



Marine Living Resources Fund (MLRF)  
**Annual Report**  
**2022 – 2023**

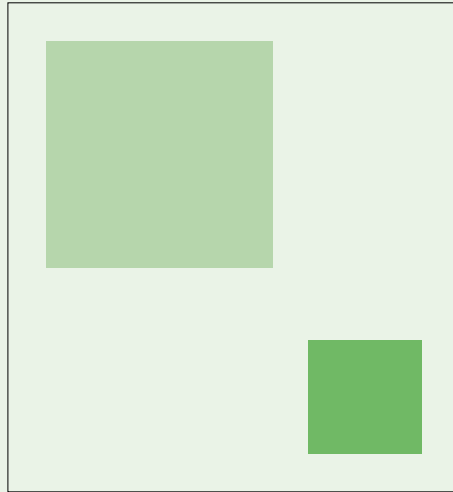


forestry, fisheries  
& the environment

Department:  
Forestry, Fisheries and the Environment  
REPUBLIC OF SOUTH AFRICA







**2022-2023**

# **Annual Report**

**MARINE LIVING RESOURCES FUND**




### ACRONYMS

|      |   |        |  |
|------|---|--------|--|
| AED  | Aquaculture and Economic Development              | FTC    | Fisheries Transformation Council                 |
| ADZ  | Aquaculture Development Zone                      | FTE    | Full Time Equivalent                             |
| ADEP | Aquaculture Development and Enhancement Programme | GRAP   | Generally Recognised Accounting Practice         |
| APP  | Annual Performance Plan                           | KZN    | Kwazulu-Natal                                    |
| CAF  | Consultative Advisory Forum                       | MCS    | Monitoring, Control and Surveillance             |
| DAFF | Department of Agriculture, Forestry and Fisheries | MLRA   | Marine Living Resources Act                      |
| DEFF | Department of Environment, Forestry and Fisheries | MLRF   | Marine Living Resources Fund                     |
| DG   | Director-General                                  | MRM    | Marine Resource Management                       |
| DPME | Department of Planning, Monitoring and Evaluation | MTEF   | Medium Term Expenditure Framework                |
| EC   | Eastern Cape                                      | NEDLAC | National Economic Development and Labour Council |
| EIA  | Environmental Impact Assessment                   | NC     | Northern Cape                                    |
| FCO  | Fishery Control Officer                           | PFMA   | Public Finance Management Act                    |
| FRD  | Fisheries Research and Development                | SEIAS  | Socio-economic Impact Assessment System          |
| FOS  | Fisheries Operations Support                      | SG     | Strategic Goal                                   |
| FPE  | Fish Processing Establishment                     | SO     | Strategic Objective                              |
| FPV  | Fishery Patrol Vessel                             | TAC    | Total Allowable Catch                            |
| FRAP | Fishing Rights Allocation Process                 | TAE    | Total Allowable Effort                           |
|      |   | TNPA   | Transnet National Ports Authority                |
|      |   | WC     | Western Cape                                     |
|      |   | WCRL   | West Coast Rock Lobster                          |
|      |   | WfFP   | Working for Fisheries Programme                  |

Department of Forestry, Fisheries and the Environment  
Private Bag X 447, PRETORIA ,0001;  
Environment House, 473 Steve Biko Road, Pretoria, Tel + 27 12 399 9000  
Fax +27 86 625 1042

Cape Town Office  
Private Bag X2, Vlaeberg, 8018  
Tel: 021 402 3911  
Fax: +27 21 402 3364  
[www.dffe.gov.za](http://www.dffe.gov.za)

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Ms Barbary Creecy, MP  
Minister of Forestry, Fisheries and the Environment

### Foreword

The Marine Living Resources Fund (MLRF) has in the past year made significant progress in achieving its targets to improve the South African fisheries and aquaculture sectors and enhance socio-economic growth to positively impact the lives of its stakeholders.

The Marine Living Resources Fund (MLRF), which provides funding to the Fisheries Management branch of the Department of Forestry, Fisheries and the Environment, is key to the provision of the incentives necessary to manage South Africa's marine and coastal resources. It also plays a key role in the development of sustainable use and regulated exploitation of the country's marine resources, and in protecting the integrity and quality of the marine and coastal ecosystem.

To ensure that marine resources are not over-exploited the Monitoring, Control and Surveillance work of the MLRF included 6 407 inspections in six priority fisheries (hake, abalone, rock lobster, line fish, squid and pelagic) in the year under review. A total of 331 verifications of right holders were conducted. This was in excess of the annual target because of investigations linked to complaints about right holder's verifications.

As a result of transgressions, there were additional joint operations in the coastal provinces in collaboration with provincial authorities. This saw 44 successful joint operations being conducted.

With Local Municipalities having shown more interest to be part of the Small-Scale Fisheries Support Programme, 13 additional co-operatives have been registered. Hence, in the small-scale fisheries sector, the Integrated Development Support Projects were piloted in 33 small-scale fishing cooperatives.

In a bid to improve socio-economic conditions in fishing communities, 816 work opportunities were created within the fisheries sector.

While the West Coast Rock Lobster Anti-Poaching Strategy has been submitted for approval, the implementation plan for the National Plan of Action (NPOA) for Sharks was approved on 15 February 2023.

Critical posts within the fisheries branch have been filled while several vacant posts have been prioritised and are in the process of being filled to address the capacity challenges.

The MLRF remains a fundamental part of the Fisheries Management branch. Through effective administration, the MLRF will continue to support and sustain multidisciplinary projects in the coming year for the effective management and sustainability of the Fisheries Management branch of the department to ensure positive audit outcome.

## Marine Living Resources Fund

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It is worth noting that the 2022/23 annual report for the MLRF not only showcases successes, but also marks the receipt of a clean audit report from the Auditor-General of South Africa. This signifies an improved audit outcome from the previous reporting period, an achievement of which we are very proud.

I formally submit the Annual Performance Report of the MLRF for the 2022/2023 financial year.



Barbara Creecy

Minister of Forestry, Fisheries and the Environment

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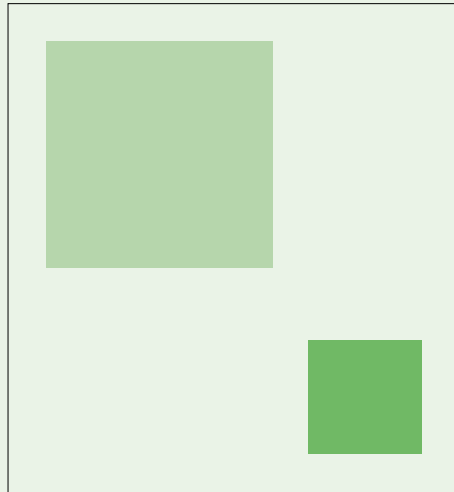




# Part A







# Statement of Responsibility

### STATEMENT OF RESPONSIBILITY for the year ended 31 March 2023

The Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) as amended, requires the accounting authority to ensure that the Marine Living Resources Fund (MLRF) keeps full and proper financial records of the Entity's affairs. The PFMA requires that the annual financial statements are a fair representation of the MLRF position, and that its performance is measured against predetermined objectives.

In terms of the PFMA annual financial statements are the responsibility of the Accounting Authority. The Auditor-General (AGSA) is responsible for auditing independently and reporting of the Entity's financial statements. The Auditor-General has audited the MLRF financial statements and the report appears on pages 11–17. The MLRF annual financial statements have been prepared in accordance with set accounting notes on financial statements. The MLRF financial statements are supported and based on fair and appropriate accounting policies and sound reasonable and prudent judgement and estimates.

The Accounting Authority has during 2022 – 23 financial years reviewed the MLRF systems of internal control and risk management from 1 April 2022 – 31 March 2023. The Accounting Authority sets standards to enable management to meet set responsibilities, by implementing systems of internal control, risk management for assurance against losses and material misstatements for the MLRF. The MLRF maintains internal financial controls as means to provide assurance regarding the following:

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

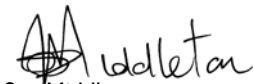
In the opinion of the Accounting Authority, based on information available to date, the annual financial statements present

**STATEMENT OF RESPONSIBILITY (continued)  
for the year ended 31 March 2023**

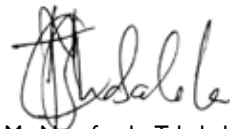
a fair financial position of the MLRF as of 31 March 2023 and the results of the Entity of its operations and cash flow information for the year. The financial statements for the year ended 31 March 2023, as set out on pages 43–78 were submitted for auditing on 31 May 2023 in line with section 55(l) (c) (i) & (ii) of the PFMA, 1999 (Act No. 1 of 1999) and approved by the Accounting Authority in terms of section 51 (l) (f) of the PFMA (Act No. 1 of 1999), as amended and are signed on its behalf by:



Chief Financial Officer  
Marine Living Resources Fund  
Date: 10 August 2023

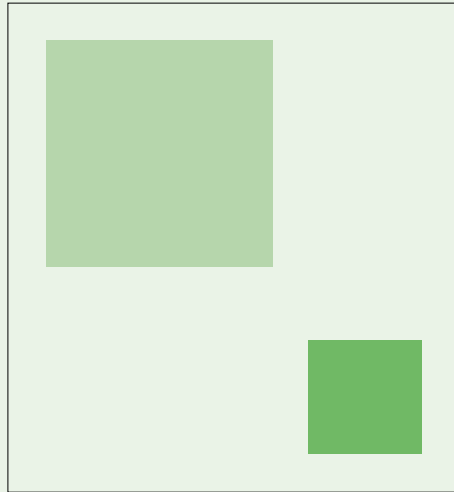


Sue Middleton  
Deputy Director-General: Fisheries Management  
Date: 10 August 2023



Ms Nomfundo Tshabalala  
Director-General: Department of Forestry, Fisheries and the Environment  
Date: 10 August 2023





# Report of the Audit Committee

# REPORT OF THE AUDIT COMMITTEE

### 1. Legislative Requirements.

The Audit Committee herewith presents its report for the financial year ended 31 March 2023, as required by the Treasury Regulation paragraph 3.1

### 2. Audit Committee Members and Attendance

The Audit Committee consists of members listed hereunder and should meet at least four times per annum as per its approved terms of reference. Virtual meetings were held in this financial year.

| Name of Members   | Date Appointed   | Date Resigned / Contract Expiry | No of meetings attended |
|---|------------------|---------------------------------|-------------------------|
| Ms Zelda Tshabalala*<br>(Audit Committee Member)              | 01 October 2018  | 31 October 2022                 | 2                       |
| Adv. Lufuno Tokyo Nevondwe**<br>(Audit Committee Chairperson) | 01 October 2018  | -                               | 7                       |
| Ms Reyhana Gani<br>(Audit Committee Member)                   | 01 October 2018  | -                               | 7                       |
| Mr Norman Baloyi<br>(Audit Committee Member)                  | 01 June 2021     | -                               | 7                       |
| Ms Thandeka Ndlovu<br>(Audit Committee Member)                | 01 February 2023 | -                               | 1                       |
| Mr Suren Maharaj<br>(Audit Committee Member)                  | 01 February 2023 | -                               | 0                       |

\* Retired as Chairperson and members of the Audit Committee on 31 October 2022 due to other work commitments.

\*\* Appointed as Chairperson of the Audit Committee from 07 November 2022.

### 3. Audit Committee Responsibility

The Audit Committee reports that it has executed its responsibilities arising from section 38 (1) (a) (ii) of the Public Finance Management Act 1 of 1999 (PFMA) and paragraph 3.1 of the Treasury Regulations.

The 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.

### 4. The Effectiveness of Internal Control

In line with the PFMA, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their effectiveness and efficiency, and develop recommendations for enhancement. The Accounting Officer and Accounting Authority retains the responsibility for implementing such recommendations as per Treasury Regulation 3.1.12.

For the 2022/23 financial year, the committee:



## REPORT OF THE AUDIT COMMITTEE (continued)

- Reviewed significant issues raised by the internal audit processes and the adequacy of management's corrective action in response to the internal audit findings.
- Reviewed significant issues raised by external audit processes.
- Reviewed the effectiveness of the entity's financial controls and received assurance from management.
- Monitored the action plans in place to address the shortcomings identified in controls.
- Recommended internal control and compliance activities.

Audit Committee views is that there is effectiveness of the design and implementation of internal financial controls and the nature and there are no significant weaknesses in the design, implementation or execution of internal financial controls thus no risk of any material financial loss, fraud, corruption or error.

The Audit Committee commends the Accounting Authority and Management in improvements in all areas as well as no recurrence on repeat findings. Based on our interaction with the Entity, we conclude that the audit action plan system has been implemented adequately and effectively to address previous internal and external audit findings.

### 5. In -Year Monitoring and Monthly/Quarterly Report

The Entity has been reporting monthly and quarterly to the National Treasury as is required by the PFMA. The Audit Committee commends management for the improvement over the content and quality of the monthly / quarterly financial reports prepared by the Entity during the year under review.

### 6. Risk Management

The Audit Committee has been recommending, for the past 4 years, that Enterprise Risk Management (ERM) become embedded into the fabric and discourse of the MLRF. Some progress has been made with the production of Strategic Registers. The Risk Committee has been convening and attendance from management is vastly improving. Further progress and management commitment is required from management as well as maturing in the space of risk management.

### 7. Evaluation of Financial Statements

The Audit Committee has reviewed the audited Annual Financial Statements prepared by the Entity. The Audit Committee commends management for the improvement in the quality of financial statement and actions taken to ensure increased capacity within the Finance Department. There were no significant matters that the audit committee considered in relation to the AFS – all matters raised were addressed to the satisfaction of the Audit Committee. The audit committee recommends and urges management to consider implementing the AG recommendations on the quality of the AFS yet commends the CFO and finance function on their performance.

### 8. Performance Management

The Audit Committee reviewed the Entity's performance, through the quarterly reports submitted by management. The Audit Committee was satisfied with the steady improvement of the Entity's performance between these quarters.

### 9. Information and Communication Technologies (ICT)

The Audit Committee provided ICT oversight, through the review of quarterly reports submitted by management. In some instances, the Committee made recommendations for improvement and the noted management commitment to improve certain areas in ICT.

### REPORT OF THE AUDIT COMMITTEE (continued)

#### 10. Internal Audit

The Accounting Authority is obliged, in terms of the Public Finance Management Act, 1999, to ensure that the entity has an effective system of Internal Audit under the control and direction of the Audit Committee. All internal audit work as well as quarterly progress reports were reviewed and approved by the Audit Committee. The following internal audits were conducted during the 2022/23 financial year. The Committee was satisfied with the effectiveness of the co-sourced internal audit function. The following internal audits were conducted during the 2022/23 financial year:

- Review of Audit Action Plan Matrix
- Annual Performance Report (APR) review
- Annual Financial Statements review
- Audit of Performance Information (AoPI Quarter 1)
- Compliance Review (EPWP Policies)
- Audit of Performance Information (AoPI Quarter 2)
- Audit of Performance Information (AoPI Quarter 3)
- ICT Review
- Revenue and Debtors Management
- Supply Chain and Contract Management Review
- Audit of Performance Information (AoPI Quarter 4)
- Asset Management Review

#### 11. Auditor-General's Report

The Audit Committee has met with the representatives of Auditor-General South Africa (AGSA) to ensure that there are no unresolved issues. The Audit Committee concurs with and accepts the external audit outcome of the entity which has improved from a unqualified opinion with findings in the prior year to an unqualified opinion with no material findings in the current year. The audit committee is satisfied that the external auditor is independent of the organization. The Audit Committee views on the quality of the external audit – the external audit was conducted with professionalism. The Audit Committee commends management on the improved Audit outcome and challenged management to maintain the clean audit outcome for the next financial year.

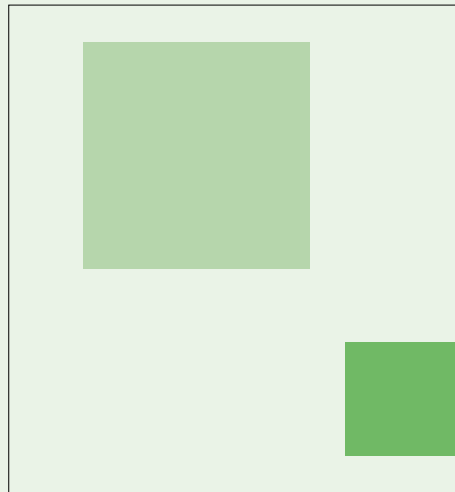
#### 12. Appreciation

I would like to thank the Audit Committee members for their contributions and constructive meetings that were held in the financial year.

The Audit Committee acknowledges the improvement in the functioning and commitment of the Management team and expresses its sincere appreciation to the Director-General of the Department of Forestry, Fisheries and the Environment as the Accounting Authority of Marine Living Resources Fund, the Management of Marine Living Resources Fund and the AGSA for their support and co-operation during the year under review. Finally, we congratulate the management for achieving the clean audit report.



Adv. Lufuno Tokyo Nevondwe  
Chairperson of the Audit Committee  
Marine Living Resource Fund  
Date: 11 August 2023



# Report of the Auditor-General

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

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Marine Living Resources Fund set out on pages 45 to 78, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. 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 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matter

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

### Uncertainty relating to future outcomes of litigations

7. With reference to note 18 of the financial statements, the public entity is the defendant in various ongoing litigation and claims. The outcome of these cases cannot presently be determined and no provision for any liability or asset that may result, has been made in the financial statements.

### Other matter

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

### National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

9. On 23 December 2022, the National Treasury issued Instruction Note 4 of 2022-23, which came into effect on 3 January 2023, in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA. The instruction note deals with the PFMA compliance and reporting framework and addresses, amongst others, the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Irregular expenditure and fruitless

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

and wasteful expenditure incurred in prior financial years and not yet addressed no longer need to be disclosed in either the annual report or the disclosure notes to the annual financial statements. Only the current year and prior year figures are disclosed in note 21 to the financial statements of the Marine Living Resources Fund. Movements in respect of irregular expenditure and fruitless and wasteful expenditure also no longer need to be disclosed in the notes to the annual financial statements. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) is now included as part of the other information in the annual report of the Marine Living Resources Fund. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

### Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the 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.
11. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

### Responsibilities of the auditor-general for the audit of the financial statements

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

### Report on the audit of the annual performance report

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objective presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
15. I selected the following objective presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected an objective that measures the public entity's performance on its primary mandated functions and that is of significant national, community or public interest.

| Objective  | Page numbers |
|--|--------------|
| <b>Ensure the sustainability, utilisation and orderly access to marine living resources through improved management and regulation</b> | 25 to 28     |

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

16. I evaluated the reported performance information for the selected objective against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
17. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
  - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
  - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
  - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
  - the reported performance information is presented in the annual performance report in the prescribed manner
  - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
18. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.
19. I did not identify any material findings on the reported performance information of the selected objective.

### Report on compliance with legislation

20. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
21. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
22. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
23. I did not identify any material non-compliance with the selected legislative requirements.

### Other information in the annual report

24. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and the selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

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

25. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
26. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
27. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

**Internal control deficiencies**

28. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
29. I did not identify any significant deficiencies in internal control.

Auditor-General  
Cape Town  
31 July 2023



AUDITOR-GENERAL  
SOUTH AFRICA

Auditing to build public confidence

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

### Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

### Auditor-general's responsibility for the audit

#### Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected objectives and on the public entity's compliance with selected requirements in key legislation.

#### Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit 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 public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



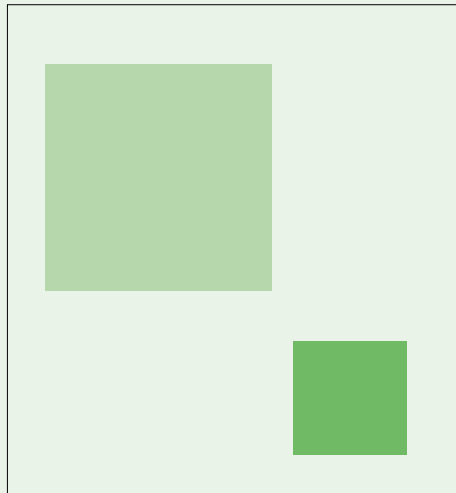
**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON  
THE MARINE LIVING RESOURCES FUND (continued)**

| Legislation                                    | Sections or regulations   |
|--|---|
|  | Paragraph 4.1; 4.2; 4.3; 4.4<br>Paragraph 5.1; 5.2; 5.3; 5.4                    |
| PFMA SCM Instruction No. 09 of 2022-23         | Paragraph 3.1; 3.3(b); 3.3(c); 3.3(e); 3.6                                      |
| National Treasury Instruction No.01 of 2015-16 | Paragraph 3.1; 4.1; 4.2   |
| NT SCM Instruction Note 03 2021-22             | Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4 4.6<br>Paragraph 5.4<br>Paragraph 7.2; 7.6 |
| NT SCM Instruction 4A of 2016-17               | Paragraph 6   |
| NT SCM Instruction Note 1 1 2020-21            | Paragraph 3.1; 3.4(a) and (b); 3.9; 6.1; 6.2; 6.7                               |
| NT SCM Instruction Note 2 of 2021-22           | Paragraph 3.2.1; 3.2.2; 3.2.4(a) and (b); 3.3.1; 3.2.2<br>Paragraph 4.1         |
| PFMA SCM Instruction 04 of 2022-23             | Paragraph 4(1); 4(2); 4(4)  |
| PFMA SCM Instruction 08 of 2022-23             | Paragraph 3.2<br>Par. 4.3.2; 4.3.3  |
| Competition Act 89 of 1998                     | Section 4(1 )(b)(ii)  |
| NT instruction note 4 of 2015-16               | Paragraph 3.4   |
| Practice note 7 of 2009-10                     | Paragraph 4.1.2   |
| Practice note 1 1 of 2008-9                    | Paragraph 3.1<br>Paragraph 3.1 (b)  |
| NT Instruction Note 1 of 2021-22               | Paragraph 4.1   |
| Public Service Act 103 of 1994                 | Section   |
| Employment of Educators Act 76v of 1998        | Section 33(1)   |



# Part B





# Performance Information

### PERFORMANCE INFORMATION

The Marine Living Resources Fund (MLRF) is a statutory fund listed as a Schedule 3A Public Entity in Government Gazette 22047 of 16 February 2001 under the Public Finance Management Act, 1999 (Act no 1 of 1999) and established in terms of the Marine Living Resources Act, 1998 (Act No. 18 of 1998) and falls under the control of the Department of Forestry, Fisheries and the Environment. The Branch Fisheries Management operates as Programme 9 within the National Department of Forestry, Fisheries and the Environment (DFFE) and its main purpose is to implement the mandate and provisions of the Marine Living Resources Act, 1998 (Act No. 18 of 1998) ("MLRA"). The MLRF provides funding to the Fisheries Management so that it can fulfil its mandate and obligations in terms of the MLRA which is mainly to manage marine resources, to ensure the development of sustainable use and orderly exploitation of marine and coastal resources, as well as the protecting the integrity and quality of our marine and coastal ecosystem. The MLRF existed as the Sea Fishery Fund under the Sea Fishery Act, 1988 (Act 12 of 1988) and its existence was continued by sections 10 and 11 of the MLRA, which reads as follows:

- "10. (1) The Sea fishery Fund referred to in section 27 of the Sea Fishery Act, 1988 (Act no. 12 of 1988), shall continue to exist under the name the Marine and Living Resources Fund, notwithstanding the repeal of the said Act by section 84.
- (2) Into the fund there shall be paid, notwithstanding the provisions of any other Act, but subject to section 22-
- (a) money paid in respect of fines, penalties and interest for any offence committed in terms of this Act, including any proceeds from the sale of any vessel, vehicle, aircraft, gear or fish forfeited or seized in terms of this Act;
  - (b) all interest and fees collected in terms of this Act;
  - (c) money appropriated by Parliament for the realisation of objects of the Fund;
  - (d) interest on investments
  - (e) donations, with the approval of the Minister in consultation with the Minister of Finance;
  - (f) money which, with the approval of the Minister in consultation with the Minister of Finance, accrue to the fund from any other source; and
  - (g) any levy on fish, fish products, aquatic plants or other marine resources, imposed and collected in terms of this Act, the Sea Fishery Act, 1988, or any other law.
- (3) The Fund shall be administered by the Director-General in consultation with the Minister, in accordance with an estimate or a supplementary or revised estimate of revenue of revenue and expenditure approved by the Minister in concurrence with the minister of Finance in respect of every financial year, which will end on 31 March, and no expenditure payable from the Fund may be incurred except in accordance with such estimate of expenditure.
- (4) The Director-General shall be the Accounting officer charged with the responsibility of accounting for money received and expenditure incurred in the Fund.
- (5) The Director-General shall invest money in the Fund not required for immediate use with the Public Investments Commissioners.
- (6) Any unexpected balance in the Fund at the end of the financial year shall be carried forward as a credit in the fund for the next financial year.
- (7) The Auditor-General shall annually audit the books and accounts of the Fund.

### PERFORMANCE INFORMATION (continued)

#### EXECUTIVE OFFICERS

|  |                |
|--|----------------|
| Director-General:Accounting Authority: | N.Tshabalala   |
| Deputy Director-General:               | S.C Middleton  |
| Chief Financial Officer:               | W. Rooifontein |

#### GOVERNMENT DEPARTMENT

Department of Forestry, Fisheries, and the Environment

#### ADDRESS

|                         |                |
|-------------------------|----------------|
| Foretrust Building      | Private Bag X2 |
| Martin Hammerschlag Way | Vlaeberg       |
| Foreshore               | 8018           |
| Cape Town               |                |
| 8001                    |                |

#### LEGAL REFORM

The entity is a Schedule 3A Public Entity under the Public Finance Management Act, 1999 (Act no 1 of 1999) and established in terms of the Marine Living Resources Act, 1998 (Act No. 18 of 1998).

#### LEGISLATIVE MANDATE

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

- Public Finance Management Act 1 of 1999 and its Regulations
- Preferential Procurement Framework Act 5 of 2000 and its Regulations

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

- Constitution of the Republic of South Africa Act 108 of 1996
- Marine Living Resources Act 18 of 1998
- National Environmental Management Act 107 of 1998
- National Environmental Management Act: Integrated Coastal Management Act 24 of 2008
- Marine Pollution Act 6 of 1981
- Public Service Act 38 of 1999
- Basic Condition of Employment Act 75 of 1997
- Promotion of Access to Information Act 2 of 2000
- Promotion of Administrative Justice Act 3 of 2000
- National Treasury Regulations
- Supply Chain Management Framework
- Cabinet and Ministerial directives and policy decisions.

The prevailing economic challenges and the resulting fiscal constraints that the Government continues to experience has an on-going impact in funding the operations of Department. These challenges require that the department be more efficient and find innovative ways to deliver on its approved plans and constitutional mandate. The impact of these economic challenges has resulted in the National Treasury significantly reducing the personnel budget allocation over the past years and with further reductions or no increase expected in coming years.

To mitigate the resourcing challenges, the department will continuously work on building and strengthening partnerships with different sectors of society and key stakeholders, including international donor organisation. These collaborations and partnerships are aimed at ensuring that in addition to working together towards common goals, the Department also explore other ways of funding and corporation on environmental management to reduce reliance on public funds.

The Department of Forestry, Fisheries and the Environment is in its current form a newly configured organisation, which following South Africa's national election in May 2019, incorporated what was the Department of Environmental Affairs and two other programmes, namely Forestry and Fisheries Management, from what was the Department of Agriculture, Forestry and Fisheries. Management has since the announcement by the President in 2019 on the reconfiguration of the Department undertaken an integration process to bring together the respective components of the new Department. To ensure efficient integration and transition process Management will also continue with implementation of change management interventions which are aimed at ensuring that the transition is seamless and will not negatively impact on delivering services for which the Department is mandated.



PERFORMANCE INFORMATION (continued)

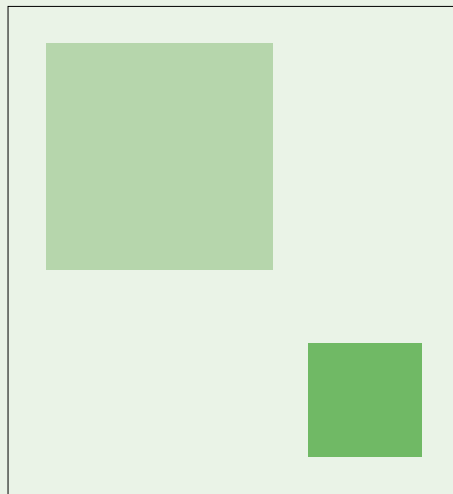
| OUTCOMES  | OUTPUT INDICATOR  | 2020/21 AUDITED PERFORMANCE   | 2021/22 AUDITED PERFORMANCE  | ANNUAL TARGET 2022/23   | PROGRESS/ACHIEVEMENT AGAINST TARGET   | DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2022/2023 | COMMENTS (CHALLENGES /EXPLANATIONS ON VARIANCES)  | CORRECTIVE MEASURES |
|---|---|---|--|---|---|---|---|---------------------|
| <p><b>Outcome:</b><br/>Effective and enabling regulatory framework for the management and development of marine and freshwater living resources (oceans, coasts, rivers, and dams.)</p> | <p>Aquaculture regulatory framework developed and finalised.</p>  | <p>Aquaculture Development Bill revived.</p>  | <p>Internal stakeholder engagement, took place as advised.</p>                             | <p>Aquaculture Development Bill submitted to the Office of the Chief State Law Advisor (OCSLA) for pre-certification.</p> | <p>Aquaculture Development Bill submitted to the Office of the Chief State Law Advisor, for pre-certification on 29 March 2023.<br/><br/><b>TARGET ACHIEVED.</b></p>                  | <p>None.</p>  | <p>None.</p>  | <p>None.</p>        |
|   | <p>National Freshwater (inland) Wild Capture Fisheries Policy developed and approved.</p>                                       | <p>NEDLAC consultation on National Freshwater (inland) Wild Capture Fisheries Policy finalised.</p> | <p>National Freshwater (Inland) Wild Capture Fisheries Policy was approved by Cabinet.</p> | <p>National Freshwater (Inland) Wild Capture Fisheries Implementation plan approved.</p>                                  | <p>National Freshwater (Inland) Wild Capture Fisheries Implementation Plan developed and approved by DG on 23 March 2023.<br/><br/><b>TARGET ACHIEVED.</b></p>                        | <p>None.</p>  | <p>None.</p>  | <p>None.</p>        |
| <p><b>A well-managed fisheries and aquaculture sector that sustains and improves economic growth and development</b></p>  | <p>Number of inspections conducted in the 6 priority fisheries (hake; abalone; rock lobster; line fish, squid and pelagic).</p> | <p>5 886 inspections conducted in the 6 priority fisheries</p>                                      | <p>5 868 inspections conducted.</p>  | <p>5 500 inspections conducted per annum.</p>   | <p>6 407 inspections conducted in the 6 priority fisheries (hake, abalone, rock lobster, line fish, squid and pelagic).<br/><br/><b>TARGET OVERACHIEVED BY = 907 inspections.</b></p> | <p>None.</p>  | <p><b>Reason for over achievement:</b><br/>Additional inspections had to be conducted where right holders were found to be non-compliant.</p> | <p>None.</p>        |

| OUTCOMES | OUTPUT INDICATOR  | 2020/21 AUDITED PERFORMANCE                   | 2021/22 AUDITED PERFORMANCE                       | ANNUAL TARGET 2022/23  | PROGRESS/ACHIEVEMENT AGAINST TARGET  | DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2022/2023 | COMMENTS (CHALLENGES/EXPLANATIONS ON VARIANCES)   | CORRECTIVE MEASURES |
|----------|---|---|---|--|--|---|---|---------------------|
|          | Number of verifications of right holders conducted.                                   | 295 verifications of right holders conducted. | 398 verifications were conducted                  | 290  | 331 verifications of right holders conducted.<br><b>TARGET OVERACHIEVED BY = 41 verifications.</b>                 | None.   | <b>Reason for over achievement:</b><br>Additional complaints were received and followed up in terms of right holder's verifications.                                    | None.               |
|          | Number of joint operations conducted with partners (Initiative 50 Operation Phakisa). | 40  | 52 joint operations under Phakisa were conducted. | 40 joint operations conducted with partners.                     | 44 joint operations conducted.<br><b>TARGET OVERACHIEVED BY = 4 joint operations.</b>                              | None.   | <b>Reason for over achievement:</b><br>As a result of transgression, additional joint operations were deployed in the coastal provinces through provincial coordination | None.               |
|          | Revised National Plan of Action for Sharks developed and implemented.                 | -   | -   | National Plan of Action for Sharks Implementation plan approved. | National Plan of Action for Sharks Implementation Plan was approved by 15 February 2023.<br><b>TARGET ACHIEVED</b> | None.   | None.   | None.               |

| OUTCOMES  | OUTPUT INDICATOR   | 2020/21 AUDITED PERFORMANCE                       | 2021/22 AUDITED PERFORMANCE   | ANNUAL TARGET 2022/23  | PROGRESS/ACHIEVEMENT AGAINST TARGET   | DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2022/2023 | COMMENTS (CHALLENGES/EXPLANATIONS ON VARIANCES)   | CORRECTIVE MEASURES |
|---|--|---|---|--|---|---|---|---------------------|
|   | West Coast rock lobster anti-poaching strategy developed and implemented.                  | -   | -   | West Coast rock lobster anti-poaching strategy submitted for approval.                   | West Coast Rock Lobster Anti-Poaching Strategy submitted for approval.<br><b>TARGET ACHIEVED.</b>   | None.   | None.   | None.               |
| <b>Socio-economic conditions for fishing communities improved</b> | Integrated Development Support strategy for small-scale fishers developed and implemented. | Integrated Development Support Strategy Approved. | Integrated Development Support Strategy for small-scale fishers approved. | Integrated Development Support projects piloted in 20 small-scale fishing co-operatives. | Integrated Development Support projects piloted in 33 small-scale fishing cooperatives.<br><b>TARGET OVERACHIEVED BY = 13 integrated development support projects.</b><br><b>*NB: disclaimer the Q4 target reads 20, which was an error as 20 is the cumulative number on the 4 quarters.</b> | None.   | More Local Municipalities showed interest to be part of the Small-Scale support programme hence the 13 co-operatives. | None.               |

## Marine Living Resources Fund

| OUTCOMES | OUTPUT INDICATOR  | 2020/21 AUDITED PERFORMANCE | 2021/22 AUDITED PERFORMANCE | ANNUAL TARGET 2022/23                                       | PROGRESS/ACHIEVEMENT AGAINST TARGET  | DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2022/2023 | COMMENTS (CHALLENGES/EXPLANATIONS ON VARIANCES)  | CORRECTIVE MEASURES  |
|----------|---|-----------------------------|-----------------------------|---|--|---|--|--|
|          | Full-Time Equivalent Jobs (FTEs) created within the Fisheries Sector. | 254 FTEs                    | 8.52 FTEs created           | 279 FTEs  | 218.81 Full - Time Equivalent Jobs (FTEs) were created within the Fisheries Sector   | None.   | All workers were not employed for the whole year.  | Workers need to be employed for longer periods (e.g., from Q1 – Q4). |
|          | Work Opportunities created within the Fisheries Sector.               | -                           | -                           | 600 Work Opportunities created within the Fisheries Sector. | <b>TARGET NOT ACHIEVED</b><br>816 Work Opportunities were created within the Fisheries Sector.<br><b>TARGET OVERACHIEVED BY 216 Work Opportunities were created within the Fisheries Sector.</b> | None.   | <b>Reason for over-achievement:</b><br>The department created more Work Opportunities in Q4 to make up the backlog of the previous quarters. | None.  |



# Annual Service Delivery Improvement Plan

# ANNUAL SERVICE DELIVERY IMPROVEMENT PLAN REPORT

## ACRONYMS

|      |   |
|------|---|
| DFFE | Department of Forestry, Fisheries and the Environment |
| DDG  | Deputy Director-General                               |
| DPSA | Department of Public Service and Administration       |
| GDP  | Gross Domestic Product                                |
| ICT  | Information Communication and Technology              |
| MDG  | millennium development goals                          |
| MLRA | Marine Living Resources Act                           |
| MLRF | Marine Living Resources Fund                          |
| MTEF | Medium Term Expenditure Framework                     |
| OIE  | Office International des Epizooties                   |
| PAIA | Promotion of Access to Information Act                |
| SDIP | Service Delivery Improvement Plan                     |

### 1. Introduction

The improvement of service delivery standards is as strategic imperative for government, especially in its drive to eradicate poverty and meet the other millennium development goals (MDG) to which it is committed. In response to the challenges of service delivery, government has introduced the concept of Batho Pele-People First which is aimed at changing attitudes and the culture of public service from a “can’t do to a “can do and will do” mindset. Service Delivery Improvement Plan (SDIP) is a value-add for the institution in that it ensures continuous improvement of services. The plan gives a focused approach in improving a specific service and ensures proper allocation of resources. Reporting against the plan is crucial as it highlights areas of improvement and how the relevant department aims at improving on the services from current standards to desired standards.

### 2. Purpose

SDIP is an action plan that outlines details on how the Batho Pele concept will be implemented. It is the “how” of Batho Pele. SDIP will focus on bringing the Batho Pele principles to life, thereby making service delivery a reality for the citizens. In terms of the Public Service Regulations, 2001, Part III.C1, an executing authority must establish and sustain a service delivery improvement plan for his or her department. The Department of Public Service and Administration (DPSA) also requires that the SDIP should be developed, reported and implemented in accordance with the MTEF. Departments are expected to select and improve key services which have a direct impact on beneficiaries. Progress reporting must be done annually to the DPSA. DAFF has identified the following key services to be subjected to improvement processes;

- Developing policy on livestock identification and traceability system: and
- Issuing of permits in terms of the provisions of Section 13 and 83 of the MLRA.

These are the only key services that are planned and reported for improvement for the financial year under review. The Department is expected to improve on these services.

Service Delivery Improvement Plan 2020/2021 - 2023/2024  
 Improvement standard

| KEY SERVICE   | SERVICE BENEFCIARY   | CURRENT STANDARD  |   | DESIRED STANDARD  |   |
|---|--|---|---|---|---|
|   |  | 2017/18   | 2018/19   | 2019/20   | 2020/21   |
| Issuing of permits (except applications relating to exemptions) | Fishing industry; fishing rights holders; recreational fishers; foreign and local vessel owners; fish import and export industry | Quantity  | 100% of the properly lodged permit applications received 7 days before month processed per month  | 100% of the properly lodged permit applications received 7 days before month processed per month  | 100% of the properly lodged permit applications received 7 days before month processed per month  |
|   |  | Quantity  | 95% to 100% of permits issued to clients error free   | 95% to 100% of permits issued to clients error free   | 95% to 100% of permits issued to clients error free   |
|   |  | Consultation  | Consult with stakeholders on permit application process and requirements or customer care issues through Management Working Meetings or Road Show or Workshops or one on one meeting as well as via other means of communication. The number of consultations to be held in a given financial year shall be determined by the availability of budget, internal stakeholders, external stakeholders or clients, and logistics. | Consult with stakeholders on permit application process and requirements or customer care issues through Management Working Meetings or Road Show or Workshops or one on one meeting as well as via other means of communication. The number of consultations to be held in a given financial year shall be determined by the availability of budget, internal stakeholders, external stakeholders or clients, and logistics. | Consult with stakeholders on permit application process and requirements or customer care issues through Management Working Meetings or Road Show or Workshops or one on one meeting as well as via other means of communication. The number of consultations to be held in a given financial year shall be determined by the availability of budget, internal stakeholders, external stakeholders or clients, and logistics. |
|   |  | Currently, have: <ul style="list-style-type: none"> <li>• One fully fledged centralised office to manage the consultation processes.</li> <li>• Fishery Control Officers and Fishery Community</li> </ul> | The following is also desired: <ul style="list-style-type: none"> <li>• A plan to decentralise the fully fledged office to all relevant provinces, airports and harbours so as to</li> </ul>  | The following is also desired: <ul style="list-style-type: none"> <li>• Start rolling out the decentralisation of the fully fledged office to all relevant provinces, airports and harbours so as to ensure</li> </ul>  | The following is also desired: <ul style="list-style-type: none"> <li>• Continue rolling out the decentralisation of the fully fledged office to all relevant provinces, airports</li> </ul>  |

Service Delivery Improvement Plan 2020/2021 - 2023/2024  
(continued)

| KEY SERVICE | SERVICE BENEFCIARY | CURRENT STANDARD   |  | DESIRED STANDARD  |   |
|-------------|--------------------|--|--|---|---|
|             |                    | 2017/18  | 2018/19  | 2019/20   | 2020/21   |
|             |                    | Development Workers along the coast who do some of the consultations with stakeholders   | ensure consultation shall be compiled.<br>• Fishery Control Officers and Fishery Community Development Workers shall be maintained and strengthened.   | consultation.<br>• Fishery Control Officers and Fishery Community Development Workers shall be maintained and strengthened  | and harbours so as to ensure consultation..<br>• Fishery Control Officers and Fishery Community Development Workers shall be maintained and strengthened  |
|             |                    | Access<br><br>• Currently, the office which is fully fledged for processing permits is centralised in Cape Town. Therefore, public citizens do not all have equal access to the permitting service to which they are entitled.<br>• Management and monitoring of the proper usage of permit is also centralised in Cape Town (e.g. there are no officials to manage that the amount of fish and fishery products are exported and imported via airports and harbours or ports as permitted and that the amount of fish is caught and landed as permitted).<br><br>Currently have compliance offices and fishery development workers along the coast. | <p>• A plan to decentralise the fully fledged office to all relevant provinces, airports and harbours shall be compiled.</p> <p>• A plan to decentralise the management and monitoring of the proper usage of permits shall be put in place.</p> <p>Maintain and strengthen Compliance offices and Fishery Development Workers along the coast</p> <p>Walk-in centre:<br/>Foretrust Building<br/>Martin Hammerschlag Way<br/>Foreshore<br/>8012</p> <p>Share-Call: 086 000 3474</p> <p>Telephone:<br/>021-402 3911;<br/>021-402 3259;<br/>021-402 9180;<br/>021-402 3436</p> | <p>• Start rolling out the plan to decentralise the fully fledged office to all relevant provinces, airports and harbours so as to ensure that all public citizens have equal access to the permitting service to which they are entitled.</p> <p>• Continue rolling out the plan to decentralise the management and monitoring of the proper usage of permits shall be put in place.</p> <p>Maintain and strengthen Compliance offices and Fishery Development Workers along the coast</p> <p>Walk-in centre:<br/>Foretrust Building<br/>Martin Hammerschlag Way<br/>Foreshore<br/>8012</p> <p>Share-Call 086 000 3474</p> | <p>• Continue rolling out the plan to decentralise the fully fledged office to all relevant provinces, airports and harbours so as to ensure that all public citizens have equal access to the permitting service to which they are entitled</p> <p>• Continue rolling out the plan to decentralise the management and monitoring of the proper usage of permits shall be put in place.</p> <p>Compliance offices and Fishery Development Workers along the coast</p> <p>Walk-in centre:<br/>Foretrust Building<br/>Martin Hammerschlag Way<br/>Foreshore<br/>8012</p> <p>Share-Call 086 000 3474</p> |



## Service Delivery Improvement Plan 2020/2021 - 2023/2024 (continued)

| KEY SERVICE | SERVICE BENEFCIARY | CURRENT STANDARD  |   | DESIRED STANDARD  |   |
|-------------|--------------------|---|---|---|---|
|             |                    | 2017/18   | 2018/19   | 2019/20   | 2020/21   |
|             |                    | <p>Walk-in centre:<br/>Foretrust Building<br/>Martin Hammerschlag<br/>Way<br/>Foreshore<br/>8012</p> <p>Telephone:<br/>021-402 3911;<br/>021-402 3259;<br/>021-402 9180;<br/>021-402 3436</p> <p>E-mails<br/>MagdalenaB@daff.gov.za;<br/>AurielleD@daff.gov.za ;<br/>NaeemA@daff.gov.za</p> <p>Fax:<br/>021-402 3362</p> <p>Letters<br/>Private Bag X2, Vlaeberg,<br/>8018</p> <p>Website: www.daff.gov.za</p> <p>PAIA<br/>E-permitting application<br/>process</p> <p>Decentralise services for<br/>coastal provinces<br/>and including inland<br/>provinces for aquaculture</p> | <p>E-mails<br/>MagdalenaB@daff.gov.za;<br/>AurielleD@daff.gov.za ;<br/>NaeemA@daff.gov.za</p> <p>Fax:<br/>021-402 3362</p> <p>Letters<br/>Private Bag X2, Vlaeberg,<br/>8018</p> <p>Website: www.daff.gov.za</p> <p>PAIA<br/>E-permitting application<br/>process</p> <p>Decentralise services for<br/>coastal provinces<br/>and including inland<br/>provinces for aquaculture</p> | <p>Telephone:<br/>021-402 3911;<br/>021-402 3259;<br/>021-402 9180;<br/>021-402 3436</p> <p>E-mails<br/>MagdalenaB@daff.gov.za;<br/>AurielleD@daff.gov.za ;<br/>NaeemA@daff.gov.za</p> <p>Fax:<br/>021-402 3362</p> <p>Letters<br/>Private Bag X2, Vlaeberg,<br/>8018</p> <p>Website<br/>www.daff.gov.za</p> <p>PAIA<br/>E-permitting application<br/>process</p> <p>Decentralise services for<br/>coastal provinces<br/>and including inland<br/>provinces for aquaculture</p> | <p>Telephone<br/>021-402 3911;<br/>021-402 3259;<br/>021-402 9180;<br/>021-402 3436</p> <p>Emails:<br/>MagdalenaB@daff.gov.za;<br/>AurielleD@daff.gov.za ;<br/>NaeemA@daff.gov.za</p> <p>Fax:<br/>021-402 3362</p> <p>Letters:<br/>Private Bag X2, Vlaeberg,<br/>8018</p> <p>Website<br/>www.daff.gov.za</p> <p>PAIA<br/>E-permitting application<br/>process</p> <p>Decentralise services for<br/>coastal provinces<br/>and including inland<br/>provinces for aquaculture</p> |
|             |                    | <p>Courtesy</p> <p>Currently the citizens are treated with courtesy and consideration at or by:</p> <ul style="list-style-type: none"> <li>Customer Service Centre which is centralised and has access to MAST</li> </ul>   | <p>Maintain and strengthen the current standard.</p>  | <p>Maintain and strengthen the current standard.</p>  | <p>Maintain and strengthen the current standard.</p>  |

**Service Delivery Improvement Plan 2020/2021 - 2023/2024**  
(continued)

| KEY SERVICE | SERVICE BENEFEICIARY | CURRENT STANDARD |         | DESIRED STANDARD  |         |  |
|-------------|----------------------|------------------|---------|---|---------|--|
|             |                      | 2017/18          | 2018/19 | 2019/20   | 2020/21 |  |
|             |                      |                  |         |   |         |  |
|             |                      |                  |         | <p>which is the system used to issue permits, make use of Post Office for receiving if applications and forwarding of issued permits to remote clients who require the permitting service through Post Office and walk in for those who prefer to hand deliver their applications. There are also permit applications and requirement in place.</p> <ul style="list-style-type: none"> <li>• Fishery Community Development Workers who ensure promotion of awareness with regard to permitting process and requirement as well as assisting in connecting the clients to the relevant officials in the Department.</li> <li>• Chief Directorates: Marine Resources Management, Fisheries Research and Development, Aquaculture and Economic Development, Financial Management, and Monitoring, Control and Surveillance where applications for permits are further processed or usage of permits is controlled and monitored. MAST is also available to all these chief directorates</li> </ul> |         |  |

Service Delivery Improvement Plan 2020/2021 - 2023/2024  
(continued)

| KEY SERVICE | SERVICE BENEFEICIARY | CURRENT STANDARD |  | DESIRED STANDARD |         |         |
|-------------|----------------------|------------------|--|------------------|---------|---------|
|             |                      | 2017/18          | 2017/18  | 2018/19          | 2019/20 | 2020/21 |
|             |                      |                  | <p>for processing of permits or to ensure proper utilisation of permits in terms of the MLRA and Regulations that are promulgated thereunder as well as permit conditions and policies. However, the key positions in processing of permits are either abolished, vacated or not filled when vacant due to red tape which emanate from cost containment measures.</p> <ul style="list-style-type: none"> <li>• CSC and All Chief Directorate through telephone and email which are also used as means of communication on issues with regard to permitting. For example Customer Service Centre is issuing SMS notifications confirming receipt of applications and informing clients of the issued permits which are ready for collection.</li> </ul> |                  |         |         |

Service Delivery Improvement Plan 2020/2021 - 2023/2024  
(continued)

| KEY SERVICE | SERVICE BENEFCIARY | CURRENT STANDARD  |   | DESIRED STANDARD  |   |
|-------------|--------------------|---|---|---|---|
|             |                    | 2017/18   | 2018/19   | 2019/20   | 2020/21   |
|             |                    | <p>Openness and transparency</p> <p>Continue to inform clients of changes in services or service standards via public announcements and through fishery control offices along the coast as well as in management working group meetings or roadshows as well as in management working group meetings or roadshows or imbizo.</p> <p>Gazette any changes of the service (cost and process)</p> | <p>Continue to inform clients of changes in services or service standards via public announcements and through fishery control offices along the coast as well as in management working group meetings or roadshows or imbizo.</p> <p>Gazette any changes of the service (cost and process)</p> | <p>Continue to inform clients of changes in services or service standards via public announcements and through fishery control offices along the coast as well as in management working group meetings or roadshows or imbizo.</p> <p>Gazette any changes of the service (cost and process)</p> | <p>Continue to inform clients of changes in services or service standards via public announcements and through fishery control offices along the coast as well as in management working group meetings or roadshows or imbizo.</p> <p>Gazette any changes of the service (cost and process)</p> |
|             |                    | <p>Information</p> <p>The public is currently given full and accurate information which they are entitled to receive through notices displayed in relevant places in the Department, and notices that are displayed in hot spots, media, emails, telephone, meetings, brochures and public gazette.</p>   | <p>Maintain and strengthen the current standard.</p> <p>Ensure that the brochures, notices and pamphlets are updated or compiled when necessary.</p>  | <p>Maintain and strengthen the current standard.</p> <p>Ensure that the brochures, notices and pamphlets are updated or compiled when necessary.</p>  | <p>Maintain and strengthen the current standard.</p> <p>Ensure that the brochures, notices and pamphlets are updated or compiled when necessary.</p>  |
|             |                    | <p>Redress</p>  | <p>Acknowledgement of enquiries received within 1 day of receipt</p> <p>Response on general enquiries within 20 working days</p>  | <p>Acknowledgement of enquiries received within 1 day of receipt</p> <p>Response on general enquiries within 16 working days</p>  | <p>Acknowledgement of enquiries received within 1 day of receipt</p> <p>Response on general enquiries within 14 working days</p>  |

## Service Delivery Improvement Plan 2020/2021 - 2023/2024 (continued)

| KEY SERVICE | SERVICE BENEFCIARY | CURRENT STANDARD   |  | DESIRED STANDARD  |   |
|-------------|--------------------|--|--|---|---|
|             |                    | 2017/18  | 2018/19  | 2019/20   | 2020/21   |
|             |                    | <p>Value for money</p> <p>Continue providing the best possible value for money to the service beneficiaries in the service area/s through easy access and at minimal cost based on efficiency, which results in enabling environment for economic growth</p> <p>The current process of permit application for permits requires completion of application forms by all applicants including those from whom we already have all their information that is required to issue a permit in our system and this tedious process does not come for free to the clients as some of them have to also pay the middleman who assists them in completion of the application forms which are not really necessary for some applicants. Some have to come all the way to submit the application forms and back to collect the issued permits. However, the officials at Customer Service Centre have made some interim provisions to collect</p> | <p>Introduction of e-licencing and provision of smart card to ensure efficiency</p> <p>Comprehensive catch management system (real time catch data for reconciliation and contraventions)</p> <p>Compile a turnaround strategy to streamline the permit application process – learn from the process that is being implemented by the Department of Transport in issuing the motor vehicle licence and licence disc in terms of the provisions of the National Road Traffic Act, 1996 at the counter within a few minutes.</p> <p>The strategy shall also take into consideration decentralisation of the officials to key areas where there will be more value for money spent on them (e.g. have offices in all relevant provinces, at key airports and ports or harbours which are entry or exit points for fish that is landed, imported and exported) so that we can have better data mining and a better reflection of the fisheries' contribution to GDP.</p> | <p>Introduction of e-licencing and provision of smart cards to ensure efficiency</p> <p>Comprehensive catch management system (real time catch data for reconciliation and contraventions)</p> <p>Roll out the turnaround strategy on streamlining the permit application process, management of application and permit fees and monitoring and control thereof.</p> <p>Support and strengthen the current initiative by Customer Service Centre in the interim</p> | <p>Introduction of e-licencing and provision of smart cards to ensure efficiency</p> <p>Comprehensive catch management system (real time catch data for reconciliation and contraventions)</p> <p>Continue rolling out the turnaround strategy on streamlining the permit application process, management of application and permit fees, monitoring and control thereof.</p> <p>Support and strengthen the current initiative by Customer Service Centre in the interim.</p> |

## Service Delivery Improvement Plan 2020/2021 - 2023/2024 (continued)

| KEY SERVICE     | SERVICE BENEFCIARY | CURRENT STANDARD  |   | DESIRED STANDARD  |   |
|-----------------|--------------------|---|---|---|---|
|                 |                    | 2017/18   | 2018/19   | 2019/20   | 2020/21   |
|                 |                    | some of the applications and to hand deliver some of the issued permits.  | strengthen the current initiative by Customer Service Centre in the interim.  |   |   |
|                 |                    | Permits issued in 1 to 7 working days   | Permits issued in 1 to 6 working days   | Permits issued in 1 to 5 working days   | Permits issued in 1 to 4 working days   |
| Cost            |                    | MLRF application, permits and licence fees are gazetted.  | MLRF application, permits and licence fees are gazetted.  | MLRF application, permits and licence fees are gazetted   | MLRF application, permits and licence fees are gazetted   |
| Human resources |                    | 57 human resources in total<br><br>Details:<br>2 officials for Directorate: Sustainable Aquaculture Management<br><br>13 officials for Directorate: Stakeholder Engagement (customer service)<br><br>1 officials for Directorate: Revenue Management (cashier)<br><br>41 officials for Chief Directorate: Marine Resource Management. The Customer Service Centre officials who initiate the processing of applications are located at the ground floor in Foretrust Building whereas the relevant officials who do further processing of the applications are located on the 3rd and 5th floor of Foretrust Building | 57 human resources in total<br><br>Details:<br>2 officials for Directorate: Sustainable Aquaculture Management<br><br>13 officials for Directorate: Stakeholder Engagement (customer service)<br><br>1 officials for Directorate: Revenue Management (cashier)<br><br>41 officials for Chief Directorate: Marine Resource Management. The Customer Service Centre officials who initiate the processing of applications are located at the ground floor in Foretrust Building whereas the relevant officials who do further processing of the applications are located on the 3rd and 5th floor of Foretrust Building | 169 human resources in total<br><br>Details:<br>35 officials for Directorate: Sustainable Aquaculture Management<br><br>28 officials for Directorate: Stakeholder Engagement (customer service)<br><br>6 officials for Directorate: Revenue Management (cashiers)<br><br>100 officials for Chief Directorate: Marine Resource Management<br><br>Roll out the seating arrangement plan which took into consideration putting all officials that are processing permit applications and/or issuing permits on the same floor. | 169 human resources in total<br><br>Details:<br>35 officials for Directorate: Sustainable Aquaculture Management<br><br>28 officials for Directorate: Stakeholder Engagement (customer service)<br><br>6 officials for Directorate: Revenue Management (cashiers)<br><br>100 officials for Chief Directorate: Marine Resource Management<br><br>Continue rolling out the seating arrangement plan which took into consideration putting all officials that are processing permit applications and/or issuing permits on the same floor. |

## **Contact details: Executive Officers**

**Minister of Environment, Forestry and Fisheries**

**Ms Barbara Creecy, MP**

Pretoria:

Tel: 012 399-8744

Fax: 012 359-3625

Cape Town:

021 464-1500

Fax: 021 465-3362

**Director-General**

**Department of Environment, Forestry and Fisheries**

**Ms Nomfundo Tshabalala**

Pretoria:

012 399-9007

Fax: 012 3625

Cape Town:

021 465-7280

Email: [dg@environment.gov.za](mailto:dg@environment.gov.za)

**Deputy Director-General: Fisheries Management**

**Ms Sue Middleton**

Tel: 021 402 3564

Fax: 021 419 6942

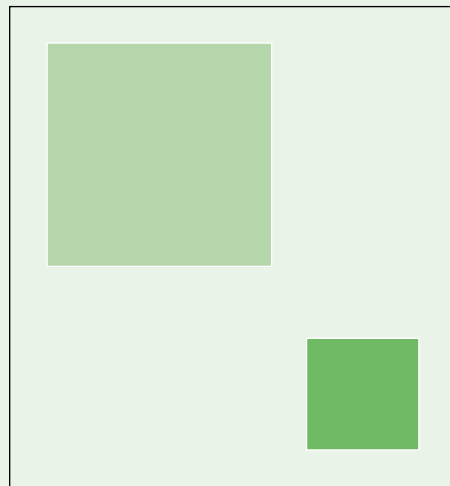
Email: [smiddleton@dffe.gov.za](mailto:smiddleton@dffe.gov.za)





# Part C





# Annual Financial Statements

### ANNUAL FINANCIAL STATEMENTS

The reports and statements set out below comprise the annual financial statements presented to the Auditor-General:

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|---|---------|
| Statement of Financial Position.....                      | 45      |
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### Abbreviations used:

|        |   |
|--------|---|
| AA     | Accounting Authority                                  |
| GG     | Government garage (accidents related to vehicles)     |
| GRAP   | Generally recognised Accounting Practice              |
| EPWP   | Expanded Public Works Programme                       |
| SAPO   | South African Post Office                             |
| DFFE   | Department of Forestry, Fisheries and the Environment |
| PFMA   | Public Finance Management Act                         |
| S&T    | Subsistence and Travel                                |
| NT     | National Treasury                                     |
| B-BBEE | Broad-based Black Economic Empowerment                |
| MLRF   | Marine Living Resources Fund (the Fund)               |

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**Accounting Authority**

**STATEMENT OF FINANCIAL POSITION**  
as at 31 March 2023

|  |         | 2023               | 2022               |
|--|---------|--------------------|--------------------|
|  | Note(s) | R                  | Restated*          |
|  |         | R                  | R                  |
| <b>Assets</b>                              |         |                    |                    |
| <b>Current Assets</b>                      |         |                    |                    |
| Inventories                                | 2       | 35 702 225         | 81 181 494         |
| Receivables from exchange transactions     | 3       | 5 081 427          | 2 139 261          |
| Receivables from non-exchange transactions | 4       | 2 446 002          | 8 803 697          |
| Prepayments                                | 5       | 70 534 857         | 57 442 267         |
| Cash and cash equivalents                  | 6       | 177 591 551        | 114 692 673        |
|  |         | <b>291 356 062</b> | <b>264 259 392</b> |
| <b>Non-Current Assets</b>                  |         |                    |                    |
| Property, plant and equipment              | 7       | 240 461 927        | 244 467 577        |
| Intangible assets                          | 8       | 6 044 922          | 3 379 347          |
|  |         | <b>246 506 849</b> | <b>247 846 924</b> |
| <b>Total Assets</b>                        |         | <b>537 862 911</b> | <b>512 106 316</b> |
| <b>Liabilities</b>                         |         |                    |                    |
| <b>Current Liabilities</b>                 |         |                    |                    |
| Payables from exchange transactions        | 9       | 66 806 244         | 40 978 861         |
| <b>Total Liabilities</b>                   |         | <b>66 806 244</b>  | <b>40 978 861</b>  |
| <b>Net Assets</b>                          |         | <b>471 056 667</b> | <b>471 127 455</b> |
| Accumulated surplus                        |         | 471 056 667        | 471 127 455        |
| <b>Total Net Assets</b>                    |         | <b>471 056 667</b> | <b>471 127 455</b> |

**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 31 March 2023

|  |         | 2023                 | 2022                 |
|--|---------|----------------------|----------------------|
|  | Note(s) | R                    | Restated*            |
|  |         |                      | R                    |
| <b>Revenue</b>   |         |                      |                      |
| <b>Revenue from exchange transactions</b>                    |         |                      |                      |
| Grant of right fee   |         | 11 743 688           | 2 285 052            |
| Sale of confiscated assets and fish products                 |         | 76 701 015           | 25 207 163           |
| Application fee  |         | 4 097 670            | 16 886 050           |
| Licences and permits   |         | 28 256 916           | 28 538 662           |
| Harbour fees   |         | 3 463 219            | 2 471 499            |
| Interest revenue   |         | 11 579 753           | 7 349 614            |
| Other income   |         | 391 991              | 12 858 353           |
| Gain on foreign exchange                                     |         | 101 691              | 427 773              |
| <b>Total revenue from exchange transactions</b>              |         | <b>136 335 943</b>   | <b>96 024 166</b>    |
| <b>Revenue from non-exchange transactions</b>                |         |                      |                      |
| <b>Transfer revenue</b>                                      |         |                      |                      |
| Government grants & subsidies                                |         | 316 625 000          | 305 278 000          |
| Levies   |         | 41 965 398           | 54 679 555           |
| Donations in kind  | 11      | -                    | 70 000               |
| Fines  |         | 1 000 847            | 1 292 338            |
| Fair value of confiscated assets and fish product (movement) |         | 20 146 914           | 10 981 712           |
| Services in kind   | 10      | 406 481 983          | 372 455 984          |
| <b>Total revenue from non-exchange transactions</b>          |         | <b>786 220 142</b>   | <b>744 757 589</b>   |
| <b>Total revenue</b>   |         | <b>922 556 085</b>   | <b>840 781 755</b>   |
| <b>Expenditure</b>   |         |                      |                      |
| EPWP: Working for Fisheries                                  | 12      | (17 663 323)         | (5 835 255)          |
| Advertising costs  |         | (320 009)            | (1 083 398)          |
| Depreciation and amortisation                                | 7       | (24 573 651)         | (27 042 034)         |
| Impairment reversal on debtors                               |         | 155 609              | 252 665              |
| Lease rentals on operating lease                             | 13      | (1 967 161)          | (1 156 660)          |
| Bad debts written off  |         | (217 031)            | (253 797)            |
| Contracted services  |         | (2 540 173)          | -                    |
| Refund on surplus funds                                      |         | -                    | (99 700 000)         |
| Services in kind <sup>10</sup>                               | 10      | (406 481 983)        | (372 455 984)        |
| Other operating expenses                                     | 15      | (89 247 112)         | (90 197 550)         |
| Cost of sales  | 2       | (70 785 707)         | (7 133 227)          |
| Loss on disposal of fixed assets                             |         | (73 559)             | (948 900)            |
| Vessel operating costs                                       | 14      | (262 235 018)        | (222 962 997)        |
| Transportation costs   |         | (46 677 755)         | (30 045 402)         |
| <b>Total expenditure</b>                                     |         | <b>(922 626 873)</b> | <b>(858 562 539)</b> |
| <b>Deficit for the year</b>                                  |         | <b>(70 788)</b>      | <b>(17 780 784)</b>  |

**STATEMENT OF CHANGES IN NET ASSETS**  
for the year ended 31 March 2023

|  | Accumulated<br>surplus<br>R | Total net<br>assets<br>R |
|--|-----------------------------|--------------------------|
| <b>Balance at 1 April 2021 - previously reported</b> | <b>492 982 603</b>          | <b>492 982 603</b>       |
| Deficit for the year - Previously reported           | (13 688 760)                | (13 688 760)             |
| Effects of correction of error 16                    | (4 092 023)                 | (4 092 023)              |
| Accumulated depreciation adjustment                  | (4 074 364)                 | (4 074 364)              |
| Total changes  | (21 855 148)                | (21 855 148)             |
| <b>Restated* Balance at 01 April 2022</b>            | <b>471 127 455</b>          | <b>471 127 455</b>       |
| Surplus/(deficit) for the year                       | (70 788)                    | (70 788)                 |
| <b>Balance at 31 March 2023</b>                      | <b>471 056 667</b>          | <b>471 056 667</b>       |

## CASH FLOW STATEMENT for the year ended 31 March 2023

|   | Note(s)   | 2023<br>R            | 2022<br>Restated*<br>R |
|---|-----------|----------------------|------------------------|
| <b>Cash flows from operating activities</b>                 |           |                      |                        |
| <b>Receipts</b>   |           |                      |                        |
| Sale of goods and services                                  |           | 169 719 731          | 139 429 531            |
| Grants  |           | 316 625 000          | 305 278 000            |
| Interest income   |           | 11 039 657           | 6 790 167              |
|   |           | <b>497 384 388</b>   | <b>451 497 698</b>     |
| <b>Payments</b>   |           |                      |                        |
| Suppliers   |           | (407 183 143)        | (421 493 997)          |
| Refund of cash surplus                                      |           | -                    | (99 700 000)           |
|   |           | <b>(407 183 143)</b> | <b>(521 193 997)</b>   |
| <b>Net cash flows from operating activities</b>             | <b>17</b> | <b>90 201 245</b>    | <b>(69 696 299)</b>    |
| <b>Cash flows from investing activities</b>                 |           |                      |                        |
| Purchase of property, plant and equipment                   | 7         | (24 214 840)         | (5 510 399)            |
| Purchase of other intangible assets                         | 8         | (3 095 478)          | (2 868 015)            |
| Proceeds from sale of property, plant and equipment         |           | 7 950                | 11 550                 |
| <b>Net cash flows from investing activities</b>             |           | <b>(27 302 368)</b>  | <b>(8 366 864)</b>     |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |           | <b>62 898 877</b>    | <b>(78 063 162)</b>    |
| Cash and cash equivalents at the beginning of the year      |           | 114 692 673          | 192 755 836            |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>6</b>  | <b>177 591 551</b>   | <b>114 692 673</b>     |

The accounting policies on pages 52 to 62 and the notes on pages 63 to 78 form an integral part of the annual financial statements.



## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS for the year ended 31 March 2023

Budget on Cash Basis

|   | Approved budget      | Adjustments         | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
|   | R                    | R                   | R                    | R                                  | R  |           |
| <b>Statement of Financial Performance</b>           |                      |                     |                      |                                    |  |           |
| <b>Revenue</b>                                      |                      |                     |                      |                                    |  |           |
| <b>Revenue from exchange transactions</b>           |                      |                     |                      |                                    |  |           |
| Grant of right fee                                  | 5 000 000            | -                   | 5 000 000            | 11 645 262                         | 6 645 262                                  | N1        |
| Confiscated assets and fish products                | 60 000 000           | -                   | 60 000 000           | 76 645 892                         | 16 645 892                                 | N2        |
| Application fees                                    | 5 000 000            | -                   | 5 000 000            | 4 040 051                          | (959 949)                                  |           |
| Licences and permits                                | 33 000 000           | -                   | 33 000 000           | 28 304 225                         | (4 695 775)                                | N3        |
| Harbour fees  | 4 000 000            | -                   | 4 000 000            | 3 058 545                          | (941 455)                                  |           |
| Other income  | -                    | -                   | -                    | (1 612 948)                        | (1 612 948)                                |           |
| Interest received - investment                      | 10 000 000           | -                   | 10 000 000           | 11 039 657                         | 1 039 657                                  |           |
| <b>Total revenue from exchange transactions</b>     | <b>117 000 000</b>   | <b>-</b>            | <b>117 000 000</b>   | <b>133 120 684</b>                 | <b>16 120 684</b>                          |           |
| <b>Revenue from non-exchange transactions</b>       |                      |                     |                      |                                    |  |           |
| <b>Transfer revenue</b>                             |                      |                     |                      |                                    |  |           |
| Government grants & subsidies                       | 316 625 000          | 88 748 794          | 405 373 794          | 316 625 000                        | (88 748 794)                               | N4        |
| Levies  | 52 000 000           | -                   | 52 000 000           | 46 628 604                         | (5 371 396)                                | N5        |
| Fines   | 1 000 000            | -                   | 1 000 000            | 1 010 100                          | 10 100                                     |           |
| <b>Total revenue from non-exchange transactions</b> | <b>369 625 000</b>   | <b>88 748 794</b>   | <b>458 373 794</b>   | <b>364 263 704</b>                 | <b>(94 110 090)</b>                        |           |
| <b>Total revenue</b>                                | <b>486 625 000</b>   | <b>88 748 794</b>   | <b>575 373 794</b>   | <b>497 384 388</b>                 | <b>(77 989 406)</b>                        |           |
| <b>Expenditure</b>                                  |                      |                     |                      |                                    |  |           |
| EPWVP:Working for Fisheries                         | (51 304 866)         | -                   | (51 304 866)         | (14 110 693)                       | 37 194 173                                 | N6        |
| Advertising costs                                   | (826 723)            | -                   | (826 723)            | (1 052 307)                        | (225 584)                                  |           |
| Lease rentals on operating lease                    | (3 762 408)          | -                   | (3 762 408)          | (1 946 520)                        | 1 815 888                                  |           |
| Vessel operating costs                              | (216 257 063)        | (59 000 000)        | (275 257 063)        | (249 101 041)                      | 26 156 022                                 | N7        |
| Transportation costs                                | (20 902 051)         | -                   | (20 902 051)         | (48 880 592)                       | (27 978 541)                               | N8        |
| Other operating expenses                            | (183 571 889)        | (10 000 000)        | (193 571 889)        | (92 091 990)                       | 101 479 899                                | N9        |
| <b>Total expenditure</b>                            | <b>(476 625 000)</b> | <b>(69 000 000)</b> | <b>(545 625 000)</b> | <b>(407 183 143)</b>               | <b>138 441 857</b>                         |           |
| <b>Surplus for the year</b>                         | <b>10 000 000</b>    | <b>19 748 794</b>   | <b>29 748 794</b>    | <b>90 201 245</b>                  | <b>60 452 451</b>                          |           |

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS for the year ended 31 March 2023 (continued)**

|  | Approved budget   | Adjustments       | Final Budget      | Actual amounts on comparable basis | Difference between final budget and actual | Reference  |
|--|-------------------|-------------------|-------------------|------------------------------------|--|------------|
|  | R                 | R                 | R                 | R                                  | R  |            |
| Depreciation and amortisation                                      |                   |                   |                   | (24 573 651)                       | <b>(24 573 651)</b>                        |            |
| Proceeds from sale of fixed assets                                 |                   |                   |                   | 7 950                              | <b>7 950</b>                               |            |
| Impairment reversal  |                   |                   |                   | 155 609                            | <b>155 609</b>                             |            |
| Deficit on disposal of assets                                      |                   |                   |                   | (4 245 408)                        | <b>(4 245 408)</b>                         |            |
| Other operating expenditure  |                   |                   |                   | 230 090                            | <b>230 090</b>                             |            |
| Inventories  |                   |                   |                   | (45 479 269)                       | <b>(45 479 269)</b>                        |            |
| Receivables  |                   |                   |                   | (3 415 529)                        | <b>(3 415 529)</b>                         |            |
| Prepayments  |                   |                   |                   | 13 092 590                         | <b>13 092 590</b>                          |            |
| Bad debts written off  |                   |                   |                   | (217 031)                          | <b>(217 031)</b>                           |            |
| Payables from exchange transactions                                |                   |                   |                   | (25 827 382)                       | <b>(25 827 382)</b>                        |            |
|  | -                 | -                 | -                 | <b>(90 272 032)</b>                | <b>(90 272 032)</b>                        |            |
| <b>Surplus / (Deficit) for the year</b>                            | <b>10 000 000</b> | <b>19 748 794</b> | <b>29 748 794</b> | <b>(70 788)</b>                    | <b>(29 819 581)</b>                        |            |
| <b>Surplus/(Deficit) for the year from operational expenditure</b> | <b>10 000 000</b> | <b>19 748 794</b> | <b>29 748 794</b> | <b>(70 788)</b>                    | <b>(29 819 581)</b>                        |            |
| Purchase of capital assets   | (10 000 000)      | (19 748 794)      | (29 748 794)      | <b>(27 310 318)</b>                | <b>2 438 476</b>                           | <b>N10</b> |
|  | -                 | -                 | -                 | <b>(27 381 106)</b>                | <b>(27 381 106)</b>                        |            |

Materiality is calculated as 0.50% of total expenditure excluding services in kind. The calculated amount is R 2 580 724. Only variances not in line with the materiality figure are explained.

The approved original budget for 2022/23 was submitted to the Executive Authority in line with section 53 of the Public Finance Management Act, 1999. The budget was approved by the Accounting Authority. The MLRF does not budget for a surplus. The format of the budget approved by the Minister, is based on programme components of the Fund. The details therefore are on the accounting system per economic classification which is linked to the programme components. The statement of comparison of the budget and actual is therefore prepared per economic classification to align with the statement of financial performance.

The budget preparation basis is different to the basis of financial statements preparation. The actual figures in the statement of budget statement have been prepared on cash basis to be in line with budget basis. The reconciliation is based on the basis difference, which occur when then approved budget is prepared on a basis other than the accounting policy.

The reconciliation is disclosed on the face of the statement of comparison of budget and actual amounts.

**Revenue**

**N1. Grant of right fee**

A huge volume of applications were received for the FRAP2021 which resulted in the increased number of new rights being allocated to new entrants in the commercial sectors, thus the increase in the grant of right fees

**N2. Sale of confiscated assets and fish products**

Increase is due to more products being processed and sold since the appointment of the processing company.

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS for the year ended 31 March 2023 (continued)

### N3. Licenses and Permits

Decrease is because of exemptions granted to existing rights holders in some sectors due to the delay in the finalization of FRAP2022. Rightsholders only started activating their permits around July 2022.

### N4. Government Grant

The changes between the approved and final budget for 2022/23 are due to approval from National Treasury to retain surplus funds from the 2021/22 financial year.

### N5. Levies

The duration of some of the fishing seasons were extended until the end of November 2022, thus the under collection.

### Expenditure

### N6. EPWP: Working for Fisheries

The Funds were underspent for the period under review because of the late implementation of various EPWP projects. The recruitment process was tedious due to the vast geographic area (the entire South African Coast) and limited human resource to recruit.

### N7. Vessel operating costs

The expenditure shows underspending because the expenditure for the vessels will be realised in the 2024 financial year against the advance payment for vessel operating costs which was not yet spend at year end. The balance is reflected as part of the prepayment in the statement of financial position.

### N8. Transportation costs

Increase is due to the increase in tariffs charged by Government Motor Transports, petrol price and the number of cars hired by the Fund. Restoration of normal official travel after lockdown.

### N9. Other operating expenses

The small-scale fishing rights allocation was delayed due to the process being set aside for the implementation of the audit investigation be finalised and restart the allocation process.

### N10. Capital expenditure

Communication on retention of surplus was received late in the financial year which did not allow sufficient time to conclude procurement processes.

### Changes from the approved to the final budget

The changes between the approved and final budget for 2022/23 are due to approval from National Treasury to retain surplus funds from the 2021/22 financial year

# ACCOUNTING POLICIES for the year ended 31 March 2023

## I. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost except as noted in the accounting policies below.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### I.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

### I.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the foreseeable future.

### I.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Based on the business nature of MLRF and as a public service organisation the best indicator with regard to the business activity is expenditure. The MLRF has determined its materiality level at 0.50% of expenditure. In determining the said materiality, both qualitative and quantitative 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 PFMA, Treasury Regulations and MLRA and the control and inherent risks associated with the entity.

### I.4 Significant judgements and sources of estimation uncertainty

MLRF makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and judgement 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

## ACCOUNTING POLICIES for the year ended 31 March 2023 (continued)

shall be calculated either by individual debtors or at least per risk category by providing for 100% of serviceable debtors deemed irrecoverable.

The MLRF reviews trade receivables on a regular basis to identify amounts due by individual debtors that are no longer collectable and should be written off based on judgement of debt that are deemed irrecoverable. The total write-off amount is recognised in the statement of financial performance.

Useful lives of property, plant and equipment and intangible assets

The MLRF assess the useful lives of each category of assets on an annual basis. In assessing the 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.

Provisions

Provisions are raised on estimates based on information available. Additional disclosure of these estimates are provided in the notes.

### 1.5 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Items of property, 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 (fair value at the date of acquisition) less accumulated depreciation and impairment losses. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of an item of property, plant and equipment is the 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 to bring them to a working condition for their intended use.

The cost of self-constructed assets includes the costs 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.

The cost of the day-to-day servicing of plant and equipment are recognised in 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 MLRF 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.

**ACCOUNTING POLICIES  
for the year ended 31 March 2023 (continued)**

**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 property, plant and equipment.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The MLRF deems vessels as the only item of property, 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 recognised 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 useful lives of items of property, plant and equipment have been assessed as follows:

| <b>Item</b>  | <b>Depreciation method</b> | <b>Average useful life</b> |
|--|----------------------------|----------------------------|
| Plant and machinery  | Straight-line              | 15-22                      |
| Furniture and fixtures   | Straight-line              | 10-25                      |
| Motor vehicles   | Straight-line              | 12-22                      |
| Computer equipment   | Straight-line              | 3-11                       |
| Vessels - inflatable and ski boats                               | Straight-line              | 5                          |
| Vessels - Research and patrol                                    | Straight-line              |                            |
| - Hull   | Straight-line              | 25-35                      |
| - Propulsion system,engine,gear box, propellers                  | Straight-line              | 25-35                      |
| - Deck equipment,rib,winches,cranes and anchors                  | Straight-line              | 25-35                      |
| - Navigation,communication and scientific surveillance equipment | Straight-line              | 25-35                      |
| - Life rafts   | Straight-line              | 25-35                      |

The depreciable method, useful lives and residual values are reviewed at each reporting date. In reassessing assets useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessment considers issues such as future market conditions, the remaining life of asset and projected disposal values.

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

**Derecognition**

An item of property, 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.

**1.6 Intangible assets**

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

**Subsequent expenditure**

### ACCOUNTING POLICIES for the year ended 31 March 2023 (continued)

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

| Item | Depreciation method | Average useful life |
|------|---------------------|---------------------|
|      | Straight-line       | 3-17                |

The amortisation method, useful lives and residual values are reviewed at each reporting date. In reassessing asset useful lives, factors such as technology 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.

Intangible assets are derecognised:

- On disposal, or
- When no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition on intangible assets is included in the surplus or deficit when the assets is derecognised.

#### 1.7 Financial instruments

##### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

##### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

##### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Cash in the bank at amortised cost
- Accounts Receivable at amortised cost
- Accounts Payable at amortised cost

All financial assets are subject to an impairment review.

##### Impairment of financial assets

### ACCOUNTING POLICIES for the year ended 31 March 2023 (continued)

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 assets, the estimated future cash flows of the investment have been impacted. For financial assets carried at fair value, 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 reducing 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 amount. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount 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 MLRF 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.

Financial liabilities are initially measured at transaction price, net of transaction costs. The MLRF only has accounts payables as a financial liability category.

#### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

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

#### 1.9 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts.

#### 1.10 Inventory

Inventory is initially measured at cost except where inventory is acquired through a non-exchange transaction, then the costs are at fair value as at the date of acquisition. The fair value is the amount for which the inventory could be exchanged.

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

Inventory is subsequent 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 estimated necessary to make the sale, exchange or distribution.



## ACCOUNTING POLICIES for the year ended 31 March 2023 (continued)

### 1.11 Impairment of non-cash-generating assets

The MLRF uses its assets to service the broader fishing industry and assesses them at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the MLRF shall estimate the recoverable service amount of the asset.

The MLRF 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 assets
- Significant long-term changes with an adverse effect in the technological, legal or government policy of the MLRF'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 assets 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.

### 1.12 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes.

### 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 MLRF and when the amount of revenue can be measured, and specific criteria have been met for the MLRF's activities. Revenue from the rendering of service 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.

The MLRF is exempt for Income Tax.

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### ACCOUNTING POLICIES for the year ended 31 March 2023 (continued)

#### 1.15 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the MLRF either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

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

An unconditional grant is recognised as revenue when the grant becomes receivable. Revenue received from conditional grant, donations and funding are recognised as revenue to the extent that the MLRF has complied with any of the criteria, conditions or obligation embodied in the agreement. To the extent that the criteria, conditional or obligations have not been met, a liability is recognised.

Interest earned on investments is treated in accordance with the grant conditions. If it is a 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.

#### Services in-kind

The MLRF recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

Compensation of employees that administers the MLRF, IT services and lease of the premises which are utilised by the MLRF for administration purpose are paid by the Department of Forestry, Fisheries and the Environment. These transactions are disclosed as Government Assistance in the financial statements and included in the Related Party note.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discount and volume rebates.

#### 1.16 Translation of foreign currencies

##### Foreign currency transactions

Foreign currency transactions are recorded, on initial recognition in Rands, 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:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### ACCOUNTING POLICIES for the year ended 31 March 2023 (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

#### 1.17 Fruitless and wasteful expenditure

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Fruitless and wasteful expense is disclosed in the notes to the Financial Statements.

#### 1.18 Irregular expenditure

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 subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure is disclosed as such in the notes to the Financial Statements.

#### 1.19 Budget information

General purpose financial reporting by the MLRF shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period 1 April to 31 March each financial year.

The annual financial statement and the budget are not on the same basis of accounting.

Explanatory comments are provided in the notes to the annual financial statements stating reasons for and motivation for overspending and underspending for the difference exceeding 0.5% of the expenditure. The annual budget figures included in the financial statements are for the MLRF. The budget is approved by the Executive Authority.

#### 1.20 Related parties

The MLRF 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 controlling department are disclosed as related parties.

Only if there is a related party transaction, the nature of the related party relationship, amount of the transaction, the amount of the outstanding balances including commitments, provision for doubtful debts related to the amount of the outstanding balances, expenses recognised during the period in respect of the bad or doubtful debts due from related parties will be disclosed.

### ACCOUNTING POLICIES for the year ended 31 March 2023 (continued)

A related party transaction is a transfer of resources, services, obligations between the MLRF and a related party regardless of whether a price is charged only if there has been a transaction, the following is disclosed:

- The nature of the related party relationship
- Amount of the transactions
- Amount of outstanding balances, including commitments
- Provision for doubtful debts related to the amount of outstanding balances.
- Expenses recognised during the period in respect of bad or doubtful debts due from related parties.

Management are those persons responsible for planning, directing, and controlling the activities of the MLRF, including those charged with the governance of the MLRF 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 MLRF.

#### 1.21 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The MLRF will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred. The MLRF will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

#### 1.22 Statutory receivables

##### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transactions amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

## ACCOUNTING POLICIES for the year ended 31 March 2023 (continued)

### Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

### Initial measurement

The entity initially measures statutory receivables at their transaction amount.

### Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

### Accrued interest

Where the entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

### Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

## ACCOUNTING POLICIES for the year ended 31 March 2023 (continued)

### 1.22 Statutory receivables (continued)

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted. An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

#### Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

the rights to the cash flows from the receivable are settled, expire or are waived;

- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the entity:

- derecognise the receivable; and
- recognise separately any rights and obligations created or retained in the transfer. Additional text

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 1.23 New GRAP Standards and interpretation

GRAP Standards effective in the current year

No new applicable GRAP standards became effective in the current year.

GRAP Standards not yet effective

The following standards and interpretations have been issued but are not yet effective. An effective date still needs to be determined by the Minister of Finance. These standards have all been assessed as not applicable to the MLRF and will not have an impact, except GRAP 1 and GRAP 104 Revised. GRAP 1 will have an impact on the assessment of the MLRF as a going concern and GRAP 104 revised will not have a material impact on the MLRF when it becomes effective:

GRAP 25 Employee benefits is not applicable to the MLRF because the MLRF does not employ staff.

GRAP 103 Heritage Assets is not applicable to the MLRF.

GRAP 104 Revised Financial Instruments: the MLRF has adopted an accounting policy, however the impact of the standard is not material on the MLRF.

GRAP 21 The Effect of Past Decisions on Materiality: the MLRF has adopted the standard.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2023

|   | 2023<br>R         | 2022<br>R         |
|---|-------------------|-------------------|
| <b>2. Inventories</b>                                     |                   |                   |
| Raw materials   | 18 342 540        | 70 945 681        |
| Work in progress  | 17 359 685        | 10 235 813        |
|   | <b>35 702 225</b> | <b>81 181 494</b> |
| Cost of sales as inventory that was recognised as expense | (68 283 041)      | (4 967 729)       |
| Inventory write-off                                       | (2 502 666)       | (2 165 498)       |
| Total cost of sales                                       | (70 785 707)      | (7 133 227)       |

MLRF does not have inventories pledged for securities for liabilities.

**3. Receivables from exchange transactions**

|   |                  |                  |
|---|------------------|------------------|
| Trade receivables   | 4 621 774        | 1 929 635        |
| Less; Provision for impairment of trade receivables       | (50 339)         | (41 045)         |
| <b>Trade receivables from exchange transactions - net</b> | <b>4 571 435</b> | <b>1 888 590</b> |

**Other receivables**

|               |                  |                  |
|---------------|------------------|------------------|
| Staff debtors | 8 014            | 9 609            |
| GG accidents  | 497 340          | 241 062          |
| S&T debtors   | 4 638            | -                |
|               | <b>509 992</b>   | <b>250 671</b>   |
|               | <b>5 081 427</b> | <b>2 139 261</b> |

**Analysis of Gross Receivables from non-exchange transactions**

|               |                  |                  |
|---------------|------------------|------------------|
| Current       | 2 860 802        | 1 033 869        |
| 31 to 60 days | 128 396          | (111 334)        |
| 61 days plus  | 1 632 577        | 1 007 100        |
|               | <b>4 621 774</b> | <b>1 929 635</b> |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2023 (continued)

|  | 2023<br>R        | 2022<br>R        |
|--|------------------|------------------|
| <b>4. Receivables from non-exchange transactions</b> |                  |                  |
| Trade receivables                                    | 2 450 393        | 8 972 990        |
| Less; Provision for impairment of trade receivables  | (4 391)          | (169 293)        |
|  | <b>2 446 002</b> | <b>8 803 697</b> |

**Analysis of Gross receivables from non-exchange transactions**

|               |                  |                  |
|---------------|------------------|------------------|
| Current       | 2 674 741        | 16 344 705       |
| 31 to 60 days | (28 044)         | (255 559)        |
| 61 days plus  | (196 304)        | (7 116 156)      |
|               | <b>2 450 393</b> | <b>8 972 990</b> |

**Statutory Receivables**

Statutory receivables include grant of right fee, harbour fees, licence and permits, levies, fines and grants received which have been gazetted.

**Statutory receivables included in receivables are as follows:**

|                          |           |            |
|--------------------------|-----------|------------|
| Current year receivables | 6 130 991 | 10 816 537 |
|--------------------------|-----------|------------|

Analysis of Gross Statutory Receivables

|              |                  |                   |
|--------------|------------------|-------------------|
| Current      | 4 323 268        | 17 339 045        |
| 1 – 30 days  | 126 475          | (366 431)         |
| 61 days plus | 1 681 248        | (6 156 077)       |
|              | <b>6 130 991</b> | <b>10 816 537</b> |

**5. Prepayments**

|                  |                   |                   |
|------------------|-------------------|-------------------|
| S&T advances     | 365 128           | 406 514           |
| SAMSA prepayment | 70 169 729        | 57 035 753        |
|                  | <b>70 534 857</b> | <b>57 442 267</b> |

The increase in the prepayment to SAMSA is due to additional funding for fuel and maintenance costs and navigation equipment relating to vessels. The expenditure against the advance payment of R46 million is charged on vessel project progress.

**6. Cash and cash equivalents**

Cash and cash equivalents consist of:

|                     |                    |                    |
|---------------------|--------------------|--------------------|
| Cash on hand        | 41 480             | 41 480             |
| Bank balances       | 332 732            | 1 154 788          |
| Short-term deposits | 177 217 339        | 113 496 405        |
|                     | <b>177 591 551</b> | <b>114 692 673</b> |



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2023 (continued)

**7. Property, plant and equipment**

|                        | 2023                |  |                    | 2022                |  |                    |
|------------------------|---------------------|--|--------------------|---------------------|--|--------------------|
|                        | Cost /<br>Valuation | Accumulated<br>depreciation and<br>accumulated<br>impairment | Carrying<br>value  | Cost /<br>Valuation | Accumulated<br>depreciation and<br>accumulated<br>impairment | Carrying<br>value  |
| Plant and machinery    | 32 052 180          | (19 412 340)   | 12 639 840         | 32 570 854          | (21 650 918)   | 10 919 936         |
| Furniture and fixtures | 13 881 626          | (5 721 302)  | 8 160 324          | 12 102 573          | (8 579 186)  | 3 523 387          |
| Motor vehicles         | 5 857 528           | (3 010 878)  | 2 846 650          | 6 743 452           | (5 192 667)  | 1 550 785          |
| Computer equipment     | 10 437 742          | (3 992 236)  | 6 445 506          | 11 745 316          | (5 123 874)  | 6 621 442          |
| Vessels                | 578 523 126         | (368 153 519)  | 210 369 607        | 595 219 262         | (373 367 235)  | 221 852 027        |
| <b>Total</b>           | <b>640 752 202</b>  | <b>(400 290 275)</b>   | <b>240 461 927</b> | <b>658 381 457</b>  | <b>(413 913 880)</b>   | <b>244 467 577</b> |

**Reconciliation of property, plant and equipment - 2023**

|                        | Opening balance    | Additions         | Disposals          | Depreciation        | Total              |
|------------------------|--------------------|-------------------|--------------------|---------------------|--------------------|
| Plant and machinery    | 10 919 936         | 3 659 462         | (732 156)          | (1 206 984)         | 12 639 840         |
| Furniture and fixtures | 3 523 387          | 1 836 346         | (122 382)          | 2 920 955           | 8 160 324          |
| Motor vehicles         | 1 550 785          | 1 289 789         | (139 079)          | (31 011)            | 2 846 650          |
| Computer equipment     | 6 621 442          | 7 948 337         | (3 248 324)        | (4 875 949)         | 6 445 506          |
| Vessels                | 221 852 027        | 9 480 906         | (12 567)           | (20 950 759)        | 210 369 607        |
|                        | <b>244 467 577</b> | <b>24 214 840</b> | <b>(4 254 508)</b> | <b>(24 143 748)</b> | <b>240 461 927</b> |

The additions for vessels relate to FRS *Africana* engine replacement. The work is still in progress and thus not depreciable as yet.

**Reconciliation of property, plant and equipment – 2022**

|                        | Opening<br>balance | Accumulated<br>Depreciation<br>Adjustment | Additions        | Disposals          | Depreciation        | Total              |
|------------------------|--------------------|---|------------------|--------------------|---------------------|--------------------|
| Plant and machinery    | 13 044 476         | (1 258 709)                               | 1 730 360        | (409 050)          | (2 187 141)         | 10 919 936         |
| Furniture and fixtures | 7 660 628          | (3 903 368)                               | 610 396          | (354 417)          | (489 853)           | 3 523 387          |
| Motor vehicles         | 2 761 790          | (500 313)                                 | -                | (94 589)           | (616 103)           | 1 550 785          |
| Computer equipment     | 4 732 334          | 1 411 861                                 | 3 169 643        | (167 089)          | (2 525 690)         | 6 621 059          |
| Vessels                | 242 848 629        | -   | -                | (43 571)           | (20 953 031)        | 221 852 411        |
|                        | <b>271 047 857</b> | <b>(4 250 529)</b>                        | <b>5 510 399</b> | <b>(1 068 332)</b> | <b>(26 771 818)</b> | <b>244 467 577</b> |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2023 (continued)**

**7. Property, plant and equipment (continued)**

Expenditure incurred to repair and maintain property, plant and equipment.

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

|           | 2023<br>R        | 2022<br>R         |
|-----------|------------------|-------------------|
| Vessels   | 8 296 173        | 12 247 565        |
| Vehicles  | 38 724           | -                 |
| Furniture | 26 511           | 1 000             |
| Computers | 16 912           | -                 |
| Equipment | 225 970          | 102 153           |
|           | <b>8 604 290</b> | <b>12 350 718</b> |

During the year repairs and maintenance amounting to a total of R8 604 290 (2022: R12 350 718) was incurred. The repairs were performed on all the vessels but the major repairs were on the FRS *Africana* for R2 348 692 and *Ellen Khuzwayo* amounting to R2 341 883. The balance is for routine repairs and maintenance on other vessels. Any other repairs and maintenance that is not relating to the vessels is disclosed under Other Operating Expenses.

**8. Intangible assets**

|                   | 2023                |  |                   | 2022                |  |                   |
|-------------------|---------------------|--|-------------------|---------------------|--|-------------------|
|                   | Cost /<br>Valuation | Accumulated<br>amortisation and<br>accumulated<br>impairment | Carrying<br>value | Cost /<br>Valuation | Accumulated<br>amortisation and<br>accumulated<br>impairment | Carrying<br>value |
| Computer software | 10 025 107          | (3 980 185)  | 6 044 922         | 6 929 629           | (3 550 282)  | 3 379 347         |

**Reconciliation of intangible assets - 2023**

|                   | Opening<br>balance | Additions | Amortisation | Total     |
|-------------------|--------------------|-----------|--------------|-----------|
| Computer software | 3 379 347          | 3 095 478 | (429 903)    | 6 044 922 |

**Reconciliation of intangible assets - 2022**

|                   | Opening<br>balance | Accumulated<br>amortisation<br>adjusted | Additions | Retirements | Amortisation | Total     |
|-------------------|--------------------|---|-----------|-------------|--------------|-----------|
| Computer software | 605 389            | 176 159                                 | 2 868 015 | (7)         | (270 216)    | 3 379 347 |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2023 (continued)

|   | 2023<br>R          | 2022<br>R          |
|---|--------------------|--------------------|
| <b>9. Payables from exchange transactions</b>   |                    |                    |
| Trade and other payables  | 51 956 520         | 28 384 903         |
| Payments received in advance  | 14 728 454         | 12 486 659         |
| Employees claims control  | 21 270             | 107 299            |
|   | <b>66 806 244</b>  | <b>40 978 861</b>  |
| <b>10. Services-in-kind</b>   |                    |                    |
| Compensation of employees   | 314 536 334        | 310 039 984        |
| Leases  | 71 676 308         | 62 416 000         |
| IT services   | 20 259 341         | -                  |
|   | <b>406 481 983</b> | <b>372 455 984</b> |
| <b>11. Donations in kind</b>  |                    |                    |
| Donations in kind   | -                  | 70 000             |
| <b>12. EPWP: Working for Fisheries</b>  |                    |                    |
| Expenditure relating to Working for Fisheries   | 17 663 323         | 5 835 255          |
| The expenditure relates to the salaries and wages of veterans and contracted personnel working on projects related to MLRF operations.  |                    |                    |
| <b>13. Operating lease</b>  |                    |                    |
| <b>Lease rentals on operating lease</b>   |                    |                    |
| Operating leases expenditure  | 1 967 161          | 1 156 660          |
| The MLRF leases photocopy machines from Minolta. The lease payments differ per machine leased. The lease payments are fixed for the duration of the lease agreement, unless extended. No contingent rent is payable. The lease agreement has an option to renew at the end of lease term. |                    |                    |
| Operating lease commitment, where the MLRF is the lessee. The future aggregate minimum lease payments under noncancellation lease are as follows:   |                    |                    |
| Not later than 1 year   | 448 695            | 518 912            |
| Later than 1 year, but not later than 5 years   | 636 306            | 1 070 388          |
|   | <b>1 085 001</b>   | <b>1 589 300</b>   |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2023 (continued)

|                                   | 2023<br>R          | 2022<br>R          |
|-----------------------------------|--------------------|--------------------|
| <b>14. Vessel operating costs</b> |                    |                    |
| Crew costs                        | 3 740 883          | 4 178 943          |
| Catering                          | 7 353 618          | 6 861 586          |
| Consumables                       | 7 397 788          | 6 004 425          |
| Spare parts                       | 4 313 794          | 2 819 405          |
| Maintenance and repairs           | 8 273 588          | 12 227 669         |
| Dry docking                       | 4 297 059          | 1 354 520          |
| Port and miscellaneous            | 32 283 604         | 30 411 352         |
| Insurance hull                    | 4 086 719          | 7 864 672          |
| Bunkers                           | 33 290 437         | 25 966 098         |
| Management fees                   | 31 349 980         | 27 661 241         |
| Crew cost salaries                | 71 607 491         | 80 201 840         |
| Other vessel operating costs      | 14 983 088         | 17 411 246         |
| Chartering of vessels             | 39 256 969         | -                  |
|                                   | <b>262 235 018</b> | <b>222 962 997</b> |

**15. Other operating expenses**

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Auditors remuneration               | 5 333 784         | 5 020 402         |
| Bank charges                        | 77 310            | 366 907           |
| Commission paid                     | 4 212 472         | 4 871 316         |
| Computer expenses                   | 84 382            | 86 793            |
| Legal cost                          | 6 371 019         | 7 794 382         |
| Consumables                         | -                 | (181 321)         |
| Entertainment                       | 28 404            | 27 529            |
| Conferences and seminars            | 118 250           | -                 |
| Postage and courier                 | 116 688           | 142 281           |
| Printing and stationery             | 3 057 855         | 2 635 887         |
| Repairs and maintenance             | 507 245           | 140 934           |
| Audio visuals and software expenses | 147 189           | 1 012 415         |
| Subscriptions and membership fees   | 2 973 940         | 3 078 323         |
| Telephone and fax                   | 6 283 919         | 5 550 872         |
| Services Fees                       | 725 782           | 396 055           |
| Training                            | 237 188           | 471 157           |
| Travel - local                      | 6 541 094         | 4 593 716         |
| Travel - overseas                   | 425 988           | -                 |
| Uniforms                            | 582 957           | 156 374           |
| Accommodation Domestic & Foreign    | 16 688 616        | 7 291 253         |
| Other expenses                      | 11 918 589        | 6 184 665         |
| Outsourced services                 | 22 648 484        | 40 591 927        |
| Confiscation expenses               | 164 945           | (34 317)          |
| Venue expenses                      | 1 010             | -                 |
|                                     | <b>89 247 112</b> | <b>90 197 550</b> |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2023 (continued)

### 16. Prior period errors

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior period adjustments:

The correction of the error(s) results in adjustments as follows:

| Statement of Financial Position 2022       | As previously reported | Correction of error | Restated            |
|--|------------------------|---------------------|---------------------|
| <b>Current assets</b>                      |                        |                     |                     |
| Receivables from exchange transactions     | 2 433 706              | (294 445)           | 2 139 261           |
| Receivables from non-exchange transactions | 3 624 660              | 5 179 037           | 8 803 697           |
| Payables from exchange transactions        | (32 002 245)           | (8 976 615)         | (40 978 861)        |
|  | <b>(25 943 879)</b>    | <b>(4 092 023)</b>  | <b>(30 035 902)</b> |
| <b>Non current assets</b>                  |                        |                     |                     |
| Property, plant, and equipment             | 248 718 106            | (4 250 529)         | 244 467 577         |
| Intangible assets                          | 3 203 181              | 176 166             | 3 379 347           |
|  | <b>251 921 287</b>     | <b>(4 074 418)</b>  | <b>247 846 924</b>  |
| <b>Net Assets</b>                          |                        |                     |                     |
| Accumulated surplus - 31 March 2022        | (479 293 842)          | 8 166 388           | (471 127 455)       |

| Statement of Financial Performance 2022 | As previously reported | Correction of error | Restated           |
|---|------------------------|---------------------|--------------------|
| Levies                                  | 49 500 518             | 5 179 037           | 54 679 555         |
| Grant of right fee                      | 2 350 618              | (65 566)            | 2 285 052          |
| Application fee                         | 16 889 541             | (3 491)             | 16 886 050         |
| Licences and permits                    | 28 702 270             | (163 608)           | 28 538 662         |
| Harbour fees                            | 2 473 130              | (1 631)             | 2 471 499          |
| Other income                            | 12 918 501             | (60 148)            | 12 858 353         |
| EPVP: Working for fisheries             | (5 243 507)            | (591 748)           | (5 835 255)        |
| Operating lease payments                | (1 136 407)            | (20 253)            | (1 156 660)        |
| Transportation costs                    | (29 756 914)           | (288 488)           | (30 045 402)       |
| Other operating expenses                | (82 121 422)           | (8 076 127)         | (90 197 549)       |
|   | <b>(5 423 672)</b>     | <b>(4 092 023)</b>  | <b>(9 515 695)</b> |

### Adjustments/errors

#### Revenue and Receivables from exchange and non-exchange transactions

The accrual for 2021/22 for revenue from non-exchange transactions was understated by R5 179 037 due to omission on income from levies which needed to be recognised. The revenue from exchange transaction was overstated by total of R294 444 due to Grant of right fee of R65 566, Application fee of R3 491, Licences and permits of R 163 608, Harbour fees of R1 631 and other income of R60 149. The impact of the correction understated Accumulated Surplus. The effects of the correction are Dr Accounts Receivable (non-exchange) and Cr Levies and DR difference income account under exchange transaction and Cr Accounts Receivable (exchange transaction).

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2022 (continued)

**Expenses and Payables from exchange transactions**

The accrual for payables from exchange transactions was understated by a total of R8 976 616 in 2021/22 due to late invoices received from the EPWP wages for R591 748, leases for printers for R20 253, Transport for R288 488 and other operating expenses (Legal fees R8 076 127). The impact of the understatement was the overstated Accumulated Surplus. The effect of the correction is Dr the respective expenses account as explained above and Cr Accounts Payable.

**17. Cash generated from (used in) operations**

|  | 2023              | 2022               |
|--|-------------------|--------------------|
|  | R                 | R                  |
| Deficit  | (70 788)          | (17 780 784)       |
| <b>Adjustments for:</b>                          |                   |                    |
| Depreciation and amortisation                    | 24 573 651        | 27 042 034         |
| Proceeds from sale of fixed assets               | (7 950)           | (11 550)           |
| Impairment reversals                             | (155 609)         | (252 665)          |
| Interest earned                                  |                   | (559 447)          |
| Deficit on disposal of plant and equipment       | 4 245 408         | 948 900            |
| Other operating expenditure                      | (230 090)         | (181 321)          |
| <b>Changes in working capital:</b>               |                   |                    |
| Inventories                                      | 45 479 269        | (7 910 222)        |
| Receivables from exchange transactions           | (2 942 166)       | (325 237)          |
| Bad debts written off                            | 217 031           | 253 797            |
| Other receivables from non-exchange transactions | 6 357 695         | 4 525 584          |
| Prepayments                                      | (13 092 590)      | (56 204 231)       |
| Payables from exchange transactions              | 25 827 382        | (6 761 693)        |
| Receipt adjustment                               | -                 | 300 000            |
| Other income reversal                            | -                 | (12 779 464)       |
|  | <b>90 201 245</b> | <b>(69 96 299)</b> |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2022 (continued)

### 18. Contingencies

|  | 2023 | 2022 |
|--|------|------|
|  | R    | R    |

As was reported in the prior year, litigations were 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 of R1 667 811. The matter has been ongoing. A trial date has not been set. Parties are engaging in preliminary steps to trial. No movement on this matter for the last 5 years, as all the witnesses that were involved in the matter left the employment of the Department. No good prospects of successfully defending the matter without witnesses.

#### (Magnum Simplex)

|                        |                     |                  |
|------------------------|---------------------|------------------|
| Estimated legal costs: | 1 132 000           | 1 132 000        |
| Possible losses        | 1 667 811           | 1 667 811        |
|                        | <b>a. 2 799 811</b> | <b>2 799 811</b> |

MLRF entered into an agreement with Sakaza for the rendering of services i.e. Declaring individuals small scale fishers. The service provider breached the terms and conditions of the agreement and as a result, MLRF withhold payment to the service provider due to non-performance. The Service provider issued summons against the Department for outstanding amounts due to it.

Breach of contract

#### (Sakaza)

|                        |                     |                  |
|------------------------|---------------------|------------------|
| Estimated legal costs: | 800 000             | 800 000          |
| Possible losses        | 2 458 000           | 2 458 000        |
|                        | <b>b. 3 258 000</b> | <b>3 258 000</b> |

Management for Excellence was appointed as an Implementer to implement the Working for Fisheries projects. The agreement entered into between the MLRF and Management was extended without following proper supply chain processes and upon discovering of that the agreement was cancelled. The service provider is suing the Department for breach of contract. Department opposed the matter as there is good prospects of successfully defending the matter.

Breach of contract

#### (Managing for Excellence)

|                        |                  |                  |
|------------------------|------------------|------------------|
| Estimated legal costs: | 300 000          | 300 000          |
| Possible losses        | 908 000          | 908 000          |
|                        | <b>1 208 000</b> | <b>1 208 000</b> |

The applicant issued summons against the Department for the payment of outstanding amounts for services that was rendered. The Department opposed the action, as the Department never appointed the applicant to render services for the Department. Summons issued against the Department for services rendered. Department opposed the matter as there is good prospects of successfully defending the matter.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2023 (continued)

**18. Contingencies (continued)**

|                        | 2023           | 2022           |
|------------------------|----------------|----------------|
|                        | R              | R              |
| <b>(Moola)</b>         |                |                |
| Estimated legal costs: | 83 000         | 83 000         |
| Possible losses        | 248 000        | 248 000        |
|                        | <b>331 000</b> | <b>331 000</b> |

All other matters reported in the prior financial year have been transferred to the Department.

Contingent liability is raised for possible refund of cash surplus to National Treasury in terms of Instruction No 12 of 2020/21. The amounts to be repaid to the National Revenue Fund are dependent on a number of factors including projects currently implemented by the MLRF and national priorities. As such, the amount to be possibly repaid can only be known when National Treasury has directed amounts are to be repaid, which is after the issue of the financial statements. The amount is disclosed as follows:

|                 |            |            |
|-----------------|------------|------------|
| Possible refund | 95 417 000 | 90 400 000 |
|-----------------|------------|------------|

**19. Related parties**

**Related party balances**

**Amounts included in Services-in-kind regarding related parties**

|                           |             |             |
|---------------------------|-------------|-------------|
| Compensation of employees | 314 536 334 | 310 039 984 |
|---------------------------|-------------|-------------|

The Marine Living Resources Fund is Programme 9 of the Department of Forestry, Fisheries and the Environment. The Marine Living Resources Fund does not have employees and therefore the department pays employees costs for all the officials working for the Fund.

**Leases expenditure and municipal services for premises utilised by the MLRF and paid by the Department**

|   |            |            |
|---|------------|------------|
| Department of Forestry, Fisheries and the Environment | 71 676 308 | 62 416 000 |
|---|------------|------------|

The Department also pays leases and municipal services for buildings occupied by the officials working under the Fund.

**Government grants received**

|                         |             |             |
|-------------------------|-------------|-------------|
| Allocation for the year | 316 625 000 | 305 278 000 |
|-------------------------|-------------|-------------|

The grant allocation from National Treasury is received by the Department and allocated to the Fund.

**IT services expenditure utilised by MLRF and paid by the Department**

|   |            |   |
|---|------------|---|
| Department of Forestry, Fisheries and the Environment | 20 259 341 | - |
|---|------------|---|

The Department pays for Microsoft Office licences, EDMS, SITA LAN and desktop support, data lines and internet connectivity.

**Other transactions:**

|   |            |             |
|---|------------|-------------|
| Payments made for the year                      | 25 659 274 | 113 484 606 |
| Outstanding balance payable as at 31 March 2023 | 20 106 614 | 3 202 600   |

Any other transactions are expenses incurred by the Department of behalf of the Fund and the Department is reimbursed for those expenses.

The entities that are under the control of the Department of Forestry, Fisheries and the Environment which are related party to the Marine Living Resources Fund are South African Biodiversity Institute (SANBI), South African Weather Services (SAWS), South African National Parks (SANParks) and Isimangaliso Wetland Park.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2023 (continued)

### 19. Related parties (continued)

#### Remuneration of management

#### Management information

The Executive Authority of the MLRF was Minister Ms. Barbara Creecy and Deputy Minister Ms. Maggie Sotyu for the period under review. Their salary packages have not been included as they do not form part of the service-in-kind. The salaries of both the Minister and Deputy Minister are not paid by the Department of Forestry, Fisheries and the Environment but the Ministry. The Director-General and Chief Financial Officer of Department of Forestry, Fisheries and the Environment have also not been included as part of the note as their salaries are paid by the Department.

2023

| Name   | Basic salary     | Pension fund   | Non-pensionable allowance | Medical        | Service bonus /13 <sup>th</sup> cheque | Acting allowance | Bargain council fee | Total            |
|--|------------------|----------------|---------------------------|----------------|--|------------------|---------------------|------------------|
| Ms. S Middleton:<br>Deputy Director-General<br>Fisheries Management          | 954 448          | 124 078        | 532 560                   | -              | -                                      | -                | 114                 | 1 611 200        |
| Mr. B Semoli:<br>Chief Director<br>Aquaculture and Economic<br>Development   | 971 832          | 126 338        | 239 641                   | 70 860         | -                                      | -                | 114                 | 1 408 785        |
| Mr. W Roofontein:<br>Chief Financial Officer                                 | 929 376          | 120 819        | 297 825                   | -              | -                                      | -                | 114                 | 1 348 134        |
| Mr. Ms. K Prochazka:<br>Chief Director<br>Fisheries Research and Development | 774 757          | 100 718        | 396 567                   | -              | 65 403                                 | 25 004           | 114                 | 1 362 563        |
| Mr. S Pheeha:<br>Chief Director Marine Resource<br>Management                | 737 941          | 95 932         | 361 674                   | 15 000         | 90 048                                 | -                | 114                 | 1 300 709        |
| Mr. A Ngqongwa:<br>Acting Chief Director Marine Resource<br>Management       | 773 768          | 100 590        | 273 797                   | 59 016         | 64 481                                 | 145 928          | 114                 | 1 417 694        |
|  | <b>5 142 122</b> | <b>668 475</b> | <b>2 102 064</b>          | <b>144 876</b> | <b>219 932</b>                         | <b>170 932</b>   | <b>684</b>          | <b>8 449 085</b> |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2023 (continued)

**19. Related parties (continued)**

**Remuneration of management (continued)**

**Management information (continued)**

**2022**

| <b>Name</b>         | <b>Basic Salary</b> | <b>Pension Fund</b> | <b>Non-Pensionable allowance</b> | <b>Medical aid</b> | <b>Performance bonus</b> | <b>Service Bonus / 13<sup>th</sup> Cheque</b> | <b>Acting Allowance</b> | <b>Bargaining council fee</b> | <b>Total</b>     |
|---------------------|---------------------|---------------------|----------------------------------|--------------------|--------------------------|---|-------------------------|-------------------------------|------------------|
| Ms. S Middleton     | 949 702             | 123 461             | 530 013                          | -                  | -                        | -   | 14 474                  | 110                           | 1 617 760        |
| Mr. B Semoli        | 969 791             | 126 072             | 239 032                          | 70 860             | 12 700                   | 10 899  | -                       | 109                           | 1 429 463        |
| Mr. W Rooifontein   | 922 136             | 119 878             | 298 180                          | -                  | -                        | -   | -                       | 110                           | 1 340 304        |
| Mr. Ms. K Prochazka | 633 647             | 82 722              | 287 253                          | -                  | 56 354                   | 2 654   | 49 272                  | 91                            | 1 111 993        |
| Mr. N Dana          | 816 285             | -                   | 367 882                          | -                  | -                        | -   | -                       | 109                           | 1 184 276        |
| Mr. D Fredericks    | 158 802             | 20 644              | 29 860                           | 4 320              | -                        | 1 993   | 26 607                  | 18                            | 242 244          |
| Mr. A Ngqongwa      | 563 423             | 73 245              | 102 103                          | 44 262             | -                        | 62 602  | 141 451                 | 83                            | 987 169          |
|                     | <b>5 013 786</b>    | <b>546 022</b>      | <b>1 854 323</b>                 | <b>119 442</b>     | <b>69 054</b>            | <b>78 148</b>                                 | <b>231 804</b>          | <b>630</b>                    | <b>7 913 209</b> |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2023 (continued)

**20. Financial Instruments**

**20.1 Classification of Financial Instruments**

**Financial Assets**

In accordance with GRAP 104 the financial assets are the MLRF us classified as follows:

| Financial Assets                      | Classification                     | 2023<br>R          | 2022<br>R          |
|---------------------------------------|------------------------------------|--------------------|--------------------|
| Receivable from exchange transactions | Financial assets at amortised cost | 1 609 555          | 810 118            |
| Cash and cash equivalents             | Financial assets at amortised cost | 177 591 551        | 114 692 673        |
| <b>Total financial assets</b>         |                                    | <b>119 201 106</b> | <b>115 502 791</b> |

**Financial Liabilities**

| Financial Liabilities               | Classification                     | 2023<br>R          | 2022<br>R          |
|-------------------------------------|------------------------------------|--------------------|--------------------|
| Payables from exchange transactions | Financial assets at amortised cost | 50 504 694         | 25 696 638         |
| <b>Total financial liabilities</b>  |                                    | <b>119 201 106</b> | <b>115 502 791</b> |

**20.2 Risk management**

**20.2.1 Financial risk management**

The management of the MLRF have overall responsibility for the establishment and monitoring of the MLRF's risk management policies and procedures which have been established to identify and analyse the risks faced by the MLRF, 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 MLRF's activities.

The MLRF's activities expose it to a variety of financial risks: Market risk, Credit Risk, Liquidity Risk and Interest Rate Risk.

**a) Market risk**

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2023 (continued)

### 20.2 Risk management (continued)

#### 20.2.1 Financial risk management

##### b) Foreign exchange risk

The MLRF 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 MLRF 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.

##### b) Credit risk

Credit risk is the risk of financial loss to the MLRF if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the MLRF'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 MLRF'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 MLRF will not be able to meet its financial obligations as they fall due. The MLRF'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 MLRF has adequate funds at its disposal.

The MLRF's exposure to changes in interest rates is on a floating rate basis relating to funds invested with reputable financial institutions. The carrying amount of financial assets and financial liabilities represent the maximum interest exposure.

#### Assumptions

1. Interest Rates had been 50 basis points higher or lower with all other variables held constant.
2. Rand strengthened or weakened by 10% against the US Dollar, Euro, Namibian Dollar (2023: Euro, US Dollar, Canadian Dollar, GBP) with all other variables held constant.

The maximum exposure to interest risk at the reporting date was:

#### Fair value interest rate risk

| Financial assets          | Carrying amount 2023 | +50 basis points | -50 basis points | + 10%            | - 10%          |
|---------------------------|----------------------|------------------|------------------|------------------|----------------|
| Cash and cash equivalents | 177 591 551          | (887 958)        | 887 958          | -                | -              |
| Trade payables (Foreign)  | -                    | -                | -                | (224 289)        | 209 425        |
|                           | <b>177 591 551</b>   | <b>(887 958)</b> | <b>887 958</b>   | <b>(224 289)</b> | <b>209 425</b> |

At 31 March 2023, if the 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 R887 958 lower/higher, mainly as a result of the higher/lower interest income on floating rate cash and cash equivalents. The figure of R887 958 is based on the cash and cash equivalent of R177 591 551 as end of March 2023.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2023 (continued)

### 20.2 Risk management (continued)

#### 20.2.1 Financial risk management\

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

|  |           |         |
|--|-----------|---------|
| Receivables from exchange transactions | 1 609 555 | 810 118 |
|--|-----------|---------|

For the ageing of the receivables, refer to note 3. Trade and other receivables disclosure note.

An estimate for the impairment of receivables is made when collection of the full amount is no longer probable. The provisions for impairment of debt shall be calculated on trade receivables only. The total impairment provision of the MLRF shall be calculated either by individual debtor or at least per risk category. The MLRF 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 amounts are recognised in the statement of financial performance.

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

|   |               |                |
|---|---------------|----------------|
| Balance at the beginning of the year          | 210 338       | 463 003        |
| Increase /(decrease) in impairment provisions | (155 608)     | (252 665)      |
|   | <b>54 730</b> | <b>210 338</b> |

#### Liquidity risk

| 2022/23  | Within 1 year | Between 2-5 Years | More than 5 Years |
|----------|---------------|-------------------|-------------------|
| Payables | 50 504 694    | -                 | -                 |

| 2021/22  | Within 1 year | Between 2-5 Years | More than 5 Years |
|----------|---------------|-------------------|-------------------|
| Payables | 25 696 638    | -                 | -                 |

#### Fair value presentation

The face value of cash, trade receivables and trade payables less any estimated credit adjustments, are the approximate fair values on 31 March 2023, 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 2023 (continued)**

**21. Irregular expenditure and Fruitless and wasteful expenditure**

|                       | 2023    | 2022    |
|-----------------------|---------|---------|
|                       | R       | R       |
| Irregular expenditure | 592 420 | 529 703 |

**Criminal or disciplinary steps taken as a result of losses, irregular and fruitless and wasteful expenditure**

**Incident description 2022/23**

All cases still being investigated. No new criminal steps have been undertaken.

**22. Events after the reporting date**

The South African Post Office (SAPO), which is responsible for selling Recreational Permits on behalf of the MLRF, has been placed under provisional liquidation. The net revenue generated from these sales have been decreasing over the years, (2020/2021 R26, 089, 032, (2021/2022 R19, 392, 554 and 2022/2023 R17, 718, 458). Whilst under provisional liquidation, the SAPO continues to ensure that services continue. The provisional liquidation has not impacted the collection for 2022/2023. The MLRF is looking at alternative measures for the sale of recreational permits.

This is a non-adjusting event.

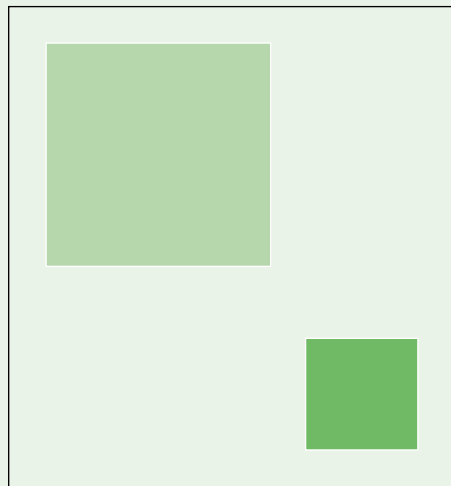
**23. BBBEE Performance**

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

# Part D







# Irregular Expenditure Disclosure

### Irregular Expenditure

#### Reconciliation of irregular expenditure

| Description   | 2022/23<br>R      | 2021/22<br>R      |
|---|-------------------|-------------------|
| Opening balance   | 24 448 844        | 154 998 106       |
| Add: Irregular expenditure confirmed                        | 592 420           | 529 703           |
| Less: Irregular expenditure condoned                        |                   | -89 273 965       |
| Less: Irregular expenditure not condoned and removed        |                   | -41 805 000       |
| Less: Irregular expenditure recoverable                     |                   |                   |
| Less: Irregular expenditure not recoverable and written off |                   |                   |
| <b>Closing balance</b>                                      | <b>25 041 264</b> | <b>24 448 844</b> |

#### a) Reconciling notes to the annual financial statement disclosure

| Description   | 2022/23<br>R   | 2021/22<br>R   |
|---|----------------|----------------|
| Irregular expenditure that was under assessment in 2021/22              |                |                |
| Irregular expenditure that relates to 2021/22 and identified in 2022/23 |                | 529 703        |
| Irregular expenditure for current year                                  | 592 420        |                |
| <b>Total</b>  | <b>592 420</b> | <b>529 703</b> |

During the year ended March 2023, an amount of R529 703 was identified as irregular expenditure incurred in 2021/22 but was identified in the 2022/23 financial year by the Auditor-General during the prior year audit.

The 2022/23 IE includes an amount of R418 935 that relates to the 2021/22 AG finding but paid in the period under review.

#### b) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

| Description                               | 2022/23<br>R | 2021/22<br>R   |
|---|--------------|----------------|
| Irregular expenditure under assessment    |              | 443 427        |
| Irregular expenditure under determination |              |                |
| Irregular expenditure under investigation |              |                |
| <b>Total</b>                              |              | <b>443 427</b> |

The IE under assessment relates to findings on quotations raised by AG in 2021/22 which management disagreed with.

**c) Details of current and previous year irregular expenditure condoned**

| Description                    | 2022/23<br>R | 2021/22<br>R       |
|--------------------------------|--------------|--------------------|
| Irregular expenditure condoned |              | -89 273 965        |
| <b>Total</b>                   |              | <b>-89 273 965</b> |

National Treasury condoned the following Irregular Expenditure:

|                           |                   |             |
|---------------------------|-------------------|-------------|
| Barnabas Xulu             | Bengis case       | -33 171 419 |
| Emang Basadi              | Frap 2015 appeals | -3 043 661  |
| Various service providers | EPWP              | -53 058 885 |

**d) Details of current and previous year irregular expenditure removed (not condoned)**

| Description                                    | 2022/23<br>R | 2021/22<br>R       |
|--|--------------|--------------------|
| Irregular expenditure not condoned but removed |              | -41 805 000        |
| <b>Total</b>                                   |              | <b>-41 805 000</b> |

The R41 805 000 was removed as it relates to SAMSA and is reported in their financial statements. AG has agreed with management that the amount should be removed. The amount was included based on the principal agent relationship GRAP requirement.

**e) Details of current and previous year irregular expenditure recovered**

| Description                     | 2022/23<br>R | 2021/22<br>R |
|---------------------------------|--------------|--------------|
| Irregular expenditure recovered |              |              |
| <b>Total</b>                    |              |              |

**f) Details of current and previous year irregular expenditure written off (irrecoverable)**

| Description                       | 2022/23<br>R | 2021/22<br>R |
|-----------------------------------|--------------|--------------|
| Irregular expenditure written off |              |              |
| <b>Total</b>                      |              |              |

**g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance).**

| Description  | 2022/23<br>R | 2021/22<br>R |
|--------------|--------------|--------------|
| None         |              |              |
| <b>Total</b> |              |              |

**h) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance).**

| <b>Description</b> | <b>2022/23<br/>R</b> | <b>2021/22<br/>R</b> |
|--------------------|----------------------|----------------------|
| None               |                      |                      |
| Total              |                      |                      |

**i) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure.**

| <b>Description</b> | <b>2022/23<br/>R</b> | <b>2021/22<br/>R</b> |
|--------------------|----------------------|----------------------|
| Total              |                      |                      |

# Notes

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