

ANNUAL REPORT

Perishable Products Export Control Board

05-06



PPECB



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General and Other Information

Submission of the annual report to the executive authority

In terms of the **Public Finance Management Act, No 1 of 1999**, and the **Perishable Products Export Control Act 9 of 1983**, this report is for submission to the honourable Minister for Agriculture and Land Affairs.

Applicable Acts and other information

The Perishable Products Export Control Board is a statutory organisation, which conducts its business in terms of the **Perishable Products Export Control Act (No. 9 of 1983)**.

PPECB was established in June 1926 through the promulgation of the “Wet op Reëling van Uitvoer van Bederfbare Produkte” by Parliament. In its early years, export products under the control of the Perishable Product Export Control Board (PPECB) comprised mainly of deciduous and citrus fruit. The product range soon expanded to include fish, meat, flora and other perishable products. Today, there are over two hundred product types that are exported under its control.

PPECB also operates as an assignee for the Department of Agriculture under the requirements of the **Agricultural Product Standards Act (No. 119 of 1990)**.

PPECB is a listed Schedule 3A entity, and conducts its financial business in terms of the **Public Finance Management Act, No 1 of 1999**.

Legal entity



The purpose of the PPECB Act is to provide for the control of perishable products intended for export from the Republic of South Africa and for matters connected therewith.

The Perishable Products Export Control Board, established in terms of the Perishable Products Export Control Act, 1926 (Act 53 of 1926), shall, notwithstanding the repeal of that Act by Act No 9 of 1983, continue to exist and to be a juristic person.

Object of the board (PPECB Act)

The object of the board shall be to bring about the orderly and efficient export of perishable products from the Republic of South Africa.

Constitution of the board

The PPECB Act stipulates that:

“The board shall consist of the following members, to be appointed by the Minister, namely-

- (a) six persons, of whom each shall represent one of the six largest export groups, determined on the basis of average annual export volume, as ascertained by the board, over the consecutive five years immediately preceding the year in which each such person is appointed a member;*
- (b) one additional person to represent each export group of which the average annual export volume, so ascertained, exceeds 20 per cent of the total annual export volume, so ascertained, of all perishable products;*
- (c) one person nominated by the South African Agricultural Union to represent exporters not represented in terms of paragraph (a) or (b); and*
- (d) one person designated by the Minister”.*

Accordingly, the following persons served as Board members as at 31 March 2006:

ANTON J DU PREEZ (53)

Representing the Deciduous Fruit Industry



Anton was elected as PPECB Chairperson during 2003 after serving as Vice-Chairperson since 2000. He is currently Managing Director of Anlin Shipping (Pty) Ltd and Executive Chairman of Vinolentia (Pty) Ltd and Vredeloof (Pty) Ltd. Previously, he held senior managerial positions at Unifruco where he served as Chief Executive until 1997.

(NINO) G G BURELLI (50)

Representing the Subtropical Fruit Industry



Nino, who was PPECB's Chairman from 2000 to 2003, is Chief Executive of Katopé International; a multinational importer and exporter of fresh produce. It has offices, processing units and production units in Southern and Western Africa, South America, Japan, the UK and the EU. Nino lives in the Tzaneen area and is director of several other companies.

NJABULO Z NDULI (46)

Ministerial Representative



Njabulo is currently Deputy Director General: Agricultural Production & Resource Management at the Department of Agriculture. Her responsibilities include co-ordination of policies, programmes and legislation relating to national regulatory services, agricultural production and sustainable use of natural resources. She is also the current President of the Forum for Agricultural Research in Africa (FARAA). She was previously the Provincial Technical Coordinator at the ARC (Pietermaritzburg) and was also head of Department / Lecturer at the Technikon Mangosuthu, after spending time in the UK as research officer.

EBEN RADEMEYER (54)

Secundus for Ministerial Representative



Eben works in the Department of Agriculture and has some 30 years service in government occupying various management positions in the technical/operational environment. He was recently

appointed as assistant director-general of the sub-program Plant Health and Inspection Services.

ANDILE M HAWES (49)

Representing the Citrus Industry



Andile (Max) has been elected as PPECB's Vice-Chairperson, and is a Board member of the Agricultural Research Council and a member of the Nkomazi Economic Development Task Team. He is currently Transformation Manager at the CGA (Citrus Growers Association) in Durban. Andile has previously also served as PPECB director, representing the citrus industry.

CHARLES A ATKINS (64)

Representing the Fishing Industry



Charles has recently retired as Director of the Seafoods Division at Irvin & Johnson Limited after 29 years with the Company. He has extensive experience in the trawling, procurement, processing, marketing and distribution of all kinds of seafoods as well as fish-meal. He was Chairman of the S.A. Deep Sea Trawling Industry Association for many years, and served as PPECB Board member for the fishing industry for over 25 years. He was Vice-Chairperson of PPECB for a considerable period of time.

GERRIT BOOYENS (50)

Representing the SA Fruit Processors' Industry



Gerrit is the founding Chief Executive Officer of CSA (Southern African Citrus Co-operative). Prior to CSA, he assisted the Table Grape Producer Alliances in the Orange River, Hex and Berg river to develop the strategic framework within which producers designed, developed and implemented the organizational and institutional capacity to constructively engage and effectively participate in the export marketing of their fruit. He started his working career with the IDC and was an Executive at SA Breweries before embarking on a consulting career.

ERIKA OBERHOLZER (41)

Representing the Vegetable Industry



Erika is currently Managing Director of Pico-Gro, a propagation nursery specialising in propagating young plants for the Cut Flower and Essential oil industries in South Africa. She previously held a position at the ARC and briefly joined forces with Gold Fields Mining. Currently, she is involved in the planning and establishment of farming projects with emerging farmers in various locations in the country, as well as playing a leading role in the growth of SA Veg, the body established to consolidate and build capacity in the South African vegetable industry.

DELENA P ENGELBRECHT (41)

Representing the Deciduous Fruit Industry



Delena started her career at the Deciduous Fruit Board in 1984 and advanced to Distribution Manager before leaving to become Logistics Manager at Dole South Africa in 1999. She then joined GoReefers South Africa as Managing Director, which she started together with a European partner to provide a full logistical service from farm gate to overseas consumer for deciduous and citrus fruit ex South Africa. She is also a Director of eThekwin Cold Store in Durban, which she initiated and completed as a project together with overseas investors and South African exporters.

COLIN I PAINTER (46)

Representing the Citrus Fruit Industry



Colin joined the family business Riverside Enterprises Pty Ltd in 1985. Riverside is a grower packer exporter in Fort Beaufort, in the Eastern Cape midlands. Since deregulation, he has been involved with direct exports with UK multiples and is a director of Hooked on Fruit, a grower owned logistics service provider in Port Elizabeth. He has been involved with various empowerment initiatives in the Kat River Valley since 2001.

(MANIE) H P BOOYSEN (52)

Representing the Meat and Ostrich Industry



Manie held various positions in Finance, Industrial, Engineering, Operations and Logistics of various leading engineering companies before joining SAMIC as Chief Executive Officer. He currently serves on the Executive Council of the International Meat Secretariat (IMS).

(MOLEFE) S E MOKOENE (45)

Representing Organised Agriculture



Molefe's career started in 1984 as Section Manager for Rooifontein Dryland Project & Primary Co-op and later joined NAFCOOC as Agricultural Services Manager. During 1991 he joined NAFU (National African Farmers Union) as General Manager. During 1996 he joined Total SA as New Business Manager, following which he joined Ntsika where he held various positions. Currently he is the Chief Executive of NAFU.

Management

PPECB is governed and strategically directed by a Board of directors who are appointed by the Minister for Agriculture and Land Affairs on a three-year basis, and an EXCO team under leadership of the Chief Executive that works closely with the Board of directors. The board has a number of committees, namely Audit, Executive, Human Resources and ICT (information, communication and technology), that ensure the good governance of the organisation. PPECB is compliant with all related government, commercial and labour legislation.

The following persons served on the Executive Management team as at 31 March 2006:

Hubinger Neels	Chief Executive
Bruwer Dr Gerrit	Executive: Development Services
Da Gama Brigitte	Executive: Human Resources
Martin Dean	Executive: Inspection & Cold Chain Services
Olivier Hennie	Head: Secretariat
Schwiebus Johan	Executive: Finance and Information

Other Information

PPECB currently acts as an independent service provider of quality certification and cold chain management services for producers and exporters of perishable food products. PPECB's services reduce the risk of producers and exporters of these products.

PPECB controls all perishable exports from South Africa, the value of which is approximately 9 billion S.A. Rand per annum. It has an annual income of approximately 100 million S.A. Rand.

As at the end of the 2004/5 financial year, PPECB employed some 330 employees that dealt with more than 2 500 customers, 200 products and 500 product varieties. More than 50 service types are provided from more than 30 offices in 11 production regions, at more than 1 500 locations.

Customers and stakeholders include producers, producer organisations, pack-houses, manufacturers, exporters, export agents, cold store operators, transport operators, shipping lines, port authorities, port terminal operators, retailers and governments.

Purpose statement

PPECB instills confidence in food by impartially delivering Food Safety & Quality Assurance Services.

Services categories

- Product and Equipment Certification
- Systems Certification & Auditing (of Quality and Food Safety Management Systems)
- Cold Chain Management
- Laboratory Services
- Standards and Protocol Management
- Statistical Information
- Advisory Services and Training
- Export Control and Certification



Operating values

- Professional- We are skilful & respectful in approach
- Serving - We are advising, flexible, friendly and serving in attitude
- Confident - We are firm in our judgment and application
- Efficient - We are resourceful and cost conscious in decision and action
- Enjoyment - We appreciate diversity and enjoy what we do

Culture

- Service orientation
- Value & outcomes based
- Flexible & dynamic teams
- Cost conscious
- Information sharing
- Empowered
- Decision making
- Problem solving

Value proposition

Strengthening Market Access:

- Confidence in Southern African products
- Confidence in Southern African systems
- Confidence in People.

Chairman's Message

General Overview

PPECB once again experienced a year of growth, with total income increasing to almost R95 million and expenditure to R100,6 million, resulting in an operating loss of R5,6 million.

The scope of our activities increased both in complexity and scale with the continued increase in demand for services, which placed huge demands on the PPECB's manpower. We continued to seek ways to add value to export products by ensuring better quality with the assistance of our Programme Product managers, in conjunction with producers and exporters, thus enhancing the competitiveness of our products in the international market place.

During the assessment, handling, storage and transportation phases of perishable exports entrusted to PPECB, nothing is left to chance. Equipment is checked beforehand and the loading of products supervised. Temperature tolerances of less than half a degree Celsius during sea voyages are strictly applied to ensure minimum quality losses during transportation and shipment.

In order to meet the industry's demand for information and to facilitate export certification, we gave considerable attention to our information technology platform and strengthened our position by establishing a Business Intelligence unit. We anticipate that the demand for information will grow considerably over the next few years, and we intend to make this one of our special focus areas in our strategic plan.

Strategy and Legislative review

Given the volatile agricultural environment in which we operate, the competitiveness of the international markets and associated health and food safety requirements, it is necessary to review our strategies continuously. One difficulty that we have is that the PPECB Act was last revised in 1983; a time at which single channel marketing for agricultural products still existed. PPECB's role and scope of activities have changed significantly since then, and as such, it is imperative that we review the PPECB Act to embrace and reflect current and future realities.



We intend to interact closely with the DoA and to speed up this process during the rest of 2006.

Linked to this process are other aspects that require considerable focus, i.e. the development, skills transfer and capacity building of new and developing farmers. All of these require further discussion and exploration, in order to determine how best PPECB could play such a role.

Thus, we will aim our future focus on the continuation of delivering statutory services, certain ancillary services (on a user pay basis) as well as development work.

Appreciation and forward reporting

A new Board of directors is to be appointed soon. At present, I am fortunate to have the services of a group of people who, both individually and as a group, have contributed greatly to our continued success under difficult circumstances. I am very aware that everything we accomplished of significance was done standing on the shoulders of those who preceded us, and who guided us to our present position. I sincerely wish that a new Board will continue on this path.

We are convinced of the long-term growth and progress of our sector of the economy, and will pursue these ideals with vigour and purpose. However, the hard facts of life are that the international market place is subject to far greater levels of competition at virtually every level of enterprise than is generally imagined. However, PPECB has built up and maintained a reputation for impartiality, which is of considerable value to importers and exporters alike.

The PPECB Board is most grateful for the tremendous dedication of its people, often to the detriment of their own families. It is certainly true that without staff and managers with exceptional commitment, drive and initiative, PPECB would not have been able to meet customer expectations.

In therefore thank the Board members, Management and staff members for their support, loyalty and their efforts to contain cost levels. We will continue to live by our core values of helping our customers to succeed, to display a professional and respectful attitude and to act with honesty and integrity.

A handwritten signature in black ink, appearing to read 'A J du Preez'. The signature is stylized and written over a light-colored background.

A J du Preez
Chairman

Chief Executive's Review



Executive summary

Since the last report of 2005, the journey to achieve further successes and to broaden PPECB's scope of activities to the benefit of our customers continued unabated.

It cannot be denied that there have been significant changes in the environment in which PPECB operates over the last few years. Internationally for example, the requirements regarding food quality and safety have become more demanding and are focused on the consumer requirements.

PPECB is thus striving to:

- Develop customer relationships that retain loyalty of existing customers and enable new customer segments to be served effectively and efficiently;
- Introduce innovative services desired by targeted customer segments;
- Produce customised high-quality services at low cost and with short response times;
- Mobilise employee skills and motivation for continuous improvements in process capabilities, quality and response times; and
- Deploy information technology, data bases and systems.

In order to achieve this over the medium term, the strategic intent will be directed towards establishing and building more and integrated relationships with our clients on the one hand, as well as with the service providers on the other. The focus will be to build professional relationships on a basis of service level agreements (SLA's), which should enable both PPECB and our clients to explore optimum service levels, cost efficiencies and value-for-money services, over the total supply chain.

It is envisaged that partnerships and alliances would enable PPECB to develop a strong basis for sustainable service excellence, while resource planning and utilisation could be optimised and identifiable risks reduced or better managed.

People, technology and assets

I am pleased that Ms Brigitte da Gama has joined our Executive Team as full-time HR Executive during the past year, in place of an outsourcing arrangement that we had with a consultant.

Another step was to review our performance management system, through which we aimed to ensure that our employees' efforts are tied to reward, thereby enhancing the link between compensation and results.

Furthermore, we expanded our information technology and business intelligence systems, which have become the backbone of our endeavour to ensure that information is made available on time, and that the data has the integrity to support export certification.

The PPECB website was also completely revamped to offer users a fresh look, easy navigation and more information.

Finally, we are in the process of developing an electronic Balanced Scorecard system, a management tool that would primarily focus on deliverables.

The training and conference facility at Grabouw was put up for sale during the year under review, following a Board resolution to focus only on PPECB core businesses. Since the running of the Grabouw conference venue did not meet the required criteria, it was sold. PPECB's Grabouw Regional operations office is however still operating from this venue.

Portfolio Committee

Further hearings took place and PPECB also arranged for the Committee to visit PPECB. A full day was spent with Committee members on a field visit, which included pack houses, inspection points, cold stores and a call on a refrigerated ship loading perishable products.

Quality management

The investigation into PQMS (Product Quality Management System) goes back some four or five years. More recently, various study tours were undertaken to investigate an alternative approach to the current EPI (End point Inspection) method, including a visit to the USA together with delegates from the DoA and industry representatives. Generally speaking, there was a positive feeling about the PQMS concept after observing the USA model, however the RSA model, when implemented, could be different to theirs. The most important recommendation by the study group was

that all stakeholders commit themselves to the development and implementation of a Product Quality Management System that will comply to RSA criteria.

Official Food Safety

PPECB was assigned by the DoA to implement the official food safety system to ensure compliance to the South African food safety regulations and also to European Union legislation that came into effect on 1 January 2006. PPECB is in the process to implement the system in the industries and is involved at various forums regarding further development and refining the system.

Forward reporting

An official EU delegation will visit South Africa during October 2006 that will focus on all aspects of pesticide management (including MRLs), registration procedures etc. It is most important that all procedures and controls in this regard should be in place to ensure continuation of South African fruit exports. Together with the DoA, PPECB is in the process to carry out the necessary planning and actions to ensure that the EU requirements will be met.

Conclusion and appreciation

With the exception of our financial results, which reflect a deficit as a result of lower export volumes during the year under review, I am pleased with our 2005 achievements and confident that PPECB is better positioned to serve the industries that are represented on the Board. In this regard, I have been particularly impressed by the passion that our employees have for the organisation and our stakeholders. Their dedication is required to ensure that we continue to operate successfully.

At the same time, there is much more work to be done yet. Leading PPECB has been an exciting challenge, but there is still much room for expansion. I believe the real challenges will be to continue with the development of our people, to offer the services that our customers demand, to sharpen our focus on reducing costs and improving operational efficiency, and to ensure financial sustainability in the long term.

I would like to thank every PPECB employee, our clients and stakeholders for their support and effort. Furthermore, I'd like to add a special word of thanks to our Board members, who provided valuable advice and support for Management to achieve the goals we set. Finally, I wish to confirm that I am committed to continue guiding the organisation to higher goals in our pursuit of service excellence.



C J (Neels) Hubinger
Chief Executive

Operations

The Operation's department focus for 2005 was on improved service levels across all industries. In their first year after appointment, our Programme Managers engaged their respective stakeholders on operational and strategic issues facing the perishable export industry in RSA. Although somewhat new roles at PPECB, the programme concept has certainly made huge inroads in the way PPECB relates to various industries and thus engaged more meaningful in matters of mutual importance. At ground level, we supplemented our already improved skills level of our employees over the last three years with increased supervision and enhanced client contact with the full introduction of Lead Assessors (supervisors). These efforts allowed for quality service delivery, adequate trouble shooting and reduced risk for the producer.

Early season optimistic production sentiment did not result in correlated export volumes. All recorded exports were below expectations. In total, in excess of 189 million cartons of fruit was inspected (including citrus, deciduous and subtropical fruit), compared to 192 million in 2004. A further 302 million kilograms of other fruit and vegetables were inspected (366 million kilograms in 2004) the bulk of which included potatoes, onions, canned products and dried fruit. Maize and grain products exceeded expectations to the order of 1,9 million tons at year-end (31 March 2006), compared to just over 400 000 tons in 2004. A continuing trend of declining exports is evident judging from the last two years' export figures.



A significant development on the shipping front was the centralisation of the "sterilisation" activity to the Durban port. Our newest steri destination, Iran (importing deciduous and citrus fruit), came online during 2005 in which PPECB played the enabling role in terms of the protocol and standards. India and Indonesia also accepted citrus fruit from South Africa during the year. A total of 58 specialised reefer ships loaded 193 422 pallets of our main fruit types (citrus, deciduous and subtropical) under cold treatment conditions (steri) to markets in Iran, Japan and the USA. A further 37 130 pallets under cold treatment were exported in containers to various markets including Taiwan, Korea and Reunion. Conventional shipping reduced by 15% to 851 450 pallets (1 004 million in 2004). The increased demand for integral container equipment sparked a surge in cleanliness and pre-trip inspections. A 48% rise in demand was recorded, boosted by the competitive rates associated with the various modes of transportation.

The area of Research and Development proved extremely worthwhile in 2005. Trials on loading warm citrus were so successful that our protocols have been updated to include any future loadings. PPECB helped initiate forums such as the packaging and logistics forums that were established to investigate various aspects including improved package design for better airflow, port congestion and effective product flow, as well as en-route temperature management. One major project initiated in 2005 was modified airflow in containers, the results of which proved most successful in managing fluctuating temperatures and also impacted on uneven maturities. These and other initiatives were undertaken on behalf of all the industries we serve and were endorsed by the PPECB board and stakeholders concerned.

Ancillary and Development Services

QMS

During the period under review we have maintained our status of certification against ISO 9001:2000, after a number of successful regional audits by the South African Bureau of Standards (SABS). The QMS also boasts an on-line system of OFI's (Opportunities for Improvement), accessible by all staff, to raise issues which can be corrected in order to improve client service, while complying to local and international requirements.

QMS have also been involved in various projects, designed at implementing best practices, of which the Official Food Safety System (GAP), PQMS (Product Quality Management System) and ISO 17020, leading to accreditation of our assessor competency, are the most important.

Mycotoxin Analytical Programme (MAP)

The new international focus on the role of mycotoxins (toxins of moulds) in food safety, applicable international maximum limits for mycotoxins, combined with the specific reference to mycotoxins in the new food safety regulations, have been instrumental in the re-focusing of MAP as an internationally recognized mycotoxin reference laboratory during 2005. MAP is also the official assignee laboratory for the testing of mycotoxins in exported groundnuts as defined in the Agricultural Products Standards Act.

The successful external ISO 17025 SANAS audit at the end of 2005 produced zero findings, for the second consecutive annual audit - an unlikely event in the highly technically complex environment of analytical laboratories. Our service excellence guar-

antee includes that laboratory results not available in 72 hours will render the service free of charge, and that our accuracy are continuously certified by independent international proficiency testing schemes. Agricultural products that can be affected by mycotoxin contamination include inter alia:

- All fruit juices, concentrates and pulp
- All dried fruit
- Wine and alcoholic beverages
- Rooibos and honeybush tea
- Groundnuts and grains.

SA PIP

The purpose of the South African Pesticide Initiative Programme (SA PIP) is to assist farmers to maintain market access in the EU by complying with the EU food safety regulations, namely the changing levels of tolerated pesticide residues (MRL).

The Programme Management Unit of SA PIP looks back to a busy year with lots of successful results, the primary aim being to maintain this momentum.

It has been a year in the spotlight with an EU Monitoring Mission, the first external audit and the Mid-term Review undertaken at SA PIP. All reports indicate that the programme implementation is on track and the management unit operational.

The number of projects in progress has increased substantially for all aspects of the programme. The completed tasks of the programme have been planned and undertaken according to the annual work plan. First results from completed adaptive research projects and completed training and work shops have been noted. Again some activities have been undertaken at lesser costs than budgeted due to cost effective implementation.

It is still a challenge to balance the degree of information about the programme between the different intended beneficiaries and to align expectations to the actual objective and scope of SA PIP.

The two biggest budget items are the MRL trails (23 insecticides, 15 fungicides and 2 growth regulating products) and the adaptive research projects. Together more than 160 projects were in progress during 2005 for various fruits, vegetables, berries and tree nuts (more than 20 different crops).

It is a pleasure to report that the annual work plan for 2006 has been approved and this allows us to continue with even more projects for MRL work and adaptive research. It further makes provisions for a national MRL Info Desk, training in responsible pesticide handling to trainers and operators and for training aimed at emerging farmers at various levels.

The programme website was only launched last year and provides more detailed information about the programme progress (www.ppecb.com/sapip). Also see the SA PIP annual report 2005.

SA PIP: Highlights from the Emerging Farmers activities

There were a number of activities undertaken by emerging farmers:

- Two Emerging Farmer Working Group meetings were held:
 - The most important resolutions were as follows: the working group to focus on the development issues of the emerging horticulture sector,
 - SA PIP to facilitate the organization of vegetables farmers into commodity associations, to enable focused programme interventions.
- An Emerging farmer training needs analysis workshop was held at Aventura Badplaas in Mpumalanga from 26-28 February 2006. The resolutions were as follows:
 - There is a need for training, on responsible handling, through awareness workshops. The training and material needs to be customised to the needs of farmers, i.e. training material to be in a language that is understandable to the training recipients.
 - Facilitate the integration of emerging farmers into existing associations. Negotiations with existing Associations will need to be intensified. Co-ordination of activities by the affected parties e.g. NAFU, Government and Grower Associations to avoid duplication.
 - SA PIP should enter into strategic partnerships with other stakeholders to leverage support for emerging farmers.
 - The development of membership database was also highlighted as important.
 - Development of capacity of emerging farmers in terms of food safety in line with local and international market requirements.
- A call for Small Scale Farmer projects has resulted in four projects approved for co-funding with EU Funds through SA PIP.



conduct food safety audits on all registered FBO's.

The implementation includes the development of compliance checklists and criteria for the major (determined by volume) FBO's (Food Business Operators) according to the DoA (Department of Agriculture) database.

The year 2006 is regarded as the pilot audit phase. During this period audits have and will be conducted as to determine the specific risk associated to a FBO type and product. A risk profile working group has been established to formulate this.

Audit procedures are managed according to properly developed QMS (Quality Management System) principles, and auditors have been trained to conduct them. A number of awareness projects have been undertaken, which included road shows, information sessions and the development of a brochure.

Since promulgation of the legislation compliance documents have been updated continuously to ensure alignment with EU and other South African legislation. Food Safety Auditing and Scheduling software was developed and are used to ensure the management of planning, conducting and completion of the audit process.

The second objective of the programme is to ensure PPECB's compliance with the SOP (Standard Operating Procedure) for the sampling and analysis of residues of product destined for export. This SOP has been reviewed with the DoA, and the development of an electronic tracking and results-matching system is well underway.

The programme team was tasked to conduct PQMS (Product Quality Management System) pilot audits for development of an alternative system to EPI (End point inspection) towards the end of 2005. Outputs from these pilots have since been incorporated into a draft standard in consultation with the DoA. A non-conformance matrix and compliance criteria for compliance to this standard is well underway.

Programme: Food Safety

The major objective of this programme is to fulfil the PPECB mandate with regards to R707 of 15 May 2005 official food safety – to develop and



Human Resources (Organisation and People)

Human Resource Management

The last year has been a very exciting one for the human resources function within the PPECB. Within the last year, PPECB continued to transform the organization into one that is more embracing of people from different demographic groups. In addition, the Board showed its continued commitment to the development of skills by increasing the training budget. Finally, the launch of the PPECB Social Responsibility programme displayed a key commitment towards the improvement of the agricultural community.

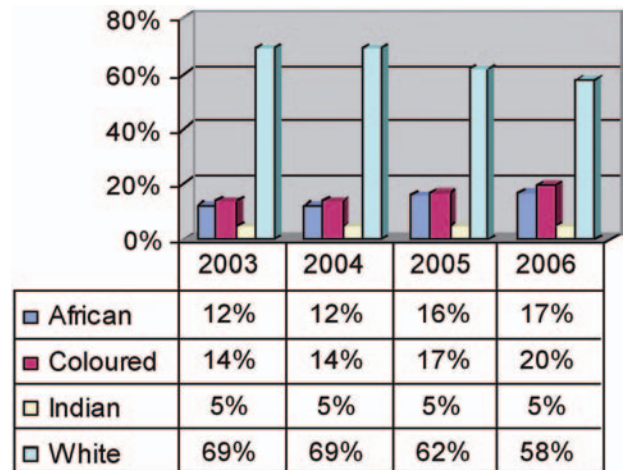
Transformation

The key objective under the category of transformation remains a need to change the staff profile. The objective here is to diversify the staff compliment into a rich tapestry that better reflects the society that we live within.

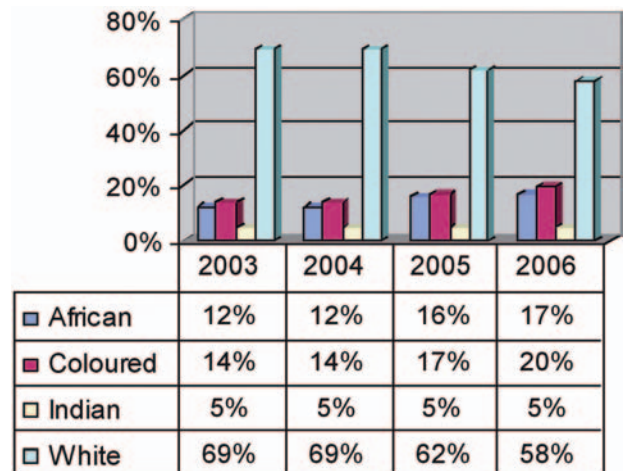
The graphs below reflect the fact that PPECB's demographics are still dominated by white employees. However, when viewed from the perspective of a four year period, the figures show that there is a decreasing trend in terms of the percentage of white employees. For instance, the percentage of white women in PPECB has decreased from 74% in 2003 to 57% in 2006. White males decreased from 69% to 58% over the same period. In contrast, the percentage coloured and African employees have showed an increasing trend since 2003.

Despite the evidence of a trend that reflects a transforming PPECB, it is clear that there is no room for complacency and that the PPECB will therefore have to continue to remain vigilant in terms of implementing and maintaining policies that ensure the continued transformation of the organisation.

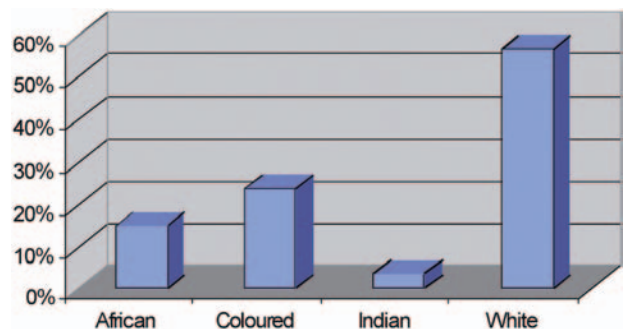
Employee Race and Gender Profile (2003 - 2006)



Comparison of Male employees over 4 year period



Comparison of Female employees over 4 year period



Race comparison 2006

PPECB Social Responsibility Programme

This year, PPECB has launched a comprehensive and exciting Social Responsibility Programme. Activities that denote a company's contribution to the broader community or society are typically placed under the label 'social responsibility'. Two philosophies underpin the PPECB Social Responsibility Programme. The first is relevance and the second is sustainability. The PPECB has decided to limit its social responsibility to activities that are relevant to the PPECB's mandate to ensure the orderly export of South Africa's perishable products and therefore assist the country to gain and maintain market access for its products.

The second philosophy underpinning the programme demands that PPECB undertake activities that lead to sustainable or long-term changes and improvements in the community. The PPECB is therefore not interested in providing fish for a day but rather in teaching communities to fish so that they may be able to take responsibility and plot their futures and in this way maintain their dignity. It is therefore no surprise that PPECB has decided to focus on the most powerful weapon at its disposal and use an educational programme as the cornerstone of its social responsibility programme. Further to this end, it is our contention that the 100 Agri Export Technologist's Programme will create a new standard for the delivery of accredited training in the industry. This R6,5 million programme will achieve the following broad objectives:

1. Develop a new accredited qualification for learners to specialize in the agri export industry;
2. Ensure that 100 unemployed or newly qualified black individuals receive on-the-job-training;
3. Graduate 100 agri export technologists with an accredited qualification with a specialization (such as citrus, grain or grapes);
4. Create an opportunity for 100 New Black Farmers to be mentored;
5. Expose individuals to innovation and cutting-edge thinking in the industry through innovation seminars;
6. Facilitate the placement of the graduates into jobs in the industry thereby assisting to transform the industry.

Although the programme will cost about R6,5 million to roll-out over three years, the bulk of the money will come from sources outside of the PPECB. To this end we have already approached numerous organizations and fundraised over R3,2 million from sources outside the PPECB, with the bulk of the money coming from a grant from the National Department of Agriculture which totals R1,8 million.

The Board agreed to carry out audits such as Eurepgap and HACCP for forty emerging black farmers at an assisted price.

Training and Development Programme

The PPECB training budget was increased by 44%, which reflects the intention of the HR Department to invest in the most important aspect of its business, namely its human capital. The key components of the PPECB Corporate Skills Development Programme are as follows:

- Leadership Development
- The Basic Training Course (to ensure that our assessors are competent)
- The curriculum development for the 100 Agri Export Technologists Programme
- Ensuring that PPECB becomes an accredited training provider; and
- Auditor training (for the implementation of PQMS and Food Safety)

Leadership development, including the preparation of tomorrow's leaders, will enjoy the lion's share of the budget. This once again underscores the fact that the PPECB will continue to ensure that committed, hard-working and bright individuals are identified under the succession planning programme.

Health and Safety

A new and important project has been the implementation of an adequate Health and Safety System. The primary objective of the Health and Safety System is to ensure that PPECB employees are working under safe working conditions and that the minimum requirements of the legislation are adhered to.

Finance



The financial results for the 12 months ended March 2006 were:

- Total income from PPECB services R94.9 million; and
- A shortfall of R5.8 million was recorded.

Financial Results

PPECB reports a operating shortfall of R5.8 million and any transfers to reserves for the 12 months ended March 2006. Lower than expected volumes of fruit, especially grapes and subtropical products, were exported. The key causes for the slow-down in exports are a relatively strong Rand and a global oversupply of products world-wide.

Transfers from income include a specific transfer of R530 000 to a self-insurance reserve and a transfer of R493 260 million to a asset replacement fund. The purpose of this fund is to finance future capital outlays in the micro toxin laboratory.

Total revenue was R94.9 million, which includes R59.1 million from inspection services (62% of total income), R20 million from sea export services (21%) and R14 million from other services (15%). Income received from investments amounted to R1.8 million (2%).

Actual expenditure before provision for depreciation was R101 million. Employment cost of R71 million represented the majority of PPECB's expenditure. Other expenditure of R30 million was operational of nature. Depreciation amounted to R1.4 million comprising mainly of the amortisation of computer and technical equipment over their expected useful lives.

No provision for taxation has been made as the board is not subject to normal tax.

Prospects

Emphasis on enhancing the capabilities of PPECB's information technology will continue to be based on value creation. This will be achieved by focusing information technology efforts on opportunities to decrease risk in the supply chain, improve PPECB's operational effectiveness and enhance the service of delivering information to the industry as a whole.

Management Reporting

There are comprehensive management reporting disciplines in place, which include the preparation of annual budgets by all area offices. Senior management approves individual operational budgets, whilst the Board reviews the organisation's budget. Monthly results and the financial status of all area offices are reported against approved budgets and compared to the prior year. Operational projections and cash flow forecasts are updated monthly whilst working capital levels are monitored on an on-going basis.

Report by the Audit Committee

Report of the PPECB Audit Committee required by Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999.

We are pleased to present our report for the financial year ended 31 March 2006.

Audit Committee Members and Attendance

Please refer to "Finance & Corporate Governance" on following pages.

Audit Committee Responsibility

The Audit committee reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, the matters of emphasis and management letter of the Auditor-General/external auditors, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported.

Accordingly, the Committee is satisfied that the internal controls and systems that were put in place functioned effectively during the year under review. The Audit Committee considers PPECB's internal controls and systems appropriate in all relevant aspects to:

- Reduce risks to an acceptable level;
- Meet the business objectives;
- Ensure that assets are adequately safeguarded;
- Ensure that transactions undertaken are recorded in the records.

Evaluation of Financial Statements

The Audit Committee has:

- Evaluated and discussed the audited annual financial statements to be included in the annual report with the external auditors;
- Reviewed the external auditors' management letter and management's response thereto;
- Reviewed and adopted changes in accounting policies and practices.

The Audit Committee concurs and accepts the external auditors' conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the external auditors.

The Audit Committee has therefore recommended the adoption of the annual financial statements by the Board of directors at their meeting held on 14 June 2006.



.....
C A Atkins
Chairperson of the
Audit Committee

01/06/06

.....
Date

Audit Committee members

Atkins Mr C A (Chairperson)
Burelli Mr G G
Mokoene Mr S E
Painter Mr C

External Auditors

PriceWaterhouseCoopers

Internal Auditors

KPMG

Corporate Governance and Risk Management



Statement on Corporate Governance

PPECB is of the view that their corporate governance policies and practices are in line with the guidelines of the PFMA, Treasury, the DoA and King II.

The PPECB Board members are elected by and are accountable to the Minister for Agriculture and Land Affairs and the industries they represent.

The Board comprises of non-executive members who are independent of management in order to protect the interests of stakeholders and operates under the leadership of an independent, non-executive chairperson.

The PPECB Board and Management endorse sound corporate governance practices, which must maintain a balance between the requirements of the PFMA, Treasury, the DoA, King II and the needs of the PPECB board and management to direct and manage the organisation's affairs effectively. A sound governance structure should also aim to cultivate a culture of corporate integrity, whilst ensuring an effective barrier against fraud, a breach of integrity and the abuse of authority. Furthermore, it should benefit the organisation's employees and the environment in which PPECB operates.

Risk management and Internal control

PPECB follows a risk assessment approach to identify existing as well as emerging micro and macro risks. This approach ensures that controls are evaluated, corrective actions introduced and that enhancements to the controls and processes are put in place.

The control measures safeguard PPECB's assets and investments and support business objectives and sustainability under normal as well as under adverse operating conditions. It also ensures that PPECB follow a responsible way of conduct towards all stakeholders by providing accurate financial results.

The internal audit function of PPECB is and independent, objective assurance and consulting activity designed to add value and to improve the operations of PPECB. The Board appointed KPMG to perform this function and they report directly to the Audit Committee to ensure independence. During the period of review, audits were conducted on completeness of income, payroll control and general financial controls which cover the major operational risks.

PPECB subscribes to the KPMG Ethics Line. This is a mechanism endorsed by management, whereby callers can report any form of unethical practice, including sexual harassment and racial discrimination, as well as fraud and corruption. No activities were reported that resulted in financial losses.

PPECB has a fraud policy in place that defines PPECB's position regarding corruption, fraud, theft and mal-administration. It also specifies the response mechanisms to report on, investigate and resolve incidences of fraud. In addition, PPECB introduced a Code of Employment Practices that incorporates Disciplinary Procedures and Code of Conduct. The Code outlines the rules, regulations, expectations and standards of performance that apply to all employees.

PPECB's control measures are continuously evaluated to protect the interests of all stakeholders and to ensure the sustainability of the business as a going concern.

Board meetings

Attendance by Board members for the year under review was as follows:

Note: • Indicates that a member was present
* Indicates a special meeting

MEMBER	23-6-05	27-9-05	9-11-05*	23-11-05	8-3-06
Du Preez Mr A J (Chairperson)	•	•	•	•	•
Atkins Mr C A	•	•	•	•	•
Hawes Mr A M (Vice Chairperson)	•	•	•	•	•
Booyens Mr G	•	•	•	•	•
Booyesen Mr H P	•	•	•	•	•
Burelli Mr G G	•	•	•	•	•
Engelbrecht Ms D	•	-	•	•	•
Mokoene S E	•	•	•	-	•
Nduli Ms N	•	-	-	-	•
Oberholzer Ms E	•	•	•	•	•
Painter Mr C	•	•	•	•	•
Rademeyer Mr E	•	•	•	•	•

Attendance of Board meetings by Board Members
(Reporting Period April 2005 - March 2006)

Board member remuneration

The per diem fees for Board and / or Committee meetings for the year under review were as follows:

DESCRIPTION	FEE PER MEETING 2005/6	QUALIFYING NOTES
Chairman of the Board	R 11 165	Acting in such capacity
Vice Chairman of Board	R 9 596	Acting in such capacity
Chairman of Committee	R 8 028	Acting in such capacity
Board and / or Committee Members	R 6 460	Acting in such capacity

Committee meetings

Attendance by Board members serving on the following Committees for the year under review was as follows:

Audit Committee

MEMBER	1-6-05	16-2-06
Atkins Mr C A (Chairperson)	•	•
Burelli Mr G G	•	•
Mokoene Mr S E	-	•
Painter Mr C	•	•

Attendance of Audit Committee meetings by Members
(Reporting period April 2005 - March 2006)

Human Resources Committee Meetings

MEMBER	22-6-05	8-11-05	15-2-06
Hawes Mr A M (Chairperson)	•	•	•
Booyens Mr G	•	•	•
Booyesen Mr H P	-	•	-
Engelbrecht Ms D	•	•	•
Oberholzer Ms E	•	•	•

Attendance of Human Resources Committee meetings by Members
(Reporting period April 2005 - March 2006)

Executive Committee Meetings

MEMBER	22-6-05	1-9-05	16-2-06
Du Preez Mr A J (Chairperson)	•	•	•
Atkins Mr C A	•	•	•
Hawes Mr A M (Vice Chairperson)	•	•	•
Booyens Mr G	•	•	•
Burelli Mr G G	•	•	•

Attendance of Executive Committee meetings by Members
(Reporting period April 2005 - March 2006)

ICT (Information, Communication & Technology) Committee Meetings

MEMBER	26-7-05	7-3-06
Booyens Mr G (Chairperson)	•	•
Engelbrecht Ms D	•	-

Attendance of Information, Communication & Technology Committee meetings by Members
(Reporting period April 2005 - March 2006)

Perishable Products Export Control Board Statement of responsibility by the Board of Directors

The board of directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and the related information. The auditors are responsible for reporting on the fair presentation of the financial statements. The financial statements presented on pages 21 to 32 have been prepared in accordance with Standards of Generally Recognised Accounting Practice and in the manner required by the Public Finance Management Act, 1999.

The board of directors are also responsible for the Board's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the board of directors to indicate that a material breakdown in the functioning of these controls, procedures and system has occurred during the year under review.

The Board of directors are aware of business conducted outside the scope of the Perishable Export Control Act 9 of 1983. These services are rendered on demand to support the industry in a time of transformation to achieve global competitiveness and are in terms of capacity building, system certification and technical advice. The services are rendered on a cost recovery basis and not to generate profits.

The financial statements have been prepared on the going concern basis, since the board of directors have every reason to believe that the Board has adequate resources in place to continue in operation for the foreseeable future.

The financial statements set out on pages 21 to 32 were approved by the board of directors on 14 June 2006 and are signed on their behalf by:



AJ du Preez
Chairman of the Board



CJ Hubinger
Chief Executive

Report of the independent auditors to the Perishable Products Export Control Board



We have audited the annual financial statements of the Board for the year ended 31 March 2006, as set out on pages 21 to 32. These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with statements of International Auditing Standards. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Board at 31 March 2006 and the result of its operations and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice in South Africa and in the manner required by the Public Finance Management Act of South Africa, 1999.

Without qualifying our opinion, as detailed in the statement of responsibility by the board of directors we draw attention to the fact that certain services rendered by the Perishable Products Export Control Board, could possibly be outside the authorised services as set out in the Perishable Products Export Control Act 9 of 1983 and Regulations issued according to the terms of section 25 and published in Government Gazette No.9211 of 4 May 1984.

Without qualifying our opinion, we draw attention to the fact that the supplementary schedules set out on page 18 do not form part of the annual financial statements and are presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

PRICEWATERHOUSECOOPERS INC
REGISTERED ACCOUNTANTS AND AUDITORS
CAPE TOWN
14 June 2006

Perishable Products Export Control Board Directors' Report for the year ended 31 March 2006

The directors present their annual report, which forms part of the audited financial statements of the entity for the year ended 31 March 2006.

Nature of business

The Perishable Products Export Control Board is a statutory organisation. It conducts its business by bringing about the orderly and efficient export of perishable products from the Republic of South Africa, in terms of the Perishable Products Export Control Act 9 of 1983. It also operates as an assignee for the National Department of Agriculture under the requirements of the Agricultural Product Standards Act 119 of 1990. PPECB was established in 1926.

The entity is a listed Schedule 3A entity with the National Department of Agriculture.

Financial results

The financial results of the company are set out in the attached financial statements

PPECB Board

The present members of the PPECB Board are:

Mr A J Du Preez (Chairman)	Deciduous Industry Representative
Mr A M Hawes (Vice Chairman)	Citrus Industry Representative
Mr G G Burelli	Subtropical Industry Representative
Ms N Z Nduli	Ministerial Representative
Mr E Rademeyer	Ministerial Representative (Secundus)
Mr C A Atkins	Fishing Industry Representative
Mr G Booyens	South African Fruit Processors' Industry
Ms E Oberholzer	Vegetable Industry Representative
Ms D P Engelbrecht	Deciduous Industry Representative
Mr C I Painter	Citrus Industry Representative
Mr H P Booyesen	Meat and Ostrich Industry Representative
Mr S E Mokoene	Organised Agriculture

Events subsequent to balance sheet date

No matter which is material to the financial affairs of the Board has occurred between the balance sheet date and the date of approval of the financial statements.

VAT Registration

The VAT treatment of government departments was extended to include national and provincial public entities. This resulted in the deregistration of PPECB as a VAT vendor in terms of section 24(1) of the Value-Added Tax Act of 1999. The deregistration was effective from 1 April 2005. PPECB applied to re-instate its registration for VAT and was reregistered effective from 1 February 2006.

Review of Perishable Products Export Control Act and Agriculture Products Standard Act

The Department of Agriculture has incorporated the two Acts that governs PPECB's mandate into their strategic legislative review programme as part of an ongoing process.

Perishable Products Export Control Board

Balance Sheet at 31 March 2006

	Notes	2006 R	2005 R
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	9,032,218	9,645,106
		<u>9,032,218</u>	<u>9,645,106</u>
CURRENT ASSETS			
Financial assets - Held to maturity	3	16,530,328	24,513,132
Trade and other receivables	4	9,927,674	9,676,375
Cash and cash equivalents	5	8,355,307	5,993,121
		<u>34,813,309</u>	<u>40,182,628</u>
TOTAL ASSETS		<u><u>43,845,527</u></u>	<u><u>49,827,734</u></u>
EQUITY			
RESERVES			
Reserve fund		17,003,880	23,795,923
Self - insurance reserve		2,500,000	1,970,000
Asset replacement fund		8,317,720	7,824,460
Revaluation reserve		4,285,782	4,285,782
		<u>32,107,382</u>	<u>37,876,165</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	5,929,365	7,077,071
Provisions	7	5,808,780	4,874,498
		<u>11,738,145</u>	<u>11,951,569</u>
TOTAL EQUITY AND LIABILITIES		<u><u>43,845,527</u></u>	<u><u>49,827,734</u></u>

Perishable Products Export Control Board

Income Statement for the year ended 31 March 2006

	Notes	2006 R	2005 R
REVENUE		91,066,363	86,702,302
Employee compensation and benefit expenses	11	(71,319,656)	(66,251,611)
Depreciation	12	(1,364,426)	(1,122,100)
Other income	15	3,810,553	4,546,116
Other expenses		(27,957,073)	(28,030,858)
Operating deficit		(5,764,239)	(4,156,151)
Finance costs	16	(4,544)	(5,597)
Deficit for the year		(5,768,783)	(4,161,748)

Cash Flow Statement for the year ended 31 March 2005

	Notes	2006 R	2005 R
CASH FLOW FROM OPERATING ACTIVITIES		(4,895,532)	4,879,948
Net cash (utilised in) / generated by operations	13	(6,737,335)	2,591,507
Interest received		1,846,347	2,294,038
Interest paid		(4,544)	(5,597)
CASH FLOW FROM INVESTMENT ACTIVITIES		7,257,718	(1,788,989)
Purchase of property, plant and equipment		(755,934)	(1,601,034)
Proceeds on disposal of property, plant and equipment		30,848	24,815
Decrease / (increase) of investments - Held to maturity		7,982,804	(212,770)
INCREASE IN CASH AND EQUIVALENTS		2,362,186	3,090,959
CASH AND EQUIVALENTS AT BEGINNING OF YEAR		5,993,121	2,902,162
CASH AND EQUIVALENTS AT END OF YEAR	5	8,355,307	5,993,121

Perishable Products Export Control Board

Statement of changes in equity for the year ended 31 March 2005

	2006 R	2005 R
SURPLUS LEVY FOR DISPOSAL IN TERMS OF SECTION 18(8) AND (9) OF ACT NO 9 OF 1983		
At beginning of year	-	-
Deficit for the year	(5,768,783)	(4,161,748)
Transfer from reserve for expenditure approved but not accrued	-	332,209
Transfer to self-insurance reserve	(530,000)	(500,000)
Transfer to asset replacement fund	(493,260)	-
Transfer from reserve fund	6,792,043	4,329,539
At end of year	-	-
RESERVE FUND		
At beginning of year	23,795,923	28,125,462
Transfer to surplus levy for disposal in terms of Section 18(8) and (9) of Act No 9 of 1983	(6,792,043)	(4,329,539)
At end of year	17,003,880	23,795,923
SELF - INSURANCE RESERVE		
At beginning of year	1,970,000	1,470,000
Transfer from surplus levy for disposal in terms of Section 18(8) and (9) of Act No 9 of 1983	530,000	500,000
At end of year	2,500,000	1,970,000
ASSET REPLACEMENT FUND		
At beginning of year	7,824,460	7,824,460
Transfer from surplus levy for disposal in terms of Section 18(8) and (9) of Act No 9 of 1983	493,260	-
At end of year	8,317,720	7,824,460
REVALUATION RESERVE		
At beginning of year	4,285,782	2,833,782
Surplus in revaluation of property	-	1,452,000
At end of year	4,285,782	4,285,782

The level of reserve fund was approved by the Minister of the Department of Agriculture to an amount of R46 306 834 over a period of time.

Perishable Products Export Control Board Notes to the Financial Statements

1 Basis of preparation

The annual financial statements are prepared in accordance with Generally Recognised Accounting Practice in South Africa and have been prepared on the historical cost convention, adjusted by the revaluation of land and buildings. The following are accounting policies used by the Board which are consistent with those of the previous years unless otherwise stated.

1.1 Property, plant and equipment

Land and buildings comprise mainly of office buildings. Freehold land and buildings are shown at fair value, based on valuations by external independent valuers every three years, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Increases in carrying value arising on revaluation are credited directly to revaluation reserve. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings	50 years
- Furniture and equipment	6 years
- Technical equipment	6 years
- Motor vehicles	5 years
- Computer equipment	3 years
- Computer software and development	1 year

Minor assets of R5 000 or less are charged to the income statement in full as an expenditure in the year purchased. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Board and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

1.2 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Perishable Products Export Control Board Notes to the Financial Statements

1.3 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1.4 Provisions

Provisions are recognised when the Board has a present legal or constructive obligation as a result of past events, it is more likely than not an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

1.5 Revenue recognition

Sales of services are recognised in the accounting period in which the services are rendered, net of Value Added Tax.

Interest income is recognised as it is accrued unless collectability is in doubt.

1.6 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, financial assets, receivables, trade creditors and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

1.7 Leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease

1.8 Retirement benefits

The Board's contributions to the defined contribution plans are charged to the income statement in the year to which they relate.

1.9 Financial assets held to maturity

This applies to investments where there are fixed or determinable payments and fixed maturity dates and the entity has the positive intent and ability to keep the investments until maturity. These investments are measured and recognised at amortised costs with interest-income recognised in the income statement.

Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

1.10 Reserves

Self-insurance reserve:

The board is a public entity, responsible for assurance of food safety. A self-insurance fund was established to manage the risk of potential claims against the Board.

Asset replacement fund:

This reserve was established to provide for the replacement of technical equipment for micro toxin analysis.

Revaluation reserve:

This reserve was established due to surpluses that was generated on the revaluation of land and buildings.

Perishable Products Export Control Board Notes to the Financial Statements

	2006 R	2005 R
2 PROPERTY, PLANT AND EQUIPMENT	<u>9,032,218</u>	<u>9,645,106</u>
2.1 Land and buildings	<u>7,043,973</u>	<u>7,159,015</u>
Cape Town - Erf 19927, Parow with office building thereon	5,106,000	5,106,000
Purchase price - 1988	124,040	124,040
Additions	1,876,639	1,876,639
Surplus on revaluation of building - 1992	1,568,423	1,568,423
Surplus on revaluation of building - 2001	630,898	630,898
Surplus on revaluation of building - 2004	906,000	906,000
The property was revalued by John P van der Spuy, a registered valuer in September 2004		
Grabouw - Portion of Erf 43, Grabouw with office building thereon	2,000,000	2,000,000
Purchase price	460,000	460,000
Additions	455,555	455,555
Surplus on revaluation of building - 2001	684,445	684,445
Surplus on revaluation of building - 2004	400,000	400,000
The property was revalued by John P van der Spuy, a registered valuer in September 2004		
Durban - Portion 1 of Erf 1736, Wentworth with office building there on	926,000	926,000
Purchase price - 1995	656,069	656,069
Additions	96,989	96,989
Surplus on revaluation of building - 2001	56,942	56,942
Surplus on revaluation of building - 2004	116,000	116,000
The property was revalued by John P van der Spuy, a registered valuer in September 2004		
Grabouw - Erf 40, land with training building, 678 square meters, Grabouw	330,000	330,000
Purchase price - 1997	145,000	145,000
Additions	261,926	261,926
Revaluation of building - 2001	(106,926)	(106,926)
Revaluation of building - 2004	30,000	30,000
The property was revalued by John P van der Spuy, a registered valuer in September 2004		
Accumulated depreciation	(1,318,027)	(1,202,985)
Book value as at 1 April	7,159,015	7,272,277
Depreciation for the year	(115,042)	(113,262)
Book value as at 31 March	<u>7,043,973</u>	<u>7,159,015</u>

Perishable Products Export Control Board

Notes to the Financial Statements

	2006 R	2005 R
2.2 Motor vehicles	<u>51,344</u>	<u>76,769</u>
Book value as at 1 April	76,769	-
Cost	105,208	43,597
Less: Accumulated depreciation	28,439	43,597
Additions in the year	-	101,699
Disposal in the year	-	-
Cost	(1,754)	(40,088)
Less: Accumulated depreciation	(1,754)	(40,088)
Depreciation for the year	<u>(25,425)</u>	<u>(24,930)</u>
Cost	103,454	105,208
Less: Accumulated depreciation	52,110	28,439
Book value as at 31 March	<u>51,344</u>	<u>76,769</u>
2.3 Furniture and equipment	<u>699,152</u>	<u>897,913</u>
Book value as at 1 April	897,913	226,023
Cost	2,528,691	1,712,483
Less: Accumulated depreciation	1,630,778	1,486,460
Additions in the year	108,902	816,224
Disposal in the year	(1,345)	-
Cost	(15,360)	(16)
Less: Accumulated depreciation	(14,015)	(16)
Transfers to Technical Equipment in the year	(6,391)	-
Cost	(10,349)	-
Less: Accumulated depreciation	(3,958)	-
Depreciation for the year	<u>(299,927)</u>	<u>(144,334)</u>
Cost	2,611,884	2,528,691
Less: Accumulated depreciation	1,912,732	1,630,778
Book value as at 31 March	<u>699,152</u>	<u>897,913</u>

Perishable Products Export Control Board Notes to the Financial Statements

	2006 R	2005 R
2.4 Technical equipment	<u>1,237,749</u>	<u>1,511,409</u>
Book value as at 1 April	1,511,409	1,671,976
Cost	10,158,631	9,492,242
Less: Accumulated depreciation	8,647,222	7,820,266
Additions in the year	647,032	683,111
Disposal in the year	(3,051)	(4,104)
Cost	(81,581)	(16,722)
Less: Accumulated depreciation	78,530	12,618
Transfers from furniture in the year	6,391	-
Cost	10,349	-
Less: Accumulated depreciation	(3,958)	-
Depreciation	<u>924,032</u>	<u>839,574</u>
Cost	10,734,431	10,158,631
Less: Accumulated depreciation	9,496,682	8,647,222
Book value as at 31 March	<u>1,237,749</u>	<u>1,511,409</u>

The revised standard for property, plant and equipment (IAS 16) was applied for the first time in the current year. First time application had no significant effect on the financial statements and no adjustments were deemed necessary.

3 FINANCIAL ASSETS - HELD TO MATURITY

FNB - 9 months	1,591,482	-
FNB - 3 months	-	1,483,779
Nedbank - 6 months	-	9,408,192
Nedbank - 4 months	3,246,634	-
Nedbank - 3 months	6,764,877	9,018,370
ABSA - 1 year	4,927,335	-
ABSA - 9 months	-	4,602,791
	<u>16,530,328</u>	<u>24,513,132</u>

Perishable Products Export Control Board Notes to the Financial Statements

	2006 R	2005 R
4 TRADE AND OTHER RECEIVABLES		
Trade debtors	11,841,484	11,132,679
Provision for impairment of receivables	(96,732)	(102,169)
Debtor deposits	<u>(2,113,156)</u>	<u>(1,756,263)</u>
	9,631,596	9,274,247
Receiver of Revenue VAT	-	309,223
Sundry debtors	835,768	632,595
Provision for loss on investment	<u>(539,690)</u>	<u>(539,690)</u>
	<u>9,927,674</u>	<u>9,676,375</u>
5 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	<u>8,355,307</u>	<u>5,993,121</u>
For the purpose of the cash flow statement, the cash and cash equivalents comprise the following;		
Cash and cash equivalents	8,355,307	5,993,121
	<u>8,355,307</u>	<u>-</u>
The effective interest rate is between 0.1% and 3.5%.		
6 TRADE AND OTHER PAYABLES		
Accrued expenses	4,401,090	5,803,694
Audit fees	182,000	160,000
Holding store creditors	-	115,644
Sappex levies	2,745	4,856
Agricultural product samples	506,483	149,242
Medical aid surplus contributions	-	28,406
Receiver of Revenue VAT	647,221	-
Workmen's compensation	<u>189,826</u>	<u>815,229</u>
	<u>5,929,365</u>	<u>7,077,071</u>

Perishable Products Export Control Board Notes to the Financial Statements

	2006 R	2005 R
7 PROVISIONS		
At 1 April 2005	4,874,498	
Charged to income statement	5,808,780	
Used during the year	<u>(4,874,498)</u>	
At 31 March 2006	<u>5,808,780</u>	
Analysis of provisions		
Accumulated leave	4,331,961	3,456,771
Accumulated deferred bonuses	<u>1,476,819</u>	<u>1,417,727</u>
	<u>5,808,780</u>	<u>4,874,498</u>

8 COMMITMENTS FOR CAPITAL EXPENDITURE

No contractual commitments for future capital expenditure were made.

9 FINANCIAL RISK MANAGEMENT

Credit risk :

The Board has no significant concentrations of credit risk.

Interest rate risk :

The Board's interest rate risk arises from investments held to maturity. The Board's policy is to maintain its investments across a range of high-credit-quality financial institutions.

10 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the financial assets and liabilities reported in the balance sheet approximate fair values at 31 March 2006.

11 EMPLOYEE BENEFIT EXPENSE

Salaries and wages	64,918,330	60,611,009
Defined contribution costs - retirement fund	<u>6,401,326</u>	<u>5,640,602</u>
Employee costs	<u>71,319,656</u>	<u>66,251,611</u>

Perishable Products Export Control Board Notes to the Financial Statements

	2006 R	2005 R
12 DEPRECIATION		
Furniture and equipment	299,927	144,334
Technical equipment	924,032	839,574
Buildings	115,042	113,262
Vehicles	25,425	24,930
	<u>1,364,426</u>	<u>1,122,100</u>
Historical cost	1,318,183	1,081,392
Revaluation reserve	46,243	40,708
	<u>1,364,426</u>	<u>1,122,100</u>
13 RECONCILIATION OF DEFICIT FOR THE YEAR		
Net deficit for the year	(5,768,783)	(4,161,748)
Adjusted for:		
Depreciation	1,364,426	1,122,100
Interest received	(1,846,347)	(2,294,038)
Interest paid	4,544	5,597
Profit on disposal of fixed assets	<u>(26,452)</u>	<u>(20,711)</u>
Cash outflow before changes in working capital	(6,272,612)	(5,348,800)
Changes in working capital	(464,723)	7,940,307
Decrease in debtors	(251,299)	5,246,856
(Decrease) / Increase in creditors	<u>(213,424)</u>	<u>2,693,451</u>
Net cash (utilised in) / generated by operations	<u>(6,737,335)</u>	<u>2,591,507</u>
14 TAX		
No provision for tax has been made as the board is not subject to normal tax.		
15 OTHER INCOME		
Interest on financial assets - Held to maturity	1,846,347	2,294,038
Provision for doubtful debts	-	111,639
Medical Aid Repayment	-	1,002,817
Management fee - SA PIP	1,937,754	1,116,911
Profit on disposal of fixed assets	26,452	20,711
	<u>3,810,553</u>	<u>4,546,116</u>

Perishable Products Export Control Board Notes to the Financial Statements

	2006 R	2005 R
16 FINANCE COSTS		
Finance charge	<u>(4,544)</u>	<u>(5,597)</u>
17 COMMITMENTS		
Operating lease commitments - where the Board is the lessee		
The future minimum lease payments under non-cancellable operating leases (premises) are as follows:		
Not later than 1 year	1,165,530	948,211
Later than 1 year and not later than 5 years	2,070,947	1,808,191
Later than 5 years	6,333	81,998
	<u>3,242,810</u>	<u>2,838,400</u>
18 RELATED PARTY TRANSACTIONS		
Services rendered and outstanding balances arising from services		
Some of the directors of PPECB serve on the boards of companies that have statutory armslength transactions with PPECB of R2,941,827 and are outstanding debtors of R303,091 within the normal terms.		
Directors' emoluments		
	891,464	907,815
Chairman of the Board	89,320	85,919
Board members	564,280	580,867
Travelling reimbursements	237,864	241,029
Executive management compensation		
	3,833,712	3,203,814
Salaries	3,435,052	2,864,738
Defined contribution costs - retirement fund	398,660	339,076
	<u>4,725,176</u>	<u>4,111,629</u>



CORPORATE HEAD OFFICE

45 Silverboom Avenue, Platteklouf, Parow 7500, Republic of South Africa

PO Box 15289, Panorama 7506, Republic of South Africa

www.ppecb.com • E-mail: ho@ppecb.com