



**Property Management Trading Entity  
Annual Financial Statements  
for the year ended 31 March 2021**

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

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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 have been prepared on the going concern basis.

**Property Management Trading Entity**  
Annual Financial Statements for the year ended 31 March 2021

**Statement of Financial Position as at 31 March 2021**

		2021	2020
	Note(s)	R'000	Restated* R'000
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	5 625 462	5 233 978
Receivables from non-exchange transactions	4	1 411	109
Operating lease asset	5	421 423	392 832
Cash and cash equivalents	6	4 678	8 114
		<b>6 052 974</b>	<b>5 635 033</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	131 158 744	131 532 112
Investment property	8	5 017 337	5 109 171
Heritage assets	9	5 805 700	5 773 873
Intangible assets	10	31 799	31 599
		<b>142 013 580</b>	<b>142 446 755</b>
<b>Total Assets</b>		<b>148 066 554</b>	<b>148 081 788</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	5	419 497	395 253
Bank overdraft	6	905 574	2 580 895
Deferred revenue	11	3 554 449	3 146 096
Payables from exchange transactions	12	4 398 990	4 608 306
Retention liabilities	13	309 433	320 812
Finance lease obligation	14	2 085	3 446
Employee benefit obligations	15	242 329	198 092
Provisions	16	766 269	623 776
		<b>10 598 626</b>	<b>11 876 676</b>
<b>Non-Current Liabilities</b>			
Deferred revenue	11	2 856 834	3 140 474
Retention liabilities	13	58 016	21 545
Finance lease obligation	14	936	2 046
		<b>2 915 786</b>	<b>3 164 065</b>
<b>Total Liabilities</b>		<b>13 514 412</b>	<b>15 040 741</b>
<b>Net Assets</b>		<b>134 552 142</b>	<b>133 041 047</b>

# Property Management Trading Entity

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## Statement of Financial Performance

		2021	2020 Restated
	Note(s)	R'000	R'000
Revenue from exchange transactions	17	13 092 246	15 093 463
Revenue from non-exchange transactions	18	4 242 173	4 338 403
Construction revenue	19	83 381	265 397
<b>Total revenue</b>		<b>17 417 800</b>	<b>19 697 263</b>
<b>Expenditure</b>			
Construction expenses	19	83 381	265 397
Depreciation, amortisation and impairments on assets	20	3 029 559	2 959 808
Employee related costs	21	1 914 526	1 821 360
Impairment loss on receivables	22	760 185	1 293 653
Interest expense	23	7 208	85 072
Loss on disposal of assets	24	38 444	192 344
Operating leases	25	5 122 527	5 165 412
Property maintenance (contracted services)	26	2 113 731	2 554 182
Property Rates		1 248 964	1 215 509
Sundry operating expenses	27	1 588 181	1 447 311
<b>Total expenditure</b>		<b>15 906 706</b>	<b>17 000 048</b>
<b>Surplus for the year</b>		<b>1 511 094</b>	<b>2 697 215</b>

# Property Management Trading Entity

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## Statement of Changes in Net Assets

		Accumulated surplus R'000
Opening balance as previously reported as at 1 April 2019		112 329 263
<i>Adjustments</i>		
Correction of prior period errors	37	18 014 569
<b>Balance at 1 April 2019</b>		<b>130 343 832</b>
<i>Changes in net assets</i>		
Surplus for the 12 months		2 697 215
Correction of prior period errors	37	(18 260 267)
Total changes		(15 563 052)
Balance as previously reported as at 31 March 2020		114 780 780
<i>Adjustments</i>		
Correction of prior period errors	37	18 260 267
<b>Balance at 1 April 2020 as restated*</b>		<b>133 041 048</b>
<i>Changes in net assets</i>		
Surplus for the year		1 511 094
<b>Balance at 31 March 2021</b>		<b>134 552 142</b>

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Cash Flow Statement

		2021	2020
	Note(s)	R'000	R'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Accommodation charges - leasehold intergovernmental		5 064 584	4 666 345
Accommodation charges - freehold intergovernmental		6 588 809	7 337 967
Accommodation charges - freehold private		53 455	49 100
Augmentation		4 239 987	4 315 736
Management fees on municipal services		181 113	203 902
Municipal services recovered		3 622 268	4 078 043
Interest, fines, recoveries and other receipts		24 880	-
Cash received in advance		311 330	-
Construction revenue		83 381	264 596
		<b>20 169 807</b>	<b>20 915 689</b>
<b>Payments</b>			
Cleaning and gardening		307 542	276 746
Admin, goods and services		298 372	454 156
Maintenance		1 730 553	3 045 263
Municipal services paid on behalf of clients		4 696 256	4 986 501
Municipal services expenditure		411 033	482 792
Operating leases (including rent on land)		4 933 887	5 081 000
Property rates		1 273 334	1 008 110
Compensation of employees		1 867 317	1 813 276
Covid-19 related expenditure		335 510	-
Construction expenses		83 381	264 596
		<b>15 937 185</b>	<b>17 412 440</b>
<b>Net cash flows from operating activities</b>	<b>28</b>	<b>4 232 622</b>	<b>3 503 249</b>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment		(2 508 415)	(3 284 512)
Additions to investment property	8	(9 899)	(14 367)
Aquisition of intangible assets		(1 989)	(8 623)
Additions to heritage assets		(37 688)	(90 304)
<b>Net cash flows from investing activities</b>		<b>(2 557 991)</b>	<b>(3 397 806)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(3 493)	(7 332)
Finance leases entered into		747	6 437
<b>Net cash flows from financing activities</b>		<b>(2 746)</b>	<b>(895)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>1 671 885</b>	<b>104 548</b>
Cash and cash equivalents at the beginning of the year		(2 572 781)	(2 677 329)
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>(900 896)</b>	<b>(2 572 781)</b>

**Property Management Trading Entity**  
Annual Financial Statements for the year ended 31 March 2021

**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 - leasehold intergovernmental	5 346 412	(543 425)	<b>4 802 987</b>	5 064 584	<b>261 597</b>
Accommodation charges - freehold intergovernmental	8 031 889	(1 109 195)	<b>6 922 694</b>	6 588 809	<b>(333 885)</b>
Accommodation charges - freehold private	62 987	-	<b>62 987</b>	53 455	<b>(9 532)</b>
Augmentation	4 360 388	(120 401)	<b>4 239 987</b>	4 239 987	-
Management fees on municipal services	287 185	-	<b>287 185</b>	181 113	<b>(106 072)</b>
Municipal services recovered	5 743 699	-	<b>5 743 699</b>	3 622 268	<b>(2 121 431)</b>
Interest, fines, recoveries and other receipts	60 000	-	<b>60 000</b>	24 880	<b>(35 120)</b>
Cash received in advance	-	-	-	311 330	<b>311 330</b>
Construction revenue	-	-	-	83 381	<b>83 381</b>
<b>Receipts</b>	<b>23 892 560</b>	<b>(1 773 021)</b>	<b>22 119 539</b>	<b>20 169 807</b>	<b>(1 949 732)</b>
<b>Payments</b>					
Cleaning and gardening	329 427	(7 009)	<b>322 418</b>	307 542	<b>(14 876)</b>
Admin, goods and services	483 701	(48 946)	<b>434 755</b>	298 372	<b>(136 383)</b>
Maintenance	2 888 885	(440 961)	<b>2 447 924</b>	1 645 995	<b>(801 929)</b>
Municipal services paid on behalf of clients	5 743 699	-	<b>5 743 699</b>	4 696 256	<b>(1 047 443)</b>
Operating leases (including rent on land)	5 485 011	(543 424)	<b>4 941 587</b>	4 933 887	<b>(7 700)</b>
Property rates	1 521 311	7 007	<b>1 528 318</b>	1 273 334	<b>(254 984)</b>
Compensation of employees	2 142 481	(246 424)	<b>1 896 057</b>	1 867 317	<b>(28 740)</b>
Municipal services expenditure	431 842	(20 803)	<b>411 039</b>	411 033	<b>(6)</b>
Construction expenses	-	-	-	83 381	<b>83 381</b>
Covid -19 Requirements	-	447 711	<b>447 711</b>	335 510	<b>(112 201)</b>
<b>Payments</b>	<b>19 026 357</b>	<b>(852 849)</b>	<b>18 173 508</b>	<b>15 852 627</b>	<b>(2 320 881)</b>
<b>Capital movements</b>					
Recoverable capital expenditure	2 598 182	(1 109 195)	<b>1 488 987</b>	1 332 750	<b>(156 237)</b>
Non-recoverable capital expenditure	2 216 036	170 528	<b>2 386 564</b>	1 294 647	<b>(1 091 917)</b>
Machinery and equipment	51 985	18 495	<b>70 480</b>	15 192	<b>(55 288)</b>
Finance lease	-	-	-	2 746	<b>2 746</b>
	<b>4 866 203</b>	<b>(920 172)</b>	<b>3 946 031</b>	<b>2 645 335</b>	<b>(1 300 696)</b>
<b>Cash surplus</b>	-	-	-	<b>1 671 845</b>	<b>1 671 845</b>

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

## **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 1.29.



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

#### **1.1.4 Classification of accommodation charges as lease revenue**

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

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

#### **1.1.5 Classification and measurement of leases**

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

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

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

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

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

#### **1.1.6 Provision for maintenance**

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

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

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

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

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

##### **Impairment of non-current assets**

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

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

#### **1.1.8 Significantly delayed projects**

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

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

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

#### **1.1.9 Classification of immovable assets**

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

## Notes to the Annual Financial Statements

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

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.

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

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

Heritage assets may be used for administrative purposes. Management 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.

## Notes to the Annual Financial Statements

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

#### 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.

#### 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 1.15 and 1.16 respectively.

### 1.3 Receivables from non-exchange transactions

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

## Notes to the Annual Financial Statements

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### 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.

#### 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 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).

## Notes to the Annual Financial Statements

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### 1.6 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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
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## Notes to the Annual Financial Statements

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

Building and improvements (including components)

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

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

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

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

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

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

### 1.7 Investment property

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

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

## Notes to the Annual Financial Statements

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### 1.7 Investment property (continued)

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

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

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

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

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

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

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

The PMTE is not allowed to dispose of or transfer immovable assets under its custodianship unless approved by the Minister of Public Works 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 1.6).

### 1.8 Heritage assets

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

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

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.



## Notes to the Annual Financial Statements

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### 1.8 Heritage assets (continued)

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

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

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

### 1.9 Intangible assets

The PMTE recognises intangible asset when:

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

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

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

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

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

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

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

Item	Useful life
Computer software	5 years

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

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

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

### 1.10 Payables from exchange transactions

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

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

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

## Notes to the Annual Financial Statements

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### 1.11 Employee benefits

#### Short-term employee benefits

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

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

#### Leave benefits

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

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

#### Performance and service bonuses

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

#### Retirement and medical benefits

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

#### Long service awards

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

### 1.12 Retention liabilities

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

### 1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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### **1.13 Provisions and contingencies (continued)**

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.

### **1.14 Reserves**

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

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

### **1.15 Statutory receivables and payables**

#### **Classification, recognition and measurement**

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

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

Statutory receivables and payables are not discounted.

#### **Impairment of receivables measured at cost**

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

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

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

### **1.16 Financial instruments**

#### **Classification, recognition and measurement**

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

## Notes to the Annual Financial Statements

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### 1.16 Financial instruments (continued)

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**

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

##### *Financial assets measured at amortised cost:*

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

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

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

##### *Non-financial assets measured at cost:*

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

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

## Notes to the Annual Financial Statements

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### 1.16 Financial instruments (continued)

#### Derecognition

##### *Financial assets*

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

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

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

##### *Financial liabilities*

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

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

## Notes to the Annual Financial Statements

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### 1.17 Revenue from exchange transactions

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

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

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

Accommodation charges disclosed in the financial statements consists of:

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

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

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

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

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

### 1.18 Revenue from non-exchange transactions

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

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

Transfer payments received from the 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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### **1.19 Expenditure**

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

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

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

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

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

### **1.20 Construction contracts and receivables**

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

### **1.21 Irregular, Fruitless and wasteful expenditure**

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

### **1.22 Related parties**

The PMTE is controlled through the 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.

### **1.23 Budget information**

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

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

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

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### **1.24 Commitments**

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

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

### **1.25 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:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- 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.

### **1.26 Going concern assumption**

These annual financial statements have been prepared on the going concern basis. Refer to note 38.

### **1.27 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 37.

### **1.28 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.



## Notes to the Annual Financial Statements

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### 1.29 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

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

### 1.30 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.

The Entity Wide disclosure to the extent that it is practicable and available is disclosed in Annexure A on page 67.

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

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

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

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

*Standard/ Interpretation:*

- Related Parties (GRAP 20)
- Statutory receivables (GRAP 108)

### 2.2 Standards not yet effective (with possible extended impact)

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

*Standard/ Interpretation:*

- Accounting by Principals and Agents (GRAP 109)

### 2.3 Standards not yet effective (with no impact)

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

*Standard/ Interpretation:*

- GRAP 38 on Disclosure of interests in other entities
- GRAP 104 on Financial instruments (revised)
- GRAP 110 on Living and non-living resources
- Guideline on The application of materiality to financial statements
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# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
<b>3. Receivables from exchange transactions</b>		
<b>Financial assets</b>		
Accommodation debtors - leasehold inter-governmental	195 684	407 345
Accommodation debtors - freehold inter-governmental	1 055 667	946 325
Accommodation debtors - freehold private	44 860	45 022
Municipal services	907 136	601 021
Debt account	71 235	68 843
Revenue accrual - recoverable leases	305 374	150 511
Revenue accrual - recoverable municipal services	546 899	618 003
Revenue accrual - recoverable projects	501 765	475 659
Municipal deposits	20 062	20 042
Implementing agents	48 570	42 111
Other receivables	37 580	533
Recoverable property rates *	-	-
	<b>3 734 832</b>	<b>3 375 415</b>
<b>Non-financial assets</b>		
Prepaid expenses - implementing agents	775 490	864 753
Prepaid expenses - leases	339 178	346 920
Prepaid expenses - other	92 026	81 030
Prepaid expenses - municipal services	1 372	14 353
Prepaid expenses - municipal services and property rates (backlog)	468 628	468 628
Creditors with debit balances	213 936	82 879
	<b>1 890 630</b>	<b>1 858 563</b>
	<b>5 625 462</b>	<b>5 233 978</b>

### Reconciliation of provision for Impairment of receivables from exchange transactions

	2021	2020
Opening Balance	4 711 477	3 529 851
Reversal of Impairment	311 995	134 068
Impairment Expense	760 036	1 292 705
Closing Balance	<b>5 159 518</b>	<b>4 711 477</b>

The applicable interest rate for outstanding freehold private receivables and debt account receivables for the period is 7% (2020: 10.25%).

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 3.4% (:2020 4.9%).

The gross amount for recoverable property rates amounts to R58 million ( 2020: R43 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.

### 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:

**Property Management Trading Entity**  
Annual Financial Statements for the year ended 31 March 2021

**Notes to the Annual Financial Statements**

	2021 R'000	2020 R'000
<b>3. Receivables from exchange transactions (continued)</b>		
	2021 %	2020 %
Accommodation debtors - freehold inter-governmental	28	24
Accommodation debtors - leasehold inter-governmental	66	43
Accommodation debtors - freehold private	77	66
Municipal services	80	76
Recoverable property rates	100	100

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
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### 4. Receivables from non-exchange transactions

Accommodation debtors - freehold prestige	1 411	109
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### Reconciliation of provision for impairment of receivables from non-exchange transactions

	2021	2020
Opening Balance	6 737	5 789
Reversal of Impairment		
Impairment Expense	149	948
Closing Balance	<b>6 886</b>	<b>6 737</b>

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

### Receivables from non-exchange transactions past due but not impaired

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

### 5. Operating lease asset/(liability)

	Note	2020 R'000	2019 R'000
Current assets (PMTE as lessor)	5.1	421 423	392 832
Current liabilities (PMTE as lessee)	5.2	(419 497)	(395 253)
		<b>1 926</b>	<b>(2 421)</b>

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

Leasehold inter-governmental	397 701	370 087
Freehold private	23 722	22 745
	<b>421 423</b>	<b>392 832</b>

#### Total minimum lease receipts - PMTE as lessor

Within one year	2 764 633	2 526 158
In second to fifth year inclusive	4 701 432	5 090 341
Later than five years	1 286 991	2 020 589
	<b>8 753 056</b>	<b>9 637 088</b>

#### Leasehold inter-governmental

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

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

#### Freehold private

## Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
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#### 5. Operating lease asset/(liability) (continued)

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

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
<b>5. Operating lease asset/(liability) (continued)</b>		
<b>5.2 Total operating lease liabilities - PMTE as lessee</b>		
Operating lease liabilities - leasehold inter-governmental	<b>419 497</b>	<b>395 253</b>
<b>Total minimum lease payments - PMTE as lessee</b>		
Within one year	2 828 842	2 457 771
In second to fifth year inclusive	4 732 632	4 963 799
Later than five years	1 259 220	2 020 589
	<b>8 820 694</b>	<b>9 442 159</b>

The PMTE has 2 346 leases of which 1 684 have not expired included in the current private leasing portfolio (2020 ; 2 457 leases of which 1 743 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

	2021 R'000	2020 R'000
Cash and cash equivalents consist of:		
Cash on hand	227	254
Bank balance	4 451	7 860
Cash and cash equivalents	4 678	8 114
Bank overdraft	(905 574)	(2 580 895)
	<b>(900 896)</b>	<b>(2 572 781)</b>

The cash held in the bank is with ABSA Limited, a registered financial services provider, and approved by National Treasury. The interest rate on the bank balance is variable. The average effective interest rate on short term bank deposits is 2.1% (2020 : 4.92%).

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

## 7. Property, plant and equipment

	2021			Restated 2020		
	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	42 209 680	-	42 209 680	42 248 588	-	42 248 588
Buildings and improvements	108 155 352	(19 425 504)	88 729 848	105 566 697	(16 518 624)	89 048 073
Furniture and office equipment	97 585	(46 563)	51 022	104 481	(46 877)	57 604
Computer equipment	261 540	(131 570)	129 970	256 443	(120 380)	136 063
Other machinery and equipment	67 518	(29 294)	38 224	70 214	(28 430)	41 784
<b>Total</b>	<b>150 791 675</b>	<b>(19 632 931)</b>	<b>131 158 744</b>	<b>148 246 423</b>	<b>(16 714 311)</b>	<b>131 532 112</b>

## Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand

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

##### Reconciliation of property, plant and equipment - 2021

	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	42 248 588	-	(34 767)	-	-	(4 141)	-	-	42 209 680
Buildings and improvements	89 048 073	2 588 654	-	-	-	-	(2 854 816)	(52 063)	88 729 848
Furniture and office equipment	57 604	2 151	-	177	(2 856)	(134)	(5 920)	-	51 022
Computer equipment	136 063	5 484	-	395	(318)	377	(12 031)	-	129 970
Other machinery and equipment	41 784	862	-	10	(485)	(1 841)	(2 106)	-	38 224
	<b>131 532 112</b>	<b>2 597 151</b>	<b>(34 767)</b>	<b>582</b>	<b>(3 659)</b>	<b>(5 739)</b>	<b>(2 874 873)</b>	<b>(52 063)</b>	<b>131 158 744</b>

##### Reconciliation of property, plant and equipment - 2020

	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	42 458 865	4 392	(214 669)	-	-	-	-	-	42 248 588
Buildings and improvements	88 850 493	3 022 019	-	-	-	-	(2 684 405)	(140 034)	89 048 073
Furniture and office equipment	54 099	7 964	(31)	662	(1 332)	6 770	(9 840)	(688)	57 604
Computer equipment	130 337	18 480	(2 092)	632	(114)	2 110	(12 949)	(341)	136 063
Other machinery and equipment	43 631	1 683	(270)	99	(2)	391	(3 558)	(190)	41 784
	<b>131 537 425</b>	<b>3 054 538</b>	<b>(217 062)</b>	<b>1 393</b>	<b>(1 448)</b>	<b>9 271</b>	<b>(2 710 752)</b>	<b>(141 253)</b>	<b>131 532 112</b>



# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## 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

	Cumulative expenditure recognised in carrying value R'000	Carrying value of projects significantly delayed R'000	Carrying value of projects halted R'000
2021			
Building and improvements	9 786 956	3 068 504	-
2020	-	-	-
Building and improvements	9 090 611	2 065 456	-

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

#### Assets subject to finance lease (Net carrying amount)

	2021 R'000	2020 R'000
Furniture and office equipment	9 935	12 421

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
2021			
Building and improvements	8 199 130	2 262 981	10 462 111
2020	-	-	-
Building and improvements	7 618 228	1 963 220	9 581 448

#### Other disclosure

In 2021, 20 land parcels with the value of R 34 775 060 (2020, 18 land parcels with the value of R 58 192 019) had changed ownership with no formal process or disposal followed. The balance of the land disposals shown in 2021 and 2020 followed the formal process.

Upon analysis of the land portfolio in the PMTE asset register, it was discovered that there were land parcels not belonging to PMTE in the Immovable asset register which were subsequently removed. PMTE further performed an analysis of the buildings situated on the land parcels that were removed to determine whether these buildings should remain in the PMTE immovable asset register as the significant risk and rewards and Rights and obligations remained with PMTE. Buildings that serve functions mandated to the Department of Public Works such as police stations, courts or where there was sufficient and appropriate evidence demonstrating that the buildings belong to PMTE the building were retained and reclassified as State Domestic Facilities (SDFs). Buildings that did not serve a function mandated to the Department of Public Works and clearly did not belong to the PMTE were removed from PMTE's improvements asset register. PMTE was unable to determine the ownership of 79 buildings whose land parcels were removed from the asset register due to not having access to information that would confirm PMTE as the rightful building owner or demonstrate that PMTE is not the rightful owner. These 79 buildings were not disclosed and have been ring-fenced to allow for further analysis in the 2021 – 2022 financial year.

## Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand

#### 8. Investment property

	2021			Restated 2020		
	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
Building and improvements	4 461 779	(807 130)	3 654 649	4 452 779	(706 296)	3 746 483
Land	1 362 688	-	1 362 688	1 362 688	-	1 362 688
<b>Total</b>	<b>5 824 467</b>	<b>(807 130)</b>	<b>5 017 337</b>	<b>5 815 467</b>	<b>(706 296)</b>	<b>5 109 171</b>

#### Reconciliation of investment property - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000
Building and improvements	3 746 483	9 000	-	(100 834)	3 654 649
Land	1 362 688	-	-	-	1 362 688
	<b>5 109 171</b>	<b>9 000</b>	<b>-</b>	<b>(100 834)</b>	<b>5 017 337</b>

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Investment property (continued)

#### Reconciliation of investment property - 2020

	Opening balance R '000	Additions R '000	Disposals R '000	Impairments R '000	Depreciation R '000	Total R '000
Building and improvements	3 835 125	12 096	-		(100 738)	3 746 483
Land	1 362 885	-	(197)		-	1 362 688
	<b>5 198 010</b>	<b>12 096</b>	<b>(197)</b>		<b>(100 738)</b>	<b>5 109 171</b>

#### Additional disclosure relating to assets under construction

	Cumulative expenditure recognised in carrying value R'000	Carrying value of projects significantly delayed R'000	Carrying value of projects halted R'000
2021	-	-	-
Building and improvements	36 160	-	-
2020	-	-	-
Building and improvements	27 782	589	-

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
2021	23 871	-
Building and improvements		
2020	35 847	-
Building and improvements		
		-
		-
		-
		-
<b>Carrying value of projects halted</b>		<b>-</b>

## Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

### Notes to the Annual Financial Statements

Figures in Rand

#### 8. Investment property (continued)

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

	2021			2020		
	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	507	63	570	454	55	509
Municipal services	1 083	208	1 291	1 973	2 140	4 113
Property rates	2 416	1 012	3 428	3 042	1 271	4 313
Cleaning and gardening	34	-	34	-	128	128
Security	695	3 587	4 282	454	3 616	4 070
Depreciation	98 738	2 044	100 782	98 738	2 044	100 782
Total direct expenses	103 473	6 914	110 387	104 661	9 254	113 915
Revenue from exchange (Freehold private)	63 717	-	63 717	63 517	-	63 517
<b>Total surplus/(deficit) on investment property</b>	<b>(39 756)</b>	<b>(6 914)</b>	<b>(46 670)</b>	<b>(41 144)</b>	<b>(9 254)</b>	<b>(50 398)</b>

## Notes to the Annual Financial Statements

### 9. Heritage assets

	2021			Restated 2020		
	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	3 628 884	-	3 628 884	3 628 884	-	3 628 884
Building and improvements	2 202 444	(25 628)	2 176 816	2 170 617	(25 628)	2 144 989
<b>Total</b>	<b>5 831 328</b>	<b>(25 628)</b>	<b>5 805 700</b>	<b>5 799 501</b>	<b>(25 628)</b>	<b>5 773 873</b>

	Opening balance	Additions	Total
	R '000	R '000	R '000
Land	3 628 884	-	3 628 884
Building and improvements	2 144 989	31 827	2 176 816
	<b>5 773 873</b>	<b>31 827</b>	<b>5 805 700</b>

#### Reconciliation of heritage assets - 2021

	Opening balance	Additions	Total
	R '000	R '000	R '000
Land	3 628 884	-	3 628 884
Building and improvements	2 064 012	80 977	2 144 989
	<b>5 692 896</b>	<b>80 977</b>	<b>5 773 873</b>

#### Additional disclosure relating to assets under construction

	Cumulative expenditure recognised in carrying value R'000	Carrying value of projects significantly delayed R'000	Carrying value of projects halted R'000
2021 Building and improvements	481 990	455 706	-
2020 Building and improvements	772 015	2 810	-

#### 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
2021 Buildings and improvements	110 200	-	110 200
2020 Buildings and improvements	69 603	-	69 603

## Notes to the Annual Financial Statements

### 10. Intangible assets

	2021			Restated 2020		
	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	44 625	(12 826)	31 799	48 949	(17 350)	31 599

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000
Computer software	31 599	2 009	(20)	(1 789)	31 799

#### Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Adjustments	Other changes, movements	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	30 682	8 623	(641)	-	-	(7 065)	31 599

#### Additional disclosure relating to assets under development

	Cumulative expenditure recognised in carrying value R'000	Carrying value of projects significantly delayed R'000	Carrying value of projects halted R'000
2021			
Computer software	31 799	29 233	-
2020	-	-	-
Computer software	31 599	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
2021			
Computer software	17 759	-	17 759
2020			
Computer software	19 067	1 275	20 342

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

	2021 R'000	Restated 2020 R'000
<b>11. Deferred revenue</b>		
Current liability	3 554 449	3 146 096
Non-Current liability	2 856 834	3 140 474
	<b>6 411 283</b>	<b>6 286 570</b>

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

Opening Balance	6 286 570	8 724 012
Plus: Revenue deferred during the year	1 308 386	1 684 963
Less: Revenue recognised during the year	(1 183 673)	(4 122 405)
	<b>6 411 283</b>	<b>6 286 570</b>

## 12. Payables from exchange transactions

### Financial liabilities

Accrued expenses - Assets	648 845	563 257
Accrued expenses - Cleaning and gardening	33 037	17 788
Accrued expenses - Leases	889 227	853 442
Accrued expenses - Maintenance	200 983	329 834
Accrued expenses - Municipal services	732 074	1 835 408
Accrued expenses - Other	116 520	43 558
Accrued expenses - Property rates	569 604	408 046
Accrued expenses - Scheduled maintenance	186 401	175 672
Accrued expenses - Security	12 704	10 226
Total accrued expenses	3 389 395	4 237 231
Unallocated deposits	5 321	3 688
Trade payables	64 144	436
Deposits received	56	57
Contract guarantees	131	131
	<b>3 459 047</b>	<b>4 241 543</b>

### Non-financial liabilities

Revenue claimed in advance - leases	116 087	90 678
Income received in advance - other services	337 528	62 213
Debtors with credit balances	486 328	213 872
	939 943	366 763
	<b>4 398 990</b>	<b>4 608 306</b>

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

	2021 R'000	Restated 2020 R'000
<b>13. Retention liabilities</b>		
Non-current liabilities	58 016	21 545
Current liabilities	309 433	320 812
	<b>367 449</b>	<b>342 357</b>
<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	2 535	3 914
- in second to fifth year inclusive	996	2 181
	3 531	6 095
Less: future finance charges	(510)	(603)
<b>Present value of minimum lease payments</b>	<b>3 021</b>	<b>5 492</b>
<b>Present value of minimum lease payments due</b>		
- within one year	2 085	3 446
- in second to fifth year inclusive	936	2 046
	<b>3 021</b>	<b>5 492</b>
Non-current liabilities	936	2 046
Current liabilities	2 085	3 446
	<b>3 021</b>	<b>5 492</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 - 2021

	Opening balance R'000	Utilised during the year R'000	Over/(under) provided R'000	Additions R'000	Total R'000
Leave	133 369	(120 823)	(12 546)	182 720	182 720
Service bonus	44 422	(42 951)	(1 471)	44 373	44 373
Performance bonus	14 244	(12 337)	(1 906)	9 397	9 398
Long service awards	6 057	(1 547)	(4 510)	5 838	5 838
	<b>198 092</b>	<b>(177 658)</b>	<b>(20 433)</b>	<b>242 328</b>	<b>242 329</b>

### Reconciliation - 2020

	Opening balance R'000	Utilised during the year R'000	Over/(under) provided R'000	Additions R'000	Total R'000
Leave	133 407	(95 371)	(38 036)	133 369	133 369
Service bonus	41 650	(41 298)	(351)	44 421	44 422
Performance bonus	26 446	(22 733)	(3 713)	14 244	14 244
Long service awards	6 210	(2 784)	(3 426)	6 057	6 057
	<b>207 713</b>	<b>(162 186)</b>	<b>(45 526)</b>	<b>198 091</b>	<b>198 092</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 - 2021</b>						
Maintenance	602 726	637 936	(62 374)	(446 455)	(9 538)	722 295
Legal proceedings	21 050	32 355	(5 697)	(3 734)	-	43 974
	<b>623 776</b>	<b>670 291</b>	<b>(68 071)</b>	<b>(450 189)</b>	<b>(9 538)</b>	<b>766 269</b>

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in estimate	Total
<b>Reconciliation of provisions - 2020</b>						
Maintenance	623 178	405 433	(114 490)	(315 531)	4 136	602 726
Legal proceedings	20 595	4 600	(1 341)	(2 804)	-	21 050
	<b>643 773</b>	<b>410 033</b>	<b>(115 831)</b>	<b>(318 335)</b>	<b>4 136</b>	<b>623 776</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

	2021	2020
Accommodation charges - Leasehold Inter-governmental	4 985 575	5 045 428
Accommodation charges - Freehold Inter-governmental	6 543 694	9 194 078
Accommodation charges - Freehold Private	63 717	63 517
Management fees on municipal services	189 371	260 707
Reversal of impairment loss for receivables from exchange transactions	311 996	134 068
Sundry revenue	50 491	62 856
Interest revenue	391 811	326 530
Recoveries	6 710	6 279
Debt waiver	548 881	-
	<b>13 092 246</b>	<b>15 093 463</b>

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

#### Interest revenue consists of:

Interest from receivables	373 981	299 519
Interest on prepayment	17 830	27 011
	<b>391 811</b>	<b>326 530</b>

# Property Management Trading Entity

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## Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
<b>18. Revenue from non-exchange transactions</b>		
Augmentation	4 239 987	4 315 736
Goods and service in-kind	-	21 102
Accommodation charges - Prestige	2 186	1 565
	<b>4 242 173</b>	<b>4 338 403</b>
<b>19. Construction revenue and expenses</b>		
<b>Amount recognised in surplus</b>		
Construction Revenue	83 381	265 397
Construction Expenses	(83 381)	(265 397)
The following is included in the Revenue Accrual (Projects) and Prepaid expense amounts per note 3:		
<b>Gross amount due from clients</b>		
Costs incurred to date	83 691	266 027
Amount invoiced to date	(114 490)	(221 288)
	<b>(30 799)</b>	<b>44 739</b>
<b>Amounts not yet billed (Revenue accrual)</b>		
Retentions	(7 450)	1 429
Accrued expenses	(22 571)	42 214
Prepaid expenses	(778)	1 096
	<b>(30 799)</b>	<b>44 739</b>
<b>20. Depreciation, amortisation and impairments of assets</b>		
Property, plant and equipment	2 926 936	2 852 005
Investment property	100 834	100 738
Intangible assets	1 789	7 065
	<b>3 029 559</b>	<b>2 959 808</b>
<b>21. Employee related costs</b>		
Basic salary and non-pensionable salary	1 478 443	1 389 842
Housing allowances	61 978	60 307
Medical aid contributions	105 253	93 479
Overtime	23 882	39 647
Pension fund contributions	150 108	138 513
Performance bonus	9 800	12 817
Service bonus	85 062	86 755
	<b>1 914 526</b>	<b>1 821 360</b>
<b>22. Impairment loss on receivables</b>		
Receivables from exchange transactions	760 036	1 292 705
Receivables from non-exchange transactions	149	948
	<b>760 185</b>	<b>1 293 653</b>

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
<b>23. Interest expense</b>		
Interest on overdue accounts	6 933	3 154
Interest on municipal services and property rates	-	80 819
Interest on finance leases	275	1 099
	<b>7 208</b>	<b>85 072</b>

Interest due on backlog municipal services and property rates have not been paid, however, have been provided as explained in note 16.

### 24. Loss on disposal/transfer of assets

Property, plant and equipment	38 444	192 132
Investment property	-	212
	<b>38 444</b>	<b>192 344</b>

### 25. Operating lease

Operating lease - building and improvements	5 049 648	5 096 979
Operating lease - Fleet vehicles	47 260	47 174
Rent on land	25 619	21 259
	<b>5 122 527</b>	<b>5 165 412</b>

### 26. Property maintenance (contracted services)

#### Property maintenance expense relates to the following asset categories:

Property, plant and equipment	2 083 670	2 515 839
Investment property	570	508
Heritage assets	22 390	25 159
Leased properties	7 101	12 676
	<b>2 113 731</b>	<b>2 554 182</b>

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

## Property Management Trading Entity

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### Notes to the Annual Financial Statements

		2021 R'000	2020 R'000
<b>27. Sundry operating expenses</b>			
Advertising		2 051	1 426
Auditors remuneration		26 862	23 072
Bad debts written off		8 628	53
Bank charges		373	739
Bursaries		12 540	17 812
Claims against the state		186	-
Cleaning and gardening	27.1	375 593	273 642
Computer software related expenses		11 630	10 956
Communication expenses		8 539	10 336
Consulting fees	27.2	118 132	171 007
Consumables		89 711	29 237
Fleet expenses		9 616	15 560
Losses incurred	27.3	54 287	139 559
Municipal service expenses		417 051	496 213
Other contractors		5 729	3 213
Other goods and services	27.4	268 746	22 581
Retirement awards		1 005	670
Security		137 234	130 319
Service in-kind expenses		2 658	24 145
Travel and subsistence		37 610	76 771
		<b>1 588 181</b>	<b>1 447 311</b>

#### 27.1 Cleaning and Gardening Services

Included in the Cleaning and Gardening is cleaning services to the value of R57.2 million for Covid-19 (2020: R0).

#### 27.2 Consulting fees

Included in consulting fees is an amount of R42 million (2020: R47 million) paid to Development Bank of South Africa for capacity resourcing for the project support unit and the high performance centre. R14 million (2020: R32 million) paid to Special Investigating Unit for investigation purposes, and R10.2 million (2020: R17 million) paid to Acctech for Development and Maintenance work on the ERP System. The remaining balance of consulting fees relates the Consulting fees paid for opex projects such as engineering appointments, conditional assessment reviews of properties and components.

#### 27.3 Losses incurred

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

#### 27.4 Other Goods and services

Included in Other goods and services is expenditure of R254 million for Covid-19 quarantine related expenditure (2020: R0).

## Property Management Trading Entity

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### Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
<b>28. Cash generated from operations</b>		
Surplus	1 511 094	2 697 215
<b>Adjustments for:</b>		
Depreciation, impairment and amortisation	3 029 559	2 959 808
Loss on disposal/transfer of assets	38 444	192 344
Interest expense	7 208	85 072
Interest revenue	(373 981)	(299 519)
Impairment on receivables	760 185	1 293 653
Bad debt written off	8 628	53
Reversal of impairment loss on receivables	(860 877)	(134 068)
Service in-kind revenue	-	(21 102)
Service in-kind expense	2 658	24 145
Losses incurred	54 287	139 559
Deferred revenue from implementing agents	(67 689)	(59 180)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	21 319	(830 078)
Receivables from non-exchange transactions	(1 451)	(805)
Operating lease asset	(28 592)	(3 251)
Operating lease liability	24 244	30 523
Payables from exchange transactions	(209 316)	(254 140)
Provisions	122 860	(28 334)
Employee benefit obligations	44 237	(9 621)
Retention liabilities	25 092	158 417
Deferred revenue	124 713	(2 437 442)
	<b>4 232 622</b>	<b>3 503 249</b>

## Notes to the Annual Financial Statements

### 29. Budget differences

#### Reconciliation of budget to actual

Net cash flows from operating activities	4 232 622
Net cash flows from investing activities	(2 557 991)
Net cash flows from financing activities	(2 746)
	<b>1 671 885</b>
Cash deficit	1 671 845
Surplus for the year	1 511 094
<b>Basis difference</b>	<b>3 182 939</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

The variance is attributable to the payments of the invoices for the previous year.

##### Accommodation charges – state owned

The variance is attributable to unpaid invoices, the Department of Correctional Services has reduced their budget by 50% and could not pay the full invoiced amount and the Department of Health did not pay the invoices for Quarter 3 and Quarter 4 for Civitas building.

##### Management fees on municipal services

The variance is attributable to disputes by the client and non-recovery of the management fee for shared savings.

##### Municipal services recovered

Municipal services recovered is relating to the actual recoveries where the PMTE paid municipal services on behalf of clients. It includes recoveries from client departments relating to the water and energy savings programme. The low recovery is attributable to the unpaid Invoices, 90% of the amount is contributed by significant owing Clients Department of Correctional Services/Department of Defence/Department of Justice and South African Police Services. Department of Defence contributes to 48% of total unpaid debt.

##### Expenditure

##### Cleaning and gardening

Cleaning and horticultural services are provided to the facilities occupied by PMTE, Justice and Prestige. These services are delivered partially through in-house capability and partially through the use of external service providers. The under expenditure is attributable to the delay in the procurement of new contracts where the existing contracts have expired, this was caused by the tenders which lapsed due to Covid-19.

##### Repairs

The Repair budget is based on the cash flow projection relating to the planned projects rolled-out of an extensive project portfolio. The under expenditure is attributable to poor performance by the contractors and the extension of time on some of the projects. Project Managers are imposing penalties on contractors who are behind the schedule.

##### Administrative, goods and services

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

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

The underspending on this budget was due to allocation of R50m for updating and correcting of immovable asset register which was not fully spend, the identification of the affected State Domestic Facilities per district as well as finalization of the procurement process which took longer than originally estimated.

The under spending was also attributable to the funding which was allocated for the Presidential Employees Stimulus Package and could not be fully spend. There was a delay in the procurement processes due to the late approval of the project. National Treasury has extend the programme for six months for the implementation in the 2021/22 financial year.

#### **Covid-19 Projects**

Funding was moved from other items to make provision for this previously unbudgeted item. The scale of the pandemic was unknown in the beginning of the financial year and more funding was allocated than was needed at the end of the financial year, hence the underspending. A total amount of R355.5 million (75%) was spent against the budgeted amount of R447.7 million. It should be noted that the department was able to procure most of the necessary Personal Protection Equipment (PPE).

#### **Repairs**

The Repair budget is based on the cash flow projection relating to the planned projects rolled-out of an extensive project portfolio. The under expenditure is attributable to poor performance by the contractors and the extension of time on some of the projects.

The lockdown due to COVID-19 resulted in a delay of approximately three months as contractors were not allowed to be on site during this period, this further resulted in under spending.

#### **Compensation of Employees**

The under spending of 2 % is attributable to the unspent funds which was allocated for the Presidential Employees Stimulus Package, there was a delay in the commencement of recruitment process due to the late approval of the project. National Treasury has extend the programme for six months for the implementation in the 2021/22 financial year.

## Notes to the Annual Financial Statements

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### 29. Budget differences (continued)

#### Construction Costs

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

#### Machinery and Equipment

The underspending on this budget was due to the procurement processes that were halted due to lockdown. The other reason for underspending was due to the unspent funds which were allocated for the acquisition of laptops due to a shortage of stock in the country.

#### Capital non-recoverable expenditure (Refurbishment)

The under expenditure is attributable to the poor performance by the contractors and the extension of time on some of the projects. The other reason was the delay in the execution of projects which was caused by the lockdown due to COVID-19, this resulted in a delay of approximately three months as contractors were not allowed to be on site during this period.

#### Capital recoverable expenditure (Client Capital)

The underspending on this budget was attributable to the lockdown due to COVID-19 resulted in a delay of approximately 3 months as contractors were not allowed to be on site during this period.

As the projects are recoverable, the PMTE has to request approval from the client departments before tenders are advertised, when recommended bids are higher than the estimate and every time there is an increase in the cost of the project. Delays in client responses is a major cause of under-expenditure. Clients are expected to sign-off on their available allocations before the start of the financial year, but some Clients only make the allocations available during the first quarter of the financial year. This leads to further delays and under-expenditure as projects cannot be placed on the Procurement Plan before approval of the budget.

#### Property Rates

Property Rates budget is based on the rates that will be due to local municipalities based on the valuations of the assets on the PMTE's immovable asset register, it is divided into Arrears and Current Rates. The under expenditure is attributable to the Property Rates invoices which could not be paid before the end of the financial year due the late submission of the invoices and late response by municipalities to the disputes raised by the Department on incorrect calculations.



## Notes to the Annual Financial Statements

### 30. Contingencies

	2021 R'000	2020 R'000
<b>Contingent liabilities</b>		
Municipal services and property rates	80 505	60 545
Legal claims against the PMTE	191 074	175 699
	<b>271 579</b>	<b>236 244</b>

#### *Municipal services and property rates*

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

#### *Legal Claims against the PMTE*

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

	2021 R'000	2020 R'000
<b>Contingent assets</b>		
Municipal services and property rates	-	828
Property, plant and equipment	Undefined	Undefined
	<b>-</b>	<b>828</b>

#### *Municipal services and property rates*

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

#### *Special Investigating Unit recoveries*

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

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

#### *Property, plant and equipment*

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

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### **30. Contingencies (continued)**

There are 86 properties under the custodianship of National Department of Public Works/ PMTE. The properties could not be reliably measured due to the extent either not being determined through the office of the Surveyor General or the 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 regularising the ownership of land parcels pertaining to state domestic facilities (SDF) built on land currently registered under a number of other state custodians. Whilst the SDFs have already been recognised, the PMTE estimates that there are 2 578 land parcels (2020: 3 286 land parcels) that will potentially need to be transferred to PMTE. Transfers can only be completed once an arrangement has been concluded with the current custodian and the land has been surveyed, registered or endorsed. The value of these land parcels can furthermore only be reliably determined once it has been surveyed and the revised Surveyor General diagrams have been issued. The PMTE received the deeds register on the 3 May 2021 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.

**Property Management Trading Entity**  
Annual Financial Statements for the year ended 31 March 2021

**Notes to the Annual Financial Statements**

	2021 R'000	2020 R'000
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**31. Fruitless and wasteful expenditure**

**Reconciliation of fruitless and wasteful expenditure**

Opening balance	88 309	88 900
Fruitless and wasteful expenditure - relating to prior years	-	61
Less amounts reversed	-	(652)
	<b>88 309</b>	<b>88 309</b>

**Details of fruitless and wasteful expenditure under assessment (not included in the main note)**

	2021 R'000
Interest on overdue account	- 8 824
Payment of loss of income suffered by landlord	- 5 347
Overpayment on leases	- 118 380
	<b>- 132 551</b>

The amounts of R8,8 million and R118 million relates to interest payments made as a result of court orders and overpayment on leases, respectively. These transactions will be assessed in line with the National Treasury Guideline on Fruitless and Wasteful Expenditure to determine if they meet the definition of fruitless and wasteful expenditure.

The amount of R5,3 million was identified during the audit as potential fruitless and wasteful expenditure for payment of loss of income suffered by the landlord. This amount relates to a lease contract on behalf of the Stats SA in Pietermaritzburg where Stats SA delayed to vacate the building at the end of the lease. PMTE has instituted claim against Stats SA for the recovery of the amount.

**32. Irregular expenditure**

	2021 R'000	2020 R'000
Opening balance	1 852 594	1 739 865
Add: Irregular Expenditure - current year	63 813	147 501
Add: Irregular Expenditure - prior years	19 124	196 437
Less: Current year amounts condoned	-	(109 756)
Less: Prior year amounts condoned	-	(7 401)
Less: Amounts not recoverable (not condoned)	-	(114 052)
	<b>1 935 531</b>	<b>1 852 594</b>

**Analysis of awaiting condonation per age classification**

Current year	63 813	2 263
Prior years	1 871 718	1 850 331
<b>Total</b>	<b>1 935 531</b>	<b>1 852 594</b>

Included in the amounts reflected in the current year are instances where non-compliance with procurement and recruitment prescripts when procuring services mainly within facilities management and construction projects. Instances of non-compliance was also noted at the award stage of tenders.

Determination tests and investigations are ongoing within the Department and are been conducted in line with National Treasury's Irregular Expenditure Framework and Policy on Management of Financial Misconduct. In several instances responsible officials have been identified and management is ensuring that the necessary procedures and prescripts are followed to ensure that consequence management is implemented where necessary.

## Notes to the Annual Financial Statements

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### 32. Irregular expenditure (continued)

#### Details of irregular expenditure - current year

Appropriate approval not obtained from delegated authority	40 664
Bidder not awarded correct functionality points	11 828
Emergency procurement not justified	442
Incorrect procurement process followed	4 782
Irregular appointment of officials	3 404
Non-compliance with tax	2 192
Three quotations not obtained	501
	<b>63 813</b>

#### Details of irregular expenditure under assessment (not included in the main note)

	2021
	R'000
Incorrect procurement processes followed	64 255
Irregularities Identified in Lindela Repatriation Centre Complex	37 000
Leases - Variation above 15% was not approved by National Treasury resulting in irregular expenditure	355 628
Operating lease payments running on a month to month	800 994
Expenditure in excess of 20% of the contract price not approved by National Treasury	27 690
Possible splitting of quotations	2 436
Misrepresentations by the winning bidder	10 703
Winning bidder is not responsive	44 438
Local content not implemented	60 855
Procurement and Contract Management	134 895
Deviations with Supply Chain Management Prescripts	21 111
	<b>1 560 005</b>

Above are transactions that still need to be assessed to ensure that they meet the definition of irregular expenditure in line with National Treasury Guideline on Irregular Expenditure. Appropriate disclosures and adjustments will be made after Assessment.

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
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### 33. Financial instruments disclosure

#### Categories of financial instruments

##### Financial assets at amortised cost

Receivables from exchange transactions	3 734 832	3 963 423
Cash and cash equivalents	4 678	8 114
	<b>3 739 510</b>	<b>3 971 537</b>

##### Financial liabilities at amortised cost

Bank overdraft	905 574	2 580 895
Payables from exchange transactions	3 459 047	4 506 776
Retention liabilities	367 449	342 357
Finance lease obligation	3 021	5 492
	<b>4 735 091</b>	<b>7 435 520</b>

### 34. Risk management

#### Financial risk management

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

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

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

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

## Notes to the Annual Financial Statements

### 34. Risk management (continued)

#### Liquidity risk

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

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

<b>2021</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	905 574	-	-	-	-	905 574
Accrued expenses - Assets	12	648 845	-	-	-	-	648 845
Accrued expenses - Cleaning and gardening	12	33 037	-	-	-	-	33 037
Accrued expenses - Leases	12	889 227	-	-	-	-	889 227
Accrued expenses - Maintenance	12	200 983	-	-	-	-	200 983
Accrued expenses - Municipal services	12	732 074	-	-	-	-	732 074
Accrued expenses - Other	12	116 520	-	-	-	-	116 520
Accrued expenses - Property rates	12	569 604	-	-	-	-	569 604
Accrued expenses - Scheduled maintenance	12	186 401	-	-	-	-	186 401
Accrued expenses - Security	12	12 704	-	-	-	-	12 704
Revenue claimed in advance - leases	12	116 087	-	-	-	-	116 087
Trade payables	12	64 144	-	-	-	-	64 144
Retention liabilities	13	262 445	46 988	20 858	37 158	-	367 449
Capital commitments - Projects		2 106 271	3 253 636	1 613 501	708 826	650 968	8 333 202
Operating maintenance commitments - Projects		450 734	676 991	656 881	339 068	18 048	2 141 722
Agency commitments - Projects		18 848	71 556	26 571	4 284	-	121 259
		<b>7 313 498</b>	<b>4 049 171</b>	<b>2 317 811</b>	<b>1 089 336</b>	<b>669 016</b>	<b>15 438 832</b>
<b>2020</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	2 580 895	-	-	-	-	2 580 895
Accrued expenses - Assets	12	563 257	-	-	-	-	563 257
Accrued expenses - Cleaning and gardening	12	17 788	-	-	-	-	17 788
Accrued expenses - Leases	12	853 442	-	-	-	-	853 442
Accrued expenses - Maintenance	12	329 834	-	-	-	-	329 834
Accrued expenses - Municipal services	12	1 835 408	-	-	-	-	1 835 408
Accrued expenses - Other	12	43 558	-	-	-	-	43 558
Accrued expenses - Property rates	12	408 046	-	-	-	-	408 046
Accrued expenses - Scheduled maintenance	12	175 672	-	-	-	-	175 672
Accrued expenses - Security	12	10 226	-	-	-	-	10 226
Revenue claimed in advance - leases	12	90 678	-	-	-	-	90 678
Trade payables	12	436	-	-	-	-	436
Retention liabilities	13	271 885	48 927	16 250	5 295	-	342 357
Capital commitments - Projects		1 821 889	2 626 062	1 354 183	697 001	207 520	6 706 655
Operating maintenance commitments - Projects		403 669	1 212 071	557 054	360 430	162 578	2 695 802
Agency commitments - Projects		83 478	70 115	557 054	360 430	162 578	1 233 655
		<b>9 490 161</b>	<b>3 957 175</b>	<b>2 484 541</b>	<b>1 423 156</b>	<b>532 676</b>	<b>17 887 709</b>

## Notes to the Annual Financial Statements

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### 34. Risk management (continued)

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

### 34. Risk management (continued)

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

	2021 R'000	2020 R'000
Cash and cash equivalents	4 678	8 114
Operating lease asset	421 423	645 619
Receivables from exchange transactions	3 734 832	3 963 423
Receivables from non-exchange transactions	1 411	109
	<b>4 162 344</b>	<b>4 617 265</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.

### 35. Related parties

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

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

The PMTE operates within the administration of the 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.



## Notes to the Annual Financial Statements

### 35. Related parties (continued)

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

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

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

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

<b>Revenue from exchange transactions:</b>	<b>2021</b>	<b>2020</b>
<b>Accommodation charges - freehold intergovernmental</b>		
Agriculture, Forestry and Fisheries	180 712	152 880
Arts and Culture	111 420	104 534
Correctional Services	1 312 851	1 242 899
Defence and Military Veterans	1 186 019	1 129 542
Higher Education	63	-
Environmental Affairs	35 480	30 852
Health	8 154	1 232
Home Affairs	77 735	73 613
Human Settlement	898	781
Independent Police Investigative Directorate	460	439
International Relations and Cooperation	714	732
Justice and Constitutional Development	438 303	418 246
Labour	76 946	72 866
Rural Development and Land Reform	55 054	42 179
Mineral Resources	4 259	4 027
National Treasury - SARS	45 104	42 712
Public Works	8 745	7 604
SA Police Services	1 467 768	1 397 874
Social Development	503	834
Statistics South Africa	4 825	-
Trade and Industry	10	10
Water and Sanitation	239 580	204 519
	<b>5 255 603</b>	<b>4 928 375</b>

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
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### 35. Related parties (continued)

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
- Mmabatho
- Kimberley
- Cape Town.

The IDT approached the DPWI in 2020/21 financial year with a view to implement cost containment measures, the DPWI therefore provided accommodation to the IDT at no cost during the 2020/2021 Financial Year.

#### Revenue from non-exchange transactions

Public Works - Augmentation	4 239 987	4 315 736
Public Works - Goods and service in-kind	-	20 726
	<b>4 239 987</b>	<b>4 336 462</b>

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

#### Gross receivables from exchange transactions:

##### Accommodation charges - freehold intergovernmental

Agriculture, Forestry and Fisheries	5 060	77 375
Arts and culture	1 253	26 292
Correctional Services	950 963	244 824
Health	27 174	19 020
International Relations and Cooperation	8 834	8 297
Mineral Resources	6	-
Social Development	-	834
Justice and Correctional Services	965	899
Rural Development	-	1
Statistics South Africa	1	-
Trade and Industry	125	117
Water and Sanitation	79	-
	<b>994 460</b>	<b>377 659</b>

#### Impairment relating to exchange transactions:

##### Accommodation charges - freehold intergovernmental

Agriculture, Forestry and Fisheries	1 417	2 861
Arts and culture	20	172
Correctional Services	231 251	168 058
Health	20 272	17 999
International Relations and Cooperation	8 834	7 573
Justice and Constitutional Development	959	11
Rural Development and Land Reform	1	1
	-	10
Statistics South Africa	1	-
Trade and Industry	125	107
	<b>262 880</b>	<b>196 792</b>

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
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### 35. Related parties (continued)

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:

2021	Gross receivable balance 31 March 2021				Impairment provision			
Client department	Freehold Intergovernmental	Leasehold Intergovernmental	Municipal Services	Total	Freehold Intergovernmental	Leasehold Intergovernmental	Municipal Services	Total
Agriculture, Agriculture	5 379	-49 250	71 711	27 839	1 418	-	70 449	71 867
Arts and Cultural Heritage	-	-	484	484	-	-	365	365
Basic Education	94 216	-1 071	45 662	233 023	25 034	-	33 244	83 312
Centre for Public Safety	46 590	-	-	93 180	46 590	-	-	93 180
Companies and Intellectual Property	-	-139	1	-138	-	-	1	1
Cooperatives	-	172	-5	167	-	145	-	145
Correctional Services	-	-11 328	6 416	-4 912	-	-	910	910
Defence	990 559	10 945	1 301 194	3 293 257	232 378	109	1 165 964	1 630 829
Energy	103 558	176 386	2 036 018	2 419 520	23 288	176 386	1 731 144	1 954 106
Environment, Forestry and Fisheries	-	46 223	-377	45 846	-	27 102	-	27 102
Gender Equality and Women's Empowerment	4 183	45 405	34 767	84 355	4 183	31 547	28 316	64 046
Government Communication and Public Relations	-	151	1 489	1 640	-	151	1 315	1 466
Government Information Systems	1	-	-	2	-	-	-	-
Film and Publication	-	790	1 052	1 842	-	8	601	609
Financial and Consumer Protection	-	-	3 706	3 706	-	-	3 706	3 706
Govt Comm	-	980	214	1 194	-	906	134	1 040
Government Procurement	-	-	972	972	-	-	307	307
Health	85 294	-902	25 417	109 810	24 370	-	17 312	41 681
Higher Education	-	-4 705	3 397	-1 308	-	-	2 286	2 286
Home Affairs	19 889	20 935	20 432	81 145	23	346	3 438	3 830
Human Settlements	-	55 719	-273	55 446	-	52 020	-	52 020
Human Rights	-	151	95	246	-	151	76	227
Ind Police Ir	-	136 078	689	136 767	-	133 288	458	133 746
International Trade and Economic Relations	83 048	16 617	6 221	188 934	83 048	16 617	5 294	188 007
Justice & Constitutional Affairs	-	-734	-	-734	-	-	-	-
Justice & Constitutional Affairs	33 409	-6 053	187 921	215 278	1 634	-	164 376	166 010
Labour	93	-38 362	168	-38 008	-	-	34	34
Military Veterans Affairs	-	4 393	404	4 797	-	373	86	459
Mineral Resources	6	-866	1 528	674	-	-	475	475
National Procurement	1 619	4 706	3 627	11 571	1 619	4 487	1 463	9 188
National School of Leadership and Governance	-	-1 363	-492	-1 855	-	-	-	-
National Treasury	41	162 393	7 107	169 582	-	162 393	2 905	165 298
Office of the Auditor-General	2 163	1 319	386	6 031	2 163	4	101	4 431

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

						2021 R'000	2020 R'000
<b>35. Related parties (continued)</b>							
Office Of Th	-	-758	293	-465	-	-	293
Parliament	1 024	1 953	-	4 001	1 024	1 906	3 954
Planning, M	-	1 412	-	1 412	-	29	29
Public Enter	-	-	579	579	-	-	125
Public Servi	6 078	5 513	649	18 318	5 681	5 513	17 079
Public Work	-	-8 259	124	-8 135	-	-	17
Rural Devel	6	-98 247	-5 588	-103 830	1	-	2
Sa Social Se	54	-5 751	-	-5 643	54	-	108
Sa Social Se	-	-	153	153	-	-	52
Sa Social Se	-	-	1 884	1 884	-	-	861
Sa Social Se	-	-	166	166	-	-	19
Sa Social Se	-	-	1 829	1 829	-	-	700
Sa Social Se	-	-	159	159	-	-	19
Sa Social Se	-	-	1 146	1 146	-	-	745
Sa Social Se	-	-	1 201	1 201	-	-	803
SASSA- Pret	-	-	270	270	-	-	241
SASSA- Umt	-	-	3 299	3 299	-	-	2 857
SASSA-Port	-	-	1 445	1 445	-	-	480
SASSA-Mma	-	-	281	281	-	-	40
Science And	-	6 677	171	6 848	-	6 677	171
Small Busin	-	1 067	219	1 286	-	1 067	1 286
Social Devel	-	1 921	1 049	2 970	-	136	614
South Africa	77	-	8 144	8 298	77	-	6 624
South Africa	23 985	-149 387	413 985	312 568	4 606	-	303 547
Sport And R	-	21 005	4 284	25 289	-	19 583	3 681
SITA	2 879	-	4 612	10 370	2 879	-	2 014
Statistics SA	65	70 217	8 703	79 050	65	15 306	6 983
Telecommu	-	95	1 176	1 271	-	95	411
Tourism	-	-	401	401	-	-	81
Trade And I	125	-136	1 380	1 494	125	-	1 223
Transport	-	127 293	2 855	130 148	-	70 030	658
Water And !	79	-37 125	4 421	-32 546	-	-	1 976
Women	-	5 394	126	5 520	-	4 679	18
DIE AFRIKA/	-	-25	-	-25	-	-	-
IZIKO MUSE	-	386	-	386	-	4	-
NATIONAL L	-	-874	-	-874	-	-	-
NATIONAL M	-	-27	-	-27	-	-	-
PAN SOUTH	-	258	-	258	-	2	-
ROBBEN ISL	-	104	-	104	-	5	-
ROBBEN ISL	-	91	-	91	-	1	-
Ditsong Mu:	-	-1 493	-	-1 493	-	-	-
Kwazulu-Na	-	-300	-	-300	-	-	-
<b>Totals</b>	<b>1 504 420</b>	<b>509 594</b>	<b>4 219 349</b>	<b>6 233 363</b>	<b>460 260</b>	<b>731 066</b>	<b>3 570 435</b>
							<b>4 761 758</b>

# Property Management Trading Entity

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## Notes to the Annual Financial Statements

						2021 R'000	2020 R'000	
<b>35. Related parties (continued)</b>								
<b>2020</b>	<b>Client</b>	<b>Freehold</b>	<b>Gross receivable</b>	<b>Total</b>	<b>Freehold</b>	<b>Impairment provision</b>		<b>Total</b>
<b>department</b>	<b>Intergovern</b>	<b>Leasehold</b>	<b>Municipal</b>		<b>Intergovern</b>	<b>Leasehold</b>	<b>Municipal</b>	
	<b>mental</b>	<b>Intergovern</b>	<b>Services</b>		<b>mental</b>	<b>Intergovern</b>	<b>Services</b>	
	<b>mental</b>	<b>mental</b>			<b>mental</b>	<b>mental</b>		
Agriculture, F	84 701	87 916	114 516	287 133	2 884	13 851	91 284	108 019
Agriculture re	-	-	711	711	-	-	355	355
Arts and Cult	155 703	3 517	51 288	210 509	23 931	3 263	31 263	58 457
Basic Educat	43 759	-	-	43 759	40 044	-	-	40 044
Centre fo Pul	-	-139	1	-137	-	-	-	-
Companies A	-	129	-5	124	-	3	-	3
Cooperative (	-	38	3 621	3 659	-	1	1 371	1 372
Correctional :	285 632	6 035	958 453	1 250 120	168 919	125	869 653	1 038 697
Defence	421 005	188 433	1 731 091	2 340 530	19 014	1 025	1 539 469	1 559 508
Energy	-	19 713	-9	19 704	-	8 507	-	8 507
Environmenta	4 176	30 552	28 015	62 743	4 167	21 312	26 003	51 482
Gender Equa	-	151	1 407	1 558	-	3	1 116	1 119
Government	-	-	-	-	-	-	-	-
Film and Pub	-	-9	476	467	-	-	179	179
Financial Anc	-	8 223	3 463	11 686	-	7 285	3 133	10 418
Govt Commu	-	2 539	394	2 932	-	764	210	974
Government	65	9	1 750	1 823	2	-	658	661
Health	47 931	-558	21 121	68 493	19 031	-	17 240	36 271
Higher Educa	-	-4 705	3 333	-1 372	-	-	2 444	2 444
Home Affairs	87 763	-24 664	-1 504	61 596	296	-	-	296
Human Settle	-	51 413	-734	50 679	-	50 407	-	50 407
Human Right	-	151	110	261	-	3	69	72
Ind Police Inv	-	129 596	1 073	130 669	-	95 790	656	96 446
International	78 002	15 313	5 903	99 218	71 363	13 949	5 189	90 500
Justice & Cor	-	-733	-	-733	-	-	-	-
Justice & Cor	45 002	-35 462	225 780	235 320	593	-	168 254	168 847
Labour	232	-20 930	-2 219	-22 917	1	-	-	1
Military Veter	111	1 228	464	1 802	109	25	174	308
Mineral Resc	-	2 913	9 045	11 958	-	60	8 511	8 571
National Pros	1 521	5 211	1 536	8 267	1 392	4 125	1 003	6 519
National Sch	-	-4 013	676	-3 337	-	-	473	473
National Treas	-	138 289	36 335	174 625	-	118 837	33 995	152 832
Office of the I	77	24	272	373	70	1	148	219
Office Of The	-	1 402	293	1 695	-	1 402	283	1 685
Parliament	961	1 761	-	2 723	880	1 346	-	2 226
Planning,Mor	-	-264	-	-264	-	-	-	-
Public Enterp	-	-2	209	209	-	-2	138	138
Public Servic	5 660	5 513	263	11 436	4 237	5 513	182	9 932
Public Works	-2	-1 729	2 475	746	-	-	931	931
Rural Develo	533	-9 903	18 743	9 374	2	-	9 670	9 672
Sa Social Se	1 026	5 904	-	6 930	185	122	-	307
Sa Social Se	-	-	155	155	-	-	84	84
Sa Social Se	-	-	972	972	-	-	576	576
Sa Social Se	-	-12	264	264	-	-	99	99
Sa Social Se	-	-4	874	874	-	-	329	329
Sa Social Se	-	-11	60	60	-	-	22	22
Sa Social Se	-	-12	1 229	1 229	-	-	865	865
Sa Social Se	-	-10	730	730	-	-	702	702
SASSA- Pret	-	-	577	577	-	-	366	366
SASSA- Umt	-	-	2 996	2 996	-	-	2 773	2 773
SASSA-Port	-	-	1 151	1 151	-	-	433	433
SASSA-Mma	-	-	22	22	-	-	8	8
Science And	-	6 677	160	6 837	-	6 677	155	6 832

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### Notes to the Annual Financial Statements

						2021 R'000	2020 R'000
<b>35. Related parties (continued)</b>							
Small Busine	-	1 067	219	1 286	-	1 067	1 283
Social Develk	72	-3 792	898	-2 822	66	-	522
South Africar	-	-	8 075	8 075	-	-	6 577
South Africar	40 672	-53 747	357 321	344 246	4 488	-	221 809
Sport And Re	2 704	25 639	4 452	32 795	2 474	17 196	23 370
SITA	-	-	22 512	22 512	-	-	20 903
Statistics SA	61	55 145	9 625	64 832	61	55 145	62 926
Telecommun	-	4 448	2 963	7 411	-	92	2 360
Tourism	-	5 637	96	5 732	-	116	154
Trade And In	117	-39	1 499	1 577	107	-	1 496
Transport	-	67 812	1 354	69 166	-	41 795	42 629
Water And S:	-	-20 173	4 615	-15 558	-	-	2 333
Women	-	7 590	125	7 715	-	3 152	3 199
DIE AFRIKA/	-	-26	-	-26	-	-	-
IZIKO MUSE	-	179	-	179	-	4	4
NATIONAL L	-	-874	-	-874	-	-	-
NATIONAL M	-	358	-	358	-	7	7
PAN SOUTH	-	-	-	-	-	-	-
ROBBEN ISL	-	95	-	95	-	2	2
ROBBEN ISL	-	91	-	91	-	2	2
<b>Totals</b>	<b>1 307 487</b>	<b>698 952</b>	<b>3 641 292</b>	<b>5 647 731</b>	<b>364 317</b>	<b>472 974</b>	<b>3 921 555</b>

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	4 926	8 583
Justice and Constitutional Development	276 447	223 414
	<b>281 373</b>	<b>231 997</b>

#### Accruals raised

Arts and Culture	359	79
Defence and Military Veterans	-	35
Justice and Constitutional Development	24 560	12 534
The Presidency	-	3 018
Tourism	-	83
Water and Sanitation	-	117
	<b>24 919</b>	<b>15 866</b>

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## Notes to the Annual Financial Statements

### 35. Related parties (continued)

2021 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	876	10	73	114	225	1 298
Cape Town (Acting)	N Kani *	173	79	58	23	24	357
Cape Town (Acting)	TR Kolele **	338	69	-	44	27	478
Cape Town (Acting)	DE Dlamini ***	247	53	62	32	49	443
Durban	NN Vilakazi	751	340	63	98	14	1 266
Johannesburg	JM Monare	858	226	70	112	162	1 428
Kimberley	R Baulackey	876	121	73	114	81	1 265
Mmabatho	R Matlala	785	249	65	102	107	1 308
Nelspruit	PT Mashiane	874	351	-	114	119	1 458
Polokwane	M Ntshani	986	117	81	128	120	1 432
Port Elizabeth	JG Van Der Walt	898	459	-	117	31	1 505
Pretoria	TB Phiri	773	260	-	101	155	1 289
Mthatha (Acting)	MS Mabandla	703	188	-	91	41	1 023
<b>Employees: Other Officials</b>							
Chief Director: Construction Management Inland	W Hlabangwane	898	377	75	117	31	1 498
Chief Director: Financial Planning	J Prinsloo	871	373	72	113	22	1 451
Acting Chief Director: State Owned	GS Ncoane	740	97	62	96	66	1 061
<b>Exco Members: Head of units</b>							
Head of Operationalisation and Financial Sustainability	PJ Maroga ****	353	150	-	-	-	503
Construction Project Management	B Mokhothu	1 200	358	-	156	-	1 714
Small Harbours	MS Thobakgale *****	355	152	-	-	-	507
Real Estate Management Services (Acting)	SMM Mabinja	751	283	63	98	185	1 380
Supply Chain Management (Acting)	R Naidoo	957	206	79	124	76	1 442
<b>Exco Members: Deputy Director General:</b>							
Real Estate Investment Services	S Subban	1 065	158	89	138	93	1 543
Facilities Management	NC Makhubele	1 065	143	89	138	87	1 522
Project Management Office (Acting)	NP Kubeka	930	93	77	121	196	1 417
		<b>18 323</b>	<b>4 912</b>	<b>1 151</b>	<b>2 291</b>	<b>1 911</b>	<b>28 588</b>

## Property Management Trading Entity

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#### 35. Related parties (continued)

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 2020/21

\* Ms N Kani acted from April 2020 to June 2020.

\*\* Ms TR Kolele acted from July 2020 to November 2020.

\*\*\* Mr DE Dlamini acted from December 2020 to March 2021.

\*\*\*\* Mr P Maroga was appointed as Head of Operationalisation and Financial Sustainability on contract from 03 December 2020.

\*\*\*\*\* Mr MS Thobakgale resigned on 31 July 2020 and there was no acting appointment to the post of DDG Small Harbours

The following employees were not remunerated by the PMTE, however they play a key role in management decision making:

- Mr. M Sithole occupies the position of Chief Financial Officer which is on the structure of the DPWI Main Vote.



## Property Management Trading Entity

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#### 35. Related parties (continued)

2020 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	876	18	73	114	304	1 385
Cape Town (Acting)	N Kani	694	314	58	90	99	1 255
Durban	NN Vilakazi	751	340	63	98	-	1 252
Johannesburg	JM Monare	833	215	69	108	182	1 407
Kimberley	R Baulackey	876	121	73	114	115	1 299
Mmabatho	R Matlala	785	249	65	102	119	1 320
Nelspruit	PT Mashiane	846	354	-	110	249	1 559
Polokwane	M Ntshani	958	111	80	124	241	1 514
Port Elizabeth	JG Van Der Walt	898	459	-	117	55	1 529
Pretoria	TB Phiri	751	236	-	98	178	1 263
Mthatha (Acting)	MS Mabandla	693	185	-	90	77	1 045
<b>Employees: Other Officials</b>							
Chief Director: Construction Management Inland	W Hlabangwane	898	377	75	117	87	1 554
Chief Director: Financial Planning	J Prinsloo	844	361	70	110	22	1 407
Acting Chief Director: State Owned	GS Ncoane	740	97	62	96	97	1 092
<b>Exco Members: Head of units</b>							
Head: Operationalisatio and Financial Sustainability	PJ Maroga	900	386	-	-	311	1 597
Construction Project Management	B Mokothu	1 200	358	-	156	18	1 732
Small Harbours	MS Thobakgale	1 065	456	-	-	303	1 824
Real Estate Investment Registry Services	BS Matthews	949	406	-	-	84	1 439
Supply Chain Management (Acting)	R Naidoo	930	200	77	121	186	1 514
<b>Exco Members: Deputy Director General:</b>							
Real Estate Management Services (Acting)	M Govender	799	172	148	104	111	1 334
Real Estate Investment Services	S Subban	1 065	158	89	138	85	1 535

## Property Management Trading Entity

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#### 35. Related parties (continued)

Real Estate Investment Services (Acting)	SMM Mabinja	188	71	-	-	50	309
Technical Finance Expert	B Van Der Merwe	799	342	-	-	41	1 182
Facilities Management (Acting)	NC Makhubele	1 065	143	89	138	101	1 536
Operational and financial sustainability programme	GB Mokgoro	799	342	-	-	111	1 252
		-	21 202	6 471	1 091	2 145	3 226
							34 135

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 2019/20:

- Ms. B. Van der Merwe's contract as a DDG: Technical Finance Expert ended on 31 December 2019.
- Mr. G.B. Mokgoro's contract as a DDG: Operational and Financial Sustainability programme ended on 31 December 2019.
- Mr. P. J. Maroga's contract as acting Head of PMTE ended on 31 December 2019.
- Mr. M. Mabinja was appointed as acting DDG: Real Estate Management Services from January 2020.
- Mr. M. Govender's contract with PMTE ended on 31 March 2020.
- Ms. BS Matthew's contract with PMTE ended during January 2020.

The following employees were not remunerated by the PMTE, however they play a key role in management decision making:

- Mr. M Sithole was appointed as Chief Financial Officer on 01 April 2019. The position of CFO is on the structure of the DPWI Main Vote.
- Mr. A. Dakela was appointed DDG PMO from 04 June 2019. He is seconded from another Government institution.

#### 36. Events after the reporting date

There are no material subsequent events identified to be disclosed.

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

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### 37. Prior period errors

Material differences relating to prior years and the prior year financial statements will only be restated at year end.

#### Statement of financial position

Restated  
2020

R'000

Decrease in Receivables from exchange transactions	(621 491)
Decrease in Operating lease assets	(252 787)
Increase in Property Plant and equipment	17 521 247
Increase in Investment Property	131 875
Increase in Heritage assets	1 007 997
Decrease in Intangible assets	(435)
Decrease in Operating lease liabilities	253 158
Decrease in Deferred Revenue (Current)	2 556 514
Decrease in Payables from exchange transactions	804 663
Increase in Deferred Revenue (Non-current)	(3 140 474)

#### Increase in net assets

**18 260 267**

#### Statement of Financial Performance

Increase in Revenue from exchange transactions	339 636
Decrease in Revenue from non-exchange transactions	(9 211)
Increase in Construction revenue	801
Increase in Construction revenue	(801)
Increase in Depreciation, amortisation and impairment	(517 646)
Decrease in Impairment loss on receivables	162 428
Increase in Loss on transfer/disposals	(70 083)
Decrease in Operating leases	24 079
Decrease in Property maintenance	322 261
Increase in Property rates	(6 081)
Decrease in Sundry operating expenses	315

#### Increase in profit

**245 698**

#### Increase in opening accumulated surplus

**18 014 569**

**18 260 267**

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

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### 37. Prior period errors (continued)

Management identified errors in the asset registers and its calculations. Management reassessed the GRAP classification of projects to ensure that all projects were linked to the correct buildings and appropriately classified per classes. Extents and the components of the properties were verified and corrected. Management revisited the methods of determining the deemed costs for assets which were transferred effective 1 April 2013. Additional information arose which resulted in additions to assets under construction. The correction of the assets also affected the depreciation, impairment, amortisation, property maintenance, construction cost and revenue, deferred revenue, revenue from accommodation charges and donation revenue.

Management identified errors in the calculation of the operating lease portfolio. The reassessed rand values was deemed to be materially erroneous and as a result it was restated. The correction of the operating lease assets also affected the depreciation, impairment, amortisation, deferred revenue, revenue from accommodation charges and donation revenue.

Management identified errors in relation the accumulated depreciation and accumulated amortisation that was disclosed in 2020. The reassessed rand values was deemed to be materially incorrect. The correction of this error affected the carrying values of PPE and Intangible Assets, depreciation expense and revenue from non-exchange transactions.

Management identified errors relating to the Deferred Revenue which was exclusively disclosed as current liabilities. Management proceeded to calculate the non-current portion for the comparative year and reclassified a portion thereof to non-current liabilities.

Management identified the incorrect classification of revenue from contractor fines/ penalties as revenue from non-exchange transactions. Management corrected this incorrect classification and adjusted the comparative disclosure.

In 2020, Management incorrectly applied the requirements of GRAP 19 for Contingent Assets resulting from Legal claims by the PMTE. As a result, the previously disclosed contingent asset of R240 526 000 has been restated to R0.

# Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

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### 38. 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 R905 million (2020: R2,6 billion) and the current liabilities exceed the current assets by R4,5 billion (2020: R6.2 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 R3.6 billion (2020: R3.1 billion) and other non-financial instruments of R903 million (2020: R367 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. Subsequent to reporting date R658 Million was received relating to these outstanding debts. Refer to note 35 for more detail relating to outstanding debt owed by client departments.

## ANNEXURE A – Entity wide disclosure

31-Mar-21	Head Office	Bloemfontein	Cape Town	Durban	Johannesburg	Kimberley	Mmabatho	Nelspruit	Polokwane	Port Elizabeth	Pretoria	Umtata	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Expenditure</b>													
Interest expense	(3 507)	-	-	6 741	-	-	-	-	-	-	192	3 782	7 209
Employee costs	453 517	110 832	218 470	204 633	152 841	73 081	79 244	91 086	103 564	116 180	233 530	77 549	1 914 526
Depreciation and Armotisation	3 029 560	-	-	-	-	-	-	-	-	-	-	-	3 029 560
Receivables Impairment	738 729	223	62	(19)	2 265	4 631	903	1 226	698	214	6 654	4 598	760 185
Operating leases	5 095 243	1 852	10 550	3 689	3 066	1 379	1 538	1 404	1 943	1 856	2 565	(2 559)	5 122 527
Property maintenance (contracted services)	(520 003)	50 292	723 292	217 014	403 344	72 961	99 199	46 057	54 661	275 233	620 297	71 384	2 113 731
Property Rates	(191 360)	84 136	251 463	224 776	201 079	78 365	2 254	81 797	48 561	139 458	302 915	25 523	1 248 964
Loss on disposal	38 444	-	-	-	-	-	-	-	-	-	-	-	38 444
Sundry operating expenses	275 044	30 604	143 400	79 564	101 560	37 123	56 288	27 674	33 540	50 959	739 285	13 137	1 588 179
Construction expenses	83 381	-	-	-	-	-	-	-	-	-	-	-	83 381
<b>Total segment expenditure</b>	<b>8 999 048</b>	<b>277 939</b>	<b>1 347 236</b>	<b>736 398</b>	<b>864 154</b>	<b>267 541</b>	<b>239 425</b>	<b>249 244</b>	<b>242 967</b>	<b>583 901</b>	<b>1 905 438</b>	<b>193 414</b>	<b>15 906 706</b>