiencies, resulting in repeat findings on compliance with laws and regulations.

Financial and performance management

27. Management did not adequately monitor and review compliance with the applicable laws and regulations governing supply chain management.

OTHER REPORTS

Investigations

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

29. The Public Protector performed an investigation based on an allegation of the irregular awarding of a tender by the Department of Agriculture, Forestry and Fisheries. The investigation was completed and a report issued in December 2013 by the Public Protector.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MARINE LIVING RESOURCES FUND (Continued)

30. An investigation was conducted at the request of management into the alleged conflict of interest of an official in the appointment of a service provider. The investigation was completed and a report issued on 16 September 2013.

31. The minister of Agriculture, Forestry and Fisheries announced in December 2013 that the allocation of fishing rights in the eight fishing sectors would be investigated. This investigation was completed and a report issued to the minister on 26 May 2014.

Auditor-General

Cape Town
30 July 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annual financial statements

REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2014

The accounting authority presents the annual report, which forms part of the audited financial statements of the fund for the year ended 31 March 2014.

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 resources, as well as protecting the integrity and quality of our marine ecosystems. The Branch's activities are governed by the Marine Living Resources Act of 1998, and the Branch operations are funded through the MLRF.

EXECUTIVE OFFICERS

Acting Director-General	:	S Ntombela (1 April 2013 – 30 June 2013)
Acting Director-General	:	KCM Mannya (1 July 2013 – 3 October 2013)
Director-General	:	E Vries (1 October 2013 – 31 March 2014)
Acting Deputy Director-General	:	D Stevens (1 April 2013 – 26 February 2014)
Acting Deputy Director-General	:	KCM Mannya (27 February 2014 – 31 March 2014)
Acting Chief Financial Officer	:	W Rooifontein (1 April 2013 – 26 May 2013)
Acting Chief Financial Officer	:	L Mouton (27 May 2013 – 31 March 2014)

REMUNERATION OF EXECUTIVE OFFICERS

Compensation of the employees that administer the MLRF is paid by the 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-Generals, Mr S Ntombela and Mr M Mannya.

During this financial year no payments were made to the Director-General, Professor E Vries.

From 1 April 2013 to 26 February 2014, expenditure was incurred and payments to the value of R42 589 was made to the Acting Deputy Director-General, Mr D Stevens for subsistence, travel and other related reimbursement costs from the MLRF.

During this financial year no payments were made to the Acting Deputy Director-General, Mr KCM Mannya.

From 1 April 2013 to 26 May 2013, expenditure was incurred and payments to the value of R7 420 were made to the Acting Chief Financial Officer, Mr W Rooifontein, for subsistence, travel and other related reimbursement costs from the MLRF.

REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2014 (Continued)

From 27 May 2013 to 31 March 2014, expenditure was incurred and payments to the value of R16 808 were made to the Acting Chief Financial Officer, Ms L Mouton, for subsistence, travel and other related reimbursement costs from the MLRF.

GOVERNMENT DEPARTMENT

Department of Agriculture, Forestry and Fisheries

ADDRESS

Foretrust Building	Private Bag X2
Martin Hammerschlag Way	Rogge Bay
Foreshore	8012
Cape Town	
8001	

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 MLRF, managed under the Fisheries Management Branch of 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 Republic of South Africa, 1996
- Sea Fisheries Act, Act 12 of 1988
- Marine Living Resources Act, Act 18 of 1998
- National Environmental Management Act, Act 107 of 1998
- Public Finance Management Act, Act 1 of 1999
- Public Service Act, Act 38 of 1994
- Basic Conditions of Employment Act, Act 75 of 1997
- Promotion of Access to Information Act, Act 2 of 2000
- Promotion of Administrative Justice Act 3 Of 2000
- National Treasury Regulations
- Preferential Procurement Framework Act and regulations
- Supply Chain Management Framework
- Cabinet and Ministerial directives and policy decisions.

REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2014 (Continued)

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2014

The DAFF 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 MLRF, in my opinion, reflects the performance of the department for the financial year ended 31 March 2014.

Edith V Vries
Director-General
Department of Agriculture, Forestry and Fisheries
Date: 30 July 2014

PERFORMANCE INFORMATION FOR THE MARINE LIVING RESOURCES FUND (MLRF)

PERIOD UNDER REVIEW: 1 APRIL 2013 – 31 MARCH 2014

The 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 (AED); Fisheries Research and Development (FRD); Marine Resource Management (MRM); and Monitoring, Control and Surveillance (MCS).

Aquaculture and Economic Development: Ensures aquaculture growth by providing public support and an integrated platform for the management of the sector. During the year under review, the Chief Directorate finalized the National Aquaculture Policy Framework (NAPF) which was approved by Cabinet (Government Gazette Notice No. 36920, 11 October 2013). An implementation plan for the policy was also developed and incorporated into the Agriculture Policy Action Plan (APAP), which is still to be approved by Cabinet. Further implementation of the National Aquaculture Strategic Framework (NASF) resulted in development of several programmes supporting industry viz. the Aquatic Animal Health Strategic Framework (AAHSF) which is a bio-security framework for aquaculture; Finfish Monitoring and Control Programme (FM&CP), a food safety programme for aquaculture; and the Public Understanding of Aquaculture Programme (PUA), an awareness programme which was done in collaboration with the aquaculture industry and the Food and Agriculture Organization of the United Nations (FAO).

REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2014 (Continued)

The Chief Directorate Aquaculture and Economic Development, in collaboration with the aquaculture industry, continued to implement the Aquatic Animal Stock Assessments and the Shellfish Monitoring and Control Programme (SM&CP) on marine shellfish farms as part of the bio-security programme and provision of guarantees' to the National Regulator for Compulsory Standards (NRCS), which is a certifying authority for export of farmed fish products. This ensured that abalone farmers can continue exporting their products to South East Asia. The implementation of the FM&CP and its Traceability Protocols, which was done with industry managed to improve the status of the farmed marine finfish, dusky kob on the Southern African Sustainable Seafood Initiative (SASSI) list from orange to green. This means that methods used by fish farmers and management regime employed by government are done in a sustainable manner. This helped to open up markets for dusky in several local retail food chains, mainly Woolworths which launched the product on their shelves in 2013.

The Chief Directorate, working with the Department of Environmental Affairs (DEA) also coordinated inputs from all stakeholders and spearheaded the revision of the Alien and Invasive Species (AIS) regulations under the National Environmental: Biodiversity Act (2004). The regulations in the past had placed farmed fish species in categories that will make it difficult for entry into aquaculture and also permitting too exorbitant. Affected species were tilapia, trout and mussels and oysters. The regulations had since been reviewed and re-gazetted. A process of developing norms and standards for farming with fish species which are regarded alien and invasive in a particular locality are been developed. Drafts will be consulted with stakeholders in the new financial year.

The Chief Directorate also continued to manage stakeholder and sector coordinating platforms successfully. These platforms include the Aquaculture Intergovernmental Forum (AIF), Provincial Aquaculture Intergovernmental Forum (PAIF), Marine Aquaculture Industry Liaison (MAIL), Marine Aquaculture Working Group (MAWG) and the Aquaculture Value-Chain Round Table (AVCRT).

Fisheries Research and Development: Ensures the promotion of the sustainable development of fisheries resources and ecosystems by conducting and supporting appropriate research. The Chief Directorate has continued to provide scientific advice and recommendations to the Branch for the determination of sustainable catch levels for all 22 sectors of fisheries encompassing the commercial, recreational and small-scale fisheries. This has also included the provision of scientific advice to support the rebuilding of key fish stocks where required (including abalone, deep-water hake and West Coast rock lobster) in order to increase the amount of fish able to be harvested and improve the resilience of the fish resources to environmental fluctuations, and in so doing to contribute meaningfully towards job creation and long-term food security.

The Chief Directorate has also continued to investigate the feasibility of a number of potential new fisheries, including possible new fisheries for octopus, redbait, hagfish, whelks and mussels, and pota squid. 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. 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).

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2014 (Continued)

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.

Monitoring, Control and Surveillance: To ensure the protection, promotion and sustainable use of marine living resources through the implementation of the Integrated Fisheries Security Strategy (IFSS) and thereby intensifying enforcement and compliance operations. The IFSS has been reviewed, updated and approved through a consultation process with the Institute for Security Studies. During the period under review, increased law enforcement efforts were exerted within the four (4) key fisheries sectors namely Hake, Abalone, West Coast Rock Lobster and Traditional Line Fish in addition to other fisheries sectors which includes the large pelagics and squid. The Fisheries Protection Vessels were also returned from the SA Navy back to the MLRF. The annual targets of 800 land based inspections and 275 right holder investigations were all met and exceeded. Seven (7) foreign Illegal, Unreported and Unregulated (IUU) vessels were arrested during the third quarter and successfully charged in terms of the MLRA and RFMO legislation, with their catches and the vessels forfeited to the state at the end of the fourth quarter.

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:

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

Strategic objectives

- SO 1: Promote efficient production, handling and processing of food, fibre and timber
- SO 2: Coordinate government food security initiative
- SO 3: Improve production systems anchored in commodities with a competitive and comparative advantage in each province
- SO 4: Comprehensive support towards rural development

SG 2: Sustained management of natural resources

Strategic objectives

- SO 1: Ensure the sustainable management and efficient use of natural resources
- SO 2: Ensure protection of indigenous genetic resources
- SO 3: Increase contribution to green jobs to improve livelihoods

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

Strategic objectives

- SO 1: Increase growth, income and sustainable job opportunities in the value chain
- SO 2: Increase the level of public and private investment in sector 23
- SO 3: Increase domestic and international market access for South African and African agricultural, forestry and fishery products
- SO 4: Increase production of feedstock to support the manufacturing sector

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2014 (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) 2012/13	Actual Performance against Target			Reason for Variance
		Planned Target (2013/14)	Actual Achievement (2013/14)	Deviation from planned target to Actual Achievement 2013/14	
Number of fish farms supported.	3 fish farms supported.	10 Fish Farms Supported through the provision of technical, advisory services and compliance assessments.	23 fish farms supported.	Overachievement of 13 fish farms supported.	Aquaculture awareness campaigns and partnerships with other government Departments increased interest from investors.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2014 (Continued)

Sub-programme: Marine Resources Management
SG 5: Increased contribution of the sector to economic growth and development
SO 1: Increase growth, income and sustainable job opportunities in the value chain

Indicator	Baseline (Actual Output) 2012/13	Actual Performance against Target			Reason for Variance
		Planned Target (2013/14)	Actual Achievement (2013/14)	Deviation from planned target to Actual Achievement 2013/14	
Increased support to SMMEs within the sector.	Revised General Fishing Policy and 8 sector specific fishing policies and establish rights allocation process.	Allocate 70% of fishing rights in 8 sectors to SMMEs. (Hake Handline; Demersal Shark; Tuna Pole-line; KZN Prawn Trawl; Traditional Linefish; Squid, Oysters, and White Mussels to SMMEs. [SMMEs are defined as per the definition for the agricultural sector contained in the Annexure to the Small Business Act, No. 102 of 1998]	The General Policy on the Allocation and Management of Fishing Rights as well as 8 Sector Specific Policies (Hake Handline, Demersal Shark, Tuna Pole-line, KZN Prawn Trawl, Traditional Linefish, Squid, Oysters and White Mussels) were revised, approved and gazetted. A call for Rights Application was made and more than 90% of Fishing Rights were allocated in 8 fishing sectors to SMMEs.	Overachievement of 20%. Fishing Rights were allocated in 8 fishing sectors to SMMEs.	Due to the absence of application fees when applying for fishing rights, a larger number of SMMEs than anticipated lodged applications.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2014 (Continued)

Sub-programme: Marine Resources Management
SG 2: Sustained management of natural resources
SO 1: Ensure the sustainable management and efficient use of natural resources

Indicator	Baseline (Actual Output) 2012/13	Actual Performance against Target			Reason for Variance
		Planned Target (2013/14)	Actual Achievement (2013/14)	Deviation from planned target to Actual Achievement 2013/14	
Depleted fish stocks rebuilt (abalone, hake West Coast rock lobster and linefish).	Recovery strategies implemented in 4 sectors (abalone, hake West Coast rock lobster and linefish).	Implementation of management measures (including reconciliation of catch landings) aimed at rebuilding and maintaining stock levels in 4 sectors (Abalone, Hake, West Coast Rock Lobster and Linefish) by determining annual TAC/TAEs and permit conditions for harvesting.	Annual TAC/TAE in Abalone, Hake, West Coast Rock lobster and Linefish were set in line with the agreed Operational Management Procedure (OMP) consulted with relevant fisheries stakeholders. Management measures adjusted and incorporated in the amended Fishing Permit Conditions and catch landings reconciled in all four identified fishing sectors.		

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2014 (Continued)

Sub-programme: Monitoring, Control and Surveillance
SG 2: Sustained management of natural resources
SO 1: Ensure the sustainable management and efficient use of natural resources

Indicator	Baseline (Actual Output) 2012/13	Actual Performance against Target			Reason for Variance
		Planned Target (2013/14)	Actual Achievement (2013/14)	Deviation from planned target to Actual Achievement 2013/14	
Enforcement and compliance efforts to combat poaching increased.	Engagement with the Institute for Security Studies to review the document and a draft Integrated Fisheries Security Strategy was produced.	Facilitate approval of the Integrated Fisheries Security Strategy (IFSS).	The Integrated Fisheries Security Strategy was reviewed, updated and approved.		
	A total of 1 044 sea-based inspection, 940 vessel landings and 315 rights holder investigations were conducted in the 5 key fisheries sectors: Hake, West Coast Rock Lobster, Linefish, Abalone and Squid.	Implementation of the Integrated Fisheries Security Strategy (IFSS) by conducting 800 land based vessels inspections.	1 593 land based vessel inspections.	Overachievement of 793 land based inspections.	Multiple inspections were conducted on vessels at landing sites, due to the 100 jobs which were created through EPWP in the commercial monitoring project to monitor commercial landings. The landing sites were monitored from Port Nolloth (seasonal) to Port Elizabeth.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2014 (Continued)

Sub-programme: Monitoring, Control and Surveillance (continued)
SG 2: Sustained management of natural resources
SO 1: Ensure the sustainable management and efficient use of natural resources

Indicator	Baseline (Actual Output) 2012/13	Actual Performance against Target			Reason for Variance
		Planned Target (2013/14)	Actual Achievement (2013/14)	Deviation from planned target to Actual Achievement 2013/14	
	A total of 1 044 sea-based inspections were conducted in the 5 key fisheries sectors: Hake, West Coast Rock Lobster, Linefish, Abalone and Squid.	Implementation of the Integrated Fisheries Security Strategy (IFSS) by conducting 600 sea-based inspections.	The IFSS has been implemented by conducting 497 sea-based inspections.	Target not achieved.	Sufficient and appropriate audit evidence was not available for quarters 1 and 2 to support the number of sea-based inspections achieved. The actual achievements therefore correspond to the available supporting audit evidence although more inspections were conducted.
	A total of 315 rights holder investigations were conducted in the 5 key fisheries sectors: Hake, West Coast Rock Lobster, Linefish, Abalone and Squid	Implementation of the Integrated Fisheries Security Strategy (IFSS) by conducting 275 investigations on right holders.	The IFSS has been implemented by conducting 292 investigations on right holders.	Overachievement of 17 investigations.	Special operations, inspections and tip-offs often lead to the investigation of additional rights holders who were not initially targeted. An investigation on a particular right holder can also lead to inter-connected investigations that were not targeted.

REPORT OF THE ACCOUNTING AUTHORITY for the year ended 31 March 2014 (Continued)

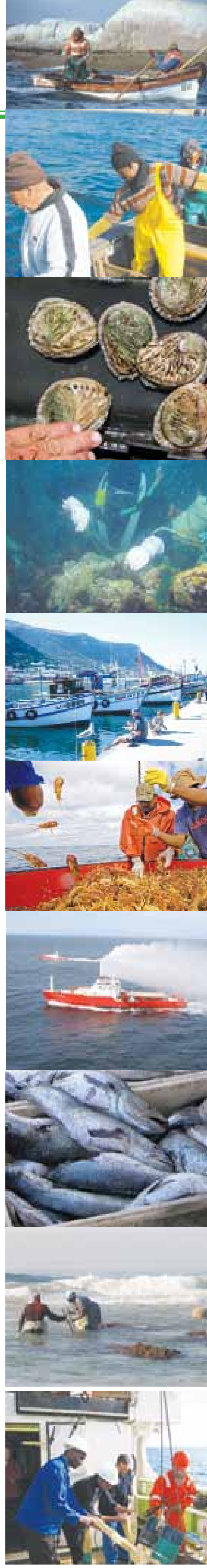
Fisheries Sector Jobs (Working for Fisheries Program)
SG5: Increased contribution of the sector to economic growth and development
SO 1: Increase growth, income and sustainable job opportunities in the value chain

Indicator	Baseline (Actual Output) 2012/13	Actual Performance against Target			Reason for Variance
		Target (2013/14)	Contributing APP Indicators (2013/14)	Actual (2013/14)	
Increased the number of job opportunities (Working for Fisheries Programme)	1 000 Working for Fisheries Programme jobs created.	1 100 jobs	1 431 jobs	Overachievement of 331 jobs.	The Working for Fisheries projects had deferred earmarked funds from 2012/13 which was carried over to the 2013/14 financial year. The funds which were not fully spent in 2012/13 created an opportunity to initiate new projects such as the Anti-poaching project to increase capacity for enforcement and compliance which created 44 jobs. Furthermore 100 jobs were created in the commercial monitoring project to monitor commercial landings.

REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2014 (Continued)

LIST OF ACRONYMS

AAHSF	Aquatic Animal Health Strategic Framework	EIA	Environmental Impact Assessment
ADZ	Aquaculture Development Zone	EPWP	Expanded Public Works Programme
ADEP	Aquaculture Development and Enhancement Programme	ERA	Ecological Risk Assessment
AED	Aquaculture and Economic Development	EU	European Union
APAP	Agriculture Policy Action Plan	FRD	Fisheries Research and Development
AGSA	Auditor-General of South Africa	FAO	Food and Agricultural Orginisation
ANAF	Aquaculture Network for Africa	FM&CP	Finfish Monitoring and Control Programme
ARTDP	Aquaculture Reseach and Technology Programme	FPE	Fish Processing Establishments
ASB	Accounting Standards Board	FPV	Fisheries Protection Vessel
AVCRT	Aquaculture Value-Chain Round Table	GRAP	Generally Recognised Accounting Practices
BCC	Benguela Current Commission	ICCAT	International Commission for the Conservation of Atlantic Tuna
BSC	Bachelor of Science	IDP	Integrated Development Plan
CCAMLR	Commission for the Conservation of Antarctic Marine Living Resources	IPAP	Industrial Policy Action Plan
CCSBT	Conservation of Southern Bluefin Tuna	IPSAS	International Public Sector Accounting Standards
CD	Chief Director	IT	Information Technology
COFI	Committee of Fisheries	IUU	Illegal, Unreported and Unregulated (fishing)
DAFF	Department of Agriculture, Forestry and Fisheries	KZN	Kwazulu-Natal
DEA	Department of Environmental Affairs	MAIL	Marine Aquaculture Industry Liaison
DEXCO	Departmental Executive Committee	MCS	Monitoring, Control and Surveillance
DDG	Deputy Director-General	M&E	Monitoring and Evaluation
DG	Director-General	MLRA	Marine Living Resources Act
DST	Department of Science and Technology	MLRF	Marine Living Resources Fund
DTI	Department of Trade and Industry	MRM	Marine Resource Management
EAF	Ecosystems Approaches to Fisheries	MSC	Marine Stewardship Council
EC	Eastern Cape	Msc	Master of Science
EE	Employment Equity	MTEF	Medium Term Expenditure Framework



REPORT OF THE ACCOUNTING AUTHORITY
for the year ended 31 March 2014 (Continued)

LIST OF ACRONYMS (continued)

MTSF	Medium Term Strategic Framework	SCL	Sustainable Coastal Livelihoods
PAIF	Provincial Aquaculture Intergovernmental Forum	SCM	Supply Chain Management
PhD	Doctor of Philosophy	SEAFO	South East Atlantic Fisheries Organisation
PFMA	Public Finance Management Act	SG	Strategic Goals
PPPFA	Preferential Procurement Framework Act	SMME	Small, Medium and Micro Enterprises
PUA	Public Understanding of Aquaculture Programme	SO	Strategic Objectives
RFMO	Regional Fishery Management Organisation	SPS	Sanitary and Phyto-sanitary
SA	South Africa	SWIOFP	South West Indian Ocean Fisheries Project
SA GRAP	South African Statements of Generally Accepted Accounting Practices	TAC	Total Allowable Catch
SADC	Southern African Development Community	TAE	Total Allowable Effort
SAN	South African Navy	ToR	Terms of Reference
SASSI	South African Sustainable Seafood Initiative	WFFP	Working for Fisheries Programme

Edith V Vries
Director-General
Department of Agriculture, Forestry and Fisheries

Date: 30 July 2014

STATEMENT OF FINANCIAL POSITION
for the year ended 31 March 2014

	NOTES	2014 R'000	2013 R'000
ASSETS			
Non-current assets			
Plant and equipment	2	**417 008**	437 475
Intangible assets	3	**74**	57
		417 082	437 532
Current assets			
Inventory	4	**17 804**	3 690
Trade and other receivables	5	**13 097**	13 710
Cash and cash equivalents	6	**235 148**	260 630
		266 049	278 030
Total assets		**683 131**	715 562
LIABILITIES			
Current liabilities			
Deferred income	7	**163 877**	193 790
Donor funds	8	**2 102**	2 766
Trade and other payables	9	**52 674**	44 126
Total liabilities		**218 653**	240 682
Net assets		**464 478**	474 880
NET ASSETS			
Accumulated surplus		**464 478**	474 880
Total net assets		**464 478**	474 880

REPORT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2014

	NOTES	2014 R'000	2013 R'000
Revenue			
Operating revenue	10	**104 988**	114 250
Other income	11	**308 772**	149 487
Foreign exchange surplus		**49**	–
Finance income	13	**12 806**	9 168
Donor funds revenue	14	**1 520**	343
		428 135	273 248
Expenses			
Consumables used		**(5 875)**	(5 202)
Depreciation and amortisation		**(31 853)**	(31 216)
Transportation cost		**(44 782)**	(38 359)
Advertising costs		**(3 783)**	(1 373)
Operating lease payments		**(3 351)**	(2 108)
Other deficits		**(12)**	(72)
Other operational costs		**(347 841)**	(190 458)
Finance cost		**(11)**	–
Donor funds expenses	8	**(1 029)**	(241)
		(438 537)	(269 029)
(Deficit)/Surplus for the year		**(10 402)**	4 219

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2014

	NOTES	Accumulated surplus R'000	Total net assets R'000
Balance at 1 April 2012		470 661	470 661
Surplus for the year		4 219	4 219
Balance at 1 April 2013		**474 880**	**474 880**
Deficit for the year		**(10 402)**	**(10 402)**
Balance at 31 March 2014		**464 478**	**464 478**

CASH FLOW STATEMENT
for the year ended 31 March 2014

	NOTES	2014 R'000	2013 R'000
Cash flows from operating activities			
Cash receipts from customers		**138 295**	304 401
Cash paid to suppliers		**(412 355)**	(231 329)
Net cash (utilised) by/generated from operations	16.1	**(274 060)**	73 072
Finance cost		**(11)**	–
Finance income		**12 806**	9 168
Net cash (outflow)/inflow from operating activities		**(261 265)**	82 240
Cash flows from investing activities			
Purchases of plant and equipment		**(11 325)**	(6 683)
Purchases of plant and equipment funded by Government grants	7	**–**	(227)
Proceeds from disposal of plant and equipment		**–**	4
Purchases of intangible assets		**(91)**	(40)
Net cash outflow from investing activities		**(11 416)**	(6 946)
Cash flows from financing activities			
Proceeds from grant received	7	**247 199**	80 456
Net cash inflow from financing activities		**247 199**	80 456
Net (decrease)/increase in cash and cash equivalents		**(25 482)**	155 750
Cash and cash equivalents at the beginning of the year		**260 630**	104 880
Cash and cash equivalents at the end of the year	6	**235 148**	260 630

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION
for the year ended 31 March 2014

	NOTES	Original Approved Budget	Final Budget	Actual	Difference Final Budget and Actual
		2013/14 R'000	2013/14 R'000	2013/14 R'000	2013/14 R'000
Revenue	23.3				
Operational revenue		107 000	109 312	104 988	(4 324)
Other income		268 767	458 326	308 772	(149 554)
Foreign exchange surplus		–	–	49	49
Finance income		3 000	9 958	12 806	2 848
Donor funds revenue		–	–	1 520	1 520
		378 767	577 596	428 135	(149 461)
Expenses	23.4				
Consumables used		(4 809)	(8 861)	(5 875)	2 986
Depreciation and amortisation		–	–	(31 853)	(31 853)
Transportation cost		(20 472)	(30 639)	(44 782)	(14 143)
Advertising cost		(1 392)	(4 248)	(3 783)	465
Operating lease payments		(1 717)	(3 055)	(3 351)	(296)
Other deficits		–	–	(12)	(12)
Other operational costs		(333 156)	(514 797)	(347 841)	166 956
Finance cost		(177)	–	(11)	(11)
Donor funds expenses		–	–	(1 029)	(1 029)
		(361 723)	(561 600)	(438 537)	123 063
Deficit for the year	23.2	17 044	15 996	(10 402)	(26 398)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014

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 2014 (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 25	Employee Benefits
GRAP 32	Service Concession Arrangements: Grantor
GRAP 106	Transfer of Functions Between Entities Not Under Common Control
GRAP 107	Mergers
GRAP 108	Statutory Receivables

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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

1.6 PLANT AND EQUIPMENT (continued)

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

1.6 PLANT AND EQUIPMENT (continued)

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 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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

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.
- 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 recoreded 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 regocnised in the statement of financial performance as an expense in the period in which the termination takes place.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

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.

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.

Provisions 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 provisions 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

1.13 REVENUE (continued)

1.13.1 Revenue from exchange transactions

Revenue from exchange transactions include application fees, chartering of the Fund's 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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

1.14 FINANCIAL INSTRUMENTS (continued)

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.

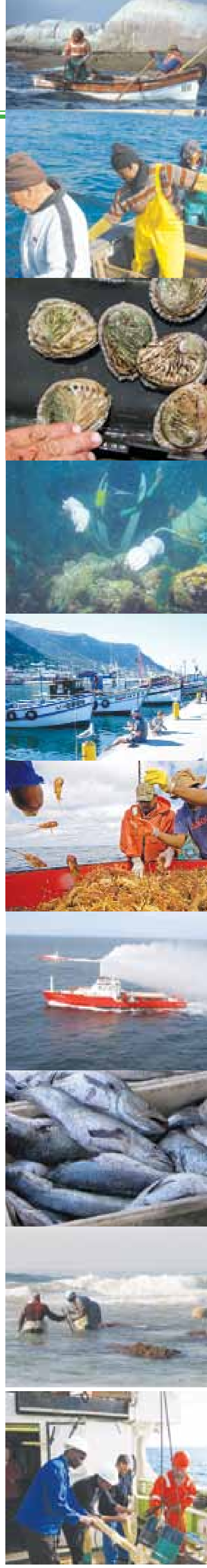
Provision for impairment of receivables

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.

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.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

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.

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 wastefull 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

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.

1.20 MATERIALITY FRAMEWORK

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statement. Materiality depends on the size of the items or error judged in the particular circumstances of its omission or misstatement. Thus materiality provides a threshold or cut-off point, rather than being a primary qualitative characteristic which information must have if it's to be useful. Based on the business nature of the MLRF and as a public service organisation the best indicator with regard to business activity is expenditure. The Fund has determined its materiality level at 0.50% of expenditure. In determining the said materiality, both qualitative and quantitave factors were considered. Quantitative factors include the nature of the entity's business, the statutory requirements laid down on the entity, with specific reference to the PFMA, Treasury Regulations and MLRA and the control and inherent risks associated with the entity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2014 (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	Total R'000
Carrying value 1 April 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**	**665 131**
Accumulated deprecation	**(22 019)**	**(3 092)**	**(15 711)**	**(3 914)**	**(182 920)**	**(227 656)**
Additions	**6 805**	**1 607**	**1 520**	**425**	**968**	**11 325**
Disposals/Retirements	**(2)**	**–**	**(7)**	**(4)**	**–**	**(13)**
Cost price	**(4)**	**–**	**(524)**	**(11)**	**–**	**(539)**
Accumulated depreciation	**2**	**–**	**517**	**7**	**–**	**526**
Depreciation	**(5 488)**	**(1 038)**	**(2 150)**	**(1 059)**	**(22 044)**	**(31 779)**
Carrying value 31 March 2014	**11 479**	**2 949**	**2 853**	**5 970**	**393 757**	**417 008**
Cost price	**38 984**	**7 079**	**20 197**	**10 936**	**598 721**	**675 917**
Accumulated deprecation	**(27 505)**	**(4 130)**	**(17 344)**	**(4 966)**	**(204 964)**	**(258 909)**
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 deprecation	(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	665 131
Accumulated deprecation	(22 019)	(3 092)	(15 711)	(3 914)	(182 920)	(227 656)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

2	PLANT AND EQUIPMENT (continued)	2014 R'000	2013 R'000
	Other information		
	Plant and equipment fully depreciated still in use		
	Cost	**39 158**	31 720
	Accumulated depreciation	**(39 154)**	(31 717)
	Net book value	**4**	3

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	**57**	104
	Additions	**91**	40
	Amortisation charge	**(74)**	(87)
		74	57
	At 31 March		
	Cost	**7 788**	7 897
	Accumulated amortisation	**(7 714)**	(7 840)
		74	57

4	INVENTORY		
	Confiscated products	**17 804**	3 690
		17 804	3 690

5	TRADE AND OTHER RECEIVABLES		
	Trade receivables – local	**13 537**	14 421
	Less: Provision for impairment of trade receivables	**(949)**	(1 044)
	Trade receivables – net	**12 588**	13 377
	Prepayments and advances	**439**	311
	Other receivables	**69**	22
		13 097	13 710

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

		2014	2013
5	**TRADE AND OTHER RECEIVABLES (continued)**	**R'000**	R'000
5.1	**Trade and other receivables from exchange transactions**		
	Trade receivables from exchange transactions – local	**1 865**	6 772
	Less: Provision for impairment of trade receivables from exchange transactions	**(870)**	(539)
	Trade receivables from exchange transactions – net	**995**	6 233
	Prepayments and advances	**439**	311
	Other receivables	**69**	22
	Total trade and other receivables from exchange transactions	**1 504**	6 566
5.2	**Trade and other receivables from non-exchange transactions**		
	Fines	**556**	517
	Levy of fish products	**11 115**	7 132
	Less: Provision for impairment of trade receivables from non-exchange transactions	**(78)**	(505)
	Trade and other receivables from non-exchange transactions – net	**11 593**	7 144
	Total trade and other receivables	**13 097**	13 710

Included in trade receivables, prepayments and advances is a receivable from the Department of Environmental Affairs of R0 (2013: Department of Environmental Affairs of R1 066 269).

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

The value of trade receivables past due but not impaired is R2 913 000 (2013: R3 662 000). The ageing of trade receivables past due but not impaired at the reporting date was:

	2014	2013
31–60 Days	**91**	–
61 Days plus	**2 822**	3 662
	2 913	3 662

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

	2014	2013
At the beginning of the year	**1 044**	1 208
Increase in provision from prior year	**(95)**	(164)
At the end of the year	**949**	1 044

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

5	TRADE AND OTHER RECEIVABLES (continued)	2014 R'000	2013 R'000

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	2014 R'000	2013 R'000
	Cash at bank and on hand	**5 105**	3 199
	Short-term investments	**230 043**	257 431
		235 148	260 630
	Cash and cash equivalents include the following for the purposes of the cash flow statement:		
	Cash at bank and on hand	**235 148**	260 630
		235 148	260 630
	Included in the short-term investments are the following call deposit accounts:		
	Operational contributions	**4 788**	170 268
	Earmarked Funds	**221 771**	84 349
	Donor Funds	**3 484**	2 814
		230 043	257 431

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

		2014 R'000	2013 R'000
7	**DEFERRED INCOME**		
7.1	**Deferred Income – Operational**		
	Balance at the beginning of the year	**115 943**	1 553
	Conditional grants received	**176 199**	162 322
	Expenditure incurred	**(188 156)**	(47 932)
	Operational projects	**(188 156)**	(47 705)
	Capital projects	**–**	(227)
	Balance at the end of the year	**103 986**	115 943
7.2	**Deferred Income – Working For Fisheries Programme**		
	Balance at the beginning of the year	**77 847**	69 875
	Conditional grants received	**71 000**	80 456
	Expenditure incurred	**(88 956)**	(72 484)
	Balance at the end of the year	**59 891**	77 847
	Total Deferred Income balance at the end of the year	**163 877**	193 790
8	**DONOR FUNDS**		
	Balance at the beginning of the year	**2 766**	2 878
	Donor receipts	**726**	134
	Finance income earned	**130**	97
	Donor expenses	**(1 520)**	(343)
	Operational expenses	**(1 029)**	(241)
	Capital expenses	**(491)**	(102)
	Balance at the end of the year	**2 102**	2 766
9	**TRADE AND OTHER PAYABLES**		
	Trade and other payable from exchange transactions consist of:		
	Trade payables – local	**51 852**	44 046
	Trade payables – foreign	**822**	80
		52 674	44 126

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

Included in trade and other payables is an amount of R1 727 960 that management is currently disputing with the service provider.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

		2014 R'000	2013 R'000
10	**OPERATING REVENUE**		
10.1	**Revenue from exchange transactions**		
	Application fees	**4 902**	5 433
	Chartering of departmental vessels	**–**	1 305
	Harbour fees	**5 552**	5 868
	Licences and permits	**33 764**	37 825
	Total operating revenue from exchange transactions	**44 218**	50 431
10.2	**Revenue from non-exchange transactions**		
	Levy of fish products	**60 770**	63 819
	Total operating revenue from non-exchange transactions	**60 770**	63 819
	Total operating revenue	**104 988**	114 250
11	**OTHER INCOME**		
11.1	**Revenue from exchange transactions**		
	Confiscated assets and fish products	**20 496**	19 891
	– Confiscated assets and fish products	**6 382**	18 387
	– Net movement in confiscated inventory	**14 114**	1 504
	Surplus on the disposal of plant and equipment	**–**	4
	Other income	**1 639**	110
	Total other income from exchange transactions	**22 135**	20 005
11.2	**Revenue from non-exchange transactions**		
	Fines	**3 179**	2 766
	Grants and other transfer payments	**114 285**	55 524
	Other income – realisation of conditional grants	**169 173**	71 192
	Total other income from non-exchange transactions	**286 637**	129 482
	Total other income	**308 772**	149 487

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

		2014	2013
12	**OPERATING DEFICIT**	**R'000**	R'000
	Operating deficit is stated after:		
	Operating lease charges	**3 351**	2 108
	Auditors' remuneration		
	– Audit fees	**2 441**	1 742
	Professional fees	**51 132**	26 055
	Decrease in impairment provision for trade receivables	**(95)**	(164)
	Bad debt write-off for the year	**672**	693
	Commission paid	**5 708**	6 060
	Depreciation and amortisation		
	– A detailed analysis of depreciation and amortisation can be found in the detailed statement of financial performance	**31 853**	31 216
	Legal costs	**2 758**	3 153
	Minor assets purchased	**137**	140
	Repairs and maintenance	**993**	1 436
	Surplus on the disposal of plant and equipment	**–**	4
	Vessel operating costs	**153 717**	46 616

13 FINANCE INCOME

Revenue from exchange transactions		
Interest earned on investments and cash balances	**12 650**	8 882
Other outstanding amounts	**156**	286
	12 806	9 168

14 DONOR FUNDS REVENUE

Revenue from non-exchange transactions		
Donor funds realised	**1 520**	343

15 COMPARATIVE FIGURES

Certain comparative figures have been reclassified during the year. The effects of the reclassification are as follows:

In the statement of financial position, income received in advance was previously included in Trade and other receivables, for an amount of R1 194 000 in the 2012/13 financial year. In the current year this amount was reclassified and included in Trade and other payables. There has been no effect on the statement of financial performance.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

16	CASH FLOW INFORMATION	2014 R'000	2013 R'000
16.1	**Cash (utilised by)/generated from operations**		
	Operating (deficit)/surplus	**(10 402)**	4 219
	Non-cash items and items dealt with separately:		
	Bad debt write-off	**672**	693
	Depreciation and amortisation	**31 853**	31 216
	Finance income	**(12 806)**	(9 168)
	Finance cost	**11**	–
	Realisation of deferred income	**(277 112)**	(73 801)
	Operating grants under utilised	**–**	115 707
	Decrease in provision for impairment of trade receivables	**(95)**	(164)
	Loss on disposal of plant and equipment	**13**	812
	Surplus on foreign exchange translation	**(49)**	–
	Cash (utilised by)/generated from operations before working capital changes	**(267 915)**	69 514
	Working capital changes		
	Inventory	**(14 114)**	(1 505)
	Trade receivables	**36**	(2 784)
	Trade payables, accruals and provisions	**8 597**	7 959
	Donor funds	**(664)**	(112)
		(274 060)	73 072
	In the cash flow statement, proceeds from disposal of plant and equipment comprises:	–	–
	Loss on disposal of plant and equipment	**(13)**	(812)
	Proceeds from disposal of plant and equipment	**–**	4

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

	2014	2013
17 GOVERNMENT ASSISTANCE	**R'000**	R'000
As disclosed in note 20 Related Parties the following government assistance was received during the year: Compensation of the employees that administers the Fund is paid by the DAFF. The compensation is disclosed in the financial statements of DAFF.	**235 284**	212 974
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 DAFF. The lease expenditure is disclosed in the financial statements of DAFF.	**59 485**	52 528
The increase in the above lease cost is due the increase in the monthly rental charges as well as the increase in municipal rates.		
These amounts are not recognised in the statement of financial performance of the Fund as it was incurred and paid by the DAFF.		

	2014	2013
18 OPERATING LEASES	**R'000**	R'000
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	**1 080**	879
Later than 1 year, but not later than 5 years	**819**	894
Later than 5 years	**–**	–
	1 899	1 773

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

19	CONTINGENT LIABILITIES	2014 R'000	2013 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:	**3 193**	3 193
	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
	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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

19	CONTINGENT LIABILITIES (continued)	2014 R'000	2013 R'000

Litigation: (continued)

A Magistrates Court matter for a claim of damages against the Department. If the applicant is successful in its application the Department will be liable for payment of damages.

	2014 R'000	2013 R'000
Estimated legal costs:	**100**	–
Possible losses:	**251**	–

A Magistrates Court matter where the applicant sues the Department for damages pursuant to a motor vehicle accident.

	2014 R'000	2013 R'000
Estimated legal costs:	**50**	–
Possible losses:	**100**	–

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, after the 2005 fishing rights allocation process, reviews were instituted against the Department and the Minister, challenging the decisions taken and requiring the court to review and set aside decisions relating to the allocation of rights.

The litigants were not suing for monetary amounts. Some matters were finalised. Of those pending no further steps were taken by the applicants.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

		2014	2013
20	**RELATED PARTIES**	**R'000**	R'000
	The following related parties were identified:		
20.1	**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.	**235 284**	212 974
	The lease expenditure for the premises which are utilised by the Fund for administration purposes, were paid by the DAFF.	**59 485**	52 528
	Government Grants received from DAFF in terms of Earmarked Funds in a Medium Term Expenditure Framework:		
	Operational grants received	**182 545**	168 622
	– Financial contribution	**6 346**	6 300
	– Vessel Operating costs	**176 199**	162 322
	Working for Fisheries conditional grant (refer note 7)	**71 000**	80 456
	Transfer to settle old debt owed to the Department of Public Works	**–**	67 287
	– Payments made for the current year	**760**	750
	– Outstanding balance payable as at 31 March	**72**	252
20.2	**Department of Environmental Affairs (DEA)**		
	Included in trade receivables, prepayments and advances is an amount due from the DEA of R0 (2013: R1 304 625).	**–**	1 304
	– Payments made for the current year	**2 016**	–
	– Outstanding balance payable as at 31 March	**–**	2 016
20.3	**Department of National Treasury**		
	– Payments made for the current year	**–**	231
	– Outstanding balance payable as at 31 March	**–**	–
20.4	**Department of Justice**		
	– Payments made for the current year	**2 991**	2 706
	– Outstanding balance payable as at 31 March	**70**	448
20.5	**Department of Defence**		
	– Payments made for the current year	**10 890**	20 766
	– Outstanding balance payable as at 31 March	**–**	11 820

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

		2014	2013
20	**RELATED PARTIES (continued)**	**R'000**	R'000
20.6	**Department of Public Works**		
	– Payments made for the current year	**–**	67 287
	– Outstanding balance payable as at 31 March	**–**	–
20.7	**Key personnel**		
	Minister T Joemat-Pettersson		
	No subsistence, travel and other related reimbursement costs have been paid	**–**	–
	Director-General: E Vries		
	– Payments made for the current year	**–**	–
	– Outstanding balance payable as at 31 March	**–**	–
	Acting Director-General: M Mannya		
	– Payments made for the current year	**–**	–
	– Outstanding balance payable as at 31 March	**–**	–
	Acting Director-General: S Ntombela	**–**	–
	– Payments made for the current year	**–**	–
	– Outstanding balance payable as at 31 March		
	Acting Deputy Director-General: S Middleton		
	– Payments made for the current year	**–**	12
	– 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	**64**	25
	– Outstanding balance payable as at 31 March	**–**	63
	Acting Deputy Director-General: D Stevens		
	– Payments made for the current year	**43**	–
	– Outstanding balance payable as at 31 March	**–**	–
	Acting Deputy Director-General: M Mannya		
	– Payments made for the current year	**–**	–
	– Outstanding balance payable as at 31 March	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

21 FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE

	2014 **R'000**	2013 R'000
21.1 FRUITLESS AND WASTEFUL EXPENDITURE		
Fraudulent payments from donor funds	**224**	250
Interest on late payment	**11**	–

The current year amount of R224 235 (2013: R249 861) 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. Both Accused 1 and 2 has entered into a plea bargain with the State whereby it was agreed that the Accused will repay the fraudulent payments. To date R10 900 has been recovered from Accused 1. To date R28 955 has been recovered from Accused 2.

During the current year the Fund incurred interest on a late payment of a supplier. The matter is still under investigation and will be resolved in the new financial year.

	2014 **R'000**	2013 R'000
Opening Balance	**250**	255
Fruitless and Wasteful expenditure incurred during the year	**11**	–
Recovered during the year	**(26)**	(5)
Condoned during the year	**–**	–
Closing balance	**235**	250

21.2 IRREGULAR EXPENDITURE

During the prior year the Fund incurred irregular expenditure of R174 419 which related to the procurement of goods and services from various suppliers 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. The Fund is in the process of requesting condonement from the Accounting Authority.

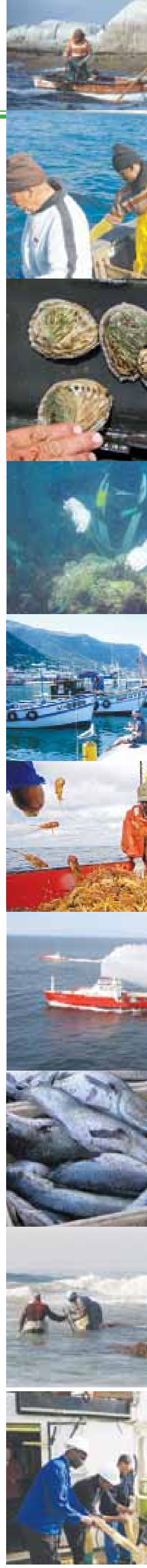
Tax clearance certificate not obtained

During the year the entity procured services to the amount of R34 800 from a service provider on an emergency basis without the necessary tax clearance certificate which resulted in non-compliance with National Treasury Practice note 8 of 2007/08 par 6.1.

Marine Anti-Poaching project

In April 2010 the 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, who had a contract that was valid until 31 March 2012.

During the prior 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 the service provider and handover to the new successful bidder.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

21 FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE (continued)

21.2 IRREGULAR EXPENDITURE (continued)

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. The total payments on the abovementioned extensions were R7 035 000. This amount was recorded as irregular expenditure in the prior year even though management was of the view that the extensions were necessary in order to finalise the tender process which had been initiated.

It should also be noted that 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. Due to the complexity of the tender, the bid process was not completed by 31 March 2013. To ensure continuity of this essential service and to protect the employment of workers, the Accounting Authority approved a further two month extension until 31 May 2013. During the bid process, the bids exceeded the budgetary allocation for the project and the tender had to be withdrawn and therefore no implementer was appointed. To this end a final extension of a two month period was approved by the Accounting Authority. The contract with the implementer ended on 31 July 2013. Total payments to the value of R2 784 581 was made during 2013/14.

During the year the Accounting Authority condoned the total irregular expenditure incurred on this project in 2012/13 and 2013/14 of R9 819 581.

Vessel repair and management contracts

The 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 MLRF fleet of 4 Fisheries Patrol Vessels and 2 Research Vessels for a period of 1 year.

Even though the SAN experienced difficulties in effectively managing the vessels, they made representation to assume responsibility for the long-term management of the fleet. The preparations for going out on tender for the manning, maintenance and management of the MLRF fleet were put on hold pending a final decision. When it became evident that the SAN was unable to manage the fleet, there was insufficient time to embark on a tender process before the expiration of the MoU on 31 March 2013. The MLRF therefore obtained approval from the Accounting Authority for an emergency deviation from Supply Chain Management Regulations under the Public Finance Management Act No 1 of 1999, section 16A 6.4 and National Treasury Practice Note No 8 of 2007/08 paragraph 3.4.3, for the immediate repair and interim vessel management of the MLRF fleet. The National Treasury and the Auditor-General were informed of the deviation.

The Auditor-General is of the view that although the entity was indeed faced with an emergency situation once the final decision had been taken not to extend the MoU with the SAN and the deviation was necessary at that stage, had the necessary steps been taken earlier to procure a service provider, the emergency measures could have been avoided. The Auditor-General is thefore of the opinion that all the payments for both the vessel repairs and maintenance contracts are deemed to be irregular expenditure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

21 FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE (continued)

21.2 IRREGULAR EXPENDITURE (continued)

The MLRF will request the Accounting Authority to condone the amount of R125 221 840 as irregular expenditure.

Until such time that a new tender is awarded for the long-term manning, maintenance and management of the MLRF fleet, all expenditure incurred will be regarded as irregular expenditure despite valid contracts being in place.

Reconciliation of irregular expenditure

	2014 **R'000**	2013 R'000
Opening Balance	**7 209**	–
Non-compliance to PPPFA and PPR requirements	**128 042**	9 062
Condoned during the year	**(9 820)**	(1 853)
Closing balance awaiting condonement	**125 431**	7 209

22 FINANCIAL RISK MANAGEMENT

22.1 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 2014 (Continued)

22 FINANCIAL RISK MANAGEMENT (continued)

22.1 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 2014	Floating Interest rate R'000	Non-interest bearing R'000	Total R'000
ASSETS			
Trade and other receivables	**13 097**	**–**	**13 097**
Cash and cash equivalents	**235 148**	**–**	**235 148**
Total assets	**248 245**	**–**	**248 245**
LIABILITIES			
Trade and other payables	**–**	**52 674**	**52 674**
Total liabilities	**–**	**52 674**	**52 674**
Net financial assets/(liabilities)	**248 245**	**(52 674)**	**195 571**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

22 FINANCIAL RISK MANAGEMENT (continued)

22.1 Financial risk factors (continued)

31 March 2013	**Floating Interest rate R'000**	**Non-interest bearing R'000**	**Total R'000**
ASSETS			
Trade and other receivables	13 710	–	13 710
Cash and cash equivalents	260 630	–	260 630
Total assets	274 340	–	274 340
LIABILITIES			
Trade and other payables	–	44 126	44 126
Total liabilities	–	44 126	44 126
Net financial assets/(liabilities)	274 340	(44 126)	230 214

At 31 March 2014, 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 175 739 lower/higher (2013: R1 303 150 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:

	2014 R'000	2013 R'000
Trade and other receivables	**13 067**	13 682
Staff loans	**30**	28
	13 097	13 710
The ageing of trade receivables at the reporting date was:		
Current	**10 184**	10 049
31–60 Days	**91**	(3 282)
61 Days plus	**2 822**	6 943
	13 097	13 710

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

	2014 R'000	2013 R'000
Balance at the beginning of the year	**1 044**	1 208
Increase in impairment provision	**(95)**	(164)
Balance at the end of the year	**949**	1 044

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

22 FINANCIAL RISK MANAGEMENT (continued)

22.1 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:

	2014 Foreign currency	2013 Foreign currency	**2014 R'000**	2013 R'000
Included in trade and other payables				
CAD $	**325**	7 395	**3**	70
GBP	**597**	–	**9**	–
US$	**12 070**	1 063	**132**	10
EURO	**46 618**	–	**678**	–
			822	80

At 31 March 2014, 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 R82 177 lower (2013: R7 960), 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 R82 177 (2013: R7 960) higher.

Liquidity risk

The carrying amounts of financial liabilities at the reporting date was:		
Trade and other payables	**52 674**	44 126
	52 674	44 126

The contractual maturities for all borrowings and payables outstanding at 31 March 2014 are 12 months or less.

22.2 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 2014, 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 2014 (Continued)

23 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION

23.1 The approved original and final budgets of the Fund are prepared on an accrual basis and covers the period 1 April 2013 to 31 March 2014.

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 2013/14 and adjusted the initial approved budget. All changes to the initial budget were approved by the Executive Authority.

23.2 The Fund does not budget for a surplus. The R17 044 000 surplus in the original budget and the R15 996 000 shown in the final budget was budgeted as capital expenditure of which R11 415 000 was spent during 2013/14. A reconciliation of the budgeted and actual surplus is provided. Refer to note 23.5.

23.3 Revenue

The Fund recorded total revenue of R428 135 000 which is 74% of its final budget.

23.3.1 Operational revenue

The Fund collected 96% of its operational budget during 2013/14. The Long Term Fishing Rights Allocation Process (FRAP) of 2013 was the main contributor to the decrease in recorded revenue from levies, licenses and permits as well as application fees. Eight fishing sectors' rights were issued on 1 February 2014 and permits were only issued during March 2014 as the appeals processes were finalised by the end of February 2014. The new rights holders commenced fishing in March 2014, hence levy income which is normally expected for January and February each year, was not realised.

23.3.2 Other income

Vessel Operating Costs

The total government grant allocated to the MRLF during 2013/14 for vessel operating costs was R176 199 000. The DAFF and the SAN entered into an 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 VOC's for the respective fleets in 2012/13. Since April 2013 the DAFF contracted two service providers to repair and operate the fleet until such time that the long-term tender process is finalised. For the year ending 31 March 2014, only R96 830 000 of the conditional grant of 2013/14 for vessel operating costs was recognised in the statement of financial performance. The unspent amount R79 369 000 was recognised as a deferred income liability in the statement of financial position. Refer to Note 7.

Working for Fisheries projects

Included in the final budget of 2013/14 is government grants relating to the Working for Fisheries Projects (WFFP) of R71 000 000. 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 R11 109 000 was recognised in the statement of financial performance as Grants and other transfer payments. The unspent amount of R59 891 000 is recognised as a liability in the statement of financial position.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

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

23.3 Revenue (continued)

23.3.2 Other income (continued)

Confiscated assets and fish products:

The Department's continuous enforcement efforts in conjuction with other law enforcement agencies have lead to more confiscations during 2013/14. The stock on hand at 31 March is significantly higher than in the prior year.

23.4 Expenditure

The Fund recorded operational expenditure of R438 537 000 during 2013/14 (78% of the approved operational expenditure budget).

23.4.1 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 R2 986 000.

23.4.2 Depreciation and Amoritisation

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

23.4.3 Transportation costs

The overspend of R14 143 000 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 the FRAP of 2013 resulted in more travelling of staff to the various distribution centres. During the FRAP, the closing date for applications were extended and the number of distribution centres increased, which resulted in higher travelling expenditure.

23.4.4 Other operational costs

Vessel Operating Costs

The DAFF and the SAN entered into an 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 vessel operating costs for the respective fleets in 2012/13. As a result, the MLRF could not fully utilise the budget of R163 322 000 and an amount of R115 707 000 was deferred to the 2013/14 finanial year. The MOU came to an end on 31 March 2013 and the DAFF contracted two service providers to repair and operate the fleet until such time that the long term tender process is finalised. On 31 March 2014 the MLRF obtained approval from the National Treasury to utilise an amount of R58 820 000 of the deferred vessel operating costs budget of 2012/13 for other operational areas. This meant that the deferred funds for vessel operating costs reduced from R115 707 000 to R56 887 000. The deferred amount of R56 887 000 was therefore included in the 2013/14 budget for vessel operating costs and was fully utilised. The 2013/14 budget allocation for vessel operating costs was R176 199 000. For the year ending 31 March 2014, only R153 717 000 was spent and the unspent amount of R79 369 000 is deferred to the 2014/15 financial year as earmarked funds.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

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

23.4 Expenditure (continued)

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 R148 847 000. This is a conditional grant of R71 000 000 for 2013/14 and a deferred unspent amount of R77 847 000 from 2012/13. The grant income is only recognised in the statement of financial performance to the extent that the Fund has complied with the criteria, conditions or obligations. An amount of R88 956 000 (60%) was spent in the 2013/14 financial year. The unspent amount of R59 891 000 will defer to the 2014/15 financial year. Spending improved over the prior year and the under-spend is mainly due to the accumulated effect of underspending in prior years. All funds are committed to current projects.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014 (Continued)

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

23.5 RECONCILIATION BETWEEN THE STATEMENT OF FINANCIAL PERFORMANCE AND THE APPROVED FINAL BUDGET

	2014 R'000
Net deficit per the Statement of Financial Performance	**(10 402)**
Adjusted for:	
Expenditure items not included in budget	**33 471**
Donor funds expenditure	1 029
Depreciation and amortisation	31 853
Movement in impairment provision for trade receivables	(95)
Bad debt write-off for the year	672
Foreign exchange deficit	12
Budgeted capital expenditure not in Statement of Financial Performance	**(15 996)**
Budget (not spent)/overspent	**(156 534)**
Consumables used	(2 986)
Transportation cost	14 143
Advertising cost	(465)
Operating lease payments	296
Other deficits	–
Other operational costs	(167 533)
Finance cost	11
Revenue items not included in budget	**(3 207)**
Donor funds revenue	(1 520)
Foreign exchange surplus	(49)
Other income	(1 638)
Revenue (in excess of budget)/not received	**(11 209)**
Operating revenue	4 324
Other income	(12 685)
Finance income	(2 848)
Unspent conditional grants recognised in the Statement of Financial Position	**163 877**
Net surplus/(deficit) per approved final budget	**–**

DETAILED STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2014

	NOTES	**2014 R'000**	2013 R'000
Operating revenue		**104 988**	114 250
Application fees		**4 902**	5 433
Chartering of departmental vessels		**–**	1 305
Harbour fees		**5 552**	5 868
Levy on fish products		**60 770**	63 819
Licences and permits		**33 764**	37 825
Donor funds revenue		**1 520**	343
Other income		**308 772**	149 487
Net confiscated assets and fish products		**20 496**	19 891
Confiscated assets and fish products		**6 382**	18 387
Net movement in confiscated inventory		**14 114**	1 504
Fines		**3 179**	2 766
Grants and other transfer payments	11.2	**114 285**	52 915
Surplus from the disposal of plant and equipment		**–**	4
Other income		**170 812**	73 911
Consumables used		**(5 875)**	(5 202)
Depreciation and amortisation		**(31 853)**	(31 216)
Depreciation-computer equipment		**(2 150)**	(2 329)
Depreciation-plant and equipment		**(5 488)**	(5 050)
Depreciation-motor vehicles		**(1 038)**	(870)
Depreciation-office furniture		**(1 059)**	(970)
Depreciation-vessels		**(22 044)**	(21 910)
Amortisation-computer software		**(74)**	(87)
Travelling cost		**(44 782)**	(38 359)
Advertising costs		**(3 783)**	(1 373)
Donor funds expenses	8	**(1 029)**	(241)
Operating lease payments		**(3 351)**	(2 108)
Other deficits		**(12)**	(72)
Other operational costs		**(347 841)**	(190 458)
Audit fees		**(2 441)**	(1 742)
Net write-off of trade receivables		**(577)**	(529)
Bad debt write-off for the year		**(672)**	(693)
Increase for impairment provision of trade receivables		**95**	164

DETAILED STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2014 (Continued)

	NOTES	2014 R'000	2013 R'000
Bank charges		**(125)**	(123)
Commission paid		**(5 708)**	(6 060)
Confiscation expenses		**(4 251)**	(2 531)
Consultancy and outsourced services		**(51 132)**	(26 055)
Entertainment		**(568)**	(339)
Hire of equipment		**(7)**	(13)
Legal costs		**(2 758)**	(3 153)
Membership fees, licenses and training		**(5 905)**	(2 210)
Minor assets purchased		**(137)**	(140)
Other expenses		**(2 317)**	(1 336)
Financial Contributions		**(87 577)**	(72 117)
Postage and telecommunication		**(10 528)**	(10 500)
Printing		**(950)**	(717)
Repairs and maintenance		**(993)**	(1 436)
Service fees		**(2 173)**	(815)
Subsistence		**(15 977)**	(14 027)
International		**(542)**	(645)
Local		**(15 435)**	(13 381)
Vessel operating costs		**(153 717)**	(46 616)
Operating deficit for the year		**(23 246)**	(4 949)
Foreign exchange surplus		**49**	–
Finance income		**12 806**	9 168
Finance cost		**(11)**	–
(Deficit)/Surplus for the year		**(10 402)**	4 219