2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet gazetted

Management has considered the standards below and concluded that the standards will not have a material impact on the entity's results; this will be reassessed in the future.

Standard/Interpretation:

- GRAP 32: Service concession arrangements: Grantor
- GRAP 108: Statutory receivables
- GRAP 109: Accounting by principals and agents

3. RISK MANAGEMENT

Financial risk management

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

The Board of Directors acknowledges its responsibility for establishing and communicating appropriate risk and control policies and ensuring adequate risk management processes are in place. The Audit Committee assists the Board of Directors in discharging its risk management obligations.

The principal objectives of risk management are to:

- Review the Board's risk philosophy, strategy, policies and processes recommended by senior management
- Review compliance with risk policies and with the overall risk profile of the Board
- Review and assess the integrity of the process and procedures for identifying, assessing, recording and monitoring of risk
- Review the adequacy and effectiveness of the Board's risk management function and its implementation by management
- Ensure that material risks have been identified, assessed and receive attention

The Board's risk management processes, of which the systems of internal, financial and operating controls are an integral part, are designed to control and monitor risk throughout the Board. For effectiveness, these processes rely on regular communication, sound judgement and thorough knowledge of statutory and operational activities. Management is tasked with integrating the management risk into the day-to-day activities of the Board.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves. Due to the dynamic nature of operational activities, the Board aims to be conservative in funding by keeping committed cash reserves available.

Credit risk

Credit risk arises from cash and equivalents and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

Measures taken by the Board to limit credit risk to acceptable levels include, inter alia, an assessment of the credit quality of the customer, by taking into account their financial position; past experience and other factors; the application of standard credit acceptance procedures to assess potential clients; daily monitoring of collectible balances at both branch and head office level; and the suspension of services to accounts which exceed the Board's payment terms.

3. RISK MANAGEMENT (continued)

Credit Risk (continued)

The table below shows the credit ratings and balances of the financial institutions in which the Board held deposits at statement of financial position date:

FINANCIAL INSTITUTIONS	Fitch credit rating	2016 R	2015 R
ABSA	AA	**23 277 847**	22 902 363
Nedbank	AA	**17 620 858**	19 698 680
Rand Merchant Bank	BBB+	**1 021 220**	10 349 981
Standard Bank	AA	**15 387 517**	13 528 189
		57 307 442	66 479 213

The carrying amount of financial assets in the statement of financial position represents the Board's exposure to credit risk in relation to these assets. Credit limits assigned to customers may be exceeded due to timing differences. Such instances are individually approved and closely monitored by management. Management does not expect any losses from non-performance by these counter-parties.

The Board's exposure to concentrated credit risk is low due to the large number of customers and their dispersion across different geographical areas and product sectors.

The dispersion of income per product from statutory levies is as follows:

	2016 %	2015 %
Citrus fruit	**40**	40
Grapes	**21**	19
Pome fruit	**16**	15
Stone fruit	**5**	5
Subtropical fruit	**3**	3
Vegetables	**4**	2
Flowers and bulbs	**1**	1
Canned products	**1**	1
Other products	**6**	8
Maize	**3**	6
	100	100

Fair value estimation

The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Board for similar financial instruments. The directors are of the opinion that the carrying value of financial instruments approximates fair value.

Cash flow and fair value interest rate risk

The Board's interest rate risk arises from investments held to maturity as well as from cash and cash equivalents. The Board's policy is to maintain its investments across a range of high quality financial institutions. Interest rate exposure and investment allocations are evaluated by management on a regular basis. This risk is managed by maintaining an appropriate mix of investments with registered financial institutions. Interest-bearing investments are held with reputable financial institutions in order to minimise exposure.

Capital risk management

Capital is regarded as total reserves which is a result of accumulated surpluses. The Board strives to maintain a sufficient reserve as to sustain its statutory obligations. The level of the reserves are dependent on the approval of the Minister of the Department of Agriculture, Forestry and Fisheries.

4. TRADE AND OTHER RECEIVABLES

	2016 R	2015 R
Trade debtors	**34 910 197**	32 204 235
Sundry debtors	**2 161 431**	443 823
Provision for impairment of receivables	**(59 006)**	(100 405)
	37 012 622	32 547 653

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are not considered to be impaired. At 31 March 2016, R178 720 (2015: R268 841) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history to default.

	2016 R	2015 R
The ageing of amounts past due but not impaired is as follows:		
Between 60 and 90 days after statement	**178 720**	268 841

Trade and other receivables impaired

As of 31 March 2016, trade and other receivables of R59 006 (2015: R100 405) were impaired and provided for.

The individually impaired receivables mainly relate to producers and exporters, who are in unexpectedly difficult economic situations.

	2016 R	2015 R
The ageing of these receivables is as follows:		
Less than one year	**54 491**	100 405
Between one and three years	**4 515**	–
	59 006	100 405

4. TRADE AND OTHER RECEIVABLES (continued)

Reconciliation of provision for impairment of trade and other receivables

	2016 R	2015 R
Opening balance	**100 405**	100 405
Provision for impairment	**59 006**	–
Bad debt recovered	**(5 219)**	–
Unused amounts reversed	**(95 186)**	–
	59 006	100 405

5. INVESTMENTS

	2016 R	2015 R
ABSA	**23 008 007**	15 713 425
Nedbank	**12 273 509**	15 698 680
Rand Merchant Bank	**1 016 264**	10 349 981
	36 297 780	41 762 086

6. CASH AND CASH EQUIVALENTS

	2016 R	2015 R
Cash and cash equivalents consist of:		
Cash on hand	**4 180**	16 199
Bank balances	**12 262 309**	5 758 808
Short-term deposits	**8 983 390**	19 242 481
	21 249 879	25 017 488

The effective interest rate is between 0.100% and 8.095%.

7. PROPERTY, PLANT AND EQUIPMENT

	2016 R			2015 R		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	**14 550 000**	**(372 819)**	**14 177 181**	14 550 000	(219 729)	14 330 271
Furniture	**3 683 111**	**(2 346 981)**	**1 336 130**	3 060 079	(2 187 175)	872 904
Motor vehicles	**212 281**	**(117 226)**	**95 055**	212 281	(74 770)	137 511
Technical equipment	**21 904 398**	**(11 594 286)**	**10 310 112**	17 736 211	(10 330 532)	7 405 679
Total	**40 349 790**	**(14 431 312)**	**25 918 478**	35 558 571	(12 812 206)	22 746 365

Reconciliation of property, plant and equipment – 2016

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Land and buildings	**14 330 271**	**–**	**–**	**(153 090)**	**14 177 181**
Furniture	**872 904**	**792 472**	**(35 825)**	**(293 421)**	**1 336 130**
Motor vehicles	**137 511**	**–**	**–**	**(42 456)**	**95 055**
Technical equipment	**7 405 679**	**5 924 873**	**(39 588)**	**(2 980 852)**	**10 310 112**
	22 746 365	**6 717 345**	**(75 413)**	**(3 469 819)**	**25 918 478**

Reconciliation of property, plant and equipment – 2015

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Land and buildings	14 483 363	–	–	(153 092)	14 330 271
Furniture	736 705	396 953	(9 528)	(251 226)	872 904
Motor vehicles	179 967	–	–	(42 456)	137 511
Technical equipment	5 488 576	4 201 835	(357 108)	(1 927 624)	7 405 679
	20 888 611	4 598 788	(366 636)	(2 374 398)	22 746 365

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Revaluations

Cape Town – Erf 19927, Parow with office building thereon:

The property was revalued by DJB Hoffman, an independent registered valuer as at 1 December 2013. Valuations were made in accordance with the investment approach method using the basis of recent market transactions, rentals of similar properties in the area and an insurance valuation of the property.

Durban – Portion 1 of Erf 1736, Wentworth with office building thereon:

The property was revalued by Roper Associates, an independent registered valuer as at 7 January 2014. Valuations were made in accordance with the investment approach method using the basis of recent market transactions, rentals of similar properties in the area and an insurance valuation of the property.

Land and buildings are revalued independently every three years.

	2016 R	2015 R
Cost of assets with zero carrying value:		
Furniture	**1 540 924**	1 295 543
Technical equipment	**6 027 898**	6 152 797
	7 568 822	7 448 340

8. ASSET REPLACEMENT FUND

	2016 R	2015 R
Opening balance	**9 805 000**	8 797 890
Transfer from reserve fund	**1 858 000**	1 007 110
	11 663 000	9 805 000

9. SELF-INSURANCE RESERVE

	2016 R	2015 R
Opening balance	**5 220 000**	5 000 000
Transfer from reserve fund	**803 000**	220 000
	6 023 000	5 220 000

10. TRADE AND OTHER PAYABLES

	2016 R	2015 R
Accrued expenses	**2 693 162**	2 600 043
Accrued leave pay	**10 045 177**	9 581 691
Agricultural product samples	**580 849**	113 220
Deposits received	**6 235 631**	6 166 961
Payroll control accounts	**1 456 633**	2 434 381
Provision for audit fees	**316 665**	254 254
Trade payables	**5 645 792**	8 132 349
	26 973 909	29 282 899

11. PROVISIONS

Reconciliation of provisions – 2016

	Opening balance R	Additions R	Utilised during the year R	Reversed during the year R	Total R
Provision for performance bonus	**9 974 115**	**9 000 000**	**(9 974 115)**	**–**	**9 000 000**
Long-service award	**1 264 559**	**–**	**–**	**(116 425)**	**1 148 134**
	11 238 674	**9 000 000**	**(9 974 115)**	**(116 425)**	**10 148 134**

Reconciliation of provisions – 2015

	Opening balance R	Additions R	Utilised during the year R	Reversed during the year	Total R
Provision for performance bonus	9 019 763	9 974 115	(8 929 953)	(89 810)	9 974 115
Long-service award	–	1 264 559	–	–	1 264 559
	9 019 763	11 238 674	(8 929 953)	(89 810)	11 238 674

The performance bonus pay-out is subject to approval by the board.

All permanent employees appointed prior to 1997 may become entitled to the long-service award upon completion of 20, 30 and 40 years' service. Based on the current policy, the estimated liability for the long-service award is R1 148 134 (2015: R1 264 559).

12. OTHER INCOME

	2016 R	2015 R
Sundry income	**2 045 098**	1 818 705

13. REVENUE

APS inspection services	**176 093 607**	162 202 402
PPECB export services	**74 102 170**	62 078 988
PPECB container services	**7 316 280**	6 138 478
PPECB cold chain services	**2 630 365**	2 498 763
Food safety certifications	**3 508 227**	1 755 509
Laboratory income	**13 413 569**	9 588 750
Transformation and development services	**1 725 958**	580 373
Development services	**600 000**	600 000
	279 390 176	245 443 263

14. INVESTMENT REVENUE

Interest revenue – Bank	**4 646 666**	4 223 271

15. OPERATING EXPENSES

	2016 R	2015 R
Accommodation office	**11 307 047**	8 894 708
Administration expenses	**5 905 072**	5 529 418
Auditor's remuneration	**444 216**	431 938
Bad debt expense	**1 258**	--
Board members' emoluments	**1 355 544**	1 236 612
Computer expenses	**14 951 919**	11 098 323
Consultants	**4 481 225**	2 329 086
Corporate identity	**2 136 995**	2 012 656
Courier samples	**845 802**	787 426
Depreciation	**3 469 819**	2 374 398
Insurance	**477 603**	437 111
Legal fees	**106 627**	74 276
Loss on disposal of assets	**75 413**	37 375
Meetings and workshops	**2 982 175**	5 399 136
Subsistence and accommodation	**14 160 401**	14 081 482
Technical – equipment, laboratory, labels	**6 496 006**	5 664 102
Training	**4 078 816**	6 016 105
Travel administrative	**1 839 623**	1 823 126
Travel operational	**17 844 437**	16 806 130
Travel overseas	**405 842**	562 109
Wasteful expenditure	**18 940**	2 994
	93 384 780	85 598 511

16. EMPLOYEE COMPENSATION AND BENEFITS

Salaries and wages	**176 493 376**	163 976 722
Defined contribution costs – retirement fund	**14 398 071**	12 862 324
	190 891 447	176 839 046

17. FINANCE COSTS

Finance charges	**1 016**	1 173

18. CASH USED IN OPERATIONS

	2016 R	2015 R
Surplus/(deficit)	**1 804 697**	(10 953 491)
Adjustments for:		
Movements in provisions	**(1 090 540)**	2 218 911
Depreciation	**3 469 819**	2 374 398
Changes in working capital:		
Trade and other receivables	**(4 464 969)**	(3 890 760)
Trade and other payables	**(2 308 990)**	1 713 973
	(2 589 983)	(8 536 969)

19. AUDITOR'S REMUNERATION

Professional fees	**444 216**	431 938

20. TAXATION

In terms of the Income Tax Act (Act No. 58 of 1962), the PPECB is not subject to normal taxation. No provision has been made for taxation.

21. BOARD MEMBERS' EMOLUMENTS

Ms J Atwood-Palm	**129 133**	116 459
Ms C Engelbrecht	**109 841**	99 379
Ms L Kutta	**113 376**	87 217
Dr M Mashaba	**194 166**	177 976
Mr A Petersen	**278 071**	303 652
Mr A Rabe	**119 950**	72 374
Mr T Reddell	**–**	56 972
Ms E Scholtz	**136 114**	100 470
Mr W Steenkamp	**149 549**	122 991
Mr D Westcott	**125 344**	99 122
	1 355 544	1 236 612

Key management compensation		
Salaries	**9 372 204**	10 092 220
Defined contribution costs – retirement fund	**1 840 713**	1 781 214
	11 212 917	11 873 434

22. RELATED PARTIES

The PPECB has related party relationships with the Department of Agriculture, Forestry and Fisheries, members of the board and the management committee. The Department of Agriculture, Forestry and Fisheries have significant influence. Services delivered to related parties are on terms of business normally prevailing with third parties.

The PPECB rendered services of R15 314 629 (2015: R14 782 444) to companies on which some of the members of the Board serve. The outstanding debtors balances of these companies totalled R788 127 (2015: R980 617).

	2016 R	2015 R
Related party balances		
Board members		
Mr D Westcott – C Tabanelli	**(1 622)**	1 448
Ms E Scholtz – Farmacres 25 (Pty) Ltd	**(132)**	(132)
Mr A Petersen – Capespan South Africa (Pty) Ltd	**789 881**	964 178
Mr T Reddell – Viking Fishing Company	**–**	15 123
	788 127	980 617
Department of Agriculture, Forestry and Fisheries		
SA PIP Project – Interest on bridging funds	**–**	895 058
Joint Venture – Transformation and Development (refer note 24)	**–**	584 787
	–	1 479 845
Related party transactions		
Board members		
Ms C Engelbrecht – The Piet Engelbrecht Trust	**362 953**	208 949
Mr A Petersen – Capespan South Africa (Pty) Ltd	**14 792 460**	14 260 043
Mr A Rabe – Proteus Logistics (Pty) Ltd	**56 823**	50 845
Mr T Reddell – Viking Fishing Company	**–**	138 514
Mr D Westcott – C Tabanelli	**102 393**	124 093
	15 314 629	14 782 444
Department of Agriculture, Forestry and Fisheries		
AETP Programme	**600 000**	600 000
Joint Venture – Transformation and Development (refer note 24)	**500 000**	1 793 838
	1 100 000	2 393 838

23. FRUITLESS AND WASTEFUL EXPENDITURE

	2016 R	2015 R
Changes in travel arrangements due to cancelled or rescheduled meetings	**16 000**	2 994
Charges for late payments to creditors	**77**	–
Unapproved expenditure for consumables	**2 864**	–
	18 941	2 994

24. COMMITMENTS

	2016 R	2015 R
Operating leases – as lessee (expense)		
Minimum lease payments due		
– Within one year	**4 148 090**	3 546 423
– In second to fifth year inclusive	**11 818 289**	11 123 778
– Later than five years	**843 729**	843 729
	16 810 108	15 513 930
Joint Venture – Department of Agriculture, Forestry and Fisheries		
Training and development programmes	**1 500 000**	2 584 787
	1 500 000	2 584 787

During 2014, the PPECB entered into a Joint Venture agreement with the Department of Agriculture, Forestry and Fisheries in relation to various training development programmes to be held. The total estimated project value is R4 711 633, inclusive of VAT, of which the PPECB has received R3 211 633 to date. The Department of Agriculture, Forestry and Fisheries further committed to annual payments of R500 000 up until June 2020. The PPECB will co-fund the programmes.

25. CONTINGENCIES

No material contingencies were identified in the year under review.

26. PRIOR PERIOD ADJUSTMENT

During the prior year, management performed an estimation on the entity's liability relating to the long-service award. All permanent employees appointed prior to 1997 may become entitled to the long-service award upon completion of 20, 30 and 40 years' service. The estimated liability for the long-service bonus as at 31 March 2015 was R1 264 559. The policy was reviewed and management believes the probable liability relating to the long-service award should be recognised in the financial statements.

The correction of the error results in adjustments as follows:

	2016 R	2015 R
Statement of financial position		
Opening accumulated surplus/(deficit)	–	(9 688 931)
Provision – long-service award	–	(1 264 559)
Closing accumulated surplus/(deficit)	–	(10 953 491)
Statement of financial performance		
Opening accumulated surplus/(deficit)	–	(9 688 931)
Employee compensation and benefits	–	(1 264 559)
Closing accumulated surplus/(deficit)	–	(10 953 491)

27. IRREGULAR EXPENDITURE

	2016 R	2015 R
Opening balance	**37 206**	4 275 000
Condoned during the year	**(37 206)**	(4 275 000)
Emergency repairs to generator	–	37 206
Awaiting acceptance from the board	–	(37 206)
	–	–

During 2014, a public invitation for competitive bids was advertised for a period shorter than the required 21 days. The approval of deviation was not in accordance with Supplier Chain Management Policy requirements. The board condoned the irregular expenditure on 27 May 2014.

During 2015, only one quote was obtained, to have emergency repairs conducted, after a power outage resulted in extensive damage to the main generator. Due to the urgent nature of the repairs, prior approval was not obtained from the CEO, which is a deviation from Treasury Regulations. The board condoned the irregular expenditure on 21 May 2015.

28. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

	Approved budget R	Actual amount R	Variance R	Explanation
Revenue	276 078 017	279 390 176	3 312 159	Positive income is due to increased vegetable volumes
Other income	4 695 291	2 045 098	(2 650 193)	Lower than anticipated income in terms of DAFF grants
Investment revenue	4 854 000	4 646 666	(207 334)	Lower cash reserves as a result of capital expenditure acquisitions
Total income	**285 627 308**	**286 081 940**	**454 632**	
Employment costs	195 386 478	190 891 447	4 495 031	Positive variance due to reduced number of AETP students and vacant posts filled
Depreciation	5 588 923	3 469 819	2 119 104	Positive variance due to bulk capex items acquired mid year
Activity costs	35 981 859	38 073 832	(2 091 973)	Negative variance mainly due to kilometre costs of R2 million associated with additional inspections
Computer expenses	11 673 902	14 951 919	(3 278 017)	Negative variance due to additional investment on IT infrastructure and tablet technology rollout
Training	6 214 960	4 078 816	2 136 144	Positive variance due to certain training initiatives postponed to the next financial year
Administrative cost	36 772 438	32 811 410	3 961 028	Positive variance due to savings on meetings and workshops of R1 million, overseas travel of R0.6 million, postage and telephone costs of R1.1 million and other cost containment initiatives
Total expenditure	**291 618 560**	**284 277 243**	**7 341 317**	
Surplus/(Deficit)	**(5 991 252)**	**1 804 697**	**(7 795 949)**	

29. SEGMENT INFORMATION

Identification of segments

The segment information report reflects the reportable segments regularly provided, reviewed and used by the board and executive to make strategic decisions and assess performance of the segments. The executive assesses the performance of the operating segments based on a measure of contribution consistent with that of the financial statements.

Total assets allocated are based on the operation of the segment and the physical location of the assets. Working capital is not considered to be segment-specific and is primarily managed by the central finance function.

The operations in each reportable segments are Statutory services and Food Safety services, which provide mostly regulatory services at a fee to the perishable product industry. Statutory services is responsible for delivering integrated inspection and cold chain services on perishable products being exported. Food Safety services refers to the assurance given that food will not cause harm to the consumer when consumed. The Transformation and Development services programme is aimed at building capacity through the development of internal and external skills. Corporate services ensures coherence among the respective programmes within the PPECB by providing support, direction, leadership and promoting the services of the PPECB.

	Statutory services R	Food Safety services R	Development services R	Corporate services R	Total R
2016					
Revenue					
Income	**262 615 435**	**16 133 273**	**2 353 749**	**4 979 484**	**286 081 941**
Entity's revenue					**286 081 941**
Expenditure					
Employment cost	**140 659 298**	**8 790 514**	**11 137 118**	**30 304 517**	**190 891 447**
Activity cost	**31 521 866**	**4 483 039**	**1 322 766**	**746 160**	**38 073 831**
Administrative cost	**15 209 489**	**4 274 183**	**2 366 624**	**33 461 669**	**55 311 965**
Total segment expenditure	**187 390 653**	**17 547 736**	**14 826 508**	**64 512 346**	**284 277 243**
Total segmental surplus/ (deficit)	**81 505 820**	**(919 048)**	**(11 958 261)**	**(57 823 814)**	**1 804 698**
Assets					
Non-current assets	**7 871 184**	**3 569 950**	**217 035**	**14 260 309**	**25 918 478**
Total assets as per statement of financial position					**25 918 478**
2015					
Revenue					
Income	234 912 948	10 761 025	1 405 154	4 406 112	251 485 239
Entity's revenue					251 485 239
Expenditure					
Employment cost	129 563 087	7 938 620	11 862 202	27 475 134	176 839 043
Activity cost	29 691 736	3 540 049	1 328 668	1 433 493	35 993 946
Administrative cost	14 731 000	3 886 878	4 710 920	26 276 943	49 605 741
Total segment expenditure	173 985 823	15 365 547	17 901 790	55 185 570	262 438 730
Total segmental surplus/ (deficit)	60 927 125	(4 604 522)	(16 496 636)	(50 779 458)	(10 953 491)