

Annual Report

2019/2020

'Geoscience is the fulcrum of human development'



mineral resources
& energy

Department:
Minerals Resources and Energy
REPUBLIC OF SOUTH AFRICA



Council for Geoscience



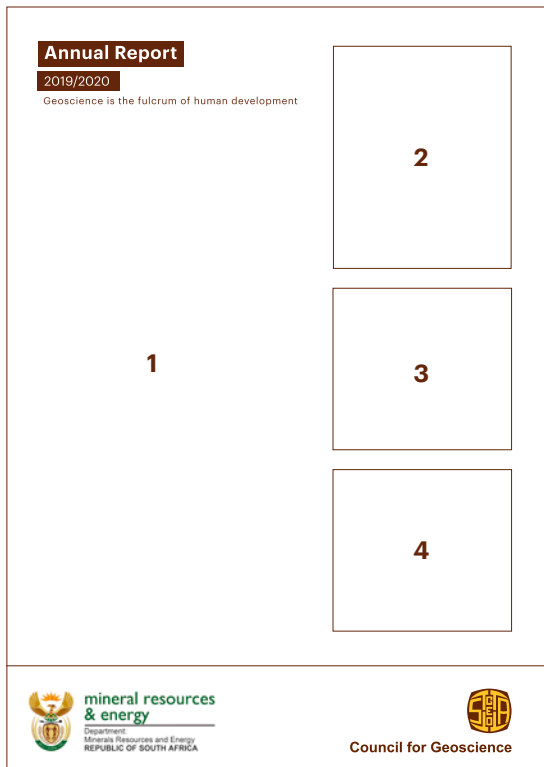
Council for Geoscience

The Council for Geoscience (CGS) is one of the National Science Councils of South Africa and is the legal successor of the Geological Survey of South Africa, which was formed in 1912 by the amalgamation of three former surveys, the oldest of which - the Geological Commission of the Cape of Good Hope - was founded in 1895.

The Geoscience Act, Act No. 100 of 1993 established the CGS in its present form.

The CGS strives for a diverse workplace by incorporating the contributions of people from a wide variety of backgrounds, promoting an inclusive culture and demonstrating respect for the individual.

Consistently providing prompt and courteous service to both our external and internal stakeholders.




Geoscience is the fulcrum of human development - a quote by Mosa Mabuza, 2019

Cover:

1. Klinghardt Mountains – Namibia
(Photographer: Dr Paul Macey)
2. Ammonites from the upper Cretaceous St Lucia Formation, Nibela Peninsula, Lake St Lucia (Photographer: Dr Greg Botha)
3. Ms Mukosi mapping the alkaline ring complexes in Southern Namibia, looking at the typical alkali syenite outcrop
(Photographer: Mr Jabulani Mathebula)
4. Borehole cores of the Karoo Supergroup from the Springbok Flats Coalfield
(Photographer: Dr Valerie Nxumalo)

Part E: Financial Information



Borehole cores of the Karoo Supergroup from the Springbok Flats Coalfield

1. STATEMENT OF RESPONSIBILITY

Statement of responsibility for the Annual Financial Statements for the year ended 31 March 2020

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 2020.

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 2020 have been audited by the external auditors, and their report is presented on pages 116 to 120.

The Annual Financial Statements of the CGS set out on pages 121 to 154 have been approved.



Mr M Mabuza
Chief Executive Officer
Council for Geoscience
30 September 2020



Dr H Mathe
Chairperson of the Board
Council for Geoscience
30 September 2020

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 2020, 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.

2. Chief Financial Officer's Report



‘Sustainable investment in Geosciences will accelerate the recovery of the South African economy. The CGS continues to exploit its vast geoscience information, knowledge and scientific prowess to secure sustainable funding’

CHIEF FINANCIAL OFFICER
Mr Leonard Matsepe

Background

The CGS is listed as a Schedule 3A Public Entity in terms of the PFMA. The objectives 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 has been maintained over the last 11 years and total assets have increased by an average rate of 7% over the last decade. The CGS boasts total assets of R614.3 million in 2020 financial year with a liquidity ratio of 1.7.

Capital expenditure

During the year, the CGS invested R92.7 million (2018/19: R28.7 million) in property, equipment and intangible assets. 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

Accelerated financial support of our Integrated and Multidisciplinary Geoscience Mapping Programme has seen the cash and cash equivalents decrease from R253.6 million in 2019 to R232 million in 2020, resulting in a net cash outflow of R21.6 million.

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 31 March 2020

Non-Adjusting events

COVID-19 Pandemic

The Novel Corona Virus pandemic and subsequent supplementary budget speech has not materially impacted the CGS, however the programme of the CGS has been streamlined to maximise on delivery and impact. No facts nor circumstances of a material nature arose between the financial year-end and the date of this report which needs to be reported as part of these annual financial statements apart from the items mentioned above.

Deep drilling programme in Beaufort-West

The Council for Geoscience awarded a contract to a service provider for a Deep Vertical Stratigraphic research core borehole for the Karoo Deep drilling programme in Beaufort-West with an estimated value of R35 million.

Probalistic seismic hazard analysis

The Council for Geoscience awarded a contract to a service provider to oversee the planning, development and technical execution of a probalistic seismic hazard analysis for a nuclear site with an estimated value of R34 million.

CGS appointed as implementing agent for the Carbon Capture, Storage and Utilisation project (CCSU)

The Council for Geoscience has been appointed as the implementing agency of the CCSU 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. The total value of project is still being evaluated.

New proposed activities

The Geoscience Amendment Act (Act No 16 of 2010) mandates the CGS to, among others, be the custodian and curator of all geotechnical information in South Africa. The CGS is also the national mandatory authority for geohazards related to infrastructure development. Thus, the Act empowers the CGS to be the custodian of all geotechnical data with the purpose of advising government, state institutions, private organisations and the public on the complete geotechnical risk profile of the country.

In addition, the CGS has been specifically entrusted with the responsibility of monitoring seismicity related to the resumption of mining activity during the national lockdown.

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 the BBBEE, Section 13G (1) of the B-BBEE Act, the CGS complied with Management control and Enterprise Supplier Development.

Audit report matters

The CGS obtained an unqualified audit opinion from the Auditor-General for the year ended 31 March 2020 and will continue to enhance internal control environment.

Financial Sustainability

The CGS continues to exploit its vast geoscience information, knowledge and scientific prowess to secure sustainable funding. To this end, the CGS develops purposeful value propositions worthy of both fiscal and commercial Investment. The CGS remains committed and primarily focuses on supporting the national imperatives through the delivery of its mandate.

3. 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 121 to 154 which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the 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 2020, 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) (PFMA).

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 this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes) as well as the 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 24 to the financial statements, the corresponding figures for 31 March 2019 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2020.

Events after reporting date

8. I draw attention to note 23 to the financial statements, which deals with subsequent events, and specifically the possible effects of the future implications of COVID-19 on the public entity's future prospects, performance and cash flows.

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 public 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 public 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 of South Africa, 2004 (Act No. 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 objectives 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 approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance measures included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to 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 objective presented in the annual performance report of the public entity for the year ended 31 March 2020:

| Objectives/ | Pages in the annual performance report |
|---------------------------------------|--|
| Objective 4 – Delivery of the mandate | 34 - 35 |

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 objective:
- Objective 4 – Delivery of the mandate

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on pages 34 to 35 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a number of targets.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of objective 4: delivery of the mandate. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

Annual financial statements

23. 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.
24. Material misstatements of non-current assets, current liabilities, revenue, expenditure, disclosure items and statement of changes in net assets identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other information

25. The accounting authority is responsible for the other information. The other information comprises the information included in the annual. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
26. 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 thereon.

27. 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 objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
28. 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. 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 adequately prepare accurate and complete financial statements that are supported and evidenced by reliable information; as a result, there were material adjustments to the financial statements.

Other reports

31. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
32. An independent consultant investigated an allegation of possible misappropriation of the public entity's assets, at the request of the public entity, which covered the period 1 April 2017 to 30 April 2018. The investigation was concluded in October 2018 and resulted in further inquiries into the implicated employees. These proceedings were concluded and the implicated employees resigned on 16 May 2019 and 31 July 2019.
33. An independent consultant investigated an allegation of irregular procurement of assets, at the request of the public entity, which covered purchases made in 2016. The investigation was concluded in May 2019 and resulted in further inquiries into the implicated employees. These proceedings were concluded and the implicated employees resigned on 31 July 2019.

Auditor-General

Pretoria
30 September 2020



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

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 objective and on the public 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 public 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 the Council for Geoscience 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 a public 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 confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

4. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Statement of Financial Position

as at 31 March 2020

| | Note(s) | 2020 R'000 | 2019 (Restated) R'000 |
|--|---------|----------------|-----------------------------|
| Assets | | | |
| Non-current assets | | | |
| | | 345 147 | 279 168 |
| Property and equipment | 3 | 326 633 | 260 051 |
| Intangible assets | 4 | 952 | 1 555 |
| Heritage assets | 25 | 17 562 | 17 562 |
| Current assets | | | |
| | | 269 202 | 388 562 |
| Inventories | 5 | 5 | 5 |
| Trade and other receivables from exchange transactions | 7 | 37 184 | 134 975 |
| Cash and cash equivalents | 8 | 232 013 | 253 582 |
| Total assets | | 614 349 | 667 730 |
| Net assets and liabilities | | | |
| Accumulated surplus | | 445 081 | 384 135 |
| Non-current liabilities | | | |
| Post-employment benefit liabilities | 6 | 9 254 | 7 661 |
| Current liabilities | | | |
| | | 160 014 | 275 934 |
| Trade and other payables | 9 | 25 688 | 29 461 |
| Deferred income | 10 | 109 127 | 221 360 |
| Accruals | 11 | 25 199 | 25 113 |
| Total net assets and liabilities | | 614 349 | 667 730 |

Statement of Financial Performance

for the Period Ended 31 March 2020

| | Note(s) | 2020 R'000 | 2019 (Restated) R'000 |
|--|---------|------------------|-----------------------------|
| Total Revenue | | 486 198 | 484 085 |
| Revenue from exchange transactions | 12 | 287 659 | 284 750 |
| Revenue from non - exchange transactions | 12 | 198 539 | 199 335 |
| Total cost of projects | | (165 673) | (178 817) |
| Cost of commercial projects | 12 | (22 698) | (20 775) |
| Cost of statutory projects | 12 | (142 975) | (158 042) |
| Gross surplus | | 320 525 | 305 268 |
| Administrative expenses | | (255 959) | (304 394) |
| Other operating expenses | 12 | (3 600) | (6 457) |
| Surplus from operations | | 60 966 | (5 583) |
| Finance cost | 13 | (20) | (28) |
| Net surplus for the year | | 60 946 | (5 611) |

Statement of Changes in Net Assets

for the Period Ended 31 March 2020

| | Note(s) | Accumulated surplus R'000 | Total R'000 |
|--|---------|------------------------------|----------------|
| Opening balance at 31 March 2018 | | 384 417 | 389 746 |
| Correction of prior period error | 24 | 5 329 | 5 329 |
| Restated balance at 31 March 2018 | | 389 746 | 389 746 |
| Net (loss) for the period | | (1 086) | (1 086) |
| Correction of prior period error | 24 | (4 525) | (4 525) |
| | | (5 611) | (5 611) |
| Restated balance at 31 March 2019 | | 384 135 | 384 135 |
| Net surplus for the period | | 60 946 | 60 946 |
| Balance at 31 March 2020 | | 445 081 | 445 081 |

Cash Flow Statement

for the Period Ended 31 March 2020

| | Note(s) | 2020 R'000 | 2019 (Restated) R'000 |
|---|---------|-----------------|-----------------------------|
| Cash inflow from operating activities | | 67 891 | 16 989 |
| Cash receipts from customers | | 549 165 | 342 754 |
| Cash paid to suppliers and employees | | (504 583) | (346 869) |
| Cash generated from operations | 15 | 44 582 | (4 115) |
| Interest received | 12 | 23 329 | 21 132 |
| Finance cost | 13 | (20) | (28) |
| Cash outflow from investing activities | | (89 460) | (28 013) |
| Acquisition of: | | | |
| Property and equipment | 15,1 | (92 543) | (28 542) |
| Intangible assets | 15,2 | (207) | (132) |
| Proceeds from sale of asset | 12 | 874 | 339 |
| Insurance proceeds for property and equipment | 3,1 | 2 416 | 322 |
| Net (decrease) in cash and cash equivalents | | (21 569) | (11 024) |
| Cash and cash equivalents at beginning of period | 8 | 253 582 | 264 606 |
| Cash and cash equivalents at end of period | 8 | 232 013 | 253 582 |

Accounting Policies

for the Annual Financial Statements for the Year Ended 31 March 2020

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 & 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 & 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.

1.2.2 Revenue from exchange transactions

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

Accounting Policies

for the Annual Financial Statements for the Year Ended 31 March 2020

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.

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:

Accounting Policies

for the Annual Financial Statements for the Year Ended 31 March 2020

| Land | Not depreciable |
|------------------------------------|---|
| Buildings | 30 years |
| Motor vehicles | 5 to 10 years |
| Equipment | 5 to 10 years |
| Aircraft & Helicopter - Body | 15 years |
| Aircraft & Helicopter - Components | Useful hours 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 2020

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.

Accounting Policies

for the Annual Financial Statements for the Year Ended 31 March 2020

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.

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.

Accounting Policies

for the Annual Financial Statements for the Year Ended 31 March 2020

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.

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.

Accounting Policies

for the Annual Financial Statements for the Year Ended 31 March 2020

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.

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.

Accounting Policies

for the Annual Financial Statements for the Year Ended 31 March 2020

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.

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 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 CGS will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The CGS 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.

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

2 New standards and interpretations

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 2019/2020:

| GRAP statement | Description | Impact | Effective date |
|----------------|---|--------|----------------|
| GRAP 32 | Service Concession Arrangements: Grantor | None | 01 April 2020 |
| GRAP 34 | Separate Financial Statements | None | 01 April 2020 |
| GRAP 35 | Consolidated Financial Statements | None | 01 April 2020 |
| GRAP 36 | Investments in Associates and Joint Ventures | None | 01 April 2020 |
| GRAP 37 | Joint Arrangements | None | 01 April 2020 |
| GRAP 38 | Disclosure of Interests in Other Entities | None | 01 April 2020 |
| GRAP 110 | Living and Non Living Resources | None | 01 April 2020 |
| IGRAP 1 | Applying the probability test on initial recognition revenue (amendments) | None | 01 April 2020 |
| IGRAP 20 | Adjustments to revenue | None | 01 April 2020 |

3 Property and equipment

| 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) |
| Opening net carrying amount at 31 March 2019 | 16 271 | 129 748 | 75 460 | 4 932 | 12 062 | 15 569 | 6 009 | 260 051 |
| Movements during the period: | | | | | | | | |
| Work in progress (refer to note 3.2) | - | 14 854 | 25 825 | - | 1 282 | - | 29 810 | 71 771 |
| Acquisitions | - | 485 | 10 653 | 356 | - | 872 | 8 406 | 20 772 |
| Reversal of impairment | 360 | 2 881 | - | - | - | - | - | 3 241 |
| Disposals | - | - | (2 221) | (83) | (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 |
| Depreciation | - | (6 165) | (14 362) | (628) | (102) | (2 466) | (2 297) | (26 020) |
| Closing net carrying amount at 31 March 2020 | 16 631 | 141 803 | 95 355 | 4 579 | 13 234 | 13 450 | 41 580 | 326 633 |
| Gross carrying amount | 18 231 | 210 421 | 195 173 | 13 325 | 23 555 | 26 899 | 54 176 | 541 781 |
| Accumulated depreciation/impairment | (1 600) | (68 618) | (99 819) | (8 746) | (10 321) | (13 449) | (12 596) | (215 148) |

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

Property and equipment (continued)

| 2019 | 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 | 189 610 | 154 354 | 14 162 | 22 348 | 33 763 | 20 653 | 453 121 |
| Accumulated depreciation at the beginning of the period | (1 960) | (59 933) | (81 838) | (8 557) | (10 184) | (12 937) | (13 422) | (188 831) |
| Opening net carrying amount at 31 March 2018 | 16 271 | 129 677 | 72 516 | 5 605 | 12 164 | 20 826 | 7 231 | 264 290 |
| Movements during the period: | | | | | | | | - |
| Work in progress (refer to note 3.2) | - | 2 131 | 4 | - | - | - | - | 2 135 |
| Reversal of impairment | - | 631 | - | - | - | - | - | 631 |
| Acquisitions | - | 3 341 | 19 245 | 234 | - | 1 956 | 1 633 | 26 409 |
| Disposals | - | - | (475) | (233) | - | (4 077) | (638) | (5 422) |
| Disposals - Cost | - | - | (7 602) | (1 081) | - | (6 456) | (1 735) | (16 874) |
| Disposals - Depreciation | - | - | 7 127 | 849 | - | 2 379 | 1 097 | 11 452 |
| Depreciation | - | (6 032) | (15 830) | (674) | (102) | (3 137) | (2 218) | (27 993) |
| Closing net carrying amount at 31 March 2019 | 16 271 | 129 748 | 75 460 | 4 932 | 12 062 | 15 569 | 6 009 | 260 051 |
| Gross carrying amount | 18 231 | 195 082 | 166 001 | 13 315 | 22 348 | 29 264 | 20 552 | 464 793 |
| Accumulated depreciation/impairment | (1 960) | (65 334) | (90 541) | (8 382) | (10 286) | (13 695) | (14 543) | (204 741) |

* 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.

Location

474 Carl Street, Town Lands 351JR, Pretoria West
280 Pretoria Street, Silverton, Pretoria

Fair value
at date of
transfer
R'000

R2 800
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.

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

| Property and equipment (continued) | 2020 R'000 | 2019 R'000 |
|------------------------------------|---------------|---------------|
|------------------------------------|---------------|---------------|

3.1 Compensation from third parties for property and equipment lost

| | | |
|-------------------------|-------|-----|
| Proceeds from insurance | 2 416 | 322 |
|-------------------------|-------|-----|

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 | 32 062 | 1 497 | 1 040 | 34 599 |
| Opening net carrying amount at 31 March 2019 | 32 062 | 1 497 | 1 040 | 34 599 |
| Movement | 14 854 | 55 635 | 1 282 | 71 771 |
| Closing net carrying amount at 31 March 2020 | 46 916 | 57 132 | 2 322 | 106 370 |

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 | 24 724 |
| Opening net carrying amount at 31 March 2019 | 24 724 |
| Movement | 11 925 |
| Closing net carrying amount at 31 March 2020 | 36 649 |

3.3 Property and equipment continued

Repairs and maintenance expenditure incurred for the year to repair and maintain property and equipment

Repairs and Maintenance

| | | |
|------------------------------------|--------------|--------------|
| Land and Buildings | 2 931 | 4 933 |
| Office Equipment and Furniture | 27 | 5 |
| Technical and Scientific Equipment | 1 947 | 1 224 |
| Specialised Equipment | - | 58 |
| Computer Equipment | 99 | 150 |
| Aircraft | 777 | 366 |
| | 5 781 | 6 736 |

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

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

4 Intangible assets

Computer software

| | | |
|---|--------------|--------------|
| Gross carrying amount | 9 865 | 9 733 |
| Accumulated amortisation | (8 310) | (6 990) |
| Opening net carrying amount at 31 March 2019 | 1 555 | 2 743 |
| Movements during the period: | | |
| Acquisitions | 207 | 132 |
| Disposals | (2) | - |
| Disposals - Cost | (671) | - |
| Disposals - Amortisation | 669 | - |
| Amortisation | (810) | (1 320) |
| Closing net carrying amount at 31 March 2020 | 952 | 1 555 |
| Gross carrying amount | 9 402 | 9 865 |
| Accumulated amortisation | (8 450) | (8 310) |

5 Inventories

| | | |
|-------------------------|---|---|
| Publication inventories | 5 | 5 |
|-------------------------|---|---|

6 Retirement benefit

6.1 Post-retirement medical-aid fund (PRM)

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.

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

| | | |
|--|--------------|--------------|
| Current service costs | 48 | 73 |
| Interest charge | 2 074 | 2 020 |
| Expected return on planned assets | (1 517) | (1 441) |
| Actuarial (gain)/loss recognised | 3 947 | (1 026) |
| Recognition of loss on asset realisation | (2 959) | - |
| | 1 593 | (374) |

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

6 Retirement benefit (continued)

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

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|----------|----------|----------|----------|----------|
| Present value of fund obligations | 24 348 | 24 214 | 25 565 | 23 084 | 22 931 |
| Fair value of planned assets | (15 094) | (16 553) | (17 530) | (15 034) | (15 059) |
| Liability recognised in statement of financial position | 9 254 | 7 661 | 8 035 | 8 050 | 7 872 |

| Movement in net liability during the period is as follows: | 2020 | | | 2019 | | |
|--|-----------|---------------|----------|-----------|---------------|----------|
| | Liability | Planned asset | Net | Liability | Planned asset | Net |
| Liability at beginning of period | 24 214 | - | 24 214 | 25 565 | - | 25 565 |
| Value of planned assets at beginning of period | - | (16 553) | (16 553) | - | (17 530) | (17 530) |
| | 24 214 | (16 553) | 7 661 | 25 565 | (17 530) | 8 035 |
| Interest charge/expected return of planned asset | 2 074 | (1 517) | 557 | 2 020 | (1 441) | 579 |
| Contributions received | - | (2 959) | (2 959) | - | - | - |
| Current service costs | 48 | - | 48 | 73 | - | 73 |
| Benefits paid | (2 179) | 2 179 | - | (1 742) | 1 742 | - |
| Actuarial (gain)/loss | 191 | 3 756 | 3 947 | (1 702) | 676 | (1 026) |
| Closing balance | 24 348 | (15 094) | 9 254 | 24 214 | (16 553) | 7 661 |

Contributions expected to be paid

Top up payments are expected to be made during the 2021 financial year

Expected rate of return on assets 11,03%

Assumptions

Discount rates 11,03%

Basis of discount rates: JSE zero coupon bond yield after the market closed on 31 March 2020

Return on assets 11,03%

Expected salary increases 5,00%

Health care cost inflation rate 7,47%

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

6 Retirement benefit (continued)

Sensitivity analysis-on accrued liability (R Millions) for the year ending 31 March 2020

| Assumption | Change | In service | Continuation | Total | Change |
|--|---------|------------|--------------|--------|--------|
| Central assumptions | - | 1.825 | 22,523 | 24.348 | - |
| Health care inflation | 1% | 2.101 | 24,184 | 26.285 | 8% |
| | -1% | 1.596 | 21,034 | 22.630 | -7% |
| Discount rate | 1% | 1.605 | 21,092 | 22.697 | -7% |
| | -1% | 2.094 | 24,143 | 26.237 | 8% |
| Post retirement mortality | -1 year | 1.875 | 23,416 | 25.291 | 4% |
| Average retirement date | -1 year | 1.935 | 22,523 | 24.458 | 0% |
| Continuation of membership at retirement | -10% | 1.643 | 22,523 | 24.166 | -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 2020

| Assumption | Change | Current service | Interest cost | Total | Change |
|--|---------|-----------------|---------------|-----------|--------|
| Central assumptions | - | 47 800 | 2 074 100 | 2 121 900 | - |
| Health care inflation | 1% | 58 800 | 2 264 700 | 2 323 500 | 10% |
| | -1% | 39 100 | 1 907 600 | 1 946 700 | -8% |
| Discount rate | 1% | 39 600 | 2 121 100 | 2 160 700 | 2% |
| | -1% | 58 300 | 2 014 100 | 2 072 400 | -2% |
| Post retirement mortality | -1 year | 49 100 | 2 160 700 | 2 209 800 | 4% |
| Average retirement date | -1 year | 51 800 | 2 083 100 | 2 134 900 | -1% |
| Continuation of membership at retirement | -10% | 43 300 | 2 039 400 | 2 082 700 | -2% |

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumptions made, the liability will be 10% 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 R13,994m (2019: R13,755m) represents equal contributions of 7.5% by the employer and employee.

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

| | 2020 R'000 | 2019 R'000 |
|--|---------------|---------------|
| 7 Trade and other receivables from exchange revenue | | |
| Trade receivables | 1 024 | 1 977 |
| Contract customers | 30 677 | 127 574 |
| Other receivables | 7 530 | 7 599 |
| | 39 231 | 137 150 |
| Less - Provision for bad debts | (2 047) | (2 175) |
| | 37 184 | 134 975 |
| Provision for bad debts | | |
| Opening balance | 2 175 | 18 |
| Movement | (128) | 2 157 |
| Closing balance | 2 047 | 2 175 |
| Analysis of Impairment | | |
| Long overdue debtors considered impaired | 2 047 | 2 175 |
| | 2 047 | 2 175 |

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

8 Cash and cash equivalents

Cash and cash equivalents at the end of the period are represented by the following balances:

| | | |
|---|---------|---------|
| Cash at bank | 24 197 | 17 333 |
| Call accounts | 207 816 | 236 249 |
| Cash and cash equivalents at the end of the period are represented by the following balances: | 232 013 | 253 582 |

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

9 Trade and other payables

| | | |
|----------------|---------------|---------------|
| Trade payables | 8 323 | 9 621 |
| Other payables | 17 365 | 19 840 |
| | 25 688 | 29 461 |

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 2020

| | 2020 R'000 | 2019 R'000 |
|--|----------------|----------------|
| 10 Deferred income | | |
| Exchange revenue | | |
| 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)) | | |
| Carrying amount at the beginning of period | 3 264 | 3 879 |
| Amounts used during the period | (655) | (615) |
| Carrying amount at the end of period | 2 609 | 3 264 |
| 10.2 Deferred income arising as a result of an agreement with the Organisation of African Geological Surveys. | | |
| Carrying amount at the beginning of period | 48 | 48 |
| Amounts received | 200 | - |
| Carrying amount at the end of period | 248 | 48 |
| 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. | | |
| Carrying amount at the beginning of period | 182 | 182 |
| Carrying amount at the end of period | 182 | 182 |
| 10.4 Deferred income arising as a result of an agreement with the Department of Science and Innovation in terms of the Earth Observation and Geohazards Assessment. | | |
| Carrying amount at the beginning of period | - | 2 922 |
| Amounts used during the period | - | (2 922) |
| Carrying amount at the end of period | - | - |
| 10.5 Deferred income arising as a result of an agreement entered into with the National Research Foundation. | | |
| Carrying amount at the beginning of period | 110 | 110 |
| Carrying amount at the end of period | 110 | 110 |
| 10.6 Deferred income arising as a result of an agreement entered into with the Department of Mineral Resources & Energy to develop and implement various measures to mitigate the effect of mining-induced contamination. | | |
| Carrying amount at the beginning of period | 217 756 | 112 264 |
| Amounts received | 215 523 | 206 648 |
| Amounts used during the period | (327 301) | (101 156) |
| Carrying amount at the end of period | 105 978 | 217 756 |
| Total deferred income | 109 127 | 221 360 |

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

11 Accruals

Accruals for leave pay

| | 2020 R'000 | 2019 R'000 |
|--|---------------|---------------|
| Carrying amount at the beginning of period | 18 983 | 16 060 |
| Provision current period | 2 839 | 4 061 |
| Amounts used during the current period | (2 018) | (1 138) |
| Carrying amount at the end of period | 19 804 | 18 983 |

The leave pay provision relates to the estimated liabilities as a result of leave days due to employees.

Accruals for 13th cheque

| | | |
|--|-------|-------|
| Carrying amount at the beginning of period | 6 130 | 5 204 |
| Provision current period | (735) | 926 |
| Carrying amount at the end of period | 5 395 | 6 130 |

The 13th cheque accrual relates to the structuring of the employee costs to company and is paid out on employees' birthdays.

| | | |
|-----------------------|---------------|---------------|
| Total accruals | 25 199 | 25 113 |
|-----------------------|---------------|---------------|

12 Surplus/Deficit from operations

Operating surplus/deficit is arrived at after taking the following items into account:

| | | |
|--|----------------|----------------|
| Revenue | 486 198 | 484 085 |
| Non-exchange revenue | | |
| Total grant received | 414 062 | 405 983 |
| Project related revenue | (215 523) | (206 648) |
| Total non-exchange revenue | 198 539 | 199 335 |
| Exchange revenue | | |
| Department of Mineral Resources & Energy project related revenue | 223 839 | 227 288 |
| Contracting revenue | 25 822 | 25 812 |
| Publication revenue | 3 276 | 3 601 |
| | 252 937 | 256 701 |
| Other exchange revenue | | |
| Foreign currency gains | 835 | 1 744 |
| Proceeds from sale of asset | 874 | 339 |
| Recovery of asset losses | 2 416 | 322 |
| Sundry income | 6 863 | 4 512 |
| | 10 988 | 6 917 |

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

12 Surplus/Deficit from operations (continued)

| | 2020 R'000 | 2019 R'000 |
|---|----------------|----------------|
| Interest received | | |
| - Interest income on call accounts | 17 100 | 17 698 |
| - *Interest income on current accounts | 6 634 | 3 434 |
| (* includes interest accrued to the amount of R404,835) | 23 734 | 21 132 |
| Total exchange revenue | 287 659 | 284 750 |
| Total cost of contracts | 165 673 | 178 817 |
| Cost of contracts | | |
| Direct cost | 10 613 | 10 755 |
| Personnel expenditure | 12 085 | 10 020 |
| | 22 698 | 20 775 |
| Cost of statutory projects | | |
| Direct cost | 35 302 | 59 825 |
| Personnel expenditure | 107 673 | 98 217 |
| | 142 975 | 158 042 |
| Administrative expenses include : | | |
| Audit fees | 3 820 | 5 586 |
| - Current period | 2 084 | 2 756 |
| - Internal audit | 1 736 | 2 830 |
| - Fee for other services | - | - |
| Bad debts written off | - | - |
| Provision for bad debts | (2 047) | (2 157) |
| Depreciation - on owned assets | 26 020 | 27 993 |
| - Buildings | 6 165 | 6 032 |
| - Equipment | 14 362 | 15 830 |
| - Office furniture | 628 | 674 |
| - Motor vehicles | 2 466 | 3 137 |
| - Aircraft | 102 | 102 |
| - Computer equipment | 2 297 | 2 218 |
| Reversal of impairment | 3 241 | 631 |
| Amortisation - intangible assets | | |
| - Computer software | 810 | 1 320 |
| Rentals in respect of operating leases | | |
| - Land and buildings | 1 044 | 1 045 |
| - Multifunctional printers | 1 400 | 519 |

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

12 Surplus/Deficit from operations (continued)

| | 2020 R'000 | 2019 R'000 |
|---|---------------|---------------|
| Other operating expenses | | |
| Net loss on disposal of equipment | 2 221 | 475 |
| Net loss on disposal of vehicles | 524 | 4 077 |
| Net loss on disposal of intangible assets | 2 | - |
| Net loss on disposal of computer equipment | 348 | 639 |
| Net loss on disposal of office furniture | 83 | 233 |
| Net loss on disposal of aircraft | 7 | - |
| Write-off of bad debts | - | - |
| Foreign currency losses | 415 | 1 034 |
| | 3 600 | 6 457 |
| Staff costs | 280 074 | 294 552 |
| Included in staff costs are: | | |
| Defined benefit plan expense for the post-retirement medical-aid fund | 4 552 | (374) |
| - Current service cost | 48 | 73 |
| - Interest cost | 2 074 | 2 020 |
| - Expected return on plan assets | (1 517) | (1 441) |
| - Recognised actuarial (gain)/loss | 3 947 | (1 026) |
| Defined contribution plan expenses for the pension and provident fund | 13 994 | 13 755 |

Emoluments

| Senior management | 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 | 97 | 3 000 |
| Mr Matsepe L D | 2 455 | - | 150 | 133 | 2 738 |
| Ms Shelembe P R | 1 849 | - | 121 | 108 | 2 078 |
| Dr Tshipa J | 1 959 | - | 118 | 110 | 2 187 |
| Dr Khoza T D | 1 857 | - | 113 | 96 | 2 066 |

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

12 Emoluments (continued)

| Senior management | 2018/2019 | | | | |
|-------------------|--------------------|-------------------|--|----------------------|-------|
| | 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 | 244 | 166 | 103 | 3 249 |
| Mr Matsepe L D | 2 455 | 318 | 149 | 120 | 3 042 |
| Mr Ramagwede L F | 1 877 | 283 | 122 | 101 | 2 383 |
| Ms Shelembe P R | 1 850 | 274 | 111 | 99 | 2 334 |
| Dr Tshipa J | 1 633 | - | 98 | 91 | 1 822 |
| Dr Khoza T D | 1 351 | - | 85 | 72 | 1 508 |

Board emoluments

Non-executive Board Members

| | 2020 R'000 | 2019 R'000 |
|----------------|---------------|---------------|
| Dr Mathe H | 120 | 170 |
| Dr Mahachi J | 139 | 110 |
| Mr Koloji K | 55 | 67 |
| Mr Ramokgopa K | 23 | 172 |
| Mr Mvinjelwa X | 68 | 101 |
| Dr Mayekiso M | - | - |
| 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 | - | - |
| | 405 | 620 |

* Other contributions relate to employer contributions towards statutory deductions.

Details regarding Board Members' service contracts:

Board Members representing government departments are not included above as they received no emoluments.

13 Finance cost

Finance cost on motor vehicle fleet cards.

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Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

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

14 Reconciliation of net surplus/(loss)for the period to cash generated from operations

| | | |
|---|------------|------------|
| Net surplus for the period | 60 946 | (5 611) |
| Interest | 20 | 28 |
| Depreciation on property and equipment | 26 020 | 27 993 |
| Amortisation - intangible assets | 810 | 1 320 |
| Reversal of impairment of assets | (3 241) | (631) |
| Proceeds from sale of an asset | (874) | (339) |
| Compensation from third parties for property and equipment lost | (2 417) | (322) |
| Net loss on disposal of fixed assets | 3 182 | 5 423 |
| Interest earned | (23 329) | (21 133) |
| Provision for post-retirement medical-aid benefits | 1 592 | (374) |
| Operating cash flows before working capital changes | 62 711 | 6 354 |
| Working capital changes: | | |
| Increase in provision for accumulated leave pay and 13th cheque | 87 | 3 848 |
| (Increase)/Decrease in trade and other receivables | 97 792 | (113 519) |
| Increase/(Decrease) in trade and other payables | (3 774) | (2 752) |
| Increase/(Decrease) in deferred income | (112 233) | 101 954 |
| Cash generated from operations (including finance costs) | 44 582 | (4 115) |

15 Acquisition of:

15.1 Property and equipment

| | | |
|--------------------|---------------|---------------|
| Land and buildings | 485 | 3 341 |
| Equipment | 10 653 | 19 245 |
| Office furniture | 356 | 234 |
| Motor vehicles | 872 | 1 956 |
| Computer equipment | 8 406 | 1 633 |
| | 20 772 | 26 409 |

Work in progress - Acquisitions

| | | |
|--------------------|---------------|--------------|
| Land and buildings | 14 854 | 2 131 |
| Computer equipment | 29 810 | - |
| Equipment | 25 825 | 2 |
| Aircraft and boat | 1 282 | - |
| | 71 771 | 2 133 |

Total acquisitions

92 543 **28 542**

15.2 Intangible assets

| | | |
|-------------------|------------|------------|
| Computer software | 207 | 132 |
| | 207 | 132 |

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

| | 2020 R'000 | 2019 R'000 |
|--|---------------|---------------|
| 16 Contingent liability | | |
| 16.1 Bank guarantees | | |
| Performance bonds and bid bonds issued for contract work to various financial institutions. | 1 927 | 1 431 |
| | 1 927 | 1 431 |
| 16.2 Pending legal action | | |
| The Council for Geoscience has an estimated legal liability due to pending labour cases. | - | 1 078 |
| | - | 1 078 |
| 17 Taxation | | |
| 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. | | |
| 18 Operating lease commitments | | |
| 18.1 Lease of office space | | |
| The operating lease between a supplier and the Council for Geoscience entered into from 01 December 2017 to 30 November 2020. | | |
| At reporting date, the outstanding commitments under non-cancellable operating leases, which fall due are as follows: | | |
| Up to 1 year | 385 | 621 |
| 2 to 5 years | - | 705 |
| Total lease commitments | 385 | 1 326 |
| 18.2 Lease of office printing equipment | | |
| The operating lease between a supplier and the Council for Geoscience entered into from 01 October 2015 to 31 July 2020. | | |
| At the reporting date, the outstanding commitments under non-cancellable operating leases, which fall due are as follows: | | |
| Up to 1 year | 1 121 | 1 140 |
| Total lease commitments | 1 121 | 1 140 |
| 18.3 Commitments | | |
| Operating expenditure | | |
| Approved and contracted | 29 274 | 25 289 |
| Approved but not yet contracted | - | - |

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

18 Operating lease commitments (continued)

| | 2020 R'000 | 2019 R'000 |
|---|----------------|---------------|
| Capital expenditure | | |
| Approved and contracted: Property and equipment | 69 701 | 5 101 |
| Approved but not yet contracted: Property and equipment | 1 548 | 889 |
| Total commitments | 100 523 | 31 279 |
| Commitments | | |
| Up to 1 year | 52 950 | 25 623 |
| 2 to 5 years | 47 573 | 5 656 |
| Total commitments | 100 523 | 31 279 |

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.

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 2020

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

19 Financial instruments (continued)

| | 2020 Weighted average effective interest rate % | 2019 Weighted average effective interest rate % |
|---------------|--|--|
| Assets | | |
| Cash | 3.90% | 3.94% |
| Call accounts | 6.87% | 7.22% |

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 2020 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

| | 2020 R'000 | | | 2019 R'000 | | |
|-------------------------------|---------------|----------------|---------|---------------|----------------|---------|
| | Exchange rate | Foreign amount | R-value | Exchange rate | Foreign amount | R-value |
| 20.1 Trade receivables | | | | | | |
| Foreign currency | | | | | | |
| Euro | R 19.27180 | € 0,00 | 0 | R 14.34280 | € 0,00 | 0 |
| US\$ | R 17.62600 | \$34 | 596 | R 14.28750 | \$72 | 1 032 |
| 20.2 Banks | | | | | | |
| Foreign funds | | | | | | |
| Euro | R 19.27180 | € 240 | 4 625 | R 16.02640 | € 240 | 3 846 |

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

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

21 Related-party transactions

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 | 414 062 | 405 983 |
|----------------------|---------|---------|

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

22 Irregular expenditure

| | | |
|--|---|--------|
| Opening balance | - | 74 |
| Irregular expenses identified in the current year | - | - |
| Expenditure condoned | - | (74) |
| | - | - |
| Details of irregular expenditure identified in the prior year | | |
| Non-compliance with National Treasury's instruction on local content when purchasing field clothing. | - | - |
| | - | - |

23 Events after reporting date

Non-Adjusting events

Deep drilling programme in Beaufort-West

The Council for Geoscience awarded a contract to a service provider for a Deep Vertical Stratigraphic research core borehole for the Karoo Deep drilling programme in Beaufort-West with an estimated value of R35 million.

Probalistic seismic hazard analysis

The Council for Geoscience awarded a contract to a service provider to oversee the planning, development and technical execution of a probalistic seismic hazard analysis for a nuclear site with an estimated value of R34 million.

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

23 Events after reporting date (continued)

CGS appointed as implementing agent for the Carbon Capture, Storage and Utilisation project (CCSU)

The Council for Geoscience has been appointed as the implementing agency of the CCSU 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. The total value of project is still being evaluated.

COVID-19 Pandemic

The Novel Corona Virus pandemic and subsequent supplementary budget speech has not materially impacted the CGS, however the programme of the CGS has been streamlined to maximise on delivery and impact.

No facts nor circumstances of a material nature arose between the financial year-end and the date of this report which needs to be reported as part of these annual financial statements apart from the items mentioned above.

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

24 Correction of prior year error

| Nature | Period | 2020 | 2019 |
|---|-----------|--------------|----------------|
| A correction was made to the financial statements on revenue that was not recognised in the period to which it relates. | 31-Mar-18 | - | (2 544) |
| A correction was made to the financial statements on revenue that was not recognised in the period to which it relates. | 31-Mar-15 | - | (35) |
| A correction was made to the financial statements on other income that was not recognised in the period to which it relates. | 31-Mar-19 | (279) | - |
| A correction was made to the financial statements to depreciation/amortisation for prior period. | 31-Mar-18 | - | 514 |
| 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 | (2) | (286) |
| A correction was made to expenditure that was not recognised in the correct period. . | 31-Mar-19 | 5 203 | 378 |
| An adjustment was made to payables in the prior period relating to a construction project retention. | 31-Mar-18 | - | (2 257) |
| An adjustment was made to fixed asset in the prior period for the capitalisation of the construction project retention. | 31-Mar-18 | - | 2 257 |
| Adjustment was made to estimated useful life of property and equipment. Correction could only be made in 2018/2019 financial year due to impracticability of calculation for prior years. This is due to the unavailability of information from inception of the affected property and equipment. | 31-Mar-19 | - | (3 356) |
| | | 4 525 | (5 329) |

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

24 Correction of prior year error (continued)

Effect

Statement of financial performance as at 31 March 2019

| | 2020 R'000 | 2019 R'000 |
|--|---------------|----------------|
| Revenue recorded in the incorrect period - MTEF | - | (2 544) |
| Revenue recorded in the incorrect period - Commercial Revenue | - | (35) |
| Other income recorded in the incorrect period - Recovery of study debt/Insurance claims | (279) | - |
| Expenditure recorded in the incorrect period | 5 203 | - |
| Prepaid expenses not accounted for correctly | (397) | - |
| Depreciation/amortisation recorded in the incorrect period | - | 514 |
| Work in progress captured as an expense | (2) | (286) |
| Adjustment to depreciation/amortisation as a result of change in estimated useful life of property and equipment | - | (3 356) |
| Reallocation of expenditure erroneously capitalised | - | 378 |
| | 4 525 | (5 329) |

Effect

Statement of financial position as at 31 March 2019

| | | |
|--|---------|---------|
| Government Grant Project Related Revenue Recognised - Deferred income | - | 2 544 |
| Commercial Revenue - Deferred income | - | 35 |
| Study debt recovered and insurance claim accounted for correctly | 279 | - |
| Work in progress not provided for - Payables | - | (2 257) |
| Work in progress not provided for - Property & Equipment | - | 776 |
| Capitalisation of technical asset | - | 1 481 |
| Expenditure recorded in the incorrect period not provided for | (5 203) | - |
| Prepaid expenses not accounted for correctly | 397 | - |
| Accumulated depreciation/amortisation recorded in the incorrect period | - | (514) |
| Work in progress captured as an expense | 2 | 286 |
| Adjustment to accumulated depreciation/amortisation as a result of change in estimated useful life of property and equipment | - | 3 356 |
| Adjustment for asset capitalisation error | - | (378) |
| | | |
| Statement of net assets for the period ended 31 March 2019 | | |
| Accumulated surpluses | (4 525) | 5 329 |

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

24 Correction of prior year error (continued)

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

Correction of Prior year disclosure

Nature

Disclosure as at 31 March 2019

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

| | | | |
|------------------------|-----------|---|-------|
| 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) |
|-------------------------|-----------|---|----------|

Effect

None (only disclosure item)

25 Change in accounting estimate

The useful lives and residual values of property and equipment was reassessed. This resulted in change of estimated remaining lives of certain assets in 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 3,117,150 in 2019/2020.

The change of R4,675,726 will be reflected in future periods.

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

| | | |
|--------------------|--------|--------|
| | 20 563 | 23 178 |
| Equipment | 14 362 | 15 830 |
| Office furniture | 628 | 674 |
| Motor vehicles | 2 466 | 3 136 |
| Computer equipment | 2 297 | 2 218 |
| Computer software | 810 | 1 320 |

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to the Annual Financial Statements for the Year Ended 31 March 2020

25 Change in accounting estimate (continued)

| | 2020 R'000 | 2019 R'000 |
|--|---------------|---------------|
| Depreciation expense using the previous rates would have been reported at: | 23 679 | 21 082 |
| Equipment | 16 756 | 14 617 |
| Office furniture | 635 | 671 |
| Motor vehicles | 2 670 | 2 863 |
| Computer equipment | 2 719 | 1 889 |
| Computer software | 899 | 1 042 |
| Difference | (3 117) | 2 096 |
| Equipment | (2 394) | 1 213 |
| Office furniture | (8) | 3 |
| Motor vehicles | (204) | 274 |
| Computer equipment | (422) | 329 |
| Computer software | (89) | 278 |

26 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 |
| | 17 562 | 17 562 |

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 |

Notes

to the Annual Financial Statements for the Year Ended 31 March 2020

26 Heritage assets disclosure (continued)

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.



Council for Geoscience

www.geoscience.org.za

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