



**DEPARTMENT OF ENVIRONMENTAL AFFAIRS AND TOURISM
BRANCH MARINE AND COASTAL MANAGEMENT**

QUERIES AND RESPONSES

CLUSTER A

15 JULY 2005

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PLEASE NOTE:

The responses are those of the delegated authorities responsible for the allocation of rights in the Cluster A sectors. The application process is interactive and applicants are encouraged to submit queries. Applicants should however keep in mind that:

- ***The exact criteria and weighting will only be finalised after the closing day; and***
- ***The policies will be flexibly applied to specific factual scenarios by delegated authorities in order to achieve the aims and objectives of the allocation process.***

Applicants must please specify the sector (ie Hake Deep Sea Trawl or South Coast Rock Lobster etc) in respect which each query is submitted.

A consolidated set of responses will be published during the course of next week (18 -22 July 2005).

1. GENERAL (NOT RELATED TO SPECIFIC SECTIONS OF THE APPLICATION FORM)

Q: The applicant registered prior to the closing date for registrations, but did not pay the application fee because it had not secured vessel access. The applicant has now secured access to a vessel, can the application fee be paid now even though the registration date has closed?

R: Applicants were advised on a number of occasions, including in the Department's responses to queries dated 24 June 2005, and per-email, that application fees had to be paid before 17h00 on the closing date of registration, which was 8 July 2005. There is no discretion to accept late payment of the application fee.

Q: Kindly confirm that application fees will be refunded in case of unsuccessful applications.

R: Application fees will not be refunded in the case of unsuccessful applications. However, if an application fee was received late, the payment will not be accepted and it will be returned.

Q: How do I correct my registration details if they were given incorrectly in the registration process?

R: Registration details must now be amended in the application form itself.

Q: The Cluster A application form in section 3 and 7 makes reference to a number of Acts which according to the form are available on the MCM Web site. Please inform us as to where the Marine Pollution (Prevention of Pollution from Ships) Act 2 of 1986 and the Marine Pollution (Control and Civil Liability) Act 6 of 1981 are as it appears that they were not included.

R: The two statutes have now been placed on the web-site. These and other statutes are also publicly available from other sources such as the Department of Transport.

Q: Can you please assist us with the permit conditions for Hake Inshore Trawl and Sole.

R: Paragraph 14 of the Hake Inshore Trawl / Sole policy provides as follows:

Permit conditions for this fishery will be issued annually. The permit conditions will be determined after consultation with right holders in this fishery and will be subject to revision as and when it may be necessary.

Queries about permit conditions in place for current right holders must be directed at the Customer Service Centre (attention Resource Regulation) at MCM.

Q During 2004 we approached M&CM to do a section 21, rights transfer to enable us to purchase the quota of [another company]. This duly approved transfer was purchased and put into a company [X]. For 2004 no problem, we can supply all

the data needed including, financials. The problem lies in the 2003 and prior data, where [X] does not wish to grant access to the data. Do we extrapolate the data for that we do not have and advise as such in an annexure? Or, Do we leave blank, and advise in an annexure why?

R: Please complete the form as fully as possible to the best of your ability. If there are any gaps in the form you may extrapolate on an annexure. Explain in the annexure how and why this was done. In addition, any reason proffered by another company will need to be scrutinized by yourselves and explained accordingly in order for the delegated authority to make a decision on how to deal with the failure to provide information that may be used for scoring and other purposes. As a current right holder you have the same obligations as other current right holders. If another company has concerns regarding confidentiality they are addressed through the process.

2. AUDIT PROCEDURES

Q: **The procedure for section 6.3.2 on page 5 of the agreed upon procedures requires us to obtain a list of employee information for year ending 2002 and the year ending February 2005. From this list (only the one for the year ending February 2005 - I presume and not the other lists for 2002 to 2004) we need to select the first 50 employees and 5 for every 50 thereafter and follow the information through to a copy of the ID document and copy of the IRP5. We need to do this for the 50 employees regardless of whether the client will be disclosing only 3 of these employees in schedule 6.3.2 (if they have 50 employees) In other words testing the 3 disclosed will not be sufficient. Please advise.**

R: Verification of the 3 employees listed in the table will not suffice. Auditors are required to verify the details of the first fifty employees, and then 5 for every 50 thereafter. The auditor is required to complete this procedure for all the specified years as employee details are verified for purposes of other sections, such as section 8. However, the auditor need not check cost to company for each year, as this information is only required for Section 6.3.2.

Q: **The audit steps for procedures 12.3 refer to the financial ratios that need to be performed. There is mention as to how the ratios should be calculated e.g. debt/equity, but there is no definition as to what should constitute the items e.g. debt (interest bearing or non or total debt?)**

R: Debt refers to total long-term liabilities.

Q: **As from question 6.7 to 6.24 in the quota application form, they request the auditors verification as shown with the magnifying glass but there is no space in the actual auditors report to allow for these verifications. Could you please advise accordingly.**

R: The Specimen Agreed-Upon-Procedures Report provided by PAAB (see <http://www.paab.co.za>) provides spaces to respond to Sections 6.7 to 6.24 .

Q: Audit procedures for section 5.2. These state that the amount shown need to be followed through to the original permit documents. These documents are not maintained by the clients and sometimes only copies are maintained. Surely this information is available at MCM to check. Against what other information can we verify the amounts disclosed (Fisheries Handbook/website info)?

R: The Department is not responsible for the applicant's record keeping. The auditor may also refer to copies of catch records that are to be completed by right holders after each landing. Copies of permits may be obtained from the Department (Customer Service Centre, attention Resource Regulation).

Q: As auditors we are experiencing several problems with clients not having the required information on file for all the years required, in order for us to verify the transactions/amounts and trace to supporting documentation. We can only verify what is presented to us and therefore will note any exceptions in the factual find report and where applicable what other procedures were performed. Please advise.

R: Where the applicant is not able to provide all of the required information the auditor must disclose this in the factual findings report along with reasons given by the applicant, and the auditor must specify what other procedures were performed if any.

Q: Procedures for section 6.22 require that the auditors follow the amounts per the schedule for suppliers through to supporting documentation and bank statements. Many of these expenses are not paid monthly and there are numerous payments made during the year. It is very onerous to follow 100% of the amount disclosed in the section through to supporting documentation and bank statements. Can it not just be followed through to the purchases journal or general ledger (as some of these items would have been tested in the audits performed)?

R: The auditor may select a random sample of 25 records and follow these through to the supporting documentation and bank statements.

Q: The audit procedures for Section 8.1 for seasonal employees require the auditors to select one month for 2001 to Feb 2005 each and agree detail per supporting schedules to pay slips for seasonal employees. This procedure becomes extremely onerous when there is a factory involved employing 700 seasonal staff. Surely we do not need to follow through the 700 seasonal staff members for one month each year to payslips. We have gone the route instead of selecting a sample based on the same sample type as permanent employees (i.e. 50 and the 5 for every 50 thereafter)

R: This is acceptable.

Q: The requirement for auditors to keep copies of "each document referred to or used in the specified procedures..." is likely to be fairly onerous and costly,

particularly where the auditor is required to agree details to supporting documentation and/or source documentation.

Will it be acceptable for the auditor to ensure that sufficient information is retained on the audit working paper file for the relevant audit procedures to be re-performed in the event that the Rights Verification Unit requires subsequent verification?

R: Yes.

Q: The application form makes reference to the preparation of “Schedules”, while the section dealing with the Schedules and the agreed-upon procedures refer to “Annexures”. It seems that the words “Schedules” and “Annexures” are references to the same documents to be prepared by the applicant and are therefore interchangeable?

R: The “schedules” to the application form indicate what documents the applicant must submit as “annexures”. Although the terms are not interchangeable they refer to the same information/documents.

Q: The agreed upon audit procedures can be unduly onerous, particularly for large groups if companies with large volumes of transactions and/or information.

There are a number procedures in the agreed-upon procedures where the auditor is/may be required to agree to a large volume of information reflected on schedules prepared by the applicant, to supporting documentation, records or vouchers, as follows:

- (a) Section 5.1: catch records;
- (b) Section 6.10: receipts for skills development levies, and training expenses;
- (c) Section 6.22: payments made to top ten South African suppliers; and
- (d) Section 8.1.1: pay slips for seasonal employees.

In circumstances where the applicant is a company registered in terms of the Companies Act, the information referred to above has already been subjected to an annual statutory audit. Where the auditor has expressed an unqualified audit opinion on the relevant annual financial statements, will it be acceptable for the auditor to apply sample testing to the relevant schedules? The fact that the relevant information was subjected to sample testing would be disclosed by the auditor in the required report on the audit finding.

The following example is submitted to illustrate the practical difficulty. The agreed upon procedure for seasonal employees in section 8.1.1 requires the auditor to select one month during each of 5 financial years and agree the details to payslips. The applicant has approximately 2 500 seasonal employees in any one month. The procedures therefore require the auditor to check (and copy) approximately 12 500 payslips. This is not possible in the time allowed and therefore sample testing should be allowed.

R: In relation to skills development levies, training expenses, payments made to South African suppliers, payments to seasonal employees and payments made to top ten South African suppliers, where the applicant has an unqualified audit report, the auditor may select a random sample of 25 records per year. If the auditor has applied such sampling methods, these must be disclosed in the audit report.

In relation to catch records, the auditor must follow the procedures as set out in the Agreed-Upon-Procedures issued by PAAB.

In relation to seasonal employees a sample may be used in the same way as for permanent employees (ie 50 and 5 for every 50 thereafter).

Q: Please confirm that the auditor is required to read the Departments responses to various questions raised (as published on the Department's website) in conjunction with the agreed upon procedures and, where necessary amend the agreed upon procedures to take into account those published responses before completing the audit procedures.

For example the responses to questions dealing with:

- Sample testing of training expenses
- What constitutes operational expenses
- Schedules dealing with donations

R: Yes, the auditor is required to read the responses issued by the delegated authorities (the application process is interactive), and should take into account those published responses before completing the audit report.

Q: Catch Utilisation: It would appear that all references to Section 5.1 in the agreed-upon procedures should be to Section 5.2 of the application. Is this correct?

R: Yes, this is correct. The auditor would however, need to complete the audit procedures in section 5.1 in order to report on the applicant's responses in both sections 5.1 and 5.2.

Q: Transformation: the agreed-upon procedures for Sections 6.2.1 and 6.2.2 enquire "if the applicant answered "yes" to section 6.2.1 and 6.2.2 then perform the following ..."

However, Section 6.2.1 and 6.2.2 in the application form refer to the applicant's response to 6.1 which is either "yes" or "no", and therefore an applicant cannot answer "yes" to Sections 6.2.1 and 6.2.2.

Is it acceptable to change the agreed upon procedure to:

"If the applicant answered "yes" to either section 6.2.1 or 6.2.2, then perform the following:"

R: Yes. This interpretation is correct.

Q: Section 6.3.2 of the agreed upon procedures requires the auditor to “obtain a schedule (for each financial year) which contains the names, organisational title, total cost to company, gender, race, identification number and occupational level of all permanent employees of the applicant as at” It seems that the audit procedures are applied only to the information in respect of employees as at 28 February 2005 (as set out in the table to section 6.3.2 in the application), and that the “cost to company” information in respect of the 2002, 2003 and 2004 financial years is not required by the auditor. In view of the fact that obtaining the “cost to company” information is likely to be a time consuming exercise, is it acceptable for the applicant to prepare schedules that do not contain the cost to company information?

R: Yes. Applicants may prepare schedules for 2002 and 2003 that do not include cost to company. However, the schedule for 2004 must include cost to company.

Q: The agreed-upon procedures in relation to Sections 6.7.1 and 6.7.2 make reference to “... in relation to the total shareholding for each period.” The application form, however, calls for the percentages to be calculated “at date of application.”

Please confirm that the agreed-upon procedures should make reference to “at date of application” and not “for each period”.

R: Yes. The interpretation is correct.

Q: The table at Section 6.10 in the application form requires the “Rand amount paid to SARS in skills development levies”, however, the agreed-upon procedures makes reference to payments to SETA. Should the application form be amended?

R: The agreed upon procedures should have referred to payments made to SARS in skills development levies.

Q: Section 6.10 of the agreed-upon procedures relating to the percentage of salaries bill spent on training, requires the auditor to “agree the payroll amounts and training amounts used in the calculation to the amounts for salaries and wages, and training expenses disclosed in the relevant financial statements”.

Generally speaking, annual financial statements will, in meeting the requirements of Generally Accepted Accounting Practice, disclose a total figure for “staff costs”, and not necessarily the figures for “salaries and wages” and “training expenses” separately.

Can the audit procedure be amended to “agree the payroll amounts and training amounts used in the calculation to the amounts for salaries and wages and

training expenses disclosed in the applicants trial balance used in the preparation of the relevant financial statements”?

If the training expenses are not disclosed in the financial statements, the auditor should proceed to obtain the schedule described below, which details the amounts spent on training and used to calculate the percentage of salaries spent on training.

The agreed-upon procedures go on to say “Where the training expense is not disclosed in the financial statements obtain a schedule which details the amounts spent on training and used to calculate the percentage of salaries spent on payroll”. Must the reference to “payroll” at the end of the sentence be changed to “training”?

R: Yes, the interpretation is correct. As indicated in the Queries and Responses published on 8 July 2005, the schedule should detail the amounts paid for training, and the supplier of the training and refer to the source documents. However, the independent auditor need not agree more than 25 randomly selected amounts/transactions to source documents.”

Q: **The second agreed-upon procedure for Section 6.16 makes reference to the top 5 donations “as provided by the applicant in response to section 6.16 ...” This reference to 6.16 should be to 6.17 as this is the relevant table in the application form. Is this correct?**

R: Yes, this is correct, although the auditor would require the schedule provided by the applicant to report on both sections 6.16 and 6.17 of the application form.

Q: **The second agreed-upon procedure for Section 6.19 makes reference to the top 5 donations “as provided by the applicant in response to section 6.19 ...” This reference to 6.19 should be to 6.20 as this is the relevant table in the application form. Is this correct?**

R: Yes, this is correct, although the auditor would require the schedule provided by the applicant to report on both Sections 6.19 and 6.20 of the application form.

Q: **The fifth agreed-upon procedure for Section 6.22 makes reference to “information provided by the applicant in section 6.18”. The reference to 6.18 should be 6.22. Is this correct?**

R: Yes, the reference should be to 6.22.

Q: **Vessel, Crew and Environmental Safety Section 7.9 of the application form is referenced to the magnifying glass icon, however, the agreed-upon procedures make no reference to Section 7.9.**

Is the auditor required to verify the applicant's registration with the Commissioner in terms of the Compensation for Occupational Injuries and Diseases Act 130 of 1993?

R: As indicated in the Department's Responses to Queries dated 29 June 2005, "Auditors should verify whether an employer has registered with the commissioner."

Q: **Job Creation The audit procedure relating to salary bill in Section 8.1.1 requires the auditor to agree the total annual salary bill to the financial statements. Generally speaking, annual financial statements will, in meeting the requirements of Generally Accepted Accounting Practice, disclose a total figure for "staff costs", and not necessarily the figures for "the total annual salary bill" separately.**

Can the audit procedure be amended to "agree the total annual salary bill for 2002, 2003 and 2004 to the amounts for salaries disclosed in the applicants trial balance used in the preparation of the relevant financial statements"?

R: Yes, this would be acceptable provided that the auditor states that he / she has inspected the trial balance which served as a basis for the preparation of the financial statements. The auditor must perform some procedure to satisfy himself that the trial balance to which he refers is in fact the final trial balance which agrees to the audited financial statements. The procedure followed in this instance must be disclosed in the audit report.

3. JOINT VENTURES (SECTIONS 6, 8, 9 AND 12)

Q: **We are 3 different companies operating a joint venture employing 300 people. Can each company merge its own information with its pro-rata share of the joint venture, or do you have to merge the information of the 4 entities?**

R: Regarding sections 8 (jobs), 9 (investment) and 12 (Financial performance), the suggestion is in principle correct, provided that the apportionment (or the "cutting-up") of the JV's jobs, investments and turnover is explained in each application (presumably there will be three applicant companies). If no reliance is placed on the jobs generated by another JV company, but only on jobs created by the joint vehicle, then only the information of the JV vehicle must appear in each of the applications in respect of these sections.

Regarding section 6 (transformation) the suggestion is in principle not correct, as the aim in this section is to assess the economic unit as a whole. It is important that the instructions set out in the Explanatory Notes be followed in this regard. Generally speaking information of all the JV partners (ie all three companies and the JV vehicle) must be "merged" and provided in the tables.

4. GROUPS OF COMPANIES, HOLDING COMPANY AND SISTER COMPANIES (SECTIONS 6, 8, 9 AND 12)

Q: If the Applicant is a company of which more than 50% of its shares are owned by another company which is not a fishing company must the holding company information, other than shareholding information in accordance with the flow through principle, be supplied especially in respect of questions 6.3,6.4,6.5,6.6,6.10 to 6.24,8,9 and 12?

R: No. If the holding company is not a fishing company then its details are only relevant for purposes of completing the ownership figures in section 6.7.1 and 6.7.2. The purpose is to assess and compare economic units in the fishing industry.

Q: We are a 100% owned subsidiary and our holding company has the employees share scheme, can we use the holding company's information for question 6.7.3?

R: Yes. Please explain in the relevant annexure.

Q: In response to the exclusion from the above mentioned sections of the holding company & sister companies not involved in the fishing industry the followings question has arisen. Can an applicant who keeps separate accounting, HR and management records exclude industries such as milling & baking from the data even if they are within the same legal entity?

R: Yes. This is indeed required in sections 8, 9 and 12. As with "groups" with "sister companies" not involved in fishing, applicants with "divisions" not involved in fishing may disregard them (also for purposes of answering section 6) except if the employment equity report was submitted for the entity as a whole, in which case sections 6.5, 6.6.1 and 6.6.2 must be completed as per the figures submitted to the Department of Labour.

Q: In terms of a query answered on 8 July 2005 information required for sections 6.3, 6.4, 6.5, 6.6, 6.10 to 6.24, 8, 9 and 12 need not include information from Holding Companies or Sister Companies not involved in the fishing industry. Does the same apply for a company with a fishing division and other food divisions (non-fishing) in that the information of the fishing division only is required and not the information of other non-fishing divisions.

R: Yes. See above. The purpose is to assess and compare economic units in the fishing industry.

5. VESSELS (SECTION 4)

Q: We have a situation where the right holder owns a minority share of a vessel-owning company (which itself owns 100% of the vessel), but by virtue of this

shareholding and the shareholder's agreement, the vessel-owning company has the right and obligation to catch the entire allocation. Which "Nature of access to vessel" do we indicate on the electronic form?

R: Catching Agreement or bareboat charter agreement, whichever is a better reflection of the terms of shareholders agreement. The shareholders agreement must be attached as an annexure and the relevant parts of the agreement demonstrating access may be highlighted (or underlined in a red pen).

Q: **Nature of access to a vessel – If a new entrant has a 10% shareholding in a vessel, and there are no conditions precedent, please advise what option we would use under the drop down menu.**

R: See above. It is assumed that a 10% owner may use the vessel for purposes of fishing as of right. Such a right must be shown by way of an annexing the relevant agreement, which could also be the shareholders' agreement. If so, the catching agreement of bareboat charter agreement options may be used, whichever is a better reflection of the terms of shareholders agreement.

Q: **The MCM Area Number is that the same as the Fishing Vessel Licence Number. Advise.**

R: Yes. The vessel licence contains a "harbour number". It is this number that is referred to as it is issued by MCM and pertains to a particular area/harbour.

Q: **If vessels are under 25 Ton they do not have a South African Certificate of Registry. What will the requirement be then?**

R: Ignore requirement to annex Certificate of Registry in the schedule to section 4. Indicate ownership according to SAMSA/Local General Safety Certificate in section 4 of the application form.

Q: **One of the current partners in the Joint Venture has indicated that they wish to withdraw from a joint venture. This could jeopardize our access to the current vessel in future. How does the fact that there could be a vessel change affect our application?**

R: The application does not require the applicant to guarantee that the nominated vessel will be available for the duration of the long term period, it requires proof of access to a vessel and a description of the nature of access.

Q: **With reference to point 4.2: What is meant by access to vessel and what is a M & CM area no?**

R: "Access to a vessel" means that that applicant has a right to use the nominated vessel to harvest the resource. For this reason, applicants are required to show what their rights are in respect of the nominated vessel and more particularly, that the nominal

vessel will or may be employed for harvesting any allocation made to the applicant. With respect to the "MCM area number", see above.

6. CATCH UTILISATION (SECTION 5)

Q: Herewith we have difficulty in the verification of 2004 pelagic allocations. MCM rights register on the website only shows the initial (26/10/04) allocation. Verification cannot be done by auditors due to this version.

R: The Department will ensure that the data provided in the right register published on the web is not incomplete. The register correctly lists the right holders in small pelagic fishery as at October 2004. The quantum allocated to each was also revised at that time due to the ruling of the Supreme Court of Appeal in the matter of *Foodcorp (Pty) Ltd v The Minister of Environmental Affairs and Others*. For quota allocations of previous years, auditors are to refer to permits and catch records held by the applicant.

7. TRANSFORMATION (SECTION 6)

Q: If one of the shareholders in the applicant company is a South African registered Trust, what information do you need with regard to the trust?

R: Only information relating to the "ownership of the trust, to be determined as follows in terms of the Explanatory Notes to section 6.7.1 and section 6.7.2:

"the percentage "shareholding", "economic interest" and "voting rights" of black persons in a trust must be determined with reference to the rights of beneficiaries in terms of the trust deed".

Q: In relation to question 6.3.1 do we need to supply the details of our directors to our Joint Venture Partners or do we have a choice to merge or not to merge specifically for this question?

R: See above under joint venture. As the purpose is to compare economic units, the JV may not elect to represent itself as one economic unit for purposes of job creation (section 8), investment (section 9) and financial performance (section 12) and as another for purposes of transformation (section 6).

Q: The audit steps for procedures 6.22 require the auditors to calculate the percentage of amounts paid to the top ten suppliers as a percentage of total expenses. The definition of what constitutes total operational expenses is misleading and confusing. Fishing clients generally include all direct expenses in their cost of sales (including fish purchases from other companies, repairs and maintenance, fuel, etc) - these expenses form the bulk of their total costs and should surely be included in their top ten expenses for suppliers and also the total of the expenses making up the operating expenses. I have also never

heard of the terminology of expenses before tax - it is usually profit or loss before tax - taxation is an expense in its own right

R: As stated in the Department's responses to queries dated 8 July 2005, "Total expenses include costs of sale but excludes administrative costs (such as salaries) and depreciation." Applicants may not include suppliers of fish as part of their top ten suppliers. Expenses also exclude purchases of fish and cost of finance.

Q: **QUESTION 6.22 - Annexure 6W asks for a breakdown of capital and operational expenditure paid to South African suppliers. Do we need to distinguish between capital and operational expenditure separately for this annexure as we do not have it separated on our supplier information management system. In your previous queries and responses, you defined operational expenditure as non capital expenditure in the generation of income. Does operational expenditure include cost of sales? For example fuel is one of our bigger costs but can be classified as a cost of sale.**

R: See above. Operational expenses do include cost of sales which includes purchases of fuel. Capital and operational expenditure need not be separated in the annexure.

Q: **There appears to be many definitions with regards to operating expenses. Define cost of sales eg is it only product purchases or is it product purchases plus direct expenses (fuel, repairs, food, freight, packing etc)**

R: See above. Operating expenses include all costs of sales minus administrative costs such as salaries and wages and minus depreciation and cost of finance.

8. JOB CREATION (SECTION 8)

Q: **The answers to the questions allow for two different approaches to salaried information. Page 12 on 24 June section 8.1.1 does not allow the client to use salaried information for the tax years ended February (for example if they had a December 2003 year end, they would not be allowed to use February 2004 salaried information - even though this would not be materially different) While Page 12 of 8 July Section 6.7.5 allows the use of salaried information for February instead of the financial years ended. It makes it much more efficient to follow the salaried information through to IRP5 forms when the clients are using tax years (as opposed to financial years). Surely this can be done through the form where salaried information is requested. As long as it is consistent. What about the scenario where the client uses tax year end information instead of financial year-end information for salaries (even though the question and answer guidelines state otherwise) - we would then need to state this in our reports?**

R: Yes, this is acceptable. Auditors should indicate which year (tax or financial) have been used in the factual findings report.

9. FINANCIAL PERFORMANCE (SECTION 12)

Q: Question 12.3 financial performance ratios (all sectors and industries involved in) can you clarify what is meant by industries involved in?

R: For purposes of section 12.1 (turnover as per financial statements) and the financial performance ratios and information in section 12.3 -12.6 it is not necessary to disregard income generated in industries (other than the fishing industry) and it is not necessary to apportion income/assets/turnover between the various sectors as the purpose is to determine the turnover / financial health of the applicant as a whole. Disregard income generated in other sectors and industry for purposes of completing the second column in section 12.2 (turnover generated by TAC allocated).

Q: Sections 12.3 to 12.6 : It was company policy up to the end of our 2004 financial year to treat the applicant and the non-fishing holding company as one entity, all profit left in the applicant was cleared by way of a management fee to the holding company. The result of this is that no meaningful ratios can be calculated at applicant level. I have used the balance sheet of the holding company for ratios required per 12.3 to 12.6 (the balance sheet of the holding company will be included). Is this in order?

R: See above as to the purpose of these sections. The figures must be submitted for the applicant, but if this makes no sense then holding company's figures may be included provided that a full explanation is given in the annexure.

Q: Under point 3.2.3 : What is meant under the term OPERATING PROFIT and what is meant under the term NET OPERATING ASSETS.

R: These terms are not used in the form under point 3.2.3 (there is no section 3.2.3). It will be assumed that query relates to section 12. Operating profit is profit before interest and tax as stated on the annual financial statements. Net operating assets are all assets that are used to generate income, excluding interest bearing long-term liabilities.