



**Property Management Trading Entity  
Annual Financial Statements  
for the year ended 31 March 2023**

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Index

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The reports and statements set out below comprise the annual financial statements presented to parliament:

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The annual financial statements set out on pages 2 to 68, which have been prepared on the going concern basis, were approved by the accounting officer on 31 May 2023 and were signed on its behalf by:

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Statement of Financial Position as at 31 March 2023

		2023	2022
	Note(s)	R'000	Restated* R'000
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	3 063 507	4 182 857
Receivables from non-exchange transactions	4	982	941
Operating lease asset	5	471 867	477 464
Cash and cash equivalents	6	22 640	2 806
		<b>3 558 996</b>	<b>4 664 068</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	142 825 907	143 573 184
Investment property	8	403 820	409 477
Heritage assets	9	6 435 504	6 419 344
Intangible assets	10	55 705	40 847
		<b>149 720 936</b>	<b>150 442 852</b>
<b>Total Assets</b>		<b>153 279 932</b>	<b>155 106 920</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	5	458 860	461 765
Bank overdraft	6	1 843 111	851 502
Deferred revenue	11	4 280 416	4 022 860
Payables from exchange transactions	12	3 344 878	5 133 998
Retention liabilities	13	371 032	329 191
Finance lease obligation	14	5 752	2 661
Employee benefit obligations	15	185 382	206 273
Provisions	16	1 331 247	923 237
		<b>11 820 678</b>	<b>11 931 487</b>
<b>Non-Current Liabilities</b>			
Deferred revenue	11	2 732 301	2 867 579
Retention liabilities	13	30 580	76 979
Finance lease obligation	14	6 284	2 690
		<b>2 769 165</b>	<b>2 947 248</b>
<b>Total Liabilities</b>		<b>14 589 843</b>	<b>14 878 735</b>
<b>Net Assets</b>		<b>138 690 089</b>	<b>140 228 185</b>

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Statement of Financial Performance

		2023	2022 Restated
	Note(s)	R'000	R'000
Revenue from exchange transactions	17	12 782 414	12 984 981
Revenue from non-exchange transactions	18	4 019 560	4 426 284
Construction revenue	19	91 490	66 677
<b>Total revenue</b>		<b>16 893 464</b>	<b>17 477 942</b>
<b>Expenditure</b>			
Construction expenses	19	91 483	66 677
Depreciation, amortisation and impairments on assets	20	3 083 539	3 145 541
Employee related costs	21	1 986 271	1 933 553
Impairment loss on receivables	22	1 667 611	2 372 018
Interest expense	23	726	413
Loss on disposal of asset	24	186 922	4 255
Operating leases	25	5 551 132	5 330 208
Property maintenance (contracted services)	26	2 867 418	2 969 012
Property Rates		1 556 807	1 907 751
Sundry operating expenses	27	1 439 652	1 345 026
<b>Total expenditure</b>		<b>18 431 561</b>	<b>19 074 454</b>
<b>Deficit for the year</b>		<b>(1 538 097)</b>	<b>(1 596 512)</b>

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Statement of Changes in Net Assets

		Accumulated surplus R'000
Opening balance as previously reported as at 1 April 2021		132 180 278
<i>Adjustments</i>		
Correction of prior period errors	35	9 644 419
<b>Balance at 1 April 2021</b>		<b>141 824 697</b>
<i>Changes in net assets</i>		
Deficit for the 12 months		(1 596 512)
Correction of prior period errors	35	(9 978 442)
Total changes		(11 574 954)
Balance as previously reported as at 31 March 2022		130 249 743
<i>Adjustments</i>		
Correction of prior period errors	35	9 978 442
<b>Balance at 1 April 2022 as restated*</b>		<b>140 228 185</b>
<i>Changes in net assets</i>		
Deficit for the year		(1 538 097)
<b>Balance at 31 March 2023</b>		<b>138 690 088</b>

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Cash Flow Statement

		2023	2022
	Note(s)	R'000	Restated* R'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Accommodation charges - private lease		5 204 134	5 069 279
Accommodation charges - state owned		6 880 296	6 626 169
Accommodation charges - freehold private		61 676	56 524
Augmentation		3 912 823	4 349 655
Management fees on municipal services		148 195	164 634
Municipal services recovered		2 954 276	3 292 673
Interest, fines, recoveries and other receipts		31 728	1 350
Construction revenue		-	67 741
		<b>19 193 128</b>	<b>19 628 025</b>
<b>Payments</b>			
Cleaning and gardening		346 886	346 451
Admin, goods and services		359 923	383 417
Repairs and Maintenance		3 133 802	2 485 913
Municipal services recoverable		3 769 347	4 479 745
Municipal services expenditure		433 456	471 562
Operating leases		5 852 543	4 639 244
Property rates		1 823 858	1 838 706
Compensation of employees		2 140 953	1 969 628
Covid-19 related expenses		-	18 399
Disallowance		78 284	67 741
		<b>17 939 052</b>	<b>16 700 806</b>
<b>Net cash flows from operating activities</b>	28	<b>1 254 076</b>	<b>2 927 219</b>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment		(2 190 486)	(2 979 218)
Additions to investment property	8	-	(18 823)
Aquisition of intangible assets		(19 906)	(13 130)
Additions to heritage assets		(21 419)	(37 688)
<b>Net cash flows from investing activities</b>		<b>(2 231 811)</b>	<b>(3 048 859)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(5 004)	(3 216)
Finance leases entered into		10 963	5 133
<b>Net cash flows from financing activities</b>		<b>5 959</b>	<b>1 917</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(971 776)</b>	<b>(119 723)</b>
Cash and cash equivalents at the beginning of the year		(848 696)	(728 968)
<b>Cash and cash equivalents at the end of the year</b>	6	<b>(1 820 472)</b>	<b>(848 691)</b>

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## 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
<b>Statement of Financial Performance</b>					
<b>Receipts</b>					
Accommodation charges - private lease	5 197 847	275 419	<b>5 473 266</b>	5 204 134	<b>(269 132)</b>
Accommodation charges - state owned	8 401 515	(1 290 136)	<b>7 111 379</b>	6 880 296	<b>(231 083)</b>
Rental debtors	73 468	-	<b>73 468</b>	61 676	<b>(11 792)</b>
Augmentation	4 453 670	(540 847)	<b>3 912 823</b>	3 912 823	-
Interest, fines, recoveries and other receipts	30 000	-	<b>30 000</b>	31 728	<b>1 728</b>
Management fees on municipal services	255 006	-	<b>255 006</b>	148 195	<b>(106 811)</b>
Municipal services recovered	5 100 126	-	<b>5 100 126</b>	2 954 276	<b>(2 145 850)</b>
<b>Receipts</b>	<b>23 511 632</b>	<b>(1 555 564)</b>	<b>21 956 068</b>	<b>19 193 128</b>	<b>(2 762 940)</b>
<b>Payments</b>					
Cleaning and gardening	360 531	(13 980)	<b>346 551</b>	346 886	<b>335</b>
Admin, goods and services	628 958	(229 015)	<b>399 943</b>	359 923	<b>(40 020)</b>
Repairs and Maintenance	1 109 986	(574 481)	<b>535 505</b>	529 344	<b>(6 161)</b>
Property Maintenance	1 415 835	834 178	<b>2 250 013</b>	2 245 087	<b>(4 926)</b>
Municipal services recoverable	5 100 126	-	<b>5 100 126</b>	3 769 347	<b>(1 330 779)</b>
Operating leases	5 364 450	275 419	<b>5 639 869</b>	5 852 543	<b>212 674</b>
Property rates	1 774 457	41 521	<b>1 815 978</b>	1 823 858	<b>7 880</b>
Compensation of employees	2 161 210	(5 650)	<b>2 155 560</b>	2 140 953	<b>(14 607)</b>
Municipal services expenditure	468 851	(39 432)	<b>429 419</b>	433 456	<b>4 037</b>
<b>Payments</b>	<b>18 384 404</b>	<b>288 560</b>	<b>18 672 964</b>	<b>17 501 397</b>	<b>(1 171 567)</b>
<b>Capital movements</b>					
Recoverable capital expenditure	2 523 618	(480 809)	<b>2 042 809</b>	1 396 218	<b>(646 591)</b>
Non-recoverable capital expenditure	2 560 640	(1 374 178)	<b>1 186 462</b>	1 215 143	<b>28 681</b>
Machinery and equipment	42 970	10 863	<b>53 833</b>	52 145	<b>(1 688)</b>
	<b>5 127 228</b>	<b>(1 844 124)</b>	<b>3 283 104</b>	<b>2 663 506</b>	<b>(619 598)</b>
<b>Cash deficit</b>	-	-	-	<b>(971 775)</b>	<b>(971 775)</b>

## **Accounting Policies**

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### **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 and Infrastructure 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 (DPWI) 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 DPWI. 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 the purposes 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 DPWI 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 1.32.



## **Notes to the Annual Financial Statements**

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### **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 1.7 for the accounting policies on estimated useful lives for property, plant and equipment, note 1.8 for investment property and note 1.10 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

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### 1.1 Significant judgement and sources of estimation uncertainty (continued)

#### 1.1.7 Impairment

##### **Impairment of receivables measured at cost or amortised costs**

The estimation and calculation of impairment are accounted for in accordance with the Standards of GRAP.

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 (i.e greater than 5 percent of balance) receivables. Thereafter an impairment loss is recognised on the remaining individually non significant receivables. 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 is analysing historical payment trends to determine if the receivables if the receivables have to be impaired. The actual write-offs may differ significantly from the impairment losses recognised.

Recovery rate is the rate used for both individually significant and non-significant receivables to estimate the present value of future cash flows for the expected payment are based on historical data or period. The average payment days for previous financial year is considered for the determination of date of the expected future payment date as part of the calculation of present value of expected cash flows. 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

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### 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; and
- 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 uses 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 DPWI, 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

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### 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 is 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 DPWI. Due to the nature of these transactions, where amounts could not be measured reliably, only a narrative disclosure is 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 1.16 and 1.17 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 1.16 and 1.17 respectively.

#### 1.4 Leases

The PMTE classifies lease agreements in accordance with risk and rewards incidental to ownership.

The lease is classified as a finance lease where:

- (a) the lessor transfers substantially all the risks and rewards to the lessee;
- (b) the lease transfers ownership of the asset to the lessee by the end of the lease term;
- (c) the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- (d) the lease term is for the major part of the economic life of the asset even if title is not transferred;
- (e) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- (f) the leased assets are of a such a specialised nature that only the lessee can use them without major modifications.

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.

## Notes to the Annual Financial Statements

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### 1.4 Leases (continued)

#### 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.

#### 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 Freehold Accommodation Leases

#### Operating leases - PMTE as a lessor

Operating lease payments are recognised as an expense on a straight-line basis over the lease term where the lease term exceeds one month. In instances where NT approval does not split the cost elements, i.e. municipal property rate cost, future refurbishment reserve, maintenance/operating costs and PMTE cost is taken into consideration.

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.

### 1.6 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).

### 1.7 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.

## Notes to the Annual Financial Statements

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### 1.7 Property, plant and equipment (continued)

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 1.9 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.

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.

## Notes to the Annual Financial Statements

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### 1.7 Property, plant and equipment (continued)

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 and Infrastructure 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.

### 1.8 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
- 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 1.7 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.

## Notes to the Annual Financial Statements

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### 1.8 Investment property (continued)

The PMTE is not allowed to dispose of or transfer immovable assets under its custodianship unless approved by the Minister of Public Works and Infrastructure 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 1.7).

### 1.9 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.

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.

### 1.10 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.



## Notes to the Annual Financial Statements

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### 1.10 Intangible assets (continued)

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	1-5 years

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 1.7).

### 1.11 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.

### 1.12 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.

## Notes to the Annual Financial Statements

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### 1.12 Employee benefits (continued)

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.

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

#### 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.

## **Notes to the Annual Financial Statements**

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### **1.13 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.

### **1.14 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 probable 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.

### **1.15 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**

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### **1.16 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.

### **1.17 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

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### 1.17 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 1.7.

## Notes to the Annual Financial Statements

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### 1.17 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:
  - a) derecognise the asset; and
  - b) 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**

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### **1.18 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 1.21 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.

### **1.19 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 DPWI in order to fund operations and manage properties under the custodianship of DPWI, 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

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### 1.20 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.

### 1.21 Construction contracts and receivables

Expenditure incurred in respect of recoverable capital projects, where such project is executed on immovable assets which are not under our custodianship are classified as construction costs and recognised in the Statement of Financial Performance. An equivalent amount is then recognised in revenue on a full cost recovery basis and the related receivable is recognised when the amount becomes recoverable.

### 1.22 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

### 1.23 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.



## Notes to the Annual Financial Statements

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### 1.24 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 and 31. 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.

### 1.25 Related parties

The PMTE is controlled through the DPWI 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 and Infrastructure. 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 DPWI.

### 1.26 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 DPWI. The PMTE budget is part of the overall DPWI vote.

### 1.27 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 33.

### 1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

## **Notes to the Annual Financial Statements**

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### **1.29 Going concern assumption**

These annual financial statements have been prepared on the going concern basis. Refer to note 36.

### **1.30 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 35.

### **1.31 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.

### **1.32 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 DPWI 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 DPWI on 30 March 2015:

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

## Notes to the Annual Financial Statements

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

### 1.32 Entity-wide disclosure

The PMTE Operates within all geographical provinces with South Africa through its 11 regional offices and head office. Each Province has 1 Regional office each, except for Gauteng which has two physical regional offices plus head office and the Eastern Cape which has 2 regional offices. The Standard on Segmental Reporting (GRAP 18) requires an entity to disclose, where information is available without incurring excessive costs of disclosure, specified information relating to those said geographical areas as follows:

- (a) external revenues from non-exchange transactions and external revenues from exchange transactions attributed to the geographical areas in which it operates;
- (b) total expenditure attributed to the geographical areas; and
- (c) non-current assets<sup>2</sup> other than financial instruments, deferred tax assets (where applicable), post-employment benefit assets, and rights arising under insurance contracts for the geographical areas.

The PMTE has assessed the availability of such information and the information is only available at geographical area in respect of expenditure. Within the expenditure attributed to each geographical area, where the expenditure is inextricably linked with an item of revenue or non-current assets where it is impracticable to allocate per geographical area, then such expenditure has been allocated to the head office. This includes Impairment losses, depreciation on immovable properties and straight lining of operating leases.

The costs to develop reports and interfaces to meet the remainder of the requirements of the entity-wide disclosure of GRAP 18 is deemed to be excessive.

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

### 2. Standards of GRAP issued but not yet effective

#### 2.1 Standard and Interpretation effective and adopted in the current year

The PMTE has not early adopted standards and interpretations as there are no mandatory changes on the standard.

#### 2.2 Standards and Interpretation issued, but not yet effective

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:*

- GRAP 25 on Employee Benefit	effective on 1 April 2023
- Amendment to GRAP 1 on Presentation of Financial Statement	effective on 1 April 2023
- iGRAP 21 on effect of Past Decesion on Materiality	effective on 1 April 2023
- GRAP 103 on Heritage Asset (revised)	effective date to be determined
- GRAP 104 on Financial Instrument (revised)	effective on 1 April 2025
-GRAP 2020 on Improvement on the Standard of GRAP 2020	effective date 1 April 2023

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
<b>3. Receivables from exchange transactions</b>		
<b>Financial assets</b>		
Accommodation debtors - leasehold inter-governmental	208 520	323 137
Accommodation debtors - freehold inter-governmental	297 664	648 845
Accommodation debtors - freehold private	50 412	34 468
Municipal services	440 273	371 724
Debt account	96 967	66 018
Revenue accrual - recoverable leases	53 600	477 210
Revenue accrual - recoverable municipal services	375 482	474 719
Revenue accrual - recoverable projects	331 959	484 443
Municipal deposits	22 842	21 094
Implementing agents	55 818	54 519
Other receivables	992	765
Recoverable property rates *	-	-
	<b>1 934 529</b>	<b>2 956 942</b>
<b>Non-financial assets</b>		
Prepaid expenses - implementing agents	511 795	697 980
Prepaid expenses - leases	213 093	132 850
Prepaid expenses - other	78 316	74 489
Prepaid expenses - municipal services	104 842	37 658
Creditors with debit balances	220 932	282 938
	<b>1 128 978</b>	<b>1 225 915</b>
	<b>3 063 507</b>	<b>4 182 857</b>

The R3,064 billion Receivables from exchange reflected above (2022: R4,183 billion) is the rand value after taking into account the impairment values of R9,246 billion (2022: R7,968 billion).

The applicable interest rate for outstanding freehold private receivables and debt account receivables for the period is 10,75% (2022: 7.5%).

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 2.7% (:2022 3.7%).

\*The gross amount for recoverable property rates amounts to R60 million ( 2022: R69 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.

The following are implementing agents that make-up the Prepaid expense-implementing agents:

Implementing Agent - Assets	2023	2022
Amatola Water	-	16 913
COEGA	75 531	83 378
DBSA	288 130	268 556
GTAC	95 942	64 747
IDT	52 192	264 386
	<b>511 795</b>	<b>697 980</b>

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
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### 3. Receivables from exchange transactions (continued)

The PMTE has signed Memorandums of Understanding with the following implementing agents:

- Amatola Water
- Coega
- DBSA
- IDT
- GTAC

In all these MOU's, the PMTE is deemed to be the principal and the primary objective of these agreements are such that the implementing agents will execute both Capex and Opex construction projects on behalf of the PMTE. Except for GTAC MOU, the implementing agents are entitled to receive management fees. In a few limited projects, the underlying project was not construction in nature, but more of a consultative and service in nature.

As part of the respective MOU's the COEGA, IDT and DBSA have separate bank accounts in which all PMTE projects are managed. The PMTE is then entitled to all the interest earned in these ring-fenced bank accounts. Any changes to the scope or other forms of variation at project level are administered in line with the applicable PMTE Variation Order Committee process, any amendments to the MOU's must be approved in writing by both parties and no such amendments occurred during the 2022/23 financial year.

An amount of R41.9 Million was earned by implementing agents for management fees for the 2022/23 financial year. No principal/agents arrangements were terminated for the 2022/23 financial year.

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	7 968 073	5 842 674
Provision for impairment	1 667 018	2 359 339
Reversal of Impairment	(384 419)	(233 940)
Write off of provision	(5 079)	-
	<b>9 245 593</b>	<b>7 968 073</b>

Some Prepaid expenses have been derecognised retrospectively due to the assessment that was conducted by the Department with Municipalities. The Department reconciled the amount owed by the Municipalities and confirmed that the amounts paid for municipal service and property rate accounts were allocated to the accounts of the Department.

#### 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:

	2023 %	2022 %
Accommodation debtors - freehold inter-governmental	88	73
Accommodation debtors - leasehold inter-governmental	78	63
Accommodation debtors - freehold private	83	63
Municipal services	90	86
Recoverable property rates	100	100

**Property Management Trading Entity**  
Annual Financial Statements for the year ended 31 March 2023

**Notes to the Annual Financial Statements**

	2023 R'000	2022 R'000
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**4. Receivables from non-exchange transactions**

Accommodation debtors - freehold prestige	982	941
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**Reconciliation of provision for impairment of receivables from non-exchange transactions**

Opening balance	7 851	6 886
Provision for impairment	598	965
	<b>8 449</b>	<b>7 851</b>

The R982 thousand Receivables from non exchange reflected above (2022: R941 thousand) is the rand value after taking into account the impairment values of R8,449 million (2022: R7,851 million).

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.

**5. Operating lease asset (accrual)**

	Note	2023 R'000	2022 R'000
Current assets	5.1	471 867	477 464
Current liabilities (PMTE as lessee)	5.5	(458 860)	(461 765)
		<b>13 007</b>	<b>15 699</b>

**5.1 Total operating lease asset - PMTE as lessor**

Leasehold inter-governmental	456 468	448 416
Freehold private	8 957	22 720
Straightline Freehold Accomodation Charge	6 442	6 328
	<b>471 867</b>	<b>477 464</b>

**5.2 Total minimum lease receipts - PMTE as Lessor :**

**Leasehold Inter-governmental**

Within one year	3 066 571	3 278 280
In second to fifth year inclusive	4 728 913	5 330 691
Later than five years	534 740	864 772
	<b>8 330 224</b>	<b>9 473 743</b>

**5.3 Total minimum lease receipts - PMTE as lessor : Freehold private**

Within one year	12 970	26 969
In second to fifth year inclusive	20 122	53 521
Later than five years	4 252	24 245
	<b>37 344</b>	<b>104 735</b>

**5.4 Total minimum lease receipts - PMTE as lessor : Freehold Inter-governmental**

Within one year	505 037	503 435
In second to fifth year inclusive	44 180	86 057
	<b>549 217</b>	<b>589 492</b>

*Leasehold inter-governmental*

## Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

### Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
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#### 5. Operating lease asset (accrual) (continued)

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).

##### *Freehold accommodation charges*

Lease commitments on freehold accommodation charges is based on minimum rental over the lease period where the escalation rate over the period is not indicated in the lease agreement.



**Property Management Trading Entity**  
Annual Financial Statements for the year ended 31 March 2023

**Notes to the Annual Financial Statements**

	2023 R'000	2022 R'000
<b>5. Operating lease asset (accrual) (continued)</b>		
<b>5.5 Total operating lease liabilities - PMTE as lessee</b>		
Operating lease liabilities - leasehold inter-governmental	<b>458 860</b>	<b>461 765</b>
<b>Total minimum lease payments - PMTE as lessee</b>		
Within one year	3 108 031	3 373 304
In second to fifth year inclusive	4 764 967	5 392 743
Later than five years	534 741	873 585
	<b>8 407 739</b>	<b>9 639 632</b>

The PMTE has 2110 leases of which 1800 have not expired included in the current private leasing portfolio (2022: 2 071 leases of which 1 839 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**

	2023 R'000	2022 R'000
Cash and cash equivalents consist of:		
Cash on hand	260	265
Bank balance	22 380	2 541
Cash and cash equivalents	22 640	2 806
Bank overdraft	(1 843 111)	(851 502)
	<b>(1 820 471)</b>	<b>(848 696)</b>

The cash held in the bank is with ABSA Limited. The interest rate on the bank balance is variable. The average effective interest rate on short term bank deposits is 4.63% ( 2022 : 2.13%).

**7. Property, plant and equipment**

	2023			Restated 2022		
	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	48 879 735	-	48 879 735	49 002 605	-	49 002 605
Buildings and improvements	119 891 609	(26 167 256)	93 724 353	117 508 690	(23 144 872)	94 363 818
Furniture and office equipment	110 723	(57 851)	52 872	97 358	(49 595)	47 763
Computer equipment	310 438	(198 157)	112 281	282 344	(162 905)	119 439
Other machinery and equipment	98 394	(41 728)	56 666	74 641	(35 082)	39 559
<b>Total</b>	<b>169 290 899</b>	<b>(26 464 992)</b>	<b>142 825 907</b>	<b>166 965 638</b>	<b>(23 392 454)</b>	<b>143 573 184</b>

## Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 7. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers in	Transfers out	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
Land	49 002 605	-	(180 444)	101 380	-	(43 806)	-	-	48 879 735
Buildings and improvements	94 363 818	2 382 918	-	-	-	-	(2 986 067)	(36 316)	93 724 353
Furniture and office equipment	47 763	12 063	-	-	(1 218)	4 062	(9 798)	-	52 872
Computer equipment	119 439	28 296	-	-	(2)	(1 090)	(34 362)	-	112 281
Other machinery and equipment	39 559	22 390	-	-	-	1 008	(6 291)	-	56 666
	<b>143 573 184</b>	<b>2 445 667</b>	<b>(180 444)</b>	<b>101 380</b>	<b>(1 220)</b>	<b>(39 826)</b>	<b>(3 036 518)</b>	<b>(36 316)</b>	<b>142 825 907</b>

##### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers in	Transfers out	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
Land	48 928 085	2 430	(3 154)	75 244	-	-	-	-	49 002 605
Buildings and improvements	94 417 304	3 037 317	-	-	-	-	(2 955 991)	(134 812)	94 363 818
Furniture and office equipment	51 022	8 775	(5)	32	(5 162)	686	(7 585)	-	47 763
Computer equipment	129 970	21 203	(6)	17	(15)	(370)	(31 360)	-	119 439
Other machinery and equipment	38 224	5 308	(1)	1	-	1 817	(5 790)	-	39 559
	<b>143 564 605</b>	<b>3 075 033</b>	<b>(3 166)</b>	<b>75 294</b>	<b>(5 177)</b>	<b>2 133</b>	<b>(3 000 726)</b>	<b>(134 812)</b>	<b>143 573 184</b>

"Other changes, movements" above represents represents mainly reclassifications. The R43 million represents a reclassification from PPE-Land to PPE - Buildings & Improvements for the Assets Under Construction Project on acquisition of land and buildings.

PMTE received a list of 45 completed projects valued at approximately R32 million from SAPS for the 2022/23 financial year on the 31<sup>st</sup> of May 2023. The projects have not been disclosed in the AFS due to the late submission and non-compliance with section 42 of PFMA as the inventory list was not signed by SAPS accounting officer as well as lack of substantiating evidence.

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

#### Assets under construction

#### Additional disclosure relating to assets under construction

	Carrying value of Project R'000	Carrying value of projects significantly delayed R'000
2023		
Building and improvements	10 821 162	3 992 463
2022		
Building and improvements	10 172 760	3 189 066

Reasons for construction projects significantly delayed are mainly due to poor contractor performance. Projects that has surpassed the practical completion stage and are at their final completion stage are not regarded as significantly delayed.

	2023 R'000	2022 R'000
<b>Assets subject to finance lease (Net carrying amount)</b>		
Furniture and office equipment	20 541	10 090

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
2023			
Building and improvements	6 564 291	2 195 278	8 759 569
2022			
Building and improvements	7 164 445	2 705 205	9 869 650

#### Change in Accounting Estimate

The useful lives of assets are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate. The effect of the change in accounting estimate is disclosed for the current period only and no disclosures are made for future periods. The impact of the change in estimate is an increase in depreciation expense in 2023 of R6 359 084.

There is no intention to dispose of the PMTE buildings and improvements. It is expected that the assets will be recovered through use for the foreseeable future. This makes it impracticable to calculate the future impact on depreciation.

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Investment property

	2023			Restated 2022		
	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	290 685	-	290 685	290 685	-	290 685
Building and improvements	172 342	(59 207)	113 135	172 342	(53 550)	118 792
<b>Total</b>	<b>463 027</b>	<b>(59 207)</b>	<b>403 820</b>	<b>463 027</b>	<b>(53 550)</b>	<b>409 477</b>

#### Reconciliation of investment property - 2023

	Opening balance	Additions	Disposals	Impairments	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Land	290 685	-	-	-	-	290 685
Building and improvements	118 792	-	-	-	(5 657)	113 135
	<b>409 477</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5 657)</b>	<b>403 820</b>

#### Reconciliation of investment property - 2022

	Opening balance	Disposals	Impairments	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000
Land	290 685	-	-	-	290 685
Building and improvements	124 713	-	(256)	(5 665)	118 792
	<b>415 398</b>	<b>-</b>	<b>(256)</b>	<b>(5 665)</b>	<b>409 477</b>

#### Additional disclosure relating to assets under construction

	Carrying value of Project R'000	Carrying value of projects significantly delayed R'000	Carrying value of projects halted R'000
2023			
Building and improvements	-	-	-
2022			
Building and improvements	55 051	-	-

Reasons for construction projects significantly delayed are due to projects under legal investigations.

#### Contractual commitments for acquisition of investment property

	Committed for acquisition (CAPEX) R'000	Committed for acquisition (OPEX) R'000
Building and improvement-2023	-	-
Building and improvement-2022	-	12 302

## Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 8. Investment property (continued)

##### Amounts recognised in Statement of Financial Performance relating to Investment Property

	2023			2022		
	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	179	-	179	38	53	91
Municipal services	2 881	1 589	4 470	2 081	389	2 470
Property rates	1 435	1 860	3 295	3 320	1 160	4 480
Cleaning and gardening	12	-	12	-	-	-
Security	733	5 182	5 915	28	657	685
Depreciation	60 136	1 804	61 940	65 143	1 805	66 948
Total direct expenses	65 376	10 435	75 811	70 610	4 064	74 674
Revenue from exchange (Freehold private)	61 918	-	61 918	53 259	-	53 259
<b>Total deficit on investment property</b>	<b>(3 458)</b>	<b>(10 435)</b>	<b>(13 893)</b>	<b>(17 351)</b>	<b>(4 064)</b>	<b>(21 415)</b>

#### Change in Accounting Estimate

The useful lives of assets are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate. The effect of the change in accounting estimate is disclosed for the current period only and no disclosures are made for future periods. The impact of the change in estimate is an increase in depreciation expense in 2023 of R29 628

There is no intention to dispose of the PMTE buildings and improvements. It is expected that the assets will be recovered through use for the foreseeable future. This makes it impracticable to calculate the future impact on depreciation.

## Notes to the Annual Financial Statements

### 9. Heritage assets

	2023			Restated 2022		
	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	4 500 803	-	4 500 803	4 506 059	-	4 506 059
Building and improvements	1 959 884	(25 183)	1 934 701	1 938 468	(25 183)	1 913 285
<b>Total</b>	<b>6 460 687</b>	<b>(25 183)</b>	<b>6 435 504</b>	<b>6 444 527</b>	<b>(25 183)</b>	<b>6 419 344</b>

	Opening balance	Additions	Disposals	Total
	R '000	R '000	R '000	R '000
<b>Reconciliation of heritage assets - 2023</b>				
Land	4 506 059	3	(5 259)	4 500 803
Building and improvements	1 913 285	21 416	-	1 934 701
	<b>6 419 344</b>	<b>21 419</b>	<b>(5 259)</b>	<b>6 435 504</b>

### Reconciliation of heritage assets - 2022

	Opening balance	Additions	Total
	R '000	R '000	R '000
Land	4 506 059	-	4 506 059
Building and improvements	1 873 344	39 941	1 913 285
	<b>6 379 403</b>	<b>39 941</b>	<b>6 419 344</b>

### Additional disclosure relating to assets under construction

	Carrying value of Project R'000	Carrying value of projects significantly delayed R'000	Carrying value of projects halted R'000
2023			
Building and improvements	325 229	293 846	-
2022			
Building and improvements	303 907	291 322	-

### 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
2023			
Buildings and improvements	27 174	-	27 174
2022			
Buildings and improvements	77 137	-	77 137

## Notes to the Annual Financial Statements

### 10. Intangible assets

	2023			Restated 2022		
	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	77 575	(21 870)	55 705	57 669	(16 822)	40 847

#### Reconciliation of intangible assets - 2023

	Opening balance	Additions	Other changes, movements	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000
Computer software	40 847	19 905	1	(5 048)	55 705

#### Reconciliation of intangible assets - 2022

	Opening balance	Additions	Adjustments	Other changes, movements	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	31 799	13 130	-	-	(4 082)	40 847

#### Additional disclosure relating to assets under development

	Carrying value of Project R'000	Carrying value of projects significantly delayed R'000	Carrying value of projects halted R'000
2023			
Computer software	-	29 233	-
2022			
Computer software	-	29 233	-

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
2023			
Computer software	13 732	318	14 050
2022			
Computer software	15 813	435	16 248

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

	2023 R'000	Restated 2022 R'000
<b>11. Deferred revenue</b>		
Current liability	4 280 416	4 022 860
Non-Current liability	2 732 301	2 867 579
	<b>7 012 717</b>	<b>6 890 439</b>

This relates to recoverable capital claims for projects that are under construction which will be deferred until the project is complete.

Opening Balance	6 890 439	6 274 075
Plus: Revenue deferred during the year	1 115 266	1 721 261
Less: Revenue recognised during the year	(992 988)	(1 104 898)
	<b>7 012 717</b>	<b>6 890 439</b>

- The Revenue recognised during the year of R992 988 is included in Revenue from Exchange Transactions in note 3

## 12. Payables from exchange transactions

### Financial liabilities

Accrued expenses - CAPEX projects	687 779	764 814
Accrued expenses - Cleaning and gardening	18 878	26 672
Accrued expenses - Leases	104 558	968 348
Accrued expenses - OPEX projects	303 159	546 113
Accrued expenses - Municipal services	444 086	564 040
Accrued expenses - Other	283 919	699 566
Accrued expenses - Property rates	506 070	774 456
Accrued expenses - Scheduled maintenance	162 546	163 756
Accrued expenses - Security	23 577	19 690
Total accrued expenses	2 534 572	4 527 455
Unallocated deposits	2 394	2 051
Trade payables	90 990	189 576
Deposits received	52	55
Contract guarantees	190	181
	<b>2 628 198</b>	<b>4 719 318</b>

### Non-financial liabilities

Revenue claimed in advance - leases	291 794	64 592
Income received in advance - other services	148 473	74 737
Debtors with credit balances	276 413	275 351
	716 680	414 680
	<b>3 344 878</b>	<b>5 133 998</b>

Included in accrual amount of Capex project, Opex project and Scheduled Maintenance are the amounts that relates to the following Implementing Agents.



## Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

### Notes to the Annual Financial Statements

	2023 R'000	Restated 2022 R'000
<b>12. Payables from exchange transactions (continued)</b>		
<b>Implementing Agent</b>		
COEGA	99 210	101 413
DBSA	211 548	174 315
GTAC	-	2 640
IDT	43 838	31 849
	<b>354 596</b>	<b>310 217</b>

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

	2023 R'000	Restated 2022 R'000
<b>13. Retention liabilities</b>		
Non-current liabilities	30 580	76 979
Current liabilities	371 032	329 191
	<b>401 612</b>	<b>406 170</b>

Retention relates to a percentage of funds withheld by the Department as security to ensure that construction projects are completed

### 14. Finance lease obligation

#### Minimum lease payments due

- within one year	6 453	2 972
- in second to fifth year inclusive	6 682	2 829
	13 135	5 801
Less: future finance charges	(1 099)	(450)
<b>Present value of minimum lease payments</b>	<b>12 036</b>	<b>5 351</b>

#### Present value of minimum lease payments due

- within one year	5 752	2 661
- in second to fifth year inclusive	6 284	2 690
	<b>12 036</b>	<b>5 351</b>
Non-current liabilities	6 284	2 690
Current liabilities	5 752	2 661
	<b>12 036</b>	<b>5 351</b>

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.

### 15. Employee benefit obligations

#### Reconciliation - 2023

	Opening balance R'000	Utilised during the year R'000	(Over)/under provided R'000	Additions R'000	Total R'000
Leave	155 119	(181 790)	26 671	132 359	132 359
Service bonus	46 049	(41 012)	(5 037)	47 926	47 926
Long service awards	5 105	(1 846)	(3 260)	5 098	5 097
	<b>206 273</b>	<b>(224 648)</b>	<b>18 374</b>	<b>185 383</b>	<b>185 382</b>

#### Reconciliation - 2022

	Opening balance R'000	Utilised during the year R'000	(Over)/under provided R'000	Additions R'000	Total R'000
Leave	182 720	(122 406)	(60 314)	155 119	155 119
Service bonus	44 373	(43 888)	(485)	46 049	46 049
Performance bonus	9 398	(12 337)	2 939	-	-
Long service awards	5 838	(1 547)	(4 291)	5 105	5 105
	<b>242 329</b>	<b>(180 178)</b>	<b>(62 151)</b>	<b>206 273</b>	<b>206 273</b>

## Notes to the Annual Financial Statements

### 16. Provisions

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in estimate	Total
<b>Reconciliation of provisions - 2023</b>						
Maintenance	879 318	960 036	(188 239)	(398 594)	22 061	1 274 582
Legal proceedings	43 919	56 665	(20 434)	(23 485)	-	56 665
	<b>923 237</b>	<b>1 016 701</b>	<b>(208 673)</b>	<b>(422 079)</b>	<b>22 061</b>	<b>1 331 247</b>

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in estimate	Total
<b>Reconciliation of provisions - 2022</b>						
Maintenance	722 295	582 164	(146 771)	(263 201)	(15 169)	879 318
Legal proceedings	43 974	40 440	(26 824)	(13 671)	-	43 919
	<b>766 269</b>	<b>622 604</b>	<b>(173 595)</b>	<b>(276 872)</b>	<b>(15 169)</b>	<b>923 237</b>

#### 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.

### 17. Revenue from exchange transactions

	2023	2022
Accommodation charges - Leasehold Inter-governmental	5 219 354	5 243 678
Accommodation charges - Freehold Inter-governmental	6 242 316	6 860 792
Accommodation charges - Freehold Private	61 918	53 259
Management fees on municipal services	186 241	186 343
Reversal of impairment loss for receivables from exchange transactions	384 419	233 748
Sundry revenue	16 161	3 227
Interest revenue	668 794	403 344
Recoveries	3 211	590
	<b>12 782 414</b>	<b>12 984 981</b>

The amount included in revenue arising from non-exchange transactions is as follows:

#### Interest revenue consists of:

Interest from receivables	638 273	395 318
Interest on bank balances	2 820	-
Interest on prepayment	27 701	8 026
	<b>668 794</b>	<b>403 344</b>

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
<b>18. Revenue from non-exchange transactions</b>		
Augmentation	3 912 823	4 349 655
Goods and service in-kind	3 965	-
Donations revenue	101 380	75 244
Accommodation charges - Prestige	1 392	1 385
	<b>4 019 560</b>	<b>4 426 284</b>

## 19. Construction revenue and expenses

### Amount recognised in surplus

Construction Revenue	91 490	66 677
Construction Expenses	(91 483)	(66 677)

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	91 490	66 677
Amount invoiced to date	(130 467)	(56 213)
	<b>(38 977)</b>	<b>10 464</b>

### Amounts not yet billed (Revenue accrual)

Retentions	(6 148)	3 948
Accrued expenses	(33 075)	7 030
Prepaid expenses	246	(514)
	<b>(38 977)</b>	<b>10 464</b>

## 20. Depreciation, amortisation and impairments of assets

Property, plant and equipment	3 072 834	3 135 538
Investment property	5 657	5 921
Intangible assets	5 048	4 082
	<b>3 083 539</b>	<b>3 145 541</b>

### 2023

	Depreciation/ Amortisation	Impairment	Total
Property, plant and equipment	3 036 518	36 315	3 072 833
Investment Property	5 657	-	5 657
Intangible assets	5 048	-	5 048
	<b>3 047 223</b>	<b>36 315</b>	<b>3 083 538</b>

### 2022

	Depreciation/ Amortisation	Impairment	Total
Property, plant and equipment	3 000 727	134 812	3 135 539
Investment Property	5 665	256	5 921
Intangible assets	4 082	-	4 082
	<b>3 010 474</b>	<b>135 068</b>	<b>3 145 542</b>

**Property Management Trading Entity**  
Annual Financial Statements for the year ended 31 March 2023

**Notes to the Annual Financial Statements**

	2023 R'000	2022 R'000
<b>21. Employee related costs</b>		
Basic salary and non-pensionable salary	1 496 921	1 480 632
Housing allowances	69 232	64 525
Medical aid contributions	121 850	110 854
Overtime	48 340	31 169
Pension fund contributions	155 972	150 695
Performance bonus	1 152	8 431
Service bonus	92 804	87 247
	<b>1 986 271</b>	<b>1 933 553</b>
<b>22. Impairment loss on receivables</b>		
Receivables from exchange transactions	1 667 013	2 371 053
Receivables from non-exchange transactions	598	965
	<b>1 667 611</b>	<b>2 372 018</b>
<b>23. Interest expense</b>		
Interest on finance leases	726	413
<b>24. Loss on disposal/transfer of assets</b>		
Property, plant and equipment	186 922	4 255
<b>25. Operating lease</b>		
Operating lease - building and improvements	5 505 492	5 268 763
Operating lease - Fleet vehicles	8 435	24 276
Rent on land	37 205	37 169
	<b>5 551 132</b>	<b>5 330 208</b>
<b>26. Property maintenance (contracted services)</b>		
<b>Property maintenance expense relates to the following asset categories:</b>		
Property, plant and equipment	2 821 364	2 930 575
Investment property	179	91
Heritage assets	33 350	27 444
Leased properties	12 525	10 899
	<b>2 867 418</b>	<b>2 969 009</b>

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

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
<b>27. Sundry operating expenses</b>		
Advertising	912	2 326
Auditors remuneration	33 104	38 463
Bad debts written off	493	642
Bank charges	528	405
Bursaries	14 906	28 254
Claims against the state	3 903	7 526
Cleaning and gardening	338 915	350 039
Computer software related expenses	35 660	63 577
Communication expenses	13 079	15 660
Consulting fees	74 653	104 411
Consumables	46 248	60 240
Fleet expenses	3 549	21 547
Losses incurred	74 862	13 926
Municipal service expenses	422 686	382 197
Other contractors	4 538	3 456
Other goods and services	22 456	22 309
Retirement awards	5 509	9 131
Security	223 454	160 740
Travel and subsistence	120 197	60 177
	<b>1 439 652</b>	<b>1 345 026</b>
<b>28. Cash generated from operations</b>		
Deficit	(1 538 096)	(1 596 512)
<b>Adjustments for:</b>		
Depreciation, impairment and amortisation	3 083 538	3 145 541
Loss on disposal/transfer of assets	186 922	4 255
Interest expense	726	413
Interest from receivables	(641 093)	(395 318)
Impairment on receivables	1 667 611	2 372 018
Bad debt written off	493	642
Reversal of impairment loss on receivables	(384 419)	(126 379)
Service in-kind revenue	(3 965)	-
Losses incurred	74 862	33 538
Donations received	101 380	7 823
Deferred Revenue	(122 278)	-
<b>Changes in working capital:</b>		
Receivables from exchange transactions	399 674	(1 626 374)
Receivables from non-exchange transactions	(639)	(495)
Operating lease asset	5 597	15 300
Operating lease liability	(2 905)	(22 459)
Payables from exchange transactions	(2 148 491)	153 385
Provisions	478 330	208 391
Employee benefit obligations	(20 891)	(36 056)
Retention liabilities	(4 558)	38 721
Deferred revenue	122 278	616 364
	<b>1 254 076</b>	<b>2 927 219</b>

## Notes to the Annual Financial Statements

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### 29. Budget differences

#### Reconciliation of budget to actual

Net cash flows from operating activities	1 254 076
Net cash flows from investing activities	(2 231 811)
Net cash flows from financing activities	5 959
	<b>(971 776)</b>
Cash deficit	(971 775)
Deficit for the year	(1 538 097)
<b>Basis difference</b>	<b>(2 509 872)</b>

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 - private leases

This is a recoverable budget where invoices are issued to Clients based on the leased accommodation they occupy. The variance was mainly due to invoices which were not fully paid by the Department of Defence.

##### Accommodation charges – state owned and client projects

The variance on state on state owned accommodation was attributable to unpaid invoices by Client Departments. The main contributors of unpaid invoices are South African Police Services, owing R82 million of the total unpaid invoices and Department of Environmental Affairs, owing R44 million.

##### Management fees on municipal services

The variance was attributable to disputes by the client departments on the payment of municipal services and the shared savings contracts. The management fee is linked to the municipal services and if those invoices are not paid, the management fee is also not recovered.

##### Municipal services recovered

Municipal services recovered is relating to the actual recoveries where the PMTE paid municipal services on behalf of clients. The budget amount is based on expected consumption and departments consumed less utilities. It also includes recoveries from client departments relating to the water and energy savings programme. The lower amount is attributable to the unpaid invoices; 95% of the outstanding amount is linked to invoices issued to Departments owing significant amounts, namely Correctional Services, Defence, South African Police Services and Justice and Constitutional Development

##### Expenditure

##### Repairs

The variance between the budget and the actual expenditure is due to a reclassification of projects between capital and operational after the financial year end. This seeming overspending is off-set by under-spending on the Capital items where these projects were budgeted for.

##### Municipal Services Recoverable

## Notes to the Annual Financial Statements

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### 29. Budget differences (continued)

Although the responsibility of payment for municipal services was devolved in 2006 to client department, the PMTE has been administering these accounts on behalf of the client departments on a recoverable basis. This is being devolved in totality and will be phased out.

The Item is fully recoverable and only included for cash flow purposes. Municipal Services expenditure is based on actual consumption by Client departments and will fluctuate due to load shedding and saving initiatives implemented by Clients.

#### **Admin Goods and Services**

The budget spending on Goods and Services are closely related to the filling of position and therefore all funding were not spent. Furthermore, funding was made available for several projects that were not activated in time to spent their allocated funding. Of note are the project for the Immovable Asset Register as well as the rectification of illegal occupied properties.

#### **Construction Cost**

Project expenditure from construction contracts are budgeted for against Capital recoverable. Expenditure from construction contracts relating to non-state owned assets is however recognised separately as construction costs in the Statement of Financial Performance in accordance with GRAP.

#### **Disallowance's**

These payments relates to unforeseen circumstances and have not been budgeted for. Examples are damages, losses and defaulting contractors. The amounts might be recovered at a later stage.

#### **Capital recoverable expenditure (Client Capital)**

As project 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 was a major cause of under expenditure. Clients are expected to sign off on their available allocations before the start of financial year, but some Clients only make the allocation available during the first quarter of financial year. This leads to further delays and under and under-expenditure as projects cannot be placed on the Procurement Plan before approval of budget. Further delays are experiences on site by defaulting contractors and other contractors not delivering in accordance with the projected project expenditure.

#### **Capital non-recoverable expenditure**

The variance between the budget and the actual expenditure is due to a reclassification of projects between capital and operational after the financial year end. This seeming overspending is set-off by under-spending on the Capital items where these projects were budgeted for.



## **Notes to the Annual Financial Statements**

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### **29. Budget differences (continued)**

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## Notes to the Annual Financial Statements

### 30. Contingencies

	2023 R'000	2022 R'000
<b>Contingent liabilities</b>		
Municipal services and property rates	189 780	160 891
Legal claims against the PMTE	771 841	303 896
	<b>961 621</b>	<b>464 787</b>

#### *Municipal services and property rates*

The contingent Liability/Asset relates to State Domestic Facilities (SDF) and unsurveyed properties (or land) where ownership has not yet been confirmed. The PMTE has been billed by various municipalities on SDF properties but the PMTE is unable to make payment due to the provisions of the Property Rates Act.

#### *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. 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.

	2023 R'000	2022 R'000
<b>Contingent assets</b>		
Legal claims by the PMTE	164 159	107 309
Special Investigative Unit recoveries	46 151	-
	<b>210 310</b>	<b>107 309</b>

#### *Legal claims by the PMTE*

The claims instituted by the PMTE result from numerous claims and litigation with various third parties and/or service providers, i.e. breach of contract, damages claim, counterclaims, defaulting contractors, arrear rentals, recovery of services paid by the PMTE, etc. The entity's legal advisors are handling the claims and litigations on behalf of the PMTE and have assessed the probability of each claim in determining the total amount of the contingent assets and the inflow of economic benefits is possible at the reporting date.

#### *Special investigative Unit recoveries*

The Special Investigation Unit (SIU) was tasked to investigate various contracts on various proclamations. These active and ongoing investigations are reported as contingent assets amounting to R 49 million. These matters are currently in the courts and/or summons have been issued for recovery of funds. Any possible recovery is not determinable at this stage.

#### *Property, plant and equipment*

## Notes to the Annual Financial Statements

### 30. Contingencies (continued)

There are 47 properties under the custodianship of National Department of Public Work/PMTE. The properties could not be reliable measured due to the extent either not being determined through the office of the Surveyor General or extent being too excessive to apply the valuation method on. PMTE is in the process of validating these extents.

The PMTE is in the process of regulating 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 SDF's have already been recognised, the PMTE estimates that there are 3899 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 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 the 4 May 2023 and is verifying the information. This could result in additional assets that may have to be recognised and/or assets to be transferred to relevant custodians.

PMTE has 17 buildings that are leased from the municipalities. These properties were erroneously registered in the name of the municipalities when the townships were devolved to the Local Government. PMTE will recognised these properties as State owned upon cancellation of the Lease agreement with the relevant municipalities.

### 31. Irregular expenditure and Fruitless and Wasteful Expenditure

	2023	2022
Irregular Expenditure	161 637	165 286
Fruitless and wasteful Expenditure	4	406
	<b>161 641</b>	<b>165 692</b>

Included in the 2022/2023 irregular expenditure amount of R162 million is R29 million which has been referred to Labour Relations to institute disciplinary proceedings against officials guilty of misconduct. Whilst the remaining balance of R133 million is still under determination. Ongoing determination tests and investigations are conducted in line with National Treasury's PFMA Compliance Framework. Included in the amount of R165 million in the prior year is R17,5 million which was identified in the 2022/2023 financial year but incurred in the 2021/22 financial year. .

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
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### 32. Financial instruments disclosure

#### Categories of financial instruments

##### Financial assets at amortised cost

Receivables from exchange transactions	1 934 529	2 956 942
Cash and cash equivalents	22 640	2 806
	<b>1 957 169</b>	<b>2 959 748</b>

##### Financial liabilities at amortised cost

Bank overdraft	1 843 111	851 502
Payables from exchange transactions	2 628 198	4 719 318
Retention liabilities	401 612	406 170
Finance lease obligation	12 036	5 351
	<b>4 884 957</b>	<b>5 982 341</b>

### 33. 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

### 33. 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

<b>2023</b>	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	1 843 111	-	-	-	-	1 843 111
Accrued expenses - CAPEX projects	12	687 779	-	-	-	-	687 779
Accrued expenses - Cleaning and gardening	12	18 878	-	-	-	-	18 878
Accrued expenses - Leases	12	104 558	-	-	-	-	104 558
Accrued expenses - OPEX projects	12	303 159	-	-	-	-	303 159
Accrued expenses - Municipal services	12	444 086	-	-	-	-	444 086
Accrued expenses - Other	12	283 919	-	-	-	-	283 919
Accrued expenses - Property rates	12	506 070	-	-	-	-	506 070
Accrued expenses - Scheduled maintenance	12	162 546	-	-	-	-	162 546
Accrued expenses - Security	12	23 577	-	-	-	-	23 577
Revenue claimed in advance - leases	12	291 794	-	-	-	-	291 794
Trade payables	12	90 990	-	-	-	-	90 990
Retention liabilities	13	242 142	128 890	25 648	4 932	-	401 612
Capital commitments - Projects		2 304 789	2 155 922	1 270 985	759 837	655 043	7 146 576
Operating maintenance commitments - Projects		337 657	1 067 680	254 265	131 208	129 140	1 919 950
Agency commitments - Projects		205 287	11 319	12 067	5 448	-	234 121
		<b>7 850 342</b>	<b>3 363 811</b>	<b>1 562 965</b>	<b>901 425</b>	<b>784 183</b>	<b>14 462 726</b>
<b>2022</b>	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	851 502	-	-	-	-	851 502
Accrued expenses - CAPEX projects	12	764 814	-	-	-	-	764 814
Accrued expenses - Cleaning and gardening	12	26 672	-	-	-	-	26 672
Accrued expenses - Leases	12	968 348	-	-	-	-	968 348
Accrued expenses - OPEX projects	12	546 113	-	-	-	-	546 113
Accrued expenses - Municipal services	12	564 040	-	-	-	-	564 040
Accrued expenses - Other	12	699 566	-	-	-	-	699 566
Accrued expenses - Property rates	12	774 456	-	-	-	-	774 456
Accrued expenses - Scheduled maintenance	12	163 756	-	-	-	-	163 756
Accrued expenses - Security	12	19 690	-	-	-	-	19 690
Revenue claimed in advance - leases	12	64 592	-	-	-	-	64 592
Trade payables	12	189 576	-	-	-	-	189 576
Retention liabilities	13	247 077	82 114	64 466	12 513	-	406 170
Capital commitments - Projects		1 958 005	2 654 558	1 202 565	760 117	678 639	7 253 884
Operating maintenance commitments - Projects		450 950	983 677	609 264	140 560	222 179	2 406 630
Agency commitments - Projects		72 919	54 500	58 684	57 734	54 737	298 574

## Notes to the Annual Financial Statements

### 33. Risk management (continued)

8 362 076	3 774 849	1 934 979	970 924	955 555	15 998 383
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For further commitment disclosure for operating leases, refer to note 5.

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

### 33. Risk management (continued)

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

	2023 R'000	2022 R'000
Cash and cash equivalents	22 640	2 806
Operating lease asset	471 867	477 464
Receivables from exchange transactions	1 934 529	2 956 942
Receivables from non-exchange transactions	982	941
	<b>2 430 018</b>	<b>3 474 038</b>

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.

### 34. Related parties

The PMTE performs property management services for the state owned and leasehold immovable 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 DPWI and as such all contracts are entered into in the name of the DPWI. 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.

Other overhead costs include the sharing of corporate services function 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

The PMTE receives an augmentation of funds from National Treasury via the DPW to fund its operations.

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
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### 34. Related parties (continued)

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:	2023	2022
<b>Accommodation charges - freehold intergovernmental</b>		
Agriculture, Forestry and Fisheries	232 415	199 709
Arts and Culture	124 337	116 384
Correctional Services	797 966	1 388 412
Defence and Military Veterans	1 264 794	1 245 320
Higher Education	70	66
Environmental Affairs	44 369	37 395
South African Revenue Services (SARS)	50 346	-
Government Pension Administration Agency	26 944	-
Health	7 012	28 662
Office of the Public Protector	402	2 409
Home Affairs	86 767	81 933
Independent Police Investigative Directorate	-	484
International Relations and Cooperation	-	519
Justice and Constitutional Development	489 215	461 943
Labour	85 886	81 101
Rural Development and Land Reform	7 923	-
Mineral Resources	4 858	4 549
National Health Laboratory Services	8 306	-
National Treasury - SARS	10 061	47 540
Public Service and Administration	50 850	-
Public Works	54 183	10 057
SA Police Services	1 755 232	1 563 758
Social Development	763	824
Sa Social Security Agency	80	883
Statistics South Africa	5 838	5 307
Trade and Industry	9	7
Water and Sanitation	291 738	275 298
Science & Innovation	5 397	5 116
	<b>5 405 761</b>	<b>5 557 676</b>

Independent Development Trust (IDT) is the DPWI's Public Entity responsible for the delivery of social infrastructure programmes and projects and is being accommodated in the following Regional offices at no cost:

- Bloemfontein
- Nelspruit
- Kimberley
- Cape Town.

### Revenue from non-exchange transactions

Public Works - Augmentation	3 912 823	4 349 655
Public Works - Goods and service in-kind	3 965	-
	<b>3 916 788</b>	<b>4 349 655</b>

The Augmentation is funds that are received from DPWI to cover the operational costs of the PMTE.



# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
<b>34. Related parties (continued)</b>		
<b>Gross receivables from exchange transactions:</b>		
<b>Accommodation charges - freehold intergovernmental</b>		
Agriculture, Forestry and Fisheries	24 817	5 060
Arts and Culture	2 901	30 554
Correctional Services	1 512 172	1 375 834
Health	67 944	20 773
Defence	33 876	32 281
International Relations and Cooperation	-	9 352
Office of the Public Protector	-	447
Environmental Affairs	83 783	37 395
National Treasury	73	-
Justice and Correctional Services	1 114	1 029
Mineral Resources	1 352	1 175
Sa Social Security Agency	963	883
Science & Innovation	5 397	5 116
Social Development	1 691	824
Statistics South Africa	1	1
South African Police Services	88 581	27 602
Trade and Industry	142	132
Public Service And Administration	7 074	-
Public Works	41 107	-
	<b>1 872 988</b>	<b>1 548 458</b>

### Impairment relating to exchange transactions:

#### Accommodation charges - freehold intergovernmental

Agriculture, Forestry and Fisheries	24 817	5 060
Arts and Culture	1 548	2 060
Correctional Services	1 512 172	1 375 834
Environmental Affairs	83 783	-
Health	66 127	20 772
Defence	775	62
Public Works	41 107	-
National Treasury	52	-
Office of the Public Protector	-	447
Justice and Constitutional Development	1 030	966
Social Development	1 691	-
Mineral Resources	390	12
South African Police Services	6 475	-
Statistics South Africa	1	1
Public Service And Administration	6 513	-
Trade and Industry	142	125
Sa Social Security Agency	963	-
	<b>1 747 586</b>	<b>1 405 339</b>

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:

Client Departn	Gross receivable balance 31 March				Impairment Provision 31 March			
	2023				2023			
	Freehold Intergover nmental	Leasehold intergover nmental	Municipal servi	Total	Freehold Intergover nmental	Leasehold intergover nmental	Municipal Services	Total
Agriculture rese:	-	-	1978	1978	-	-	964	964
Agriculture, Foi	27720	-52388	82700	58032	24876	-	69365	94241

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

						2023 R'000	2022 R'000	
<b>34. Related parties (continued)</b>								
Arts and Cultur	70385	2155	50556	123097	45928	8	46051	91987
Basic Educatio	49326	-	-	49326	49326	-	-	49326
Companies & i	-	-4	-	-4	-	-	-	-
Centre for publ	-	-139	-	-138	-	-	-	-
Communicatio	-	-19	158	138	-	-	21	21
Coop govt and	-	3483	568	4051	-	17	145	162
Correctional Se	1523303	-1045	2119009	3641267	1513143	-	2055139	3568281
Defence	172185	486461	2649094	3307740	83175	386163	2649094	3118432
Die Afrikaanse	-	-130	-	-130	-	-	-	-
Department of	-	514	-	-	-	514	-	514
Ditsong Museu	-	1338	-	1338	-	799	-	799
Energy	-	79817	-	79817	-	76612	-	76612
Environmental	98680	39943	42429	181052	87294	18598	35098	140990
Eskom Holding	323	-	-	323	323	-	-	323
Film & Publicat	-	-28	406	378	-	-	353	353
Financial and F	-	-	4234	4234	-	-	4234	4234
Gender Equalit	-	885	2218	3102	-	885	1710	2595
Government C	-	1758	134	1892	-	1176	17	1193
Government Pi	1	-	-	1	1	-	-	1
Health	22668	16282	25418	64369	20852	15910	23472	60234
Health Civitas	45275	-	-	45275	45275	-	-	45275
Government Pi	-	-34	226	192	-	-	-341	-341
Geo science	-	-	3164	3164	-	-	128	128
Higher Educati	-	1403	4004	5407	-	1	3410	3411
Home Affairs	4119	-14178	13320	3260	22	-	41	62
Human Rights	-	221	307	529	-	55	62	117
Human Settlen	-	68484	-	68484	-	66540	-	66540
Independent Pi	-	157992	1470	159462	-	148616	1199	149815
Inter Relation a	84097	1971	6580	92648	84097	1971	5781	91850
Iziko Museums	-	-	-	-	-	-	-	-
Kwazulu-Natal	-	-238	-	-238	-	-	-	-
Justice & Cons	37841	-45251	333691	326282	1875	-	285085	286960
Justice & Cons	-	-2364	-	-2364	-	-	84	84
Labour	51	-34685	1778	-32856	-	-	14	14
Military Vetara	-	-823	77	-746	-	-	1374	1374
Minerals Resou	1352	390	1375	3117	389	24	-	1374
National Health	-	463	336	1043	-	-	580	580
National Librar	-	1284	-	1284	-	11	-	11
National Prose	1835	2234	1982	6051	1835	539	1148	3522
National Museu	-	82	-	82	-	-	-	-
National Schoc	-	-	-	-	-	-	-	-
National Treas	73	259511	6916	266499	52	256221	5005	261298
Pan South Afri	-	-230	-	-230	-	-	-	-
Parliament	1160	3026	-	4186	1160	2538	-	3698
Planning, Monit	-	-680	-	-680	-	-	-	-
Public Enterpri	-	-	32	32	-	-1	32	32
Public Protecto	93	-56	784	821	93	-	3	96
Public Service	7074	25	644	7743	6513	-	160	6673
Public Service	-	1530	340	1870	-	2	340	343
Public Works	41107	-841	2263	42529	41107	-	2	41109
Rural dev and l	5	-37381	3824	-33552	5	-	510	515
Robben Island	-	367	-	367	-	1	-	1
Robben Island	-	48	-	48	-	-	-	-

# Property Management Trading Entity

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## Notes to the Annual Financial Statements

						2023 R'000	2022 R'000	
<b>34. Related parties (continued)</b>								
SA Police Serv	105392	52346	741637	899375	11627	324	530539	542489
Sa Social Secu	1021	-	-	1021	1021	-	-	1021
SAMAF	-	1198	219	1418	-	1068	219	1287
SARS	87	-	1525	1612	87	-	-	87
SASSA- Bloem	-	-	432	432	-	-	11	11
SASSA- Johan	-	-	1053	1053	-	-	11	11
SASSA- Kimbe	-	-	97	97	-	-	-	-
SASSA- Nelspi	-	-	8398	8398	-	-	338	338
SASSA- Polokv	-	-	311	311	-	-	145	145
SASSA- Pretor	-	-	1133	1133	-	-	-	-
SASSA- Umtat	-	-	1506	1506	-	-	899	899
SASSA-Cape T	-	-	464	464	-	-	170	170
SASSA-Durbar	-	-	191	191	-	-	-	-
SASSA-Port El	-	-	1142	1142	-	-	93	93
SASSA-Mmab:	-	-	478	478	-	-	45	45
Science and Te	7471	6677	199	14347	17	6677	199	6893
SITA	3262	-	4059	7321	3262	-	3079	6341
SASSA	-	6902	-	6902	-	-	-	-
Social Develop	1691	2154	287	4132	1691	3	276	1970
Sports and Rec	-	21024	3793	24818	-	21024	3611	24635
Statistics SA	75	11109	9786	20969	59	10710	7573	18341
Tourism	-	-5272	8	-5265	-	-	7	7
Trade and Indu	142	-976	1125	290	142	-	1044	1185
Transport	-	91677	114	91791	-	91677	114	91791
Water Affairs	-	-46470	5981	-40489	-	-	-	-
Woman and ch	-	368	1	370	-	368	1	370
<b>Totals</b>	<b>2307815</b>	<b>1068087</b>	<b>6146199</b>	<b>9522102</b>	<b>2025247</b>	<b>1109054</b>	<b>5738994</b>	<b>8873296</b>

2022	Gross receivable balance 31 March 2022				Impairment Provision 31 March 2022			
Client Depa	Freehold	Leasehold	Municipal	Total	Freehold	Leasehold	Municipal	Total
	Intergover	intergover	services		Intergover	intergover	Services	
	nmental	nmental			nmental	nmental		
Agriculture	7 367	-	1 292	8 659	5 119	-	339	5 458
Agriculture,	-	-57 319	69 662	12 342	-	-	69 404	69 404
Arts and Cu	124 751	1 133	55 421	181 305	70 292	-	39 178	109 470
Basic Educa	49 326	-	-	49 326	49 326	-	-	49 326
Companies	-	172	-5	167	-	149	-	149
Centre for p	-	-139	-	-138	-	-	-	-
Communica	-	-	160	160	-	-	160	160
Coop govt a	-	3 211	526	3 737	293	3	17	313
Correctiona	1 392 835	985	1 607 898	3 001 717	1 376 659	56	1 556 695	2 933 411
Defence	399 757	354 537	2 310 715	3 065 010	65 354	259 274	2 310 715	2 635 343
Die Afrikaar	-	-126	-	-126	-	-	-	-
Ditsong Mu	-	3	-	3	-	3	-	3
Energy	-	71 295	-558	70 738	-	61 173	-	61 173
Environmer	41 010	20 170	44 077	105 257	3 614	20 019	30 659	54 292
Eskom Hold	4 093	-	-	4 093	-	-	-	-

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

						2023 R'000	2022 R'000
<b>34. Related parties (continued)</b>							
Film & Publ	-	1 540	664	2 204	-	143	17
Financial an	-	-	3 941	3 941	-	-	3 941
Gender Equ	-	151	2 691	2 842	-	151	1 285
Government	-	1 159	105	1 264	-	829	6
Government	1	-	-	1	1	-	-
Health	20 773	49 634	26 044	96 451	20 773	1 408	4 605
Health Civi	111 600	-	-	111 600	45 859	-	-
Government	-6 237	-24	-341	-6 602	-	-	-
Geo science	-	-	2 864	2 864	-	-	2 864
Higher Educ	-	3 010	3 434	6 445	-	2	2 160
Home Affai	2 884	5 320	13 900	22 104	24	747	40
Human Righ	-	151	63	215	-	151	30
Human Sett	-	61 153	-1 122	60 031	-	56 237	-
Independer	-	145 559	1 419	146 979	-	136 621	404
Inter Relatic	97 101	49 517	5 786	152 403	78 571	16 833	5 441
Kwazulu-Na	-	-259	-	-259	-	-	-
Justice and	-	-	238 333	238 333	-	-	226 553
Justice & Co	-	-1 675	-	-1 675	-	-	-
Justice & Co	46 807	74 039	-	120 846	1 681	5 777	-
Labour	1 667	-34 590	-473	-33 396	-	-	-
Military Vet	-	4 888	81	4 968	-	1 685	1
Minerals Re	1 175	97	1 722	2 993	12	1	695
National Lib	-	315	-	315	-	-	-
National Pro	1 714	5 636	315	7 666	1 714	4 758	315
National Mi	-	-102	-	-102	-	-	-
National Sci	-	-1 363	-271	-1 634	-	-	-
National Tre	44	235 171	5 065	240 280	41	235 171	3 494
Pan South A	-	-497	-	-497	-	-	-
Parliament	1 084	2 068	-	3 151	1 084	2 011	-
Planning, Mi	-	228	-	228	-	228	-
Public Enter	-	-1 122	32	-1 090	-	-	27
Public Prote	534	723	107	1 365	534	125	3
Public Servi	6 503	5 513	161	12 176	6 503	5 513	151
Public Servi	-	-964	340	-623	-	-	340
Public Work	-	-80	1 050	970	-	-	7
Rural dev ar	5	-138 483	-8 049	-146 527	5	-	-
Robben Isla	-	-	-	-	-	-	-
Robben Isla	-	-	-	-	-	-	-
SA Police Se	52 462	-6 754	510 657	556 365	5 686	-	375 696
Sa Social Se	-	-3 828	-	-3 828	-	-	-
SAMAF	-	-	219	219	-	-	219
SARS	81	-	829	910	81	-	3
SASSA- Blo	-	-	281	281	-	-	4
SASSA- Joh	-	-	2 501	2 501	-	-	509
SASSA- Kim	-	-	223	223	-	-	-
SASSA- Nels	-	-	284	284	-	-	167

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### Notes to the Annual Financial Statements

							2023 R'000	2022 R'000
<b>34. Related parties (continued)</b>								
SASSA- Polc	-	-	956	956	-	-	726	726
SASSA- Pret	-	-	227	227	-	-	-	-
SASSA- Umt	-	-	3 461	3 461	-	-	2 642	2 642
SASSA-Cape	-	-	741	741	-	-	405	405
SASSA-Durb	-	-	64	64	-	-	-	-
SASSA-Port	939	-	802	1 740	56	-	3	59
SASSA-Mma	-	-	315	315	-	-	33	33
Science and	5 226	6 677	182	12 085	110	6 677	182	6 969
SITA	3 048	-	3 989	7 037	3 048	-	3 007	6 055
Small Busin	-	1 087	-	1 087	-	1 087	-	1 087
Social Deve	824	1 914	270	3 008	-	389	238	627
Sports and I	-	23 470	4 070	27 539	-	20 184	2 274	22 458
Statistics SA	70	23 344	10 127	33 541	70	14 386	6 573	21 029
Tourism	-	-568	7	-561	-	-	2	2
Trade and I	132	-220	1 095	1 008	125	-	867	992
Transport	-	84 840	114	84 954	-	69 455	37	69 491
Water Affai	-	-52 821	5 508	-47 312	-	-	15	15
Woman and	-	2 602	1	2 604	-	2 602	-	2 602
<b>Totals</b>	<b>2 367 576</b>	<b>940 378</b>	<b>4 933 972</b>	<b>8 241 926</b>	<b>1 736 635</b>	<b>923 848</b>	<b>4 653 148</b>	<b>7 313 631</b>

# Property Management Trading Entity

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## Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
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### 34. 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	17 630	12 809
Justice and Constitutional Development	249 605	252 254
	<b>267 235</b>	<b>265 063</b>

#### Accruals raised

Arts and Culture	453	1 132
Correctional Services	33	-
Justice and Constitutional Development	12 252	13 722
	<b>12 738</b>	<b>14 854</b>

2023	Official	Basic salary	Non-pensionable salary	Structured service bonus	Post-employment benefits	Other short-term employee benefits	Total
<b>Remuneration of management</b>							
<b>Employees: Regional Managers</b>							
Bloemfontein	TP Zulu	970	51	81	126	378	1 606
Cape Town	PP Penxa	1 001	200	83	131	208	1 623
Durban	NN Vilakazi	808	387	67	105	25	1 392
Johannesburg	JM Monare	910	417	76	118	32	1 553
Kimberley	R Baulackey	941	156	79	123	138	1 437
Mmabatho	R Matlala	821	284	68	107	107	1 387
Nelspruit	PT Mashiane	951	410	-	123	186	1 670
Polokwane	M Ntshani	1 077	157	89	140	162	1 625
Port Elizabeth	JG Van Der Walt	855	425	-	81	270	1 631
Pretoria	TB Phiri	797	293	-	103	155	1 348
Mthatha	N Hlengwa **	916	35	76	119	229	1 375
<b>Employees: Other Officials</b>							
Chief Director: Construction Management Inland	W Hlabangwane	938	414	78	122	45	1 597
Director: Town Planning	M Ganiso	693	276	-	90	152	1 211
<b>Head of units</b>							
Head of PMTE	ME Moemi	1 723	398	142	224	13	2 500

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#### 34. Related parties (continued)

##### Exco Members: Deputy Director General:

Real Estate Management Services	NC Makhubele	1 114	173	93	145	89	1 614
Real Estate Investment Services	S Subban	1 114	189	93	145	73	1 614
Construction Project Management	B Mokhothu	1 254	395	-	163	96	1 908
Project Management Office (Acting)	NP Kubeka	1 043	161	87	136	341	1 768
		<b>17 926</b>	<b>4 821</b>	<b>1 112</b>	<b>2 301</b>	<b>2 699</b>	<b>28 859</b>

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#### 34. Related parties (continued)

2022 Remuneration of management	Official	Basic salary	Non- pensionable salary	Structured service bonus	Post- employment benefits	Other short- term employee benefits	Total
<b>Employees: Regional Managers</b>							
Bloemfontein	TP Zulu	889	33	74	116	213	1 325
Cape Town	PP Penxa	886	183	127	115	82	1 393
Durban	NN Vilakazi	762	366	63	99	4	1 294
Johannesburg	JM Monare	856	367	72	111	42	1 448
Kimberley	R Baulackey	889	144	74	116	102	1 325
Mmabatho	R Matlala	797	275	66	104	107	1 349
Nelspruit	PT Mashiane	871	369	-	113	122	1 475
Polokwane	M Ntshani	987	137	82	128	130	1 464
Port Elizabeth	JG van der Walt*	911	486	-	118	25	1 540
Pretoria	TB Phiri	773	280	-	101	155	1 309
Mthatha (Acting)	MS Mabandla*	475	141	-	62	34	712
Mthatha	N Hlengwa**	296	23	-	39	150	508
<b>Employees: Other Officials</b>							
Chief Director: Construction Management Inland	W Hlabangwane	911	403	76	118	32	1 540
Chief Director: Financial Planning	J Prinsloo	871	393	73	113	22	1 472
Acting Chief Director: State Owned	GS Ncoane	751	120	63	98	62	1 094
<b>Exco Members: Head of units</b>							
Head of PMTE	ME Moemi****	631	145	-	82	-	858
Head of PMTE (Acting)	PJ Maroga***	716	320	-	-	53	1 089
Supply Chain Management	H Isaacs	976	438	-	-	-	1 414
<b>Exco Members: Deputy Director General:</b>							
Real Estate Management Services	NC Makhubele	1 081	166	90	141	87	1 565
Real Estate Investment Services	S Subban	1 081	182	90	141	71	1 565
Project Management Office (Acting)	NP Kubeka *****	944	116	79	123	227	1 489



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#### 34. Related parties (continued)

Construction Project Management	B Mokhothu	1 218	384	-	158	7	1 767
	-	18 572	5 471	1 029	2 196	1 727	28 995

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 2021/22

\* MS Mabandla was acting as regional manager for Mthatha from 1 April 2021 to 30 November 2021.

\*\* NPT Hlengwa was appointed as regional manager for Mthatha with effect from 1 December 2021.

\*\*\* PJ Maroga he resigned as head of Operationalisation and Financial Sustainability on 30 November 2021

\*\*\*\*A Moemi was appointed as Head of PMTE from 1 November 2021

\*\*\*\*\* NP Kubeka was also acting as DDG Facilities Management Services from 1 April 2021 to 28 February 2022

The following employee was not remunerated by the PMTE, however he plays a key role in management decision making:

- 'Mr. M Sithole is the Chief Financial Officer of the DPWI Main Vote.

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### 35. Prior period errors

The following are material difference relating to prior years that have been

Statement of financial position	Restated 2022 R'000
Receivables from exchange transactions	(277 933)
Receivable from non-exchange transactions	(87)
Property, plant and equipment	13 729 744
Investment property	(4 516 938)
Heritage Asset	456 324
Operating lease asset	98 223
Operating lease liabilities	91 165
Bank overdraft	171 520
Deferred revenue	(50 830)
Payables from exchange transactions	360 073
Deferred revenue-Non Current	(82 819)
<b>Increase in net assets</b>	<b>9 978 442</b>
<b>Statement of Financial Performance</b>	
Revenue from exchange transactions	258 314
Revenue from non-exchange transactions	67 420
Construction revenue	(1 064)
Impairment loss on receivables	(448 044)
Depreciation, amortisation and impairment expense	36 331
Operating leases	65 560
Property maintenance	199 623
Property rates	142 501
Sundry operating expenses	15 189
Employee related costs	6
Loss on disposal of assets	(749)
Construction expenses	(1 064)
<b>Decrease in deficit</b>	<b>334 023</b>
<b>Increase in opening accumulated surplus</b>	<b>9 644 419</b>
<b>Net effect</b>	<b>9 978 442</b>

# Property Management Trading Entity

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### 35. Prior period errors (continued)

The prior period errors identified above were as a result of the following:

#### *Receivables and Payable from exchange transactions*

Management identified errors in the calculation of lease asset and lease liability due to errors in data captured. The value was deemed to be material and as result it was restated. The accrued expenses was also identified and confirmed not to have been complete and correctly valued.

#### *Property, plant and Equipment, Heritage asset and Investment Property*

Restatement of opening balances was performed on Property, Plant and Equipment, Heritage Assets and Investment Property. This resulted in a correction of prior period error of R9 669 130 000.

Corrections made include additions, derecognitions and changes in immovable asset values due to changes in the extent or source of extent of some of immovable assets. PMTE corrects prior period errors on Property, Plant and Equipment, Heritage assets and investment property and heritage assets through retrospective restatement.

#### *Deferred Revenue and Deferred Revenue - Non Current*

During the current year, the entity made corrections/amendments on multiple projects under construction. Amendments include project classifications (Opex/Capex) and project completion dates and additions to assets under construction.

To the extent that the projects are recoverable capital projects, the mentioned amendments had a resultant effect on deferred revenue. The effect was a cumulative decrease in the opening balance of R134 million i.e. R51 million for deferred revenue and R83 million for deferred revenue non-current.

#### *Bank Overdraft*

The bank overdraft restatement is the result of cancellation of rejected payments (TORs) on the payments system (SAGE). When an Electronic Bank Transfer (EBT - amount < R1m) and/or Telegraphic Transfer (TTs - amount > R1m) are rejected by the Automated Clearing Bureau (ACB) for numerous reasons, e.g. closed bank accounts, incorrect banking details, no such account, etc. The transactions are processed on SAGE to account for these rejections, which had the effect of updating the outstanding payments on the previous bank reconciliation statement.

#### *Lease liability, operating lease expense, operating lease liability, operating lease expense, and Revenue from exchange transactions (Leasehold)*

Lease accruals and prepayments was one of the bases for disclaimer of audit opinion in the 2021-22 financial year, hence the need to restate leases. As the leases affect numerous accounts, the entity did not only correct accruals and prepayments, but the other listed accounts that were affected also had to be restated as they are interlinked. The errors were mainly due to inaccurate data on Archibus for which an extensive project was undertaken to verify and correct the mentioned data in line with the supporting lease agreements

#### *Property rates and Property Maintenance*

Payables from exchange transactions was one of the bases for disclaimer of audit opinion in the 2021-22 financial year, together with the corresponding expenditure line items, hence the need to restate payables from exchange transactions, as well as the corresponding expenditure line items. The misstatements were due to the entity not accruing for goods and services that were received and not paid for as at year end. In order to correct the prior year misstatements, the entity embarked on a rigorous exercise to identify all invoices relating to property rates, property maintenance and sundry operating expenses which had not been accrued for in the prior year. The line items were then restated accordingly in order to account for these transactions

#### *Impairment loss on receivables*

# Property Management Trading Entity

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## Notes to the Annual Financial Statements

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### 35. Prior period errors (continued)

During the 2021/22 financial period, prepaid expenses related to monies paid to municipalities for rates, taxes and other utilities were assessed for impairment due to lack of activity by the entity to recover the monies over three (3) financial years. The entity performed a verification process to validate the existence or non-existence of the prepaid expenses. The entity reconciled the amount owed by the municipalities and confirmed that the amounts paid for municipal service and property rate accounts were allocated to the accounts of the PMTE. The process resulted in the de-recognition of the prepaid expense (Backlog – R440 161 743) retrospectively due to the assessment that was conducted by the entity with municipalities. There is also an amount of R13 577 164 (Receivable accruals – recoverable projects), that was caused by the change in classification of projects that affected the impairment for the 2021/22 financial year. Lastly, an amount of R6 026 426 (Lease prepayment) was also as a result of the correction of the prior period error emanating from the qualification last year.

#### *Revenue from Exchange transactions*

As a result of the 2021-22 modified audit opinion, this line item was also affected and restatements had to be made, the impact of that being an adjustment of R57 958 309 from accommodation charges – leasehold, an impairment loss reversal of R 67 513 277, as well as another adjustment from deferred revenue by over R158 million, amount others.

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### 36. Going concern

The 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 R1.843 billion (2022: R851 million) and the current liabilities exceed the current assets by R8.262 billion (2022: R7,267 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 R4.280 billion (2022: R4.022 billion) and other non-financial instruments of R717 million (2022: R415 million) (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 and Infrastructure ("DPWI"). 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.