



**Property Management Trading Entity
Annual Financial Statements
for the year ended 31 March 2019**

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2019

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The annual financial statements set out on pages 2 to 62 have been prepared on the going concern basis.

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Position as at 31 March 2019

	Note(s)	2019 R'000	2018 Restated* R'000
Assets			
Current Assets			
Receivables from exchange transactions	3	5 702 511	5 000 041
Receivables from non-exchange transactions	4	252	22
Operating lease asset	5	389 581	582 154
Cash and cash equivalents	6	6 647	5 967
		6 098 991	5 588 184
Non-Current Assets			
Property, plant and equipment	7	122 104 320	121 478 343
Investment property	8	3 977 586	4 075 400
Heritage assets	9	1 802 103	1 726 732
Intangible assets	10	30 682	23 130
		127 914 691	127 303 605
Total Assets		134 013 682	132 891 789
Liabilities			
Current Liabilities			
Operating lease liability	5	364 730	553 790
Bank overdraft	6	2 683 976	2 338 485
Deferred revenue	11	7 802 448	7 786 687
Payables from exchange transactions	12	3 763 681	3 602 121
Retention liabilities	13	393 380	349 680
Finance lease obligations	14	3 726	7 005
Employee benefit obligations	15	207 713	192 571
Provisions	16	1 731 241	2 075 069
		16 950 895	16 905 408
Non-Current Liabilities			
Retention liabilities	13	14 597	52 501
Finance lease obligations	14	1 560	2 938
		16 157	55 439
Total Liabilities		16 967 052	16 960 847
Net Assets		117 046 630	115 930 942

* See Note 36

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Statement of Financial Performance

	Note(s)	2019 R'000	Restated 2018 R'000
Revenue from exchange transactions	17	12 108 862	10 514 798
Revenue from non-exchange transactions	18	4 042 032	3 690 334
Construction revenue	19	324 618	296 286
Total revenue		16 475 512	14 501 418
Expenditure			
Construction expenses	19	324 618	296 286
Depreciation, amortisation and impairments on assets	20	2 577 509	2 404 051
Employee related costs	21	1 792 150	1 602 748
Impairment loss on receivables	22	756 140	1 083 610
Interest expense	23	73 549	85 081
Gain or loss on disposal of assets and liabilities	24	52 609	3 219
Operating leases	25	4 767 815	4 602 461
Property maintenance (contracted services)	26	2 317 211	2 161 617
Property Rates		1 296 230	1 042 236
Sundry operating expenses	27	1 401 993	1 438 016
Total expenditure		15 359 824	14 719 325
Surplus (deficit) for the year		1 115 688	(217 907)

* See Note 36

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Statement of Changes in Net Assets

		Accumulated surplus R'000
Opening balance as previously reported as at 1 April 2017		116 401 005
<i>Adjustments</i>		
Correction of prior period errors	36	(252 156)
Balance at 1 April 2017		116 148 849
<i>Changes in net assets</i>		
Deficit for the year		(217 907)
Correction of prior period errors	36	317 317
Total changes		99 410
Balance as previously reported as at 31 March 2018		116 248 259
<i>Adjustments</i>		
Correction of prior period errors	36	(317 317)
Balance at 1 April 2018 as restated*		115 930 942
<i>Changes in net assets</i>		
Surplus for the year		1 115 688
Balance at 31 March 2019		117 046 630

* See Note 36

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Cash Flow Statement

	Note(s)	2019 R'000	2018 Restated* R'000
Cash flows from operating activities			
Receipts			
Accommodation charges - leasehold intergovernmental		4 785 640	4 651 753
Accommodation charges - freehold intergovernmental		6 141 302	6 164 816
Accommodation charges - freehold private		50 675	48 492
Augmentation		4 009 490	3 682 254
Management fees on municipal services		185 030	181 285
Municipal services recovered		3 700 594	3 625 704
Interest, fines, recoveries and other receipts		20 195	12 885
Construction revenue		328 495	276 991
		19 221 421	18 644 180
Payments			
Cleaning and gardening		280 002	264 775
Admin, goods and services		565 013	775 963
Maintenance		2 857 225	2 696 829
Municipal services paid on behalf of clients		4 484 162	4 300 639
Municipal services expenditure		363 698	341 181
Operating leases (including rent on land)		4 533 567	4 416 619
Property rates		1 210 051	1 242 621
Compensation of employees		1 763 856	1 589 689
Construction expenses		328 495	276 991
		16 386 069	15 905 307
Net cash flows from operating activities	28	2 835 352	2 738 873
Cash flows from investing activities			
Additions to property, plant and equipment		(3 072 151)	(3 072 448)
Additions to intangible assets		(20 206)	(3 384)
Additions to heritage assets		(82 192)	(58 061)
Net cash flows from investing activities		(3 174 549)	(3 133 893)
Cash flows from financing activities			
Finance lease payments		(9 155)	(17 507)
Finance leases entered into		3 544	9 638
Net cash flows from financing activities		(5 611)	(7 869)
Net decrease in cash and cash equivalents		(344 808)	(402 889)
Cash and cash equivalents at the beginning of the year		(2 332 518)	(1 929 629)
Cash and cash equivalents at the end of the year	6	(2 677 326)	(2 332 518)

* See Note 36

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Annual Financial Statements for the year ended 31 March 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R'000	R'000	R'000	R'000	R'000
Statement of Financial Performance					
Receipts					
Accommodation charges - leasehold intergovernmental	4 773 227	(379 010)	4 394 217	4 785 640	391 423
Accommodation charges - freehold intergovernmental	7 187 277	300 014	7 487 291	6 141 302	(1 345 989)
Accommodation charges - freehold private	54 000	-	54 000	50 675	(3 325)
Augmentation	4 009 490	-	4 009 490	4 009 490	-
Management fees on municipal services	184 633	-	184 633	185 030	397
Municipal services recovered	3 692 652	791 510	4 484 162	3 700 594	(783 568)
Interest, fines, recoveries and other receipts	9 084	-	9 084	20 195	11 111
Construction revenue	-	328 495	328 495	328 495	-
Receipts	19 910 363	1 041 009	20 951 372	19 221 421	(1 729 951)
Payments					
Cleaning and gardening	292 229	6 292	298 521	280 002	(18 519)
Admin, goods and services	523 245	(4 915)	518 330	565 013	46 683
Maintenance	2 605 888	381 099	2 986 987	2 857 225	(129 762)
Municipal services paid on behalf of clients	3 692 652	791 510	4 484 162	4 484 162	-
Operating leases (including rent on land)	4 915 496	(379 007)	4 536 489	4 533 567	(2 922)
Property rates	1 405 571	(19 446)	1 386 125	1 210 051	(176 074)
Compensation of employees	1 593 057	170 000	1 763 057	1 763 856	799
Municipal services expenditure	384 895	3 710	388 605	363 698	(24 907)
Construction expenses	-	328 495	328 495	328 495	-
Payments	15 413 033	1 277 738	16 690 771	16 386 069	(304 702)
Capital movements					
Recoverable capital expenditure	2 406 966	300 013	2 706 979	1 715 756	(991 223)
Non-recoverable capital expenditure	2 038 022	(541 657)	1 496 365	1 409 365	(87 000)
Machinery and equipment	52 342	(20 902)	31 440	29 222	(2 218)
Additions to intangible assets	-	20 206	20 206	20 206	-
Finance lease	-	5 611	5 611	5 611	-
	4 497 330	(236 729)	4 260 601	3 180 160	(1 080 441)
Cash deficit	-	-	-	(344 808)	(344 808)

Refer to note 29 for the reconciliation and explanations of material differences.

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Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB), unless otherwise indicated, and in accordance with Section 91(1) of the Public Finance Management Act (Act No. 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand ("R") which is also the functional currency of the Property Management Trading Entity ("PMTE"). Values are rounded to the nearest thousand ("R'000") unless otherwise indicated.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Significant judgement and sources of estimation uncertainty

1.1.1 Control of immovable assets

The Minister of Public Works is the legal custodian of all immovable assets vested in national government, except in cases where custodial functions were assigned to other ministers by virtue of legislation before the commencement of GIAMA on 1 April 2009. The Department of Public Works (DPW) assigned those functions to the PMTE and by virtue of the transfer of functions that occurred on 18 November 2013, and 30 March 2015, the PMTE controls those assets for accounting purposes. The PMTE benefits from the assets in pursuit of its objectives and regulates the access of others to the benefits of the assets (i.e. the PMTE decides who may benefit from the use of the assets). Control includes the ability to acquire, dispose and maintain the assets.

PMTE monitors state land reflected on the Deeds Register on an on-going basis. Land registered in the name of the national government, that could not be confirmed to be under the custodianship of other national custodians, is recognised by the PMTE. Any changes in ownership is derecognised accordingly. PMTE discloses a contingent asset for properties identified to be under its custodianship where the property could not be reliably measured due to the extent not being determined through the Office of the Surveyor General.

In terms of paragraph 7.37 of the vesting guidelines issued by Department of Rural Development and Land Reform on 30 March 2017, "for any provincial government to claim ownership of vacant land such province should provide proof of intended use. The absence of such proof automatically means that such land vests in the National Government of RSA". PMTE is thus deemed to have control over such land parcels and has currently recognised unvested land parcels.

PMTE recognises immovable assets where the property will vest with the national government based on the principles contained in the approved vesting guidelines.

Whilst properties (land and buildings) as outlined in the Endowment Act no. 33 of 1922 are disclosed in the financial statements of Department of Defence (DoD), there are a number of extended structures pertaining to such endowment facilities that have "encroached" onto neighbouring land under the custodianship of PMTE. Whilst such structures are reflected as part of endowment properties by DoD, the underlying land is currently reflected in immovable assets by PMTE until such time as it may be transferred to DoD. Control and or access over such land may be restricted given the DoD facilities thereon.

1.1.2 Assets and liabilities related to the transfer of functions

For initial measurement purposes, assets acquired through the transfer of functions are measured at their carrying amounts as per the records of the DPW. Where those carrying amounts do not represent GRAP compliant amounts, the carrying amounts were estimated using various measurement bases, depending on the type of asset or liability. For purpose of determining a deemed cost, immovable assets transferred were valued using either the municipal valuations, comparable sales value or depreciated replacement cost. For movable assets a depreciated replacement cost was used. Financial assets and liabilities at fair value was used and other liabilities were transferred at the best estimate at the date of transfer. The DPW transferred functions on two separate occasions, effective 18 November 2013 and 30 March 2015 respectively. For measurement purposes, 1 April 2013 and 1 April 2014 were used respectively. For further details refer to note 1.28.

Notes to the Annual Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

1.1.3 Useful life and residual values

The estimated useful lives of property, plant and equipment, investment property and intangible assets are assessed annually and is dependent on the condition of the assets. Management applies judgement in assessing the condition of the assets. The residual values are estimated to be zero as the PMTE will be utilising these assets over their entire economic life, unless clear evidence exists to the contrary.

Refer to note 1.6 for the accounting policies on estimated useful lives for property, plant and equipment, note 1.7 for investment property and note 1.9 for intangible assets.

1.1.4 Classification of accommodation charges as lease revenue

As the intention of the PMTE is to provide accommodation at values that are directly equal to the value of the service being delivered, the PMTE categorises all accommodation charges, with the exception of prestige accommodation, as revenue from exchange transactions, notwithstanding the fact that this revenue may or may not equal the value of the service delivered.

The amount for prestige accommodation is determined in accordance with the ministerial handbook. The ministerial handbook allows for the ministers to stay free of charge in the first property provided to him or her. For the second property, the ministerial handbook requires the minister to be charged a percentage of his or her salary as a rental fee. This rental fee does not approximate the value of the service provided to the prestige clients. Therefore, the receivable is classified as a statutory receivable and the revenue is classified as a non-exchange transaction.

1.1.5 Classification and measurement of leases

Management uses judgement to determine if a lease is classified as an operating or a finance lease. Management's judgement is based on whether risk and rewards incidental to ownership have been transferred.

Cognisance has been taken of the fact that client departments generally extend the period for which they lease premises through the PMTE where these properties are rented from the private sector. It is difficult to conclude that it is certain that the PMTE (as lessee) will always extend the lease term of leasehold property at inception of the lease because of the general occupation trend of its client departments. Taking everything into consideration, management is of the opinion that the risk and rewards incidental to ownership is not transferred during the lease term from either the lessee's or the lessor's perspective.

The same terms and conditions included in the underlying lease agreements with the landlord is used to determine the relevant presentation for lease-out arrangements.

The PMTE considers leases to be month-to-month leases when the underlying lease agreements on leasehold properties have expired and the asset is still being utilised by the client department.

As the lease terms and conditions are not determinable for month-to-month leases and freehold inter-governmental accommodation, the lease revenue and expenditure are recognised when due.

1.1.6 Provision for maintenance

Management developed a model to determine the amount due to suppliers for work performed when job cards are outstanding and/or the value of the service has not been confirmed. The model is based on historical trends and costing data. The base line data is determined on actual information for payments made during 2016. For the purpose of determining the average time of service to be rendered, management stratified the data of calls logged and payments made in accordance with the severity of the incident. For the purpose of determining the average price per incident, the data was stratified based on the category of maintenance call. The average price is adjusted for the effect of inflation on an annual basis. The actual amounts due, on an individual basis, may differ significantly from the provision made.

Notes to the Annual Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

1.1.7 Impairment

Impairment of receivables measured at cost or amortised costs

Accommodation charges from client departments are allocated through voted funds and are due within 30 days from invoice date. If client departments do not pay within 30 days, the receivable is considered for impairment.

An impairment loss is recognised firstly on individually significant receivables. Thereafter an impairment loss is recognised on a group of receivables with the same credit risk. Impairment assessments are based on objective evidence as a result of one or more events that occurred during the reporting period. For clients which have defaulted, management made judgements based on history to determine if the receivable/group of receivables have to be impaired. The actual write-offs may differ significantly from the impairment losses recognised.

Impairment of receivables is based on management's best estimate of the expected cash flows for amounts that are outstanding for longer than the normal payment terms discounted at the current rate applicable to debts owed to the state. Where management cannot determine the future payment date, management discounts from invoice date for 12 months after year-end.

The discount rate used for impairment purposes is not adjusted for the different classes of receivables as the majority of the debt is with government departments.

Impairment of non-current assets

The PMTE uses the depreciated replacement cost method for measuring the impairment of majority of the immovable assets. Depreciated replacement cost is based on the current building indices factoring in the current condition rating assessed.

Assets under construction are considered for impairment when the project is cancelled, halted or delayed. For furniture, machinery, computer, office and other equipment, the asset is considered for impairment when it is no longer used, physically damaged or there is a significant change in the condition of the asset.

1.1.8 Significantly delayed projects

A project is regarded as 'significantly delayed' when it has been delayed by more than 50% of the planned project period.

Projects are regarded as technically delayed, for financial statement disclosure purposes, when the project has not yet reached practical completion status at reporting date and the 'planned project period' has expired before the reporting date.

Projects that are 'Completed', 'Cancelled' or in the 'Planning and Design stage' are excluded from the population for the purpose of the 'significantly delayed' disclosures.

1.1.9 Classification of immovable assets

Judgement is applied when classifying immovable assets between property, plant and equipment, investment property and heritage assets. Consideration is given to the type of property, the purpose for which the property is held, and the occupant. The main factor considered is whether PMTE holds the asset either for service delivery (in accordance with government objective), resulting in property, plant and equipment, or for capital appreciation and/or earning or rentals, resulting in investment property, or for future generations resulting in heritage assets. Where state property is rented out to another government entity or public service employees to provide cost effective accommodation services or for social services, these properties are classified as property, plant and equipment rather than investment property as the PMTE holds these assets to deliver on its mandate rather than to earn rentals or capital appreciation.

The Standard of GRAP on Investment Properties (GRAP 16) requires undeveloped land, for which no purpose has been determined, to be classified as investment property. However, where the land is acquired for strategic purposes, the land is to be classified as property, plant and equipment. In considering the classification of undeveloped land, the PMTE considers how it acquired the land and whether the land is being used. Where the land was acquired through expropriation or a result of legislation, the PMTE classifies the land as property, plant and equipment rather than investment property, as it is assumed to be acquired for strategic purposes in accordance with government's policies and aims.

Notes to the Annual Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

PMTE determines the intended use of a facility by evaluating the characteristics of the facility against the criteria for Investment Property. The criteria for Investment Property are as follows:

- The current occupant (lessee) is not an organ of state; and
- Future occupants of the facility will most probably not be an organ of state; and
- There is no intention for the facility to be occupied in future by an organ of state for the production or supply of goods or services, for administrative purposes or for executing its mandate; and / or
- The facility is held in its entirety, for long-term/future capital appreciation rather than for short-term sale in the ordinary course of operations; or
- The facility is specifically earmarked as Investment Property (i.e. for rental to occupants that are not organs of state; or for development with the sole intention to be leased to occupants that are not organs of state, or capital appreciation); and / or
- A vacant building/facility is held to be leased out under one or more operating leases on a commercial basis to external parties;
- The intended use is of a dual nature/purpose. A facility will only be classified as Investment Property if the main purpose and most significant use of the facility is to earn rentals or capital appreciation; or
- The facility is being constructed or developed for future use as investment property.

Heritage assets may be used for administrative purposes. Management used judgement to determine whether a significant portion of the heritage asset is utilised for office accommodation. If a significant portion of the heritage asset is utilised for administrative purposes, the asset is classified as property, plant and equipment under the Standard of GRAP on *Property, Plant and Equipment* (GRAP 17).

For purposes of classifying these non-financial assets, that are subject to impairment, either as cash-generating or non-cash generating, PMTE applied the following criteria:

- The purpose for which the asset is held;
- The intention to earn commercial (profit-making) return on the property;
- The ability to earn commercial return on the property; and
- The restrictions on the use of the property by PMTE.

The PMTE, as a trading entity of the DPW, is accountable for these assets and needs to maintain these assets on behalf of national government. It cannot use these assets for any other purpose than to deliver on its mandate (consistent with GIAMA and the PFMA). The PMTE has to provide accommodation to other departments to enable them to deliver on their mandates. Where the PMTE does ask market related rent on property that is not utilised by other departments, it is not considered material and therefore all non-financial assets have been classified as non-cash generating for impairment purposes.

1.1.10 Principal - agent relationships

The PMTE's mandate is to manage the accommodation and infrastructure needs of national departments. Should the PMTE be unable to satisfy the accommodation needs of a particular client department through the use of state-owned property, the PMTE would lease the required property from a private landlord, on behalf of the client department, and for their beneficial occupation. Consideration was given as to whether the PMTE is acting as an agent on behalf of the client departments, as a result of carrying out these activities.

Management, however, is of the opinion that the decision making ability, the accountability, the credit risk and the value added processes all rest with the PMTE. This indicates that the PMTE is the principal with regards to the lease arrangement with the respective landlords.

Client departments occupying properties are liable for the municipal services charges incurred in utilising those properties. The PMTE offers a service of paying the municipal service charges on behalf of the client departments and then recovering those costs directly from the client department. For this service, the PMTE charges a 5% management fee which is invoiced and recovered from the client department. The PMTE is acting as an agent with regards to the payment and recovery of these municipal service charges. The management fee for rendering this service is recognised as revenue for the PMTE.

The PMTE is using certain public entities to manage projects on its behalf and is liable to pay a management fee to these entities for the services delivered by them. In these arrangements, the PMTE still remains the principal and is still fully accountable for the work performed.

Notes to the Annual Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

1.1.11 Related party disclosure

The Standard of GRAP on Related Party disclosures (GRAP 20) provides exemption from detailed disclosures where those transactions are on:

- Normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the PMTE to have adopted, if dealing with that individual entity or person in the same circumstances; and
- Terms and conditions within the normal operating parameters established by our mandate.

In the absence of a pricing strategy for leases, judgement was made to determine the disclosures around related party transactions based on the nature of the transactions and the associated terms. In addition, many services have been rendered in-kind to the PMTE stemming from its relationship with the DPW. Due to the nature of these transactions, where amounts could not be measured reliably, only a narrative disclosure was made. This is in line with the principle in the Standard of GRAP on Revenue from Non-exchange Transactions (GRAP 23) to not recognise certain services-in-kind where it cannot be measured reliably. It is difficult to measure the value of these services and they are usually consumed within the period. Where amounts could be reliably measured, they have been recognised.

1.2 Receivables from exchange transactions

Receivables from exchange transactions are recognised when exchange revenue is due to the PMTE through legislation (statutory receivables) or in accordance with an agreement (financial assets). Refer to note 1.15 and 1.16 respectively.

1.3 Receivables from non-exchange transactions

Receivables from non-exchange transactions are recognised when non-exchange revenue is due to the PMTE through legislation (statutory receivables) or in accordance with an agreement (financial assets). Refer to note 1.15 and 1.16 respectively.

1.4 Leases

The PMTE classifies lease agreements in accordance with risk and rewards incidental to ownership. Where the lessor transfers substantially all the risks and rewards to the lessee, the lease is classified as a finance lease. All other leases are classified as operating leases.

Finance leases - PMTE as a lessee

Where the PMTE has assessed itself to be a lessee to a finance lease arrangement, it recognises a finance lease liability and a related leasehold asset, which would be disclosed as part of property plant and equipment. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The PMTE recognises finance lease liabilities resulting from finance leases as a liability in the Statement of Financial Position. Minimum lease payments is apportioned between the finance charge and the reduction of the outstanding liability. Such liabilities are presented as a payable at an amount equal to the net obligation of the lease. Interest expense is recognised based on the interest rate implicit in the finance lease. Where the fair value of the assets are not available to determine the implicit interest rate in the lease, the PMTE uses the rate applicable to debt owed by the state. The liability is recognised at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

Operating leases - PMTE as a lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term where the lease term exceeds one month; except where the terms and conditions have not been determined or are in the process of being re-negotiated. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. Lease revenue is presented as accommodation charges in the Statement of Financial Performance and notes to the financial statements.

The PMTE recognised month-to-month leases as revenue from exchange transactions as and when the revenue is due.

Notes to the Annual Financial Statements

1.4 Leases (continued)

Operating leases - PMTE as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term where the lease term exceeds one month; except where the terms and conditions have not been determined or are in the process of being re-negotiated. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as financial instruments (refer to note 6).

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, strategic or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses, except for assets under construction, land and heritage assets, these are subsequently measured at cost less accumulated impairment losses. Land is not depreciated.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Major inspection costs which are a condition of the continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Heritage assets assessed as having a dual function of being a heritage asset and providing accommodation services are recognised as property, plant and equipment, if a significant portion of the heritage asset is utilised for office accommodation. Refer to note 1.8 for the accounting policy for other heritage assets.

With the exception of assets acquired through the transfer of functions under common control which is measured at deemed cost as the carrying value at the date of transfer, where property, plant and equipment is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that the future economic or service potential benefit associated with that item will flow to the PMTE and the cost thereof can be reliably measured.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. These components are depreciated separately.

Depreciation is calculated on a straight line basis over the expected useful lives of each item. Depreciation is charged to the surplus or deficit, unless it is included in the carrying amount of another asset. Depreciation commences on an asset when it is in the condition necessary for it to be capable of operating in a manner intended by management.

Notes to the Annual Financial Statements

1.6 Property, plant and equipment (continued)

Assets under construction are ready for their intended use once a completion certificate or occupational certificate has been issued. At this point depreciation will commence.

The useful life, depreciation method and a residual value for property, plant and equipment are reviewed annually. Any changes are recognised as a change in accounting estimates and included in depreciation.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Building and improvements (including components)	
• Low rise buildings (up to 4 floors)	12 - 50 years
• High rise buildings (more than 4 floors)	40 - 80 years
• Warehouse / garage / storerooms	40 - 60 years
• Prisons	100 years
• Barracks	12 - 50 years
• Dwellings	40 - 60 years
• Temporary structures	30 years
• Roads, harbours and mines	12 - 35 years
• Boundary fences on vacant land	15 years
• Water and other infrastructure	20 - 60 years
• Airport runways	40 - 60 years
• Dams and reservoirs	100 years
• Other	12 - 50 years
Land	indefinite useful lives
Furniture and office equipment	5 - 15 years
Vehicles	5 - 10 years
Computer equipment	3 - 15 years
Other machinery and equipment	10 - 30 years

The PMTE assesses annually at each statutory reporting date whether there is any indication that an asset may be impaired. If such indication exists, the PMTE estimates the recoverable service amount or recoverable amount for non-cash- generating and cash generating assets respectively. An impairment loss is recognised where the carrying amount exceeds the asset's recoverable service amount or recoverable amount as applicable.

The PMTE assesses annually at each statutory reporting date whether there is any indication that an impairment loss recognised in prior period for an asset may no longer exist or may have decreased. If such indication exists, the PMTE estimates the recoverable service amount or recoverable amount of that asset. Any impairment loss recognised in prior periods for an asset is only reversed if there has been a change in the estimated use to determine the asset's recoverable service amount since the last impairment loss was recognised. Reversals of impairment is limited to the carrying amount of the asset had no impairment been recognised for the asset in prior periods.

Impairment losses and reversals of impairment losses are recognised in the surplus or deficit in the period in which the event occurs.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. If a component is replaced, the carrying amount of the existing component is derecognised and the value of the new component is recognised.

The PMTE is not allowed to dispose of or transfer immovable assets under its custodianship unless approved by the Minister of Public Works or his delegated official, considering the restriction of the State and Land Disposal Act (Act No. 48 of 1961).

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for

Notes to the Annual Financial Statements

1.7 Investment property (continued)

- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost, including transaction costs. Investment property is subsequently carried at cost less accumulated depreciation and any accumulated impairment losses, except for land. Land is not depreciated.

With the exception of assets acquired through a transfer of functions under common control which is measured at carrying amount, where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Depreciation is calculated on a straight line basis over the expected useful lives of each item. Depreciation is charged to surplus or deficit. Depreciation commences on assets when they are in the condition necessary for them to be capable of operating in the manner intended by management. Depreciation ceases when the asset is disposed.

Item	Useful life
Land	indefinite
Buildings and improvements	12 - 100 years

Refer to note 1.6 for a detailed breakdown of the useful lives of the building and improvements.

Assets under construction are ready for their intended use once a practical completion certificate or occupational certificate has been issued. At this point depreciation will commence.

The useful life, depreciation method and residual value for investment property are reviewed annually. Any changes are recognised prospectively as changes in accounting estimates in surplus or deficit.

Impairment and reversals of impairment are recognised in surplus or deficit in the period in which the event occurs.

The PMTE is not allowed to dispose of or transfer immovable assets under its custodianship unless approved by the Minister of Public Works or his delegated official, considering the restriction in the State and Land Disposal Act (Act No. 48 of 1961).

Items of investment property assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gains and losses on the derecognition of investment properties, including impairment and impairment reversals, are treated similarly to gains and losses for property, plant and equipment (refer to note 1.6).

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

PMTE recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Notes to the Annual Financial Statements

1.8 Heritage assets (continued)

Heritage assets are measured at cost.

With the exception of assets acquired through the transfer of functions under common control which is measured at deemed cost, where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Heritage assets assessed as having a dual function, of which a significant portion is held for the provision of accommodation or administrative purposes, are recognised and disclosed as property, plant and equipment.

The cost of an item of heritage assets is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Heritage assets that cannot be reliably measured are not recognised, but relevant information about these assets are disclosed in the notes, if applicable. Any costs incurred subsequently shall be recognised in surplus or deficit as incurred.

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Heritage assets are not depreciated as they are regarded as having an indefinite useful life but are annually assessed for impairment. If any such indication exists, the PMTE estimates the recoverable amount or the recoverable service amount of the heritage asset.

An impairment loss is recognised where the carrying amount exceeds the recoverable service amount for non-cash generating assets. Impairment losses and reversals of impairment are recognised in surplus or deficit in the period when the event occurs.

PMTE derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

1.9 Intangible assets

The PMTE recognises intangible asset when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Where the PMTE acquires the rights to use an asset, other than exercising its rights through legislation, it classifies these as intangible assets.

With the exception of assets acquired through the transfer of functions under common control which is measured at carrying amount, where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are initially recognised at cost and subsequently carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period, the amortisation method and the residual values of the intangible assets with finite useful lives are reviewed annually. Intangible assets with indefinite useful lives are tested annually for impairment. Any changes are recognised as a change in accounting estimate in surplus or deficit.

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of the intangible assets, unless such useful lives are indefinite. Amortisation commences on the asset when they are in the condition necessary for them to be capable of operating in a manner intended by management.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

Notes to the Annual Financial Statements

1.9 Intangible assets (continued)

Items of intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

Impairments and reversals of impairments are recognised in surplus or deficit in the period that the event occurs. Losses or gains on impairments and impairment reversals are treated similarly to gains and losses for property, plant and equipment (refer to note 1.6).

1.10 Payables from exchange transactions

The PMTE recognises payables from exchange transactions where liabilities result from counter performance by respective parties as a result of exchange transactions.

Payables from exchange transactions are initially measured at fair value. Where the outflow is expected to be cash or another financial asset, the payable is classified as a financial liability.

The PMTE recognises in payables an amount for accruals where an estimate is made of the amounts due for goods or services that have been received or supplied, but an invoice or formal request for payment has not been received at the reporting date as well as outstanding invoices.

1.11 Employee benefits

Short-term employee benefits

The PMTE recognises an undiscounted amount of short-term benefits due to employees in exchange for the rendering of services by employees as follows:

- As a liability in cases where the amounts have not yet been paid.
- Where the amount paid exceeds the undiscounted amount of the benefits due, the PMTE recognises the excess as an asset to the extent that the overpayment will lead to a reduction of future payments or a cash refund.
- As an expense, unless the PMTE uses the services of employees in the construction of an asset and the benefits received meet the recognition criteria of an asset, at which stage it is included as part of the cost of the related property, plant and equipment, investment property or intangible asset item.

Leave benefits

The PMTE recognises the expected cost of short-term employee benefits in surplus or deficit, in the form of compensated absences (paid leave) when the employees render services that increase their entitlement to leave benefits.

The expected cost of accumulating leave benefits is measured as the additional amount that the PMTE expects to incur as a result of the unused entitlement that has accumulated at the reporting date.

Performance and service bonuses

The PMTE recognises the expected cost of performance or service bonus payments where there is a present legal or constructive obligation to make these payments as a result of past events and a reliable estimate of the obligation can be made. A liability for service bonus is accrued on a proportionate basis as services are rendered. A liability for performance bonus, which is based on the employee's performance in the applicable year, is raised on the estimated amount payable in terms of the incentive schemes. The PMTE considers the present obligation to exist when it has no realistic alternative but to make the payments related to performance bonuses.

Retirement and medical benefits

All permanent employees are members of the Government Employees Pension Fund (GEPF), which is a defined benefit plan. Employees are contributing 7.5% of their pensionable salary towards the fund on a monthly basis. PMTE contributes a further 13% to the fund on behalf of the employees. Obligations are limited to the contributions made and any shortfall in the GEPF is made good by the State, therefore the PMTE accounts for the fund as a defined contribution plan. Payments are charged as an expense to employee cost in surplus or deficit in the same year as the related services is provided.

Notes to the Annual Financial Statements

1.11 Employee benefits (continued)

Long service awards

The PMTE recognises the expected cost of short-term employee benefits in surplus or deficit, in the form of long service awards, when the employees render services for a period that entitles them to long service award benefits as prescribed by DPSA policies.

1.12 Retention liabilities

A retention liability is recognised as a financial liability where monies due to a contractor are withheld for a set period of time during which the PMTE has an enforceable right to have defects remedied by the contractor. The measurement of the retention liability is the same as payables from exchange transactions which have been classified as financial liabilities. The liability is derecognised when the liability is settled or when the contractor defaults and is not entitled to settlement.

1.13 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date, discounted to present value where the time value of money is expected to be material.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Provisions where the timing of the outflow is uncertain is classified as current liabilities.

Contingent assets are disclosed where the PMTE has a possible inflow of resources but the inflow did not meet the recognition criteria of an asset. Contingent liabilities are disclosed where a liability is subject to an uncertain event or the outflow is only assessed to be possible.

Contingent assets and contingent liabilities have been based on the best estimate available at the time of preparing the financial statements.

Contingent liabilities relating to litigations have been based on the assessment of the estimated claim against the PMTE as at the end of the reporting period. Contingent liabilities on retentions, leases, unscheduled maintenance and municipal rates and services are based on management's calculations of the possible inflows/outflows expected to be settled.

1.14 Reserves

The PMTE's reserves are made up of accumulated surplus.

Accumulated surplus is mainly built up to ensure adequate rehabilitation and maintenance of state owned infrastructure and future infrastructure development.

Notes to the Annual Financial Statements

1.15 Statutory receivables and payables

Classification, recognition and measurement

Statutory receivables and payables arise from the right to receive cash or make payments in terms of legislative requirements. The PMTE will recognise receivables when it obtains the right to receive assets in terms of legislation, at the amount determined in the legislation (i.e. transaction price), which is the fair value at initial recognition. Thereafter the receivable will be assessed for impairment.

Payables arising from legislative requirements are measured at the amount determined in legislation (i.e. transaction price).

Statutory receivables and payables are not discounted.

Impairment of receivables measured at cost

At each end of the reporting period, the PMTE assesses all receivables to determine whether there is objective evidence that the asset or group of assets have been impaired. The inability to redeem amounts due based on the payment history is considered to be indicators of impairment.

If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, excluding future credit losses not yet incurred. Impairment loss on receivables is impaired directly to the receivables. Receivables at cost are discounted at a risk free rate adjusted for the risk associated with the debt. Impairment losses are recognised in surplus or deficit as expenses.

Impairment losses are reversed when an increase in the receivable's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed does not exceed the carrying amount that would have been recognised had the impairment not been recognised. The amount of the reversal is recognised in surplus or deficit.

1.16 Financial instruments

Classification, recognition and measurement

The PMTE recognises a financial asset or a financial liability when it becomes a party to the contractual arrangement in the instrument.

The PMTE recognises financial assets using trade date accounting.

The PMTE does not offset a financial asset and a financial liability unless a legally enforceable right to offset the recognised amounts currently exists and the PMTE intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Interest relating to a financial instrument or a component of a financial instrument is recognised as revenue or expense in surplus or deficit.

The PMTE's financial instruments consists only of cash and cash equivalents, including the bank overdraft and non-derivative instruments such as leases, receivables and payables with no or minimal transaction costs.

All financial instruments are initially measured at fair value and subsequently at amortised cost using the effective interest method, except for leases (refer to note 1.4).

Transaction costs in respect of financial instruments which are not at fair value through surplus or deficit are included in the initial measurement of the instrument.

Interest is charged on debt outstanding exceeding the normal credit terms at the rate applicable for debt owed to the State, except for debt owed by government institutions.

The effect of payment for short term receivables outstanding for longer than the 30 days is considered during the impairment assessment.

Impairment of assets

Notes to the Annual Financial Statements

1.16 Financial instruments (continued)

The PMTE assesses at the end of each reporting period whether there is any objective evidence that a financial or non-financial asset or group of assets are impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). Impairment loss on receivables is accounted for directly to the receivables. Financial assets at amortised cost are discounted to the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly to the receivable. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date of reversal. The amount of the reversal is recognised in surplus or deficit.

At the end of each reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets have been impaired.

Non-financial assets measured at cost:

Where the carrying amount of a non-financial asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in surplus or deficit. In assessing the value in use, the PMTE has adopted the depreciated replacement cost approach.

For further details regarding impairment of property, plant and equipment, investment property, heritage assets and intangible assets, refer to note 1.6.

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

1.16 Financial instruments (continued)

Derecognition

Financial assets

PMTE derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Financial liabilities

PMTE derecognises a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on *Revenue from Non-exchange Transactions*.

Notes to the Annual Financial Statements

1.17 Revenue from exchange transactions

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue earned from accommodation charges is classified as lease revenue (refer to note 1.4 for further details on recognition and measurement of lease revenue). Accommodation charges are measured based on:

- the cost of leasing in (in the case where property is leased in from the private sector);
- the budget devolution as agreed upon with the client departments (in the case of state owned accommodation leased to client departments);
- approved accommodation charge in consultation with National Treasury for state accommodation; or
- the market related rental (in the case of state owned accommodation leased to the private sector and individuals).

Accommodation charges disclosed in the financial statements consists of:

- Leasehold inter-governmental, which refers to lease revenue earned from assets which are owned by the private sector, which is then sub-leased to client departments;
- Freehold inter-governmental, which refers to lease revenue from state owned assets leased to client departments; and
- Freehold private, which refers to lease revenue from state owned assets leased to the private sector and individuals

Revenue from construction contracts is classified as revenue from exchange transactions and recognised by reference to the stage of completion of the contract when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, construction revenue is recognised to the extent of contract costs incurred that are likely to be recoverable in the period in which they are incurred. An expected loss on a contract is recognised immediately in the surplus or deficit in the period in which it was incurred. Refer to note 1.20 for further details.

Interest is recognised, in surplus or deficit, using the effective interest rate method. Interest is inter alia earned on advances provided on projects conducted by implementing agents and outstanding debt.

The PMTE pays municipal services on behalf of the client departments and earns 5% management fee on the value of the invoice. The management fee earned is recognised as revenue from exchange transactions in the surplus or deficit. Any amounts owed or overpaid on the management fee is recognised either as a receivable or payable from the exchange transactions as appropriate.

Other revenue from exchange transactions is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably. Revenue will be recognised in the surplus or deficit when it becomes due to the PMTE. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts and volume rebate.

1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

The PMTE recognises the inflow of resources from a non-exchange transaction as revenue when it controls the asset, except in cases where a liability or equity is recognised in respect of that inflow. These liabilities are classified as payables from non-exchange transactions until the conditions relating to the revenue has been satisfied. Revenue from non-exchange transactions is measured initially at fair value.

Transfer payments received from the DPW in order to fund operations and manage properties under the custodianship of DPW, are referred to as augmentation and is classified as revenue from non-exchange transactions.

Revenue earned from freehold prestige accommodation charges is classified as lease revenue. Freehold prestige accommodation charges are recognised based on the reduced market related rental as per the ministerial handbook.

Where services are received in-kind and a reliable estimate can be made, the PMTE recognises the related revenue. In all other cases, the PMTE only discloses the nature of the transactions.

Notes to the Annual Financial Statements

1.19 Expenditure

Expenditure is classified in accordance with the nature of the expenditure.

The PMTE recognises expenditure in surplus or deficit when a decrease in future economic benefits or service potential relates to a decrease in an asset or an increase in a liability, other than those relating to distributions to owners.

The PMTE recognises expenses immediately in surplus or deficit when no future economic benefits or service potential are expected or when and to the extent that, future economic benefits or service potential do not qualify or cease to qualify for recognition as an asset in the Statement of Financial Position.

The PMTE also recognises expenses in surplus or deficit in those cases when a liability is incurred without the recognition of an asset, for example, when a liability under a court ruling arises.

Interest expense is recognised as an expense in surplus or deficit in the period in which they are incurred, using the effective interest method.

1.20 Construction contracts and receivables

Expenditure incurred in capital construction projects are classified as construction costs and recognised in the Statement of Financial Performance when the amount is recoverable based on the work completed. The revenue is recovered on a full cost recovery basis. The related receivable is recognised when the amount becomes recoverable.

1.21 Irregular, Fruitless and wasteful expenditure

Irregular, fruitless and wasteful expenditure, as defined by the PFMA, and material losses through criminal conduct is recognised as expenditure in the surplus or deficit according to the nature of the payment and disclosed separately in notes 31 and 32. When an amount becomes recoverable, a receivable is recognised. Any receivables recognised as a result of irregular, fruitless and wasteful expenditure or material losses through criminal conduct, are subject to an annual impairment assessment.

1.22 Related parties

The PMTE is controlled through the DPW at National Government level. Other than management and their close family, only parties within the national sphere of government and entities reporting to National Departments that are subject to common control, is considered related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. Management include officials like the Minister, the Minister's advisor, members of the Executive Committee (EXCO), chairpersons of significant committees, head of units and regional managers. Where the remuneration of management is not accounted for by the PMTE (as included in note 35), the remuneration is not included in the disclosure. This includes the remuneration of the Chief Financial Officer, the Director-General and the Minister of Public Works. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, management in their dealings with the entity.

Only transactions with related parties not at arms' length or not in the ordinary course of business are disclosed in note 35. Movable assets that have not been transferred specifically to the PMTE are not recognised by the PMTE but are recorded by the DPW.

1.23 Budget information

The PMTE presents a comparison of budget amounts and actual amounts as a separate additional financial statement. The approved and final budget amounts are prepared on a modified cash basis. The budget is prepared based on the nature of the revenue and the expenditure. The actual amounts (prepared on an accrual basis) are adjusted for basis differences for comparability purposes.

The PMTE budgets for revenue including the transfer payment received through the DPW. The PMTE budget is part of the overall DPW vote.

Notes to the Annual Financial Statements

1.24 Commitments

Items are classified as commitments when the PMTE has committed itself to future transactions that will normally result in the outflow of cash. The current year's estimates are based on unrecognised capital and maintenance expenditure which has been approved and either contracted for or an order has been issued to the supplier relating to immovable assets.

See Notes: 7, 8, 9, 10 for additional disclosure. The PMTE also manages other projects on behalf of client departments which are not in respect of the PMTE's immovable assets. These agency commitments have been disclosed in note 34.

1.25 Going concern assumption

These annual financial statements have been prepared on the going concern basis. Refer to note 37.

1.26 Comparative figures

Comparative figures have been adjusted to correct errors identified in the current year but relating to prior years. The effect of the restatements are disclosed in note 36.

1.27 Deferred revenue

The PMTE recognises an amount for deferred revenue where the leasing revenue (accommodation charges - freehold inter-governmental) recognised from client departments is deferred until the project is ready for use and capitalised under immovable assets.

1.28 Transfer of functions between entities under common control

The transfer of functions from entities under common control are accounted for by the PMTE by recognising the assets acquired and liabilities assumed at the carrying amount measured in accordance with the Standards of GRAP. The difference between the assets and liabilities is recognised in accumulated surplus or deficit.

The PMTE acquired the following functions and the related assets and liabilities from the DPW on 30 November 2013:

- Asset Investment Management
- Property Management
- Facilities Management
- Key Account Management
- Regional Finance Units

The transitional provisions for the recognition and measurement of this transfer expired on 31 March 2017.

The PMTE acquired the following functions and the related assets and liabilities from the DPW on 30 March 2015:

- Inner City Regeneration
- Projects and Professional services
- Regional co-ordination
- Supply Chain Management
- Regional support and Regional Managers

The transitional provisions for the recognition and measurement of this transfer expired on 31 March 2018.

Property Management Trading Entity

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2. Standards of GRAP issued but not yet effective

2.1 Standards utilised in developing accounting policies and disclosure (with limited impact)

The PMTE has utilised the principles of the Standards of GRAP listed below in disclosing and accounting for relevant transactions. As a result, there will be limited impact on the financial statements when the Standards become effective.

Standard/ Interpretation:

- Related Parties (GRAP 20)
- Transfer of functions under common control (GRAP 105)
- Statutory receivables (GRAP 108)
- Recognition and derecognition of land (IGRAP 18)
- Liabilities to pay levies (IGRAP 19)

2.2 Standards not yet effective (with possible extended impact)

The PMTE has not applied the standards below which have been approved but not yet effective. The adoption of this Standard is not expected to have an impact on the results of the PMTE, but may result in more disclosure than is currently provided in the financial statements.

Standard/ Interpretation:

- Accounting by Principals and Agents (GRAP 109)
- Segment reporting (GRAP 18) becomes effective on 1 April 2019.

2.3 Standards not yet effective (with no impact)

The standards and interpretations listed below have been approved but are not yet effective. It is unlikely that the standards, interpretations and/or amendments will have a material impact on the financial statements of the PMTE once they become effective, as the PMTE does not engage in transactions within the scope of these standards.

Standard/ Interpretation:

- Mergers (GRAP 107)
- Transfer of function of entities not under common control (GRAP 105)
- Service concession arrangements: Grantor (GRAP 32)
- Service concession arrangements where a grantor controls a significant residual value in an asset (IGRAP 17)
- Guideline for the accounting of arrangements undertaken in terms of the National Housing Programme

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

	2019 R'000	2018 R'000
3. Receivables from exchange transactions		
Financial assets		
Accommodation debtors - leasehold inter-governmental	365 743	335 906
Accommodation debtors - freehold inter-governmental	1 169 568	648 639
Accommodation debtors - freehold private	37 344	21 996
Municipal services	748 876	499 508
Debt account	45 597	36 582
Revenue accrual - recoverable leases	319 086	401 759
Revenue accrual - recoverable municipal services	613 657	965 085
Revenue accrual - recoverable projects	592 639	525 020
Municipal deposits	19 667	17 032
Implementing agents	31 919	7 672
Other debtors	792	1 851
Recoverable property rates	-	-
	3 944 888	3 461 050
Non-financial assets		
Prepaid expenses - implementing agents	675 425	344 581
Prepaid expenses - leases	283 874	428 856
Prepaid expenses - other	8 058	8 401
Prepaid expenses - municipal services	22 557	22 224
Prepaid expenses - municipal services and property rates (backlog)	465 581	428 663
Prepaid expenses - property rates	281 824	278 479
Creditors with debit balances	20 304	27 787
	1 757 623	1 538 991
	5 702 511	5 000 041

The applicable interest rate for outstanding freehold private receivables and debt account receivables for the period is 10.25% (2018: 10.00%).

Revenue accruals relates to services rendered to our clients but not yet invoiced.

Included in the prepaid expenses are contractual advances to other government entities which are implementing agents of the PMTE. Interest earned on these advances is included in implementing agents under financial assets above at an average effective interest rate of 7.1% (2018: 5.5%).

The gross amount for recoverable property rates amounts to R203 million (2018: R173 million). The full amount is impaired as it relates to amounts not yet invoiced to client departments and third parties and are likely not to be recovered.

Receivables past due but not impaired

All receivables past due were considered for impairments. Refer to note 22 for impairment loss incurred during the period for receivables from exchange transactions.

Individually significant receivables that are impaired

Individually significant receivables are identified if the specific receivable's outstanding balance exceeds 5% of the total outstanding balance for the class of receivable. The factors to identify impairment are similar to the group assessment for impairment. The analysis below shows the total accumulated impairment from individually significant receivables, as a percentage of the gross receivable balance per class of receivable:

	2019 %	2018 %
Accommodation debtors - freehold inter-governmental	18	39
Accommodation debtors - leasehold inter-governmental	61	51
Accommodation debtors - freehold private	66	26
Municipal services	41	87
Debt account	65	78
Recoverable property rates	100	100

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2019

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	2019 R'000	2018 R'000
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4. Receivables from non-exchange transactions

Accommodation debtors - freehold prestige	252	22
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Certain properties are leased to prestige clients. According to the ministerial handbook, prestige officials receive one state owned residence at no charge. If available, prestige officials may occupy a second state owned residence which is charged at a reduced rental as prescribed.

Receivables from non-exchange transactions past due but not impaired

There were no receivables past due that were not impaired. Refer to note 22 for impairment loss incurred during the period for receivables from non-exchange transactions

5. Operating lease asset/(liability)

	Note	2018 R'000	2017 R'000
Current assets (PMTE as lessor)	5.1	389 581	582 154
Current liabilities (PMTE as lessee)	5.2	(364 730)	(553 790)
		24 851	28 364

5.1 Total operating lease asset - PMTE as lessor

Leasehold inter-governmental	364 247	552 920
Freehold private	25 334	29 234
	389 581	582 154

Total minimum lease receipts - PMTE as lessor

Within one year	2 488 470	2 119 493
In second to fifth year inclusive	5 411 418	2 121 068
Later than five years	1 472 652	215 350
	9 372 540	4 455 911

Leasehold inter-governmental

Based on the nature of leases that are running on a month-to-month and open-ended basis, the related leasehold commitment, is based on the contractually agreed upon notice period. The said amounts have been included in the "within one year" ageing bracket.

The inter-governmental operating leases are sub-lease agreements with various client departments and are on the same terms as those applicable to the lease agreements entered into with the landlords on leasehold property. As a result of the month-to-month and open-ended leasehold commitments included in note below, the equal and opposite amount is included in the PMTE leases above.

Freehold private

The disclosure of the minimum lease payments above relates to state owned properties that are leased out to private parties (accommodation debtor - freehold private).

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	2019 R'000	2018 R'000
5. Operating lease asset/(liability) (continued)		
5.2 Total operating lease liabilities - PMTE as lessee		
Operating lease liabilities - leasehold inter-governmental	364 730	553 790
Total minimum lease payments - PMTE as lessee		
Within one year	2 493 363	2 118 143
In second to fifth year inclusive	5 387 416	2 077 212
Later than five years	1 424 189	161 785
	9 304 968	4 357 140

The PMTE has 2 655 leases of which 1352 have not expired included in the current private leasing portfolio (2018: 2 578 leases of which 1344 have not expired). The leasehold commitments reflected above have been determined based on the terms and conditions of the relevant lease agreements. Based on the nature of leases that are running on a month-to-month and open-ended basis, the related leasehold commitment, at financial reporting date, is determined taking into account the contractually agreed upon notice period. These amounts have been included as part of the "within one year" ageing bracket.

6. Cash and cash equivalents

	2019 R'000	2018 R'000
Cash and cash equivalents consist of:		
Cash on hand	245	299
Bank balance	6 402	5 668
Cash and cash equivalents	6 647	5 967
Bank overdraft	(2 683 976)	(2 338 485)
	(2 677 329)	(2 332 518)

The cash held in the bank is with ABSA Limited, a registered financial services provider, and approved by National Treasury. The interest rate on the bank balance is variable. The average effective interest rate on short term bank deposits is 5.00% (2018: 5.29%).

The bank overdraft is a Pay-Master-General account directly linked to National Treasury and carries interest at 0%.

7. Property, plant and equipment

	2019			Restated 2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Land	43 630 929	-	43 630 929	43 673 701	-	43 673 701
Buildings and improvements	91 148 917	(12 903 593)	78 245 324	88 049 576	(10 477 821)	77 571 755
Furniture and office equipment	110 825	(56 728)	54 097	109 783	(45 606)	64 177
Computer equipment	239 793	(109 456)	130 337	223 745	(96 215)	127 530
Other machinery and equipment	68 493	(24 860)	43 633	62 282	(21 102)	41 180
Total	135 198 957	(13 094 637)	122 104 320	132 119 087	(10 640 744)	121 478 343

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7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers in	Transfers out	Change in estimate and other	Other changes, movements	Depreciation	Impairment loss	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	43 673 701	6 991	(49 763)	-	-	-	-	-	-	43 630 929
Buildings and improvements	77 571 755	3 100 500	-	-	-	-	-	(2 367 907)	(59 024)	78 245 324
Furniture and office equipment	64 177	5 947	(307)	506	-	1 134	1 515	(18 417)	(458)	54 097
Computer equipment	127 530	20 504	(567)	1 577	(1 811)	16 991	271	(33 822)	(336)	130 337
Other machinery and equipment	41 180	6 265	(48)	95	-	2 265	(20)	(5 952)	(152)	43 633
	121 478 343	3 140 207	(50 685)	2 178	(1 811)	20 390	1 766	(2 426 098)	(59 970)	122 104 320

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers in	Transfers out	Change in estimate and other	Other changes, movements	Depreciation	Impairment loss	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	43 664 109	9 931	(339)	-	-	-	-	-	-	43 673 701
Buildings and improvements	76 422 550	3 403 529	-	-	-	-	-	(2 227 163)	(27 161)	77 571 755
Furniture and office equipment	69 915	12 860	(50)	273	(361)	704	-	(19 163)	(1)	64 177
Vehicles	8	-	-	-	-	-	-	(8)	-	-
Computer equipment	132 195	19 013	(918)	4 127	(1 313)	8 800	-	(34 370)	(4)	127 530
Other machinery and equipment	38 265	5 995	(63)	2 031	(182)	1 284	-	(6 150)	-	41 180
	120 327 042	3 451 328	(1 370)	6 431	(1 856)	10 788	-	(2 286 854)	(27 166)	121 478 343

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7. Property, plant and equipment (continued)

Assets under construction

Additional disclosure relating to assets under construction

	Cumulative expenditure recognised in carrying value R'000	Carrying value of projects significantly delayed R'000	Carrying value of projects halted R'000
2019			
Building and improvements	10 565 141	6 164 314	-
2018	-	-	-
Building and improvements	10 637 414	5 742 021	-

Reasons for construction projects significantly delayed are mainly due to poor contractor performance.

Assets subject to finance lease (Net carrying amount)

	2019 R'000	2018 R'000
Assets subject to finance lease (Net carrying amount)		
Furniture and office equipment	7 206	14 161
Vehicles	-	-
	7 206	14 161

Refer to note 14 for further details regarding the commitments for finance leased asset.

Contractual commitments for acquisition and maintenance of Property, plant and equipment

	Committed for acquisition (CAPEX) R'000	Committed for maintenance (OPEX) R'000	Total commitment R'000
2019			
Building and improvements	8 061 391	3 160 021	11 221 412
2018	-	-	-
Building and improvements	6 171 508	3 116 818	9 288 326

Other disclosure

From the Deeds download received on 2 May 2019, effective 31 March 2019, an additional 70 properties (2018: 185 properties) were identified and 43 land parcels with the value of R 32 million (2018: 2 land parcels amounting to R 339 000) had changed ownership with no formal process or disposal followed. The balance of the land disposals shown in 2018/2019 followed the formal process.

During the year management reassessed the useful lives in accordance with its asset management policy based on the condition assessment performed. The change in estimate amounts to a decrease in depreciation of R20,4 million (2018: R10,8 million). The estimated impact for future periods amounts to a decrease in depreciation of R2,5 million.

* See Note 36

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8. Investment property

	2019			Restated 2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Investment property	4 563 774	(586 188)	3 977 586	4 563 887	(488 487)	4 075 400

Reconciliation of investment property - 2019

	Opening balance R '000	Disposals R '000	Depreciation R '000	Total R '000
Building and improvements	3 843 298	-	(97 701)	3 745 597
Land	232 102	(113)	-	231 989
	4 075 400	(113)	(97 701)	3 977 586

Reconciliation of investment property - 2018

	Opening balance R '000	Disposals R '000	Depreciation R '000	Total R '000
Building and improvements	3 940 991	-	(97 693)	3 843 298
Land	232 102	-	-	232 102
	4 173 093	-	(97 693)	4 075 400

Amounts recognised in Statement of Financial Performance relating to Investment Property

	2019			2018		
	Revenue generating R'000	Non-revenue generating R'000	Total R'000	Revenue generating R'000	Non-revenue generating R'000	Total R'000
Property maintenance	13	303	316	76	239	315
Municipal services	526	263	789	716	245	961
Property rates	1 767	503	2 270	1 673	1 196	2 869
Cleaning and gardening	-	582	582	20	117	137
Security	104	1 997	2 101	-	1 558	1 558
Total direct expenses	2 410	3 648	6 058	2 485	3 355	5 840
Revenue from exchange (Freehold private)	53 816	-	53 816	44 156	-	44 156
Total surplus/(deficit) on investment property	51 406	(3 648)	47 758	41 671	(3 355)	38 316

Notes to the Annual Financial Statements

9. Heritage assets

	2019			Restated 2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Land	150 959	-	150 959	150 959	-	150 959
Building and improvements	1 679 846	(28 702)	1 651 144	1 602 999	(27 226)	1 575 773
Total	1 830 805	(28 702)	1 802 103	1 753 958	(27 226)	1 726 732

	Opening balance	Additions	Impairment losses recognised	Total
	R '000	R '000	R '000	R '000
Land	150 959	-	-	150 959
Building and improvements	1 575 773	76 847	(1 476)	1 651 144
	1 726 732	76 847	(1 476)	1 802 103

Reconciliation of heritage assets - 2018

	Opening balance	Additions	Impairment losses recognised	Total
	R '000	R '000	R '000	R '000
Land	150 959	-	-	150 959
Building and improvements	1 516 955	60 071	(1 253)	1 575 773
	1 667 914	60 071	(1 253)	1 726 732

Additional disclosure relating to assets under construction

	Cumulative expenditure recognised in carrying value R'000	Carrying value of projects significantly delayed R'000	Carrying value of projects halted R'000
2019 Building and improvements	504 031	470 125	-
2018 Building and improvements	573 388	417 481	-

Restrictions on heritage assets

The PMTE is not allowed to dispose heritage assets under its custodianship.

	Committed for acquisition (CAPEX) R'000	Committed for maintenance (OPEX) R'000	Total commitment R'000
2019 Buildings and improvements	76 289	-	76 289
2018 Buildings and improvements	101 863	-	101 863

Notes to the Annual Financial Statements

10. Intangible assets

	2019			Restated 2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	52 127	(21 445)	30 682	31 921	(8 791)	23 130

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Change in estimate	Other changes, movements	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	23 130	20 248	307	(42)	(12 961)	30 682

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Adjustments	Other changes, movements	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	21 619	3 384	-	-	(1 873)	23 130

Additional disclosure relating to assets under development

	Cumulative expenditure recognised in carrying value R'000	Carrying value of projects significantly delayed R'000	Carrying value of projects halted R'000
2019			
Computer software	24 964	24 964	-
2018	-	-	-
Computer software	18 652	18 652	-

Reason for the project significantly delayed is due to poor contractor performance relating to the Archibus software development project.

Contractual commitments for acquisition and maintenance of intangible assets

	Committed for acquisition (CAPEX) R'000	Committed for maintenance (OPEX) R'000	Total commitment R'000
2019			
Computer software	24 573	12 139	36 712
2018			
Computer software	14 071	41 631	55 702

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	2019 R'000	Restated 2018 R'000
11. Deferred revenue		
Deferred revenue	7 802 448	7 786 687
This relates to recoverable capital claims for projects that are under construction which will be deferred until the project is complete.		
Opening Balance	7 786 687	6 924 551
Plus: Revenue deferred during the year	1 920 216	2 086 063
Less: Revenue recognised during the year	(1 904 455)	(1 223 927)
	7 802 448	7 786 687
12. Payables from exchange transactions		
Financial liabilities		
Accrued expenses - Assets	494 078	377 404
Accrued expenses - Cleaning and gardening	20 705	24 996
Accrued expenses - Leases	946 669	805 271
Accrued expenses - Maintenance	317 467	280 199
Accrued expenses - Municipal services	675 382	1 013 057
Accrued expenses - Other	42 106	85 052
Accrued expenses - Scheduled maintenance	202 103	150 572
Accrued expenses - Security	10 321	8 080
Total accrued expenses	2 708 831	2 744 631
Unallocated deposits	1 766	2 285
Trade payables	2 650	796
Deposits received	29	17
Contract guarantees	87	-
	2 713 363	2 747 729
Non-financial liabilities		
Income received in advance - leases	505 784	652 543
Income received in advance - other services	118 127	86 045
Accrued expenses - Property rates	173 634	53 039
Debtors with credit balances	252 773	62 765
	1 050 318	854 392
	3 763 681	3 602 121

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	2019 R'000	Restated 2018 R'000
13. Retention liabilities		
Non-current liabilities	14 597	52 501
Current liabilities	393 380	349 680
	407 977	402 181
14. Finance lease obligations		
Minimum lease payments due		
- within one year	4 051	7 699
- in second to fifth year inclusive	1 663	3 078
	5 714	10 777
Less: future finance charges	(428)	(834)
Present value of minimum lease payments	5 286	9 943
Present value of minimum lease payments due		
- within one year	3 726	7 005
- in second to fifth year inclusive	1 560	2 938
	5 286	9 943
Non-current liabilities	1 560	2 938
Current liabilities	3 726	7 005
	5 286	9 943

The finance lease liability relates to furniture and office equipment, whereby the PMTE takes ownership of the asset upon completion of the contract. These contracts are typically for a period of 36 months. These contracts have no escalation clauses. On 1 March 2018, a new agreement was entered into with regards to cell phones and 3G cards whereby the entity purchases the cell phones up front with no further finance lease obligations.

15. Employee benefit obligations

Reconciliation - 2019	Opening balance R'000	Utilised during the year R'000	Over/(under) provided R'000	Additions R'000	Total R'000
Leave	126 408	(62 845)	(13 726)	83 570	133 407
Service bonus	38 686	(38 271)	(415)	41 650	41 650
Performance bonus	21 744	(21 030)	(714)	26 446	26 446
Long service awards	5 733	(3 173)	3 650	-	6 210
	192 571	(125 319)	(11 205)	151 666	207 713
Reconciliation - 2018	Opening balance R'000	Utilised during the year R'000	Over/(under) provided R'000	Additions R'000	Total R'000
Leave	126 197	(106 656)	(19 541)	126 408	126 408
Service bonus	35 730	(35 176)	(554)	38 686	38 686
Performance bonus	20 651	(24 887)	4 236	21 744	21 744
Long service awards	6 184	(2 943)	-	2 492	5 733
	188 762	(169 662)	(15 859)	189 330	192 571

Notes to the Annual Financial Statements

16. Provisions

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in estimate	Total
Reconciliation of provisions - 2019						
Municipal services and property rates (backlog)	1 044 991	69 350	(26 873)	-	-	1 087 468
Maintenance	1 011 199	423 941	(278 399)	(546 207)	12 644	623 178
Legal proceedings	18 879	16 585	-	(14 869)	-	20 595
	2 075 069	509 876	(305 272)	(561 076)	12 644	1 731 241
	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in estimate	Total
Reconciliation of provisions - 2018						
Municipal services and property rates (backlog)	977 481	83 220	(15 710)	-	-	1 044 991
Maintenance	1 108 568	583 416	(382 797)	(387 275)	89 287	1 011 199
Legal proceedings	11 056	14 625	(6 402)	(400)	-	18 879
	2 097 105	681 261	(404 909)	(387 675)	89 287	2 075 069

Municipal services and property rates

The DPW embarked on Phase II Invoice Verification project to verify claims across all regions made by local municipalities on arrear municipal debts. The project involved detailed and extensive investigation and verification of claims with the local municipalities to ensure only confirmed and valid claims are settled. The next phase of the project will be to confirm the debt with the relevant departments to settle the remaining liability and to recover over payments to municipalities. National Treasury is being consulted to assist with a uniform approach concerning the settlement of the debt and outstanding interest.

As a result of this project, the PMTE has identified prepayments to municipalities amounting to R 465 million (2018: R 428 million) included in the prepaid expenses in note 3.

Debt owed to/due from municipalities but not confirmed has been included in contingent liabilities and contingent assets respectively (refer to note 30). Included in contingent liabilities is an amount of R 25 million (2018: R 25 million) relating to interest charged by municipalities which is still in the process of verification.

In addition, the PMTE is not billed on various properties for property rates for which it may be liable in terms of the Municipal Rates Act. The amount of this liability is not reliably measurable due to the uncertainty relating to municipal valuations, applicable rates chargeable, possible exemptions on state owned properties, subdivision of land parcels, timing of receipt of bills, possible changes in ownership and payment arrangements. Therefore management has not recognised a liability in respect of these property rates in the current reporting period. Management is actively engaging with the relevant municipalities in order to rectify possible incorrect billings.

Maintenance

The PMTE appoints contractors to perform repair and maintenance services for its properties. The amount above has been classified as a provision as there is a greater element of uncertainty regarding the amounts and the timing of the work performed. Management is in the process of engaging with contractors to provide all required documentation to validate invoices. Management has developed a model to estimate the obligation for the work performed by contractors (refer to 1.1.6).

The change in estimate relates mainly to the change in the estimated cost to adjust for inflation, as well as a change in the finalisation ratio to account for the possibility that calls can be cancelled after year end.

Legal proceedings

Provisions for legal proceedings consist of claims and litigations for services that have been delivered without an indication of the timing of settlement or the amount of settlement. The provision is based on the amounts confirmed by the legal advisors of the PMTE.

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	2019 R'000	2018 R'000
17. Revenue from exchange transactions		
Accommodation charges - Leasehold Inter-governmental	4 584 853	4 471 017
Accommodation charges - Freehold Inter-governmental	6 752 235	5 727 613
Accommodation charges - Freehold Private	53 816	44 156
Management fees on municipal services	225 165	212 923
Reversal of impairment loss for receivables from exchange transactions	366 546	32 538
Sundry revenue	4 568	7 211
Interest revenue	119 177	18 265
Recoveries	2 502	1 075
	12 108 862	10 514 798
The amount included in revenue arising from non-exchange transactions is as follows:		
Interest revenue consists of:		
Interest from receivables	119 177	18 253
Interest on bank balances	-	12
	119 177	18 265
18. Revenue from non-exchange transactions		
Augmentation	4 009 490	3 682 254
Goods and service in-kind	26 682	3 114
Contractor fines	3 569	3 195
Accommodation charges - Prestige	2 291	1 771
	4 042 032	3 690 334
19. Construction revenue and expenses		
Amount recognised in surplus		
Construction Revenue	324 618	296 286
Construction Expenses	(324 618)	(296 286)
The following is included in the Revenue Accrual (Projects) and Prepaid expense amounts per note 3:		
Gross amount due from clients		
Costs incurred to date	1 171 133	912 640
Amount invoiced to date	(1 145 154)	(882 784)
	25 979	29 856
Amounts not yet billed (Revenue accrual)		
Retentions	12 471	10 473
Accrued expenses	30 473	45 951
Prepaid expenses	(16 965)	(26 568)
	25 979	29 856
20. Depreciation, amortisation and impairments of assets		
Property, plant and equipment	2 465 678	2 303 232
Investment property	97 701	97 693
Intangible assets	12 654	1 873
Heritage assets	1 476	1 253
	2 577 509	2 404 051

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	2019 R'000	2018 R'000
21. Employee related costs		
Bargaining council	-	974
Basic salary and non-pensionable salary	1 366 546	1 222 482
Housing allowances	59 667	55 623
Medical aid contributions	86 551	76 789
Overtime	33 165	23 234
Pension fund contributions	136 612	121 341
Performance bonus	26 729	26 510
Service bonus	82 880	75 795
	1 792 150	1 602 748
22. Impairment loss on receivables		
Receivables from exchange transactions	755 321	1 082 946
Receivables from non-exchange transactions	819	664
	756 140	1 083 610
23. Interest expense		
Interest on overdue accounts	3 245	74
Interest on municipal services and property rates	69 350	83 220
Interest on finance leases	954	1 787
	73 549	85 081
Interest due on backlog municipal services and property rates have not been paid, however, have been provided as explained in note 16.		
24. Loss on disposal/transfer of assets		
Property, plant and equipment	52 496	3 219
Investment property	113	-
	52 609	3 219
25. Operating lease		
Operating lease - building and improvements	4 702 755	4 529 246
Operating lease - furniture and office equipment	41 144	47 747
Rent on land	23 916	25 468
	4 767 815	4 602 461
26. Property maintenance (contracted services)		
Property maintenance expense relates to the following asset categories:		
Property, plant and equipment	1 934 662	2 144 249
Investment property	29 757	315
Heritage assets	340 961	7 789
Leased properties	11 831	9 264
	2 317 211	2 161 617

The property maintenance expense constitutes transactions with contractors for services rendered relating to repairs and maintenance on properties.

Property Management Trading Entity

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		2019 R'000	2018 R'000
27. Sundry operating expenses			
Advertising		276	3 758
Auditors remuneration		29 351	35 660
Bad debts written off		1 802	877
Bank charges		489	506
Bursaries		19 071	10 366
Claims against the state		-	159
Cleaning and gardening		275 359	272 615
Computer software related expenses		17 205	19 807
Communication expenses		9 594	9 852
Consulting fees	27.1	241 046	250 020
Consumables		25 296	26 272
Fleet expenses	27.2	15 159	17 152
Losses incurred	27.3	167 987	197 940
Municipal service expenses		380 600	387 014
Other contractors		7 686	5 479
Other goods and services		21 588	20 236
Retirement awards		291	13 241
Security		94 909	94 163
Service in-kind expenses	27.4	7 684	-
Travel and subsistence		86 600	72 899
		1 401 993	1 438 016

27.1 Consulting fees

Included in consulting fees is an amount of R 30 million (2018: R 19 million) paid to Vodacom for the Telemetry solution implemented for our properties, R 22 million (2018: R 0) was paid to Beadica for the presentation and disclosure of the immovable asset register. R 52 million (2018: R173 million) paid to Special Investigating Unit for investigation purposes, and R 18 million (2018: R11 million) paid to COEGA Development Corporation for business improvements and process reviews. The remaining balance of consulting fees relates the assessment and verification of the immovable assets, green building & energy saving consultants and engineering conditional assessment reviews of properties and components.

27.2 Fleet expenses

The PMTE has entered into operating lease arrangements for vehicles. The operating lease for vehicles is on a month-to-month basis and therefore no operating lease asset or liability exists.

27.3 Losses incurred

The losses incurred consists mainly of additional payments made to default contractors on projects.

27.4 Service in kind expense

This amount relates to expenses and movable assets paid for by the PMTE but utilised by the DPW.

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Notes to the Annual Financial Statements

	2019 R'000	2018 R'000
28. Cash generated from operations		
Surplus (deficit)	1 115 688	(217 907)
Adjustments for:		
Depreciation, impairment and amortisation	2 577 509	2 404 051
Loss on disposal/transfer of assets	52 609	3 219
Interest expense	73 549	85 081
Interest revenue	(119 177)	(18 253)
Impairment on receivables	756 140	1 083 610
Bad debt written off	1 802	877
Reversal of impairment loss on receivables	(366 546)	(32 538)
Service in-kind revenue	(26 682)	(3 114)
Service in-kind expense	7 684	-
Losses incurred	167 987	197 940
Revenue from transfer of immovable assets	(200 126)	(388 504)
Changes in working capital:		
Receivables from exchange transactions	(1 141 857)	(1 448 625)
Receivables from non-exchange transactions	(1 049)	(620)
Operating lease asset	192 573	131 137
Operating lease liability	(189 060)	(148 344)
Payables from exchange transactions	41 637	289 216
Provisions	(413 178)	(105 256)
Employee benefit obligations	15 142	3 809
Retention liabilities	274 946	40 958
Deferred revenue	15 761	862 136
	2 835 352	2 738 873

Notes to the Annual Financial Statements

29. Budget differences

Reconciliation of budget to actual

Net cash flows from operating activities	2 835 352
Net cash flows from investing activities	(3 174 549)
Net cash flows from financing activities	(5 611)
	(344 808)
Cash deficit	(344 808)
Surplus (deficit) for the year	1 115 688
Basis difference	770 880

The difference between the cash surplus per the Statement of Comparison of Budget and Actual Amounts and the Statements of Financial Performance relates to non-cash movements.

Explanations of material variances between actual amounts and final budgeted amount

Receipts

Accommodation charges – leasehold inter-governmental

Accommodation charges-leasehold variance is as a result of R457m received from prior year revenues due and R103m that was not recovered relating to the current year's leases due. The remaining difference of R37m relates to the difference between expected billings and actual billings.

Accommodation charges – freehold intergovernmental

Accommodation charges - freehold intergovernmental consist of accommodation charges received from client departments as well as amounts received for recoverable projects.

The variance is largely attributable to recoverable projects not billed as a result of under-expenditure of R991m on capital projects (see recoverable capital expenditure) and an over-expenditure on recoverable maintenance of R47m (included in maintenance). The remainder of the variance of R 402m relates to under-recoveries of R224 on state accommodation and R178 on recoverable projects.

Municipal services recovered

Municipal services recovered is relating to the actual recoveries where the PMTE paid municipal services on behalf of clients. It includes recoveries from client departments relating to the water and energy savings programme.

The revenue variance is largely attributable to disputes raised by the client departments on intergovernmental claims issues. The disputes relate to occupation of properties and shared savings.

These services are performed for the benefit of the client. Net effect of the payments and recoveries should be zero as municipal services are managed on a cost recovery basis.

Payments

Cleaning and gardening

Cleaning and horticultural services are provided to the facilities occupied by PMTE, Justice and Prestige. These services are delivered partially through in-house capability and partially through the use of external service providers. The variances is attributable to the delay in the procurement of new contracts where the existing contracts have expired. The reason for the delay was the extended time it took to obtain the security vetting results.

Property Management Trading Entity

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29. Budget differences (continued)

Administrative, goods and services

The over-expenditure on administrative goods and services includes amounts losses from projects and other disallowances amounting to R146m that are not budgeted. The remainder of approximately R100 relates to savings on goods and services due to the high vacancy rate which affected the spending on the operational costs.

Maintenance

Maintenance comprises of planned maintenance and unplanned maintenance.

For planned maintenance the budget is based on the cash flow projection relating to the planned projects rolled-out of an extensive project portfolio. The bulk of underspending on this budget occurred on the Facilities Management project for Presidency in Pretoria. This project includes facilities of significant importance and heritage value. The project was handed over to an implementing agent late in the financial year and there was a delay in the transfer of funds. Other reasons for the underspending was due to the delay in the execution of projects which was caused by poor performance of some of the contractors. Some being liquidated or in financial distress

For unplanned maintenance the budget relates to day-to-day breakdowns and routine maintenance done on installations such as air conditioners, boilers, water treatment plants, etc. Due to the nature of the expense, the budget is monitored and adjusted frequently but needs to be flexible as the number of breakdowns cannot be predicted. Additional funding was provided to assist with the payment of long outstanding accruals.

Property rates and municipal services

The underspending on property rates of R176m and municipal services of R25m were due to amounts budgeted to pay long outstanding debt but not paid. A detailed reconciliation process is currently underway in order to resolve the disputes on municipal debt and resolve the issues relating thereto.

Capital recoverable expenditure

The reasons for the underspending was due to the delay in the execution of projects which was caused by poor performance of some of the contractors, delays in appointing new contractors as well as the delays of the extension of time on some of the projects. As the projects are recoverable, the PMTE has to request approval from the client departments before tenders are advertised, when recommended bids are higher than the estimate and every time there is an increase in the cost of the project. Delays in client responses is a major cause of under-expenditure. Clients are expected to sign-off on their available allocations before the start of the financial year, but some clients only make the allocations available during the first quarter of the financial year. This leads to further delays and under-expenditure as projects cannot be placed on the Procurement Plan before approval of the budget.

Capital non-recoverable expenditure

The reasons for underspending on this budget was due to the poor performance by the contractors and the delay and extension of time on some of the projects. Letters were send to these contactors to accelerate the work and bring progress back on track.

Notes to the Annual Financial Statements

30. Contingencies

	2019 R'000	2018 R'000
Contingent liabilities		
Municipal services and property rates	60 544	60 544
Legal claims against the PMTE	156 920	41 432
	217 464	101 976

Municipal services and property rates

The DPW embarked on Phase II Invoice Verification project to verify claims made by local municipalities on arrear municipal debts. The project involved detailed investigation of claim with the local municipalities to ensure only valid claims are settled. For further details refer to note 16.

Legal Claims against the PMTE

The claims against the PMTE arose from property and maintenance disputes with various third parties and/or service providers as well as litigations regarding cancellations of rental leases. The entity's legal advisors are handling the claims on behalf of the PMTE and have assessed the probability of each claim in determining the total amount of the legal contingent liability and that the outflow of economic benefits is possible at the reporting date.

	2019 R'000	2018 R'000
Contingent assets		
Municipal services and property rates	828	828
Legal claims by the PMTE	239 067	172 870
Special Investigating Unit recoveries	Undefined	765 705
Property, plant and equipment	Undefined	Undefined
	239 895	939 403

Municipal services and property rates

The DPW embarked on Phase II Invoice Verification project to verify claims made by local municipalities on arrear municipal debts. The project involved detailed investigation of claim with the local municipalities to ensure only valid claims are settled. For further details refer to note 16.

Property Management Trading Entity

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Notes to the Annual Financial Statements

30. Contingencies (continued)

Legal claims by the PMTE

The claims for the PMTE arose from property and maintenance disputes with various third parties and/or service providers. The entity's legal advisors are handling the claims on behalf of the PMTE and have assessed the probability of each claim in determining the total amount of the legal contingent asset and that the inflow of economic benefits is possible at the reporting date.

Special Investigating Unit recoveries

The Special Investigating Unit (SIU) was tasked to investigate certain leases between PMTE as the lessee and the Landlords with reference to Proclamation R38 of 2010 (which was extended with Proclamation R27 of 2015) as well as Proclamation R59 of 2014. In 2018, PMTE reported contingent assets of R765 million, however these cases did not translate into actual claims it is therefore deemed prudent not to further include these as contingent assets.

The SIU was tasked to investigate certain projects relating to prestige properties, with reference to Proclamation R54 of 2014 and Proclamation R59 of 2013. These matters are either currently preceding in court or summons have been issued for recovery of funds. Any possible recovery is not determinable at this stage.

Property, plant and equipment

The PMTE is in the process of regularising the ownership of land parcels pertaining to state domestic facilities (SDF) built on land currently registered under a number of other state custodians. Whilst the SDFs have already been recognised, the PMTE estimates that there are 3 183 land parcels (2018: 4 190 land parcels) that will potentially need to be transferred to PMTE. Transfers can only be completed once an arrangement has been concluded with the current custodian and the land has been surveyed, registered or endorsed. The value of these land parcels can furthermore only be reliably determined once it has been surveyed and the revised Surveyor General diagrams have been issued. The PMTE received the deeds register on 2 May 2019 and is in the process of verifying the information. This could result in additional assets that may have to be recognised and/or assets to be transferred to relevant custodians.

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

	2019 R'000	2018 R'000
31. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	87 199	99 274
Fruitless and wasteful expenditure - relating to current year	10	-
Fruitless and wasteful expenditure - relating to prior years	77	-
Less amounts resolved	(5)	-
Less amounts reversed	(2 770)	(12 075)
	84 511	87 199

Fruitless expenditure incurred in the current year relates to expenditure where the benefit for the service was not received. The amount recognised in the current year relating to prior years relates to interest expenditure. New cases identified in the current financial year will be actioned in accordance with the relevant guidelines and policies.

Furthermore, an amount of R121 million (2018: R133 million) relating to the 2017/18 audit findings by AGSA regarding the key projects is still under investigation. It must be noted that these projects are complex, hence the delay in finalising their investigations.

The SIU's investigations in terms of proclamations R38 of 2010, R59 of 2014 and R27 of 2015 are on-going. Management has received some reports of investigation, which have been implemented, while those received at the end of financial year are still being processed through internal control processes. Those found to be fruitless and wasteful expenditure will be disclosed after final confirmation of the amounts with the SIU.

The amount resolved of R5 thousand relates to instances where losses were recovered from responsible officials. Furthermore, the R2,8 million was reversed as it was not recoverable. Investigations revealed that some amounts were erroneously included as a duplication, whereas others were instances where the transactions did not meet the definition of fruitless and wasteful expenditure. The Guidelines on Fruitless and Wasteful Expenditure and the Policy on Management of Financial Misconduct were applied to investigated amounts which were subsequently written off.

32. Irregular expenditure

Opening balance	2 334 039	3 705 259
Add: Irregular Expenditure - current year	651	149 384
Add: Irregular Expenditure - prior years	7 002	9 887
Less: Current year amounts condoned	(97)	-
Less: Prior year amounts condoned	(97 985)	(271 382)
Less: Amounts not recoverable (not condoned)	(510 883)	(1 259 109)
	1 732 727	2 334 039

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

	2019 R'000	2018 R'000
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32. Irregular expenditure (continued)

An amount of R374 million discovered by AGSA during the 2019/20 audit has not been validated as yet, upon completion of the enquiry the necessary disclosures will be made. Included in this amount is R299 million relating to expenditure incurred relating to implementing agents. Internal investigations are on-going to confirm potential cases of irregular expenditure. Where investigations have been concluded and officials are found liable in law, appropriate actions are taken by management in line with the National Treasury Guidelines on Irregular Expenditure and the approved Policy on Management of Financial Misconduct.

Furthermore, an amount of R121 million (2018: R133 million) relating to the 2017/18 audit findings by AGSA regarding the key projects is still under investigation. Additional expenditure relating to these projects amounting to R44 million incurred in the current financial year will also be included in the validation process of irregular expenditure by management. It must be noted that these projects are complex, hence the delay in finalising their investigations.

An amount of R15 million identified by AGSA in the 2016/17 financial year remains unresolved. It must further be noted that management is committed to resolving all findings included potential irregularities. Where investigations have been concluded and officials are found liable in law, appropriate actions are taken by management in line with the National Treasury Guidelines on Irregular Expenditure and the approved Policy on Management of Financial Misconduct.

Current year amounts condoned relates to transactions where no official has been found to be liable and no losses were suffered by the Department. Necessary approvals were sought from the delegated authority in terms of the Irregular Expenditure Framework and Policy on Management of Financial Misconduct.

Prior year amounts condoned relates to transactions where consultants in construction were appointed in terms of the Roster Consultant System and condoned in prior years.

Amounts not recoverable (not condoned) relates to transactions dealt with in terms of the National Treasury Guideline on Irregular Expenditure and approved by the National Treasury in prior years.

The SIU's investigations in terms of proclamations R38. of 2010, R.59 of 2014 and R.27 of 2015 are on-going. Management has received some reports of investigation, which have been implemented, while those received at the end of financial year are still being processed through internal control processes. Those found to be irregular and / or fruitless and wasteful expenditure will be disclosed after final confirmation of the amounts with the SIU.

Details of irregular expenditure - current year

	2019 R'000
Appropriate approval not obtained from delegated authority	625
Expired CIDB	25
	650

All transactions have been referred for further action in terms of the Irregular Expenditure Framework and the Policy on Management of Financial Misconduct.

Details of irregular expenditure - prior year

Appropriate approval not obtained from delegated authority	4 483
Incorrect procurement process followed	2 519
	7 002

Included in the amount of R7 million is an amount of R1.7 million relating to irregularities identified on projects, and the remaining amount of R5.3 million relates to several unplanned maintenance transactions.

Details of irregular expenditure - prior year amounts condoned

Appropriate approval not obtained from delegated authority	97
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Transactions were investigated and approved by the delegated authority in line with the Irregular Expenditure Framework and Policy on Management of Financial Misconduct.

Notes to the Annual Financial Statements

32. Irregular expenditure (continued)

Details of irregular expenditure not recoverable (not condoned)

Appropriate approval not obtained from delegated authority	922
CIDB related issues	1 630
Incorrect procurement process followed	507 825
Three quotations not obtained	506
	<hr/>
	510 883
	<hr/>

Included in the above is an amount of R0.7 million that relates to instances that were referred to and concluded by Labour Relations in terms of prescripts relating to disciplinary proceedings. Furthermore, amounts classified as prior year errors are those instances that were investigated and found not to have met the definition of irregular expenditure. Lastly, an amount of R432 million are internally investigated cases which were concluded and approved by the delegated authority in line with the Irregular Expenditure Framework and the Policy on Management of Financial Misconduct.

Details of prior year amounts condoned

Roster Appointments/Consultants	97 985
	<hr/>

Amounts condoned in terms of contracts awarded in prior years using the Roster System which was utilised on a rotational database of professional services employed on construction projects. The Department has seized with the utilisation of this database as it was found in the previous financial years not to comply with subsequent prescripts of the National Treasury relating to quotations.

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

	2019 R'000	2018 R'000
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33. Financial instruments disclosure

Categories of financial instruments

Financial assets at amortised cost

Receivables from exchange transactions	3 944 888	3 461 050
Cash and cash equivalents	6 647	5 967
	3 951 535	3 467 017

Financial liabilities at amortised cost

Bank overdraft	2 683 976	2 338 485
Payables from exchange transactions	2 713 363	2 747 729
Retention liabilities	407 977	402 181
Finance lease obligations	5 286	9 943
	5 810 602	5 498 338

34. Risk management

Financial risk management

The entity's activities are exposed to a variety of financial risks which includes market risk (including interest rate risk), credit risk and liquidity risk.

The Director-General, as the Accounting Officer, is responsible for strategic risk management. The Audit Committee provides oversight over the risk management. The PMTE has a risk management strategy that has been developed in terms of the Treasury Regulation 3.2. The purpose of the PMTE risk management strategy is to identify the risks and ensure that the overall risk profile remains at acceptable levels. The risk management strategy provides reasonable, but not absolute, assurance that risks are being adequately managed.

The PMTE risk policy sets out the minimum standards of risk management to be adopted and adhered to by all the units within the PMTE. The risk policy is established to identify and analyse the risks faced by the PMTE, to set appropriate risk tolerance levels and controls and to monitor risks and adherence these tolerance levels. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the PMTE activities. The risk management policy contains processes for identifying both the impact and likelihood of such a risk occurring. Risks that have been identified as having a potentially severe impact on the PMTE are regarded as unacceptable and where possible will be avoided. Financial risk is not considered significant with the exception of the overdraft.

Responsibility for adherence to the PMTE risk management strategy rests with the management. Internal Audit provides reviews of management's compliance to the risk management processes within the PMTE. Internal Audit reports to management and the Audit Committee on a regular basis.

Notes to the Annual Financial Statements

34. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the PMTE is not able to settle its obligations. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

For operating lease liabilities and finance lease liabilities, the maturity analysis is disclosed in note 5 and note 14 respectively. Operating lease payments for vehicles increases annually based on CPIX. All payments are due within 30 days except tender deposits and retentions which are due when the related contracts expire. These tender deposits are considered immaterial in managing the cash flows of the PMTE and have been excluded from the maturity analysis below

2019	Note	1 month R'000	2-12 months R'000	2 years R'000	3 years R'000	> 3 years R'000	Total R'000
Bank overdraft	6	2 683 976	-	-	-	-	2 683 976
Accrued expenses - Assets	12	494 078	-	-	-	-	494 078
Accrued expenses - Cleaning and gardening	12	20 705	-	-	-	-	20 705
Accrued expenses - Leases	12	946 669	-	-	-	-	946 669
Accrued expenses - Maintenance	12	317 467	-	-	-	-	317 467
Accrued expenses - Municipal services	12	675 382	-	-	-	-	675 382
Accrued expenses - Other	12	42 106	-	-	-	-	42 106
Accrued expenses - Scheduled maintenance	12	202 103	-	-	-	-	202 103
Accrued expenses - Security	12	10 321	-	-	-	-	10 321
Income received in advance - leases	12	505 784	-	-	-	-	505 784
Trade payables	12	2 650	-	-	-	-	2 650
Retention liabilities	13	309 397	83 983	14 104	-	493	407 977
Capital commitments - Projects		3 127 522	2 152 977	1 356 477	761 491	739 213	8 137 680
Operating maintenance commitments - Projects		1 986 410	358 364	188 029	54 813	13 750	2 601 366
Agency commitments - Projects		175 875	122 619	124 139	72 013	64 009	558 655
		11 500 445	2 717 943	1 682 749	888 317	817 465	17 606 919
2018	Note	1 month R'000	2-12 months R'000	2 years R'000	3 years R'000	> 3 years R'000	Total R'000
Bank overdraft	6	2 338 485	-	-	-	-	2 338 485
Accrued expenses - Assets	12	377 404	-	-	-	-	377 404
Accrued expenses - Cleaning and gardening	12	24 996	-	-	-	-	24 996
Accrued expenses - Leases	12	805 271	-	-	-	-	805 271
Accrued expenses - Maintenance	12	280 199	-	-	-	-	280 199
Accrued expenses - Municipal services	12	1 013 057	-	-	-	-	1 013 057
Accrued expenses - Other	12	85 052	-	-	-	-	85 052
Accrued expenses - Scheduled maintenance	12	150 572	-	-	-	-	150 572
Accrued expenses - Security	12	8 080	-	-	-	-	8 080
Income received in advance - leases	12	652 543	-	-	-	-	652 543
Trade payables	12	796	-	-	-	-	796
Retention liabilities	13	265 776	83 904	50 371	2 104	26	402 181
Capital commitments - Projects		2 996 905	1 605 321	1 061 907	466 536	142 702	6 273 371
Operating maintenance commitments - Projects		774 102	1 020 033	512 895	149 361	58 310	2 514 701
Agency commitments - Projects		287 717	119 496	105 011	36 871	53 022	602 117
		10 060 955	2 828 754	1 730 184	654 872	254 060	15 528 825

For further commitment disclosure for operating leases, refer to note 5.

Notes to the Annual Financial Statements

34. Risk management (continued)

The PMTE's policy is not to enter into capital and/or lease commitments without ensuring commitment from the client departments to settle its obligations.

The liquidity maturity analysis represents the contractual cash flows and has not been discounted.

Credit risk

Credit risk is the risk of financial loss to the PMTE if a client department or counterparty defaults on its contractual obligations to the PMTE. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position.

The PMTE may have financial assets arising out of transactions with suppliers due to overpayments and non-delivery.

The PMTE manages this risk by requiring retentions and or guarantees before contract work commences.

The credit risk of financial assets arising out of lease contracts as it relates to transactions with other government departments and institutions is actively managed where there are disagreements about inter-governmental debt.

The PMTE first engages with the respective client to resolve the issue and if required involves National Treasury to mediate the situation. These various government institutions have no independent credit ratings.

Outstanding debt is assessed for impairment and amounts are not written off unless the authorised process is followed. However, as a result of client departments' inability to accumulate savings to settle debt, a considerable amount of time may expire before the amount is collected.

The PMTE is also exposed to additional credit risk as a result of the transfer of functions as it now also collects monies from the private sector for leases. The extent of these are not considered to be material.

The PMTE makes provision for this in the impairment calculation by discounting the expected future cash flows taking into account the expected period of payment.

The PMTE does not enter into additional leases with any client departments without first assessing the current outstanding debt of the client department.

Amounts that are neither past due nor impaired are considered to be recoverable as it relates to the current invoices not outstanding later than 30 days.

The nature of the PMTE's exposure to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

Notes to the Annual Financial Statements

34. Risk management (continued)

Financial and statutory assets exposed to credit risk at year end were as follows:

	2019 R'000	2018 R'000
Cash and cash equivalents	6 647	5 967
Operating lease asset	389 581	582 154
Receivables from exchange transactions	3 944 888	3 461 050
Receivables from non-exchange transactions	252	22
	4 341 368	4 049 193

The carrying values of the above financial assets are net of any impairments and approximate their fair value.

None of the amounts disclosed above have been pledged as security or collateral for liabilities or contingent liabilities.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The PMTE is exposed to limited interest rate risk from cash balances as it sweeps transactions through commercial accounts to the Reserve Bank account.

The PMTE is exposed to changes in the interest rate applicable to debt owed to the state. Other changes in interest rates are considered insignificant. National Treasury determines this rate and manages the risk on behalf of National Government.

35. Related parties

The PMTE performs property management services for the state owned and leasehold immoveable assets occupied by National Departments and their related parties, and recognises and recovers accommodation charges from them.

The PMTE is exempt from disclosure of related party transactions provided that the services are received/delivered within normal supplier/client relationships, on terms and conditions that is no more nor less favourable than those that would have reasonably be expected to be adopted if dealing with that entity/person in the same circumstances. The extent of those transactions delivered in accordance with the PMTE legal mandate and that meets the exemption criteria, is included in note 17 (accommodation charges - leasehold inter-governmental and management fees on municipal services).

The PMTE operates within the administration of the DPW and as such all contracts are entered into in the name of the DPW. The liabilities and obligations arising from these transactions are accounted for by the PMTE if it relates to the PMTE operating activities as these liabilities will be settled using the PMTE funds and resources. As such, these transactions are not considered related party transactions.

Notes to the Annual Financial Statements

35. Related parties (continued)

Other overhead costs include the sharing of corporate services between the DPW and the PMTE. Due to the nature of these transactions and the operational structures between the PMTE and the DPW, the value of these shared costs cannot be reliably measured. These costs, paid by the DPW on behalf of the PMTE and not recovered, include the following corporate shared services:

- Supply Chain Management (SCM) for head office
- Internal Audit
- Human Resources (Human Resource Management and Human Resource and Organisational Development)
- Gender, people with disabilities, youth and children
- Marketing and Communication
- Information Services
- Legal Services
- Security Management
- International relations and Strategic Management Unit
- Office of the Ministry, Office of the Director General and Office of the Chief Financial Officer
- Monitoring and Evaluation
- Labour Relations

In addition, the DPW and the PMTE share the service cost of certain special interventions entered into in support of the turn around strategy. These cannot be reliably separated. The PMTE receives an augmentation of funds from National Treasury via the DPW to fund its operations.

The PMTE recognises accommodation revenue on state owned buildings based on the amount budgeted by client departments. The level of service delivery relating to this accommodation charge is not linked to the value received, it is likely that some clients may benefit to the disadvantage of others. It is not possible to identify the extent of benefit or disadvantage received. The full amount of the revenue transaction is disclosed in note 17. The related receivables (accommodation debtors - freehold inter-governmental) is disclosed in note 3.

Revenue from exchange transactions:

Accommodation charges - freehold intergovernmental

Agriculture, Forestry and Fisheries	133 815	114 184
Arts and Culture	53 435	46 465
Telecommunications and Postal Services	-	1 157
Correctional Services	1 163 061	1 071 622
Defence and Military Veterans	1 075 754	1 024 528
Higher Education	1 113	968
Environmental Affairs	26 828	23 328
Government Communications	-	37
Government Pension Administration Agency	-	19 058
Health	21 446	18 038
Home Affairs	64 013	55 664
Human Settlement	679	591
Independent Police Investigative Directorate	418	398
International Relations and Cooperation	307	-
Justice and Constitutional Development	397 474	378 547
Labour	69 133	65 405
Rural Development and Land Reform	36 678	31 894
Mineral Resources	3 821	3 615
National Treasury - SARS	40 524	38 339
Public Works	6 613	5 750
SA Police Services	1 331 309	1 267 913
Social Development	725	630
Sports and Recreation	-	13
Statistics South Africa	1	1 628
Trade and Industry	4	43
Water and Sanitation	177 842	154 646
	4 604 993	4 324 461

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	2019 R'000	2018 R'000
35. Related parties (continued)		
Revenue from non-exchange transactions		
Public Works - Augmentation	4 009 490	3 682 254
Public Works - Goods and service in-kind	26 682	3 114
	4 036 172	3 685 368

The PMTE receives free services from the DPW. Overhead costs that can be measured reliably and have been included in revenue from non-exchange transactions as services in-kind. These costs are not recovered by the DPW.

Gross receivables from exchange transactions:

Accommodation charges - freehold intergovernmental

Agriculture, Forestry and Fisheries	100 987	85 638
Correctional Services	757 239	421 519
Health	21 446	-
International Relations and Cooperation	7 565	7 258
Justice and Correctional Services	1	166 999
National Treasury - SARS	40 524	-
Rural Development	1	1
Statistics South Africa	19	18
Trade and Industry	107	103
	927 889	681 536

Impairment relating to exchange transactions:

Accommodation charges - freehold intergovernmental

Agriculture, Forestry and Fisheries	708	4 597
Correctional Services	159 007	182 032
Health	2 065	-
International Relations and Cooperation	7 282	7 258
Justice and Constitutional Development	1	20 500
National Treasury - SARS	136	-
Rural Development and Land Reform	1	1
Statistics South Africa	19	18
Trade and Industry	107	103
	169 326	214 509

The below table shows the total outstanding debt per client department as well as the cumulative impairment recognised. The "Gross receivables from exchange transactions: Accommodation charges - freehold intergovernmental" above is included in the below receivables:

2019

Client department	Gross receivable		Municipal Services	Total	Impairment		Municipal Services	Total
	Freehold Intergovernmental	Leasehold Intergovernmental			Freehold Intergovernmental	Leasehold Intergovernmental		
Agriculture, F	100 987	18 322	80 596	199 905	708	8 485	57 849	67 042
Agriculture re	-	-	747	747	-	-	141	141
Arts and Cult	76 545	6 405	31 194	114 144	14 527	375	12 333	27 235
Basic Educat	39 899	-	-	39 899	25 082	-	-	25 082
Centre for Pu	-	720	35	755	-	476	-	476
Companies A	-	(21)	(5)	(26)	-	-	-	-
Cooperative	-	(3 069)	1 693	(1 376)	-	-	23	23
Correctional	791 202	(10 663)	603 790	1 384 329	160 069	24	507 777	667 870
Defence	198 768	(237 241)	1 244 894	1 206 421	4 976	-	860 936	865 912
Energy	-	11 398	(366)	11 032	-	7 403	-	7 403
Environment	4 167	21 117	24 790	50 074	4 163	19 258	24 310	47 731
Gender Equa	-	-	656	656	-	-	656	656
Government	14	-	-	14	-	-	-	-
Film and Pub	-	(609)	46	(563)	-	-	-	-

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

						2019 R'000	2018 R'000
35. Related parties (continued)							
Financial Anc	-	7 265	3 273	10 538	-	6 736	10 009
Govt Commu	-	726	315	1 041	-	688	699
Government	-	25	316	341	-	2	2
Health	21 447	(629)	23 457	44 275	2 065	-	18 415
Higher Educa	-	(4 705)	3 179	(1 526)	-	-	1 914
Home Affairs	118	(22 597)	(906)	(23 385)	38	3 987	-
Human Settle	-	45 872	(336)	45 536	-	47 200	47 200
Human Right	-	-	98	98	-	-	24
Ind Police Inv	-	107 569	1 105	108 674	-	103 367	406
International	71 123	13 920	5 904	90 947	68 463	17 871	4 799
Justice & Cor	-	(2 389)	-	(2 389)	-	-	-
Justice & Cor	37 831	(27 830)	135 001	145 002	557	5 666	100 064
Labour	2 642	(21 280)	(740)	(19 378)	25	-	939
Military Veter	102	149	236	487	102	134	2
Mineral Resc	-	2 834	8 357	11 191	-	521	8 188
National Pros	1 387	5 081	1 324	7 792	1 335	4 012	694
National Sch	-	109	1 898	2 007	-	186	1 898
National Treas	-	114 518	36 729	151 247	-	107 167	32 650
Office of the I	70	(537)	97	(370)	68	-	73
Office Of The	-	1 595	277	1 872	-	2 769	277
Parliament	877	1 392	-	2 269	844	1 272	-
Planning, Mo	-	(560)	-	(560)	-	-	-
Public Enterp	-	2 236	675	2 911	-	1 979	274
Public Servic	4 220	5 656	1 086	10 962	4 220	6 213	143
Public Works	-	(1 727)	759	(968)	-	-	-
Rural Develo	12 067	(4 162)	9 641	17 546	18	-	6 024
Sa Social Sei	190	14 998	6 686	21 874	183	10 626	4 618
Science And	-	6 677	151	6 828	-	1 947	150
Small Busine	-	1 067	214	1 281	-	1 067	214
Social Develo	-	(455)	559	104	63	-	192
South Africar	40 590	-	7 993	48 583	136	-	5 772
South Africar	75 185	(58 272)	256 440	273 353	4 358	-	144 750
Sport And Re	-	19 827	4 156	23 983	2 373	14 556	3 270
SITA	2 465	-	47 841	50 306	-	-	3 285
Statistics SA	79	77 871	7 665	85 615	77	71 551	5 457
Telecommun	-	(6 352)	1 849	(4 503)	-	-	1 849
Tourism	-	1 116	316	1 432	-	349	8
Trade And In	107	(962)	1 386	531	107	-	1 296
Transport	-	41 750	864	42 614	-	29 256	523
Water And S	233	-	4 273	4 506	-	-	988
Women	-	3 559	119	3 678	-	3 921	-
Totals	1 482 315	129 714	2 560 327	4 172 356	294 557	479 064	1 816 465

2018

Client department	Gross receivable		Municipal Services	Total	Impairment		Municipal Services	Total
	Freehold Intergovern mental	Leasehold Intergovern mental			Freehold Intergovern mental	Leasehold Intergovern mental		
Agriculture, F	88 557	49 718	98 560	236 835	6 968	25 040	91 973	123 981
Agriculture re	-	-	1 064	1 064	-	-	260	260
Arts and Cult	-	(492)	40 861	40 369	-	2 448	782	3 230
Basic Educat	78 746	-	-	78 746	64 902	-	-	64 902
Centre for Pu	-	965	384	1 349	-	779	-	779
Companies A	-	168	(5)	163	-	29	-	29
Cooperative (-	2 693	1 495	4 188	-	-	15	15
Correctional :	454 560	9 241	323 886	787 687	185 368	946	232 139	418 453
Defence	34 047	(225 837)	786 758	594 968	11 614	75 481	699 963	787 058
Energy	-	11 746	318	12 064	-	3 109	-	3 109
Environmenta	4 163	19 059	24 504	47 726	4 163	19 059	23 649	46 871

Property Management Trading Entity

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Notes to the Annual Financial Statements

						2019 R'000	2018 R'000
35. Related parties (continued)							
Gender Equa	-	-	70	70	-	-	-
Government	2 226	-	-	2 226	2 226	-	2 226
Film and Pub	-	1	14	15	-	-	-
Financial Anc	-	12 856	2 660	15 516	-	12 856	15 516
Govt Commu	-	1 174	51	1 225	-	1 161	1 161
Government	-	206	3 482	3 688	-	19	460
Health	547	14	15 356	15 917	-	-	13 612
Higher Educa	-	4 952	3 179	8 131	-	492	1 908
Home Affairs	1 797	11 070	12 673	25 540	91	4 146	3 472
Human Settle	-	57 653	(478)	57 175	-	43 925	-
Human Right	-	-	78	78	-	-	5
Ind Police Inv	-	91 628	698	92 326	-	89 345	401
International	68 237	19 714	11 180	99 131	68 237	17 871	6 958
Justice & Cor	-	776	-	776	-	-	-
Justice & Cor	229 207	38 728	108 708	376 643	21 055	5 629	68 821
Labour	(7 226)	(8 789)	(1 300)	(17 315)	-	-	-
Military Veter	98	1 794	86	1 978	98	216	-
Mineral Resc	-	-	8 379	8 379	-	-	8 189
National Pros	1 330	5 564	1 222	8 116	1 330	4 029	681
National Sch	-	10 741	1 906	12 647	-	10 741	1 898
National Treas	-	83 107	35 041	118 148	-	94 837	32 837
Office of the I	67	(294)	590	363	67	-	88
Office Of The	-	2 871	277	3 148	-	2 871	277
Parliament	841	1 263	-	2 104	841	1 228	-
Planning, Mo	-	765	-	765	-	210	-
Public Enterp	-	3 933	376	4 309	-	5 032	110
Public Servic	25 322	6 213	1 174	32 709	25 322	4 892	133
Public Works	91	(743)	1 432	780	91	-	-
Rural Develo	1	38 425	6 899	45 325	1	4 711	3 379
Sa Social Sei	182	(1 721)	-	(1 539)	182	-	-
Sa Social Sei	-	-	73	73	-	-	41
Sa Social Sei	-	13	629	642	-	13	360
Sa Social Sei	-	612	415	1 027	-	612	-
Sa Social Sei	-	7 539	760	8 299	-	6 203	59
Sa Social Sei	-	936	59	995	-	936	(9)
Sa Social Sei	-	500	658	1 158	-	304	493
Sa Social Sei	-	294	857	1 151	-	233	649
Sa Social Sei	-	-	1 620	1 620	-	-	1 112
Sa Social Sei	-	-	2 735	2 735	-	-	2 531
Sa Social Sei	-	-	504	504	-	-	-
Sa Social Sei	-	-	93	93	-	-	24
Science And	-	5 075	151	5 226	-	1 800	151
Small Busine	-	1 067	214	1 281	-	1 067	214
Social Develc	-	-	1 074	1 074	-	-	190
South Africar	63	-	8 125	8 188	63	-	5 674
South Africar	70 951	157 137	149 275	377 363	4 347	33 126	598
Sport And Re	-	17 610	3 986	21 596	-	13 991	3 307
SITA	2 365	-	38 191	40 556	2 365	-	38 191
Statistics SA	76	123 339	6 753	130 168	76	122 548	5 299
Telecommun	-	9 036	1 866	10 902	-	6 892	1 849
Tourism	-	11 610	(24)	11 586	-	11 610	-
Trade And In	103	(1 172)	1 302	233	103	-	1 271
Transport	-	72 976	520	73 496	-	72 976	520
Water And S	196	42 945	7 675	50 816	-	2 204	1 459
Women	-	4 380	54	4 434	-	3 461	-
Totals	1 056 547	703 059	1 719 143	3 478 749	399 510	709 078	1 258 634
							2 367 222

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2019

Notes to the Annual Financial Statements

	2019 R'000	2018 R'000
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35. Related parties (continued)

The PMTE incurs costs relating to cleaning and gardening services for leasehold properties occupied by certain client departments. Figures reflected in the tables below reflect the related party transactions applicable per client department. These costs are not recovered from client departments, and therefore considered a free service to them. The related party accruals disclosed below are unsecured and are expected to be settled within the normal course of business.

Expenditure

Arts and Culture	11 520	15 471
Correctional Services	-	12
Justice and Constitutional Development	192 135	187 364
South African Police Services	-	88
The Presidency	-	8 355
	203 655	211 290

Accruals raised

Arts and Culture	1 630	10
Correctional Services	-	12
Defence and Military Veterans	14	-
International Relations and Cooperation	10	-
Justice and Constitutional Development	13 493	10 062
South African Police Services	-	88
The Presidency	3 252	8 355
	18 399	18 527

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Notes to the Annual Financial Statements

35. Related parties (continued)

2019 Remuneration of management	Official	Basic salary	Non- pensionable salary	Bonuses and performance related payments	Post- employment benefits	Other short- term employee benefits	Total
Employees: Regional Managers							
Bloemfontein	TP Zulu	833	19	45	108	287	1 292
Cape Town (Acting)	N Kani	659	299	54	86	122	1 220
Durban	NN Vilakazi	714	323	59	93	-	1 189
Johannesburg	JM Monare	792	196	66	103	186	1 343
Kimberley	R Baulackey	847	114	69	110	135	1 275
Mmabatho	R Matlala	746	231	62	97	111	1 247
Nelspruit	PT Mashiane	804	385	-	105	153	1 447
Polokwane	M Ntshani	910	101	76	118	205	1 410
Port Elizabeth	JG Van Der Walt	853	435	-	111	66	1 465
Pretoria	TB Phiri	714	288	64	93	54	1 213
Umthata (Acting)	MS Mabandla	651	173	-	85	88	997
Employees: Other Officials							
Chief Director: Construction Management Inland	W Hlabangwane	853	356	71	111	87	1 478
Chief Director: Financial Planning	J Prinsloo	797	338	67	104	30	1 336
Acting Chief Director: State Owned	GS Ncoane	704	89	59	91	253	1 196
Exco Members: Head of units							
Head of PMTE (Acting)	PJ Maroga	1 141	489	-	-	238	1 868
Finance (Acting)	MR Sithole	828	163	-	108	294	1 393
Construction Project Management	B Mokhothu	1 141	341	-	148	33	1 663
Small Harbours	MS Thobakgale	1 012	434	-	-	105	1 551
Real Estate Investment Registry Services	BS Matthews	1 141	489	-	-	13	1 643
Supply Chain Management (Acting)	R Naidoo	884	190	74	115	150	1 413
Exco Members: Deputy Director General:							
Real Estate Management Services (Acting)	M Govender	1 012	218	84	132	-	1 446
Real Estate Investment Services	S Subban	1 012	147	84	132	84	1 459
Project Management Office (Acting)	PF Chiapasco	938	194	78	122	255	1 587
Facilities Management	NC Makhubele	1 012	131	81	132	100	1 456
Technical Finance Expert	B Van Der Merwe	1 012	434	-	-	8	1 454
Operational and Financial Sustainability Programme	GB Mokgoro	1 829	138	-	-	-	1 967

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Figures in Rand

35. Related parties (continued)

23 839	6 715	1 093	2 304	3 057	37 008
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The remuneration disclosed above is for the period that the employee was occupying the role of management as indicated.

Other short term benefits comprise of housing allowance, travel allowance and bargaining council contributions.

Post employment benefits comprises of pension fund and medical aid contributions to a defined contribution plan.

The following movements occurred in key management positions during 2018/19:

- Ms R Sadiki resigned as Chief Financial Officer at the end of April 2018. The position of CFO is on the structure of the DPW Main Vote.
- Mr M Sithole was appointed as Acting Head of Finance (PMTE) at the beginning of May 2018.
- Mr R Naidoo was appointed as Acting Head of SCM since 1 May 2018.
- Ms N Makhubele moved from DDG: REMS to Act DDG Facilities Management on 1 June 2018.
- Mr PF Chiapasco moved from Act DDG: Facilities Management to Act DDG PMO on 1 June 2018.

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35. Related parties (continued)

2018 Remuneration of management	Official	Basic salary	Non- pensionable salary	Bonuses and performance related payments	Post- employment benefits	Other short- term employee benefits	Total
Employees: Regional Managers							
Bloemfontein	TP Zulu	183	13	-	28	22	246
Bloemfontein (Acting)	D Gqibela	508	47	50	60	12	677
Cape Town	FB Johnson	827	122	130	123	56	1 258
Cape Town (Acting)	N Kani	51	23	-	6	2	82
Durban	NN Vilakazi	676	307	56	88	-	1 127
Johannesburg	J Monare	739	172	62	117	158	1 248
Kimberley (Acting)	SMM Mabinja	241	69	47	25	66	448
Kimberley (Acting)	V Mabe	160	48	-	21	2	231
Kimberley	R Baulackey	151	11	-	14	7	183
Mmabatho (Acting)	R Matlala	789	218	112	93	141	1 353
Mmabatho (Acting)	A Matseke	325	41	22	42	80	510
Nelspruit	PT Mashiane	761	362	-	121	150	1 394
Polokwane	M Ntshani	862	90	124	120	206	1 402
Pretoria (Acting)	M Dondashe	161	80	-	20	-	261
Pretoria (Acting)	DE Sewada	315	14	3	38	48	418
Pretoria	T Phiri	169	71	56	27	3	326
Umthata	R Mabandla	615	162	-	102	81	960
Employees: Other Officials							
Chief Director: Construction Management Inland	W Hlabangwane	820	341	68	107	115	1 451
Chief Director: Financial Planning	J Prinsloo	762	323	117	121	-	1 323
Exco Members: Head of units							
Head of PMTE	P Serote	1 000	-	-	-	-	1 000
Head of PMTE (Acting)	L Bici	513	223	70	76	5	887
Head of PMTE (Acting)	J Maroga	901	386	-	-	-	1 287
Construction Project Management	B Mokothu	408	122	-	53	8	591
Small Harbours	TS Thobokgale	960	411	-	-	37	1 408

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Notes to the Annual Financial Statements

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35. Related parties (continued)

Real Estate Investment Registry Services	BS Matthews	1 081	463	-	-	14	1 558
Supply Chain Management	A Chowan	720	215	94	-	1	1 030

Exco Members: Deputy Director General:

Real Estate Management Services (Acting)	M Govender	960	207	80	125	38	1 410
Real Estate Management Services (Acting)	MR Sithole	376	54	57	44	126	657
Real Estate Investment Services (Acting)	S Subban	960	136	80	125	81	1 382
User Demand Management	PM Mabuza	799	343	69	113	24	1 348
Project Management Office (Acting)	N Makhubele	205	58	-	33	7	303
Facilities Management (Acting)	S Mdakane	236	44	78	38	-	396
Facilities Management (Acting)	PF Chiapasco	828	159	187	107	25	1 306
Technical Finance Expert	B van der Merwe	960	411	-	-	6	1 377
	-	20 022	5 746	1 562	1 987	1 521	30 838

The remuneration disclosed above is for the period that the employee was occupying the role of management as indicated.

Other short term benefits comprise of housing allowance, travel allowance and bargaining council contributions.

Post employment benefits comprises of pension fund and medical aid contributions to a defined contribution plan.

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Notes to the Annual Financial Statements

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35. Related parties (continued)

The following movements occurred in key management positions during 2017/18:

- Bloemfontein Regional manager: Mr D Gqibela acted for 9 months whilst Mr TP Zulu was appointed for 3 months.
- Cape Town Regional Manager: Mr FB Johnson was appointed for 11 months whilst Ms N Kani acted for 1 month.
- Kimberley Regional Manager: Mr M Mabinja acted for 4 months, Mr V Mabe acted for 4 months and Mr R Baulackey acted for 2 months.
- Mmabatho Regional Manager: Mr R Matlala was appointed for 5 months, Mr A Matseke acted for 7 months.
- Pretoria Regional Manager: Mr M Dondashe acted for 3 months, Mr D Sewada acted for 4 months whilst Ms T Phiri was appointed for 3 months.
- Head of PMTE: Mr P Serote acted for 4 months, Ms L Bici acted for 6 months and Mr J Maroga acted for 1 month.
- Construction Project Management: Mr B Mokhothu was appointed for 5 months.
- Head: Supply Chain Management: Ms A Chowan acted for 9 months.
- Real Estate Management Services: Mr M Sithole acted for 6 months, Mr R Matlala acted for 3 months, Ms N Makhubele acted for 2 months whilst Mr M Govender acted for 1 month.
- Real Estate Investment Services: Mr P Chiapasco acted for 10 months whilst Ms S Suddan acted for 2 months.
- Facilities Management: Mr J Maroga acted for 9 months, Mr S Mdakane acted for 2 months whilst Mr P Chiapasco acted for 1 month.
- Whilst being appointed as Deputy Director General: Project Management Office for 10 months, Mr MS Thobokgale acted as Head: Construction Project Management for 7 months. Thereafter Mr MS Thobokgale acted as Head: Small Harbours for 2 months.
- Mr M Govender was acting Head: Small Harbours for 10 months before he acting as Head: Real Estate Management Services.
- Ms N Makhubele was appointed as Deputy Director General: Real Estate Management Services for 2 months before acting as Deputy Director General: Project Management Office.
- The Planning & Precint branch changed reporting lines during the 2017/18 financial year and now reports under the Real Estate Investment Services.
- Mr C Mokgoro resigned as Chief Financial Officer at the end of October 2017
- Ms R Sadiki was appointed as Chief Financial Officer on 1 December 2017 and resigned at the end of April 2018.

Property Management Trading Entity

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36. Prior period errors

Material differences relating to prior years were adjusted and the prior year financial statements have been restated to this effect. The impact of these errors are summarised below with the details shown separately:

Statement of financial position	Restated 2018 R'000
Increase in receivables from exchange transactions	194 274
Increase in property, plant and equipment	1 282 921
Decrease in investment property	(1 378 653)
Increase in heritage assets	828 909
Increase in payables from exchange transactions	(154 969)
Increase in deferred revenue	(1 089 799)
Decrease in net assets	(317 317)
Statement of Financial Performance	
Increase in revenue from exchange transactions	95 820
Decrease in revenue from non-exchange transactions	(382 361)
Increase in construction revenue	63 425
Increase in property maintenance expense	(3 041)
Increase in construction expense	(63 425)
Decrease in loss on transfer/disposal	15 244
Decrease in depreciation, amortisation and impairment	212 240
Increase in sundry operating expenses	(3 063)
Increase in deficit	(65 161)
Decrease in opening accumulated surplus	(252 156)
	(317 317)

Management identified errors in the asset registers and its calculations. Management reassessed the classification of projects to ensure that only projects capital in nature are capitalised and appropriately classified per classes. Extents and the components of the properties were verified and corrected. Management revisited the methods of determining a deemed costs for assets which were transferred effective 1 April 2013. The stage of completion of recoverable capital projects were also reassessed. The correction of the assets affected the depreciation, amortisation, deferred revenue, construction revenue and construction costs.

Due to the PMTE not having an appropriate system for recording accrual transactions, property maintenance provision was incomplete in the prior period. The restatement was performed as in some cases the date of the invoice was used to record the transactions and not the date that the goods were received or the services were rendered. A manual accrual management system has been developed and prior period accruals restated.

Management identified errors relating to the Maintenance and Assets Accruals that were disclosed on the audited Financial Statements as at 31 March 2018. Management reassessed the completeness and accuracy of the previously disclosed accruals and have restated the previously disclosed amounts. The restatement also affects PPE, Investment Property and Construction expense as the contra-entries as well as deferred revenue and receivables from exchange transactions for recoverable project expenditure.

Property Management Trading Entity

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37. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Although the PMTE has a bank overdraft of R2,6 billion (March 2018: R2,3 billion) and the current liabilities exceed the current assets by R10,1 billion (March 2018: R11,4 billion), management maintains their assertion that the PMTE is able to continue on a going concern basis into the foreseeable future. Current liabilities includes Deferred Revenue as disclosed in note 11 of R7,9 billion (March 2018: R7,8 billion) and other non-financial instruments of R1,1 billion (March 2018: R0,8 billion)(note 12) that will be settled in services rather than cash. Management applies the accounting principles of conservatism and prudence when accounting for its liabilities. The PMTE operates under the control and support of the National Department of Public Works ("DPW"). National Treasury has been informed of the PMTE's position accordingly. Management is embarking on a revenue generating drive and has reinforced its efforts in collection of all outstanding debts. The main reason for the increase in the bank overdraft was due to the increase in the amounts owed by client departments. Management has engaged in robust discussions with the relevant departments and National Treasury to resolve the issues around non-payment and to ensure payment is received on outstanding amounts. Subsequent to reporting date R1,3 billion was received relating to these outstanding debts. Refer to note 35 for more detail relating to outstanding debt owed by client departments.