Property Management Trading Entity
Annual Financial Statements
for the year ended 31 March 2018

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

The annual financial statements set out on pages 2 to 61 have been prepared on the going concern basis.

Adv Sam Vukela
Director General

Statement of Financial Position as at 31 March 2018

	Note(s)	2018 R'000	2017 Restated* R'000
Assets			
Current Assets			
Receivables from exchange transactions	3	4 805 767	4 712 488
Receivables from non-exchange transactions	4	22	66
Operating lease asset	5	582 154	713 292
Cash and cash equivalents	6	5 967	2 934
		5 393 910	**5 428 780**
Non-Current Assets			
Property, plant and equipment	7	120 195 420	119 233 643
Investment property	8	5 454 053	5 552 002
Heritage assets	9	897 824	897 857
Intangible assets	10	23 130	21 619
		126 570 427	**125 705 121**
Total Assets		**131 964 337**	**131 133 901**
Liabilities			
Current Liabilities			
Operating lease liability	5	553 790	702 134
Bank overdraft	6	2 338 485	1 932 563
Deferred revenue	11	6 696 888	6 137 955
Payables from exchange transactions	12	3 447 151	3 336 325
Retention liabilities	13	349 680	281 407
Finance lease obligation	14	7 005	8 221
Employee benefit obligation	15	192 571	188 762
Provisions	16	2 075 069	2 097 105
		15 660 639	**14 684 472**
Non-Current Liabilities			
Retention liabilities	13	52 501	40 620
Finance lease obligation	14	2 938	7 804
		55 439	**48 424**
Total Liabilities		**15 716 078**	**14 732 896**
Net Assets		**116 248 259**	**116 401 005**
Accumulated surplus		116 248 259	116 401 005

* See Note 37

Statement of Financial Performance

	Note(s)	2018 R'000	Restated 2017 R'000
Revenue from exchange transactions	17	10 418 978	11 383 670
Revenue from non-exchange transactions	18	4 072 695	4 056 989
Construction revenue	19	232 861	261 446
Total revenue		**14 724 534**	**15 702 105**
Expenditure			
Construction expenses	19	232 861	261 446
Depreciation, amortisation and impairments on assets	20	2 616 291	2 488 161
Employee related costs	21	1 602 748	1 500 866
Impairment loss on receivables	22	1 083 610	281 847
Interest expense	23	85 081	90 168
Loss on disposal/transfer of assets	24	18 463	155 654
Operating leases	25	4 602 461	4 181 166
Property maintenance (contracted services)	26	2 158 576	3 383 231
Property rates		1 042 236	1 067 488
Sundry operating expenses	27	1 434 953	1 178 948
Total expenditure		**14 877 280**	**14 588 975**
(Deficit) surplus for the year		**(152 746)**	**1 113 130**

* See Note 37

Property Management Trading Entity
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Statement of Changes in Net Assets

		Accumulated surplus R'000
Opening balance as previously reported as at 1 April 2016		129 233 263
Adjustments		
Correction of prior period errors	37	(13 945 388)
Balance at 1 April 2016 as restated*		**115 287 875**
Changes in net assets		
Surplus for the year		1 113 130
Adjustments to surplus due to corrections of prior period errors	37	13 812 871
Total changes		14 926 001
Balance as previously reported as at 31 March 2017		130 213 876
Adjustments		
Correction of prior period errors	37	(13 812 871)
Balance at 1 April 2017 as restated*		**116 401 005**
Changes in net assets		
Surplus for the year		(152 746)
Balance at 31 March 2018		**116 248 259**

* See Note 37

Cash Flow Statement

	Note(s)	2018 R'000	2017 Restated* R'000
Cash flows from operating activities			
Receipts			
Accommodation charges - leasehold intergovernmental		4 651 753	4 227 723
Accommodation charges - freehold intergovernmental		6 164 816	6 450 983
Accommodation charges - private		48 492	42 027
Augmentation		3 682 254	3 389 448
Management fee on municipal services		181 285	184 783
Municipal services recovered		3 625 704	3 350 131
Interest, fines, recoveries and other receipts		12 885	8 594
Construction revenue		242 465	259 067
		18 609 654	17 912 756
Payments			
Cleaning and gardening		264 775	252 895
Admin, goods and services		775 963	50 864
Maintenance		2 660 016	2 801 459
Municipal services paid on behalf of clients		4 300 639	4 164 585
Operating leases		4 416 619	4 266 679
Property rates		1 242 621	1 227 927
Compensation of employees		1 589 689	1 366 306
Municipal services expenditure		341 181	356 464
Construction expenses		242 465	259 067
		15 833 968	14 746 246
Net cash flows from operating activities	28	**2 775 686**	**3 166 510**
Cash flows from investing activities			
Additions to property, plant and equipment		(3 159 495)	(3 617 221)
Additions to investment property		(7 827)	(2 542)
Additions to intangible assets	10	(3 384)	(11 872)
Net cash flows from investing activities		**(3 170 706)**	**(3 631 635)**
Cash flows from financing activities			
Finance lease payments		(17 507)	(12 462)
Finance lease entered into		9 638	12 828
Net cash flows from financing activities		**(7 869)**	**366**
Net decrease in cash and cash equivalents		**(402 889)**	**(464 759)**
Cash and cash equivalents at the beginning of the year		(1 929 629)	(1 464 870)
Cash and cash equivalents at the end of the year	6	**(2 332 518)**	**(1 929 629)**

* See Note 37

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget R'000	Adjustments R'000	Final Budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000
Statement of Financial Performance					
Receipts					
Accommodation charges - leasehold intergovernmental	4 320 462	(28 322)	**4 292 140**	4 651 753	**359 613**
Accommodation charges - freehold intergovernmental	7 034 281	(567 763)	**6 466 518**	6 164 816	**(301 702)**
Accommodation charges - freehold private	77 604	(27 604)	**50 000**	48 492	**(1 508)**
Augmentation	3 758 922	(76 668)	**3 682 254**	3 682 254	**-**
Management fees on municipal services	218 379	(33 094)	**185 285**	181 285	**(4 000)**
Interest, fines, recoveries and other receipts	20 620	(12 026)	**8 594**	12 885	**4 291**
Municipal services recovered	4 367 572	-	**4 367 572**	3 625 704	**(741 868)**
Construction revenue	-	296 231	**296 231**	242 465	**(53 766)**
Receipts	**19 797 840**	**(449 246)**	**19 348 594**	**18 609 654**	**(738 940)**
Payments					
Cleaning and gardening	254 852	29 418	**284 270**	264 775	**(19 495)**
Admin, goods and services	625 011	(11 827)	**613 184**	775 963	**162 779**
Maintenance	2 184 164	127 010	**2 311 174**	2 660 016	**348 842**
Municipal services paid on behalf of clients	4 367 572	-	**4 367 572**	4 300 639	**(66 933)**
Operating leases (including rent on land)	4 452 192	(28 323)	**4 423 869**	4 416 619	**(7 250)**
Property rates	1 341 755	(2 076)	**1 339 679**	1 242 621	**(97 058)**
Compensation of employees	1 674 304	(127 705)	**1 546 599**	1 589 689	**43 090**
Municipal services expenditure	354 255	1 753	**356 008**	341 181	**(14 827)**
Construction expenses	-	296 231	**296 231**	242 465	**(53 766)**
Payments	**15 254 105**	**284 481**	**15 538 586**	**15 833 968**	**295 382**
Capital movements					
Recoverable capital expenditure	2 565 464	(587 678)	**1 977 786**	1 713 437	**(264 349)**
Non-recoverable capital expenditure	1 978 271	(146 049)	**1 832 222**	1 453 885	**(378 337)**
Additions to intangible assets	-	-	**-**	3 384	**3 384**
Finance lease	-	-	**-**	7 869	**7 869**
	4 543 735	**(733 727)**	**3 810 008**	**3 178 575**	**(631 433)**
Cash deficit	**-**	**-**	**-**	**(402 889)**	**(402 889)**

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

Notes to the Annual Financial Statements

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB), unless otherwise indicated, and in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

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

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

1.1 Significant judgement and sources of estimation uncertainty

1.1.1 Control of immovable assets

The Minister of Public Works is the legal custodian of all immovable assets vested in national government, except in cases where custodial functions were assigned to other ministers by virtue of legislation before the commencement of GIAMA on 1 April 2009. The 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). Custodianship 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 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 1 April 2013 and 1 April 2014 respectively. For further details refer to note 1.28.

Notes to the Annual Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

1.1.3 Useful life and residual values

The estimated useful lives of property, plant and equipment, investment property and intangible assets are assessed annually and is dependent on the condition of the assets. Management applies judgement in assessing the condition of the assets. The residual values are estimated to be zero as the PMTE will be utilising these assets over their entire economic life, unles 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, no systematic basis can be used to recognise the lease revenue that would be representative of the time pattern which benefit derived from the lease asset.

1.1.6 Provision for unplanned maintenance

During 2017/18 management developed a model to determine the amount due to suppliers for work performed when job cards are outstanding 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 between the severity of the incident. For the purpose of determining the average price per incident, the data was stratified per 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. The model was applied for the 2016/17 and 2017/18 provision.

Notes to the Annual Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

1.1.7 Impairment

Impairment of receivables measured at cost or amortised costs

The full voted funds for accommodation from client departments are allocated to the PMTE 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. Should the financial condition of the client change, actual write-offs could differ significantly from the impairment losses recognised.

The current year impairment 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 institutions.

Impairment of non-current assets

The PMTE uses the Depreciated Replacement Cost method for measuring the impairment of majority of the immovable assets. The 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. Movable asset is considered for impairment when the asset is no longer used, physically damaged or there is a significant change in the condition of the asset.

1.1.8 Significantly delayed projects

Projects are regarded as 'significantly delayed' when a project 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 by national department, and the occupant. The main factor considered is whether PMTE holds the asset either for service delivery (in accordance with government objective), resulting in property, plant and equipment, or for capital appreciation and/or earning or rentals, resulting in investment property, or for future generations resulting in heritage assets. Where state property is rented out to another government entity or public service employees to provide cost effective accommodation services or for social services, these properties are classified as property, plant and equipment rather than investment property as the PMTE holds these assets to deliver on its mandate rather than to earn rentals or capital appreciation.

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

Notes to the Annual Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

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

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

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

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

- The purpose for which the asset is held
- The intention to earn commercial (profit-making) return on the property
- The ability to earn commercial return on the property
- 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 and 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 versus agent relationship

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.

Notes to the Annual Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

1.1.11 Related party disclosure

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

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

In the absence of a pricing strategy for leases, judgement was made to determine the disclosures around related party transactions based on the nature of the transactions and the associated terms. In addition, many services have been rendered in-kind to the PMTE stemming from its relationship with the DPW. Due to the nature of these transactions, where amounts could not be measured reliably, only a narrative disclosure was made. This is in line with the principle in the Standard of GRAP on Revenue from Non-exchange Transactions (GRAP 23) to not recognise certain services-in-kind where it cannot be measured reliably. It is difficult to measure the value of these services and they are usually consumed within the period. Where amounts could be reliably measured, these 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 on the Statement of Financial Position. Minimum lease payments is apportioned between the finance charge and the reduction of the outstanding liability. Such liabilities are presented as a payable at an amount equal to the net obligation of the lease. Interest expense is recognised based on the interest rate implicit in the finance lease. Where the fair value of the assets are not available to determine the implicit interest rate in the lease, the PMTE uses the rate applicable to debt owed by the state. The liability is recognised at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

Operating leases - PMTE as a lessor

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

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

Notes to the Annual Financial Statements

1.4 Leases (continued)

Operating leases - PMTE as a lessee

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

The asset and the liability in the Statement of Financial Position are initially recognised at amounts equal to the fair value of the leased property or if lower, the present value of the minimum lease payments.The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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 accummulated depreciation and accumulated impairment losses, except for assets under construction, land and heritage assets. These are subsequently measured at cost less accumulated impairment losses.

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.

Notes to the Annual Financial Statements

1.6 Property, plant and equipment (continued)

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

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

If a component is replaced, the carrying amount of the existing component is derecognised and the value of the new component is recognised.

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
• 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	indefinte 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 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 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.

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.

Notes to the Annual Financial Statements

1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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.

Cost model

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
Building and improvements	12 - 100 years
Land	Indefinite

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 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.

Recognition

The 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 PMTE, and the cost or fair value of the asset can be measured reliably.

Notes to the Annual Financial Statements

1.8 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

With the exception of assets acquired through the transfer of functions under common control which is measured at carrying amount, 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.

Subsequent measurement

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.

Impairment

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.

Derecognition

The entity derecognises heritage asset 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 the included in amortisation..

Notes to the Annual Financial Statements

1.9 Intangible assets (continued)

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

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

Item	**Useful life**
Computer software	5 years

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

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

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

1.10 Payables from exchange transactions

The PMTE recognises payables from exchange transactions where liabilities result in 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.

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.

Notes to the Annual Financial Statements

1.11 Employee benefits (continued)

Retirement and medical benefits

Payments to defined contribution plans are charged as an expense to employee cost in surplus or deficit in the same year as the related services is provided. Once the contributions are paid, the PMTE has no further payment obligations.

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 but are subject to consultation with respective third parties to determine the amount to be settled.

1.14 Reserves

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

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

Notes to the Annual Financial Statements

1.15 Statutory receivables and payables

Classification, recognition and measurement

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

Payables arising from legislatory 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 cashflows, excluding future credit losses that have not been 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 in its statement of financial position when the PMTE becomes a party to the contractual provisions of 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 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 of debt owed to the State, except for debt owed by government institutions.

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

Impairment of assets

Notes to the Annual Financial Statements

1.16 Financial instruments (continued)

The entity 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 each end of the 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 has been impaired.

Non-financial assets measured at cost

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

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

Notes to the Annual Financial Statements

1.16 Financial instruments (continued)

Derecognition

Financial assets

The entity 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

The entity 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 Transactio*ns.

Notes to the Annual Financial Statements

1.17 Revenue from exchange transactions

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

Revenue earned from accommodation charges is classified as lease revenue (refer to note 1.4 for further details on recognition and measurement of lease revenue). Accommodation charges are measured based on:
- the cost of leasing in (in the case where property is leased in from the private sector);
- the budget devolution as agreed upon with the client departments (in the case of state owned accommodation leased to client departments); 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 freehold private leases.

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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

Notes to the Annual Financial Statements

1.19 Expenditure

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

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

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

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

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

1.20 Construction contracts and receivables

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

1.21 Irregular, Fruitless and wasteful expenditure

Irregular, fruitless and wasteful expenditure, as defined by the PFMA, and material losses through criminal conduct is recognised as expenditure in the surplus or deficit according to the nature of the payment and disclosed separately in notes 31 and 32. When the amount is subsequently recoverable, it is recognised as revenue in surplus or deficit. 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

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. 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.

Management of the PMTE is defined as being individuals with the responsibility for planning, directing and controlling the activities of the entity. Key management officials are 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.

1.23 Budget information

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

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

Notes to the Annual Financial Statements

1.24 Commitments

Items are classified as commitments when the PMTE has committed itself to future transactions that will normally result in the outflow of cash. The current year's estimates are based on unrecognised capital and maintenance expenditure which has been approved and either contracted for or an order has been issued to the supplier relating to immovable assets.
See Notes: 7, 8, 9, 10 for additional disclosure. The PMTE also manages other projects on behalf of client departments which are not in respect of the PMTE's immovable assets. These agency commitments have been disclosed in note 34.

1.25 Going concern assumption

These annual financial statements have been prepared on the going concern basis. Although the PMTE has a bank overdraft of R2,3 billion (2017: R1,9 billion) and the current liabilities exceed the current assets by R10,3 billion (2017: R9,3 billion), management maintains their assertion that the PMTE is able to continue on a going concern basis into the foreseeable future. It should be noted that included in the current liabilities is a non-cash liability, Deferred Revenue of R7 billion (2017: R6 billion). Management applies the accounting principles of conservatism and prudence when accounting for it's 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 year-end R 838 million was received relating to these outstanding debts.

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 37.

1.27 Deferred revenue

The PMTE recognises in payables 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

Full compliance relating to the recognition and measurement of the above transfer is required by the 31 March 2018. The impact of the restatement on the provisional amount arising from the transfer of function was immaterial.

Notes to the Annual Financial Statements

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)

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)

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 above 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 106)
- Service concession arrangements: Grantor
- Service concession arrangements where a grantor controls a significant residual value in an asset

It is unlikely that the above 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.

Notes to the Annual Financial Statements

	2018 R'000	Restated 2017 R'000

3. Receivables from exchange transactions

	2018 R'000	Restated 2017 R'000
Financial assets		
Accommodation debtors - leasehold inter-governmental	335 906	506 029
Accommodation debtors - freehold inter-governmental debtors	648 639	613 255
Accommodation debtors - freehold private	21 996	29 171
Municipal services	499 508	423 202
Debt account	36 582	5 040
Revenue accrual - recoverable leases	401 759	352 801
Revenue accrual - recoverable municipal services	965 085	859 902
Revenue accrual - recoverable projects	384 860	437 248
Municipal deposits	17 032	15 758
Other debtors	1 851	1 385
Recoverable property rates	-	-
	3 313 218	**3 243 791**
Non-financial assets		
Prepaid expenses - implementing agents	305 936	247 452
Prepaid expenses - leases	428 856	405 740
Prepaid expenses - other	604	70
Prepaid expenses - municipal services	22 224	155 799
Prepaid expenses - municipal services and property rates (backlog)	428 663	372 126
Prepaid expenses - property rates	278 479	261 826
Creditors with debit balances	27 787	25 684
	4 805 767	**4 712 488**

The applicable interest rate for outstanding freehold private receivables and debt account receivables for the period is 10.25% (2017: 10.50%).

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 implementig 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 5.50% (2017: 5.75%).

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:

	2018 %	2017 %
Accommodation debtors - freehold inter-governmental debtors	39	32
Accommodation debtors - leasehold inter-governmental	51	36
Accommodation debtors - freehold private	26	24
Municipal services	87	74
Debt account	78	64
Recoverable property rates	100	100

Notes to the Annual Financial Statements

	2018 R'000	Restated 2017 R'000

4. Receivables from non-exchange transactions

Accommodation debtors - freehold prestige	22	66

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 exchange transactions

5. Operating lease asset/(liabilities)

	Note	2018 R'000	2017 R'000
Current assets (PMTE as lessor)	5.1	582 154	713 292
Current liabilities (PMTE as lessee)	5.2	(553 790)	(702 134)
		28 364	**11 158**

5.1 Total operating lease asset - PMTE as lessor		
Leasehold inter-governmental	552 920	675 729
Freehold private	29 234	37 563
	582 154	**713 292**

Total minimum lease receipts - PMTE as lessor		
Within one year	2 119 493	2 368 183
In second to fifth year inclusive	2 121 068	3 627 061
Later than five years	215 350	352 755
	4 455 911	**6 347 999**

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).

Notes to the Annual Financial Statements

	2018 R'000	Restated 2017 R'000

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

5.2 Total operating lease liabilities - PMTE as lessee

	2018 R'000	Restated 2017 R'000
Operating lease liabilities - leasehold inter-governmental	**553 790**	**702 134**

	2018 R'000	Restated 2017 R'000
Total minimum lease payments - PMTE as lessee		
Within one year	2 118 143	2 410 558
In second to fifth year inclusive	2 077 212	3 727 265
Later than five years	161 785	305 403
	4 357 140	**6 443 226**

The PMTE has 2 882 leases of which 1344 have not expired included in the current private leasing portfolio (2017: 2 597 leases of which 1836 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

	2018 R'000	Restated 2017 R'000
Cash and cash equivalents consist of:		
Cash on hand	299	218
Bank balance	5 668	2 716
Cash and cash equivalents	5 967	2 934
Bank overdraft	(2 338 485)	(1 932 563)
	(2 332 518)	**(1 929 629)**

The interest rate on the bank balance is variable. The average effective interest rate on short term bank deposits is 5.29% (2017: 5.50%). The bank overdraft is a Pay-Master-General account directly linked to National Treasury and carries interest at 0%.

7. Property, plant and equipment

	2018			Restated 2017		
	Cost R'000	**Accumulated depreciation and accumulated impairment** R'000	**Carrying value** R'000	**Cost** R'000	**Accumulated depreciation and accumulated impairment** R'000	**Carrying value** R'000
Land	38 324 167	-	38 324 167	38 339 749	-	38 339 749
Buildings and improvements	92 606 969	(10 968 603)	81 638 366	89 162 257	(8 508 746)	80 653 511
Furniture and office equipment	109 783	(45 606)	64 177	108 828	(38 913)	69 915
Motor vehicles	-	-	-	411	(403)	8
Computer equipment	223 745	(96 215)	127 530	204 839	(72 644)	132 195
Other machinery and equipment	62 282	(21 102)	41 180	54 766	(16 501)	38 265
Total	**131 326 946**	**(11 131 526)**	**120 195 420**	**127 870 850**	**(8 637 207)**	**119 233 643**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance R'000	Additions R'000	Transfers in R'000	Disposals R'000	Transfers out R'000	Change in estimate R'000	Depreciation R'000	Impairment loss R'000	Total R'000
Land	38 339 749	-	-	(15 582)	-	-	-	-	38 324 167
Buildings and improvements	80 653 511	3 444 713	-	-	-	-	(2 375 507)	(84 351)	81 638 366
Furniture and office equipment	69 915	12 860	273	(50)	(361)	704	(19 163)	(1)	64 177
Vehicles	8	-	-	-	-	-	(8)	-	-
Computer equipment	132 195	19 013	4 127	(918)	(1 313)	8 800	(34 370)	(4)	127 530
Other machinery and equipment	38 265	5 995	2 031	(63)	(182)	1 284	(6 150)	-	41 180
	119 233 643	**3 482 581**	**6 431**	**(16 613)**	**(1 856)**	**10 788**	**(2 435 198)**	**(84 356)**	**120 195 420**

Reconciliation of property, plant and equipment - 2017 Restated

	Opening balance R'000	Additions R'000	Transfers in R'000	Disposals R'000	Transfers out R'000	Change in estimate R'000	Depreciation R'000	Impairment loss R'000	Total R'000
Land	38 485 541	464	-	(146 256)	-	-	-	-	38 339 749
Buildings and improvements	78 644 925	4 337 325	-	-	-	-	(2 290 610)	(38 129)	80 653 511
Furniture and office equipment	74 904	15 200	603	(1 059)	(115)	(820)	(18 780)	(18)	69 915
Vehicles	224	-	-	-	(98)	-	(118)	-	8
Computer equipment	151 124	10 961	4 688	(6 350)	(705)	7 848	(35 359)	(12)	132 195
Other machinery and equipment	37 518	7 741	79	(683)	(494)	142	(6 007)	(31)	38 265
	117 394 236	**4 371 691**	**5 370**	**(154 348)**	**(1 412)**	**7 170**	**(2 350 874)**	**(38 190)**	**119 233 643**

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
2018			
Building and improvements	11 325 077	6 642 770	-
2017-Restated			
Building and improvements	10 495 378	5 130 279	-

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

Assets subject to finance lease (Net carrying amount)	2018 R'000	Restated 2017 R'000
Furniture and office equipment	14 161	15 444
Vehicles	-	8
	14 161	**15 452**

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

Contractual commitments for acquisition and maintenance of Property, plant and equipment	Committed for acquisition (CAPEX) R'000	Committed for maintenance (OPEX) R'000	Total commitment R'000
2018			
Building and improvements	6 164 179	3 382 026	9 546 205
2017 - Restated			
Building and improvements	6 280 651	3 637 466	9 918 117

Other disclosure

The change in estimate is as a result of a review of the useful lives of the classes of property, plant and equipment.

An additional 185 properties (2017: 366 properties) were identified on the Deeds download received on 30 April 2018 effective 31 March 2018, whilst 2 land parcels amounting to R 16 million (2017: 14 land parcels amounting to R 146 million) had changed ownership with no formal process or disposal followed. The latter land parcels have been placed under investigation due to the nature of the ownership change (refer to note 24).

PMTE has reconciled its immovable asset register to the other national and provincial custodians and has identified properties under its control where the underlying land was also disclosed by the provinces. These properties mainly relate to instances where both a National and Provincial function structure is located on the same land parcel. Included in the amounts recognised in property, plant and equipment are land parcels that is currently also included in the asset register of the provinces. PMTE will continue to disclose such land until it is surveyed and the portion relating to provincial function is identifiable and transferred where applicable. The table below reflects details as at 31 March 2018:

	Number of land parcels	Total extent of land (Ha)	Carrying value R000
Gauteng	2	83 R	1 406
Northern Cape	1	3 287 R	895
	3	**3 370 R**	**2 301**

* See Note 37

Notes to the Annual Financial Statements

Figures in Rand

8. Investment property

	2018			Restated 2017		
	Cost R'000	**Accumulated depreciation and accumulated impairment R'000**	**Carrying value R'000**	**Cost R'000**	**Accumulated depreciation and accumulated impairment R'000**	**Carrying value R'000**
Investment property	5 960 463	(506 410)	5 454 053	5 952 760	(400 758)	5 552 002

Reconciliation of investment property - 2018

	Opening balance R'000	**Additions R'000**	**Depreciation R'000**	**Total R'000**
Building and improvements	4 222 838	7 703	(105 652)	4 124 889
Land	1 329 164	-	-	1 329 164
	5 552 002	**7 703**	**(105 652)**	**5 454 053**

Reconciliation of investment property - 2017 Restated

	Opening balance R'000	**Additions R'000**	**Depreciation R'000**	**Total R'000**
Building and improvements	4 325 574	1 263	(103 999)	4 222 838
Land	1 329 164	-	-	1 329 164
	5 654 738	**1 263**	**(103 999)**	**5 552 002**

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
2018			
Building and improvements	70 245	50 532	-
2017 - Restated			
Building and improvements	64 914	50 532	-

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

8. Investment property (continued)

Amounts recognised in Statement of Financial Performance relating to Investment Property

	2018			2017		
	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	76	240	316	10	39	49
Municipal services	6 418	244	6 662	5 734	429	6 163
Property rates	1 673	1 196	2 869	4 739	777	5 516
Cleaning and gardening	20	117	137	-	37	37
Security	-	1 558	1 558	-	430	430
Total direct expenses	8 187	3 355	11 542	10 483	1 712	12 195
Revenue from exchange (Freehold private)	44 156	-	44 156	65 673	-	65 673
Total surplus/(deficit) on investment property	**35 969**	**(3 355)**	**32 614**	**55 190**	**(1 712)**	**53 478**

Contractual commitments for the acquisition and maintenance of Investment Property	Committed for acquisition (CAPEX) R'000	Committed for maintenance (OPEX) R'000	Total commitment R'000
2018			
Building and improvements	7 206	-	7 207
2017 - Restated			
Building and improvements	15 436	-	15 436

Notes to the Annual Financial Statements

9. Heritage assets

	2018			Restated 2017		
	Cost R'000	**Accumulated impairment losses** R'000	**Carrying value** R'000	**Cost** R'000	**Accumulated impairment losses** R'000	**Carrying value** R'000
Land	582 041	-	582 041	582 041	-	582 041
Building and improvements	315 783	-	315 783	315 816	-	315 816
Total	**897 824**	**-**	**897 824**	**897 857**	**-**	**897 857**

Reconciliation of heritage assets - 2018

	Opening balance R'000	**Other changes, movements** R'000	**Total** R'000
Land	582 041	-	582 041
Building and improvements	315 816	(33)	315 783
	897 857	**(33)**	**897 824**

Reconciliation of heritage assets - 2017 Restated

Land	582 041	-	582 041
Building and improvements	315 816	-	315 816
	897 857	**-**	**897 857**

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
2018			
Building and improvements	445	-	-
2017 - Restated			
Building and improvements	445	-	-

Restrictions on heritage assets

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

Contractual commitments for the acquisition and maintenance of heritage assets

	Committed for acquisition (CAPEX) R'000	Committed for maintenance (OPEX) R'000	R'000 Total commitment
2018			
Building and improvements	-	-	-
2017 Restated			
Building and improvements	80	-	80

Notes to the Annual Financial Statements

10. Intangible assets

	2018			Restated 2017		
	Cost	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Computer software	31 921	(8 791)	23 130	28 537	(6 918)	21 619

Reconciliation of intangible assets - 2018

	Opening balance R'000	**Additions R'000**	**Amortisation R'000**	**Impairment loss R'000**	**Total R'000**
Computer software	21 619	3 384	(1 873)	-	23 130

Reconciliation of intangible assets - 2017

	Opening balance R'000	**Additions R'000**	**Amortisation R'000**	**Impairment loss R'000**	**Total R'000**
Computer software	12 015	11 872	(2 268)	-	21 619

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
2018			
Computer software	19 682	19 682	-
2017			
Computer software	15 268	15 268	-

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

Contractual commitments for acquisition and maintenance of intangible assets	Committed for acquisition (CAPEX) R'000	Committed for maintenance (OPEX) R'000	R'000 Total commitment
2018			
Computer software	14 071	41 631	55 702
2017			
Computer software	-	-	-

Notes to the Annual Financial Statements

	2018 R'000	Restated 2017 R'000

11. Deferred revenue

Deferred revenue	6 696 888	6 137 955

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

Opening balance	6 137 955	6 680 689
Plus: Revenue deferred during the year	1 695 383	2 158 978
Less: Revenue recognised during the year	(1 136 450)	(2 701 712)
	6 696 888	**6 137 955**

12. Payables from exchange transactions

Financial liabilities		
Accrued expenses - Assets	256 093	385 328
Accrued expenses - Cleaning and gardening	24 996	17 157
Accrued expenses - Leases	805 271	418 819
Accrued expenses - Maintenance	234 248	470 437
Accrued expenses - Municipal services	1 013 057	1 001 975
Accrued expenses - Other	85 053	99 383
Accrued expenses - Property rates	53 039	76 743
Accrued expenses - Scheduled maintenance	162 863	202 953
Accrued expenses - Security	8 080	3 381
Total accrued expenses	2 642 700	2 676 176
Unallocated deposits	2 285	4 442
Trade payables	796	-
Deposits received	17	17
	2 645 798	**2 680 635**
	-	-
Non-financial liabilities		
Income received in advance - leases	652 543	539 251
Income received in advance - other services	86 045	63 429
Debtors with credit balances	62 765	53 010
	3 447 151	**3 336 325**

Notes to the Annual Financial Statements

	2018 R'000	Restated 2017 R'000

13. Retention liabilities

	2018 R'000	Restated 2017 R'000
Non-current liabilities	52 501	40 620
Current liabilities	349 680	281 407
	402 181	**322 027**

14. Finance lease obligation

	2018 R'000	Restated 2017 R'000
Minimum lease payments due		
- within one year	7 699	9 416
- in second to fifth year inclusive	3 078	8 365
	10 777	17 781
less: future finance charges	(834)	(1 756)
Present value of minimum lease payments	**9 943**	**16 025**
Present value of minimum lease payments due		
- within one year	7 005	8 221
- in second to fifth year inclusive	2 938	7 804
	9 943	**16 025**
Non-current liabilities	2 938	7 804
Current liabilities	7 005	8 221
	9 943	**16 025**

The finance lease liability relates to vehicles, 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 for other equipment and 24 months for cellphones and 3G cards. All contracts have no escalation clauses. During 2017/18 a new agreement was entered into with regards to cell phones and 3G cards whereby the entity purchases the cell phones up front with no further finance lease obligations.

15. Employee benefit obligations

Reconciliation - 2018	Opening balance R'000	Utilised during the year R'000	Over/(under) provided R'000	Additions R'000	Total R'000
Leave	126 197	(106 656)	(19 541)	126 408	126 408
Service bonus	35 730	(35 176)	(554)	38 686	38 686
Performance bonus	20 651	(24 887)	4 236	21 744	21 744
Long service awards	6 184	(2 943)	-	2 492	5 733
	188 762	**(169 662)**	**(15 859)**	**189 330**	**192 571**

Reconciliation - 2017					
Leave	110 684	(99 691)	(10 994)	126 198	126 197
Service bonus	34 012	(33 285)	(727)	35 730	35 730
Performance bonus	18 094	(18 170)	76	20 651	20 651
Long service awards	5 734	(2 782)	-	3 232	6 184
	168 524	**(153 928)**	**(11 645)**	**185 811**	**188 762**

Notes to the Annual Financial Statements

16. Provisions

Reconciliation of provisions - 2018	Opening Balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Change in estimate R'000	Total R'000
Municipal services and property rates (backlog)	977 481	83 220	(15 710)	-	-	1 044 991
Maintenance	1 108 568	583 416	(382 797)	(387 275)	89 287	1 011 199
Legal proceedings	11 056	14 625	(6 402)	(400)	-	18 879
	2 097 105	**681 261**	**(404 909)**	**(387 675)**	**89 287**	**2 075 069**

Reconciliation of provisions - 2017 (restated)	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in estimate	Total
Municipal services and property rates (backlog)	971 280	88 288	(82 087)	-	-	977 481
Maintenance	-	1 108 568	-	-	-	1 108 568
Legal proceedings	13 295	3 780	(31)	-	(5 988)	11 056
	984 575	**1 200 636**	**(82 118)**	**-**	**(5 988)**	**2 097 105**

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 428 million (2017: R 372 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 (2017: R 25 million) relating to interest charged by municipalities which is still in the process of verification.

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 perfromed by contractors (refer to 1.1.6).

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.

Notes to the Annual Financial Statements

	2018 R'000	Restated 2017 R'000

17. Revenue from exchange transactions

	2018 R'000	Restated 2017 R'000
Accommodation charges - Leasehold Inter-governmental	4 471 017	4 008 113
Accommodation charges - Freehold Inter-governmental	5 631 793	7 028 157
Accommodation charges - Freehold Private	44 156	65 673
Management fees on municipal services	212 923	193 172
Reversal of impairment loss for receivables from exchange transactions	32 538	75 860
Sundry revenue	7 211	7 589
Interest revenue	18 265	4 428
Recoveries	1 075	678
	10 418 978	**11 383 670**

	2018 R'000	Restated 2017 R'000
Interest revenue consists of:		
Interest from receivables	18 253	4 421
Interest on bank balances	12	7
	18 265	**4 428**

18. Revenue from non-exchange transactions

	2018 R'000	Restated 2017 R'000
Augmentation	3 682 254	3 389 448
Goods and service in-kind	3 114	20 772
Contractor fines	3 195	2 714
Donations revenue	382 361	642 185
Accommodation charges - Prestige	1 771	1 870
	4 072 695	**4 056 989**

19. Construction revenue and expenses

	2018 R'000	Restated 2017 R'000
Amount recognised in surplus		
Construction Revenue	232 861	261 446
Construction Expenses	(232 861)	(261 446)

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

	2018 R'000	Restated 2017 R'000
Gross amount due from clients		
Costs incurred to date	1 001 912	844 330
Amounts invoiced to date	(991 282)	(824 096)
	10 630	**20 234**

	2018 R'000	Restated 2017 R'000
Amounts not yet billed (Revenue accrual)		
Retentions	6 177	8 035
Accrued expenses	31 021	12 199
Prepaid expenses	(26 568)	-
	10 630	**20 234**

20. Depreciation, amortisation and impairments of assets

	2018 R'000	Restated 2017 R'000
Property, plant and equipment	2 508 766	2 381 894
Investment property	105 652	103 999
Intangible assets	1 873	2 268
	2 616 291	**2 488 161**

Notes to the Annual Financial Statements

	2018 R'000	Restated 2017 R'000

21. Employee related costs

Bargaining council	974	336
Basic salary and non-pensionable salary	1 222 482	1 144 789
Housing allowances	55 623	54 996
Medical aid contributions	76 789	72 693
Overtime	23 234	17 641
Pension fund contributions	121 341	114 131
Performance bonus	26 510	22 613
Service bonus	75 795	73 667
	1 602 748	**1 500 866**

22. Impairment loss on receivables

Receivables from exchange transactions	1 082 946	279 714
Receivables from non-exchange transactions	664	2 133
	1 083 610	**281 847**

23. Interest expense

Interest on overdue accounts	74	106
Interest on municipal services and property rates	83 220	88 288
Interest on finance leases	1 787	1 774
	85 081	**90 168**

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

24. Loss on disposal/transfer of assets

Property, plant and equipment	18 463	155 654

Majority of the loss on the disposal of property, plant and equipment relates to the 2 land parcels (2017: 14), with a carrying value of R16 million (2017: R146 million), which has changed ownership during the financial period. These are currently under investigation. Refer to note 7.

25. Operating lease

Operating lease - building and improvements	4 529 246	4 115 693
Operating lease - vehicles, furniture and office equipment	47 747	40 822
Rent on land	25 468	24 651
	4 602 461	**4 181 166**

26. Property maintenance (contracted services)

Property maintenance expense relates to the following asset categories:		
Property, plant and equipment	2 141 208	3 370 349
Investment property	315	49
Heritage assets	7 789	2 891
Leased properties	9 264	9 942
	2 158 576	**3 383 231**

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

Notes to the Annual Financial Statements

	Note(s)	2018 R'000	Restated 2017 R'000
27. Sundry operating expenses			
Advertising		3 758	3 041
Auditors remuneration		35 660	28 387
Bad debts written off		877	1 877
Bank charges		506	298
Bursaries		10 366	4 119
Claims against the state		159	37
Cleaning and gardening		272 615	250 005
Computer software related expenses		19 807	11 375
Communication expenses		9 852	14 682
Consulting fees	27.1	246 961	275 045
Consumables		26 272	27 164
Fleet expenses	27.2	17 152	12 154
Losses incurred	27.3	197 940	64 868
Municipal service expenses		387 014	288 165
Other contractors		5 479	6 467
Other goods and services		20 232	12 759
Retirement awards		13 241	9 086
Security		94 163	76 220
Service in-kind expenses	27.4	-	21 420
Travel and subsistence		72 899	71 779
		1 434 953	**1 178 948**

27.1 Consulting fees

Included in consulting fees is R 173 million (2017: R149 million) paid to Special Investigating Unit for investigation purposes, and R 11 million (2017: R29 million) paid to COEGA Development Corporation for business improvements and process reviews. An amount of R 19 million was paid to Vodacom for the Telemetry solution implemented for our properties and R 10 million was paid to Developoment Bank of South Africa for the assistance with the conditional assessments and maintenance plan development for facilities. R 5 million (2017: R- million) was paid to Ernst & Young for the development of the Finance model. 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.

Notes to the Annual Financial Statements

28. Cash generated from operations

	2018 R'000	Restated 2017 R'000
(Deficit) surplus	(152 746)	1 113 130
Adjustments for:		
Depreciation, impairment and amortisation	2 616 291	2 488 161
Loss on disposal/transfer of assets	18 463	155 654
Interest expense	85 081	90 168
Interest revenue	(18 253)	(4 421)
Impairment on receivables	1 083 610	281 847
Bad debt written off	877	1 877
Reversal of impairment loss on receivables	(32 538)	(75 860)
Service in-kind revenue	(3 114)	(20 772)
Service in-kind expenditure	-	21 420
Losses incurred	197 940	64 868
Donations received	(382 361)	(642 185)
Changes in working capital:		
Receivables from exchange transactions	(1 324 251)	(1 256 662)
Receivables from non-exchange transactions	(620)	(602)
Operating lease asset	131 138	186 455
Operating lease liabilities	(148 344)	(153 061)
Payables from exchange transactions	239 987	387 721
Provisions	(105 256)	1 024 242
Employee benefit obligations	3 809	20 238
Retention liabilities	7 040	27 027
Deferred revenue	558 933	(542 735)
	2 775 686	**3 166 510**

Notes to the Annual Financial Statements

29. Budget differences

Reconciliation of budget to actual

	R'000
Net cash flows from operating activities	2 775 686
Net cash flows from investing activities	(3 170 706)
Net cash flows from financing activities	(7 869)
	(402 889)
Cash deficit	(402 889)
(Deficit) surplus for the year	(152 746)
Basis difference	**(555 635)**

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. The PMTE's approved budget was for the 12 month period ending 31 March 2018.

Explanations of material variances between actual amounts and final budgeted amount

Accommodation charges - freehold inter-governmental

The revenue variance between the final budget and the actual performance is largely attributable to Intergovernmental accommodation charges invoiced for R1 billion which was not recovered from the client departments, primarily Correctional Services (R422 mil), Justice (R189 mil), Agriculture (R85 mil), DPSA (R25 mil) and DIRCO (R7 mil). The exemption for itemised billing was received from National Treasury on the 8 January 2018 which caused delays in payments by the client departments. The remaining balance of R R351 mil primarily relates to DAC major HVAC project (R78 mil), SAPS (R66 mil), Justice (R61 mil), Correctional Services (R30 mil), Defence (R33 mil), DIRCO- Pap Project (R60 mil) and Basic Education (R23 mil). Included in the amount received is the amount of R648 million relating to the invoices issued in the previous financial year.

Accommodation charges - leasehold inter-governmental

The revenue variances is largely attributable to the amount R359 million received in advance from client departments, this amount relate to 2016/17 financial year

Municipal services recovered and paid

The PMTE performs the role as agent for all client departments when municipal services are provided. These services are performed for the benefit of the client who remains the principal in this agreement. The principal should account for the amount received or paid. Hence zero amount budgeted for this item. Net effect of payments and recoveries should be zero as municipal services are managed on a cost recovery basis. Payments may exceed recoveries due to delays in invoicing.
The revenue variances is largely attributable to unpaid balances due to disputes, mainly relating to non-occupation of properties and abstaining from shared savings contracts claims.

Management fee on municipal services

The variance on this item is attributable to the fact that the amount received as at the end of the Financial Year was less than the amount claimed, the calculation of the management fee was based on the amount to be claimed for the municipal services from the client departments. Included in the amount received is the amount of R12 million relating to the invoices issued in the previous financial year.

Construction revenue and costs

Projected revenue and expenditure from construction contracts are budgeted for against Capital recoverable. Expenditure from construction contracts relating to non-state owned assets is however recognised separately as construction costs in the Statement of Financial Performance in accordance with GRAP. These contracts were identified during the 2017/18 annual financial statement process and mainly related to the Department of Defence endowment properties.

Notes to the Annual Financial Statements

29. Budget differences (continued)

Maintenance

Maintenance budget comprises of planned maintenance and unplanned maintenance.
For planned maintenance the budget is based on the cash flow projection relating to the planned projects roll-out of an extensive project portfolio. The expenditure is monitored closely. There is an over-expenditure for planned maintenance due to the reclassification of expenditure from capital to current projects which were originally budgeted against capital.
For unplanned maintenance the budget relates to day-to-day breakdowns and routine maintenance done on installations such as air conditioners, boilers, water treatment plants, etc. Due to the nature of the expense, the budget is monitored and adjusted frequently but needs to be flexible as the number of breakdowns cannot be predicted. Additional funding was provided to assist with the settlement of outstanding invoices.

Cleaning and gardening

Cleaning and horticultural services are provided to the facilities occupied by PMTE, Justice and Prestige. These services are delivered partially through in-house capability and partially through the use of external service providers. The variances is attributable to the delay in the procurement of new contracts where the existing contracts have expired. The reasons for the delays was that most of the service providers were not complying with the responsiveness criteria and the delays in getting security vetting results. The other reason was due to the delay in receiving the claims for the payment of EPWP beneficiaries from DPW.

Operating leases

The overspending is attributable to the escalation clauses in the individual lease contracts. The expenditure is recoverable from client departments and does not affect the overall operations of the PMTE.

Property rates

The underspending on this budget item was due to disputes of ownership on some of the properties invoiced by the municipality as well as disputes regarding the rand value of the invoices. The reconciliation process is taking place between the PMTE's asset register and the accounting records and the Municipality.

Municipal services expenditure

Slow expenditure which was due to late receipt of invoices from the municipalities. This lead to the underspending on the Municipal Services budget.

Administrative, goods and services

The over expenditure relates to losses incurred due to contractors defaulting on infrastructure projects where the costs have not been recovered.

Compensation of employees

Overspending relates to the payment of compensation to officials appointed on a contract basis. The Compensation budget was reduced as the contracts were ending during the financial year, however these contracts were extended longer than expected. These appointments were necessary while the new structure was implemented and officials were matched and placed to the correct positions. The shortfall will be funded from savings against other budget items.

Capital non-recoverable expenditure

Funding was earmarked for the acquisition of two sites in the City of Tshwane under the Precinct Planning and Development Programme. These acquisition were not finalised in the 2017/18 financial year due to a delay in obtaining a Council Resolution. Application will be made to roll this funding over to the next financial year as it is expected that the process will be finalised during the first quarter of the 2018/19 financial year.

Capital recoverable expenditure

The underspending on this budget occurred on projects against Arts and Culture, Justice and SAPS. The reasons for the underspending was due to the delay in the execution of projects which was caused by some of the contractors being liquidated and in financial distress. There were engagements between the contractors and the Department and the extension of time was approved on some of the projects.

Notes to the Annual Financial Statements

30. Contingencies

Contingent liabilities	2018 R'000	Restated 2017 R'000
Municipal services and property rates	60 544	60 544
Legal claims against the PMTE	41 432	88 183
Projects	-	6 394
	101 976	**155 121**

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.

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.

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.

Projects

Certain projects have reached final completion status however there are disputes regarding the final re-measurements and/or contractual penalties between the contractor, the Quantity Surveyor and the PMTE. No legal action has been taken by any stakeholder at the end of the reporting period. The figure disclosed represents the remaining commitment, after deducting any retentions and accruals at reporting date.

Contingent assets	2018 R'000	Restated 2017 R'000
Municipal services and property rates	828	828
Municipal services - shared savings	-	75 930
Legal claims by the PMTE	172 870	193 436
Retentions	-	45 742
Special Investigating Unit recoveries	765 705	-
Property, plant and equipment	Undefined	Undefined
	939 403	**315 936**

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.

Municipal services - shared savings

The PMTE has embarked on a project with service providers to increase usage efficiencies of energy and water resulting in direct and indirect monetary savings to the relevant client departments. The service providers' interventions have reduced the municipal services consumption which is a direct savings against the client department's budget. In addition, the interventions entered into by the service provider has identified billing errors against the client department's municipal accounts. These errors have been corrected and the client department has enjoyed the refunds directly against their municipal accounts. The invoices from the service providers for the interventions undertaken have been billed to the client departments during 2017/18 .

Notes to the Annual Financial Statements

30. Contingencies (continued)

Legal claims by the PMTE

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

Retentions

Different contract types exist for the construction of properties by the contractors which include a range of security clauses for the purpose of managing the risk of non-performance by the contractor. These security clauses stipulate that the PMTE is entitled to retain a specified portion of the payment on each invoice received. Management did however not apply these security clauses accurately resulting in insufficient amounts being retained on each payment.

PMTE management has the intention to recoup these amounts on future payments. However contractors may not be willing to accept reduced payment and carry the consequences for management oversight. Therefore in the absence of objective evidence that the PMTE will be able to recover these funds before the projects are completed, the PMTE cannot conclude that future economic benefits will be possible and a contingent asset is disclosed.

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. As a result of these investigations 13 summons have been issued or matters are currently presiding in court for the recovery of funds. There are 15 matters which were referred to the Asset Forfeiture Unit and 105 matters were referred to the PMTE for recovery.

The SIU was tasked to investigate certain projects relating prestige properties, with reference to Proclamation R54 of 2014 and Proclamation R59 of 2013. These matters are either currently preciding in court or summons have been issued for recovery of funds.

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 4190 land parcels (2017: 5366 land parcels) that will potentially need to be transferred to PMTE. Transfers can only be completed once an arrangement has been concluded with the current custodian and the land has been surveyed, registered or endorsed. The value of these land parcels can furthermore only be reliably determined once it has been surveyed and the revised Surveyor General diagrams have been issued.

The PMTE received the deeds register on the 30 April 2018 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.

Notes to the Annual Financial Statements

	2018 R'000	Restated 2017 R'000

31. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

	2018 R'000	Restated 2017 R'000
Opening balance	99 274	246 736
Fruitless and wasteful expenditure - relating to current year	-	119
Fruitless and wasteful expenditure - relating to prior year	-	38
Less amounts awaiting resolution	(12 076)	(147 619)
	87 198	**99 274**

An amount of R 133 million was discovered by the AGSA as potential fruitless and wasteful expenditure that management needed to validate in line with the National Treasury Guideline on fruitless and wasteful expenditure and the Policy on Management of Financial Misconduct. Given the complexity of the matters, management has instituted formal investigations into the project to determine if resultant expenditure is indeed fruitless and wasteful. It is anticipated that the investigation will be finalised in the new financial year and appropriate disclosures will be made thereafter. Due to improved internal controls instituted by managment, no fruitless or wasteful expenditure was discovered and confirmed in the current financial year. However, an amount of R 444 383 was discovered during the current year as potential fruitless and wasteful expenditure, which management was still validating at the conclusion of the audit.

The amounts reversed of R12 million relate to transactions previously classified as fruitless and wasteful expenditure without having validated or investigated them. There were instances were rentals were paid on purportedly unoccupied buildings. Upon further investigations it was found that some properties were never vacant, or are occupied on certain days, depending on the operation of client departments. These kinds of expenditure do not meeet the definition of fruitless and wasteful expenditure.

The Special Investigations Unit (SIU) is currently conducting investigations in terms of proclamation R38 of 2010, R59 of 2014 and R27 of 2015. Management has received some reports of investigations, which have been implemented, while those received at the end of the 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 confimation from the SIU.

Details of fruitless and wasteful expenditure - discovered in the current year	2018 R'000	2017 R'000
Interest paid on overdue accounts	-	114
Transport costs	-	5
	-	**119**

32. Irregular expenditure

Reconciliation of irregular expenditure

	2018 R'000	Restated 2017 R'000
Opening balance	3 705 259	5 147 987
Add: Irregular Expenditure - relating to current year	149 384	11 058
Add: Irregular Expenditure - relating to prior year	9 887	257 116
Less: Amounts condoned - relating to prior years	(271 382)	(359 409)
Less: Amounts not recoverable (not condoned)	(1 259 109)	(1 351 493)
	2 334 039	**3 705 259**

Investigations into instances of confirmed irregular expenditure is an ongoing process. Where investigations have been concluded and officials have been found liable in law, appropriate actions are taken by management in line with the National Treasury Guidelines on Irregular Expenditure and the approved Policy on Management of Financial Misconduct. An amount of R 133 million was discovered during the current year audit as potential irregular expenditure that management will validate in line with the National Treasury Guidelines on Irregular Expenditure and the approved Policy on Management of Financial Misconduct.

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

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

Notes to the Annual Financial Statements

	2018 R'000	Restated 2017 R'000

32. Irregular expenditure (continued)

The Special Investigations Unit (SIU) is currently conducting investigations in terms of proclamation R38 of 2010, R59 of 2014 and R27 of 2015. Management has received some reports of investigations, which have been implemented, while those received at the end of the 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 confimation from the SIU.

Details of irregular expenditure - current year

	2018 R'000
Appropriate approval not obtained from delegated authority	1 320
Incorrect procurement process followed	138 622
Documents for unsuccessful bidders not found	7 185
Local content not implemented	34
Three quotations not obtained	2 223
	149 384

Of the R 149 million irregular expenditure incurred in the current year, R 145 million relates to instances of irregularities found in contracts that were procured in the prior years and are still on-going. The amounts will only be cleared upon conclusion of the investigations which are currently on-going.

Details of irregular expenditure - prior year

	2018 R'000
Appropriate approval not obtained from delegated authority	5 287
Incorrect procurement process followed	4 600
	9 887

The amount of R 5.2 million was investigated and conducted by the Anti-Corruption Units in the current financial year and the necessary sanctions in the investigations are in the process of being implemented.

Details of irregular expenditure - prior year amounts condoned

	2018 R'000
Roster Appointments/Consultants	271 382

Roster appointments related to a rotational database of professional services employed on construction projects which the department utilised in previous years. The database was found in the previous financial years not to comply with subsequent prescripts of the National Treasury relating to quotations. The incident was condoned by the Accounting Officer as the delegated authority in line with the approved Policy on Mangement of Financial Misconduct in the previous financial year and these transations were subsequently identified during the investigations in the current financial year.

Details of irregular expenditure not recoverable (not condoned)

	2018 R'000
Correct processes not followed in prior years	1 319 474
Prior year errors	(60 365)
	1 259 109

The irregular expenditure classified as not recoverable (not condoned) relate to transactions where disciplinary actions were taken against the implicated officials. This also includes transactions that were approved by the National Treasure and were discovered during the investigations initiated by management. These transactions were dealt with in terms of the Policy on Mananagment of Financial Miscoduct and transactions considered not recoverable in terms of the National Treasury's Guideline on Irregular Expenditure.

Notes to the Annual Financial Statements

	2018 R'000	Restated 2017 R'000

33. Financial instruments disclosure

Categories of financial instruments

	2018 R'000	Restated 2017 R'000
Financial assets at amortised cost		
Receivables from exchange transactions	3 313 218	3 243 791
Cash and cash equivalents	5 967	2 934
	3 319 185	**3 246 725**
Financial liabilities at amortised cost		
Bank overdraft	2 338 485	1 932 563
Payables from exchange transactions	2 645 798	2 680 635
Retention liabilities	402 181	322 027
Finance lease obligations	9 943	16 025
	5 396 407	**4 951 250**

34. Risk management

Financial risk management

The PMTE’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 mangement and the Audit Committee on a regular basis.

Notes to the Annual Financial Statements

34. Risk management (continued)

Liquidity risk

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

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

2018	Note	1 month R'000	2-12 months R'000	2 years R'000	3 years R'000	> 3 years R'000	Total R'000
Bank overdraft	6	2 338 485	-	-	-	-	2 338 485
Accrued expenses - Assets	12	256 093	-	-	-	-	256 093
Accrued expenses - Cleaning and gardening	12	24 996	-	-	-	-	24 996
Accrued expenses - Leases	12	805 271	-	-	-	-	805 271
Accrued expenses - Maintenance	12	234 248	-	-	-	-	234 248
Accrued expenses - Municipal services	12	1 013 057	-	-	-	-	1 013 057
Accrued expenses - Other	12	85 053	-	-	-	-	85 053
Accrued expenses - Property rates	12	53 039	-	-	-	-	53 039
Accrued expenses - Scheduled maintenance	12	162 863	-	-	-	-	162 863
Accrued expenses - Security	12	8 080	-	-	-	-	8 080
Income received in advance - leases	12	652 543	-	-	-	-	652 543
Trade payables	12	796	-	-	-	-	796
Retention liabilities	13	265 776	83 904	50 371	2 105	26	402 182
Capital commitments - Projects		2 951 814	1 558 523	1 047 742	468 022	145 284	6 171 385
Operating maintenance commitments - Projects		1 256 282	1 199 122	634 581	181 063	110 978	3 382 026
Agency commitments - Projects		1 844	12 019	12 667	9 428	-	35 958
		10 110 240	**2 853 568**	**1 745 361**	**660 618**	**256 288**	**15 626 075**

2017 Restated	Note	1 month R'000	2-12 months R'000	2 years R'000	3 years R'000	> 3 years R'000	Total R'000
Bank overdraft	6	1 932 563	-	-	-	-	1 932 563
Accrued expenses - Assets	12	385 328	-	-	-	-	385 328
Accrued expenses - Cleaning and gardening	12	17 157	-	-	-	-	17 157
Accrued expenses - Leases	12	418 819	-	-	-	-	418 819
Accrued expenses - Maintenance	12	470 437	-	-	-	-	470 437
Accrued expenses - Municipal services	12	1 001 975	-	-	-	-	1 001 975
Accrued expenses - Other	12	99 383	-	-	-	-	99 383
Accrued expenses - Property rates	12	76 743	-	-	-	-	76 743
Accrued expenses - Scheduled maintenance	12	202 953	-	-	-	-	202 953
Accrued expenses - Security	12	3 381	-	-	-	-	3 381
Income received in advance - leases	12	539 251	-	-	-	-	539 251
Retention liabilities	13	175 405	108 412	14 870	23 340	-	322 027
Capital commitments - Projects		1 483 438	3 097 284	1 311 128	321 331	82 985	6 296 166
Operating maintenance commitments - Projects		336 150	1 826 280	950 315	397 574	127 146	3 637 465
Agency commitments - Projects		953	7 873	1 400	-	-	10 226
		7 143 936	**5 039 849**	**2 277 713**	**742 245**	**210 131**	**15 413 874**

Notes to the Annual Financial Statements

34. Risk management (continued)

The PMTE has 2 882 active leases (2017: 2 597) included in the current private leasing portfolio. The leasehold commitments reflected have been determined based on the terms and conditions of the relevant lease agreements. However, based on the nature of leases that are running on a month-to-month and open-ended basis, the related leasehold commitment, as at year-end, 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. For further commitment disclosure for operating leases, refer to note 5.

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

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

Credit risk

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

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

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

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

34. Risk management (continued)

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

	2018 R'000	Restated 2017 R'000
Cash and cash equivalents	5 967	2 934
Operating lease asset	582 154	713 292
Receivables from exchange transactions	3 313 218	3 243 791
Receivables from non-exchange transactions	22	66
	3 901 361	3 960 083

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 by the state and is intrinsic to the business. National Treasury determines this rate and manages the risk on behalf of National Government.

35. Related parties

The PMTE is controlled through the DPW at National Government level. Only parties within the national sphere of government and entities reporting to National Departments that are subject to common control, is considered 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 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.

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).

National Department of Public Works

	2018 R'000	Restated 2017 R'000
Revenue from exchange transactions		
Accommodation charges - Freehold Inter-governmental	5 750	5 000
Revenue from non-exchange transactions		
Augmentation	3 682 254	3 389 448
Goods and service in-kind	3 114	20 772
	3 685 368	**3 410 220**

Notes to the Annual Financial Statements

35. Related parties (continued)

The related party payables above are unsecured and are expected to be settled within normal course of business.

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. The DPW paid the following overhead costs for the day-to-day running of the PMTE:

- Computer related expenses
- Certain furniture and office equipment, computer equipment, other machinery and equipment

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.

Other related parties

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.

Notes to the Annual Financial Statements

	2018 R'000	Restated 2017 R'000

35. Related parties (continued)

Revenue from exchange transactions:
Accommodation charges - freehold intergovernmental

Agriculture, Forestry and fisheries	114 184	99 290
Arts and Culture	46 465	40 405
Telecommunications and Postal services	1 157	1 006
Correctional Services	1 071 622	1 023 940
Defence	1 024 528	975 741
Higher Education	968	842
Environmental Affairs	23 328	20 286
Government Communications	37	32
Government Pension Administration Agency	19 058	32 034
Health	18 038	15 685
Home Affairs	55 664	48 403
Human Settlement	591	514
Independent Police Investigative Directorate	398	379
Justice and Constitutional Development	378 547	360 542
Labour	65 405	56 874
Rural Development and Land Reform	31 894	32 150
Mineral Resources	3 615	3 143
National Treasury	6 770	5 887
National Treasury - SARS	38 339	33 338
Public Service and Administration	343	48 520
SA Police Services	1 267 913	1 207 536
Social Development	630	548
Sports and Recreation	13	12
Statistics South Africa	1 628	4 672
Trade and Industry	43	37
Water and Sanitation	154 646	137 450
	4 325 824	**4 149 266**

Gross receivables from exchange transactions:
Accommodation charges - freehold intergovernmental

Agriculture, Forestry and Fisheries	85 638	24 822
Correctional Services	421 519	255 989
Independent Compliants Directorate	-	189
International Relations and Cooperation	7 258	7 258
Justice and Correctional Services	166 999	1
Public Service and Administration	172	12 130
Rural Development	1	1
Sports and Recreation	-	3
Statistics South Africa	18	18
Telecommunoications and Postal Services	-	251
Trade and Industry	103	79
	681 708	**300 741**

Notes to the Annual Financial Statements

	2018 R'000	Restated 2017 R'000

35. Related parties (continued)

Impairment relating to exchange transactions:
Accommodation charges - freehold intergovernmental

Agriculture, Foresty and Fisheries	4 597	2 658
Correctional Services	182 032	27 410
Independent Compliants Directorate	-	25
International Relations and Cooperation	7 258	7 258
Justice and Constitutional Development	20 500	1
Public Service and Administration	172	12 130
Rural Development and Land Reform	1	1
Statistics South Africa	18	3
Telecommunications and Postal Services	-	27
Trade and Industr	103	62
	214 681	**49 575**

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

Expenditure	2018 R'000	2017 R'000
Arts and Culture	15 471	15 871
Correctional Services	12	797
Defence	-	491
Justice and Constitutional Development	187 364	166 672
South African Police Services	88	-
The Presidency	8 355	-
	211 290	**183 831**

Accruals raised

Arts and Culture	10	1 756
Correctional Services	12	797
Defence	-	491
Justice and Constitutional Development	10 062	8 026
South African Police Services	88	-
The Presidency	8 355	-
	18 527	**11 070**

Notes to the Annual Financial Statements

35. Related parties (continued)

Remuneration of management 2018	Official	Basic salary R'000	Non-pensionable salary R'000	Bonuses and performance related payments R'000	Post-employment benefits R'000	Other short-term employee benefits R'000	Total R'000
Employees: Regional Managers							
Bloemfontein (Acting)	Mr D Gqibela	508	47	50	60	12	677
Bloemfontein	Mr TP Zulu	183	13	-	28	22	246
Cape Town	Mr FB Johnson	827	122	130	123	56	1 258
Cape Town (Acting)	Ms N Kani	51	23	-	6	2	82
Durban	Mr NN Vilakazi	676	307	56	88	-	1 127
Johannesburg	Adv J Monare	739	172	62	117	158	1 248
Kimberley (Acting)	Mr SMM Mabinja	241	69	47	25	66	448
Kimberley (Acting)	Mr V Mabe	160	48	-	21	2	231
Kimberley (Acting)	Mr Baulackey	151	11	-	14	7	183
Mmabatho (Acting)	Mr R Matlala	789	218	112	93	141	1 353
Mmabatho (Acting)	Mr A Matseke	325	41	22	42	80	510
Nelspruit	Mr PT Mashiane	761	362	-	121	150	1 394
Polokwane	Mr M Ntshani	862	90	124	120	206	1 402
Port Elizabeth	Mr JG van der Walt	808	412	57	128	29	1 434
Pretoria (Acting)	Mr M Dondashe	161	80	-	20	-	261
Pretoria (Acting)	Mr DE Sewada	315	14	3	38	48	418
Pretoria	Ms T Phiri	169	71	56	27	3	326
Umthata	Mr R Mabandla	615	162	-	102	81	960
Employees: Other officials							
Chief Director: Construction Management Inland	Mr W Hlabangwane	820	341	68	107	115	1 451
Chief Director: Financial Planning	Ms J Prinsloo	762	323	117	121	-	1 323
Exco Members: Head of units							
Head of PMTE	Mr P Serote	1 000	-	-	-	-	1 000
Head of PMTE (Acting)	Ms L Bici	513	223	70	76	5	887
Head of PMTE (Acting)	Mr J Maroga	901	386	-	-	-	1 287
Construction Project Management	Mr B Mokothu	408	122	-	53	8	591
Small Harbours	Mr TS Thobokgale	960	411	-	-	37	1 408
Real Estate Registry Services	Ms BS Matthews	1 081	463	-	-	14	1 558
Supply Chain Management	Ms A Chowan	720	215	94	-	1	1 030
Sub total		15 506	4 746	1 068	1 530	1 243	24 093

35. Related parties (continued)

Remuneration of management

2018 (continued)

		Basic salary R'000	Non-pensionable salary R'000	Bonuses and performance related payments R'000	Post-employment benefits R'000	Other short-term employee benefits R'000	Basic salary R'000
Exco Members: Deputy Director General:							
Real Estate Management Services (Acting)	Mr MR Sithole	376	54	57	44	126	657
Real Estate Management Services (Acting)	Mr M Govender	960	207	80	125	38	1 410
Real Estate Investment Services (Acting)	Ms S Subban	960	136	80	125	81	1 382
User Demand Management	Mr PM Mabuza	799	343	69	113	24	1 348
Project Management Office (Acting)	Ms N Makhubele	205	58	-	33	7	303
Facilities Management (Acting)	Mr S Mdakane	236	44	78	38	-	396
Facilities Management (Acting)	Mr PF Chiapasco	828	159	187	107	25	1 306
Technical Finance Expert	Ms B van der Merwe	960	411	-	-	6	1 377
		20 830	**6 158**	**1 619**	**2 115**	**1 550**	**32 272**

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.

35. Related parties (continued)

The following movements occured 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 Manger: 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: Suppy Chain Management: Ms A Chowan acted for 9 months.

- Real Estate Management Services: Mr M Sithole acted for 6 months, Mr R Matlala acted for 3 months, Ms N Makhubele acted for 2 months whilst Mr M Govender acted for 1 month.

- Real Estate Investment Services: Mr P Chiapasco acted for 10 months whilst Ms S Suddan acted for 2 months.

- Facilities Management: Mr J Maroga acted for 9 months, Mr S Mdakane acted for 2 months whilst Mr P Chiapasco acted for 1 month.

- Whilst being appointed as Deputy Director General: Project Management Office for 10 months, Mr MS Thobokgale acted as Head: Construction Project Management for 7 months. Thereafter Mr MS Thobokgale acted as Head: Small Harbours for 2 months.

- Mr M Govender was acting Head: Small Harbours for 10 months before he acting as Head: Real Estate Management Services.

- Ms N Makhubele was appointed as Deputy Director General: Real Estate Management Services for 2 months before acting as Deputy Director General: Project Management Office.

- The Planning & Precint branch changed reporting lines during the 2017/18 financial year and now reports under the Real Estate Investment Services.

- Mr C Mokgoro resigned as Chief Financial Officer at the end of October 2017

- Ms R Sadiki was appointed as Chief Financial Officer on 1 December 2017 and resigned at the end of April 2018.

Notes to the Annual Financial Statements

35. Related parties (continued)

2017		Basic salary	Non-pensionable salary	Bonuses and performance related payments	Post-employment benefits	Other short-term employee benefits	Total
		R'000	R'000	R'000	R'000	R'000	R'000
Employees: Regional Managers							
Bloemfontein (Acting)	Mr D Gqibela	560	57	47	73	288	1 025
Cape Town	Mr F Johnson	849	121	70	127	52	1 219
Durban	Mr N Vilakazi	645	292	54	83	41	1 115
Johannesburg	Adv J Monare	713	159	61	114	158	1 205
Kimberley (Acting)	Mr S SMabinja	569	201	47	74	176	1 067
Mmabatho	Mr R Matlatla	692	207	57	90	193	1 239
Mthatha (Acting)	Mr R Mabandla	571	148	-	96	24	839
Nelspruit	Mr P Mashiane	751	357	-	120	153	1 381
Polokwane	Mr M Nshani	851	88	70	119	178	1 306
Port Elizabeth	Mr J van der Walt	798	405	-	126	23	1 352
Pretoria (Acting)	Mr M Dondashe	604	324	-	79	75	1 082
Employees: Other officials							
Chief Director: Construction Management Inland	Mr W Hlabangwane	822	342	67	107	133	1 471
Chief Director: Financial Planning	Ms J Prinsloo	696	293	57	112	2	1 160
Exco Members: Head of units							
Head of PMTE	Mr P Serote	3 000	-	-	-	-	3 000
Construction Project Management	Mr C Lombaard	222	95	-	-	60	377
Small Harbours	Mr M Govender	908	196	12	118	95	1 329
Real Estate Registry Services	Ms B Matthews	1 031	442	-	-	5	1 478
Supply Chain Management	Ms A Chowan	913	273	-	119	-	1 305
Exco Members: Deputy Director General:							
Real Estate Management Services (Acting)	Mr M Sithole	542	80	-	71	215	908
Asset Investment Management (Acting)	Mr P Chiapasco	837	172	69	117	196	1 391
Planning and Precinct Development	Ms S Subban	915	126	76	119	81	1 317
User Demand Management	Mr P Mabuza	784	326	65	102	30	1 307
User Demand Management	Mr B Kgasoane	378	145	53	68	26	670
Project Management	Ms K Khumalo	74	32	-	-	-	106
Project Management Office	Mr M Thobakgale	916	366	-	-	87	1 369
Facilities Management	Mr P Maroga	1 031	442	-	-	-	1 473
Technical Finance Expert	Ms B van der Merwe	911	391	-	-	5	1 307
		21 583	**6 080**	**805**	**2 034**	**2 296**	**32 798**

Notes to the Annual Financial Statements

35. Related parties (continued)

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.

Management renamed the following units during the 2016/17 financial period:

- Key Accounts Management was renamed to User Demand Management
- Inner City Regeneration was renamed to Planning and Precinct Development
- Property Management was renamed to Facilities Management

During the 2016/17 financial period, the Regional Co-ordination unit was disassembled as the direct line of sight principle was adopted.

The following key management officials were appointed during the 2016/17 financial period:

- Mr M Sithole was acting Real Estate Mangement Services for 9 months.
- Mr B Kgasoane was acting User Demand Management for 7 months.
- Ms K Khumalo was acting Project Management for 1 month.
- Mr C Lombaard was acting Construction Project Management for 3 months.

36. Events after the reporting date

The Chief Financial Officer, Ms R Sadiki, resigned at the end of April 2018.
The acting Head of Finance: PMTE, Mr M Sithole, was appointed at the beginning of May 2018.

Notes to the Annual Financial Statements

37. Prior period errors

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

Statement of financial position	Restated 2017 R'000
Decrease in receivables from exchange transactions	(146 903)
Decrease in property, plant and equipment	(13 594 772)
Increase in investment property	11 756
Increase in heritage assets	250 934
Increase in intangible assets	729
Increase in bank overdraft	(122)
Decrease in deferred revenue	280 482
Decrease in payables from exchange transactions	27 147
Decrease in finance lease obligation	714
Increase in provisions	(642 836)
Decrease in net assets	**(13 812 871)**
Statement of Financial Performance	
Increase in revenue from exchange transactions	659 882
Decrease in revenue from non-exchange transactions	(445 360)
Increase in construction revenue	6 919
Increase in construction cost	(6 919)
Decrease in depreciation, amortisation and impairment of assets	271 459
Decrease in impairment of receivables	21 728
Increase in interest expense	(2 080)
Decrease in loss on transfer/disposal of asset	201 275
Increase in property maintenance	(528 115)
Decrease in operating leases	29
Increase in property rates	(29 169)
Increase in sundry operating expenses	(17 132)
Increase in surplus	**132 517**
Decrease in opening accumulated surplus	**(13 945 388)**
	(13 812 871)

Restatement of maintenance provision

Management developed a model to estimate the unscheduled maintenance obligation arising for work performed by contractors whilst PMTE waits for the relevant documentation supporting the verification of work performed. Refer to note 1.1.6 and note 16 for further details.

	Restated 2017 R'000
Increase in provisions	(597 161)
Increase in property maintenance	(597 161)

Notes to the Annual Financial Statements

37. Prior period errors (continued)

Correction of property, plant and equipment, investment property and heritage assets

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

	Restated 2017 R'000
Decrease in receivables from exchange transactions	(341 726)
Decrease in property, plant and equipment	(13 594 772)
Increase in investment property	11 756
Increase in heritage assets	250 934
Increase in intangible assets	729
Decrease in deferred revenue	280 482
Decrease in payables from exchange transactions	26 965
Decrease in finance lease obligations	714
	(13 364 918)
Increase in revenue from exchange transactions	659 882
Decrease in revenue from non-exchange transactions	(445 360)
Increase in construction revenue	6 919
Increase in construction costs	(6 919)
Decrease depreciation, amortisation and impairment on assets	271 459
Decrease in interest expense	217
Decrease in loss on disposal/transfer of assets	201 275
Decrease in property maintenance	69 017
Decrease in sundry operating expenses	12 109
Decrease in opening accumulated surplus	(14 133 517)
	(13 364 918)

Corrections of incorrect invoices processed and allocation of unallocated deposits

Management corrected invalid invoices which were processed on the system in the previous financial periods. These payment were rejected and remained as unpaid in the bank reconciliation. As a result of the correction, the bank overdraft and accounts payable was affected as indicated below.

	Restated 2017 R'000
Increase in bank overdraft	(122)
Decrease in payables from exchange transactions	182
	60
Decrease in operating lease	29
Decrease in property maintenance	29
Decrease in sundry operating expenses	2
	60

Notes to the Annual Financial Statements

37. Prior period errors (continued)

Correction of municipal services and property rates provision

The payments made against the verified municipal debt population used for the calculation of the provision for the 2016/17 financial statements was incorrectly classifed between the provision, the accruals and the municipal services and property rates expenditure. Management has correct the classification and adjusted the provision to reflect the outstanding balance as at 31 March 2017. The interest was recalculated based on the revised outstanding balance.

	Restated 2017 R'000
Increase in receivables from exchange transactions	194 823
Increase in provision	(45 675)
	149 148
Decrease in impairment of receivables	21 728
Increase in interest expenses	(2 297)
Increase in property rates	(29 169)
Increase in sundry operating expenses	(29 243)
Increase in opening accumulated surplus	188 129
	149 148