

## PART E: FINANCIAL INFORMATION

This part of the report provides insight into the financial wellness of the organisation and covers the following aspects:

- The statement of responsibility for the Annual Financial Statements of the year ended 31 March 2021, signed by the CEO, Mr M Mabuza, and the Chairperson of the Board, Dr H Mathe;
- The report of the CEO, which includes the general financial review and matters related to the proposed activities, retention of surplus, supply chain management, audit report and plans for the future;
- Report of the Auditor-General to Parliament on the CGS. This report gives an opinion regarding the fairness of the Annual Financial Statements in presenting the organisation's financial position, financial performance, cash flow in accordance with SA Standards of GRAP and requirements of the PFMA in all material aspects. It reports on performance on legal and regulatory compliance, internal control and related matters, and
- The Annual Financial Statements, comprising the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Cash Flow Statement and Notes to the Financial Statements.



CGS geoscientists working on a hyperspectral scanner at the National Core Library in Donkerhoek

# 1. STATEMENT OF RESPONSIBILITY

## Statement of responsibility for the Annual Financial Statements for the year ended 31 March 2021

The Board is responsible for the preparation of the Annual Financial Statements of the CGS and the judgments made in this information.


It is the responsibility of the Accounting Authority to establish and implement a system of internal controls designed to provide reasonable assurance of the integrity and reliability of the Annual Financial Statements.

In our opinion, the financial statements fairly reflect the operations of the CGS for the financial year ended 31 March 2021.

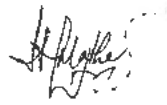
The external auditors are engaged to express an independent opinion on the Annual Financial Statements of the CGS.

The Annual Financial Statements of the CGS for the year ended 31 March 2021 have been audited by the external auditors, and their report is presented on pages 138 to 141.

The Annual Financial Statements of the CGS set out on pages 142 to 177 have been approved.



**Mr M Mabuza**  
**Chief Executive Officer**  
**Council for Geoscience**  
**31 July 2021**



**Dr H Mathe**  
**Chairperson**  
**Board of the Council for Geoscience**  
**31 July 2021**

## 2. CHIEF FINANCIAL OFFICER'S REPORT



### CHIEF FINANCIAL OFFICER

Mr Leonard Matsepe

'In the midst of COVID-19 pandemic constraints, the CGS appropriately reorganised its geoscience programme to contribute to the national economic recovery plan. The annual financial statements echoed this fervid commitment'

### Background

The Council for Geoscience is listed as a Schedule 3A Public Entity in terms of the Public Finance Management Act, Act No 1 of 1999. The objectives underlying the establishment of the CGS are to develop and publish world-class geoscience knowledge products and to render geoscience-related services to the South African public and industry.

### Financial position

A steady balance sheet position with an average growth rate of 7% has been maintained over the last 12 years. The CGS boasts total assets to the value of R741.4 million and a liquidity ratio of 1.4: 1 in the reported financial year.

### Property and equipment

An investment to the amount of R49.3 million was made in property, equipment and intangible assets during the year. Continued investment in scientific infrastructure and equipment remains a priority to ensure that world-class facilities and equipment are acquired and maintained.

### Cash flow management

The cash and cash equivalents increased from R232 million in 2020 to R358,3 million in 2021, resulting in a net cash inflow of R126.3 million. This investment was made to support the acceleration of economic recovery through the implementation of the geoscience programme.

### Going concern

The CGS's Annual Financial Statements have been prepared on the going-concern basis. Executive management has performed a formal review of the CGS's ability to continue as a going concern in the foreseeable future and based on this review, considers that the presentation of the financial statements on this basis is appropriate.

### Events after the reporting date

The Geoscience Act regulations, which aims to provide clarity and give effect to the principal Acts (the Geoscience Act No 100 of 1993 and the Geoscience Amendment Act No 16 of 2010), from which CGS derives its mandate to be the custodian and curator of all geoscience information in South Africa, were gazetted for public comment. Responses received from the wider geoscientific community are being considered.

**Request for the retention of surplus**

In terms of Section 53(3) of the PFMA of 1999, the CGS has to obtain approval from National Treasury to retain surpluses. Approval was obtained for the use of accumulated surpluses for the maintenance of and investment in scientific equipment and infrastructure, and the implementation of the repositioning strategy. A new request will be made for the year under review.

**Supply chain management**

The Supply Chain Management Unit is operational under the division of the Chief Financial Officer. This business unit provides an appropriate procurement and provisioning system, which is fair, equitable, transparent, competitive and cost-effective, and is established in accordance with Section 54 of the PFMA of 1999 (as amended by Act No 29 of 1999). In terms of BBEE, Section 13G (1) of the B-BBEE Act, the CGS complied with Management control and Enterprise Supplier Development.

**Audit report matters**

Matters raised in the audit report of the Auditor-General are given due attention to ensure attainment of unqualified audit opinions. The CGS obtained an unqualified audit opinion from the Auditor-General for the year ended 31 March 2021 and will continue to enhance the internal control environment.

**Financial sustainability**

In order to ensure financial sustainability, the CGS is deliberate in exploiting its vast geoscience information, knowledge and scientific prowess to develop apposite value propositions worthy of both fiscal and commercial investment.

# 1. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE COUNCIL FOR GEOSCIENCE

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Council for Geoscience set out on pages 142 to 177, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council for Geoscience as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matter

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### Write off work in progress: HVAC

7. As disclosed in note 12 to the financial statements, material losses of R18 496 000 was incurred as a result of write-off of work in progress relating to the HVAC project.

### Restatement of corresponding figures

8. As disclosed in note 24 of the financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2021.

### Responsibilities of the accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Auditor-general's responsibilities for the audit of the financial statements

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

### Report on the audit of the annual performance report

#### Introduction and scope

13. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
14. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the entity's annual performance report for the year ended 31 March 2021:

Programme	Pages in the annual performance report
Programme 4 – Delivery of the mandate	48 – 49

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
- Programme 4 – Delivery of the mandate

#### Other matter

18. I draw attention to the matter below.

#### Achievement of planned targets

19. Refer to the annual performance report on pages 32 to 56 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

### Report on the audit of compliance with legislation

#### Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.



21. The material findings on compliance with specific matters in key legislation are as follows:

#### Annual financial statements

22. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements on property, plant and equipment and related parties disclosure note were identified by the auditors on the submitted financial statements. These were corrected, which resulted in the financial statements receiving an unqualified opinion.

#### Expenditure management

23. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R18 496 000, as disclosed in note 23 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. All of the fruitless and wasteful expenditure was caused by ineffective contract management on the HVAC project.

#### Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

27. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

28. I have nothing to report in this regard.

#### Internal control deficiencies

29. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
30. Management did not implement adequate controls to ensure that the annual financial statements are prepared in accordance with the applicable framework and supported by accurate, complete and reconciled supporting schedules. There were material misstatements identified on property, plant and equipment and related parties disclosure note, which were subsequently adjusted, resulting in material non-compliance with the PFMA.
31. Management did not ensure that adequate contract management is implemented to avoid fruitless and wasteful expenditure, resulting in material non-compliance with the PFMA.

*Auditor-General*

Pretoria  
31 July 2021



# ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the entity's compliance with respect to the selected subject matters.

## Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
  - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of CGS to continue

as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

## Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



## 4. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

### STATEMENT OF FINANCIAL POSITION

Annual Financial Statements as at 31 March 2021

	Notes	2021 R'000	2020 (Restated) R'000
<b>Assets</b>			
Non-current assets			
		360 533	348 912
Property and equipment	3	335 804	330 015
Intangible assets	4	7 167	1 335
Heritage assets	27	17 562	17 562
<b>Current assets</b>			
		380 895	271 316
Inventories	5	5	5
Trade and other receivables from exchange transactions	7	22 528	39 298
Cash and cash equivalents	8	358 362	232 013
<b>Total assets</b>		<b>741 428</b>	<b>620 228</b>
<b>Net assets and liabilities</b>			
Accumulated surplus			
		448 408	449 181
<b>Non-current liabilities</b>			
Post-employment benefit liabilities			
	6	11 260	9 254
<b>Current liabilities</b>			
		281 760	161 793
Trade and other payables	9	56 943	28 444
Deferred income	10	191 345	108 151
Accruals	11	33 472	25 199
<b>Total net assets and liabilities</b>		<b>741 428</b>	<b>620 228</b>

# STATEMENT OF FINANCIAL PERFORMANCE

for the period ended 31 March 2021

	Notes	2021 R'000	2020 (Restated) R'000
<b>Total Revenue</b>		<b>525 878</b>	<b>489 277</b>
Revenue from exchange transactions	12	272 185	290 738
Revenue from non-exchange transactions	12	253 693	198 539
<b>Total cost of projects</b>		<b>(194 862)</b>	<b>(165 672)</b>
Cost of commercial projects	12	(14 932)	(22 698)
Cost of statutory projects	12	(179 930)	(142 975)
<b>Gross surplus</b>		<b>331 016</b>	<b>323 605</b>
Administrative expenses		(312 196)	(254 938)
Other operating expenses	12	(19 580)	(3 600)
<b>Surplus from operations</b>		<b>(759)</b>	<b>65 067</b>
Finance cost	13	(14)	(20)
<b>Net deficit/surplus for the year</b>		<b>(773)</b>	<b>65 047</b>

# STATEMENT OF CHANGES IN NET ASSETS

for the period ended 31 March 2021

	Notes	Accumulated surplus R'000	Total R'000
<b>Opening balance at 31 March 2019</b>		<b>389 746</b>	<b>389 746</b>
Net loss for the period		(5 611)	(5 611)
<b>Restated balance at 31 March 2019</b>		<b>384 134</b>	<b>384 134</b>
Net surplus for the period		60 946	60 946
Correction of prior period error	25	4 101	4 101
Restated net surplus for the period		65 047	65 047
<b>Restated balance at 31 March 2020</b>		<b>449 181</b>	<b>449 181</b>
Net surplus for the period		(773)	(773)
<b>Balance at 31 March 2021</b>		<b>448 408</b>	<b>448 408</b>

# CASH FLOW STATEMENT

for the period ended 31 March 2021

	Notes	2021 R'000	2020 (Restated) R'000
<b>Cash inflow from operating activities</b>		175 058	69 275
Cash receipts from customers		525 901	550 588
Cash paid to suppliers and employees		(363 398)	(504 622)
Cash generated from operations	14	162 503	45 966
Interest received	12	12 569	23 329
Finance cost	13	(14)	(20)
<b>Cash outflow from investing activities</b>		(48 710)	(90 844)
Acquisition of:			
Property and equipment	15,1	(41 912)	(93 828)
Intangible assets	15,2	(7 431)	(306)
Proceeds from sale of asset	12	29	874
Insurance proceeds for property and equipment	3,1	604	2 416
<b>Net increase/(loss) in cash and cash equivalents</b>		126 349	(21 569)
<b>Cash and cash equivalents at beginning of period</b>	8	232 013	253 582
<b>Cash and cash equivalents at end of period</b>	8	358 362	232 013

# ACCOUNTING POLICIES

for the Annual Financial Statements for the year ended 31 March 2021

## 1 Accounting policies

### 1.1 Basis of preparation

#### Statement of compliance

1. The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements have been prepared on a historic cost basis and accounting policies are consistent with prior years.

These annual financial statements have been prepared on a going concern basis, i.e. the assumption that the Council for Geoscience will continue to operate as a going concern for at least the next twelve months.

2. The cash flow statement has been prepared in accordance with the direct method.

3. Specific information is presented separately on the statement of financial position such as:

- (a) receivables from non-exchange transactions, including taxes and transfers;
- (b) taxes and transfers payable;
- (c) trade and other payables from non-exchange transactions.

The budget reporting standard does not apply to the Council for Geoscience as our budget is tabled as part of the Department of Mineral Resources and Energy budget.

### 1.2 Revenue recognition

Revenue comprises the revenue from non-exchange transactions recognised as income in the current year, contract income and sales of publications.

The Council for Geoscience measures revenue at the fair value of the consideration received or receivable. Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Council for Geoscience, and the amount of revenue and associated costs incurred or to be incurred, can be measured reliably.

#### 1.2.1 Revenue from non-exchange transactions

The Council for Geoscience receives grants in the form of a baseline allocation from the Department of Mineral Resources and Energy.

Revenue from non-exchange transactions is recorded as deferred income when it is received. It is then recognised as income proportionate to the costs incurred.

# ACCOUNTING POLICIES

for the Annual Financial Statements for the year ended 31 March 2021

## 1,2,2 Revenue from exchange transactions

Revenue from exchange transactions comprises sales and contract revenue as follows:

### Sales revenue

Sales revenue represents the invoiced value of goods and services supplied by the Council for Geoscience. This revenue is recognised when the revenue recognition criteria are met.

### Contract revenue

Revenue from contracts is recognised by means of progress payments over the duration of the contracts. Revenue from contracts in progress is recognised when the revenue criteria are met. When the outcome of a contract can be estimated reliably, revenue is recognised by referring to the stage of completion of the contract outcome.

## 1,3 Interest received

Interest is recognised on a time proportionate basis with reference to the principal amount receivable and the effective interest rate applicable.

## 1,4 Property and equipment

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

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

- it is probable that future economic benefits associated with the item will flow to the Council for Geoscience; and
- the cost of the item can be measured reliably.

Land and buildings were valued at initial recognition and subsequently only the building is depreciated on a straight-line method.

Costs include costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to, replace part of, or service it. If the cost of a replacement part is recognised in the carrying amount of an item of property and equipment, the carrying amount of the replaced part is derecognised.

Property and equipment are carried at cost less accumulated depreciation and any impairment losses.

Day to day expenses incurred on property and equipment are expensed directly to surplus or deficit for the period.

Where an asset is acquired at no cost, or at a nominal cost, its cost is its fair value as at date of acquisition.

Major refurbishment that meets the recognition criteria of an asset is capitalised.



# ACCOUNTING POLICIES

for the Annual Financial Statements for the year ended 31 March 2021

Depreciation is provided on all property and equipment other than freehold land, to write down the cost, less residual value, on a straight line basis over their average useful lives, as follows:

Land	Not depreciable
Buildings	30 years
Motor vehicles	5 to 10 years
Equipment	5 to 10 years
Aircraft and helicopter – body	15 years
Aircraft and helicopter – components	Useful hours as per Civil Aviation Authority
Boat	10 years
Office furniture	20 to 23 years
Computer equipment	6 to 11 years
Specialised equipment	15 years

The depreciation charges for each period are recognised in the statement of financial performance, unless it is included in the carrying amount of another asset.

The average useful lives and residual values are reviewed on an annual basis and changes are reflected as change in accounting estimates on a prospective basis.

## 1.5 Intangible assets

An intangible asset is recognised when:

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

Capitalised computer software is carried at cost less accumulated amortisation and less accumulated impairment losses. Computer software is tested annually for impairment or changes in estimated future benefits. Amortisation is provided to write down the intangible assets to their residual value, on a straight-line basis, being two to eight years.

### Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from research and development is recognised as part of intangible assets only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Internally generated assets are amortised on a straight-line basis over their useful lives.

# ACCOUNTING POLICIES

for the Annual Financial Statements for the year ended 31 March 2021

## 1,6 Heritage assets

Heritage assets are assets held for their cultural, environmental or historical significance. Heritage assets are initially recognised at deemed cost, which has been determined, due to the nature of heritage assets, by specialist valuers. Heritage assets are reflected at deemed cost and are not depreciated. At each reporting date, heritage assets are assessed for indications of impairment. If any such indication exists, an estimate of the recoverable amount or the recoverable service amount of the heritage assets will be determined and tested against the carrying amount.

## 1,7 Inventories

The Council for Geoscience is a custodian of scientific information that produces publications in the form of books, maps and map explanations etc. These publications are distributed to the public for free or at a nominal charge.

Inventories are initially measured at deemed costs (fair value).

## 1,8 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the Rand and the foreign currency at the date of the transaction.

### At each balance sheet date:

- foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in the statement of financial performance in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## 1,9 Deferred income

Deferred Income is accounted for in the statement of financial position. The related revenue is recognised on an accrual basis in the statement of financial performance in the period in which it satisfies the revenue recognition criteria.

## 1,10 Retirement benefit costs

### Short-term employee benefits

The cost of short-term employee benefits (those payable within twelve months after the service is rendered, such as bonuses, paid vacation leave and sick leave) is recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

# ACCOUNTING POLICIES

for the Annual Financial Statements for the year ended 31 March 2021

## Defined contribution and defined benefit plans

The Council for Geoscience operates both a defined contribution pension and provident fund and a defined benefit plan in respect of post-retirement medical-aid contributions. For the defined benefit plan, the defined benefit obligation and the related current service cost, is determined by using the projected unit credit method. The defined benefit plan is subject to an annual actuarial valuation. The qualifying plan asset of this scheme is held and administered by Momentum Group Limited.

The actuarial gains or losses are further limited to the extent that the net cumulative unrecognised actuarial gains or losses (before recognition of that actuarial gain or loss) exceed the unrecognised part of the transactional liability. Payments to defined contribution retirement benefit plans are charged to the statement of financial performance in the year to which they relate.

## 1,11 Provisions and contingent liabilities

### 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 will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### Commitments

The Council for Geoscience classifies commitments as contracted future transactions that are non-cancellable or only cancellable at significant cost, and that will normally result in the outflow of cash. This excludes steady routine transactions such as salary commitments relating to employment contracts or social security benefits.

A distinction is made between operational and capital commitments.

Disclosure is made of the aggregate amount of operational and capital expenditure contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements.

If a commitment is for a period longer than a year, it is stated in the note to the commitments.

Disclosure of expenditure that has been approved, but that has not yet been contracted for, is made.

## 1,12 Financial instruments

### Initial recognition

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and liabilities are recognised on the entity's statement of financial position when the Council for Geoscience becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value.

# ACCOUNTING POLICIES

for the Annual Financial Statements for the year ended 31 March 2021

## **Derecognition of financial instruments**

The entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The entity derecognises financial liabilities when the entity's obligations are discharged, cancelled or they expire.

## **Impairment of loans and receivables**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of trade receivables is reduced through the use of an allowance account (bad debt provision). When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit.

Fair values of trade and other payables are determined at a price charged at transaction date and impaired when indicators of impairment are present. At period end there were no differences between the book value and the fair values of trade and other payables.

## **Fair value of trade and other receivables**

Fair values of trade and other receivables are determined at a price charged at transaction date and impaired when indicators of impairment are present. At period end there were no differences between the book value and the fair values of trade and other receivables because of the short-term maturity.

## **Financial assets carried at amortised cost**

Loans and receivables are measured at amortised cost less any impairment losses recognised to reflect irrecoverable amounts. Impairment is determined on a specific basis, whereby each asset is individually evaluated for impairment indicators. Write-offs of these assets are expensed in surplus or deficit.

## **Cash and cash equivalents**

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Cash and cash equivalents are measured at fair value.

## **Financial liabilities carried at amortised cost**

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost.

# ACCOUNTING POLICIES

for the Annual Financial Statements for the year ended 31 March 2021

## 1,13 Operating leases

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Any contingent rents are expensed in the period they are incurred.

## 1,14 Impairment

The Council for Geoscience identifies cash generating assets as assets that are managed with the objective of generating a commercial return, and non-cash generating assets as assets that do not generate market related cash flows from that asset .

The entity assesses at each balance sheet date whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. The recoverable amount of an asset is the higher of fair value less assumed costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss recognised immediately in surplus or deficit.

At each reporting date the entity assesses impairment losses recognised in prior years for continued existence or decreases. If such indication exists, the recoverable amounts of those assets are estimated. The increase in the carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

## 1,15 Critical accounting estimates and judgements

### Provision for bad debts

Past experience indicates a reduced prospect of collecting debtors over the age of four months. Debtor balances are regularly assessed by management and provided for in line with the policy.

### Provisions

Provisions were raised and management determined an estimate based on the information available and in line with the policy.

### Property and equipment

Management has made certain estimations with regard to the determination of estimated useful lives and residual values of items of property and equipment.

### Leases

Management has applied its judgement to classify all lease agreements that the entity is party to as operating leases, as they do not transfer substantially all risks and ownership to the entity. Furthermore, as the operating lease in respect of premises is only for a relatively short period of time, management has made a judgement that it would not be meaningful to classify the lease into separate components for the land and for the buildings for the Polokwane office current lease, and the agreement will be classified in its entirety as an operating lease.

# ACCOUNTING POLICIES

for the Annual Financial Statements for the year ended 31 March 2021

## 1,16 Sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that could have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 1,17 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes. Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.

## 1,18 Fruitless and Wasteful Expenditure

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure where identified is accounted for in the related year. The expenditure is accordingly classified with its nature, and where subsequently recovered, it is accounted for as income in surplus or deficit.

## 1,19 Post-reporting date events

Events after the 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)
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Council for Geoscience will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

## 1,20 Related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Board Members and Senior management. Related party transfers/ payments of appropriated funds, specific-purpose allocations, etc. would generally fall under the disclosure exemption in GRAP 20, and such transfers and allocations are therefore part of the normal supplier and/or client/recipient relationships and are therefore not disclosed.



# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

## 2 New standards and interpretations

### 2.1 2.1 Standards and interpretations issued, but not yet effective

The Council for Geoscience has not applied the following standards and interpretations, which have been approved but are not yet effective for accounting periods 2020/2021:

GRAP statement	Description	Impact	Effective date
GRAP 25	Employee Benefits	None	To be determined
GRAP 104	Financial instruments (revised)	None	To be determined

## 3 Property and equipment

2021	Land	Buildings and Fixtures	*Equipment	Office furniture	Aircraft and Boat	Motor vehicles	Computer equipment	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Gross carrying amount	18 231	210 421	196 458	13 325	23 555	26 900	54 176	543 066
Accumulated depreciation at the beginning of the period	(1 600)	(68 618)	(99 302)	(8 744)	(9 284)	(13 058)	(12 445)	(213 051)
<b>Opening net carrying amount at 31 March 2021</b>	<b>16 631</b>	<b>141 803</b>	<b>97 156</b>	<b>4 581</b>	<b>14 271</b>	<b>13 842</b>	<b>41 731</b>	<b>330 015</b>
Movements during the period:								
Work in progress (refer to note 3.2)	-	24 665	(27 167)	-	(1 282)	-	(6 032)	(9 816)
Acquisitions	-	-	33 269	982	2 585	-	14 990	51 826
Reversal of impairment	-	315	-	-	-	-	-	315
Disposals	-	-	(10)	(40)	-	(1)	(119)	(170)
Disposals - Cost	-	-	(102)	(181)	-	(1)	(199)	(483)
Disposals - Depreciation	-	-	92	141	-	-	80	313
Depreciation	-	(6 341)	(22 494)	(720)	(507)	(2 605)	(3 699)	(36 366)
<b>Closing net carrying amount at 31 March 2020</b>	<b>16 631</b>	<b>160 442</b>	<b>80 755</b>	<b>4 803</b>	<b>15 067</b>	<b>11 236</b>	<b>46 870</b>	<b>335 804</b>
Gross carrying amount	18 231	235 086	202 459	14 126	24 859	26 899	62 934	584 593
Accumulated depreciation/impairment	(1 600)	(74 644)	(121 704)	(9 322)	(9 792)	(15 663)	(16 064)	(248 789)

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

## 3 Property and equipment (continued)

### Property and equipment (continued)

2020	Land	Buildings and Fixtures	*Equipment	Office furniture	Aircraft and Boat	Motor vehicles	Computer equipment	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Gross carrying amount	18 231	195 082	166 001	13 315	22 348	29 264	20 552	464 793
Accumulated depreciation at the beginning of the period	(1 960)	(65 334)	(90 541)	(8 382)	(10 286)	(13 695)	(14 543)	(204 741)
<b>Opening net carrying amount at 31 March 2019</b>	<b>16 271</b>	<b>129 748</b>	<b>75 460</b>	<b>4 933</b>	<b>12 062</b>	<b>15 569</b>	<b>6 009</b>	<b>260 052</b>
Movements during the period:								-
Work in progress (refer to note 3.2)	-	14 854	27 045	-	1 282	-	29 810	72 991
Reversal of impairment	360	2 881	-	-	-	-	-	3 241
Acquisitions	-	485	10 718	356	-	872	8 406	20 837
Disposals	-	-	(2 221)	(82)	(7)	(524)	(348)	(3 182)
Disposals - Cost	-	-	(7 306)	(346)	(75)	(3 236)	(4 592)	(15 555)
Disposals - Depreciation	-	-	5 085	264	68	2 712	4 244	12 373
Adjustments	-	-	-	-	1 036	-	-	1 036
Depreciation	-	(6 165)	(13 846)	(626)	(102)	(2 075)	(2 146)	(24 960)
<b>Closing net carrying amount at 31 March 2020</b>	<b>16 631</b>	<b>141 803</b>	<b>97 156</b>	<b>4 581</b>	<b>14 271</b>	<b>13 842</b>	<b>41 731</b>	<b>330 015</b>
Gross carrying amount	18 231	210 421	196 458	13 325	23 555	26 900	54 176	543 066
Accumulated depreciation/ impairment	(1 600)	(68 618)	(99 302)	(8 744)	(9 284)	(13 058)	(12 445)	(213 051)

\* Equipment in the tables above include the following categories of equipment: Specialised Equipment, Audio & Visual, Technical Equipment, Office Equipment and Scientific Equipment

The transfer of the following land and buildings as stipulated under section 26 of the Geoscience Act (Act No. 100 of 1993) has not yet been completed.

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

## 3 Property and equipment (continued)

Location	Fair value at date of transfer R'000
474 Carl Street, Town Lands 351JR, Pretoria West	R2 800
280 Pretoria Street, Silverton, Pretoria	R94 000

The value of these properties has been included in the carrying amount of land and buildings as at 31 March 2020 and was determined by an independent valuator.

Details regarding land and buildings are kept at the Council for Geoscience head office and will be supplied upon written request.

	2021 R'000	2020 R'000
<b>3.1 Compensation from third parties for property and equipment lost</b>		
Proceeds from insurance	604	2 416

## 3.2 Property and equipment in the process of being constructed

Cumulative expenditure recognised in the carrying value of property and equipment being developed/constructed

	Buildings and Fixtures R'000	*Equipment R'000	Aircraft and Boat R'000	Total R'000
Gross carrying amount	46 916	57 132	2 322	106 370
<b>Opening net carrying amount at 31 March 2019</b>	46 916	57 132	2 322	106 370
Movement	24 665	(33 199)	(1 282)	(9 816)
<b>Closing net carrying amount at 31 March 2020</b>	71 581	23 933	1 040	96 555

### Property and equipment in the process of being constructed with delays

Included in the work in progress for buildings and fixtures is a carrying amount of R36,649m in respect of a ventilation system in the Silverton building that has been delayed.

	Buildings and Fixtures R'000
Gross carrying amount	36 649
<b>Opening net carrying amount at 31 March 2020</b>	36 649
Movement	22 944
<b>Closing net carrying amount at 31 March 2021</b>	59 593

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

3	<b>Property and equipment (continued)</b>	<b>2021</b>	<b>2020</b>
		<b>R'000</b>	<b>R'000</b>
<b>3,3</b>	<b>Property and equipment continued</b>		
	Repairs and maintenance expenditure incurred for the year to repair and maintain property and equipment		
	<b>Repairs and maintenance</b>		
	Land and Buildings	4 751	2 931
	Office Equipment and Furniture	4	27
	Technical and Scientific Equipment	2 482	1 947
	Specialised Equipment	-	-
	Computer Equipment	163	99
	Aircraft	127	777
		<u>7 527</u>	<u>5 781</u>
<b>4</b>	<b>Intangible assets</b>		
	<b>Computer software</b>		
	Gross carrying amount	9 501	9 865
	Accumulated amortisation	(8 166)	(8 310)
	<b>Opening net carrying amount at 31 March 2020</b>	1 335	1 555
	Movements during the period:		
	Acquisitions	7 333	306
	Disposals	-	(2)
	Disposals - Cost	-	(671)
	Disposals - Amortisation	-	669
	Amortisation	(1 501)	(526)
	<b>Closing net carrying amount at 31 March 2021</b>	7 167	1 335
	Gross carrying amount	16 833	9 501
	Accumulated amortisation	(9 666)	(8 166)
<b>5</b>	<b>Inventories</b>		
	Publication inventories	<u>5</u>	<u>5</u>
<b>6</b>	<b>Retirement benefit</b>		
<b>6,1</b>	<b>Post-retirement medical-aid fund (PRM)</b>		
	The Council for Geoscience has made provision for the medical-aid fund covering all its qualifying employees. All eligible employees are members of the defined benefit scheme. To improve management of this defined benefit scheme the Council for Geoscience established a qualifying plan asset in October 2010 which is held and administered by Momentum Group Limited and evaluated annually as at 31 March.		

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

## 6 Retirement benefit (continued)

2021  
R'000

2020  
R'000

The amount recognised in the statement of financial performance is determined as follows:

Current service costs	37	48
Interest charge	2 562	2 074
Expected return on planned assets	(1 541)	(1 517)
Actuarial (gain)/loss recognised	949	3 947
Recognition of loss on asset realisation	(1)	(2 959)
	<b>2 006</b>	<b>1 593</b>

The amount included in the statement of financial position arising from Council for Geoscience obligation in respect of PRM is as follows:

	2021	2020	2019	2018	2017
Present value of fund obligations	26 070	24 348	(15 094)	25 565	23 084
Fair value of planned assets	(14 810)	(15 094)	8 035	(17 530)	(15 034)
Liability recognised in statement of financial position	11 260	9 254	(7 059)	8 035	8 050

Movement in net liability during the period is as follows:

	2021			2020		
	Liability	Planned asset	Net	Liability	Planned asset	Net
Liability at beginning of period	24 348	-	24 348	24 214	-	24 214
Value of planned assets at beginning of period	-	(15 094)	(15 094)	-	(16 553)	(16 553)
	24 348	(15 094)	9 254	24 214	(16 553)	7 661
Interest charge/expected return of planned asset	2 562	(1 541)	1 021	2 074	(1 517)	557
Contributions received	-	(1)	(1)	-	(2 959)	(2 959)
Current service costs	37	-	37	48	-	48
Benefits paid	(2 311)	2 311	-	(2 179)	2 179	-
Actuarial (gain)/loss	1 434	(485)	949	191	3 756	3 947
Closing balance	26 070	(14 810)	11 260	24 348	(15 094)	9 254

### Contributions expected to be paid

Top up payments are expected to be made during the 2022 financial year

Expected rate of return on assets 9,43%

### Assumptions

Discount rates 9,43%

Basis of discount rates: JSE zero coupon bond yield after the market closed on 31 March 2021

Return on assets 9,43%

Expected salary increases 5,00%

Health care cost inflation rate 7,35%

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

## 6 Retirement benefit (continued)

### Sensitivity analysis-on accrued liability (R Millions) for the year ending 31 March 2021

Assumption	Change	In service	Continuation	Total	Change
Central assumptions	-	2,123	23,947	26,070	-
Health care inflation	1%	2,465	25,795	28,260	8%
	-1%	1,842	22,296	24,138	-7%
Discount rate	1%	1,849	22,339	24,188	-7%
	-1%	2,462	25,776	28,238	8%
Post retirement mortality	-1 year	2,193	25,005	27,198	4%
Average retirement date	-1 year	2,161	23,947	26,108	0%
Continuation of membership at retirement	-10%	1,912	23,947	25,859	-1%

The table above indicates, for example that if medical inflation is 1% greater than the long-term assumptions made, the liability will be 8% higher than that shown.

### Sensitivity analysis for current service and interest cost (R Millions) for the year ending 31 March 2021

Assumption	Change	Current service	Interest cost	Total	Change
Central assumptions	-	36 700	2 554 900	2 591 600	-
Health care inflation	1%	43 800	2 768 600	2 812 400	9%
	-1%	30 900	2 365 400	2 396 300	-8%
Discount rate	1%	31 100	2 588 000	2 619 100	1%
	-1%	43 700	2 512 600	2 556 300	-1%
Post retirement mortality	-1 year	37 700	2 658 900	2 696 600	4%
Average retirement date	-1 year	40 600	2 567 100	2 607 700	1%
Continuation of membership at retirement	-10%	33 100	2 534 900	2 568 000	-1%

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumptions made, the liability will be 9% higher than that shown.

## 6,2 Pension and provident fund benefits

The Council for Geoscience and its employees contribute to a defined contribution plan. The assets of the scheme are held separately from the Council for Geoscience in funds under the control of trustees. The total cost charged to income of R15,591m (2020: R13,994m) represents equal contributions of 7.5% by the employer and employee.



# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

	2021 R'000	2020 R'000
<b>7 Trade and other receivables from exchange transactions</b>		
Trade receivables	5 503	1 024
Contract customers	9 006	32 544
Other receivables	10 044	7 778
	<u>24 554</u>	<u>41 345</u>
Less - Provision for bad debts	(2 026)	(2 047)
	<u>22 528</u>	<u>39 298</u>
Provision for bad debts		
Opening balance	2 047	2 175
Movement	(21)	(128)
Closing balance	<u>2 026</u>	<u>2 047</u>
<b>Analysis of Impairment</b>		
Long overdue debtors considered impaired	2 026	2 047
	<u>2 026</u>	<u>2 047</u>

There is no difference between the fair value of trade and other receivables and their book value.

<b>8 Cash and cash equivalents</b>		
Cash and cash equivalents at the end of the period are represented by the following balances:		
Cash at bank	26 800	24 197
Call accounts	331 562	207 816
	<u>358 362</u>	<u>232 013</u>
Cash and cash equivalents at the end of the period are represented by the following balances:		

There is no difference between the fair value of cash and cash equivalents and their book value.

<b>9 Trade and other payables</b>		
Trade payables	21 673	8 324
Other payables	35 270	20 120
	<u>56 943</u>	<u>28 444</u>

There is no difference between the fair value of trade payables and their book value.

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

	2021 R'000	2020 R'000
<b>10 Deferred income</b>		
<b>Exchange revenue</b>		
<b>10,1 Deferred income arising as a result of an agreement entered into with the Department of Science and Innovation to develop an intellectual property management office. (Geoscience Act par 5(1)(g))</b>		
Carrying amount at the beginning of period	2 609	3 264
Amounts used during the period	(2)	(655)
Carrying amount at the end of period	2 607	2 609
<b>10,2 Deferred income arising as a result of an agreement with the Organisation of African Geological Surveys.</b>		
Carrying amount at the beginning of period	248	48
Amounts received	45	200
Carrying amount at the end of period	293	248
<b>10,3 Deferred income arising as a result of an agreement with the Department of Science and Innovation for the environmentally friendly and efficient methods for the extraction of Rare Earth Elements.</b>		
Carrying amount at the beginning of period	182	182
Amounts used during the period	(182)	-
Carrying amount at the end of period	-	182
<b>10,4 Deferred income arising as a result of an agreement entered into with the National Research Foundation.</b>		
Carrying amount at the beginning of period	110	110
Carrying amount at the end of period	110	110
<b>10,5 Deferred income arising as a result of Carbon Capture, Utilization and Storage (CCUS)</b>		
Carrying amount at the beginning of period	-	-
Amounts received	90 000	-
Amounts used during the period	(8 182)	-
Carrying amount at the end of period	81 818	-

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

10	<b>Deferred income (continued)</b>	<b>2021</b>	<b>2020</b>
		<b>R'000</b>	<b>R'000</b>
10,6	<b>Deferred income arising as a result of an agreement entered into with the Department of Mineral Resources &amp; Energy to develop and implement various measures to mitigate the effect of mining-induced contamination.</b>		
	Carrying amount at the beginning of period	105 002	217 756
	Amounts received	248 537	215 523
	Amounts used during the period	(247 021)	(328 277)
	Carrying amount at the end of period	106 518	105 002
	<b>Total deferred income</b>	<u>191 345</u>	<u>108 151</u>
11	<b>Accruals</b>		
	<b>Accruals for leave pay</b>		
	Carrying amount at the beginning of period	19 804	18 983
	Provision current period	9 133	2 839
	Amounts used during the current period	(1 721)	(2 018)
	Carrying amount at the end of period	<u>27 216</u>	<u>19 804</u>
	The leave pay provision relates to the estimated liabilities as a result of leave days due to employees.		
	<b>Accruals for 13th cheque</b>		
	Carrying amount at the beginning of period	5 395	6 130
	Provision current period	861	(735)
	Carrying amount at the end of period	<u>6 256</u>	<u>5 395</u>
	The 13th cheque accrual relates to the structuring of the employee costs to company and is paid out on employees' birthdays.		
	<b>Total accruals</b>	<u>33 472</u>	<u>25 199</u>

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

	2021 R'000	2020 R'000
<b>12 Surplus/Deficit from operations</b>		
Operating surplus/deficit is arrived at after taking the following items into account:		
<b>Revenue</b>	<b>525 878</b>	<b>489 277</b>
<b>Non-exchange revenue</b>		
Total grant received	502 230	414 062
Project related revenue	(248 537)	(215 523)
<b>Total non-exchange revenue</b>	<b>253 693</b>	<b>198 539</b>
<b>Exchange revenue</b>		
Department of Mineral Resources & Energy project related revenue	224 351	225 051
Contracting revenue	19 872	27 689
Publication revenue	3 337	3 276
Carbon Capture, Utilization and Storage (CCUS)	8 182	-
	<b>255 742</b>	<b>256 016</b>
<b>Other exchange revenue</b>		
Foreign currency gains	627	835
Proceeds from sale of asset	29	874
Recovery of asset losses	604	2 416
Sundry income	2 908	6 863
	<b>4 168</b>	<b>10 988</b>
Interest received		
- Interest income on call accounts	8 345	17 100
- *Interest income on current accounts	3 930	6 634
(* includes interest accrued to the amount of R299 699)	<b>12 275</b>	<b>23 734</b>
<b>Total exchange revenue</b>	<b>272 185</b>	<b>290 738</b>
<b>Total cost of contracts</b>	<b>194 862</b>	<b>165 673</b>
<b>Cost of commercial projects</b>		
Direct cost	5 710	10 613
Personnel expenditure	9 222	12 085
	<b>14 932</b>	<b>22 698</b>

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

12 Surplus/Deficit from operations (continued)	2021 R'000	2020 R'000
<b>Cost of statutory projects</b>		
Direct cost	51 789	35 302
Personnel expenditure	128 141	107 673
	179 930	142 975
<b>Administrative expenses include:</b>		
Audit fees	2 872	3 820
- Current period	1 786	2 084
- Internal audit	955	1 736
- Fee for other services	131	-
Bad debts written off	-	-
Provision for bad debts	(21)	(2 047)
Depreciation - on owned assets	36 366	23 924
- Buildings	6 341	6 165
- Equipment	22 494	13 846
- Office furniture	719	626
- Motor vehicles	2 605	2 075
- Aircraft	354	102
- Aircraft adjustment	-	(1 036)
- Boat	154	-
- Computer equipment	3 699	2 146
Reversal of impairment	315	3 241
Amortisation - intangible assets		
- Computer software	1 501	526
Rentals in respect of operating leases		
- Land and buildings	843	1 044
- Multifunctional printers	855	1 400
<b>Other operating expenses</b>		
Net loss on disposal of equipment	10	2 221
Net loss on disposal of vehicles	-	524
Net loss on disposal of intangible assets	-	2
Net loss on disposal of computer equipment	120	348
Net loss on disposal of office furniture	40	83
Net loss on disposal of aircraft	-	7
Write-off work in progress-HVAC	18 496	-
Foreign currency losses	914	415
	19 580	3 600

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

## 12 Surplus/Deficit from operations (continued)

	2021 R'000	2020 R'000
Staff costs	337 293	280 074
Included in staff costs are:		
Defined benefit plan expense for the post-retirement medical-aid fund	2 006	1 593
- Current service cost	37	48
- Interest cost	2 562	2 074
- Expected return on plan assets	(1 541)	(1 517)
- Recognised actuarial (gain)/loss	949	3 947
- Recognition of loss on asset realisation	(1)	(2 959)
Defined contribution plan expenses for the pension and provident fund	15 591	13 994

## Emoluments

Senior management	2020/2021				
	Pensionable salary	Performance bonus	Provident/ Pension fund contributions	*Other contributions	Total
	R'000	R'000	R'000	R'000	R'000
Mr Mabuza M	3 114	334	188	678	4 314
Mr Matsepe L D	2 577	298	157	552	3 584
Ms Shelembe P R	1 941	236	127	437	2 741
Dr Tshipa J	2 057	238	123	457	2 875
Dr Khoza T D	1 949	233	119	427	2 728

	2019/2020				
	Pensionable salary	Performance bonus	Provident/ Pension fund contributions	*Other contributions	Total
	R'000	R'000	R'000	R'000	R'000
Mr Mabuza M	2 736	-	167	561	3 464
Mr Matsepe L D	2 455	-	150	550	3 155
Ms Shelembe P R	1 849	-	121	423	2 393
Dr Tshipa J	1 959	-	118	298	2 375
Dr Khoza T D	1 857	-	113	391	2 361



# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

12	<b>Surplus/Deficit from operations (continued)</b>	<b>2021</b>	<b>2020</b>
	<b>Board emoluments</b>	<b>R'000</b>	<b>R'000</b>
	<b>Non-executive Board Members</b>		
	Dr Mathe H	176	120
	Dr Mahachi J	107	139
	Mr Koloji K	-	55
	Mr Ramokgopa K	-	23
	Mr Mvinjelwa X	129	68
	Mr Mokoena S	131	-
	Adv Maake N	113	-
	Ms Chowan A	150	-
	Dr Mirembe J	-	-
	Dr Mayekiso M	-	-
	Dr Khumalo T	-	-
	Ms Malie S	-	-
	Mr Malaza S	-	-
	Mr Abader I	-	-
	Mr Nel P	-	-
	Ms Mdubeki R	-	-
	Mr Menoe K	-	-
	Ms Mochothli D	-	-
	Ms Tsotetsi P	-	-
	Ms Madiba L	-	-
	Mr Wilcox O	-	-
	Mr Moatshe A	-	-
	Mr Gerrys B	-	-
		806	405
	<b>* Other contributions relate to employer contributions towards statutory deductions and leave.</b>		
<b>13</b>	<b>Finance cost</b>		
	Finance cost on motor vehicle fleet cards.	14	20

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

	2021 R'000	2020 R'000
<b>14 Reconciliation of net surplus/(loss)for the period to cash generated from operations</b>		
Net surplus for the period	(773)	65 047
Interest	14	20
Depreciation on property and equipment	36 366	23 924
Amortisation - intangible assets	1 501	526
Reversal of impairment of assets	(315)	(3 241)
Proceeds from sale of assets	(29)	(874)
Compensation from third parties for property and equipment lost	(604)	(2 417)
Net loss on disposal of fixed assets	170	3 182
Interest earned	(12 569)	(23 329)
Provision for post-retirement medical-aid benefits	2 006	1 592
Operating cash flows before working capital changes	25 767	64 430
Working capital changes:		
Increase in provision for accumulated leave pay and 13th cheque	8 273	87
(Increase)/Decrease in trade and other receivables	16 770	94 898
Increase/(Decrease) in trade and other payables	28 499	(1 019)
Increase/(Decrease) in deferred income	83 194	(112 430)
Cash generated from operations (including finance costs)	162 503	45 966
<b>15 Acquisition of:</b>		
<b>15,1 Property and equipment</b>		
Land and buildings	-	485
Equipment	33 269	10 718
Office furniture	982	356
Aircraft and boat	2 585	-
Motor vehicles	-	872
Computer equipment	14 990	8 406
	51 826	20 837
<b><u>Work in progress - Acquisitions</u></b>		
Land and buildings	24 665	14 854
Computer equipment	(6 032)	29 810
Equipment	(27 167)	27 045
Aircraft and boat	(1 282)	1 282
	(9 816)	72 991
Total acquisitions	42 010	93 828
<b>15,2 Intangible assets</b>		
Computer software	7 333	306
	7 333	306

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

	2021 R'000	2020 R'000
<b>16 Contingent liability</b>		
<b>16,1 Bank guarantees</b>		
Performance bonds and bid bonds issued for contract work to various financial institutions.	-	1 927
	-	1 927
<b>16,2 Pending legal action</b>		
The Council for Geoscience has an estimated legal liability due to pending labour cases.	-	-
	-	-
<b>17 Taxation</b>		
No provision for income tax was made as the Council for Geoscience is exempted in terms of section 10(1)(Ca)(i) of the Income Tax Act.		
<b>18 Operating lease commitments</b>		
<b>18,1 Lease of office space</b>		
The operating lease between a supplier and the Council for Geoscience entered into from 01 December 2017 to 30 November 2023.		
At reporting date, the outstanding commitments under non-cancellable operating leases, which fall due are as follows:		
Up to 1 year	674	385
2 to 5 years	1 209	-
Total lease commitments	1 883	385
<b>18,2 Lease of office printing equipment</b>		
The operating lease between a supplier and the Council for Geoscience entered into from 01 October 2015 to 31 May 2021.		
At the reporting date, the outstanding commitments under non-cancellable operating leases, which fall due are as follows:		
Up to 1 year	792	1 121
Total lease commitments	792	1 121

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

<b>18 Operating lease commitments (continued)</b>	<b>2021 R'000</b>	<b>2020 R'000</b>
<b>18,3 Commitments</b>		
Operating expenditure		
Approved and contracted	42 719	29 274
Approved but not yet contracted	13 170	-
Capital expenditure		
Approved and contracted: Property and equipment	55 234	69 701
Approved but not yet contracted: Property and equipment	10 281	1 548
Total commitments	<u>121 404</u>	<u>100 523</u>
Commitments		
Up to 1 year	51 793	52 950
2 to 5 years	69 611	47 573
Total commitments	<u>121 404</u>	<u>100 523</u>
The Council for Geoscience has usage based contracts for the provision of the following services		
- Sampling Services Geophysics		
- Accommodation and travel		
- Courier services		

## **19 Financial instruments**

Financial instruments consist of cash and cash equivalents, investments with financial institutions, trade and other receivables and trade and other payables.

### **19,1 Credit risk**

Financial assets, which potentially subject the Council for Geoscience to concentrations of credit risk, consist principally of cash, short-term deposits and trade receivables. The Council for Geoscience's cash equivalents and short-term deposits are placed with high credit quality financial institutions. Trade receivables are presented net of the allowance for doubtful debts. Credit risk with respect to trade receivables is limited due to the large number of customers being dispersed across different industries and geographical areas. Accordingly the Council for Geoscience has no significant concentration of credit risk.

The carrying amounts of financial assets included in the statement of financial position represent the Council for Geoscience's exposure to credit risk in relation to those assets.

Trade and other receivables are controlled by well-established policies and procedures which are reviewed and updated on an on-going basis. The Council for Geoscience does not have any significant exposure to any individual customer or counterparty.

Trade receivables and other payables are carried at amortised costs. Refer to notes 7 and 9.

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

## 19,2 Interest rate risk

The organisation's exposure to interest rate risk and the effective interest rates on the financial instruments at reporting date are: 31 March 2021

	Weighted average effective interest rate	Weighted average effective interest rate
	%	%
Assets		
Cash	1,00%	3,90%
Call accounts	3,64%	6,87%

Short-term deposits

The risk is perceived to be low due to the following factors:

- Funds are only invested with approved financial institutions according to the policy of the Council for Geoscience.
- Short-term deposits are only reinvested or invested with Management approval.

## 19,3 Foreign currency risk

The Council for Geoscience undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. It is not policy for the Council for Geoscience to take out cover on these outstanding foreign currency transactions due to the fact that these transactions take place on an ad-hoc basis. The Council for Geoscience exposure at 31 March 2021 is disclosed in note 20.

## 19,4 Airborne operations risk

It is the policy of the Council for Geoscience to transfer risk in respect of airborne operations to third parties, namely insurance and an external operator.

## 20 Foreign currency exposure

	2021 '000			2020 '000		
	Exchange rate	Foreign amount	R-value	Exchange rate	Foreign amount	R-value
<b>20,1 Trade receivables</b>						
Foreign currency US\$	R 14,563	\$28	404	R 17,626	\$34	596
<b>20,2 Banks</b>						
Foreign funds Euro	R 17,069	€ 240	4 097	R 16,026	€ 240	3 846

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

	2021 R'000	2020 R'000
<b>21 Related-party transactions</b>		
During the period, the following related-party transactions took place between the Council for Geoscience and the Department of Mineral Resources & Energy:		
Total grant received	502 230	414 062
Refer to note 10 for further details regarding transactions with the Department of Mineral Resources & Energy.		
All other related-party transactions were concluded at arm's length.		
Relationships:		
Parent National Department: Department of Mineral Resources & Energy		
Other Government Departments and Entities: South African National Energy Development Institute	90 000	-
The Council for Geoscience has been appointed as the implementing agency of the agency of the Carbon Capture, Utilization and Storage (CCUS) project. The Director General of Minerals and Energy requested South African Nation Energy Development Institute (SANEDI) to transfer the MTEF funding allocations that were made available for the Carbon Capture, Storage and Utilisation project to the CGS.		
Refer to note 10 for further details regarding transactions with South African Energy Development Institute.		
<b>22 Irregular expenditure</b>		
Opening balance	-	-
Irregular expenses identified in the current year	1 695	-
Expenditure condoned	-	-
	1 695	-
<b>Details of irregular expenditure identified in the current year</b>		
Non-compliance with National Treasury's instruction note 5 of 2020/2021 'EMERGENCY PROCURMENT IN REPSONSE TO NATIONAL STATE OF DISASTER'. National Treasury Practice note number 5 was repealed by National Treasury Practice note number 11 with effect from 1 September 2020. The contract variation of 25% for internet services was concluded after the instruction note 5 of 2020/2021 was repealed on 26 August 2020. No loss has been incurred as services were rendered. National Treasury condoned the irregular expenditure on 30 April 2021.	1 695	-
	1 695	-

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

## 23 Fruitless and Wasteful expenditure

Opening balance	-	-
fruitless and wasteful expenditure identified in the current year	18 496	-
Less: Amount resolved	-	-
Less: Amount transferred to receivables	-	-
	<u>18 496</u>	<u>-</u>

### Determination

"Fruitless and wasteful expenditure was identified in regards to the implementation of the Humidity, ventilation and airconditioning (HVAC) system up to 2017. The work was found to be technically not acceptable and needed remediation. Management remains committed to eliminate and avoid any fruitless and wasteful expenditure.

### Investigation

The Council for Geoscience has commenced with investigative procedures to recover the loss.

## 24 Events after reporting date

### Non-Adjusting events

#### Eminent acquisition of significant assets

Acquisition of drilling capacity in support of the Geoscience program, in particular the Geological mapping for the exploration of mining has commenced. The estimated cost for this acquisition is at R50 million

#### The Geoscience Act regulations,

The Geoscience Act regulations, which aims to provide clarity and give effect to the principal Acts (the Geoscience Act No 100 of 1993 and the Geoscience Amendment Act No 16 of 2010), from which CGS derives its mandate to be the custodian and curator of all geoscience information in South Africa, were gazetted for public comment. Responses received from the wider geoscientific community are being considered.

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

## 25 Correction of prior year error

<u>Nature</u>	<u>Period</u>	<u>2021 R'000</u>	<u>2020 R'000</u>
A correction was made to the financial statements on vat expenditure that was not recognised in the period to which it relates.	31-Mar-20	5 149	-
A correction was made to payables in the prior period relating to the allocation of payments .	31-Mar-20	(3 100)	-
A correction was made to the financial statements on other income that was not recognised in the period to which it relates.	31-Mar-20	(2 882)	(279)
A correction was made to the financial statements to depreciation/amortisation for prior period.	31-Mar-20	(2 383)	-
A correction was made to the financial statement to prepaid expenses for the prior period.	31-Mar-19	-	(397)
A allocation correction was made from expenditure and capitalised.	31-Mar-19	(65)	(2)
A correction was made to expenditure that was not recognised in the correct period. .	31-Mar-20	12	5 203
An adjustment was made to payables in the prior period relating to a construction project retention.	31-Mar-20	(637)	-
An adjustment was made to deferred income in the prior period relating to a construction project retention.	31-Mar-20	(197)	-
		(4 101)	4 525

### Effect

#### **Statement of financial performance as at 31 March 2020**

Revenue recorded in the incorrect period - MTEF	(3 079)	-
Other income recorded in the incorrect period - Recovery of study debt/insurance claims	-	(279)
Expenditure recorded in the incorrect period	5 161	5 203
Payment incorrectly allocated	(3 100)	
Prepaid expenses not accounted for correctly	-	(397)
Retention on projects recorded in the incorrect period	(637)	
Depreciation/amortisation recorded in the incorrect period	(2 383)	-
Work in progress captured as an expense	(65)	(2)
	(4 101)	4 525



# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

## 25 Correction of prior year error (continued)

### Effect

#### Statement of financial position as at 31 March 2020

	2021 R'000	2020 R'000
Government Grant Project Related Revenue Recognised - Deferred income	976	-
Study debt recovered and insurance claim accounted for correctly	-	279
Retention on projects not provided for - Payables	637	-
Capitalisation of vat on asset	1 319	-
Payment incorrectly allocated	3 100	-
Expenditure recorded in the incorrect period not provided for	(6 480)	(5 203)
Prepaid expenses not accounted for correctly	-	397
Revenue recorded in the incorrect period -debtors	2 103	-
Accumulated depreciation/amortisation recorded in the incorrect period	2 383	-
Work in progress captured as an expense	65	2

#### Statement of net assets for the period ended 31 March 2019

Accumulated surpluses	4 101	(4 525)
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### Correction of Prior year disclosure

#### Nature

#### Disclosure as at 31 March 2020

Restatement of closing balances of cumulative expenditure recognised in the carrying value of property and equipment being developed/constructed:

	Period	2021 R'000	2020 R'000
Buildings and Fixtures	31-Mar-19	-	5 919
Equipment	31-Mar-19	-	1 865
Aircraft and Boat	31-Mar-19	-	57

#### Restatement of closing balances of commitments

Approved and contracted	31-Mar-19	-	(25 370)
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### Effect

None (only disclosure item)

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

## 26 Change in accounting estimate

2021  
R'000

2020  
R'000

The useful lives of property and equipment was reassessed. This resulted in change of estimated remaining lives of certain assets in the categories listed below:

	Old	New
Equipment	5 - 7 years	5 - 10 years
Office furniture	20 years	20 - 23 years
Motor vehicles	5 - 8 years	5 - 10 years
Computer equipment	6 years	6 - 11 years
Computer software	2 - 5 years	2 - 8 years

The effect of the change in accounting estimate has resulted in depreciation amounting to R 143,876 in 2020/2021.

The change of R1,213,345 will be reflected in future periods.

The residual values of property and equipment was reassessed. This resulted in a change of estimated residual values of assets in the categories listed below:

Residual values

	Old	New
Equipment	5% of cost	0% of cost
Office furniture	5% of cost	0% of cost
Computer equipment	5% of cost	0% of cost
Vehicles other	10% of cost	0% of cost

The effect of the change in accounting estimate has resulted in depreciation amounting to R 3,425,263 in 2020/2021.

Due to the change in accounting estimate regarding the useful life of assets, the depreciation expense is reported at:

31 018

20 563

Equipment	22 494	14 362
Office furniture	719	628
Motor vehicles	2 605	2 466
Computer equipment	3 699	2 297
Computer software	1 501	810

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

## 26 Change in accounting estimate (continued)

Depreciation expense using the previous rates would have been reported at:

	2021 R'000	2020 R'000
	27 737	23 679
Equipment	19 985	16 756
Office furniture	291	635
Motor vehicles	2 565	2 670
Computer equipment	3 321	2 719
Computer software	1 574	899
Difference	(144)	(3 117)
Equipment	(71)	(2 394)
Office furniture	8	(8)
Motor vehicles	14	(204)
Computer equipment	(22)	(422)
Computer software	(73)	(89)
Difference	3 425	-
Equipment	2 580	-
Office furniture	420	-
Computer equipment	400	-
Vehicles other	25	-

# NOTES

to the Annual Financial Statements for the year ended 31 March 2021

## 27 Heritage assets disclosure

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

Nature

The Council for Geoscience has the following different classes of heritage:

- Gemstone collections	1 445	1 445
- Meteorite collections	2 804	2 804
- Mineral collections	13 313	13 313
	<u>17 562</u>	<u>17 562</u>

The heritage assets were at initial recognition valued at fair value using evaluators with the following credentials:

Fossils -	Professor for Paleontological Research, University of the Witwatersrand
Mineral collections -	M.Sc. Geology and Professor and Chairman of the Department of Geology, University of the Witwatersrand
Meteorite collections -	Author of "Meteorites", Private collector of meteorites
Gemstones -	M.Sc. Geology

Various valuation methods were used taking into account the different types of heritage assets held by the Council for Geoscience.

The valuations reports are held at the Council for Geoscience offices and are available for inspection.

The Palaeontological (fossil) assets have no monetary value as legislation does not permit the purchase or sale of fossils.

(National Heritage Resources Act 1999 par 35(4)(c).

The Council for Geoscience is in possession of old scientific equipment only for display purposes.

This equipment does not carry any value.

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