



**Property Management Trading Entity
Annual Financial Statements
for the year ended 31 March 2020**

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Index

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

Index	Page
Statement of Financial Position	2
Statement of Financial Performance	3
Statement of Changes in Net Assets	4
Cash Flow Statement	5
Statement of Comparison of Budget and Actual Amounts	6
Accounting Policies	7 - 61

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

Property Management Trading Entity
Annual Financial Statements for the year ended 31 March 2020

Statement of Financial Position as at 31 March 2020

		2020	2019
	Note(s)	R'000	Restated* R'000
Assets			
Current Assets			
Receivables from exchange transactions	3	5 707 345	5 420 687
Receivables from non-exchange transactions	4	109	252
Operating lease asset	5	645 619	389 581
Cash and cash equivalents	6	8 114	6 647
		6 361 187	5 817 167
Non-Current Assets			
Property, plant and equipment	7	114 079 343	113 780 945
Investment property	8	4 977 296	5 076 505
Heritage assets	9	4 765 876	4 696 712
Intangible assets	10	32 034	30 682
		123 854 549	123 584 844
Total Assets		130 215 736	129 402 011
Liabilities			
Current Liabilities			
Operating lease liability	5	648 411	364 730
Bank overdraft	6	2 580 894	2 683 976
Deferred revenue	11	5 702 610	7 882 994
Payables from exchange transactions	12	4 246 662	3 789 351
Retention liabilities	13	320 812	393 380
Finance lease obligation	14	3 446	3 726
Employee benefit obligations	15	198 092	207 713
Provisions	16	1 790 400	1 731 241
		15 491 327	17 057 111
Non-Current Liabilities			
Retention liabilities	13	21 545	14 597
Finance lease obligation	14	2 046	1 560
		23 591	16 157
Total Liabilities		15 514 918	17 073 268
Net Assets		114 700 818	112 328 743

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Statement of Financial Performance

		2020	2019 Restated
	Note(s)	R'000	R'000
Revenue from exchange transactions	17	14 753 812	12 110 147
Revenue from non-exchange transactions	18	4 347 614	4 046 881
Construction revenue	19	264 596	324 618
Total revenue		19 366 022	16 481 646
Expenditure			
Construction expenses	19	264 596	324 618
Depreciation, amortisation and impairments on assets	20	2 442 162	2 328 975
Employee related costs	21	1 821 360	1 792 150
Impairment loss on receivables	22	1 535 509	740 734
Interest expense	23	85 072	73 549
Loss on disposal	24	122 261	104 848
Operating leases	25	5 189 491	4 767 815
Property maintenance (contracted services)	26	2 876 442	2 317 210
Property Rates		1 209 428	1 238 779
Sundry operating expenses	27	1 447 626	1 402 512
Total expenditure		16 993 947	15 091 190
Surplus for the year		2 372 075	1 390 456

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Statement of Changes in Net Assets

		Accumulated surplus R'000
Opening balance as previously reported as at 1 April 2018		115 930 942
<i>Adjustments</i>		
Correction of prior period errors	37	(4 992 654)
Balance at 1 April 2018		110 938 287
<i>Changes in net assets</i>		
Surplus for the 12 months		1 390 456
Correction of prior period errors	37	4 717 887
Total changes		6 108 343
Balance as previously reported as at 31 March 2019		117 046 630
<i>Adjustments</i>		
Correction of prior period errors	37	(4 717 887)
Balance at 1 April 2019 as restated*		112 328 743
<i>Changes in net assets</i>		
Surplus for the year		2 372 075
Balance at 31 March 2020		114 700 818

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Cash Flow Statement

		2020	2019
	Note(s)	R'000	R'000
Cash flows from operating activities			
Receipts			
Accommodation charges - leasehold intergovernmental		4 666 345	4 785 640
Accommodation charges - freehold intergovernmental		7 337 967	6 141 302
Accommodation charges - freehold private		49 100	50 675
Augmentation		4 315 736	4 009 490
Management fees on municipal services		203 902	185 030
Municipal services recovered		4 078 043	3 700 594
Interest, fines, recoveries and other receipts		-	20 195
Construction revenue		264 596	328 495
		20 915 689	19 221 421
Payments			
Cleaning and gardening		276 746	280 002
Admin, goods and services		454 156	565 013
Maintenance		3 473 175	2 806 474
Municipal services paid on behalf of clients		4 986 501	4 484 162
Municipal services expenditure		482 792	363 698
Operating leases (including rent on land)		5 081 000	4 533 567
Property rates		1 008 110	1 210 051
Compensation of employees		1 813 276	1 763 856
Construction expenses		264 596	328 495
		17 840 352	16 335 318
Net cash flows from operating activities	28	3 075 337	2 886 103
Cash flows from investing activities			
Additions to property, plant and equipment		(2 899 528)	(3 288 312)
Proceeds from sale of property, plant and equipment	7	27 000	200 126
Additions to intangible assets		(7 986)	(20 206)
Additions to heritage assets		(89 381)	(116 894)
Net cash flows from investing activities		(2 969 895)	(3 225 286)
Cash flows from financing activities			
Finance lease payments		(7 332)	(9 155)
Finance leases entered into		6 439	3 544
Net cash flows from financing activities		(893)	(5 611)
Net decrease in cash and cash equivalents		104 549	(344 794)
Cash and cash equivalents at the beginning of the year		(2 677 329)	(2 332 535)
Cash and cash equivalents at the end of the year	6	(2 572 780)	(2 677 329)

Property Management Trading Entity
Annual Financial Statements for the year ended 31 March 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R'000	R'000	R'000	R'000	R'000
Statement of Financial Performance					
Receipts					
Accommodation charges - leasehold intergovernmental	5 066 088	(26 446)	5 039 642	4 666 345	(373 297)
Accommodation charges - freehold intergovernmental	8 541 417	(974 458)	7 566 959	7 337 967	(228 992)
Accommodation charges - freehold private	58 320	-	58 320	49 100	(9 220)
Augmentation	4 215 736	100 000	4 315 736	4 315 736	-
Management fees on municipal services	212 220	-	212 220	203 902	(8 318)
Municipal services recovered	4 244 404	991 422	5 235 826	4 078 043	(1 157 783)
Construction revenue	-	-	-	264 596	264 596
Interest, fines, recoveries and other receipts	9 592	-	9 592	-	(9 592)
Receipts	22 347 777	90 518	22 438 295	20 915 689	(1 522 606)
Payments					
Cleaning and gardening	312 253	(8 991)	303 262	276 746	(26 516)
Admin, goods and services	509 226	-	509 226	454 156	(55 070)
Maintenance	2 676 253	444 271	3 120 524	3 473 175	352 651
Municipal services paid on behalf of clients	4 244 404	991 422	5 235 826	4 986 501	(249 325)
Operating leases (including rent on land)	5 125 088	(26 446)	5 098 642	5 081 000	(17 642)
Property rates	1 408 621	(400 511)	1 008 110	1 008 110	-
Compensation of employees	2 051 049	-	2 051 049	1 813 276	(237 773)
Municipal services expenditure	413 246	85 758	499 004	482 792	(16 212)
Construction expenses	-	-	-	264 596	264 596
Payments	16 740 140	1 085 503	17 825 643	17 840 352	14 709
Capital movements					
Recoverable capital expenditure	3 448 915	(974 458)	2 474 457	2 039 469	(434 988)
Non-recoverable capital expenditure	2 103 972	(20 527)	2 083 445	900 910	(1 182 535)
Machinery and equipment	54 750	-	54 750	30 409	(24 341)
	5 607 637	(994 985)	4 612 652	2 970 788	(1 641 864)
Cash deficit	-	-	-	104 549	104 549

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

Accounting Policies

1. Presentation of Financial Statements

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

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

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

1.1 Significant judgement and sources of estimation uncertainty

1.1.1 Control of immovable assets

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

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

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

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

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

1.1.2 Assets and liabilities related to the transfer of functions

For initial measurement purposes, assets acquired through the transfer of functions are measured at their carrying amounts as per the records of the DPWI. Where those carrying amounts do not represent GRAP compliant amounts, the carrying amounts were estimated using various measurement bases, depending on the type of asset or liability. For the purposes of determining a deemed cost, immovable assets transferred were valued using either the municipal valuations, comparable sales value or depreciated replacement cost. For movable assets a depreciated replacement cost was used. Financial assets and liabilities at fair value was used and other liabilities were transferred at the best estimate at the date of transfer. The DPWI transferred functions on two separate occasions, effective 18 November 2013 and 30 March 2015 respectively. For measurement purposes, 1 April 2013 and 1 April 2014 were used respectively. For further details refer to note 1.29.

Notes to the Annual Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

1.1.3 Useful life and residual values

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

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

1.1.4 Classification of accommodation charges as lease revenue

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

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

1.1.5 Classification and measurement of leases

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

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

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

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

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

1.1.6 Provision for maintenance

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

Notes to the Annual Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

1.1.7 Impairment

Impairment of receivables measured at cost or amortised costs

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

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

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

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

Impairment of non-current assets

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

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

1.1.8 Significantly delayed projects

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

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

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

1.1.9 Classification of immovable assets

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

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

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

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

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

1.1.10 Principal - agent relationships

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

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

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

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

Notes to the Annual Financial Statements

1.1 Significant judgement and sources of estimation uncertainty (continued)

1.1.11 Related party disclosure

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

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

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

1.2 Receivables from exchange transactions

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

The lease is classified as a finance lease where:

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

All other leases are classified as operating leases

Finance leases - PMTE as a lessee

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

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

Notes to the Annual Financial Statements

1.4 Leases (continued)

Operating leases - PMTE as a lessor

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

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

Operating leases - PMTE as a lessee

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

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

1.5 Cash and cash equivalents

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

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

1.6 Property, plant and equipment

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

1.6 Property, plant and equipment (continued)

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

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

1.7 Investment property

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

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

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

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

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

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

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

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

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

1.8 Heritage assets

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

Notes to the Annual Financial Statements

1.8 Heritage assets (continued)

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

Heritage assets are measured at cost.

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

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

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

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

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

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

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

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

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

1.9 Intangible assets

The PMTE recognises intangible asset when:

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

1.9 Intangible assets (continued)

Item	Useful life
Computer software	5 years

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

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

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

1.10 Payables from exchange transactions

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

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

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

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

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

Long service awards

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

1.12 Retention liabilities

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

1.14 Reserves

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

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

Notes to the Annual Financial Statements

1.15 Statutory receivables and payables

Classification, recognition and measurement

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

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

Statutory receivables and payables are not discounted.

Impairment of receivables measured at cost

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

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

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

1.16 Financial instruments

Classification, recognition and measurement

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

The PMTE recognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Impairment of assets

Notes to the Annual Financial Statements

1.16 Financial instruments (continued)

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

Financial assets measured at amortised cost:

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

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

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

Non-financial assets measured at cost:

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

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

Notes to the Annual Financial Statements

1.16 Financial instruments (continued)

Derecognition

Financial assets

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

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

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

Financial liabilities

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

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

Notes to the Annual Financial Statements

1.17 Revenue from exchange transactions

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

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

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

Accommodation charges disclosed in the financial statements consists of:

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

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

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

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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

Notes to the Annual Financial Statements

1.19 Expenditure

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

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

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

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

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

1.20 Construction contracts and receivables

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

1.21 Irregular, Fruitless and wasteful expenditure

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

1.22 Related parties

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

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

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

1.23 Budget information

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

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

Notes to the Annual Financial Statements

1.24 Commitments

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

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

1.25 Events after reporting date

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

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

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

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

1.26 Going concern assumption

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

1.27 Comparative figures

Comparative figures have been adjusted to correct errors identified in the current year but relating to prior years. The effect of the restatements are disclosed in note 37.

1.28 Deferred revenue

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

Notes to the Annual Financial Statements

1.29 Transfer of functions between entities under common control

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

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

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

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

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

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

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

1.30 Entity-wide disclosure

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

- (a) external revenues from non-exchange transactions and external revenues from exchange transactions attributed to the geographical areas in which it operates;
- (b) total expenditure attributed to the geographical areas; and
- (c) non-current assets² other than financial instruments, deferred tax assets (where applicable), post-employment benefit assets, and rights arising under insurance contracts for the geographical areas.

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

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

The Entity Wide disclosure to the extent that it is practicable and available is disclosed in Annexure A on page 62.

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

2. Standards of GRAP issued but not yet effective

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

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

Standard/ Interpretation:

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

2.2 Standards not yet effective (with possible extended impact)

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

Standard/ Interpretation:

- Accounting by Principals and Agents (GRAP 109)

2.3 Standards not yet effective (with no impact)

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

Standard/ Interpretation:

- GRAP 34 to 38 on Interests in Other Entities
- GRAP 110 on Living and Non-living Resources
- Service concession arrangements: Grantor (GRAP 32)
- Service concession arrangements where a grantor controls a significant residual value in an asset (IGRAP 17)
- Guideline for the accounting of arrangements undertaken in terms of the National Housing Programme

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R'000	2019 R'000
3. Receivables from exchange transactions		
Financial assets		
Accommodation debtors - leasehold inter-governmental	424 243	365 743
Accommodation debtors - freehold inter-governmental	946 778	1 169 568
Accommodation debtors - freehold private	45 022	37 344
Municipal services	522 143	748 876
Debt account	68 843	45 597
Revenue accrual - recoverable leases	673 158	319 086
Revenue accrual - recoverable municipal services	618 003	613 657
Revenue accrual - recoverable projects	523 423	592 639
Municipal deposits	20 042	19 667
Implementing agents	42 111	31 919
Other debtors	533	792
Recoverable property rates	-	-
	3 884 299	3 944 888
Non-financial assets		
Prepaid expenses - implementing agents	864 753	675 425
Prepaid expenses - leases	384 144	283 874
Prepaid expenses - other	8 289	8 058
Prepaid expenses - municipal services	14 353	22 557
Prepaid expenses - municipal services and property rates (backlog)	468 628	465 581
Creditors with debit balances	82 879	20 304
	1 823 046	1 475 799
	5 707 345	5 420 687

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

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

Included in the prepaid expenses are contractual advances to other government entities which are implementing agents of the PMTE. Interest earned on these advances is included in implementing agents under financial assets above at an average effective interest rate of 4.9% (2019: 7.1%).

The gross amount for recoverable property rates amounts to R80 million (March 2019: R70 million). The full amount is impaired as it relates to amounts not yet invoiced to client departments and third parties and are likely not to be recovered.

Receivables past due but not impaired

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

Individually significant receivables that are impaired

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

	2020 %	2019 %
Accommodation debtors - freehold inter-governmental	24	18
Accommodation debtors - leasehold inter-governmental	43	61
Accommodation debtors - freehold private	66	66
Municipal services	76	41
Debt account	-	65
Recoverable property rates	100	100

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R'000	2019 R'000
--	---------------	---------------

4. Receivables from non-exchange transactions

Accommodation debtors - freehold prestige	109	252
---	-----	-----

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

Receivables from non-exchange transactions past due but not impaired

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

5. Operating lease asset/(liability)

	Note	2020 R'000	2019 R'000
Current assets (PMTE as lessor)	5.1	645 619	389 581
Current liabilities (PMTE as lessee)	5.2	(648 411)	(364 730)
		(2 792)	24 851

5.1 Total operating lease asset - PMTE as lessor

Leasehold inter-governmental	622 874	364 247
Freehold private	22 745	25 334
	645 619	389 581

Total minimum lease receipts - PMTE as lessor

Within one year	2 526 158	2 488 470
In second to fifth year inclusive	5 090 341	5 411 418
Later than five years	2 020 589	1 472 652
	9 637 088	9 372 540

Leasehold inter-governmental

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

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

Freehold private

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

Property Management Trading Entity
Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R'000	2019 R'000
5. Operating lease asset/(liability) (continued)		
5.2 Total operating lease liabilities - PMTE as lessee		
Operating lease liabilities - leasehold inter-governmental	648 411	364 730
Total minimum lease payments - PMTE as lessee		
Within one year	2 457 771	2 493 363
In second to fifth year inclusive	4 963 799	5 387 416
Later than five years	2 020 589	1 424 189
	9 442 159	9 304 968

The PMTE has 2 457 leases of which 1743 have not expired included in the current private leasing portfolio (2019: 2 655 leases of which 1 352 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

	2020 R'000	2019 R'000
Cash and cash equivalents consist of:		
Cash on hand	254	245
Bank balance	7 860	6 402
Cash and cash equivalents	8 114	6 647
Bank overdraft	(2 580 894)	(2 683 976)
	(2 572 780)	(2 677 329)

The cash held in the bank is with ABSA Limited, a registered financial services provider, and approved by National Treasury. The interest rate on the bank balance is variable. The average effective interest rate on short term bank deposits is 4.92% (March 2019 : 5%).

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

7. Property, plant and equipment

	2020			Restated 2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Land	35 654 662	-	35 654 662	35 721 663	-	35 721 663
Buildings and improvements	92 032 061	(13 809 597)	78 222 464	89 435 464	(11 603 728)	77 831 736
Furniture and office equipment	103 143	(50 662)	52 481	110 801	(56 728)	54 073
Computer equipment	256 880	(145 734)	111 146	239 298	(109 456)	129 842
Other machinery and equipment	70 213	(31 623)	38 590	68 491	(24 860)	43 631
Total	128 116 959	(14 037 616)	114 079 343	125 575 717	(11 794 772)	113 780 945

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance R '000	Additions R '000	Disposals R '000	Transfers in R '000	Transfers out R '000	Depreciation R '000	Impairment loss R '000	Total R '000
Land	35 721 663	73 142	(144 782)	4 639	-	-	-	35 654 662
Buildings and improvements	77 831 736	2 656 075	-	-	-	(2 183 994)	(81 353)	78 222 464
Furniture and office equipment	54 073	13 420	(31)	662	(1 332)	(13 623)	(688)	52 481
Computer equipment	129 842	21 522	(2 092)	632	(114)	(38 303)	(341)	111 146
Other machinery and equipment	43 631	2 073	(270)	99	(2)	(6 751)	(190)	38 590
	113 780 945	2 766 232	(147 175)	6 032	(1 448)	(2 242 671)	(82 572)	114 079 343

Reconciliation of property, plant and equipment - 2019

	Opening balance R '000	Additions R '000	Disposals R '000	Transfers in R '000	Transfers out R '000	Change in estimate and other R '000	Other changes, movements R '000	Depreciation R '000	Impairment loss R '000	Total R '000
Land	35 815 378	3 552	(102 115)	4 848	-	-	-	-	-	35 721 663
Buildings and improvements	76 899 261	3 108 769	-	-	-	-	-	(2 103 039)	(73 255)	77 831 736
Furniture and office equipment	64 177	5 923	(307)	506	-	1 134	1 515	(18 417)	(458)	54 073
Computer equipment	127 530	20 011	(567)	1 577	(1 811)	16 991	271	(33 824)	(336)	129 842
Other machinery and equipment	41 178	6 267	(48)	95	-	2 265	(20)	(5 954)	(152)	43 631
	112 947 524	3 144 522	(103 037)	7 026	(1 811)	20 390	1 766	(2 161 234)	(74 201)	113 780 945

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Assets under construction

Additional disclosure relating to assets under construction

	Cumulative expenditure recognised in carrying value R'000	Carrying value of projects significantly delayed R'000	Carrying value of projects halted R'000
2020			
Building and improvements	8 385 210	5 269 443	-
2019	-	-	-
Building and improvements	10 459 939	6 164 314	-

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

Assets subject to finance lease (Net carrying amount)

	2020 R'000	2019 R'000
Furniture and office equipment	11 405	7 206

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

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

	Committed for acquisition (CAPEX) R'000	Committed for maintenance (OPEX) R'000	Total commitment R'000
2020			
Building and improvements	6 749 415	2 871 297	9 620 712
2019	-	-	-
Building and improvements	8 061 391	3 160 021	11 221 412

Other disclosure

In 2019, 71 land parcels with the value of R63 939 540 (2020:0) had changed ownership with no formal process or disposal followed. The balance of the land disposals shown in 2020 and 2019 followed the formal process.

Property Management Trading Entity
Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

Figures in Rand

8. Investment property

	2020			Restated 2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Investment property	5 672 650	(695 354)	4 977 296	5 672 650	(596 145)	5 076 505

Reconciliation of investment property - 2020

	Opening balance R '000	Disposals R '000	Depreciation R '000	Total R '000
Building and improvements	3 774 530	-	(99 209)	3 675 321
Land	1 301 975	-	-	1 301 975
	5 076 505	-	(99 209)	4 977 296

Reconciliation of investment property - 2019

	Opening balance R '000	Disposals R '000	Impairments R '000	Depreciation R '000	Total R '000
Building and improvements	3 874 334	-	(565)	(99 239)	3 774 530
Land	1 301 975	-	-	-	1 301 975
	5 176 309	-	(565)	(99 239)	5 076 505

Amounts recognised in Statement of Financial Performance relating to Investment Property

	2020			2019		
	Revenue generating R'000	Non-revenue generating R'000	Total R'000	Revenue generating R'000	Non-revenue generating R'000	Total R'000
Property maintenance	60	326	386	13	303	316
Municipal services	144	3 085	3 229	526	263	789
Property rates	1 107	1 520	2 627	1 767	503	2 270
Cleaning and gardening	-	18	18	-	582	582
Security	84	2 324	2 408	104	1 997	2 101
Depreciation	3 158	90 051	93 209	3 186	96 053	99 239
Total direct expenses	4 553	97 324	101 877	5 596	99 701	105 297
Revenue from exchange (Freehold private)	63 517	-	63 517	53 816	-	53 816
Total surplus/(deficit) on investment property	58 964	(97 324)	(38 360)	48 220	(99 701)	(51 481)

Notes to the Annual Financial Statements

9. Heritage assets

	2020			Restated 2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Land	2 771 880	-	2 771 880	2 771 880	-	2 771 880
Building and improvements	2 030 773	(36 777)	1 993 996	1 950 532	(25 700)	1 924 832
Total	4 802 653	(36 777)	4 765 876	4 722 412	(25 700)	4 696 712

	Opening balance	Additions	Impairment losses recognised	Total
	R '000	R '000	R '000	R '000
Land	2 771 880	-	-	2 771 880
Building and improvements	1 924 832	80 240	(11 076)	1 993 996
Total	4 696 712	80 240	(11 076)	4 765 876

Reconciliation of heritage assets - 2019

	Opening balance	Additions	Impairment losses recognised	Total
	R '000	R '000	R '000	R '000
Land	2 771 880	-	-	2 771 880
Building and improvements	1 812 731	113 577	(1 476)	1 924 832
Total	4 584 611	113 577	(1 476)	4 696 712

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
2020 Building and improvements	759 932	535 963	-
2019 Building and improvements	689 779	470 125	-

Restrictions on heritage assets

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

	Committed for acquisition (CAPEX) R'000	Committed for maintenance (OPEX) R'000	Total commitment R'000
2020 Buildings and improvements	69 603	-	69 603
2019 Buildings and improvements	76 289	-	76 289

Notes to the Annual Financial Statements

10. Intangible assets

	2020			Restated 2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	48 953	(16 919)	32 034	52 127	(21 445)	30 682

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Amortisation	Total
	R '000	R '000	R '000	R '000	R '000
Computer software	30 682	8 625	(639)	(6 634)	32 034

Reconciliation of intangible assets - 2019

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

Additional disclosure relating to assets under development

	Cumulative expenditure recognised in carrying value R'000	Carrying value of projects significantly delayed R'000	Carrying value of projects halted R'000
2020			
Computer software	29 233	29 233	-
2019	-	-	-
Computer software	24 964	24 964	-

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

Contractual commitments for acquisition and maintenance of intangible assets

	Committed for acquisition (CAPEX) R'000	Committed for maintenance (OPEX) R'000	Total commitment R'000
2020			
Computer software	20 591	4 264	24 855
2019			
Computer software	24 573	12 139	36 712

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R'000	Restated 2019 R'000
11. Deferred revenue		
Deferred revenue	5 702 610	7 882 994
This relates to recoverable capital claims for projects that are under construction which will be deferred until the project is complete.		
Opening Balance	7 882 994	7 826 959
Plus: Revenue deferred during the year	1 736 828	1 961 774
Less: Revenue recognised during the year	(3 917 212)	(1 905 739)
	5 702 610	7 882 994
12. Payables from exchange transactions		
Financial liabilities		
Accrued expenses - Assets	479 137	494 077
Accrued expenses - Cleaning and gardening	17 788	20 705
Accrued expenses - Leases	1 118 664	946 669
Accrued expenses - Maintenance	330 398	317 467
Accrued expenses - Municipal services	668 784	675 382
Accrued expenses - Other	43 574	42 106
Accrued expenses - Property rates	408 046	199 305
Accrued expenses - Scheduled maintenance	259 223	202 103
Accrued expenses - Security	10 226	10 321
Total accrued expenses	3 335 840	2 908 135
Unallocated deposits	3 688	1 766
Trade payables	436	2 650
Deposits received	57	29
Contract guarantees	131	87
	3 340 152	2 912 667
Non-financial liabilities		
Revenue claimed in advance - leases	643 518	505 784
Income received in advance - other services	62 213	118 127
Debtors with credit balances	200 779	252 773
	906 510	876 684
	4 246 662	3 789 351

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R'000	Restated 2019 R'000
13. Retention liabilities		
Non-current liabilities	21 545	14 597
Current liabilities	320 812	393 380
	342 357	407 977
14. Finance lease obligation		
Minimum lease payments due		
- within one year	3 914	4 051
- in second to fifth year inclusive	2 181	1 663
	6 095	5 714
Less: future finance charges	(603)	(428)
Present value of minimum lease payments	5 492	5 286
Present value of minimum lease payments due		
- within one year	3 446	3 726
- in second to fifth year inclusive	2 046	1 560
	5 492	5 286
Non-current liabilities	2 046	1 560
Current liabilities	3 446	3 726
	5 492	5 286

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

15. Employee benefit obligations

Reconciliation - 2020	Opening balance R'000	Utilised during the year R'000	Over/(under) provided R'000	Additions R'000	Total R'000
Leave	133 407	(95 371)	(38 036)	133 369	133 369
Service bonus	41 650	(41 298)	(351)	44 421	44 422
Performance bonus	26 446	(22 733)	(3 713)	14 244	14 244
Long service awards	6 210	(2 784)	(3 426)	6 057	6 057
	207 713	(162 186)	(45 526)	198 091	198 092
Reconciliation - 2019	Opening balance R'000	Utilised during the year R'000	Over/(under) provided R'000	Additions R'000	Total R'000
Leave	126 408	(62 845)	(13 726)	83 570	133 407
Service bonus	38 686	(38 271)	(415)	41 650	41 650
Performance bonus	21 744	(21 030)	(714)	26 446	26 446
Long service awards	5 733	(3 173)	3 650	-	6 210
	192 571	(125 319)	(11 205)	151 666	207 713

Notes to the Annual Financial Statements

16. Provisions

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in estimate	Total
Reconciliation of provisions - 2020						
Municipal services and property rates (backlog)	1 087 468	80 819	(1 663)	-	-	1 166 624
Maintenance	623 178	405 433	(114 490)	(315 531)	4 136	602 726
Legal proceedings	20 595	4 600	(1 341)	(2 804)	-	21 050
	1 731 241	490 852	(117 494)	(318 335)	4 136	1 790 400
	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in estimate	Total
Reconciliation of provisions - 2019						
Municipal services and property rates (backlog)	1 044 991	69 350	(26 873)	-	-	1 087 468
Maintenance	1 011 199	423 941	(278 399)	(546 207)	12 644	623 178
Legal proceedings	18 879	16 585	-	(14 869)	-	20 595
	2 075 069	509 876	(305 272)	(561 076)	12 644	1 731 241

Municipal services and property rates

The DPWI 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 666 million (March 2019: R 465 million) included in the prepaid expenses in note 3.

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

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

Maintenance

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

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

Legal proceedings

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

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R'000	2019 R'000
17. Revenue from exchange transactions		
Accommodation charges - Leasehold Inter-governmental	5 108 886	4 584 853
Accommodation charges - Freehold Inter-governmental	8 906 973	6 753 520
Accommodation charges - Freehold Private	63 517	53 816
Management fees on municipal services	260 679	225 165
Reversal of impairment loss for receivables from exchange transactions	23 040	366 546
Sundry revenue	57 908	4 568
Interest revenue	326 530	119 177
Recoveries	6 279	2 502
	14 753 812	12 110 147
The amount included in revenue arising from exchange transactions is as follows:		
Interest revenue consists of:		
Interest from receivables	326 530	119 177
18. Revenue from non-exchange transactions		
Augmentation	4 315 736	4 009 490
Goods and service in-kind	20 726	26 682
Contractor fines	4 948	3 569
Donations revenue	4 639	4 849
Accommodation charges - Prestige	1 565	2 291
	4 347 614	4 046 881
19. Construction revenue and expenses		
Amount recognised in surplus		
Construction Revenue	264 596	324 618
Construction Expenses	(264 596)	(324 618)
The following is included in the Revenue Accrual (Projects) and Prepaid expense amounts per note 3:		
Gross amount due from clients		
Costs incurred to date	264 596	324 618
Amount invoiced to date	(194 583)	(298 639)
	70 013	25 979
Amounts not yet billed (Revenue accrual)		
Retentions	13 194	12 471
Accrued expenses	72 686	30 473
Prepaid expenses	(15 867)	(16 965)
	70 013	25 979
20. Depreciation, amortisation and impairments of assets		
Property, plant and equipment	2 325 243	2 215 041
Investment property	99 209	99 804
Intangible assets	6 634	12 654
Heritage assets	11 076	1 476
	2 442 162	2 328 975

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R'000	2019 R'000
21. Employee related costs		
Basic salary and non-pensionable salary	1 389 842	1 366 546
Housing allowances	60 307	59 667
Medical aid contributions	93 479	86 551
Overtime	39 647	33 165
Pension fund contributions	138 513	136 612
Performance bonus	12 817	26 729
Service bonus	86 755	82 880
	1 821 360	1 792 150
22. Impairment loss on receivables		
Receivables from exchange transactions	1 534 561	739 915
Receivables from non-exchange transactions	948	819
	1 535 509	740 734
23. Interest expense		
Interest on overdue accounts	3 154	3 245
Interest on municipal services and property rates	80 819	69 350
Interest on finance leases	1 099	954
	85 072	73 549
Interest due on backlog municipal services and property rates have not been paid, however, have been provided as explained in note 16.		
24. Loss on disposal/transfer of assets		
Property, plant and equipment	122 261	104 848
25. Operating lease		
Operating lease - building and improvements	5 121 058	4 702 755
Operating lease - furniture and office equipment	47 174	41 144
Rent on land	21 259	23 916
	5 189 491	4 767 815
26. Property maintenance (contracted services)		
Property maintenance expense relates to the following asset categories:		
Property, plant and equipment	2 838 829	1 934 662
Investment property	386	29 757
Heritage assets	24 551	340 961
Leased properties	12 676	11 831
	2 876 442	2 317 211

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

Property Management Trading Entity
Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

		2020 R'000	2019 R'000
27. Sundry operating expenses			
Advertising		1 426	276
Auditors remuneration		23 072	29 351
Bad debts written off		53	1 802
Bank charges		739	489
Bursaries		17 812	19 071
Cleaning and gardening		273 642	275 359
Computer software related expenses		10 956	17 205
Communication expenses		10 336	9 594
Consulting fees	27.1	171 305	241 046
Consumables		29 238	25 815
Fleet expenses	27.2	15 560	15 159
Losses incurred	27.3	139 559	167 987
Municipal service expenses		496 213	380 600
Other contractors		4 229	7 686
Other goods and services		21 565	21 588
Retirement awards		670	291
Security		130 319	94 909
Service in-kind expenses	27.4	24 145	7 684
Travel and subsistence		76 787	86 600
		1 447 626	1 402 512

27.1 Consulting fees

Included in consulting fees is an amount of R 47 million (2019: R 17 million) paid to Development Bank of South Africa for business improvement processes. R 32 million (2019: R52 million) paid to Special Investigating Unit for investigation purposes, and R 18 million (2019: R18 million) paid to COEGA Development Corporation for business continuity and process documentation. 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 DPWI.

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R'000	2019 R'000
28. Cash generated from operations		
Surplus	2 372 075	1 390 456
Adjustments for:		
Depreciation, impairment and amortisation	2 442 162	2 328 975
Loss on disposal/transfer of assets	122 261	104 848
Interest expense	85 072	73 549
Interest revenue	(326 530)	(119 177)
Impairment on receivables	1 535 509	740 734
Bad debt written off	53	1 802
Reversal of impairment loss on receivables	(23 040)	(366 546)
Service in-kind revenue	(20 726)	(26 682)
Service in-kind expense	24 145	7 684
Losses incurred	139 559	167 987
Donations received	4 639	4 849
Revenue from transfer of immovable assets	(27 000)	(200 126)
Changes in working capital:		
Receivables from exchange transactions	(1 611 261)	(1 123 106)
Receivables from non-exchange transactions	(805)	(1 049)
Operating lease asset	(256 038)	192 573
Operating lease liability	283 681	(189 060)
Payables from exchange transactions	469 091	(34 553)
Provisions	(21 660)	(413 178)
Employee benefit obligations	(9 621)	15 142
Retention liabilities	74 155	274 946
Deferred revenue	(2 180 384)	56 035
	3 075 337	2 886 103

Notes to the Annual Financial Statements

29. Budget differences

Reconciliation of budget to actual

Net cash flows from operating activities	3 075 337
Net cash flows from investing activities	(2 969 895)
Net cash flows from financing activities	(893)
	104 549
Cash deficit	104 549
Surplus for the year	2 372 075
Basis difference	2 476 624

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

Explanations of material variances between actual amounts and final budgeted amount

Receipts

Accommodation charges - private leases

The variance is attributable to the recurring disputes relating to occupation, the other reason is due to the fact the Department of Defence paid their invoices after year end. PMTE has intensified its recovery management through various actions with specific emphasis on the top six debtors.

Municipal services recovered

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

Expenditure

Cleaning and gardening

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

Repairs

The reasons for underspending on this budget was due to the poor performance by the contractors and the delay and extension of time on some of the projects.

Administrative, goods and services

The underspending on this budget was due to allocation of R50m for updating and correcting of immovable asset register which was not spend. This amount will be spent in the next financial year as part of a R100 million project.

Compensation of Employees

.The under-expenditure on this budget is attributable to the delay in the filling of vacant positions.

Notes to the Annual Financial Statements

29. Budget differences (continued)

Machinery and Equipment

The under-expenditure is attributable to the delay in the procurement of the additional VC facilities Tenders which were advertised but could not be adjudicated before the end of the financial year. Also funding allocated for procurement of laptops throughout all the branches has not been spent due to delays experienced in ICT with the SITA contract.

Capital non-recoverable expenditure (Refurbishment)

The reasons for underspending on this budget was due to the poor performance by the contractors and the delay and extension of time on some of the projects.

Capital recoverable expenditure (Client Capital)

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

Notes to the Annual Financial Statements

30. Contingencies

	2020 R'000	2019 R'000
Contingent liabilities		
Municipal services and property rates	77 163	60 544
Legal claims against the PMTE	175 699	156 920
	252 862	217 464

Municipal services and property rates

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

Legal Claims against the PMTE

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

	2020 R'000	2019 R'000
Contingent assets		
Municipal services and property rates	828	828
Legal claims by the PMTE	240 526	239 067
Property, plant and equipment	Undefined	Undefined
	241 354	239 895

Municipal services and property rates

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

Notes to the Annual Financial Statements

30. Contingencies (continued)

Legal claims by the PMTE

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

Special Investigating Unit recoveries

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

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

Property, plant and equipment

There are 79 properties under the custodianship of National Department of Public Works and Infrastructure/ PMTE. The properties could not be reliably measured due to the extent either not being determined through the office of the Surveyor General or the extent being too excessive to apply the valuation method on. PMTE is in the process of validating these extent.

The PMTE is in the process of regularising the ownership of land parcels pertaining to state domestic facilities (SDF) built on land currently registered under a number of other state custodians. Whilst the SDFs have already been recognised, the PMTE estimates that there are 3 286 land parcels (2019: 3 183 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 30 April 2020 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

	2020 R'000	2019 R'000
31. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	88 900	87 199
Fruitless and wasteful expenditure - relating to current year	-	3 254
Fruitless and wasteful expenditure - relating to prior years	-	1 221
Less amounts resolved	-	(5)
Less amounts reversed	(652)	(2 769)
	88 248	88 900

Amounts that are awaiting resolution are still in the process of assessment to determine if they are valid instances of fruitless and wasteful expenditure. All assessment and determination tests are conducted in terms of the Fruitless and Wasteful Expenditure Framework.

Amounts resolved relate to instances where the determination test revealed that these transactions do not meet the definition of fruitless and wasteful expenditure. These transactions resolved by following the processes in accordance with the Fruitless and Wasteful Expenditure Framework.

SIU investigations in terms of proclamations R38. of 2010, R.59 of 2014 and R.27 of 2015 are on-going. Recommendations stipulated in the investigation reports received by Management are implemented after following the necessary internal control processes and disclosed accordingly.

32. Irregular expenditure

	2020 R'000	2019 R'000
Opening balance	1 741 884	2 334 039
Add: Irregular Expenditure - current year	-	2 263
Add: Irregular Expenditure - prior years	12 707	12 528
Less: Current year amounts condoned	(7 744)	(97)
Less: Prior year amounts condoned	(7 401)	(97 985)
Less: Amounts not recoverable (not condoned)	(114 052)	(510 883)
	1 627 414	1 741 884

Determination tests are on-going on all instances of irregular expenditure in accordance with the Irregular Expenditure Framework. Where determination tests have been concluded and officials are found liable in law, appropriate actions are taken by management in line with the relevant prescripts.

Current year amounts condoned relates to an amount where the transaction was confirmed to meet the definition of irregular expenditure. However, the determination test conducted in terms of the Irregular Expenditure Framework revealed that no official was found to be liable for the irregularity nor was any losses suffered by the State. The transaction was then condoned by the relevant authority.

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

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

SIU investigations in terms of proclamations R38. of 2010, R.59 of 2014 and R.27 of 2015 are on-going. Recommendations stipulated in the investigation reports received by Management are implemented after following the necessary internal control processes and disclosed accordingly..

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R'000	2019 R'000
--	---------------	---------------

32. Irregular expenditure (continued)

Details of current year amounts condoned

	2020 R'000
Procurement and Contract Management for Designated Sectors	-

This transaction resulted in irregular expenditure whereby the Implementing Agent who transacts and conducts business independently from the Trading Entity did not follow necessary procurement processes in terms of Regulation 8 as per the Preferential Procurement Regulations. The Implementing Agent followed the processes as per the Irregular Expenditure Framework and sought condonation from the relevant authority.

Details of irregular expenditure - prior year

Appropriate approval not obtained from delegated authority	1 218
Incorrect procurement process followed	9 140
Limitation of scope	277
Procurement and Contract Management for Designated Sectors	7 744
Tender awarded to incorrect bidder	2 245
Reversal of accruals	(7 917)
	12 707

Included in the current year expenditure relating to prior years is an amount of R10 million which was confirmed to be irregular during the previous year's audit cycle. Other transactions found to be irregular are as a result of multi-year transactions found to be previously irregular in terms of the Irregular Expenditure Framework.

Details of irregular expenditure - prior year amounts condoned

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

Details of irregular expenditure not recoverable (not condoned)

Appropriate approval not obtained from delegated authority	255
Incorrect procurement process followed	113 783
Three quotations not obtained	14
	114 052

Included in the above is an amount of R113 million that relates to instances that were approved by National Treasury in prior years, and the remaining amount of R1 million was found not to meet the definition of irregular expenditure.

Details of prior year amounts condoned

Roster Appointments/Consultants	8 393
---------------------------------	-------

The Department had in previous years utilised the Roster System which was found to have contravened National Treasury prescripts on quotations. However, the Department has ceased using this system since April 2014 and all appointments of consultants are done using proper procurement processes.

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R'000	2019 R'000
--	---------------	---------------

33. Financial instruments disclosure

Categories of financial instruments

Financial assets at amortised cost

Receivables from exchange transactions	3 884 299	3 944 888
Cash and cash equivalents	8 114	6 647
	3 892 413	3 951 535

Financial liabilities at amortised cost

Bank overdraft	2 580 894	2 683 976
Payables from exchange transactions	3 340 152	2 713 363
Retention liabilities	342 357	407 977
Finance lease obligation	5 492	5 286
	6 268 895	5 810 602

34. Risk management

Financial risk management

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

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

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

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

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

2020	Note	1 month R'000	2-12 months R'000	2 years R'000	3 years R'000	> 3 years R'000	Total R'000
Bank overdraft	6	2 580 894	-	-	-	-	2 580 894
Accrued expenses - Assets	12	479 137	-	-	-	-	479 137
Accrued expenses - Cleaning and gardening	12	17 788	-	-	-	-	17 788
Accrued expenses - Leases	12	1 118 664	-	-	-	-	1 118 664
Accrued expenses - Maintenance	12	330 398	-	-	-	-	330 398
Accrued expenses - Municipal services	12	668 784	-	-	-	-	668 784
Accrued expenses - Other	12	43 574	-	-	-	-	43 574
Accrued expenses - Property rates	12	408 046	-	-	-	-	408 046
Accrued expenses - Scheduled maintenance	12	259 223	-	-	-	-	259 223
Accrued expenses - Security	12	10 226	-	-	-	-	10 226
Revenue claimed in advance - leases	12	643 518	-	-	-	-	643 518
Trade payables	12	436	-	-	-	-	436
Retention liabilities	13	271 885	48 927	16 250	5 295	-	342 357
Capital commitments - Projects		1 830 123	2 718 008	1 372 023	697 001	207 520	6 824 675
Operating maintenance commitments - Projects		403 669	1 212 071	557 054	360 430	162 578	2 695 802
Agency commitments - Projects		83 478	70 115	14 286	1 958	-	169 837
		9 149 843	4 049 121	1 959 613	1 064 684	370 098	16 593 359
2019	Note	1 month R'000	2-12 months R'000	2 years R'000	3 years R'000	> 3 years R'000	Total R'000
Bank overdraft	6	2 683 976	-	-	-	-	2 683 976
Accrued expenses - Assets	12	494 077	-	-	-	-	494 077
Accrued expenses - Cleaning and gardening	12	20 705	-	-	-	-	20 705
Accrued expenses - Leases	12	946 669	-	-	-	-	946 669
Accrued expenses - Maintenance	12	317 467	-	-	-	-	317 467
Accrued expenses - Municipal services	12	675 382	-	-	-	-	675 382
Accrued expenses - Other	12	42 106	-	-	-	-	42 106
Accrued expenses - Property rates	12	199 305	-	-	-	-	199 305
Accrued expenses - Scheduled maintenance	12	202 103	-	-	-	-	202 103
Accrued expenses - Security	12	10 321	-	-	-	-	10 321
Revenue claimed in advance - leases	12	505 784	-	-	-	-	505 784
Trade payables	12	2 650	-	-	-	-	2 650
Retention liabilities	13	309 397	83 983	14 104	-	493	407 977
Capital commitments - Projects		3 127 522	2 152 977	1 356 477	761 491	739 213	8 137 680
Operating maintenance commitments - Projects		1 986 410	358 364	188 029	54 813	13 750	2 601 366
Agency commitments - Projects		175 875	122 619	124 139	72 013	64 009	558 655
		11 699 749	2 717 943	1 682 749	888 317	817 465	17 806 223

Notes to the Annual Financial Statements

34. Risk management (continued)

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

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

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

Credit risk

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

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

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

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

34. Risk management (continued)

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

	2020 R'000	2019 R'000
Cash and cash equivalents	8 114	6 647
Operating lease asset	645 619	389 581
Receivables from exchange transactions	3 884 299	3 944 888
Receivables from non-exchange transactions	109	252
	4 538 141	4 341 368

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

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

Interest rate risk

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

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

35. Related parties

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

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

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

Notes to the Annual Financial Statements

35. Related parties (continued)

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

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

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

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

Revenue from exchange transactions:

Accommodation charges - freehold intergovernmental

Agriculture, Forestry and Fisheries	152 880	133 815
Arts and Culture	104 534	53 435
Correctional Services	1 242 899	1 163 061
Defence and Military Veterans	1 129 542	1 075 754
Higher Education	-	1 113
Environmental Affairs	30 852	26 828
Health	1 232	21 446
Home Affairs	73 613	64 013
Human Settlement	781	679
Independent Police Investigative Directorate	439	418
International Relations and Cooperation	732	307
Justice and Constitutional Development	418 246	397 474
Labour	72 866	69 133
Rural Development and Land Reform	42 179	36 678
Mineral Resources	4 027	3 821
National Treasury - SARS	42 712	40 524
Public Works	7 604	6 613
SA Police Services	1 397 874	1 331 309
Social Development	834	725
Statistics South Africa	-	1
Trade and Industry	10	4
Water and Sanitation	204 519	177 842
	4 928 375	4 604 993

Revenue from non-exchange transactions

Public Works and Infrastructure - Augmentation	4 315 736	4 009 490
Public Works and Infrastructure - Goods and service in-kind	20 726	26 682

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

	2020 R'000	2019 R'000
--	---------------	---------------

35. Related parties (continued)

4 336 462 **4 036 172**

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

Gross receivables from exchange transactions:

Accommodation charges - freehold intergovernmental

Agriculture, Forestry and Fisheries	77 375	100 987
Arts and culture	26 292	-
Correctional Services	244 824	757 239
Health	19 020	21 446
International Relations and Cooperation	8 297	7 565
Social development	834	-
Justice and Correctional Services	899	1
National Treasury - SARS	-	40 524
Rural Development	1	1
Statistics South Africa	-	19
Trade and Industry	117	107
	377 659	927 889

Impairment relating to exchange transactions:

Accommodation charges - freehold intergovernmental

Agriculture, Forestry and Fisheries	2 861	708
Arts and culture	172	-
Correctional Services	168 058	159 007
Health	17 999	2 065
International Relations and Cooperation	7 573	7 282
Justice and Constitutional Development	11	1
National Treasury - SARS	-	136
Rural Development and Land Reform	1	1
Social development	10	-
Statistics South Africa	-	19
Trade and Industry	107	107
	196 792	169 326

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

2020 Client department	Freehold Intergovern- mental	Gross receivable Leasehold Intergovern- mental	Municipal Services	Total	Freehold Intergovern- mental	Impairment provision Leasehold Intergovern- mental	Municipal Services	Total
Agriculture, F	84 701	87 916	114 516	287 133	2 884	13 851	91 284	108 019
Agriculture re	-	-	711	711	-	-	355	355
Arts and Cult	155 703	3 517	51 288	210 509	23 931	3 263	31 263	58 457
Basic Educat	43 759	-	-	43 759	40 044	-	-	40 044
Centre fo Pul	-	-139	1	-137	-	-	-	-
Companies A	-	129	-5	124	-	3	-	3
Cooperative (-	38	3 621	3 659	-	1	1 371	1 372
Correctional !	285 632	6 035	958 453	1 250 120	168 919	125	869 653	1 038 697
Defence	421 005	188 433	1 731 091	2 340 530	19 014	1 025	1 539 469	1 559 508
Energy	-	19 713	-9	19 704	-	8 507	-	8 507
Environment:	4 176	30 552	28 015	62 743	4 167	21 312	26 003	51 482
Gender Equa	-	151	1 407	1 558	-	3	1 116	1 119
Government	-	-	-	-	-	-	-	-

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

						2020 R'000	2019 R'000
35. Related parties (continued)							
Film and Pub	-	-9	476	467	-	-	179
Financial Anc	-	8 223	3 463	11 686	-	7 285	3 133
Govt Commu	-	2 539	394	2 932	-	764	210
Government	65	9	1 750	1 823	2	-	658
Health	47 931	-558	21 121	68 493	19 031	-	17 240
Higher Educa	-	-4 705	3 333	-1 372	-	-	2 444
Home Affairs	87 763	-24 664	-1 504	61 596	296	-	296
Human Settle	-	51 413	-734	50 679	-	50 407	-
Human Right	-	151	110	261	-	3	69
Ind Police Inv	-	129 596	1 073	130 669	-	95 790	656
International	78 002	15 313	5 903	99 218	71 363	13 949	5 189
Justice & Cor	-	-733	-	-733	-	-	-
Justice & Cor	45 002	-35 462	225 780	235 320	593	-	168 254
Labour	232	-20 930	-2 219	-22 917	1	-	-
Military Veter	111	1 228	464	1 802	109	25	174
Mineral Resc	-	2 913	9 045	11 958	-	60	8 511
National Pros	1 521	5 211	1 536	8 267	1 392	4 125	1 003
National Sch	-	-4 013	676	-3 337	-	-	473
National Treas	-	138 289	36 335	174 625	-	118 837	33 995
Office of the I	77	24	272	373	70	1	148
Office Of The	-	1 402	293	1 695	-	1 402	283
Parliament	961	1 761	-	2 723	880	1 346	-
Planning,Mor	-	-264	-	-264	-	-	-
Public Enterp	-	-2	209	209	-	-2	138
Public Servic	5 660	5 513	263	11 436	4 237	5 513	182
Public Works	-2	-1 729	2 475	746	-	-	931
Rural Develo	533	-9 903	18 743	9 374	2	-	9 670
Sa Social Se	1 026	5 904	-	6 930	185	122	-
Sa Social Se	-	-	155	155	-	-	84
Sa Social Se	-	-	972	972	-	-	576
Sa Social Se	-	-12	264	264	-	-	99
Sa Social Se	-	-4	874	874	-	-	329
Sa Social Se	-	-11	60	60	-	-	22
Sa Social Se	-	-12	1 229	1 229	-	-	865
Sa Social Se	-	-10	730	730	-	-	702
SASSA- Pret	-	-	577	577	-	-	366
SASSA- Umt	-	-	2 996	2 996	-	-	2 773
SASSA-Port	-	-	1 151	1 151	-	-	433
SASSA-Mma	-	-	22	22	-	-	8
Science And	-	6 677	160	6 837	-	6 677	155
Small Busine	-	1 067	219	1 286	-	1 067	216
Social Devel	72	-3 792	898	-2 822	66	-	456
South Africar	-	-	8 075	8 075	-	-	6 577
South Africar	40 672	-53 747	357 321	344 246	4 488	-	217 321
Sport And Re	2 704	25 639	4 452	32 795	2 474	17 196	3 699
SITA	-	-	22 512	22 512	-	-	20 903
Statistics SA	61	55 145	9 625	64 832	61	55 145	7 720
Telecommun	-	4 448	2 963	7 411	-	92	2 268
Tourism	-	5 637	96	5 732	-	116	37
Trade And In	117	-39	1 499	1 577	107	-	1 389
Transport	-	67 812	1 354	69 166	-	41 795	834
Water And S	-	-20 173	4 615	-15 558	-	-	2 333
Women	-	7 590	125	7 715	-	3 152	47
DIE AFRIKA/	-	-26	-	-26	-	-	-
IZIKO MUSE/	-	179	-	179	-	4	-
NATIONAL L	-	-874	-	-874	-	-	-
NATIONAL M	-	358	-	358	-	7	-
PAN SOUTH	-	-	-	-	-	-	-
ROBBEN ISL	-	95	-	95	-	2	-

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

							2020 R'000	2019 R'000
35. Related parties (continued)								
ROBBEN ISL	-	91	-	91	-	2	-	2
Totals	1 307 487	698 952	3 641 292	5 647 731	364 317	472 974	3 084 264	3 921 555

Mar 2019

Client department	Gross receivable		Municipal Services	Total	Impairment		Municipal Services	Total
	Freehold Intergovernmental	Leasehold Intergovernmental			Freehold Intergovernmental	Leasehold Intergovernmental		
Agriculture, F	100 987	18 322	80 596	199 905	708	8 485	57 849	67 042
Agriculture re	-	-	747	747	-	-	141	141
Arts and Cult	76 545	6 405	31 194	114 144	14 527	375	12 333	27 235
Basic Educat	39 899	-	-	39 899	25 082	-	-	25 082
Centre for Pu	-	720	35	755	-	476	-	476
Companies A	-	(21)	(5)	(26)	-	-	-	-
Cooperative (-	(3 069)	1 693	(1 376)	-	-	23	23
Correctional :	791 202	(10 663)	603 790	1 384 329	160 069	24	507 777	667 870
Defence	198 768	(237 241)	1 244 894	1 206 421	4 976	-	860 936	865 912
Energy	-	11 398	(366)	11 032	-	7 403	-	7 403
Environmenta	4 167	21 117	24 790	50 074	4 163	19 258	24 310	47 731
Gender Equa	-	-	656	656	-	-	656	656
Government	14	-	-	14	-	-	-	-
Film and Pub	-	(609)	46	(563)	-	-	-	-
Financial Anc	-	7 265	3 273	10 538	-	6 736	3 273	10 009
Govt Commu	-	726	315	1 041	-	688	11	699
Government	-	25	316	341	-	2	-	2
Health	21 447	(629)	23 457	44 275	2 065	-	18 415	20 480
Higher Educa	-	(4 705)	3 179	(1 526)	-	-	1 914	1 914
Home Affairs	118	(22 597)	(906)	(23 385)	38	3 987	-	4 025
Human Settle	-	45 872	(336)	45 536	-	47 200	-	47 200
Human Right	-	-	98	98	-	-	24	24
Ind Police Inv	-	107 569	1 105	108 674	-	103 367	406	103 773
International	71 123	13 920	5 904	90 947	68 463	17 871	4 799	91 133
Justice & Cor	-	(2 389)	-	(2 389)	-	-	-	-
Justice & Cor	37 831	(27 830)	135 001	145 002	557	5 666	100 064	106 287
Labour	2 642	(21 280)	(740)	(19 378)	25	-	939	964
Military Veter	102	149	236	487	102	134	2	238
Mineral Resc	-	2 834	8 357	11 191	-	521	8 188	8 709
National Pros	1 387	5 081	1 324	7 792	1 335	4 012	694	6 041
National Sch	-	109	1 898	2 007	-	186	1 898	2 084
National Tre	-	114 518	36 729	151 247	-	107 167	32 650	139 817
Office of the I	70	(537)	97	(370)	68	-	73	141
Office Of The	-	1 595	277	1 872	-	2 769	277	3 046
Parliament	877	1 392	-	2 269	844	1 272	-	2 116
Planning, Mo	-	(560)	-	(560)	-	-	-	-
Public Enterp	-	2 236	675	2 911	-	1 979	274	2 253
Public Servic	4 220	5 656	1 086	10 962	4 220	6 213	143	10 576
Public Works	-	(1 727)	759	(968)	-	-	-	-
Rural Develo	12 067	(4 162)	9 641	17 546	18	-	6 024	6 042
Sa Social Se	190	14 998	6 686	21 874	183	10 626	4 618	15 427
Science And	-	6 677	151	6 828	-	1 947	150	2 097
Small Busine	-	1 067	214	1 281	-	1 067	214	1 281
Social Develk	-	(455)	559	104	63	-	192	255
South Africar	40 590	-	7 993	48 583	136	-	5 772	5 908
South Africar	75 185	(58 272)	256 440	273 353	4 358	-	144 750	149 108
Sport And Re	-	19 827	4 156	23 983	2 373	14 556	3 270	20 199
SITA	2 465	-	47 841	50 306	-	-	3 285	3 285
Statistics SA	79	77 871	7 665	85 615	77	71 551	5 457	77 085

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

							2020 R'000	2019 R'000
35. Related parties (continued)								
Telecommun	-	(6 352)	1 849	(4 503)	-	-	1 849	1 849
Tourism	-	1 116	316	1 432	-	349	8	357
Trade And In	107	(962)	1 386	531	107	-	1 296	1 403
Transport	-	41 750	864	42 614	-	29 256	523	29 779
Water And S:	233	-	4 273	4 506	-	-	988	988
Women	-	3 559	119	3 678	-	3 921	-	3 921
Totals	1 482 315	129 714	2 560 327	4 172 356	294 557	479 064	1 816 465	2 590 086

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

Expenditure

Arts and Culture	8 583	11 520
Justice and Constitutional Development	223 414	192 135
	231 997	203 655

Accruals raised

Arts and Culture	79	1 630
Defence and Military Veterans	35	14
International Relations and Cooperation	-	10
Justice and Constitutional Development	12 534	13 493
The Presidency	3 018	3 252
Tourism	83	-
Water and sanitation	117	-
	15 866	18 399

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

35. Related parties (continued)

2020 Remuneration of management	Official	Basic salary	Non- pensionable salary	Structured service bonus	Post- employment benefits	Other short- term employee benefits	Total
Employees: Regional Managers							
Bloemfontein	TP Zulu	876	18	73	114	304	1 385
Cape Town (Acting)	N Kani	694	314	58	90	99	1 255
Durban	NN Vilakazi	751	340	63	98	-	1 252
Johannesburg	JM Monare	833	215	69	108	182	1 407
Kimberley	R Baulackey	876	121	73	114	115	1 299
Mmabatho	R Matlala	785	249	65	102	119	1 320
Nelspruit	PT Mashiane	846	354	-	110	249	1 559
Polokwane	M Ntshani	958	111	80	124	241	1 514
Port Elizabeth	JG Van Der Walt	898	459	-	117	55	1 529
Pretoria	TB Phiri	751	236	-	98	178	1 263
Mthatha (Acting)	MS Mabandla	693	185	-	90	77	1 045
Employees: Other Officials							
Chief Director: Construction Management Inland	W Hlabangwane	898	377	75	117	87	1 554
Chief Director: Financial Planning	J Prinsloo	844	361	70	110	22	1 407
Acting Chief Director: State Owned	GS Ncoane	740	97	62	96	97	1 092
Exco Members: Head of units							
Head of PMTE (Acting)	PJ Maroga	900	386	-	-	311	1 597
Construction Project Management	B Mokhothu	1 200	358	-	156	18	1 732
Small Harbours	MS Thobakgale	1 065	456	-	-	303	1 824
Real Estate Investment Registry Services	BS Matthews	949	406	-	-	84	1 439
Supply Chain Management (Acting)	R Naidoo	930	200	77	121	186	1 514
Exco Members: Deputy Director General:							
Real Estate Management Services (Acting)	M Govender	799	172	148	104	111	1 334
Real Estate Investment Services	S Subban	1 065	158	89	138	85	1 535
Real Estate Management Services (Acting)	SMM Mabinja	188	71	-	-	50	309
Facilities Management	NC Makhubele	1 065	143	89	138	101	1 536
Technical Finance Expert	B Van Der Merwe	799	342	-	-	41	1 182
Operational and Financial Sustainability Program	GB Mokgoro	799	342	-	-	111	1 252

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

Figures in Rand

35. Related parties (continued)

21 202	6 471	1 091	2 145	3 226	34 135
--------	-------	-------	-------	-------	--------

The remuneration disclosed above is for the period that the employee was occupying the role of management as indicated. Other short term benefits comprise of housing allowance, travel allowance and bargaining council contributions. Post employment benefits comprises of pension fund and medical aid contributions to a defined contribution plan.

The following movements occurred in key management positions during 2019/20:

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

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

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

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

Figures in Rand

35. Related parties (continued)

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

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

Figures in Rand

35. Related parties (continued)

Real Estate Investment Services	S Subban	1 012	147	84	132	84	1 459
Project Management Office (Acting)	PF Chiapasco	938	194	78	122	255	1 587
Facilities Management (Acting)	NC Makhubele	1 012	131	81	132	100	1 456
Operational and financial sustainability programme	GB Mokgoro	1 829	138	-	-	-	1 967
Technical Finance Expert	B Van Der Merwe	1 012	434	-	-	8	1 454
	-	23 839	6 715	1 093	2 304	3 057	37 008

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

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

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

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

- Mr M Sithole was appointed as Acting Head of Finance (PMTE) at the beginning of May 2018.
- Mr R Naidoo was appointed as Acting Head of SCM since 1 May 2018.
- Ms N Makhubele moved from DDG: REMS to Act DDG Facilities Management on 1 June 2018.
- Mr PF Chiapasco moved from Act DDG: Facilities Management to Act DDG PMO on 1 June 2018.

The position of the CFO is on the structure of DPWI Main Vote:

- Ms R Sadiki resigned as Chief Financial Officer at the end of April 2018.

36. Events after the reporting date

Implications of COVID-19 on the Annual Financial Statements

In terms of the regulations and as confirmed by the Minister in the media release release on 29 May 2020, the Department of Public Works and Infrastructure's (DPWI) role is to identify and make quarantine sites available to the Department of Health.

The cost cannot be quantified at this stage, as the number of sites to be provided will vary based on escalating infections in the country.

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

Figures in Rand

37. Prior period errors

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

Statement of financial position

	Restated 2019 R'000
Decrease in receivables from exchange transactions	(281 824)
Decrease in property, plant and equipment	(8 323 375)
Increase in Heritage assets	2 894 609
Increase in Investment property	1 098 919
Increase in payables from exchange transaction	(25 670)
Increase in deferred revenue	(80 546)
Decrease in net assets	(4 717 887)

Statement of Financial Performance

Increase in revenue from exchange transactions	1 285
Increase in revenue from non-exchange transactions	4 849
Decrease in Property rates	57 451
Increase in loss on transfer/disposal	(52 239)
Decrease in depreciation, amortisation and impairment	248 534
Increase in sundry operating expenses	(519)
Decrease in impairment loss on receivables	15 406
Increase in profit	274 767

Decrease in opening accumulated surplus	(4 992 654)
	(4 717 887)

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

Management assessed the applicability of iGRAP 19 and determined that its previous disclosure in respect of liabilities to pay levies was incorrect. Management corrected the prior period disclosure to account for this incorrect interpretation. The restatement affects the Prepaid Expenditure account, the property rate expenditure and the property rates accruals disclosure.

Property Management Trading Entity

Annual Financial Statements for the year ended 31 March 2020

Notes to the Annual Financial Statements

Figures in Rand

38. Going concern

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

Although the PMTE has a bank overdraft of R2,6 billion (March 2019: R2,7 billion) and the current liabilities exceed the current assets by R8.8 billion (March 2019: R11,2 billion), management maintains their assertion that the PMTE is able to continue on a going concern basis into the foreseeable future. Current liabilities includes Deferred Revenue as disclosed in note 11 of R5.7 billion (March 2019: R7,9 billion) and other non-financial instruments of R950 million (March 2019: R877 million) (note 12) that will be settled in services rather than cash. Management applies the accounting principles of conservatism and prudence when accounting for its liabilities. The PMTE operates under the control and support of the National Department of Public Works and Infrastructure ("DPWI"). National Treasury has been informed of the PMTE's position accordingly. Management is embarking on a revenue generating drive and has reinforced its efforts in collection of all outstanding debts. The main reason for the increase in the bank overdraft was due to the increase in the amounts owed by client departments. Management has engaged in robust discussions with the relevant departments and National Treasury to resolve the issues around non-payment and to ensure payment is received on outstanding amounts. Subsequent to reporting date R1.2 billion was received relating to these outstanding debts. Refer to note 35 for more detail relating to outstanding debt owed by client departments.

ANNEXURE A: Entity-wide disclosure

	Head Office R'000	Bloemfontein R'000	Cape Town R'000	Durban R'000	Johannesburg R'000	Kimberley R'000	Mmabatho R'000	Nelspruit R'000	Polokwane R'000	Port Elizabeth R'000	Pretoria R'000	Umtata R'000	Total R'000
Expenditure													
Interest expense	83 544,07	11	10	72	26	9	11	13	9	59	1 290	19	85 072
Employee costs	386 197,83	106 977	219 354	195 902	143 928	68 767	80 893	79 567	108 508	114 361	240 446	76 459	1 821 360
Depreciation and Armotisation	2 427 457,05	1 466	2 124	1 728	1 728	899	576	1 193	902	1 066	2 225	797	2 442 162
Receivables Impairment	1 511 850,27	1 022	5 532	1 176	863	3 528	613	128	(265)	815	9 933	313	1 535 509
Operating leases	2 033 248,08	89 761	302 685	292 436	278 504	68 410	108 980	137 686	141 249	209 672	1 474 974	51 885	5 189 491
Property maintenance (contracted services)	(395 553,08)	58 060	819 891	414 861	440 454	65 633	111 061	68 709	144 435	216 665	739 325	192 901	2 876 442
Property Rates	15 589,43	63 537	231 992	208 621	132 171	82 687	65 422	54 739	45 279	120 872	160 657	27 862	1 209 428
Loss on disposal	121 931,28	-	56	8	92	155	-	-	18	1	-	-	122 261
Sundry operating expenses	460 735,32	37 617	148 277	78 557	88 814	32 698	44 821	28 942	37 343	50 933	425 519	13 370	1 447 626
Construction expenses	204 126,33	212	5 475	-	-	-	-	-	-	-	54 782	-	264 596
Total segment expenditure	6 849 127	358 664	1 735 396	1 193 360	1 086 580	322 785	412 378	370 978	477 478	714 444	3 109 151	363 607	16 993 947