



**Property Management Trading Entity
Interim Financial Statements
for the 6 months ended 30 September 2019**

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

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

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Statement of Financial Position as at 30 September 2019

		30 September 2019	31 March 2019
	Note(s)	R'000	R'000
Assets			
Current Assets			
Receivables from exchange transactions	3	5 858 587	5 702 511
Receivables from non-exchange transactions	4	398	252
Operating lease asset	5	502 759	389 581
Cash and cash equivalents	6	1 669	6 647
		6 363 413	6 098 991
Non-Current Assets			
Property, plant and equipment	7	121 636 852	122 104 320
Investment property	8	3 928 736	3 977 586
Heritage assets	9	1 812 138	1 802 103
Intangible assets	10	32 808	30 682
		127 410 534	127 914 691
Total Assets		133 773 947	134 013 682
Liabilities			
Current Liabilities			
Operating lease liability	5	524 874	364 730
Bank overdraft	6	2 376 350	2 683 976
Deferred revenue	11	8 326 634	7 802 448
Payables from exchange transactions	12	4 926 726	3 763 681
Retention liabilities	13	294 505	393 380
Finance lease obligation	14	3 583	3 726
Employee benefit obligations	15	207 835	207 713
Provisions	16	1 908 352	1 731 241
		18 568 859	16 950 895
Non-Current Liabilities			
Retention liabilities	13	86 888	14 597
Finance lease obligation	14	2 968	1 560
		89 856	16 157
Total Liabilities		18 658 715	16 967 052
Net Assets		115 115 232	117 046 630

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Statement of Financial Performance

		6 months ended 30 September 2019	12 months ended 31 March 2019 Restated
	Note(s)	R'000	R'000
Revenue from exchange transactions	17	5 705 751	12 108 862
Revenue from non-exchange transactions	18	2 120 254	4 042 032
Construction revenue	19	128 275	324 618
Total revenue		7 954 280	16 475 512
Expenditure			
Construction expenses	19	128 275	324 618
Depreciation, amortisation and impairments on assets	20	1 266 256	2 577 509
Employee related costs	21	901 317	1 792 150
Impairment loss on receivables	22	1 422 142	756 140
Interest expense	23	41 784	73 549
Property, plant and equipment	24	1 151	52 609
Operating leases	25	3 094 333	4 767 815
Property maintenance (contracted services)	26	1 950 651	2 317 211
Property Rates		476 952	1 296 230
Sundry operating expenses	27	602 817	1 401 993
Total expenditure		9 885 678	15 359 824
(Deficit) surplus for the 6 months		(1 931 398)	1 115 688

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Statement of Changes in Net Assets

	Accumulated surplus R'000
Balance at 1 April 2018	115 930 942
<i>Changes in net assets</i>	
Surplus for the 12 months	1 115 688
Total changes	1 115 688
Balance at 1 April 2019 as restated*	117 046 630
<i>Changes in net assets</i>	
Deficit for the 6 months	(1 931 398)
Balance at 30 September 2019	115 115 232

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Cash Flow Statement

		6 months ended 30 September 2019	12 months ended 31 March 2019
	Note(s)	R'000	R'000
Cash flows from operating activities			
Receipts			
Accommodation charges - leasehold intergovernmental		2 051 034	4 785 640
Accommodation charges - freehold intergovernmental		3 390 631	6 141 302
Accommodation charges - freehold private		22 665	50 675
Augmentation		2 107 868	4 009 490
Management fees on municipal services		85 408	185 030
Municipal services recovered		1 708 164	3 700 594
Interest, fines, recoveries and other receipts		2 451	20 195
Construction revenue		128 275	328 495
		9 496 496	19 221 421
Payments			
Cleaning and gardening		132 781	280 002
Admin, goods and services		171 730	565 013
Maintenance		1 317 706	2 857 225
Municipal services paid on behalf of clients		2 385 971	4 484 162
Municipal services expenditure		218 996	363 698
Operating leases (including rent on land)		2 548 089	4 533 567
Property rates		175 447	1 210 051
Compensation of employees		916 758	1 763 856
Construction expenses		128 275	328 495
		7 995 753	16 386 069
Net cash flows from operating activities	28	1 500 743	2 835 352
Cash flows from investing activities			
Additions to property, plant and equipment		(1 148 857)	(3 072 154)
Additions to intangible assets		(5 726)	(20 206)
Additions to heritage assets		(44 143)	(82 192)
Net cash flows from investing activities		(1 198 726)	(3 174 552)
Cash flows from financing activities			
Finance lease payments		(4 338)	(9 155)
Finance leases entered into		4 969	3 544
Net cash flows from financing activities		631	(5 611)
Net decrease in cash and cash equivalents		302 648	(344 811)
Cash and cash equivalents at the beginning of the year		(2 677 329)	(2 332 518)
Cash and cash equivalents at the end of the year	6	(2 374 681)	(2 677 329)

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R'000	R'000	R'000	R'000	R'000
Statement of Financial Performance					
Receipts					
Accommodation charges - leasehold intergovernmental	2 533 044	(13 223)	2 519 821	2 051 034	(468 787)
Accommodation charges - freehold intergovernmental	2 546 250	-	2 546 250	3 390 631	844 381
Accommodation charges - freehold inter-governmental projects	1 724 459	(456 163)	1 268 296	-	(1 268 296)
Accommodation charges - freehold private	29 160	-	29 160	22 665	(6 495)
Augmentation	2 107 868	-	2 107 868	2 107 868	-
Management fees on municipal services	106 110	-	106 110	85 408	(20 702)
Municipal services recovered	-	-	-	1 708 164	1 708 164
Interest, fines, recoveries and other receipts	-	-	-	2 451	2 451
Other revenue	-	-	-	29 587	29 587
Recoveries	-	-	-	1 951	1 951
Licences and permits	-	-	-	52	52
Construction revenue	-	-	-	128 275	128 275
Contractor fines	-	-	-	1 132	1 132
Accommodation charges - Prestige	-	-	-	11 254	11 254
Interest, fines, recoveries and other receipts	4 796	-	4 796	-	(4 796)
Construction revenue	-	-	-	128 275	128 275
Receipts	9 051 687	(469 386)	8 582 301	9 668 747	1 086 446
Payments					
Personnel	-	-	-	(901 317)	(901 317)
Cleaning and gardening	156 127	671	156 798	132 781	(24 017)
Admin, goods and services	194 057	(18 000)	176 057	171 730	(4 327)
Maintenance	681 451	25 356	706 807	1 317 706	610 899
Municipal services paid on behalf of clients	-	-	-	2 385 971	2 385 971
Operating leases (including rent on land)	2 562 545	(13 223)	2 549 322	2 548 089	(1 233)
Property rates	704 311	17 423	721 734	175 447	(546 287)
Compensation of employees	1 025 525	-	1 025 525	916 758	(108 767)
Municipal services expenditure	206 623	3 776	210 399	218 996	8 597
Construction expenses	-	-	-	128 275	128 275
Depreciation and amortisation	-	-	-	(1 266 256)	(1 266 256)
Impairment loss/ Reversal of impairments	-	-	-	(1 422 142)	(1 422 142)
Repairs and maintenance	656 676	(47 027)	609 649	-	(609 649)
General Expenses	60 556	18 000	78 556	(14 290 565)	(14 369 121)
Payments	6 247 871	(13 024)	6 234 847	(9 884 527)	(16 119 374)
Capital movements					
Recoverable capital expenditure	1 724 459	(456 163)	1 268 296	1 715 756	447 460
Non-recoverable capital expenditure	424 834	-	424 834	1 409 365	984 531
Machinery and equipment	27 375	-	27 375	29 222	1 847
Additions to intangible assets	-	-	-	20 206	20 206
Finance lease	-	-	-	5 611	5 611
Refurbishments	627 152	(199)	626 953	-	(626 953)
Loss on disposal of assets and liabilities	-	-	-	(1 151)	(1 151)
Loss on disposal of assets and liabilities	-	-	-	(1 151)	(1 151)

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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	Reference
	R'000	R'000	R'000	R'000	R'000	
		2 803 820	(456 362)	2 347 458	3 177 858	830 400
Cash deficit		(4)	-	(4)	16 375 416	16 375 420

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

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Accounting Policies

1. Presentation of Financial Statements

The interim 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 interim 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 interim financial statements, are disclosed below.

1.1 Significant judgement and sources of estimation uncertainty

1.1.1 Control of immovable assets

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

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

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

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

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

1.1.2 Assets and liabilities related to the transfer of functions

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

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Notes to the Interim Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

1.1.3 Useful life and residual values

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

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

1.1.4 Classification of accommodation charges as lease revenue

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

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

1.1.5 Classification and measurement of leases

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

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

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

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

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

1.1.6 Provision for maintenance

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

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Notes to the Interim Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

1.1.7 Impairment

Impairment of receivables measured at cost or amortised costs

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

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

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

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

Impairment of non-current assets

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

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

1.1.8 Significantly delayed projects

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

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

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

1.1.9 Classification of immovable assets

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

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

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Notes to the Interim Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

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

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

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

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

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

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

1.1.10 Principal - agent relationships

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

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

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

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

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Notes to the Interim Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

1.1.11 Related party disclosure

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

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

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

1.2 Receivables from exchange transactions

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

1.3 Receivables from non-exchange transactions

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

1.4 Leases

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

Finance leases - PMTE as a lessee

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

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

Operating leases - PMTE as a lessor

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

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

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Notes to the Interim Financial Statements

1.4 Leases (continued)

Operating leases - PMTE as a lessee

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

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

1.5 Cash and cash equivalents

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

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

1.6 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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Notes to the Interim Financial Statements

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

1.7 Investment property

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

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

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

1.7 Investment property (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

1.8 Heritage assets

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

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

Property Management Trading Entity

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Notes to the Interim Financial Statements

1.8 Heritage assets (continued)

Heritage assets are measured at cost.

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

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

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

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

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

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

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

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

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

1.9 Intangible assets

The PMTE recognises intangible asset when:

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

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

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

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

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

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

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

Item	Useful life
Computer software	5 years

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1.9 Intangible assets (continued)

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

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

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

1.10 Payables from exchange transactions

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

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

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

1.11 Employee benefits

Short-term employee benefits

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

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

Leave benefits

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

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

Performance and service bonuses

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

Retirement and medical benefits

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

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Notes to the Interim Financial Statements

1.11 Employee benefits (continued)

Long service awards

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

1.12 Retention liabilities

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

1.14 Reserves

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

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

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Notes to the Interim Financial Statements

1.15 Statutory receivables and payables

Classification, recognition and measurement

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

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

Statutory receivables and payables are not discounted.

Impairment of receivables measured at cost

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

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

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

1.16 Financial instruments

Classification, recognition and measurement

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

The PMTE recognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Impairment of assets

Property Management Trading Entity

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Notes to the Interim Financial Statements

1.16 Financial instruments (continued)

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

Financial assets measured at amortised cost:

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

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

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

Non-financial assets measured at cost:

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

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

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Notes to the Interim Financial Statements

1.16 Financial instruments (continued)

Derecognition

Financial assets

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

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

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

Financial liabilities

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

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

Property Management Trading Entity

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Notes to the Interim Financial Statements

1.17 Revenue from exchange transactions

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

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

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

Accommodation charges disclosed in the financial statements consists of:

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

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

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

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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

Property Management Trading Entity

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Notes to the Interim Financial Statements

1.19 Expenditure

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

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

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

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

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

1.20 Construction contracts and receivables

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

1.21 Irregular, Fruitless and wasteful expenditure

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

1.22 Related parties

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

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

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

1.23 Budget information

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

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

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

1.24 Commitments

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

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

1.25 Going concern assumption

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

1.26 Comparative figures

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

1.27 Deferred revenue

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

1.28 Transfer of functions between entities under common control

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

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

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

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

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

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

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

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2. Standards of GRAP issued but not yet effective

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

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

Standard/ Interpretation:

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

2.2 Standards not yet effective (with possible extended impact)

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

Standard/ Interpretation:

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

2.3 Standards not yet effective (with no impact)

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

Standard/ Interpretation:

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

Property Management Trading Entity

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Notes to the Interim Financial Statements

30 September 2019
R'000

31 March 2019
R'000

3. Receivables from exchange transactions

Financial assets

Accommodation debtors - leasehold inter-governmental	439 309	365 743
Accommodation debtors - freehold inter-governmental	647 260	1 169 568
Accommodation debtors - freehold private	33 529	37 344
Municipal services	744 541	748 876
Debt account	67 909	45 597
Revenue accrual - recoverable leases	431 012	319 086
Revenue accrual - recoverable municipal services	1 113 661	613 657
Revenue accrual - recoverable projects	634 491	592 639
Municipal deposits	19 680	19 667
Implementing agents	31 919	31 919
Other debtors	908	792
Recoverable property rates	-	-
	4 164 219	3 944 888

Non-financial assets

Prepaid expenses - implementing agents	615 349	675 425
Prepaid expenses - leases	255 865	283 874
Prepaid expenses - other	8 058	8 058
Prepaid expenses - municipal services	22 557	22 557
Prepaid expenses - municipal services and property rates (backlog)	467 463	465 581
Prepaid expenses - property rates	281 824	281 824
Creditors with debit balances	43 252	20 304
	1 694 368	1 757 623
	5 858 587	5 702 511

The applicable interest rate for outstanding freehold private receivables and debt account receivables for the period is 10.25% (March 2019: 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 5% (2019: 7.1%).

The gross amount for recoverable property rates amounts to R203 million (March 2019: R203 million). The full amount is impaired as it relates to amounts not yet invoiced to client departments and third parties and are likely not to be recovered.

Receivables past due but not impaired

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

Individually significant receivables that are impaired

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

Property Management Trading Entity

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Notes to the Interim Financial Statements

30 September	31 March 2019
2019	
R'000	R'000

3. Receivables from exchange transactions (continued)

	Sep 2019	Mar 2019
	%	%
Accommodation debtors - freehold inter-governmental	40	18
Accommodation debtors - leasehold inter-governmental	53	61
Accommodation debtors - freehold private	66	66
Municipal services	70	41
Debt account	-	65
Recoverable property rates	100	100

Property Management Trading Entity

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Notes to the Interim Financial Statements

30 September 2019
R'000

31 March 2019
R'000

4. Receivables from non-exchange transactions

Accommodation debtors - freehold prestige	398	252
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Certain properties are leased to prestige clients. According to the ministerial handbook, prestige officials receive one state owned residence at no charge. If available, prestige officials may occupy a second state owned residence which is charged at a reduced rental as prescribed.

Receivables from non-exchange transactions past due but not impaired

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

5. Operating lease asset/(liability)

	Note	2018 R'000	2017 R'000
Current assets (PMTE as lessor)	5.1	502 759	389 581
Current liabilities (PMTE as lessee)	5.2	(524 874)	(364 730)
		(22 115)	24 851

5.1 Total operating lease asset - PMTE as lessor

Leasehold inter-governmental	476 058	364 247
Freehold private	24 203	25 334
	500 261	389 581

Total minimum lease receipts - PMTE as lessor

Within one year	2 232 062	2 488 470
In second to fifth year inclusive	4 911 586	5 448 093
Later than five years	2 091 525	1 472 652
	9 235 173	9 409 215

Leasehold inter-governmental

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

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

Freehold private

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

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

30 September 2019
R'000

31 March 2019
R'000

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

5.2 Total operating lease liabilities - PMTE as lessee

Operating lease liabilities - leasehold inter-governmental

524 874 **364 730**

Total minimum lease payments - PMTE as lessee

Within one year

2 163 356 2 493 363

In second to fifth year inclusive

4 791 491 5 387 416

Later than five years

2 048 814 1 424 189

9 003 661 **9 304 968**

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

6. Cash and cash equivalents

	Sep 2019 R'000	Mar 2019 R'000
Cash and cash equivalents consist of:		
Cash on hand	193	245
Bank balance	1 476	6 402
Cash and cash equivalents	1 669	6 647
Bank overdraft	(2 376 350)	(2 683 976)
	(2 374 681)	(2 677 329)

The cash held in the bank is with ABSA Limited, a registered financial services provider, and approved by National Treasury. The interest rate on the bank balance is variable. The average effective interest rate on short term bank deposits is 5.13% (March 2019 : 5%).

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

7. Property, plant and equipment

	Sep 2019			Restated Mar 2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Land	43 651 856	-	43 651 856	43 630 929	-	43 630 929
Buildings and improvements	91 856 918	(14 087 546)	77 769 372	91 148 917	(12 903 593)	78 245 324
Furniture and office equipment	106 973	(50 364)	56 609	110 825	(56 728)	54 097
Computer equipment	244 927	(126 830)	118 097	239 793	(109 456)	130 337
Other machinery and equipment	69 073	(28 155)	40 918	68 493	(24 860)	43 633
Total	135 929 747	(14 292 895)	121 636 852	135 198 957	(13 094 637)	122 104 320

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance R '000	Additions R '000	Disposals R '000	Transfers in R '000	Depreciation R '000	Total R '000
Land	43 630 929	20 927	-	-	-	43 651 856
Buildings and improvements	78 245 324	708 000	-	-	(1 183 952)	77 769 372
Furniture and office equipment	54 097	9 793	-	627	(7 908)	56 609
Computer equipment	130 337	5 710	(344)	305	(17 911)	118 097
Other machinery and equipment	43 633	493	-	89	(3 297)	40 918
	122 104 320	744 923	(344)	1 021	(1 213 068)	121 636 852

Reconciliation of property, plant and equipment - 2019

	Opening balance R '000	Additions R '000	Disposals R '000	Transfers in R '000	Transfers out R '000	Revaluations R '000	Other changes, movements R '000	Depreciation R '000	Impairment loss R '000	Total R '000
Land	43 673 701	6 991	(49 763)	-	-	-	-	-	-	43 630 929
Buildings and improvements	77 571 755	3 100 500	-	-	-	-	-	(2 367 907)	(59 024)	78 245 324
Furniture and office equipment	64 177	5 947	(307)	506	-	1 134	1 515	(18 417)	(458)	54 097
Computer equipment	127 530	20 506	(567)	1 577	(1 811)	16 991	271	(33 824)	(336)	130 337
Other machinery and equipment	41 180	6 265	(48)	95	-	2 265	(20)	(5 952)	(152)	43 633
	121 478 343	3 140 209	(50 685)	2 178	(1 811)	20 390	1 766	(2 426 100)	(59 970)	122 104 320

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim 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
Sep 2019			
Building and improvements	11 254 901	6 164 314	-
Mar 2019	-	-	-
Building and improvements	10 565 141	6 164 314	-

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

Assets subject to finance lease (Net carrying amount)

	Sep 2019 R'000	Mar 2019 R'000
Assets subject to finance lease (Net carrying amount)		
Furniture and office equipment	12 326	7 206

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

	Total commitment R'000
Sep 2019	
Building and improvements	22 442 824
Mar 2019	-
Building and improvements	22 442 824

Other disclosure

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

During the year management reassessed the useful lives in accordance with its asset management policy based on the condition assessment performed. The change in estimate amounts to a decrease in depreciation of R0- million (2018: R-million). The estimated impact for future periods amounts to a decrease in depreciation of R2,5 million.

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

Figures in Rand

8. Investment property

	Sep 2019			Restated Mar 2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Investment property	4 563 774	(635 038)	3 928 736	4 563 774	(586 188)	3 977 586

Reconciliation of investment property - 2019

	Opening balance R '000	Disposals R '000	Depreciation R '000	Total R '000
Building and improvements	3 745 597	-	(48 850)	3 696 747
Land	231 989	-	-	231 989
	3 977 586	-	(48 850)	3 928 736

Reconciliation of investment property - 2019

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

Amounts recognised in Statement of Financial Performance relating to Investment Property

	2019			2019		
	Revenue generating R'000	Non-revenue generating R'000	Total R'000	Revenue generating R'000	Non-revenue generating R'000	Total R'000
Property maintenance	-	-	-	13	303	316
Municipal services	-	-	-	526	263	789
Property rates	-	-	-	1 767	503	2 270
Cleaning and gardening	-	-	-	-	582	582
Security	-	-	-	104	1 997	2 101
Total direct expenses	-	-	-	2 410	3 648	6 058
Revenue from exchange (Freehold private)	32 346	-	32 346	53 816	-	53 816
Total surplus/(deficit) on investment property	32 346	-	32 346	51 406	(3 648)	47 758

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

9. Heritage assets

	Sep 2019			Restated Mar 2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Land	150 959	-	150 959	150 959	-	150 959
Building and improvements	1 690 619	(29 440)	1 661 179	1 679 846	(28 702)	1 651 144
Total	1 841 578	(29 440)	1 812 138	1 830 805	(28 702)	1 802 103

	Opening balance	Additions	Impairment losses recognised	Total
	R '000	R '000	R '000	R '000
Land	150 959	-	-	150 959
Building and improvements	1 651 144	10 773	(738)	1 661 179
Total	1 802 103	10 773	(738)	1 812 138

Reconciliation of heritage assets - Sep 2019

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

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
Sep 2019			
Building and improvements	519 982	470 125	-
Mar 2019			
Building and improvements	504 031	470 125	-

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
Sep 2019			
Buildings and improvements	77 834	-	77 834
Mar 2019			
Buildings and improvements	76 289	-	76 289

Property Management Trading Entity

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Notes to the Interim Financial Statements

10. Intangible assets

	Sep 2019			Restated Mar 2019		
	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	46 693	(13 885)	32 808	52 127	(21 445)	30 682

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000
Computer software	30 682	6 363	(637)	(3 600)	32 808

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Adjustments	Other changes, movements	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	23 130	20 248	-	(42)	(12 654)	30 682

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
Sep 2019	-	-	-
Mar 2019	-	-	-
Computer software	24 964	24 964	-

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
Sep 2019			
Computer software	20 591	4 264	24 855
Mar 2019			
Computer software	24 573	12 139	36 712

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Notes to the Interim Financial Statements

	30 September 2019	31 March 2019 Restated Mar 2019
	Sep 2019 R'000	Mar 2019 R'000
11. Deferred revenue		
Deferred revenue	8 326 634	7 802 448
This relates to recoverable capital claims for projects that are under construction which will be deferred until the project is complete.		
Opening Balance	7 802 448	7 786 687
Plus: Revenue deferred during the year	698 145	1 920 216
Less: Revenue recognised during the year	(173 959)	(1 904 455)
	8 326 634	7 802 448
12. Payables from exchange transactions		
Financial liabilities		
Accrued expenses - Assets	593 119	494 078
Accrued expenses - Cleaning and gardening	16 334	20 705
Accrued expenses - Leases	1 206 432	946 669
Accrued expenses - Maintenance	210 328	317 467
Accrued expenses - Municipal services	1 167 643	675 382
Accrued expenses - Other	31 769	42 106
Accrued expenses - Scheduled maintenance	338 814	202 103
Accrued expenses - Security	14 628	10 321
Total accrued expenses	3 579 067	2 708 831
Unallocated deposits	3 022	1 766
Trade payables	185	2 650
Deposits received	42	29
Contract guarantees	131	87
	3 582 447	2 713 363
Non-financial liabilities		
Income received in advance - leases	655 460	505 784
Income received in advance - other services	115 689	118 127
Accrued expenses - Property rates	471 850	173 634
Debtors with credit balances	101 280	252 773
	1 344 279	1 050 318
	4 926 726	3 763 681

Property Management Trading Entity

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Notes to the Interim Financial Statements

	30 September 2019	31 March 2019
	Sep 2019 R'000	Restated Mar 2019 R'000
13. Retention liabilities		
Non-current liabilities	86 888	14 597
Current liabilities	294 505	393 380
	381 393	407 977
14. Finance lease obligation		
Minimum lease payments due		
- within one year	4 066	4 051
- in second to fifth year inclusive	3 191	1 663
	7 257	5 714
Less: future finance charges	(706)	(428)
Present value of minimum lease payments	6 551	5 286
Present value of minimum lease payments due		
- within one year	3 583	3 726
- in second to fifth year inclusive	2 968	1 560
	6 551	5 286
Non-current liabilities	2 968	1 560
Current liabilities	3 583	3 726
	6 551	5 286

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

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Notes to the Interim Financial Statements

30 September 2019 31 March 2019

Sep 2019 Restated
R'000 Mar 2019
R'000

15. Employee benefit obligations

Reconciliation - Sep 2019

	Opening balance	Utilised during the year	Over/(under) provided	Additions	Total
	R'000	R'000	R'000	R'000	R'000
Leave	133 407	(56 783)	2 405	43 276	122 305
Service bonus	41 650	(40 399)	(1 251)	45 160	45 160
Performance bonus	26 446	-	-	7 691	34 137
Long service awards	6 210	(445)	468	-	6 233
	207 713	(97 627)	1 622	96 127	207 835

Reconciliation - Mar 2019

	Opening balance	Utilised during the year	Over/(under) provided	Additions	Total
	R'000	R'000	R'000	R'000	R'000
Leave	126 408	(62 845)	(13 726)	83 570	133 407
Service bonus	38 686	(38 271)	(415)	41 650	41 650
Performance bonus	21 744	(21 030)	(714)	26 446	26 446
Long service awards	5 733	(3 173)	3 650	-	6 210
	192 571	(125 319)	(11 205)	151 666	207 713

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Notes to the Interim Financial Statements

16. Provisions

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in estimate	Total
Reconciliation of provisions - Sep 2019						
Municipal services and property rates (backlog)	1 087 468	60 008	(21)	-	-	1 147 455
Maintenance	623 178	339 169	(169 691)	(108 271)	(7 285)	677 100
Legal proceedings	20 595	64 205	(387)	(616)	-	83 797
	1 731 241	463 382	(170 099)	(108 887)	(7 285)	1 908 352
Reconciliation of provisions - Mar 2019						
Municipal services and property rates (backlog)	1 044 991	69 350	(26 873)	-	-	1 087 468
Maintenance	1 011 199	423 941	(278 399)	(546 207)	12 644	623 178
Legal proceedings	18 879	16 585	-	(14 869)	-	20 595
	2 075 069	509 876	(305 272)	(561 076)	12 644	1 731 241

Municipal services and property rates

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

As a result of this project, the PMTE has identified prepayments to municipalities amounting to R 467 million (March 2019: R 465 million) included in the prepaid expenses in note 3.

Debt owed to/due from municipalities but not confirmed has been included in contingent liabilities and contingent assets respectively (refer to note 30). Included in contingent liabilities is an amount of R 25 million (March 2019: R 25 million) relating to interest charged by municipalities which is still in the process of verification.

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

Maintenance

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

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

Legal proceedings

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

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30 September 2019
R'000

31 March 2019
R'000

17. Revenue from exchange transactions

Accommodation charges - Leasehold Inter-governmental	2 836 476	4 584 853
Accommodation charges - Freehold Inter-governmental	2 601 255	6 752 235
Accommodation charges - Freehold Private	32 346	53 816
Management fees on municipal services	117 947	225 165
Reversal of impairment loss for receivables from exchange transactions	52	366 546
Sundry revenue	29 587	4 568
Interest revenue	86 137	119 177
Recoveries	1 951	2 502
	5 705 751	12 108 862

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

Interest revenue consists of:

Interest from receivables	86 137	119 177
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18. Revenue from non-exchange transactions

Augmentation	2 107 868	4 009 490
Goods and service in-kind	10 438	26 682
Contractor fines	1 132	3 569
Accommodation charges - Prestige	816	2 291
	2 120 254	4 042 032

19. Construction revenue and expenses

Amount recognised in surplus

Construction Revenue	128 275	324 618
Construction Expenses	(128 275)	(324 618)

The following is included in the Revenue Accrual (Projects) and Prepaid expense amounts per note 3:

Gross amount due from clients

Costs incurred to date	1 236 932	1 171 133
Amount invoiced to date	(1 174 558)	(1 145 154)
	62 374	25 979

Amounts not yet billed (Revenue accrual)

Retentions	13 260	12 471
Accrued expenses	61 121	30 473
Prepaid expenses	(12 007)	(16 965)
	62 374	25 979

20. Depreciation, amortisation and impairments of assets

Property, plant and equipment	1 213 068	2 465 678
Investment property	48 850	97 701
Intangible assets	3 600	12 654
Heritage assets	738	1 476
	1 266 256	2 577 509

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30 September 2019
R'000

31 March 2019
R'000

21. Employee related costs

Basic salary and non-pensionable salary	687 620	1 366 546
Housing allowances	29 885	59 667
Medical aid contributions	45 329	86 551
Overtime	16 965	33 165
Pension fund contributions	68 981	136 612
Performance bonus	8 263	26 729
Service bonus	44 274	82 880
	901 317	1 792 150

22. Impairment loss on receivables

Receivables from exchange transactions	1 421 540	755 321
Receivables from non-exchange transactions	602	819
	1 422 142	756 140

23. Interest expense

Interest on overdue accounts	1 894	3 245
Interest on municipal services and property rates	39 256	69 350
Interest on finance leases	634	954
	41 784	73 549

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	1 151	52 496
Investment property	-	113
	1 151	52 609

25. Operating lease

Operating lease - building and improvements	3 049 137	4 702 755
Operating lease - furniture and office equipment	23 937	41 144
Rent on land	21 259	23 916
	3 094 333	4 767 815

26. Property maintenance (contracted services)

Property maintenance expense relates to the following asset categories:

Property, plant and equipment	1 950 651	1 934 662
Investment property	-	29 757
Heritage assets	-	340 961
Leased properties	-	11 831
	1 950 651	2 317 211

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

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

		30 September 2019 R'000	31 March 2019 R'000
27. Sundry operating expenses			
Advertising		846	276
Auditors remuneration		15 675	29 351
Bad debts written off		-	1 802
Bank charges		358	489
Bursaries		11 936	19 071
Cleaning and gardening		128 124	275 359
Computer software related expenses		10 683	17 205
Communication expenses		5 803	9 594
Consulting fees	27.1	22 110	241 046
Consumables		11 689	25 296
Fleet expenses	27.2	7 448	15 159
Losses incurred	27.3	49 927	167 987
Municipal service expenses		212 108	380 600
Other contractors		1 226	7 686
Other goods and services		9 118	21 588
Retirement awards		425	291
Security		65 261	94 909
Service in-kind expenses	27.4	7 817	7 684
Travel and subsistence		42 263	86 600
		602 817	1 401 993

27.1 Consulting fees

Included in consulting fees is an amount of R 2 million (2019: R 30 million) paid to Vodacom for the Telemetry solution implemented for our properties, R 237 thousand (2019: R 22 m) was paid to Beadica for the presentation and disclosure of the immovable asset register. R 0 million (2018: R52 million) paid to Special Investigating Unit for investigation purposes, and R 0 million (2018: R18 million) paid to COEGA Development Corporation for business improvements and process reviews. The remaining balance of consulting fees relates the assessment and verification of the immovable assets, green building & energy saving consultants and engineering conditional assessment reviews of properties and components. .

27.2 Fleet expenses

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

27.3 Losses incurred

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

27.4 Service in kind expense

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

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

	30 September 2019 R'000	31 March 2019 R'000
28. Cash generated from operations		
(Deficit) surplus	(1 931 398)	1 115 688
Adjustments for:		
Depreciation, impairment and amortisation	1 266 256	2 577 509
Loss on disposal/transfer of assets	1 151	52 609
Interest expense	41 784	73 549
Interest revenue	(86 137)	(119 177)
Impairment on receivables	1 422 142	756 140
Bad debt written off	-	1 802
Reversal of impairment loss on receivables	(52)	(366 546)
Service in-kind revenue	(10 438)	(26 682)
Service in-kind expense	7 817	7 684
Losses incurred	49 927	167 987
Revenue from transfer of immovable assets	-	(200 126)
Changes in working capital:		
Receivables from exchange transactions	(1 541 354)	(1 141 857)
Receivables from non-exchange transactions	(748)	(1 049)
Operating lease asset	(113 177)	192 573
Operating lease liability	160 145	(189 060)
Payables from exchange transactions	1 655 233	41 637
Provisions	137 855	(413 178)
Employee benefit obligations	122	15 142
Retention liabilities	(82 571)	274 946
Deferred revenue	524 186	15 761
	1 500 743	2 835 352

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

29. Budget differences

Reconciliation of budget to actual

Net cash flows from operating activities	1 500 743
Net cash flows from investing activities	(1 198 726)
Net cash flows from financing activities	631
	<hr/>
	302 648
	<hr/>
Cash deficit	16 375 416
(Deficit) surplus for the 6 months	(1 931 398)
	<hr/>
Basis difference	14 444 018
	<hr/>

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 – Freehold client projects

The revenue is linked to slow spending attributed to the delay on the construction projects (see DPW Capital and Client Capital).

Accommodation charges – freehold intergovernmental

The variance is due to the slow recovery of debtor amounts with clients departments having reported numerous reasons for non-payment, including unavailability of funds and disputes relating to occupation.

PMTE has intensified its recovery management through various actions with specific emphasis on its top six debtors..

Municipal services recovered

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

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

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

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

29. Budget differences (continued)

Payments

Maintenance and Repair

The budget consists of the Repair budget, which is based on the cash flow projection relating to the planned projects roll-out of an extensive project portfolio and Day to Day Maintenance which relates to day-to-day breakdowns and routine maintenance done on installations such as air conditioners, boilers, water treatment plants, etc. Due to the nature of expenses, the budget is monitored and adjusted frequently but needs to be flexible as the number of breakdowns cannot be predicted.

The expenditure for the Repair was low at 55% (R355 million) against the budget of R609 million. The slow spending was attributable to the delay on the construction projects which is caused by poor performance by the contractors and slow supply chain processes. The extension of time was granted for some of the projects and some of the projects and some of the contractors are on penalties. Some of the projects are on hold due to legal issues.

The Day to Day Maintenance was at 706,807 129% (R914 million). The expenditure is closely monitored to prevent over expenditure.

Property rates:

The slow spending was attributable to the fact that with effect from 1 April 2019, Property rates are paid monthly in advance as opposed to annually in advance as in previous financial years. The expenditure escalates normally during October of each year as the invoices are received from the municipalities once a year in accordance to the municipal financial year which starts on 1 July of every year. The executing units will process the payments as soon as the invoices are received and the expenditure will start picking up.

Refurbishments; DPW capital and Client capital

The slow spending was attributable to the delay on the construction projects which is caused by poor performance by the contractors, slow supply chain processes and the delay with regard to obtaining security clearance for contractors especially on Prestige. All these issues are being attended to, the expenditure will increase during the third and fourth quarters of the year.

An additional challenge is the fact that the funding is allocated on the baseline of the Clients's Votes. They have to agree to the implementation programme in terms of funding per project on an annual basis. These projects are then included in the department's procurement plan which is finalised during January of the preceding financial year. If Clients do not sign off on their budgets by January of a respective year, the projects will not be included in the procurement plan. When they eventually sign off (some late as May), approval has to be sought to include it in the procurement plan and only then the procurement process can start. This had a negative impact on the organisation's ability to spend its allocated budget as the original cash flows that informed the budget request were based on the assumption that the funding will be approved and projects would be included in the procurement plan before the financial year starts. Furthermore, any increase in project cost through updated estimates, Variation orders, re-measurements, provisional sums, CPAP, etc. has to be confirmed with the client even if it does not have an effect in the current financial year. Delays from the Clients in confirming this have also increased the under-expenditure.

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

30. Contingencies

	Sep 2019 R'000	Mar 2019 R'000
Contingent liabilities		
Municipal services and property rates	60 544	60 544
Legal claims against the PMTE	67 822	156 920
	128 366	217 464

Municipal services and property rates

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

Legal Claims against the PMTE

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

	Sep 2019 R'000	Mar 2019 R'000
Contingent assets		
Municipal services and property rates	828	828
Legal claims by the PMTE	206 326	239 067
Property, plant and equipment	Undefined	Undefined
	207 154	239 895

Municipal services and property rates

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

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

30. Contingencies (continued)

Legal claims by the PMTE

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

Special Investigating Unit recoveries

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

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

Property, plant and equipment

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

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

	30 September 2019 R'000	31 March 2019 R'000
31. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	88 899	87 199
Fruitless and wasteful expenditure - relating to current year	-	3 254
Fruitless and wasteful expenditure - relating to prior years	-	1 221
Less amounts resolved	-	(5)
Less amounts reversed	-	(2 770)
	88 899	88 899

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

Investigations on all transactions are still on-going, including the potential fruitless and wasteful expenditure amounting to R7.5 million that was discovered in the previous financial year.

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

32. Irregular expenditure

Opening balance	1 739 865	2 334 039
Add: Irregular Expenditure - current year	-	2 263
Add: Irregular Expenditure - prior years	10 148	12 528
Less: Current year amounts condoned	-	(97)
Less: Prior year amounts condoned	(2 753)	(97 985)
Less: Amounts not recoverable (not condoned)	(108 905)	(510 883)
	1 638 355	1 739 865

Investigations are on-going on all unresolved findings that may result in irregular expenditure. Management is committed to resolving all findings included as potential irregular expenditure. Where investigations have been concluded and officials are found liable in law, appropriate actions are taken by management in line with the National Treasury Irregular Expenditure Framework and the approved Policy on Management of Financial Misconduct. .

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

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

Amounts not recoverable (not condoned) relates to transactions dealt with in terms of the National Treasury Irregular Expenditure Framework and approved by the National Treasury in prior years. Included in this amount are instances where transactions did not meet the definition of irregular expenditure.

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

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

30 September 2019
R'000

31 March 2019
R'000

32. Irregular expenditure (continued)

Details of irregular expenditure - current year

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

Details of irregular expenditure - prior year

Procurement and Contract Management for Designated Sectors	7 744
Tender awarded to incorrect bidder	2 245
Incorrect procurement process followed	3 303
Limitation of scope	71
Reversal of prior year accruals	(3 214)
	10 149

Included in the above is an amount of R10 million that relates to findings raised by the AGSA in the previous financial year and concluded to be irregular expenditure. Processes in terms of the Irregular Expenditure Framework are being followed to ensure proper conclusion on these transactions.

Details of irregular expenditure - prior year amounts condoned

-

Transactions were investigated and approved by the delegated authority in line with the Irregular Expenditure Framework and Policy on Management of Financial Misconduct.

Details of irregular expenditure not recoverable (not condoned)

Appropriate approval not obtained from delegated authority	170
Incorrect procurement process followed	108 905
	109 075

Included in the above is an amount of R108.4 million that relates to instances that were approved by National Treasury in prior years, and the remaining amount of R0.5 million was found not to meet the definition of irregular expenditure.

Details of prior year amounts condoned

Roster Appointments/Consultants	2 753
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The implementation of the Roster System in prior years was found not to comply with National Treasury prescripts on quotations. Since April 2014, the Department has ceased using this system and all appointment of consultants is done through quotation or bid processes.

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

30 September 2019 R'000	31 March 2019 R'000
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33. Financial instruments disclosure

Categories of financial instruments

Financial assets at amortised cost

Receivables from exchange transactions	4 164 219	3 944 888
Cash and cash equivalents	1 669	6 647
	4 165 888	3 951 535

Financial liabilities at amortised cost

Bank overdraft	2 376 350	2 683 976
Payables from exchange transactions	3 582 447	2 713 363
Retention liabilities	381 393	407 977
Finance lease obligation	6 551	5 286
	6 346 741	5 810 602

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.

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim 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

Sep 2019	Note	1 month R'000	2-12 months R'000	2 years R'000	3 years R'000	> 3 years R'000	Total R'000
Bank overdraft	6	2 376 350	-	-	-	-	2 376 350
Accrued expenses - Assets	12	593 119	-	-	-	-	593 119
Accrued expenses - Cleaning and gardening	12	16 334	-	-	-	-	16 334
Accrued expenses - Leases	12	1 206 432	-	-	-	-	1 206 432
Accrued expenses - Maintenance	12	210 328	-	-	-	-	210 328
Accrued expenses - Municipal services	12	1 167 643	-	-	-	-	1 167 643
Accrued expenses - Other	12	31 769	-	-	-	-	31 769
Accrued expenses - Scheduled maintenance	12	338 814	-	-	-	-	338 814
Accrued expenses - Security	12	14 628	-	-	-	-	14 628
Income received in advance - leases	12	655 460	-	-	-	-	655 460
Trade payables	12	185	-	-	-	-	185
Retention liabilities	13	273 227	21 278	-	86 888	-	381 393
Capital commitments - Projects		2 843 248	1 316 556	837 946	599 866	1 546 347	7 143 963
Operating maintenance commitments - Projects		1 767 147	297 151	150 930	30 437	531 094	2 776 759
Agency commitments - Projects		73 327	129 128	121 290	78 478	32 826	435 049
		11 568 011	1 764 113	1 110 166	795 669	2 110 267	17 348 226
Mar 2019	Note	1 month R'000	2-12 months R'000	2 years R'000	3 years R'000	> 3 years R'000	Total R'000
Bank overdraft	6	2 683 976	-	-	-	-	2 683 976
Accrued expenses - Assets	12	494 078	-	-	-	-	494 078
Accrued expenses - Cleaning and gardening	12	20 705	-	-	-	-	20 705
Accrued expenses - Leases	12	946 669	-	-	-	-	946 669
Accrued expenses - Maintenance	12	317 467	-	-	-	-	317 467
Accrued expenses - Municipal services	12	675 382	-	-	-	-	675 382
Accrued expenses - Other	12	42 106	-	-	-	-	42 106
Accrued expenses - Scheduled maintenance	12	202 103	-	-	-	-	202 103
Accrued expenses - Security	12	10 321	-	-	-	-	10 321
Income received in advance - leases	12	505 784	-	-	-	-	505 784
Trade payables	12	2 650	-	-	-	-	2 650
Retention liabilities	13	309 397	83 983	14 104	-	493	407 977
Capital commitments - Projects		3 127 522	2 152 977	1 356 477	761 491	739 213	8 137 680
Operating maintenance commitments - Projects		1 986 410	358 364	188 029	54 813	13 750	2 601 366
Agency commitments - Projects		175 875	122 619	124 139	72 013	64 009	558 655
		11 500 445	2 717 943	1 682 749	888 317	817 465	17 606 919

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

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

34. Risk management (continued)

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

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

Credit risk

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

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

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

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

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

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

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

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

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

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

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

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

34. Risk management (continued)

Financial and statutory assets exposed to credit risk at 6 months end were as follows:

	2019 R'000	2019 R'000
Cash and cash equivalents	1 669	6 647
Operating lease asset	502 759	389 581
Receivables from exchange transactions	4 164 219	3 944 888
Receivables from non-exchange transactions	398	252
	<hr/> 4 669 045	<hr/> 4 341 368

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

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

Interest rate risk

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

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

35. Related parties

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

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

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

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

35. Related parties (continued)

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

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

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

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

Revenue from exchange transactions:

Accommodation charges - freehold intergovernmental

Agriculture, Forestry and Fisheries	75 504	133 815
Arts and Culture	-	53 435
Correctional Services	618 652	1 163 061
Defence and Military Veterans	564 771	1 075 754
Higher Education	-	1 113
Environmental Affairs	15 426	26 828
Health	1 059	21 446
Home Affairs	-	64 013
Human Settlement	391	679
Independent Police Investigative Directorate	220	418
International Relations and Cooperation	371	307
Justice and Constitutional Development	208 674	397 474
Labour	36 433	69 133
Rural Development and Land Reform	21 090	36 678
Mineral Resources	2 014	3 821
National Treasury - SARS	21 356	40 524
Public Works	3 802	6 613
SA Police Services	698 937	1 331 309
Social Development	-	725
Statistics South Africa	-	1
Trade and Industry	5	4
Water and Sanitation	102 259	177 842
	2 370 964	4 604 993

Revenue from non-exchange transactions

Public Works - Augmentation	2 107 868	4 009 490
Public Works - Goods and service in-kind	10 438	26 682

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

	30 September 2019 R'000	31 March 2019 R'000
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35. Related parties (continued)

2 118 306 **4 036 172**

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

Gross receivables from exchange transactions:

Accommodation charges - freehold intergovernmental

Agriculture, Forestry and Fisheries	-	100 987
Correctional Services	539 313	757 239
Health	22 505	21 446
International Relations and Cooperation	7 935	7 565
Justice and Correctional Services	1	1
National Treasury - SARS	-	40 524
Rural Development	1	1
Statistics South Africa	-	19
Trade and Industry	112	107
	569 867	927 889

Impairment relating to exchange transactions:

Accommodation charges - freehold intergovernmental

Agriculture, Forestry and Fisheries	-	708
Correctional Services	321 107	159 007
Health	21 461	2 065
International Relations and Cooperation	7 570	7 282
Justice and Constitutional Development	1	1
National Treasury - SARS	-	136
Rural Development and Land Reform	1	1
Statistics South Africa	-	19
Trade and Industry	107	107
	350 247	169 326

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:

Sep 2019 Client department	Gross receivable		Municipal Services	Total	Impairment		Municipal Services	Total
	Freehold Intergovern- mental	Leasehold Intergovern- mental			Freehold Intergovern- mental	Leasehold Intergovern- mental		
Agriculture R	-	-	621	621	-	-	188	188
Agriculture, F	3 512	22 300	85 934	111 746	11	12 999	78 134	91 145
Arts and Cult	88 968	6 991	39 545	135 504	43 737	5 581	27 769	77 087
Basic Educat	41 853	-	-	41 853	41 853	-	-	41 853
Centre fo Pul	-	20	1	21	-	20	-	20
Companies a	-	44	(5)	38	-	3	-	3
Cooperative (-	3 250	1 222	4 472	-	201	134	336
Correctional !	560 394	10 428	857 926	1 428 747	322 005	657	658 634	981 296
Defence	264 701	33 249	1 458 014	1 755 964	5 011	2 022	1 307 934	1 314 967
Energy	-	25 863	(283)	25 580	-	8 785	-	8 785
Environment:	4 172	26 150	26 561	56 882	4 167	20 805	24 964	49 936
Film and Pub	-	647	64	711	-	40	6	46
Financial and	-	8 561	3 301	11 862	-	6 900	2 970	9 869
Gender Equa	-	-	673	673	-	-	658	658
Government	5 001	108	437	5 547	190	8	43	241
Government	-	-	-	-	-	-	-	-

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

						30 September 2019	31 March 2019	
						R'000	R'000	
35. Related parties (continued)								
Govt Commu	-	1 262	161	1 424	-	728	105	833
Health	22 505	19	21 385	43 908	21 461	2	18 798	40 261
Health (Civita	882	-	-	882	5	-	-	5
Higher Educa	-	1 579	4 929	6 507	-	109	2 205	2 315
Home Affairs	2 309	2 087	3 098	7 494	45	2 087	305	2 437
Human Settle	-	51 954	(422)	51 532	-	48 253	-	48 253
Ind Police Inv	-	118 882	545	119 427	-	118 882	418	119 300
International	71 493	22 583	5 373	99 450	71 128	19 201	4 819	95 148
Justice & Cor	-	1 106	-	1 106	-	67	-	67
Justice & Cor	22 869	8 097	189 374	220 340	579	8 016	120 834	129 429
Labour	728	(8 583)	(62)	(7 917)	2	-	-	2
Military Veter	107	1 113	21	1 242	99	207	2	308
Mineral Resc	-	1 228	8 402	9 630	-	75	8 210	8 284
National Pros	1 387	5 458	1 915	8 760	1 387	4 164	803	6 353
National Sch	-	289	1 565	1 853	-	18	1 553	1 571
National Trea	-	127 051	36 084	163 135	-	119 371	32 929	152 300
Office of the I	-	-	-	-	-	-	-	-
Office of the I	74	1 756	317	2 146	70	118	97	285
Office Of The	-	4 489	279	4 768	-	2 938	277	3 215
Parliament	877	1 478	-	2 355	877	1 276	-	2 152
Planning,Mor	-	12 653	-	12 653	-	967	-	967
Public Enterp	-	2 401	893	3 293	-	323	430	753
Public Servic	25 308	6 333	200	31 841	4 510	6 220	140	10 870
Public Works	-	(507)	897	391	-	-	88	89
Rural Develo	279	15 199	12 064	27 542	2	13 239	6 961	20 201
SA Human R	-	-	136	136	-	-	53	53
SA Revenue	-	-	9 288	9 288	-	-	6 162	6 162
SA Social Se	198	11 038	7 265	18 501	190	10 098	5 133	15 421
Science and	-	6 677	152	6 830	-	5 684	150	5 834
State Informa	-	-	45 946	45 946	-	-	34 712	34 712
Small Busine	-	1 067	216	1 282	-	1 067	214	1 281
Social Devel	68	(274)	295	90	66	-	200	266
South Africar	68 123	64 355	405 107	537 584	4 485	18	181 264	185 767
Sport And Re	2 586	19 946	3 737	26 269	2 470	16 658	3 294	22 422
Statistics SA	79	78 684	8 995	87 759	79	72 365	6 811	79 255
Telecommun	-	2 448	1 864	4 312	-	149	1 850	1 999
Tourism	-	4 599	9	4 608	-	4 299	3	4 302
Trade and Inc	112	(236)	1 380	1 256	107	-	1 328	1 435
Transport	-	62 984	1 337	64 321	-	43 055	600	43 655
Water And S	-	(13 928)	6 288	(7 640)	-	-	1 483	1 483
Women	-	4 245	-	4 245	-	3 895	-	3 895
Totals	1 188 585	757 142	3 253 044	5 198 771	524 536	561 565	2 543 667	3 629 768

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

	30 September 2019		31 March 2019					
	R'000		R'000					
35. Related parties (continued)								
Defence	198 768	(237 241)	1 244 894	1 206 421	4 976	-	860 936	865 912
Energy	-	11 398	(366)	11 032	-	7 403	-	7 403
Environment	4 167	21 117	24 790	50 074	4 163	19 258	24 310	47 731
Gender Equa	-	-	656	656	-	-	656	656
Government	14	-	-	14	-	-	-	-
Film and Pub	-	(609)	46	(563)	-	-	-	-
Financial Anc	-	7 265	3 273	10 538	-	6 736	3 273	10 009
Govt Commu	-	726	315	1 041	-	688	11	699
Government	-	25	316	341	-	2	-	2
Health	21 447	(629)	23 457	44 275	2 065	-	18 415	20 480
Higher Educa	-	(4 705)	3 179	(1 526)	-	-	1 914	1 914
Home Affairs	118	(22 597)	(906)	(23 385)	38	3 987	-	4 025
Human Settle	-	45 872	(336)	45 536	-	47 200	-	47 200
Human Right	-	-	98	98	-	-	24	24
Ind Police Inv	-	107 569	1 105	108 674	-	103 367	406	103 773
International	71 123	13 920	5 904	90 947	68 463	17 871	4 799	91 133
Justice & Cor	-	(2 389)	-	(2 389)	-	-	-	-
Justice & Cor	37 831	(27 830)	135 001	145 002	557	5 666	100 064	106 287
Labour	2 642	(21 280)	(740)	(19 378)	25	-	939	964
Military Veter	102	149	236	487	102	134	2	238
Mineral Resc	-	2 834	8 357	11 191	-	521	8 188	8 709
National Pros	1 387	5 081	1 324	7 792	1 335	4 012	694	6 041
National Sch	-	109	1 898	2 007	-	186	1 898	2 084
National Treas	-	114 518	36 729	151 247	-	107 167	32 650	139 817
Office of the I	70	(537)	97	(370)	68	-	73	141
Office Of The	-	1 595	277	1 872	-	2 769	277	3 046
Parliament	877	1 392	-	2 269	844	1 272	-	2 116
Planning, Mo	-	(560)	-	(560)	-	-	-	-
Public Enterp	-	2 236	675	2 911	-	1 979	274	2 253
Public Servic	4 220	5 656	1 086	10 962	4 220	6 213	143	10 576
Public Works	-	(1 727)	759	(968)	-	-	-	-
Rural Develo	12 067	(4 162)	9 641	17 546	18	-	6 024	6 042
Sa Social Se	190	14 998	6 686	21 874	183	10 626	4 618	15 427
Science And	-	6 677	151	6 828	-	1 947	150	2 097
Small Busine	-	1 067	214	1 281	-	1 067	214	1 281
Social Develk	-	(455)	559	104	63	-	192	255
South Africar	40 590	-	7 993	48 583	136	-	5 772	5 908
South Africar	75 185	(58 272)	256 440	273 353	4 358	-	144 750	149 108
Sport And Re	-	19 827	4 156	23 983	2 373	14 556	3 270	20 199
SITA	2 465	-	47 841	50 306	-	-	3 285	3 285
Statistics SA	79	77 871	7 665	85 615	77	71 551	5 457	77 085
Telecommun	-	(6 352)	1 849	(4 503)	-	-	1 849	1 849
Tourism	-	1 116	316	1 432	-	349	8	357
Trade And In	107	(962)	1 386	531	107	-	1 296	1 403
Transport	-	41 750	864	42 614	-	29 256	523	29 779
Water And S	233	-	4 273	4 506	-	-	988	988
Women	-	3 559	119	3 678	-	3 921	-	3 921
Totals	1 482 315	129 714	2 560 327	4 172 356	294 557	479 064	1 816 465	2 590 086

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.

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

30 September	31 March 2019
2019	
R'000	R'000

35. Related parties (continued)

Expenditure

Arts and Culture	5 312	11 520
Justice and Constitutional Development	102 420	192 135
	107 732	203 655

Accruals raised

Arts and Culture	-	1 630
Defence and Military Veterans	-	14
International Relations and Cooperation	-	10
Justice and Constitutional Development	13 194	13 493
The Presidency	175	3 252
	13 369	18 399

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

35. Related parties (continued)

2019 Remuneration of management	Official	Basic salary	Non- pensionable salary	Bonuses and performance related payments	Post- employment benefits	Other short- term employee benefits	Total
Employees: Regional Managers							
Bloemfontein	TP Zulu	438	13	73	57	136	717
Cape Town (Acting)	N Kani	347	157	58	45	47	654
Durban	NN Vilakazi	375	170	63	49	-	657
Johannesburg	JM Monare	417	108	-	54	88	667
Kimberley	R Baulackey	438	60	-	57	55	610
Mmabatho	R Matlala	393	124	65	51	65	698
Nelspruit	PT Mashiane	423	186	-	55	103	767
Polokwane	M Ntshani	479	55	80	62	119	795
Port Elizabeth	JG Van Der Walt	449	229	-	58	33	769
Pretoria	TB Phiri	375	112	-	49	96	632
Umthata (Acting)	MS Mabandla	343	91	-	45	45	524
Employees: Other Officials							
Chief Director: Construction Management Inland	W Hlabangwane	449	188	-	58	40	735
Chief Director: Financial Planning	J Prinsloo	422	180	-	55	11	668
Exco Members: Head of units							
Head of PMTE (Acting)	PJ Maroga	600	257	-	-	197	1 054
Construction Project Management	B Mokhothu	600	179	-	78	9	866
Small Harbours	MS Thobakgale	533	228	-	-	102	863
Real Estate Investment Registry Services	BS Matthews	600	257	-	-	3	860
Supply Chain Management (Acting)	R Naidoo	465	100	-	60	91	716
Exco Members: Deputy Director General:							
Real Estate Management Services (Acting)	M Govender	533	115	89	69	-	806
Real Estate Investment Services	S Subban	533	79	89	69	43	813
Project Management Office (Acting)	PF Chiapasco	156	32	-	20	17	225
Facilities Management	NC Makhubele	533	71	-	69	56	729
Technical Finance Expert	B Van Der Merwe	533	225	-	-	6	764
Operational and Financial Sustainability Program	GB Mokgoro	533	228	-	-	-	761
		10 967	3 444	517	1 060	1 362	17 350

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

Figures in Rand

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 2019/20:

- Ms R Sadiki resigned as Chief Financial Officer on 01 April 2019. The position of CFO is on the structure of the DPW Main Vote.
- Mr. PF Chiapasco was appointed Act DDG PMO from 01 April 2019 to 06 June 2019.
- Mr PF Chiapasco was appointed DDG PMO on 04 June 2019.

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

Figures in Rand

35. Related parties (continued)

2018 Remuneration of management	Official	Basic salary	Non- pensionable salary	Bonuses and performance related payments	Post- employment benefits	Other short- term employee benefits	Total
Employees: Regional Managers							
Bloemfontein	TP Zulu	833	19	45	108	287	1 292
Cape Town (Acting)	N Kani	659	299	54	86	122	1 220
Durban	NN Vilakazi	714	323	59	93	-	1 189
Johannesburg	JM Monare	792	196	66	103	186	1 343
Kimberley (Acting)	R Baulackey	847	114	69	110	135	1 275
Mmabatho (Acting)	R Matlala	746	231	62	97	111	1 247
Nelspruit	PT Mashiane	804	385	-	105	153	1 447
Polokwane	M Ntshani	910	101	76	118	205	1 410
Port Elizabeth	JG Van Der Walt	853	435	-	111	66	1 465
Pretoria (Acting)	TB Phiri	714	288	64	93	54	1 213
Umthata	MS Mabandla	651	173	-	85	88	997
Employees: Other Officials							
Chief Director: Construction Management Inland	W Hlabangwane	853	356	71	111	87	1 478
Chief Director: Financial Planning	J Prinsloo	797	338	67	104	30	1 336
Acting Chief Director: State Owned	GS Ncoane	704	89	59	91	253	1 196
Exco Members: Head of units							
Head of PMTE (Acting)	PJ Maroga	1 141	489	-	-	238	1 868
Finance (Acting)	MR Sithole	828	163	-	108	294	1 393
Construction Project Management	B Mokhothu	1 141	341	-	148	33	1 663
Small Harbours	MS Thobakgale	1 012	434	-	-	105	1 551
Real Estate Investment Registry Services	BS Matthews	1 141	489	-	-	13	1 643
Supply Chain Management	R Naidoo	884	190	74	115	150	1 413
Exco Members: Deputy Director General:							

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

Figures in Rand

35. Related parties (continued)

Real Estate Management Services (Acting)	M Govender	1 012	218	84	132	-	1 446
Real Estate Investment Services	S Subban	1 012	147	84	132	84	1 459
Project Management Office (Acting)	PF Chiapasco	938	194	78	122	255	1 587
Facilities Management (Acting)	NC Makhubele	1 012	131	81	132	100	1 456
Technical Finance Expert	B Van Der Merwe	1 012	434	-	-	8	1 454
	-	22 010	6 577	1 093	2 304	3 057	35 041

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 2017/18:

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

Property Management Trading Entity

Interim Financial Statements for the 6 months ended 30 September 2019

Notes to the Interim Financial Statements

Figures in Rand

36. 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
Mar 2019
R'000

Increase in receivables from exchange transactions

-

37. Going concern

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

Although the PMTE has a bank overdraft of R2,3 billion (March 2019: R2,6 billion) and the current liabilities exceed the current assets by R12,2 billion (March 2019: R10,8 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 R8,3 billion (March 2019: R7,8 billion) and other non-financial instruments of R1,3 billion (March 2019: R1.1 billion) (note 12) that will be settled in services rather than cash. Management applies the accounting principles of conservatism and prudence when accounting for its liabilities. The PMTE operates under the control and support of the National Department of Public Works ("DPW"). National Treasury has been informed of the PMTE's position accordingly. Management is embarking on a revenue generating drive and has reinforced its efforts in collection of all outstanding debts. The main reason for the increase in the bank overdraft was due to the increase in the amounts owed by client departments. Management has engaged in robust discussions with the relevant departments and National Treasury to resolve the issues around non-payment and to ensure payment is received on outstanding amounts. Subsequent to reporting date R926 million was received relating to these outstanding debts. Refer to note 35 for more detail relating to outstanding debt owed by client departments.