

part E

FINANCIAL INFORMATION

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

- The statement of responsibility for the Annual Financial Statements of the year ended 31 March 2019, 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.

1. STATEMENT OF RESPONSIBILITY

Statement of responsibility for the Annual Financial Statements for the year ended 31 March 2019

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 2019.

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 2019 have been audited by the external auditors, and their report is presented on pages 96 to 100.

The Annual Financial Statements of the CGS set out on pages 101 to 130 have been approved.



Mr M Mabuza
Chief Executive Officer
Council for Geoscience
31 July 2019



Dr H Mathe
Chairperson of the Board
Council for Geoscience
31 July 2019

report

BY THE CHIEF FINANCIAL
OFFICER (CFO)



MR LEONARD MATSEPE | CHIEF FINANCIAL
OFFICER

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

The CGS maintains a strong balance sheet position, which has grown from R570.6 million in 2018 to R667 million in 2019. The current assets equate to 1.4 times current liabilities.

Capital expenditure

During the year, the CGS invested R28.7 million (2017/18: R31.8 million) in plant, equipment and intangible assets.

‘Financial sustainability of geosciences will deliver the integrated and multidisciplinary geoscience mapping programme, which in turn contribute in the rejuvenation of investment in the mining sector’

Of this capital expenditure, R19.2 million (2017/18: R22.5 million) was for equipment. 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

Cash and cash equivalents decreased from R264.6 million in 2018 to R253.6 million in 2019, resulting in a net cash outflow of R11 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 reporting date

No facts nor circumstances of a material nature arose between the financial year-end and the date of this report.

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.

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 BBEE, 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 2019. Several issues were raised but were resolved during the current financial year.

Plans for future additional financial challenges

The CGS has reviewed its strategy and structure to optimise the delivery of its mandate. The new strategy includes an integrated and multidisciplinary geoscience mapping programme, which aims to refocus the organisation on its statutory mandate, as well as to rejuvenate investment in the mining sector. Funding of R386 million has been allocated for the 2019/20 and 2020/21 financial years. There is a need to secure continued funding to sustain this programme.

3. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON 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 101 to 130, which comprise the statement of financial position as at 31 March 2019, the 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 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of General 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 International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* and 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.

Responsibilities of accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
7. In preparing the financial statements, the accounting authority is responsible for assessing the Council for Geoscience'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

8. 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.

9. 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

10. 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 material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address 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 indicators included in the planning documents. My procedures also did 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.
12. 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 objectives presented in the annual performance report of the public entity for the year ended 31 March 2019:

Objectives	Pages in the annual performance report
Objective 1 – delivery of the mandate	30
Objective 2 – advisory, stakeholder engagement and knowledge management	30 - 31

13. 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.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for these objectives:
 - Objective 1 – delivery of the mandate
 - Objective 2 – advisory, stakeholder engagement and knowledge management

Other matters

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 30 to 32 for information on the achievement of planned targets for the year and explanations provided for the under-/overachievement of a number of targets.

Report on the audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. 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.
20. 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.
21. 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.
22. 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

23. 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. I did not identify any significant deficiencies in internal control.

Other reports

24. I draw attention to the following engagements conducted by various parties that 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.
25. 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 report was issued in October 2018 and resulted in further enquiries into the implicated employees. These proceedings were in progress at the date of this audit report.
26. 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 report was issued in May 2019 and resulted in further enquiries into the implicated employees. These proceedings were in progress at the date of this audit report.

27. An independent consultant investigated an allegation of irregular expenditure relating to non-compliance with legislation and allegations of fraud at the request of the public entity, which covered the period 13 June 2017 to 18 January 2018. In May 2019, the investigation was concluded and disciplinary processes were instituted.

Auditor-General

Pretoria
31 July 2019



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

4. 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 objectives 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 related to events or conditions that may cast significant doubt on the Council for Geoscience’s ability 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 the 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 continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and 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, related safeguards.

5. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

STATEMENT OF FINANCIAL POSITION

Annual Financial Statements for the Year Ended 31 March 2019

	Notes	2019 R'000	2018 (Restated) R'000
Assets			
Non-current assets			
		279 167	284 596
Property and equipment	3	260 049	264 290
Intangible assets	4	1 556	2 744
Heritage assets	26	17 562	17 562
Current assets		387 884	286 067
Inventories	5	5	5
Trade and other receivables	7	134 297	21 456
Cash and cash equivalents	8	253 582	264 606
Total assets		667 051	570 663
Net assets and liabilities			
Accumulated surplus		388 660	389 746
Non-current liabilities			
Post-employment benefit liabilities	6	7 661	8 035
Current liabilities		270 730	172 882
Trade and other payables	9	24 257	32 213
Deferred income	10	221 360	119 405
Accruals	11	25 113	21 264
Total net assets and liabilities		667 051	570 663

STATEMENT OF FINANCIAL PERFORMANCE

Annual Financial Statements for the Year Ended 31 March 2019

	Notes	2019 R'000	2018 (Restated) R'000
Revenue	12	456 036	414 112
Cost of commercial projects	12	(20 775)	(25 265)
Cost of statutory projects	12	(158 043)	(188 364)
Gross surplus		277 218	200 483
Other operating income	12	6 638	4 458
Administrative expenses		(299 592)	(249 664)
Other operating expenses	12	(6 455)	(1 581)
Interest received	13	21 132	24 425
(Loss) from operations		(1 058)	(21 879)
Finance cost	14	(28)	(31)
Net (loss) for the year		(1 086)	(21 910)

STATEMENT OF CHANGES IN NET ASSETS

Annual Financial Statements for the Year Ended 31 March 2019

	Notes	Accumulated surplus R'000	Total R'000
Balance at 31 March 2018		384 417	384 417
Correction of prior period error	24,1	5 329	5 329
Balance at 31 March 2018		389 746	389 746
Net (loss) for the period		(1 086)	(1 086)
Balance at 31 March 2019		388 660	388 660

CASH FLOW STATEMENT

Annual Financial Statements for the Year Ended 31 March 2019

	Notes	2019 R'000	2018 (Restated) R'000
Cash inflow from operating activities		17 097	(21 365)
Cash receipts from customers		342 862	412 903
Cash paid to suppliers and employees		(346 869)	(458 662)
Cash generated from operations	15	(4 007)	(45 759)
Interest received	13	21 132	24 425
Finance cost	14	(28)	(31)
Cash outflow from investing activities		(28 121)	(31 393)
Acquisition of:			
Property and equipment	16,1	(28 542)	(31 540)
Intangible assets	16,2	(132)	(279)
Proceeds from sale of asset	12	339	296
Insurance proceeds for property and equipment	3,1	214	130
Net (decrease) in cash and cash equivalents		(11 024)	(52 758)
Cash and cash equivalents at beginning of period	8	264 606	317 364
Cash and cash equivalents at end of period	8	253 582	264 606

ACCOUNTING POLICIES

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 has been 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 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.

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

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 maintenance 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, by equal instalments over their average useful lives, as follows:

ACCOUNTING POLICIES

Land	Not depreciable
Buildings	30 years
Motor vehicles	5 to 8 years
Equipment	5 to 7 years
Aircraft & Helicopter - Body	15 years
Aircraft & Helicopter - Components	Useful hours per Civil Aviation Authority
Boat	10 years
Office furniture	20 years
Computer equipment	6 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 five 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.

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.

ACCOUNTING POLICIES

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.

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.

ACCOUNTING POLICIES

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.

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.

ACCOUNTING POLICIES

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.

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.

ACCOUNTING POLICIES

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.

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

NOTES

to the Annual Financial Statements for the Year Ended 31 March 2019

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 2018/2019:

GRAP statement	Description	Impact	Effective date
GRAP 20	Related Party Disclosure	None	01 April 2019
GRAP 32	Service Concession Arrangements: Grantor	None	No effective date
GRAP 34	Separate Financial Statements	None	No effective date
GRAP 35	Consolidated Financial Statements	None	No effective date
GRAP 36	Investments in Associates and Joint Ventures	None	No effective date
GRAP 37	Joint Arrangements	None	No effective date
GRAP 38	Disclosure of Interests in Other Entities	None	No effective date
GRAP 108	Statutory Receivables	None	01 April 2019
GRAP 109	Accounting by Principals and Agents	None	01 April 2019
GRAP 110	Living and Non-living Resources	None	01 April 2019
IGRAP 1	Applying the probability test on initial recognition revenue (amendments)	None	01 April 2020
IGRAP 17	Service concession arrangements where a grantor controls a significant residual interest in an asset	None	01 April 2019

3 Property and equipment

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 3.3)	-	2 131	2	-	-	-	-	2 133
Acquisitions	-	3 341	19 245	234	-	1 956	1 633	26 409
Reversal of impairment	-	631	-	-	-	-	-	631
Disposals	-	-	(475)	(233)	-	(3 952)	(638)	(5 423)
Disposals - Cost	0,00	-	(7 602)	(1 081)	-	(6 456)	(1 735)	(16 874)
Disposals - Depreciation	0,00	-	7 127	849	-	2 379	1 097	11 452
Depreciation	0,00	(6 032)	(15 830)	(674)	(102)	(3 137)	(2 218)	(27 993)
Closing net carrying amount at 31 March 2019	16 271	129 748	75 458	4 932	12 062	15 569	6 009	260 049
Gross carrying amount	18 231	195 082	165 999	13 315	22 348	29 264	20 551	464 790
Accumulated depreciation/impairment	(1 960)	(65 334)	(90 541)	(8 383)	(10 286)	(13 695)	(14 542)	(204 741)

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to the Annual Financial Statements for the Year Ended 31 March 2019

Property and equipment (continued)

2018	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	184 274	138 955	13 519	24 425	30 652	20 364	430 420
Accumulated depreciation at the beginning of the period	(1 960)	(54 726)	(75 316)	(8 156)	(11 035)	(11 014)	(12 671)	(174 878)
Opening net carrying amount at 31 March 2017	16 271	129 548	63 639	5 363	13 390	19 638	7 693	255 542
Movements during the period:								-
Work in progress (refer to note 3.3)	-	5 336	(2 600)	-	-	-	-	2 736
Acquisitions	-	-	22 463	993	-	3 865	1 483	28 804
Disposals	-	-	(393)	(96)	(104)	(312)	(298)	(1 203)
Disposals - Cost	-	-	(4 464)	(350)	(2 077)	(754)	(1 194)	(8 839)
Disposals - Depreciation	-	-	4 071	254	1 973	442	896	7 636
Depreciation	-	(5 207)	(10 593)	(655)	(1 122)	(2 365)	(1 647)	(21 589)
Closing net carrying amount at 31 March 2018	16 271	129 677	72 516	5 605	12 164	20 826	7 231	264 290
Gross carrying amount	18 231	189 610	154 354	14 162	22 348	33 763	20 653	453 121
Accumulated depreciation/impairment	(1 960)	(59 933)	(81 838)	(8 557)	(10 184)	(12 937)	(13 422)	(188 831)

* Equipment in the tables above include the following categories of equipment: Specialised Equipment, Audio & Visual and Technical 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 2019 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.

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to the Annual Financial Statements for the Year Ended 31 March 2019

Property and equipment (continued)

	2019 R'000	2018 R'000
3.1 Compensation from third parties for property and equipment lost		
Proceeds from insurance	214	130

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	24 012	(370)	983	24 625
Opening net carrying amount at 31 March 2018	24 012	(370)	983	24 625
Movement	2 131	2	-	2 133
Closing net carrying amount at 31 March 2019	26 143	(368)	983	26 758

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 R24,724m 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 2018	24 724
Movement	-
Closing net carrying amount at 31 March 2019	24 724

3.3 Property and equipment continued

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

Repairs and Maintenance

	2019 R'000	2018 R'000
Land and Buildings	4 933	5 100
Office Equipment and Furniture	5	690
Technical and Scientific Equipment	1 224	2 781
Specialised Equipment	58	51
Computer Equipment	150	80
Aircraft	366	1 208
	6 737	9 910

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to the Annual Financial Statements for the Year Ended 31 March 2019

	2019 R'000	2018 R'000
4 Intangible assets		
Computer software		
Gross carrying amount	9 733	9 971
Accumulated amortisation	(6 990)	(6 438)
Opening net carrying amount at 31 March 2018	2 744	3 533
Movements during the period:		
Acquisitions	132	279
Disposals	-	(108)
Disposals - Cost	-	(517)
Disposals - Amortisation	-	409
Amortisation	(1 320)	(961)
Closing net carrying amount at 31 March 2019	1 556	2 744
Gross carrying amount	9 865	9 733
Accumulated amortisation	(8 309)	(6 990)

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	73	95
Interest charge	2 020	1 899
Expected return on planned assets	(1 441)	(1 285)
Actuarial (gain)/loss recognised	(1 026)	(724)
	(374)	(15)

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

	2019	2018	2017	2016	2015
Present value of fund obligations	24 215	25 565	23 084	22 931	21 863
Fair value of planned assets	(16 554)	(17 530)	(15 034)	(15 059)	(14 851)
Liability recognised in statement of financial position	7 661	8 035	8 050	7 872	7 012

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to the Annual Financial Statements for the Year Ended 31 March 2019

Movement in net liability during the period is as follows:	2019			2018		
	Liability	Planned asset	Net	Liability	Planned asset	Net
Liability at beginning of period	25 565	-	25 565	23 084	-	23 084
Value of planned assets at beginning of period	-	(17 530)	(17 530)	-	(15 034)	(15 034)
	25 565	(17 530)	8 035	23 084	(15 034)	8 050
Interest charge/expected return of planned asset	2 020	(1 441)	579	1 899	(1 285)	614
Current service costs	73	-	73	95	-	95
Benefits paid	(1 742)	1 742	-	(1 701)	1 701	-
Actuarial (gain)/loss	(1 702)	676	(1 026)	2 188	(2 912)	(724)
Closing balance	24 214	(16 553)	7 661	25 565	(17 530)	8 035

Contributions expected to be paid

Top up payments are expected to be made during the 2020 financial year

Expected rate of return on assets 8,96%

Assumptions

Discount rates 8,96%

Basis of discount rates: JSE zero coupon bond yield after the market closed on 31 March 2019

Return on assets 8,22%

Expected salary increases 7,00%

Health care cost inflation rate 6,48%

Sensitivity analysis-on accrued liability (R Millions) for the year ending 31 March 2019

Assumption	Change	In service	Continuation	Total	Change
Central assumptions	-	3,950	20,265	24,215	-
Health care inflation	1%	4,526	21,816	26,342	9%
	-1%	3,475	18,880	22,355	-8%
Discount rate	1%	3,481	18,879	22,360	-8%
	-1%	4,527	21,844	26,371	9%
Post retirement mortality	-1 year	4,063	21,118	25,181	4%
Average retirement date	-1 year	4,051	20,265	24,316	0%
Continuation of membership at retirement	-10%	3,563	20,265	23,828	-2%

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.

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to the Annual Financial Statements for the Year Ended 31 March 2019

Sensitivity analysis for current service and interest cost (R Millions) for the year ending 31 March 2019

Assumption	Change	Current service	Interest cost	Total	Change
Central assumptions	-	72 600	2 020 200	2 092 800	-
Health care inflation	1%	87 500	2 216 100	2 303 600	10%
	-1%	60 800	1 849 900	1 910 700	-9%
Discount rate	1%	61 400	2 074 000	2 135 400	2%
	-1%	86 800	1 950 400	2 037 200	-3%
Post retirement mortality	-1 year	74 800	2 109 700	2 184 500	4%
Average retirement date	-1 year	47 800	2 029 900	2 077 700	-1%
Continuation of membership at retirement	-10%	65 600	1 992 500	2 058 100	-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 R13,755m (2018: R11,580m) represents equal contributions of 7.5% by the employer and employee.

	2019 R'000	2018 R'000
7 Trade and other receivables for exchange revenue		
Trade receivables	1 977	3 492
Contract customers	127 574	12 651
Other receivables	6 922	5 331
	136 473	21 474
Less - Provision for bad debts	(2 175)	(18)
	134 297	21 456
Provision for bad debts		
Opening balance	18	662
Movement	2 157	(644)
Closing balance	2 175	18
Analysis of Impairment		
Long overdue debtors considered impaired	2 175	18
	2 175	18

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

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to the Annual Financial Statements for the Year Ended 31 March 2019

	2019	2018
	R'000	R'000

8 Cash and cash equivalents

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

Cash at bank	17 333	19 944
Call accounts	236 249	244 662
Cash and cash equivalents at the end of the period are represented by the following balances:	253 582	264 606

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

9 Trade and other payables

Trade payables	9 621	15 545
Other payables	14 636	16 668
	24 257	32 213

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

10 Deferred income

Exchange revenue

10.1 Deferred income arising as a result of an agreement entered into with the Department of Science and Technology to develop an intellectual property management office. (Geoscience Act par 5(1)(g))

Carrying amount at the beginning of period	3 879	1 421
Amounts received	-	3 103
Amounts used during the period	(615)	(645)
Carrying amount at the end of period	3 264	3 879

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
Carrying amount at the end of period	48	48

10.3 Deferred income arising as a result of an agreement with the Department of Science and Technology for the environmentally friendly and efficient methods for the extraction of Rare Earth Elements.

Carrying amount at the beginning of period	182	1 004
Amounts used during the period	-	(822)
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 Technology in terms of the Earth Observation and Geohazards Assessment.

Carrying amount at the beginning of period	2 922	2 922
Amounts used during the period	(2 922)	-
Carrying amount at the end of period	-	2 922

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to the Annual Financial Statements for the Year Ended 31 March 2019

Deferred income (continued)	2019	2018
	R'000	R'000
10.5 Deferred income arising as a result of an agreement with the Department of Science and Technology to study the Witwatersrand Central Basin mine water apportionment.		
Carrying amount at the beginning of period	-	35
Amounts used during the period	-	(35)
Carrying amount at the end of period	-	-
10.6 Deferred income arising as a result of an agreement entered into with the National Research Foundation.		
Carrying amount at the beginning of period	110	321
Amounts used during the period	-	(211)
Carrying amount at the end of period	110	110
10.7 Deferred income arising as a result of an agreement entered into with the Department of Mineral Resources to develop and implement various measures to mitigate the effect of mining-induced contamination.		
Carrying amount at the beginning of period	112 264	107 369
Amounts received	206 648	189 788
Amounts used during the period	(101 157)	(184 893)
Carrying amount at the end of period	217 755	112 264
Total deferred income	221 360	119 405
11 Accruals		
Accruals for leave pay		
Carrying amount at the beginning of period	16 060	13 584
Provision current period	4 061	3 379
Amounts used during the current period	(1 138)	(903)
Carrying amount at the end of period	18 983	16 060
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	5 204	4 582
Provision current period	926	622
Carrying amount at the end of period	6 130	5 204
The 13th cheque accrual relates to the structuring of the employee costs to company and is paid out on employees' birthdays.		
Total accruals	25 113	21 264

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to the Annual Financial Statements for the Year Ended 31 March 2019

2019	2018
R'000	R'000

12 Surplus/deficit from operations

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

Revenue

Non-exchange revenue

Total grant received	405 983	366 988
Project related revenue	(206 648)	(189 788)
	199 335	177 200

Exchange revenue

Department of Mineral Resources project related revenue	227 288	184 893
Contracting revenue	25 812	47 458
Publication revenue	3 601	4 561
	256 701	236 912
	456 036	414 112

Cost of contracts*

Direct cost	10 755	11 865
Personnel expenditure	10 020	13 400
	20 775	25 265

Cost of statutory projects*

Direct cost	59 825	101 522
Personnel expenditure	98 217	86 842
	158 043	188 364

Other operating income

Foreign currency gains	1 744	119
Proceeds from sale of asset	339	296
Recovery of asset losses	214	130
Sundry income	4 341	3 913
	6 638	4 458

Administrative expenses include -

Audit fees	5 586	5 898
- Current period	2 756	2 235
- Internal audit	2 830	3 597
- Fee for other services	-	66

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to the Annual Financial Statements for the Year Ended 31 March 2019

Surplus/deficit from operations (continued)	2019	2018
	R'000	R'000
Bad debts written off	-	7
Provision for bad debts	(2 175)	(18)
Depreciation - on owned assets	27 993	21 589
- Buildings	6 032	5 207
- Equipment	15 830	10 593
- Office furniture	674	655
- Motor vehicles	3 137	2 365
- Aircraft	102	1 122
- Computer equipment	2 218	1 647
Reversal of impairment	631	-
Amortisation - intangible assets		
- Computer software	1 319	961
Rentals in respect of operating leases		
- Land and buildings	1 045	1 098
- Multifunctional printers	519	883
Other operating expenses		
Net loss on disposal of equipment	474	393
Net loss on disposal of vehicles	4 077	415
Net loss on disposal of intangible assets	-	108
Net loss on disposal of computer equipment	639	298
Net loss on disposal of office furniture	233	96
Net loss on disposal of aircraft	-	-
Write-off of bad debts	-	7
Foreign currency losses	1 033	264
	6 455	1 581
Staff costs	294 552	255 942
Included in staff costs are:		
Defined benefit plan expense for the post-retirement medical-aid fund	(374)	(15)
Current service cost	73	95
Interest cost	2 020	1 899
Expected return on plan assets	(1 441)	(1 285)
Recognised actuarial (gain)/loss	(1 026)	(724)
Defined contribution plan expenses for the pension and provident fund	13 755	11 580

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to the Annual Financial Statements for the Year Ended 31 March 2019

Surplus/deficit from operations (continued)

Emoluments

Senior management	2018/2019					Total R'000
	Pensionable salary	Performance bonus	Provident/ Pension fund contributions	*Other contributions		
	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		3 041
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

	2017/2018					Total R'000
	Pensionable salary	Performance bonus	Provident/ Pension fund contributions	Other contributions		
	R'000	R'000	R'000	R'000		
Mr Mabuza M	2 074	194	111	73		2 452
Mr Matsepe L D	2 305	388	140	115		2 948
Mr Ramagwede L F	1 762	221	115	96		2 194
Mr Tlowana S I	566	-	27	27		620
Mrs Grobbelaar M	749	-	28	33		810
Mr Craill C	786	-	28	34		848
Ms Shelembe P R	749	-	21	19		789
Dr De Kock G S	620	-	22	18		660
Mrs Kola M E M	1 174	175	61	54		1 464

2019 R'000	2018 R'000
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Board emoluments

Non-executive Board Members

Dr Mathe H	170	274
Dr Mahachi J	110	103
Mr Koloi K	67	78
Mr Ramokgopa K	172	229
Mr Mvinjelwa X	101	116
	620	800

* 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.

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to the Annual Financial Statements for the Year Ended 31 March 2019

	2019 R'000	2018 R'000
13 Interest received		
Interest received		
- Interest income on call accounts	17 698	23 147
- Interest income on current accounts	3 434	1 278
	21 132	24 425
14 Finance cost		
Finance cost on motor vehicle fleet cards.	28	31
15 Reconciliation of net (loss)/surplus for the period to cash generated from operations		
Net (loss) for the period	(1 086)	(22 253)
Interest	28	31
Depreciation on property and equipment	27 993	21 872
Amortisation - intangible assets	1 320	1 021
Reversal of impairment of assets	(631)	-
Proceeds from sale of an asset	(339)	(296)
Compensation from third parties for property and equipment lost	(214)	(130)
Net loss on disposal of fixed assets	5 423	1 311
Interest earned	(21 133)	(24 425)
Provision for post-retirement medical-aid benefits	(374)	(15)
Operating cash flows before working capital changes	10 985	(22 885)
Working capital changes:		
Increase/(Decrease) in retained surplus	-	(36 158)
Increase in provision for accumulated leave pay and 13th cheque	3 849	3 098
(Increase)/Decrease in trade and other receivables	(112 841)	(2 249)
Increase/(Decrease) in trade and other payables	(7 955)	6 102
Increase/(Decrease) in deferred income	101 955	6 332
Cash generated from operations (including finance costs)	(4 007)	(45 759)
16 Acquisition of:		
16.1 Property and equipment		
Land and buildings	3 341	-
Equipment	19 245	22 463
Office furniture	234	993
Motor vehicles	1 956	3 865
Computer equipment	1 633	1 483
	26 409	28 804
Work in progress - Acquisitions		
Land and buildings	2 131	5 336
Equipment	2	(2 600)
	2 133	2 736

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to the Annual Financial Statements for the Year Ended 31 March 2019

Acquisition of: (continued)	2019	2018
	R'000	R'000
Total acquisitions	28 542	31 540
16.2 Intangible assets		
Computer software	132	279
	132	279
17 Contingent liability		
17.1 Bank guarantees		
Performance bonds and bid bonds issued for contract work to various financial institutions	1 431	1 431
	1 431	1 431
17.2 Pending legal action		
The Council for Geoscience has an estimated legal liability due to a pending labour cases	1 078	6 455
	1 078	6 455
18 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.		
19 Operating lease commitments		
19.1 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	621	415
2 to 5 years	705	1 192
Total lease commitments	1 326	1 607
19.2 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 2019.		
At the reporting date, the outstanding commitments under non-cancellable operating leases, which fall due are as follows:		
Up to 1 year	1 140	2 347

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to the Annual Financial Statements for the Year Ended 31 March 2019

	2019 R'000	2018 R'000
Operating lease commitments (continued)		
2 to 5 years	-	-
Total lease commitments	1 140	2 347
19.3 Commitments		
Operating expenditure		
Approved and contracted	50 659	47 494
Approved but not yet contracted*	-	33 434
Capital expenditure		
Approved and contracted: Property and equipment	5 101	24 966
Approved but not yet contracted: Property and Equipment*	889	6 199
Total commitments	56 649	112 093
Commitments		
Up to 1 year	50 993	56 334
2 to 5 years	5 656	55 759
Total commitments	56 649	112 093

The Council for Geoscience has usage based contracts for the provision of the following services

- Sampling Services Geophysics
- Accommodation and travel
- Courier services

*Change in accounting policy

A decision was made to change the method of disclosure of its commitments during the period to now disclose the approved but not yet contracted for, commitments. The latter method provides more reliable information when evaluating the Council for Geosciences' ability to meet its liabilities and commitments. The change in accounting policy was applied retrospectively and the corresponding comparative figures were restated.

20 Financial instruments

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

20.1 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.

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to the Annual Financial Statements for the Year Ended 31 March 2019

Operating lease commitments (continued)

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.

20.2 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 2019

	Weighted average effective interest rate %	Weighted average effective interest rate %
Assets		
Cash	3,94%	3,95%
Call accounts	7,20%	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.

20.3 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 2019 is disclosed in note 21.

20.4 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.

21 Foreign currency exposure

	2019 '000		2019 R'000		2018 '000		2018 R'000	
	Exchange rate	Foreign amount	R-value	Exchange rate	Foreign amount	R-value	Exchange rate	R-value
21.1 Trade receivables								
Foreign currency								
Euro	R 14,343	€ 0,00	0	R 14,343	€ 0,33	5		
US\$	R 14,288	\$72	1 032	R 11,645	\$34	396		
21.2 Banks								
Foreign funds								
Euro	R 16,026	€ 240	3 846	R 14,343	€ 240	3 442		

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to the Annual Financial Statements for the Year Ended 31 March 2019

2019	2018
R'000	R'000

22 Related-party transactions

During the period, the following related-party transactions took place between the Council for Geoscience and the Department of Mineral Resources:

Total grant received	405 983	366 988
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Refer to note 10 for further details regarding transactions with the Department of Mineral Resources.

All other related-party transactions were concluded at arm's length.

Relationships:

Parent National Department: Department of Mineral Resources

23 Irregular expenditure

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

24 Correction of prior year error

Nature	Period	
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 to depreciation/amortisation for prior period.	31-Mar-18	514
A allocation correction was made from expenditure and capitalised.	31-Mar-18	(286)
A correction was made to expenditure that was not recognised in the correct period.	31-Mar-18	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

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to the Annual Financial Statements for the Year Ended 31 March 2019

	2019 R'000	2018 R'000
Correction of prior year error (continued)		
Adjustment was made to estimated useful life of property and equipment. Correction could only be made in 2017/2018 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-18	(3 356)
		(5 329)
Effect		
Statement of financial performance as at 31 March 2018		
Revenue recorded in the incorrect period - MTEF	-	(2 544)
Revenue recorded in the incorrect period - Commercial Revenue	-	(35)
Depreciation/amortisation recorded in the incorrect period	-	514
Work in progress captured as an expense	-	(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
Effect		
Statement of financial position as at 31 March 2018		
Government Grant Project Related Revenue Recognise - Deferred income	-	2 544
Commercial Revenue -Deferred income	-	35
Work in progress not provided for - Payables	-	(2 257)
Work in progress not provided for - Property & Equipment	-	776
Capitalisation of technical asset	-	1 481
Accumulated depreciation/amortisation recorded in the incorrect period	-	(514)
Work in progress captured as an expense	-	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 2018		
Accumulated surpluses	-	5 329

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
Motor Vehicles	5 - 8 years	5 - 9 years
Equipment	5 - 7 years	5 - 8 years
Office furniture	20 years	20 - 21 years
Computer equipment	6 years	8 - 9 years
Computer software	2 - 5 years	2 - 6 years

The effect of the change in accounting estimate has resulted in depreciation amounting to R 2,096, 543 in 2018/2019.

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to the Annual Financial Statements for the Year Ended 31 March 2019

Change in accounting estimate (continued)	2019	2018
	R'000	R'000
The change of R1,259,338 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	23 178	-
Equipment	15 830	-
Office furniture	674	-
Motor vehicles	3 137	-
Computer equipment	2 218	-
Computer software	1 320	-
Depreciation expense using the previous rates would have been reported at	21 082	-
Equipment	14 617	-
Office furniture	671	-
Motor vehicles	2 863	-
Computer equipment	1 889	-
Computer software	1 042	-
Difference	2 096	-
Equipment	1 213	-
Office furniture	3,29	-
Motor vehicles	274	-
Computer equipment	329	-
Computer software	278	-

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to the Annual Financial Statements for the Year Ended 31 March 2019

2019	2018
R'000	R'000

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
Take on value	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

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.