

Notes to the Annual Financial Statements

>>> as at 31 March 2019

2. New Standards and Interpretations

2.1 Standards and interpretations issued, but not yet effective

Management has considered the standards below and concluded that the standards may have an impact on the disclosure notes of the entity; this will be reviewed in the future. The Minister of Finance has yet to set an effective date.

- **GRAP 104:** Financial Instruments

2.2 Standards and interpretations not yet effective or relevant

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. The Minister of Finance has yet to set an effective date.

- **GRAP 34:** Separate financial statements
- **GRAP 35:** Consolidated financial statements
- **GRAP 36:** Investments in associates and joint ventures
- **GRAP 37:** Joint arrangements
- **GRAP 38:** Disclosure of interests in other entities
- **GRAP 110:** Living and non-living resources

3. Risk Management

FINANCIAL RISK MANAGEMENT

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

The members of the Board acknowledge their responsibility for establishing and communicating appropriate risk and control policies and ensuring adequate risk management processes are in place. The Audit Committee assists the members of the Board in discharging their 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.

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	2019 [ZAR]	2018 [ZAR]
ABSA	BB+	24,861,823	23,047,149
Nedbank	BB+	19,087,966	21,778,163
First National Bank	BB+	5,438,166	5,100,085
Standard Bank	BB+	62,188,809	32,460,626
		111,576,764	82,386,023

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 counterparties.

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:

	2019 [ZAR]	2018 [ZAR]
Citrus fruit	41 %	37 %
Grapes	17 %	20 %
Pome fruit	13 %	12 %
Stone fruit	4 %	5 %
Subtropical fruit	4 %	3 %
Vegetables	3 %	3 %
Flowers and bulbs	1 %	2 %
Canned products	1 %	1 %
Other products	7 %	6 %
Maize	9 %	11 %
	100 %	100 %

FAIR VALUE ESTIMATION

The carrying value less impairment provision of trade receivables and payables are 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 Board is 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 is dependent on the approval of the Minister of the Department of Agriculture, Forestry and Fisheries.

4. Trade and Other Receivables

	2019 [ZAR]	2018 [ZAR]
Trade debtors	44,907,886	41,175,706
Sundry debtors	888,425	3,789,381
Provision for impairment of receivables	(18,466)	(118,361)
	45,777,845	44,846,726

TRADE AND OTHER RECEIVABLES PAST DUE BUT NOT IMPAIRED

Trade and other receivables which are past due are not considered to be impaired. At 31 March 2019, R445,342 (2018: R236,234) were past due but not impaired.

These relate to a number of independent customers for whom there is no recent history to default.

The ageing of amounts past due but not impaired is as follows:

	2019 [ZAR]	2018 [ZAR]
+ 60 days after statement	445,342	236,234

TRADE AND OTHER RECEIVABLES IMPAIRED

At 31 March 2019, trade and other receivables of R18,466 (2018: R118,361) were impaired and provided for. The individually impaired receivables mainly relate to producers and exporters, who are in unexpectedly difficult economic situations.

The ageing of these receivables is as follows:

	2019 [ZAR]	2018 [ZAR]
3 to 6 months	18,466	10,958
Over 6 months	-	107,403
	18,466	118,361

Reconciliation of provision for impairment of trade and other receivables

	2019 [ZAR]	2018 [ZAR]
Opening balance	118,361	10,215
Provision for impairment	18,466	118,361
Amounts written off as uncollectible	(115,838)	(3,821)
Amounts recovered	(2,523)	(6,394)
	18,466	118,361

5. Investments

	2019 [ZAR]	2018 [ZAR]
ABSA	21,748,755	20,000,000
Nedbank	15,598,788	15,000,000
Standard Bank	42,029,442	20,779,322
	79,376,985	55,779,322

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2019 [ZAR]	2018 [ZAR]
Cash on hand	2,487	3,221
Bank balances	8,435,828	1,714,252
Short-term deposits	23,763,951	24,892,439
	32,202,266	26,609,912

The effective interest rate is between 6.100% and 8.125%.

A Standard Bank guarantee was issued to Branvest Close Corporation, in terms of the Montague Garden's office rental agreement, amounting to R112,020 (2018: R112,020).

7. Property, Plant and Equipment

	2019			2018		
	COST/ VALUATION [ZAR]	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT [ZAR]	CARRYING VALUE [ZAR]	COST/ VALUATION [ZAR]	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT [ZAR]	CARRYING VALUE [ZAR]
Land and buildings	23,850,000	-	23,850,000	17,273,396	(283,745)	16,989,651
Furniture	4,955,974	(2,867,601)	2,088,373	4,410,703	(2,850,842)	1,559,861
Motor vehicles	212,281	(212,279)	2	212,281	(202,138)	10,143
Technical equipment	33,944,704	(21,170,996)	12,773,708	28,912,459	(17,192,455)	11,720,004
Total	62,962,959	(24,250,876)	38,712,083	50,808,839	(20,529,180)	30,279,659

Reconciliation of property, plant and equipment - 2019

	OPENING BALANCE [ZAR]	ADDITIONS [ZAR]	DISPOSALS [ZAR]	REVALUATIONS [ZAR]	DEPRECIATION [ZAR]	TOTAL [ZAR]
Land and buildings	16,989,651	3,226,099	-	3,634,250	-	23,850,000
Furniture	1,559,861	684,667	(45,693)	-	(110,462)	2,088,373
Motor vehicles	10,143	-	-	-	(10,141)	2
Technical equipment	11,720,004	5,261,728	(44,062)	-	(4,163,962)	12,773,708
	30,279,659	9,172,494	(89,755)	3,634,250	(4,284,565)	38,712,083

Reconciliation of property, plant and equipment - 2018

	OPENING BALANCE [ZAR]	ADDITIONS [ZAR]	DISPOSALS [ZAR]	DEPRECIATION [ZAR]	TOTAL [ZAR]
Land and buildings	16,777,431	393,396	-	(181,176)	16,989,651
Furniture	1,635,321	356,078	(5,297)	(426,241)	1,559,861
Motor vehicles	52,599	-	-	(42,456)	10,143
Technical equipment	14,130,540	2,547,147	(236,697)	(4,720,986)	11,720,004
	32,595,891	3,296,621	(241,994)	(5,370,859)	30,279,659

REVALUATIONS

Cape Town - Erf 19927, Parow with office building thereon: the property was revalued by DJB Hoffman, an independent registered valuer as at 28 March 2019. 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 6 March 2019. 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 re-valued independently every three (3) years. Valuations are conducted more frequently if deemed necessary to ensure the carrying amount does not differ materially from its fair value at the end of the reporting period.

8. Asset Replacement Fund

	2019 [ZAR]	2018 [ZAR]
Opening balance	18,055,000	15,852,000
Transfer from reserve fund	6,305,000	2,203,000
	24,360,000	18,055,000

9. Self-insurance Reserve

	2019 [ZAR]	2018 [ZAR]
Opening balance	6,531,000	6,332,000
Transfer from reserve fund	5,633,000	199,000
	12,164,000	6,531,000

10. Trade and Other Payables

	2019 [ZAR]	2018 [ZAR]
Accrued expenses	1,977,360	2,362,588
Accrued leave pay	14,589,728	12,960,268
Agricultural product samples	132,910	-
Deposits received	6,455,288	6,525,305
Payroll control accounts	3,409,655	2,076,757
Provision for audit fees	560,742	653,821
SAMSA audits	1,598,524	1,201,098
Trade payables	15,764,075	11,062,290
	44,488,282	36,842,127

11. Provisions

RECONCILIATION OF PROVISIONS - 2019	OPENING BALANCE [ZAR]	ADDITIONS [ZAR]	UTILISED DURING THE YEAR [ZAR]	TOTAL [ZAR]
Provision for performance bonus	11,000,000	12,654,990	(10,698,361)	12,956,629
Long service award	1,103,129	110,857	-	1,213,986
	12,103,129	12,765,847	(10,698,361)	14,170,615

RECONCILIATION OF PROVISIONS - 2018	OPENING BALANCE [ZAR]	ADDITIONS [ZAR]	TOTAL [ZAR]
Provision for performance bonus	-	11,000,000	11,000,000
Long service award	951,870	151,259	1,103,129
	951,870	11,151,259	12,103,129

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 R1,213,986 (2018: R1,103,129).

12. Revenue

	2019 [ZAR]	2018 [ZAR]
APS inspection services	246,681,003	223,115,397
Container services	10,113,725	8,638,100
Development services	1,136,144	904,250
Export services	105,381,964	90,071,775
Food safety certifications	4,648,654	4,403,104
Laboratory services	21,636,801	18,370,534
Orchard and phytosanitary services	18,131,519	13,410,727
Other services	4,168,861	3,377,688
Transformation and development services	698,519	674,026
	412,597,190	362,965,601

13. Other Income

	2019 [ZAR]	2018 [ZAR]
Sundry income	2,893,865	2,179,571

14. Investment Revenue

	2019 [ZAR]	2018 [ZAR]
Interest revenue - bank	7,247,696	4,932,022

15. Operating Expenses

	2019 [ZAR]	2018 [ZAR]
Accommodation office	12,718,479	12,887,295
Administration expenses	9,025,944	6,749,975
Auditors remuneration	735,189	554,350
Bad debt expense	15,943	111,967
Board members' emoluments	1,025,690	1,063,996
Computer expenses	17,503,178	15,043,532
Consultants	715,569	946,409
Corporate identity	2,488,827	2,643,428
Courier samples	922,876	955,749
Depreciation	4,284,565	5,370,859
Insurance	395,468	356,853
Legal fees	313,298	183,140
Loss on disposal of assets	130,743	140,546
Meetings and workshops	5,511,729	4,116,323
Subsistence and accommodation	20,856,620	17,519,997
Technical equipment, labels	9,488,330	8,349,797
Training	7,956,744	4,815,591
Transformation & corporate social investment	844,218	-
Travel administrative	2,734,263	1,847,765
Travel operational	11,712,391	11,266,060
Travel overseas	778,858	949,801
Wasteful expenditure	387,851	73,301
	110,546,773	95,946,734

16. Employee Compensation and Benefits

	2019 [ZAR]	2018 [ZAR]
Salaries and wages	266,415,206	234,814,472
Defined contribution costs - retirement fund	20,226,281	18,338,079
	286,641,487	253,152,551

REMUNERATION OF CHIEF EXECUTIVE OFFICER

Annual Remuneration	2,080,618	1,928,992
Car Allowance	9,600	9,600
Performance Incentive	195,270	-
Contributions to Medical, Pension & Provident Funds	572,170	473,128
	2,857,658	2,411,720

REMUNERATION OF CHIEF FINANCIAL OFFICER

Annual Remuneration	1,833,846	1,720,465
Car Allowance	48,000	48,000
Performance Incentive	140,265	-
Contributions to Medical, Pension & Provident Funds	554,636	516,499
	2,576,747	2,284,964

17. Finance Costs

	2019 [ZAR]	2018 [ZAR]
Finance charges	1,217	1,189

18. Cash Generated from Operations

	2019 [ZAR]	2018 [ZAR]
Surplus	25,549,274	20,976,720
Adjustments for:		
Movements in operating lease assets and accruals	(343,607)	99,755
Movements in provisions	2,067,486	11,151,259
Depreciation	4,284,565	5,370,859
Changes in working capital:		
Trade and other receivables	(931,119)	(5,679,606)
Trade and other payables	7,646,155	4,073,409
	38,272,754	35,992,396

19. Auditors' Remuneration

	2019 [ZAR]	2018 [ZAR]
Professional fees	735,189	554,350

20. Taxation

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

21. Board Members' Emoluments

	2019 [ZAR]	2018 [ZAR]
Ms JM Atwood-Palm	106,393	116,911
Mr CG Garrett	108,389	97,377
Mr KB Katoo	93,177	97,674
Mr AJ Kruger	93,177	87,907
Dr JM Mashaba	133,862	145,687
Mr AG Petersen	202,664	239,250
Ms E Scholtz	114,661	110,744
Mr AM Shipalana	72,471	80,539
Ms M Slabber	100,897	87,907
	1,025,691	1,063,996

Mr RM Ramasodi is appointed as the Ministerial Representative for the Department of Agriculture, Forestry and Fisheries. He does not receive Board members' emoluments from the PPECB.

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 R6,254,270 (2018: R15,115,944) to companies on which some of the members of the Board serve. The outstanding debtors balances of these companies totaled R712,723 (2018: R1,574,665).

RELATED PARTY BALANCES

Board members

	2019 [ZAR]	2018 [ZAR]
Mr CG Garrett - Bertie Van Zyl (Pty) Ltd	328,123	222,651
Mr AG Petersen - Capespan South Africa (Pty) Ltd	380,822	501,541
Mr AG Petersen - Contour Logistics (Pty) Ltd*	-	821,142
Mr AM Shipalana - In X-Freight (Pty) Ltd	3,778	28,003
Mr AM Shipalana - Visko Sea Products (Pty) Ltd	-	1,328
	712,723	1,574,665

*Contour Logistics (Pty) Ltd was unbundled from Capespan South Africa (Pty) Ltd. Board member: Mr AG Petersen did not have a related party relationship with Contour Logistics (Pty) Ltd as at 31 March 2019.

Department of Agriculture, Forestry and Fisheries

	2019 [ZAR]	2018 [ZAR]
Orchard and phytosanitary services programme	292,253	1,802
Laboratory analysis & diagnostics programme	(132,428)	(10,455)
	159,825	(8,653)

RELATED PARTY TRANSACTIONS

Board members

	2019 [ZAR]	2018 [ZAR]
Mr CG Garrett - Bertie Van Zyl (Pty) Ltd	950,744	622,685
Mr AJ Kruger - Fresh Produce Exporters Forum	97,750	-
Dr JM Mashaba - Fresh Produce Exporters Forum	97,750	-
Mr AG Petersen - Capespan South Africa (Pty) Ltd	4,865,577	4,665,676
Mr AG Petersen - Contour Logistics (Pty) Ltd	-	9,660,604
Mr AM Shipalana - In X-Freight (Pty) Ltd	210,111	138,376
Mr AM Shipalana - Visko Sea Products (Pty) Ltd	21,267	17,197
Ms M Slabber - Hexrivier Sitrus (Edms) Bpk	11,071	11,406
	6,254,270	15,115,944

Department of Agriculture, Forestry and Fisheries

	2019 [ZAR]	2018 [ZAR]
Agri-Export Technologist Programme	585,000	600,000
Joint Venture - Transformation and Development (refer note 25)	500,000	500,000
	1,085,000	1,100,000

23. Fruitless and Wasteful Expenditure

	2019 [ZAR]	2018 [ZAR]
Changes in travel arrangements	887	9,112
Irrecoverable personnel costs (dismissed employee)	14,879	-
Inaccurate employee records (spousal life cover)	372,085	-
Charges for late payments to creditors	-	55
Inaccurate creditor and employee payments	-	64,134
	387,851	73,301

24. Operating Lease Liability

	2019 [ZAR]	2018 [ZAR]
Operating lease liability	2,036,240	2,379,847

The entity's obligations under operating leases are secured by the lessor's charge over the leased assets.

Refer note 25.

25. Commitments

Operating leases - as lessee (expense)

	2019 [ZAR]	2018 [ZAR]
Minimum lease payments due		
- within one year	3,477,762	4,658,019
- in second to fifth year inclusive	4,664,856	8,514,684
- later than five years	-	916,356
	8,142,618	14,089,059

Joint Venture - Department of Agriculture, Forestry and Fisheries

	2019 [ZAR]	2018 [ZAR]
Training and Development Programme	500,000	500,000
	500,000	500,000

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 R4,711,633. The Department of Agriculture, Forestry and Fisheries further committed to annual payments of R500,000 up until June 2020.

26. Change in Estimate

PROPERTY, PLANT AND EQUIPMENT

In the current period, management revised the estimates of certain property, plant and equipment.

The useful life of furniture was estimated to be an average of six (6) years and certain computer equipment was estimated to be an average of four (4) years. In the current period, the useful life of furniture was revised to 20 years and certain of the computer equipment to three (3) years.

The effect of this revision has decreased the depreciation charges of furniture with R376,207 and increased the depreciation charges of computer equipment with R311,532. The net effect on depreciation was a decrease of R64,657.

27. Irregular Expenditure

	2019 [ZAR]	2018 [ZAR]
Opening balance	544,652	83,683
Condoned during the year (1)	(544,652)	(83,683)
Deviation on minimum threshold for local content (2)	-	512,402
Deviation of three-quote procurement process (3)	-	32,250
	-	544,652

- (1) The Board condoned the prior year's irregular expenditure on 31 May 2018.
- (2) During the prior financial year, a bidder (with a declaration of local content of 75%) was awarded a contract. As per the National Treasury Guidelines for bids relating to textile, clothing, leather and footwear, the bidder should make use of 100% local content. No exemption letter was submitted by the bidder during the tender process. The exemption letter remained outstanding which is a deviation from Treasury Regulations.
- (3) During the prior financial year, accommodation for a training session was procured, where the three-quote procurement process was not followed. Prior approval from the CEO was not obtained, which is a deviation from Treasury Regulations.

28. Segment Information

General information

Identification of segments

The segment information report reflects the reportable segments regularly provided, reviewed and used by the Board and Executive Management 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 segment 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.

2019	STATUTORY SERVICES [ZAR]	FOOD SAFETY SERVICES [ZAR]	DEVELOPMENT SERVICES [ZAR]	CORPORATE SERVICES [ZAR]	TOTAL [ZAR]
REVENUE					
Income	387,085,226	26,215,062	2,050,663	7,387,800	422,738,751
ENTITY'S REVENUE					422,738,751
EXPENDITURE					
Employment cost	215,486,222	12,698,822	10,455,688	48,000,755	286,641,487
Activity cost	35,486,747	6,437,184	389,990	188,770	42,502,691
Administrative cost	16,107,817	3,565,752	10,053,216	38,318,514	68,045,299
TOTAL SEGMENT EXPENDITURE	267,080,786	22,701,758	20,898,894	86,508,039	397,189,477
TOTAL SEGMENTAL SURPLUS/(DEFICIT)	120,007,343	3,513,305	(18,848,232)	(79,120,237)	25,549,274
ASSETS					
Non-current assets	4,039,114	5,668,211	51,585	28,953,173	38,712,083
ASSETS PER STATEMENT OF FINANCIAL POSITION					38,712,083

2018	STATUTORY SERVICES [ZAR]	FOOD SAFETY SERVICES [ZAR]	DEVELOPMENT SERVICES [ZAR]	CORPORATE SERVICES [ZAR]	TOTAL [ZAR]
REVENUE					
Income	339,847,544	22,831,332	1,833,868	5,564,451	370,077,195
ENTITY'S REVENUE					370,077,195
EXPENDITURE					
Employment cost	199,845,372	7,205,774	6,896,291	59,328,013	273,275,450
Activity cost	30,816,511	13,279,108	2,695,384	201,527	46,992,530
Administrative cost	5,598,020	4,678,104	5,376,167	13,180,204	28,832,495
TOTAL SEGMENT EXPENDITURE	236,259,903	25,162,986	14,967,842	72,709,744	349,100,475
TOTAL SEGMENTAL SURPLUS/(DEFICIT)	103,587,641	(2,331,654)	(13,133,973)	(67,145,293)	20,976,720
ASSETS					
Non-current assets	4,042,758	5,781,304	79,965	20,375,632	30,279,659
ASSETS PER STATEMENT OF FINANCIAL POSITION					30,279,659