

CHIEF FINANCIAL OFFICER'S REPORT



Facing a myriad of disruptors, which included political unrest, logistical challenges, poor weather conditions in some areas of South Africa, and the necessity to enable business-critical features within the digital transformation sphere with unparalleled swiftness, I am pleased to report that the PPECB exhibited continued financial discipline and a keen focus on its strategic projects - the implementation of an Enterprise Resource Planning (ERP) and improvement of the electronic inspection platform TITAN 2.0®.

While responding to disruptors and digitalisation is critical, management recognised that minimal interruption to service delivery for our customers is equally essential, combined with managing costs responsibly. As such, I am pleased to report that the PPECB ended the financial year attaining a 90% organisational customer satisfaction index and recording a solid financial and cash flow position and a substantial surplus of R35.4 million.

I am honoured to submit the audited annual financial statements for the financial year ended 31 March 2022 and report that the PPECB has once again received an unqualified audit opinion for the year under review.

JOHAN SCHWIEBUS
Chief Financial Officer

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 MARCH 2022:

- A significant R35.4 million surplus was generated for accumulation in the general reserve fund, with a total income of R562.5 million and a total expenditure of R527.1 million reported;
- R110.4 million in investments was attributed to free cash flow;
- Favourable working capital of R144.1 million enables the PPECB to meet financial obligations when they fall due;
- Trade and other receivables of R76.0 million have an average collection period of 50 days, with bad debts of less than 1%;
- Property, plant, and equipment has a book value of R46.1 million. Computer equipment of R5.2 million (mainly laptops and tablets) was acquired to support the execution of the digital transformation strategy;
- Revenue realisation of R553.8 million is a 16% augmentation on the prior year due to exceptional citrus and maize volume exports. Barring avocados, mangoes and litchis, all major products exported exceeded budget expectations;
- Operating expenses of R527.0 million reflect a R62.8 million increase on the prior year and a R5.3 million improvement on the budget;
- COVID-19 expenditure of R2.1 million relates to spending on Personal Protective Equipment (PPE) for employees, routine sanitisation of offices, employee care packs and Corporate Social Investment (CSI);
- Computer expenses of R39.5 million, a significant R18.5 million increase against the prior year, were necessary for the digital transformation strategy;
- The initiation of the ERP system resulted in spend of R8.8 million on implementation costs;
- Cloud Service Provider spend of R13.9 million and Software-Defined Wide Area Network (SD-WAN) costs of R7.3 million were incurred; and
- A R2.0 million provision was made for three potential Cold Chain customer claims pending at year-end.

R5.3m

**IMPROVEMENT
ON EXPENDITURE
BUDGET**

**BAD DEBT
LESS THAN**

1%

**OF TOTAL REVENUE
OF R553.8M**

R2.1m

**SPEND ON PPE,
SANITISATION,
EMPLOYEE CARE
PACKS & CSI**

SUMMARY FINANCIAL PERFORMANCE	Mar-22 R '000	Mar-21 R '000	Index %	B2022 R '000
INCOME	562,454	487,615	115%	506,446
TOTAL EXPENDITURE	(510,237)	(447,733)	(114%)	(520,608)
Direct activity expenditure	(280,366)	(263,298)	(106%)	(279,540)
Indirect (administrative) activity expenditure	(229,871)	(184,435)	(125%)	(241,068)
SURPLUS/(DEFICIT)	52,217	39,882	131%	(14,162)
Performance incentive	(16,779)	(16,500)	(1.02%)	(11,699)
SURPLUS/(DEFICIT)	35,438	23,382	152%	(25,862)

SUMMARY FINANCIAL POSITION	Mar-22 R '000	Mar-21 R '000	F21/F20 R Variance	F21/F20 % Variance
Current assets	224,747	189,977	34,770	18%
Property, plant, and equipment	46,117	44,551	1,567	4%
TOTAL ASSETS	270,864	234,528	36,336	15%
Current liabilities	81,672	80,487	1,185	1%
RESERVES	189,192	154,041	35,151	23%

INTROSPECTION ON THE YEAR PAST AND FISCAL 2023 FUTURE OUTLOOK

As a national public entity, the PPECB's challenge is to balance stakeholder expectations with committed internal project funding, the Public Finance Management Act (PFMA) and the PPECB's limited funding reserves.

The resilience of the agricultural industry, the entity and its employees ensured that it successfully navigated a challenging year and upheld its intent of continued successful delivery on its mandates and improved efficiencies.

Supply Chain Management (SCM) controls and processes in place continued to be strengthened. The PPECB recognises the need to focus on internal controls related to enhancing contract management, limiting irregular and wasteful expenditure and improving sound asset management. Therefore, this will be given precedence in the 2022/2023 financial year.

Business capacity to balance current requirements operationally, digitally, and financially with future needs remain top of mind. The implementation of the ERP and further developments to the PPECB's electronic inspection platform TITAN 2.0® for Cold Chain services are in progress for the year ahead. These will require considerable capital expenditure, which will be funded from the general reserve fund to mitigate reliance on excessive statutory fee increases.

The PPECB's commitment to supporting the perishable products export industry remains steadfast and embedded in its strategic objectives and encompasses the expectations of the PPECB's valued stakeholders. The development of digital transformation will increase efficiency and integrated stakeholder collaboration and lead to a real-time flow of information that adds value to the export certification process. Furthermore, it displays the PPECB's responsibility to the transformation and development of black smallholder farmers and suppliers.

In the year ahead, with the implementation of the ERP, the PPECB endeavours to demonstrate its agility in a changing environment by transforming and enhancing the way it operates while maintaining financial discipline and good governance.

ACKNOWLEDGEMENTS

I would like to sincerely thank the PPECB Board for their leadership and support over the past year. Their collective experience, industry knowledge and insights are invaluable to the PPECB in supporting its strategic objectives.

I want to acknowledge Lucien Jansen and my fellow executives for their headship and commitment to bringing the PPECB's strategy to reality by reinforcing its vision, promoting customer centricity, enhancing technology, encouraging the development of people, and promoting the improvement of systems.

I wish to express my deep gratitude to my finance team, who consistently demonstrate characteristics of transparency, accountability, and financial stewardship. I am incredibly proud of your passion and dedication during a challenging year.

A profound thank you to all employees who continue to be committed to our purpose of ensuring product integrity.