

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations effective in the current year

The following standards and interpretations became effective in the current year:

Standard/Interpretation:	Effective date:	Expected impact:
GRAP 20: Related Parties	1 April 2019	Unlikely to be a material impact as early adopted
GRAP 108: Statutory Receivables	1 April 2019	Unlikely to be a material impact as no statutory receivables

2.2 Standards and interpretations approved, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2020 or later periods:

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 104 (amended): Financial Instruments	Not yet effective	Unlikely to be a material impact
IGRAP 20: Accounting for Adjustments to Revenue	1 April 2019	Unlikely to be a material impact

3. Trade and other receivables

	2020 R	2019 R
Trade debtors	52 114 278	44 907 885
Sundry debtors	1 215 509	888 423
Provision for impairment of receivables	(128 402)	(18 466)
	53 201 385	45 777 842

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 2020, R 643 576 (2019: R 445 342) 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:

	2020 R	2019 R
+ 60 days after statement	643 576	445 342

Trade and other receivables impaired

At 31 March 2020, trade and other receivables of R 128 402 (2019: R18 466) 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:

	2020 R	2019 R
Less than 3 months	2 591	18 466
3 to 6 months	125 811	–
	128 402	18 466

Reconciliation of provision for impairment of trade and other receivables

	2020 R	2019 R
Opening balance	18 466	118 361
Provision for impairment	128 402	18 466
Amounts written off as uncollectible	(18 466)	(115 838)
Amounts recovered	–	(2 523)
	128 402	18 466

4. Investments

	2020 R	2019 R
ABSA	13 088 559	21 748 755
Nedbank	16 431 094	15 598 788
Standard Bank	33 548 324	42 029 442
	63 067 977	79 376 985

Investments comprise of short-term money market securities of four months or more, but do not exceed 12 months.

5. Cash and cash equivalents

	2020 R	2019 R
Cash and cash equivalents consist of:		
Cash on hand	4 192	2 487
Bank balances	13 253 478	8 435 828
Short-term deposits	22 111 618	23 763 950
	35 369 288	32 202 265

The effective interest rate is between 4.850% and 7.800%.

A Standard Bank guarantee was issued to Branvest Close Corporation, in terms of the Montague Gardens office rental agreement, amounting to R112 020 (2019: R112 020).

6. Property, plant and equipment

	2020			2019		
	Cost/Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R	Cost/ Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R
Land and buildings	23 850 000	(296 479)	23 553 521	23 850 000	–	23 850 000
Furniture and fixtures	5 403 031	(2 826 971)	2 576 060	4 955 974	(2 867 601)	2 088 373
Motor vehicles	212 281	(212 279)	2	212 281	(212 279)	2
IT equipment	29 757 151	(19 956 576)	9 800 575	33 944 704	(21 170 997)	12 773 707
Total	59 222 463	(23 292 305)	35 930 158	62 962 959	(24 250 877)	38 712 082

Reconciliation of property, plant and equipment – 2020

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Land and buildings	23 850 000	–	–	(296 479)	23 553 521
Furniture and fixtures	2 088 373	659 726	(32 368)	(139 671)	2 576 060
Motor vehicles	2	–	–	–	2
IT equipment	12 773 707	937 993	(645 594)	(3 265 531)	9 800 575
	38 712 082	1 597 719	(677 962)	(3 701 681)	35 930 158

Reconciliation of property, plant and equipment – 2019

	Opening balance R	Additions R	Disposals R	Revaluations R	Depreciation R	Total R
Land and buildings	16 989 651	3 226 099	–	3 634 250	–	23 850 000
Furniture and fixtures	1 559 861	684 667	(45 693)	–	(110 462)	2 088 373
Motor vehicles	10 143	–	–	–	(10 141)	2
IT equipment	11 720 004	5 261 727	(44 062)	–	(4 163 962)	12 773 707
	30 279 659	9 172 493	(89 755)	3 634 250	(4 284 565)	38 712 082

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.

7. Operating lease liability

	2020 R	2019 R
Operating lease liability	1 603 898	2 036 240

The entity's obligations under operating leases are secured by the lessor's charge over the leased assets. Refer to note on Commitments.

8. Trade and other payables

	2020 R	2019 R
Accrued expenses	1 960 396	1 977 360
Accrued leave pay	16 842 495	14 589 728
Agricultural product samples	223 781	132 910
Deposits received	7 588 250	6 455 288
Payroll control accounts	6 770 871	3 409 654
Provision for audit fees	432 957	560 742
South African Maritime Safety Authority services	885 438	1 598 524
Trade payables	18 450 689	15 764 078
	53 154 877	44 488 284

9. Provisions

Reconciliation of provisions – 2020

	Opening balance R	Additions R	Utilised during the year R	Total R
Provision for performance incentive	12 956 629	–	(12 956 629)	–
Long service award	1 213 986	940 025	–	2 154 011
	14 170 615	940 025	(12 956 629)	2 154 011

Reconciliation of provisions – 2019

	Opening balance R	Additions R	Utilised during the year R	Total R
Provision for performance incentive	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

The performance bonus pay-out is subject to approval by the Board, as per the approved performance incentive policy.

All permanent employees appointed prior to 1997, may become entitled to a long service award upon completion of 20, 30 or 40 years' service.

10. Asset replacement fund

	2020 R	2019 R
Opening balance	24 360 000	18 055 000
Transfer from reserve fund	1 640 000	6 305 000
	26 000 000	24 360 000

11. Self-insurance reserve

	2020 R	2019 R
Opening balance	12 164 000	6 531 000
Transfer from reserve fund	366 000	5 633 000
	12 530 000	12 164 000

12. Revenue

	2020 R	2019 R
AETP and internal development services	579 666	1 136 144
APS inspection services	247 885 376	246 681 002
Container services	10 664 034	10 113 725
Export services	111 320 961	105 381 964
Food safety certifications	6 412 413	4 648 654
Laboratory services	18 331 113	21 636 801
Orchard and phytosanitary services	20 399 941	18 131 519
Sea services	4 350 813	4 168 861
Transformation and development services	671 561	698 520
	420 615 878	412 597 190

13. Other income

	2020 R	2019 R
Information delivery services and other income	3 743 030	2 893 865

14. Investment revenue

	2020 R	2019 R
Interest revenue – bank	7 100 191	7 247 696

15. Operating expenses

	2020 R	2019 R
Accommodation office	13 506 536	12 718 479
Administration expenses	8 773 566	9 025 944
Auditor's remuneration	622 715	735 189
Bad debt expense	317 911	15 943
Board members' emoluments	1 734 997	1 025 691
Computer expenses	25 190 611	17 503 178
Consultants	2 300 701	715 569
Corporate identity	2 920 074	2 488 827
Courier samples	1 046 636	922 876
Depreciation	3 701 681	4 284 565
Insurance	437 446	395 468
Legal fees	752 412	313 298
Loss on disposals of assets	677 962	130 743
Meetings and workshops	6 849 448	5 511 728
Subsistence and accommodation	22 970 384	20 856 620
Technical equipment labels	9 964 355	9 488 330
Training	12 062 151	7 956 743
Transformation and corporate social investment	214 600	844 218
Travel – local	14 783 615	14 446 655
Travel – overseas	687 638	778 857
Wasteful expenditure	35 788	387 851
	129 551 227	110 546 772

16. Employee compensation and benefits

	2020 R	2019 R
Salaries and wages	284 649 737	266 415 207
Defined contribution costs – retirement fund	21 967 678	20 226 281
	306 617 415	286 641 488

17. Finance Costs

	2020 R	2019 R
Finance costs	5 583	1 217

18. Cash (used in) generated from operations

	2020 R	2019 R
(Deficit) surplus	(4 715 126)	25 549 274
Adjustments for:		
Movements in operating lease assets	(432 342)	(343 607)
Movements in provisions	(12 016 604)	2 067 486
Depreciation	3 701 681	4 284 565
Changes in working capital:		
Inventories	(2 892)	–
Trade and other receivables	(7 423 543)	(931 119)
Trade and other payables	8 666 593	7 646 155
	(12 222 233)	38 272 754

19. Auditor's remuneration

	2020 R	2019 R
Professional fees	622 715	735 189

20. Taxation

In terms of the Income Tax Act (Act 58 of 1962), the PPECB is not subject to taxation. No provision was made for income tax.

21. Commitments

Operating leases – as lessee (expense)

	2020 R	2019 R
Minimum lease payments due:		
– within one year	4 544 644	3 477 762
– in second to fifth year inclusive	4 392 766	4 664 856
– later than five years	216 516	–
	9 153 926	8 142 618

Operating lease payments represent rentals payable by the entity for certain of its office properties.

Joint Venture – Department of Agriculture, Forestry and Fisheries (DAFF), now DALRRD

	2020 R	2019 R
Training and Development Programme	500 000	500 000

During 2014, the PPECB entered into a Joint Venture agreement with the Department of Agriculture, Forestry and Fisheries (DAFF), now DALRRD, 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 received R4 711 633. DAFF (now DALRRD) further committed to annual payments of R500 000 up until June 2020.

22. Related parties

The PPECB has related party relationships with DAFF (now DALRRD), members of the Board and the Management Committee. DAFF (now DALRRD) has significant influence. Services delivered to related parties are on terms of business normally prevailing with third parties.

The PPECB rendered services of R5 640 040 (2019: R6 254 270) to companies on which some of the members of the Board serve. The outstanding debtors balances of these companies totalled R829 657 (2019: R712 723).

Related party balances

Board members	2020 R	2019 R
Mr CG Garrett – Bertie van Zyl (Pty) Ltd	2 979	328 123
Mr AG Petersen – Capespan South Africa (Pty) Ltd*	553 991	380 822
Mr AM Shipalana – In X-Freight (Pty) Ltd*	14 594	3 778
Dr M van Eeden – Rhodes Food Group (Pty) Ltd	258 093	–
	829 657	712 723
Department of Agriculture, Forestry and Fisheries (DAFF), now DALRRD	2020 R	2019 R
Orchard and phytosanitary services programme	603 947	292 253
Laboratory analysis and diagnostics programme	(166 809)	(132 428)
Inter-departmental Training and Capacitation Initiative (Kimberley)	252 425	–
Inter-departmental Training and Capacitation Initiative (Eastern Cape)	1 700 000	–
	2 389 563	159 825

Related party transactions

Board members	2020 R	2019 R
Mr CG Garrett – Bertie van Zyl (Pty) Ltd	351 840	950 744
Mr AJ Kruger – Fresh Produce Exporters Forum*	97 750	97 750
Dr JM Mashaba – Fresh Produce Exporters Forum*	97 750	97 750
Mr AG Petersen – Capespan South Africa (Pty) Ltd*	3 776 744	4 865 577
Mr AM Shipalana – In X-Freight (Pty) Ltd*	152 206	210 111
Mr AM Shipalana – Visko Sea Products (Pty) Ltd*	9 585	21 267
Ms M Slabber – Hexrivier Sitrus (Edms) Bpk	17 621	11 071
Dr M van Eeden – Rhodes Food Group (Pty) Ltd	1 136 544	–
	5 640 040	6 254 270
Department of Agriculture, Forestry and Fisheries (DAFF), now DALRRD	2020 R	2019 R
Agri-Export Technologist Programme	–	585 000
Joint Venture – Transformation and Development	500 000	500 000
Inter-departmental Training and Capacitation Initiative (Kimberley)	252 425	–
Inter-departmental Training and Capacitation Initiative (Eastern Cape)	1 700 000	–
	2 452 425	1 085 000

* Board member until 31 January 2020.

22. Related parties (continued)

Remuneration of management

Management class: Board members

2020

Name	Fees for services as Board member R	Total R
Ms JM Atwood-Palm	121 221	121 221
Mr W Bam	21 534	21 534
Mr CG Garrett	109 549	109 549
Mr KB Katoo	108 306	108 306
Ms M Kotzé	21 534	21 534
Mr AJ Kruger	103 328	103 328
Dr JM Mashaba	165 857	165 857
Mr AG Petersen	305 914	305 914
Dr C Nkuna	26 767	26 767
Mr RM Ramasodi*	–	–
Ms E Scholtz	110 454	110 454
Mr AM Shipalana	100 719	100 719
Ms K Sinclair	21 534	21 534
Ms M Slabber	126 770	126 770
Dr M van Eeden	21 534	21 534
	1 365 021	1 365 021

2019

Name	Fees for services as Board member R	Total R
Ms JM Atwood-Palm	106 393	106 393
Mr CG Garrett	108 389	108 389
Mr KB Katoo	93 177	93 177
Mr AJ Kruger	93 177	93 177
Dr JM Mashaba	133 862	133 862
Mr AG Petersen	202 664	202 664
Mr RM Ramasodi*	–	–
Ms E Scholtz	114 661	114 661
Mr AM Shipalana	72 471	72 471
Ms M Slabber	100 897	100 897
	1 025 691	1 025 691

* Mr RM Ramasodi is appointed as the Ministerial Representative and is employed by the Department of Agriculture, Forestry and Fisheries (DAFF), now DALRRD. He therefore does not receive Board member's emoluments from the PPECB.

Management class: Executive management
2020

Name	Basic salary R	Performance incentive R	Travel allowance R	Contribution to medical and provident funds R	Total R
Chief Executive Officer	2 083 270	368 957	9 600	416 654	2 878 481
Chief Financial Officer	1 825 877	338 263	48 000	428 256	2 640 396
	3 909 147	707 220	57 600	844 910	5 518 877

2019

Name	Basic salary R	Performance incentive R	Travel allowance R	Contribution to medical, pension and provident funds R	Total R
Chief Executive Officer	2 080 618	195 270	9 600	572 170	2 857 658
Chief Financial Officer	1 833 846	140 265	48 000	554 636	2 576 747
	3 914 464	335 535	57 600	1 126 806	5 434 405

23. 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; and
- 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, 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 balance 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 balances of the financial institutions in which the Board held deposits at statement of financial position date:

Financial institutions

	2020 R	2019 R
ABSA	18 751 244	24 861 823
First National Bank	5 773 177	5 438 166
Nedbank	21 357 555	19 087 966
Standard Bank	52 551 097	62 188 809
	98 433 073	111 576 764

23. Risk management (continued)

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:

Dispersion	2020	2019
Citrus	38%	37%
Grapes	27%	20%
Pome	13%	12%
Maize	5%	11%
Vegetables	5%	3%
Other products	4%	6%
Stone	4%	5%
Sub-tropical	2%	3%
Flowers	1%	2%
Canned products	1%	1%
	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 (DAFF), now DALRRD.

24. Fruitless and wasteful expenditure

	2020 R	2019 R
Opening balance as previously reported	387 851	–
Changes in travel arrangements	–	887
Irrecoverable personnel costs (dismissed employee)	–	14 879
Inaccurate employee records (spousal life cover)	–	372 085
Irrecoverable personnel costs (abscondment of employee)	2 193	–
Opening balance as restated	390 044	387 851
Less: Amount written off – prior period	(387 851)	–
Closing balance	2 193	387 851

An employee absconded and did not return the PPECB's laptop which was in his possession. The book value of the laptop amounted to R7 625. An amount of R5 432 was deducted from the employee's available leave pay. The balance of R2 193 was irrecoverable.

25. Irregular expenditure

	2020 R	2019 R
Opening balance as previously reported	—	544 652
Opening balance as restated	—	544 652
Deviation of 3-quote procurement process ⁽¹⁾	16 100	—
Deviation of 3-quote procurement process ⁽²⁾	15 750	—
Deviation of 3-quote procurement process ⁽³⁾	1 745	—
Deviation of prescribed competitive tender bid process ⁽⁴⁾	1 500 000	—
Condoned during the year ⁽⁵⁾	—	(544 652)
Closing balance	1 533 595	—

- (1) During the current financial year, human resource services were procured, where the 3-quote procurement process was not followed. Prior approval from the CEO was not obtained, which is a deviation from Treasury Regulations.
- (2) During the current financial year, garden services were procured, where the 3-quote procurement process was not followed. Prior approval from the CEO was not obtained, which is a deviation from Treasury Regulations.
- (3) During the current financial year, accommodation for an urgent training session was procured, where the 3-quote procurement process was not followed. Prior approval from the CEO was not obtained, which is a deviation from Treasury Regulations.
- (4) During March 2019, the PPECB deviated from the prescribed competitive tender bid process in order to take timely advantage of the purchase of second-hand technical equipment. The PPECB entered into direct negotiations with the seller, Scicorp Laboratories, with the approval of the CEO. The expedited purchase of the second-hand technical equipment for the PPECB's laboratory was believed necessary to improve the capabilities of the laboratory. A request for condonation was submitted to the National Treasury on 5 April 2019. On 20 September 2019, National Treasury advised that the irregular expenditure was not condoned.
- (5) The Board condoned the irregular expenditure on 31 May 2018.

