

ANNUAL REPORT 2016

of the **COUNCIL FOR GEOSCIENCE**



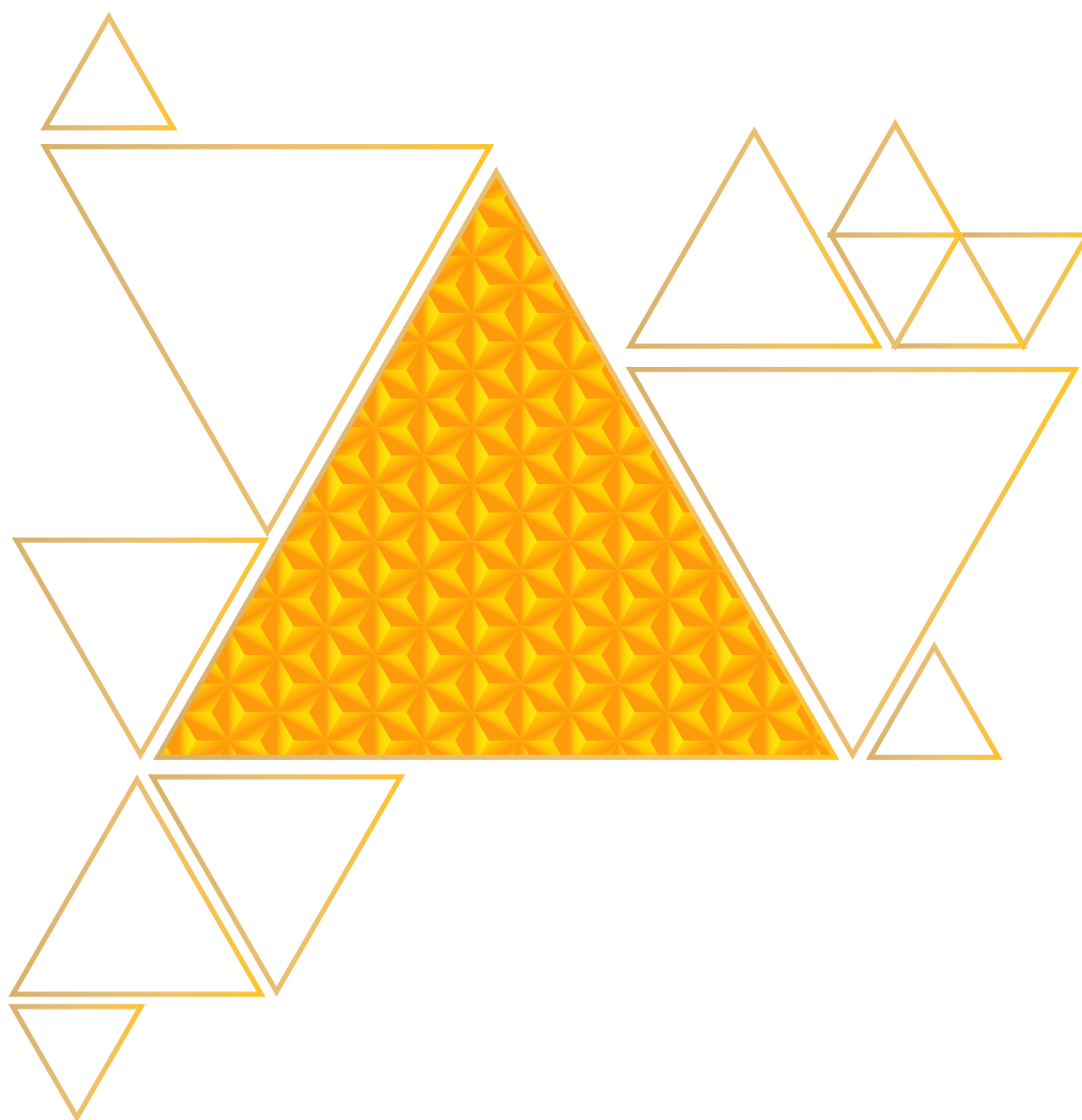
Council for Geoscience
Applied Geoscience Solutions



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E

**FINANCIAL
INFORMATION**



1. STATEMENT OF RESPONSIBILITY

Statement of Responsibility for the Annual Financial Statements for the Year ended 31 March 2016

The Board is responsible for the preparation of the Annual Financial Statements of the Council for Geoscience and for the judgements 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 as to the integrity and reliability of the Annual Financial Statements.

In our opinion, the financial statements fairly reflect the operations of the Council for Geoscience for the

financial year ended 31 March 2016.

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

The Annual Financial Statements of the Council for Geoscience for the year ended 31 March 2016 have been audited by the external auditors and their report is presented on page 121 to page 124.

The Annual Financial Statements of the Council for Geoscience set out on page 125 to page 156 have been approved.



Mr S M Sikhosana
ACTING CHIEF EXECUTIVE OFFICER
Council for Geoscience
28 July 2016



Prof. P E Ngoepe
CHAIRPERSON OF THE BOARD
Council for Geoscience
28 July 2016

2. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee of the Council for Geoscience is pleased to present its report for the financial year ended 31 March 2016.

Audit and Risk Committee Responsibility

The Board of the Council for Geoscience has the overall responsibility to ensure that the organisation has and maintains effective, efficient and transparent systems of risk management and internal controls. The responsibility to ensure the adequacy and effectiveness of these systems is delegated to the Audit and Risk Committee. The Audit and Risk Committee is an advisory committee of the Board, with an oversight role that is independent and objective.

The Audit and Risk Committee has adopted formal terms of reference, which have been confirmed by the Board through its charter, and is satisfied that it has discharged its duties and responsibilities as set out in the charter. In performing its responsibilities, the Audit and Risk Committee has reviewed the following:

- The functioning of the internal control systems
- The functioning of the internal audit programme
- The risk areas of the operations of the entity to be covered in the scope of the internal and external audits
- The reliability and accuracy of the financial information provided to Management and other users
- The accounting or auditing concerns identified as a result of the internal or external audits
- The compliance by the entity with legal and regulatory provisions.

The Effectiveness of Internal Control

The members of the Audit and Risk Committee are of the opinion that the system of internal controls is adequately designed to cover organisational, financial and operational risks. The control system provides reasonable, but not absolute, assurance that the assets of the organisation are safeguarded, transactions are authorised and recorded properly, and that material errors and irregularities are either prevented or detected timeously. These controls are monitored throughout the organisation by Management and employees with the necessary segregation of authority and duties. The Operational Risk Management Committee, which reports to

the Audit and Risk Committee on a quarterly basis, continuously evaluates and monitors the effectiveness of all internal control systems in respect of all areas of risk that have been identified.

Monthly/Quarterly Reports

The Audit and Risk Committee met five times during the year under review and submitted monthly and quarterly reports to the Executive Authority.

Evaluation of Financial Statements

The Audit and Risk Committee has reviewed and discussed the financial statements of the Council for Geoscience for the year ended 31 March 2016 with the Auditor-General. The Audit and Risk Committee has also reviewed the management letter of the Auditor-General and the responses of Management thereto. The members of the Audit and Risk Committee are of the opinion that the financial statements comply, in all material respects, with the requirements of the Public Finance Management Act (Act No. 1 of 1999, as amended) and the South African Standards of Generally Recognised Accounting Practice (GRAP). The Audit and Risk Committee agrees that the adoption of the going-concern premise is appropriate in preparing the Annual Financial Statements.

Auditor's Report

The Audit and Risk Committee has reviewed the implementation plan of the Council for Geoscience for audit issues raised in the prior year and is satisfied that the matters have been addressed adequately.

The Audit and Risk Committee concurs and accepts the conclusions of the Auditor-General on the financial statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.



Mr S M Xulu
Chairperson: Audit and Risk Committee
Council for Geoscience
28 July 2016

3. REPORT OF THE CHIEF EXECUTIVE OFFICER

General Financial Review of the Council for Geoscience

The statement of the financial position shows growth in total assets from R496.8m to R572.7m. Current assets amount to R343.7m and current liabilities to R174.4m for the reporting period, meaning that the Council for Geoscience will be able to meet its current financial obligations. An amount of R40m was spent on CGS infrastructure such as scientific and office equipment, machinery, buildings and computer equipment. Plans are in place to increase this investment to build a sustainable organisation. For the year under review, the financial performance of the Council for Geoscience shows an increase in total revenue and a surplus to the amount of R54.2m.

The increase in revenue and surplus are attributable to the changes that are being implemented in the organisation for better future performance and stability. There were also challenges in respect of both the ring-fenced MTEF funding and the contracting revenue systems. There was a delay in the conclusion of a work plan agreement for the Water Ingress project. Neither the Eskom Nuclear Plant Siting project nor the Mine Health and Safety Seismic Stations project resumed as had been anticipated.

New Proposed Activities

The Geoscience Amendment Act (Act No. 16 of 2010) mandates the Council for Geoscience to, among others, be the custodian and curator of all geotechnical information in South Africa. The Council for Geoscience is also the national mandatory authority in respect of geohazards related to infrastructure development. Thus, the Act empowers the Council for Geoscience 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 Rollover of Funds

In terms of Section 53(3) of the Public Finance

Management Act (Act No. 1 of 1999), the Council for Geoscience has to obtain approval from the 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 reported year.

Supply Chain Management

A Supply Chain Management Section 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 Act of 1999 (as amended by Act No. 29 of 1999).

Audit Report Matters

The Council for Geoscience obtained an unqualified audit opinion from the Auditor-General for the year ended 31 March 2016. A number of issues were raised but were resolved during the current financial year.

Plans for Future Additional Financial Challenges

The Council for Geoscience is in the process of implementing the repositioning strategy for the alignment of operations to the organisational structure. This shortcoming was evident in the increasing deferred income in current liability on the statement of financial position. The Council for Geoscience is focussing on the delivery on all contracts in a prescribed period and, to this end, a Project Management Office was established and equipped with the necessary project management systems needed for both statutory and commercial projects.

The endeavour to increase the grand allocated to the organisation through both the MTEF process and the Economic Competitiveness Support Package process will continue, together with an integrated business development strategy to solicit projects from government departments and from other clients.

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

Report on the financial statements

Introduction

1. I have audited the financial statements of the Council for Geoscience set out on pages 125 to 156, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets and cash flow for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (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.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council for Geoscience as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

8. As disclosed in note 24 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 2016 in the financial statements of the Council for Geoscience at, and for the year ended, 31 March 2015.

Report on other legal and regulatory requirements

9. 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 findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2016:
- To address stakeholder needs on page 32
 - To generate revenue on page 33
 - To attract and retain a skilled workforce on page 35
 - To enhance present levels of excellence on page 35
 - To reflect and embrace RSA diversity on page 36.
11. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).
12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
13. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
- To address stakeholder needs on page 32
 - To generate revenue on page 33
 - To attract and retain a skilled workforce on page 35
 - To enhance present levels of excellence on page 35
 - To reflect and embrace RSA diversity on page 36.

Additional matters

14. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

Achievement of planned targets

15. Refer to the annual performance report on pages 32 to 36 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

16. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for the objectives listed below. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

- To generate revenue
- To address stakeholder needs
- To attract and retain a skilled workforce.

Compliance with legislation

17. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance and annual report

18. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(a) of the Public Finance Management Act. Material misstatements of the non-current assets and commitments balances identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Internal control

19. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report.

Leadership

20. Material adjustments in the financial and performance information that was submitted for audit could have been prevented through additional levels of oversight.

Financial and performance management

21. Management did not implement appropriate review procedures to enable the preparation of accurate and complete performance reports that are supported and evidenced by reliable information.



Other reports

22. I draw attention to the following engagement that could potentially impact on the public entity's financial, performance and compliance related matters. My opinion is not modified in respect of this engagement that is in progress.

Investigations

23. The public protector has performed an investigation during the prior financial year on a contract awarded by the Council for Geoscience. A report from the public protector has not been issued.

Auditor General

Pretoria

31 July 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

5. ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

5.1 STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2016

| | Notes | 2016 R'000 | 2015 R'000 |
|---|-------|----------------|----------------|
| Assets | | | |
| Non-current assets | | | |
| Property and equipment | 3 | 207 584 | 201 424 |
| Intangible assets | 4 | 3 812 | 3 579 |
| Heritage assets | 25 | 17 562 | 17 567 |
| Current assets | | 343 707 | 274 195 |
| Inventories | 5 | 5 | 5 |
| Trade and other receivables | 7 | 31 183 | 22 253 |
| Cash and cash equivalents | 8 | 312 519 | 251 937 |
| Total assets | | 572 665 | 496 765 |
| Net assets and liabilities | | | |
| Net assets | | | |
| Accumulated surplus | | 390 422 | 336 242 |
| Non-current liabilities | | | |
| Post-employment benefit liabilities | 6 | 7 872 | 7 012 |
| Current liabilities | | 174 371 | 153 511 |
| Trade and other payables | 9 | 34 109 | 25 844 |
| Deferred income | 10 | 125 188 | 112 867 |
| Accruals | 11 | 15 074 | 14 800 |
| Total net assets and liabilities | | 572 665 | 496 765 |



5.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 31 MARCH 2016

| | Notes | 2016 R'000 | 2015 R'000 |
|---|-------|---------------|-----------------|
| Revenue | 12 | 384 085 | 287 347 |
| Cost of commercial projects | 12 | (28 454) | (20 875) |
| Cost of statutory projects | 12 | (145 831) | (114 487) |
| | | | |
| Gross surplus | | 209 800 | 151 985 |
| Other operating income | 12 | 8 587 | 9 401 |
| Administrative expenses | | (166 142) | (184 574) |
| Other operating expenses | 12 | (17 965) | (5 231) |
| Interest received | 13 | 19 919 | 13 368 |
| Surplus from operations | | 54 199 | (15 051) |
| Finance cost | 14 | (19) | (20) |
| Net surplus/(deficit) for the year | | 54 180 | (15 071) |

5.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 31 MARCH 2016

| | Notes | Accumulated surplus R'000 | Total R'000 |
|---|-------|------------------------------|----------------|
| Balance at 31 March 2015 | | 336 658 | 336 658 |
| Correction of prior period error | 24.2 | (416) | (416) |
| Balance at 31 March 2015 as restated | | 336 242 | 336 242 |
| Net profit for the period | | 54 180 | 54 180 |
| Balance at 31 March 2016 | | 390 422 | 390 422 |



5.4 CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2016

| | Notes | 2016 R'000 | 2015 R'000 |
|---|-------|---------------|---------------|
| Cash inflow from operating activities | | 100 995 | 57 833 |
| Cash receipts from customers | | 375 149 | 286 073 |
| Cash paid to suppliers and employees | | (294 054) | (241 588) |
| Cash generated from operations | 15 | 81 095 | 44 485 |
| Interest received | 13 | 19 919 | 13 368 |
| Finance cost | 14 | (19) | (20) |
| Cash outflow from investing activities | | (40 413) | (31 741) |
| Acquisition of: | | | |
| Property and equipment | 16.1 | (40 002) | (31 192) |
| Intangible assets | 16.2 | (1 719) | (549) |
| Recovery of losses from property and equipment | | 1 308 | - |
| Net increase in cash and cash equivalents | | 60 582 | 26 092 |
| Cash and cash equivalents at beginning of period | 8 | 251 937 | 225 845 |
| Cash and cash equivalents at end of period | 8 | 312 519 | 251 937 |

5.5 NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

5.5.1 ACCOUNTING POLICIES

5.5.1.1 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 was 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 not tabled independently as an entity in parliament or legislatures.

5.5.1.2 Revenue recognition

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

5.5.1.2.1 Recognition of income

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.

5.5.1.2.2 Revenue from non-exchange transactions

The Council for Geoscience received 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 on a systematic basis over the period intended to match this revenue with the related costs.

5.5.1.2.3 Revenue from exchange transactions

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

Sales revenue

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



Contract revenue

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

5.5.1.3 Interest received

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

5.5.1.4 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 to 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 and 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:

| | |
|--------------------------------------|---|
| Land | Not depreciable |
| Buildings | 30 years |
| Motor vehicles | 5 to 8 years |
| Equipment | 5 to 7 years |
| Aircraft and helicopter - body | 15 years |
| Aircraft and 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 they are 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 changes in accounting estimates on a prospective basis.

5.5.1.5 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, on a straight-line basis, being two to five years.

5.5.1.6 Heritage assets

Heritage assets are assets held for their cultural, environmental or historical significance. Heritage assets are initially recognised at fair value which has been determined, due to the nature of heritage assets, by specialised valuers. Heritage assets are reflected at fair value and are not depreciated.

5.5.1.7 Inventories

The Council for Geoscience is a custodian of scientific information and 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 fair value.

5.5.1.8 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.

5.5.1.9 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;
- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- The ability to use or sell the intangible asset; and
- It is the intention to complete the intangible asset so that it will be available for use or sale.

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.

5.5.1.10 Deferred income

Deferred income is recognised using the accrual basis and accounted for in the statement of financial position in the period in which it satisfies the revenue recognition criteria.

5.5.1.11 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 are 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.

5.5.1.12 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.

Commitment

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, this fact is stated in the note to the commitments.

No disclosure of expenditure that has been approved, but that has not yet been contracted for, is made.

5.5.1.13 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.

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.

5.5.1.14 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.

5.5.1.15 Impairment

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.

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.

5.5.1.16 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 to which the entity is party 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.

5.5.1.17 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.

5.5.2 NEW STANDARDS AND INTERPRETATIONS

5.5.2.1 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 beginning on or after 1 March 2015 or later periods:

| GRAP statement | Description | Impact | Effective date |
|----------------|--|--------|-------------------|
| GRAP 20 | Related-Party Disclosure | None | No effective date |
| GRAP 32 | Service Concession Arrangements: Grantor | None | No effective date |
| GRAP 108 | Statutory Receivables | None | No effective date |
| GRAP 109 | Accounting by Principals and Agents | None | No effective date |

5.5.3 PROPERTY AND EQUIPMENT

| 2016 | Land R'000 | Buildings and fixtures R'000 | Equipment R'000 | Office furniture R'000 | Aircraft and boat R'000 | Motor vehicles R'000 | Computer equipment R'000 | Total R'000 |
|---|---------------|---------------------------------------|--------------------|------------------------------|-------------------------------|----------------------------|--------------------------------|----------------|
| Gross carrying amount | 18 231 | 141 457 | 112 959 | 14 600 | 31 324 | 18 922 | 23 505 | 360 998 |
| Accumulated depreciation at the beginning of the period | - | (40 570) | (76 304) | (8 034) | (9 781) | (9 790) | (15 095) | (159 574) |
| Opening net carrying amount at 31 March 2015 | 18 231 | 100 887 | 36 655 | 6 566 | 21 543 | 9 132 | 8 410 | 201 424 |
| Movements during the period: | | | | | | | | |
| Work in progress | - | 16 133 | 2 400 | - | - | - | - | 18 533 |
| Acquisitions | - | 3 864 | 12 534 | 170 | 3 224 | - | 1 677 | 21 469 |
| Impairment | (1 600) | (4 304) | - | - | - | - | - | (5 904) |
| Disposals | - | - | (908) | (262) | (8 829) | (906) | (539) | (11 444) |
| Disposals - Cost | - | - | (7 518) | (768) | (11 166) | (2 426) | (3 775) | (25 653) |
| Disposals - Depreciation | - | - | 6 610 | 506 | 2 337 | 1 520 | 3 236 | 14 209 |
| Depreciation | - | (4 911) | (6 828) | (686) | (688) | (1 584) | (1 797) | (16 494) |
| Closing net carrying amount at 31 March 2016 | 16 631 | 111 669 | 43 853 | 5 788 | 15 250 | 6 642 | 7 751 | 207 584 |



Property and equipment (continued)

| | Land | Buildings and fixtures | Equipment | Office furniture | Aircraft and boat | Motor vehicles | Computer equipment | Total |
|---|---------|------------------------|-----------|------------------|-------------------|----------------|--------------------|-----------|
| 2016 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Gross carrying amount | 18 231 | 161 454 | 120 375 | 14 002 | 23 382 | 16 496 | 21 407 | 375 347 |
| Accumulated depreciation/ Impairment | (1 600) | (49 785) | (76 522) | (8 214) | (8 132) | (9 854) | (13 656) | (167 763) |

| | Land | Buildings and fixtures | Equipment | Office furniture | Aircraft and boat | Motor vehicles | Computer equipment | Total |
|---|--------|------------------------|-----------|------------------|-------------------|----------------|--------------------|-----------|
| 2015 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Gross carrying amount | 18 231 | 139 080 | 111 083 | 14 585 | 23 263 | 20 082 | 22 399 | 348 723 |
| Accumulated depreciation at the beginning of the period | - | (35 712) | (80 828) | (7 447) | (9 264) | (9 347) | (15 261) | (157 859) |
| Opening net carrying amount at 31 March 2014 | 18 231 | 103 368 | 30 255 | 7 138 | 13 999 | 10 735 | 7 138 | 190 864 |
| Movements during the period: | | | | | | | | |
| Work in progress prior year | - | 2 377 | 80 | - | 8 173 | - | - | 10 630 |
| Adjustments | - | - | 41 | (32) | (8) | 6 | (226) | (219) |
| Cost | - | - | 41 | (32) | (64) | 61 | (640) | (634) |
| Accumulated depreciation | - | - | - | - | 56 | (55) | 414 | 415 |
| Acquisitions | - | - | 15 560 | 305 | - | 947 | 3 750 | 20 562 |
| Disposals | - | - | (2 325) | (142) | (35) | (625) | (392) | (3 519) |
| Disposals - Cost | - | - | (13 805) | (258) | (48) | (2 168) | (2 004) | (18 283) |
| Disposals - Depreciation | - | - | 11 480 | 116 | 13 | 1 543 | 1 612 | 14 764 |
| Depreciation | - | (4 858) | (6 956) | (703) | (586) | (1 931) | (1 860) | (16 894) |
| Closing net carrying amount at 31 March 2015 | 18 231 | 100 887 | 36 655 | 6 566 | 21 543 | 9 132 | 8 410 | 201 424 |

Property and equipment (continued)

| | Land | Buildings and fixtures | Equipment | Office furniture | Aircraft and boat | Motor vehicles | Computer equipment | Total |
|--------------------------|--------|------------------------|-----------|------------------|-------------------|----------------|--------------------|-----------|
| 2015 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Gross carrying amount | 18 231 | 141 457 | 112 959 | 14 600 | 31 324 | 18 922 | 23 505 | 360 998 |
| Accumulated depreciation | - | (40 570) | (76 304) | (8 034) | (9 781) | (9 790) | (15 095) | (159 574) |

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

Fair value at date of transfer

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

R2 800 000
R94 000 000

The value of these properties has been included in the carrying amount of land and buildings as at 31 March 2016 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.

Impairment of property

| | 2016 | 2015 |
|------------------------|-------|-------|
| | R'000 | R'000 |
| Description | | |
| Buildings and fixtures | 4 304 | - |
| Land | 1 600 | - |
| | 5 904 | - |

The events and circumstances that led to the recognition of impairment loss was as a result of a devaluation on Land and Buildings. The recoverable service amount used is the higher of the fair value less cost to sell and value in use. A certified property valuator was contracted and based on their findings the appropriate recoverable service amount is its value in use.

Property and equipment fully depreciated but still in use

The below-listed categories of assets have been fully depreciated to their residual value as at 31 March 2016, but are still currently in use.

| Category | Salvage amount R'000 |
|-----------------------------------|----------------------|
| Audio, visual and other equipment | 47 |
| Office furniture | 6 |



Property and equipment (continued)

| Category | Salvage amount R'000 |
|----------------------|-------------------------|
| Office equipment | 28 |
| Vehicles | 561 |
| Computer equipment | 578 |
| Computer software | 164 |
| Technical equipment | 367 |
| Scientific equipment | 2 345 |
| | 4 096 |

5.5.4 INTANGIBLE ASSETS

| | 2016 R'000 | 2015 R'000 |
|---|---------------|---------------|
| Computer software | | |
| Gross carrying amount | 8 878 | 10 950 |
| Accumulated amortisation | (5 299) | (6 587) |
| Opening net carrying amount at 31 March 2015 | 3 579 | 4 363 |
| Movements during the period: | | |
| Adjustments | - | (237) |
| Cost | - | 179 |
| Accumulated depreciation | - | (416) |
| Acquisitions | 1 719 | 549 |
| Disposals | (183) | (327) |
| Disposals - cost | (1 958) | (2 800) |
| Disposals - amortisation | 1 775 | 2 473 |
| Amortisation | (1 303) | (769) |
| Closing net carrying amount at 31 March 2016 | 3 812 | 3 579 |
| Gross carrying amount | 8 639 | 8 878 |
| Accumulated amortisation | (4 827) | (5 299) |

5.5.5 INVENTORIES

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

5.5.6 RETIREMENT BENEFIT

| 2016 | 2015 |
|-------|-------|
| R'000 | R'000 |

5.5.6.1 Post-retirement medical aid fund (PRM)

The Council for Geoscience has made provision for the medical aid fund covering substantially all its 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 | 144 | 207 |
| Interest charge | 1 651 | 1 631 |
| Expected return on planned assets | (1 158) | (1 219) |
| Actuarial loss recognised | 1 873 | 1 335 |
| Recognition of loss on asset realisation | (1 650) | (300) |
| | 860 | 1 654 |

| 2016 | 2015 | 2014 | 2013 |
|-------|-------|-------|-------|
| R'000 | R'000 | R'000 | R'000 |

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

| | | | | |
|---|----------|----------|----------|----------|
| Present value of fund obligations | 22 931 | 21 863 | 19 504 | 26 226 |
| Fair value of planned assets | (15 059) | (14 851) | (14 147) | (11 844) |
| Liability recognised in statement of financial position | 7 872 | 7 012 | 5 357 | 14 382 |

| Movement in net liability during the period is as follows: | 2016 | | | 2015 | | |
|--|-----------|---------------|----------|-----------|---------------|----------|
| | Liability | Planned asset | Net | Liability | Planned asset | Net |
| Liability at beginning of period | 21 863 | - | 21 863 | 19 504 | - | 19 504 |
| Value of planned assets at beginning of period | - | (14 851) | (14 851) | - | (14 147) | (14 147) |
| | 21 863 | (14 851) | 7 012 | 19 504 | (14 147) | 5 357 |
| Interest charge/expected return of planned asset | 1 651 | (1 158) | 493 | 1 631 | (1 219) | 412 |
| Contributions received | - | (1 650) | (1 650) | - | (300) | (300) |
| Current service costs | 144 | - | 144 | 207 | - | 207 |



Retirement benefit (continued)

| Movement in net liability during the period is as follows: | 2016 | | | 2015 | | |
|--|-----------|---------------|-------|-----------|---------------|-------|
| | Liability | Planned asset | Net | Liability | Planned asset | Net |
| Benefits paid | (1 549) | 1 549 | - | (1 402) | 1 402 | - |
| Actuarial loss/(gain) | 822 | 1 051 | 1 873 | - | (587) | (587) |
| Actuarial loss/(gain) recognised on curtailment | - | - | - | 1 923 | - | 1 923 |
| Closing balance | 22 931 | (15 059) | 7 872 | 21 863 | (14 851) | 7 012 |

Contributions expected to be paid

No top-up payments are expected to be made during the 2017 year.

| | |
|-----------------------------------|---|
| Expected rate of return on assets | 9.00% |
| Assumptions | |
| Discount rates | 9.00% |
| Basis of discount rates | JSE zero coupon bond yield after the market closed on 31 March 2016 |
| Return on assets | 9.00% |
| Expected salary increases | 7.50% |
| Health care cost inflation rate | 7.12% |

Sensitivity analysis on accrued liability (R millions)

| Assumption | Change | In service | Continuation | Total | Change |
|--|---------|------------|--------------|--------|--------|
| Central assumptions | - | 3.542 | 19.389 | 22.931 | - |
| Health care inflation | 1% | 4.126 | 21.065 | 25.191 | 10% |
| | -1% | 3.066 | 17.910 | 20.976 | -9% |
| Discount rate | 1% | 3.066 | 17.892 | 20.958 | -9% |
| | -1% | 4.136 | 21.116 | 25.252 | 10% |
| Post-retirement mortality | -1 year | 3.660 | 20.253 | 23.913 | 4% |
| Average retirement date | -1 year | 3.738 | 19.389 | 23.127 | 1% |
| Continuation of membership at retirement | -10% | 3.194 | 19.389 | 22.583 | -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.

Retirement benefit (continued)

Sensitivity analysis for current service and interest cost for the year ending 31 March 2016

| Assumption | Change | Current service | Interest cost | Total | Change |
|-----------------------------|---------|-----------------|---------------|-----------|--------|
| Central assumptions | - | 143 700 | 1 651 300 | 1 795 000 | - |
| Health care inflation | 1% | 171 900 | 1 831 600 | 2 003 500 | 12% |
| | -1% | 121 200 | 1 496 600 | 1 617 800 | -10% |
| Discount rate | 1% | 122 400 | 1 687 300 | 1 809 700 | -1% |
| | -1% | 170 800 | 1 600 800 | 1 771 600 | 1% |
| Average retirement age (60) | -1 year | 135 800 | 1 662 300 | 1 798 100 | 0% |

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumptions made, the liability will be 12% higher than that shown.

5.5.6.2 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 R9 175 899 (2015: R8 462 352) represents equal contributions of 7.5% by the employer and employee.

| 2016 | 2015 |
|-------|-------|
| R'000 | R'000 |

5.5.7 TRADE AND OTHER RECEIVABLES FOR EXCHANGE REVENUE

| | | |
|--------------------------------|---------|--------|
| Trade receivables | 6 810 | 7 750 |
| Contract customers | 20 500 | 10 931 |
| Other receivables | 5 545 | 3 757 |
| Personnel debt | - | 33 |
| | 32 855 | 22 471 |
| Less - Provision for bad debts | (1 672) | (218) |
| | 31 183 | 22 253 |
| Provision for bad debts | | |
| Opening balance | 218 | 218 |
| Movement | 1 454 | - |
| Closing balance | 1 672 | 218 |



Trade and other receivables for exchange revenue (continued)

Analysis of impairment

| | 2016 R'000 | 2015 R'000 |
|--|---------------|---------------|
| Debtors liquidated | - | 27 |
| Long overdue debtors considered impaired | 1 672 | 191 |
| | 1 672 | 218 |

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

5.5.8 CASH AND CASH EQUIVALENTS

| | | |
|---|---------|---------|
| Cash and cash equivalents at the end of the period are represented by the following balances: | | |
| Cash at bank | 20 389 | 27 864 |
| Call accounts | 292 130 | 224 073 |
| Cash and cash equivalents at the end of the period are represented by the following balances: | 312 519 | 251 937 |
| Certain foreign funds are considered not available for use | 15 898 | 12 717 |

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

5.5.9 TRADE AND OTHER PAYABLES

| | | |
|----------------|--------|--------|
| Trade payables | 18 782 | 20 576 |
| Other payables | 15 327 | 5 268 |
| | 34 109 | 25 844 |

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

5.5.10 DEFERRED INCOME

Exchange revenue

| 5.5.10.1 | Deferred income arising as a result of an agreement entered into with the Department of Science and Technology to investigate rock innovation. | | |
|----------|--|-------|---|
| | Amounts received | 304 | - |
| | Amounts used during the period | (112) | - |
| | Carrying amount at the end of period | 192 | - |

Deferred income (continued)

| | | 2016 R'000 | 2015 R'000 |
|-----------------|--|---------------|---------------|
| 5.5.10.2 | 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)). | | |
| | Amounts received | 1 421 | - |
| | Amounts used during the period | - | - |
| | Carrying amount at the end of period | 1 421 | - |
| 5.5.10.3 | Deferred income arising as a result of a contract entered into with the European Commission for Earth Observation and Observing Environmental and Societal Impacts of Mineral Resources Exploration and Exploitation. | | |
| | Carrying amount at the beginning of period | 33 | 1 371 |
| | Amounts received | - | (1 338) |
| | Amounts used during the period | (33) | - |
| | Carrying amount at the end of period | - | 33 |
| 5.5.10.4 | 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 | 1 299 | - |
| | Amounts received | 203 | 1 299 |
| | Carrying amount at the end of period | 1 502 | 1 299 |
| 5.5.10.5 | 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 |
| | Carrying amount at the end of period | 2 922 | 2 922 |
| 5.5.10.6 | 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 | 1 867 |
| | Amount used during the period | - | (1 832) |
| | Carrying amount at the end of period | 35 | 35 |
| 5.5.10.7 | 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 |



Deferred income (continued)

| | | 2016 R'000 | 2015 R'000 |
|-----------------|--|----------------|----------------|
| 5.5.10.8 | 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 | 108 468 | 65 995 |
| | Amounts received | 177 613 | 136 752 |
| | Amounts used during the period | (167 075) | (94 279) |
| | Carrying amount at the end of period | 119 006 | 108 468 |
| | Total deferred income | 125 188 | 112 867 |

| | | | |
|---------------|---|---------------|---------------|
| 5.5.11 | ACCRUALS | | |
| | Accruals for leave pay | | |
| | Carrying amount at the beginning of period | 10 856 | 10 038 |
| | Provision current period | 1 357 | 1 456 |
| | Amounts used during the current period | (1 286) | (638) |
| | Carrying amount at the end of period | 10 927 | 10 856 |
| | 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 | 3 944 | 4 015 |
| | Provision current period | 203 | (71) |
| | Carrying amount at the end of period | 4 147 | 3 944 |
| | The 13 th cheque accrual relates to the structuring of the employee costs to the company and is paid out on employees' birthday. | | |
| | Total accrual | 15 074 | 14 800 |

| | | | |
|---------------|--|-----------|-----------|
| 5.5.12 | SURPLUS/DEFICIT FROM OPERATIONS | | |
| | Operating deficit/surplus is arrived at after taking the following items into account: | | |
| | Revenue | | |
| | Non-exchange revenue | | |
| | Total grant received | 342 914 | 292 839 |
| | Project related revenue | (177 613) | (136 752) |
| | | 165 301 | 156 087 |

Deficit/surplus from operations (continued)

| | 2016 R'000 | 2015 R'000 |
|---|---------------|---------------|
| Exchange revenue | | |
| Department of Mineral Resources project related revenue | 167 075 | 94 279 |
| Contracting revenue | 45 893 | 36 755 |
| Publication revenue | 5 816 | 226 |
| | 218 784 | 131 260 |
| | 384 085 | 287 347 |
| Cost of contracts | | |
| Direct cost | 17 625 | 12 411 |
| Personnel expenditure | 10 829 | 8 464 |
| | 28 454 | 20 875 |
| Cost of statutory projects | | |
| Direct cost | 67 633 | 61 772 |
| Personnel expenditure | 78 198 | 52 715 |
| | 145 831 | 114 487 |
| Other operating income | | |
| Foreign currency gains | 4 503 | 383 |
| Recovery of asset losses | 1 308 | 204 |
| Sundry income | 2 776 | 8 814 |
| | 8 587 | 9 401 |
| Administrative expenses include - | | |
| Audit fees | 1 913 | 2 967 |
| - Current period | 1 538 | 1 076 |
| - Prior period | - | 969 |
| - Internal audit | 238 | 605 |
| - Fee for other services | 137 | 317 |
| Bad debts written off | - | 112 |
| Provision for bad debts | 1 454 | - |
| Depreciation - on owned assets | 16 494 | 16 894 |



Deficit/surplus from operations (continued)

| | 2016 R'000 | 2015 R'000 |
|---|---------------|---------------|
| - Buildings | 4 911 | 4 858 |
| - Equipment | 6 828 | 6 956 |
| - Office furniture | 686 | 703 |
| - Motor vehicles | 1 584 | 1 931 |
| - Aircraft | 688 | 586 |
| - Computer equipment | 1 797 | 1 860 |
| | | |
| Amortisation - intangible assets | | |
| - Computer software | 1 303 | 769 |
| | | |
| Rentals in respect of operating leases | | |
| - Land and buildings | 1 035 | 834 |
| - Photocopying machines | 546 | 22 |
| | | |
| Other operating expenses | | |
| Net loss on disposal of equipment and vehicles | 2 620 | 4 300 |
| Net loss on disposal of intangible assets | 184 | - |
| Net loss on disposal of aircraft | 8 828 | - |
| Impairment of assets | 5 904 | - |
| Foreign currency losses | 429 | 931 |
| | 17 965 | 5 231 |
| Staff costs | 187 620 | 176 844 |
| | | |
| Included in staff costs are: | | |
| Defined benefit plan expense for the post-retirement medical-aid fund | 2 510 | 1 955 |
| Current service cost | 144 | 207 |
| Interest cost | 1 651 | 1 631 |
| Expected return on plan assets | (1 158) | (1 219) |
| Recognised actuarial loss | 1 873 | 1 336 |
| - Defined contribution plan expenses for the pension and provident fund | 9 176 | 8 462 |

Deficit/surplus from operations (continued)

Emoluments

| Senior management | 2015/2016 | | | |
|--|--------------------|--|---------------------|------------------|
| | Pensionable salary | Provident/ Pension fund contributions | Other contributions | Total |
| | R | R | R | R |
| Mr Kota M (CEO) End date April 2015 | 440 584 | 12 076 | 27 714 | 480 374 |
| Mr Matsepe L D | 1 575 652 | 102 760 | 86 108 | 1 764 520 |
| Mr Ramagwede L F | 1 558 845 | 94 795 | 86 217 | 1 739 857 |
| Dr Makgae M E | 1 503 411 | 91 179 | 82 544 | 1 677 134 |
| Mr Sikhosana S M (Acting CEO) Start date May 2015 | 2 346 785 | - | 28 600 | 2 375 385 |

| | 2014/2015 | | | |
|------------------|--------------------|------------------------------|---------------------|------------------|
| | Pensionable salary | Provident fund contributions | Other contributions | Total |
| | R | R | R | R |
| Mr Kota M (CEO) | 2 235 216 | 144 913 | 302 047 | 2 682 176 |
| Mr Matsepe L D | 1 462 331 | 88 926 | 81 811 | 1 633 068 |
| Mr Ramagwede L F | 1 478 097 | 96 398 | 83 393 | 1 657 888 |
| Dr Graham G | 1 484 238 | 90 258 | 83 856 | 1 658 352 |

Board emoluments

Non-executive Board Members

| | 2016 | 2015 |
|--------------------|---------|---------|
| | R | R |
| Prof. Ngoepe P E | 399 530 | 277 654 |
| Ms Mthimunye K R | 123 153 | 152 624 |
| Dr Mathe H | 100 754 | 175 880 |
| Mr Sibiya D | 9 792 | 34 680 |
| Prof. Hermanus M M | 51 633 | 71 232 |



Deficit/surplus from operations (continued)

| Board emoluments | | |
|---|----------------|----------------|
| Non-executive Board Members | | |
| | 2016 | 2015 |
| | R | R |
| Dr McGill E | 108 022 | 115 056 |
| | 792 884 | 827 126 |
| <p>Details regarding Board Members' service contracts: Board Members representing government departments are not included above as they received no emoluments. The current term of office of the non-executive Board Members expires on 30 September 2016.</p> | | |

| | | 2016 | 2015 |
|--------|---------------------------------------|--------|--------|
| | | R'000 | R'000 |
| 5.5.13 | INTEREST RECEIVED | | |
| | Interest received | | |
| | - Interest income on call accounts | 17 517 | 11 469 |
| | - Interest income on current accounts | 2 402 | 1 899 |
| | | 19 919 | 13 368 |

| | | | |
|--------|--------------|----|----|
| 5.5.14 | FINANCE COST | | |
| | Interest | 19 | 20 |

| | | | |
|---------------|---|----------|----------|
| 5.5.15 | RECONCILIATION OF NET SURPLUS FOR THE PERIOD TO CASH GENERATED FROM OPERATIONS | | |
| | Net surplus/(deficit) for the period | 54 180 | (15 071) |
| | Interest | 19 | 20 |
| | Depreciation on property and equipment | 16 494 | 16 894 |
| | Amortisation - intangible assets | 1 303 | 769 |
| | Impairment of assets | 5 904 | - |
| | (Net proceeds) on disposal of fixed assets | (1 308) | - |
| | Net loss on disposal of fixed assets | 11 632 | 4 300 |
| | Interest earned | (19 919) | (13 368) |

Reconciliation of net surplus for the period to cash generated from operations (continued)

| | | 2016 R'000 | 2015 R'000 |
|--|---|---------------|---------------|
| | Provision for post-retirement medical-aid benefits | 860 | 1 655 |
| | Operating cash flows before working capital changes | 69 165 | (4 801) |
| | Working capital changes - | | |
| | Increase in provision for accumulated leave pay and 13th cheque | 274 | 747 |
| | Increase in trade and other receivables | (8 934) | (4 845) |
| | Increase in trade and other payables | 8 265 | 12 781 |
| | Increase in deferred income | 12 325 | 40 603 |
| | Cash generated from operations (including finance costs) | 81 095 | 44 485 |

5.5.16 ACQUISITION OF ASSETS

5.5.16.1 Property and equipment

| | | | |
|--|--|--------|--------|
| | Land and buildings | 3 864 | - |
| | Equipment | 12 534 | 15 560 |
| | Office furniture | 170 | 305 |
| | Aircraft and boat (including WIP Aircraft) | 3 224 | - |
| | Motor vehicles | - | 947 |
| | Computer equipment | 1 677 | 3 750 |
| | | 21 469 | 20 562 |
| | Work in progress - Acquisitions | | |
| | Land and buildings | 16 133 | 2 377 |
| | Equipment | 2 400 | 80 |
| | Aircraft | - | 8 173 |
| | | 18 533 | 10 630 |
| | | 40 002 | 31 192 |

5.5.16.2 Intangible assets

| | | | |
|--|-------------------|-------|-----|
| | Computer software | 1 719 | 549 |
| | | 1 719 | 549 |



Acquisition of: (continued)

| | | 2016 R'000 | 2015 R'000 |
|-----------------|---|---------------|---------------|
| 5.5.17 | CONTINGENT LIABILITY | | |
| 5.5.17.1 | Bank guarantees | | |
| | Performance bonds and bid bonds issued for contract work to various financial institutions | - | 407 |
| | | - | 407 |
| 5.5.17.2 | Pending legal action | | |
| | The Council for Geoscience has an estimated legal liability due to a pending labour case | 990 | 900 |
| | The Council for Geoscience has an estimated legal liability due to a pending court case | - | 15 |
| | | 990 | 915 |
| 5.5.18 | 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 | | |
| 5.5.19 | OPERATING LEASE COMMITMENTS | | |
| 5.5.19.1 | Lease of office space | | |
| | At reporting date, the outstanding commitments under non-cancellable operating leases, which fall due are as follows: | | |
| | Up to 1 year | 492 | 447 |
| | Total lease commitments | 492 | 447 |
| 5.5.19.2 | Lease of office printing equipment | | |
| | The operating lease between a supplier and the Council for Geoscience entered into on 01 October 2015 to 30 September 2018. | | |
| | At the reporting date, the outstanding commitments under non-cancellable operating leases, which fall due are as follows: | | |
| | Up to 1 year | 1 689 | 3 025 |
| | 2 to 5 years | 4 090 | - |
| | Total lease commitments | 5 779 | 3 025 |

Operating lease commitments (continued)

| | | 2016 R'000 | 2015 R'000 |
|-----------------|---|---------------|---------------|
| 5.5.19.3 | Commitments | | |
| | Operating expenditure | | |
| | Approved and contracted | 74 270 | 64 016 |
| | Capital expenditure | | |
| | Approved and contracted: Property and equipment | 23 689 | 44 283 |
| | Total commitments | 97 959 | 108 299 |
| | Commitments | | |
| | Up to 1 year | 88 538 | 100 856 |
| | 2 to 5 years | 9 421 | 7 443 |
| | Total commitments | 97 959 | 108 299 |
| | The Council has usage based contracts for the provision of the following services | | |
| | -Sampling services - Geophysics | | |
| | -Accommodation and travel | | |
| | -Courier services | | |

5.5.20 FINANCIAL INSTRUMENTS

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

5.5.20.1 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 cash equivalents and short-term deposits of the Council for Geoscience 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.



Financial instruments (continued)

| | | 2016 R'000 | 2015 R'000 |
|--|--|---------------|---------------|
| | 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 ongoing basis. The Council for Geoscience does not have any significant exposure to any individual customer or counterparty. | | |

| 5.5.20.2 | 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 2016 | | |
| | | Weighted average effective interest rate | Weighted average effective interest rate |
| | Assets | | |
| | Cash | 3.95% | 3.95% |
| | Call accounts | 7.04% | 6.40% |
| | | | |
| | Investments | | |
| | 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. | | |
| | - Investments are only reinvested or invested with Management approval. | | |

| 5.5.20.3 | 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 2016 is disclosed in note 21. | | |

Financial instruments (continued)

| | | 2016 R'000 | 2015 R'000 |
|-----------------|---|---------------|---------------|
| 5.5.20.4 | 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 | | |

| | | | | | | | |
|-----------------|----------------------------------|---------------|----------------|---------|---------------|----------------|---------|
| 5.5.21 | FOREIGN CURRENCY EXPOSURE | | | | | | |
| | | 2016 R'000 | | | 2015 R'000 | | |
| | | Exchange rate | Foreign amount | R value | Exchange rate | Foreign amount | R value |
| 5.5.21.1 | Trade receivables | | | | | | |
| | Foreign currency | | | | | | |
| | British Pound | R 20.80070 | £7 | 146 | R 17.69040 | £43 | 761 |
| | US\$ | R 14.51300 | \$33 | 479 | R 11.97730 | \$77 | 922 |

| | | | | | | | |
|-----------------|-----------------|------------|-------|--------|------------|-------|-------|
| 5.5.21.2 | Banks | | | | | | |
| | Foreign funds | | | | | | |
| | Moroccan Dirham | R 1.51791 | 7 861 | 11 932 | R 1.21271 | 7 934 | 9 622 |
| | Euro | R 16.53060 | € 240 | 3 967 | R 12.83340 | € 240 | 3 080 |

| | | 2016 R'000 | 2015 R'000 |
|---------------|--|---------------------------------|---------------|
| 5.5.22 | 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 | 342 914 | 292 839 |
| | 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 | |
| | Other Government Departments and Entities: | Mine Health and Safety Council | |



Related-party transactions (continued)

| | | 2016 R'000 | 2015 R'000 |
|---------------|---|---------------|---------------|
| 5.5.23 | IRREGULAR EXPENDITURE | | |
| | Opening balance | 1 428 | - |
| | Expenditure condoned | (1 428) | - |
| | Irregular expenditure incurred in the current year | 217 | 1 428 |
| | | 217 | 1 428 |
| | Analysis of expenditure not condoned per age classification | | |
| | Current year - payments not in line with supply chain management requirements | 217 | 1 314 |
| | An investigation was performed and it was confirmed that the irregular expenditure was not the result of fraudulent, corrupt and criminal activities or actions that deprived the state of value for money that may result in the state instituting a civil claim against a third party | | |
| | Prior year | - | - |
| | | 217 | 1 314 |
| | Analysis of expenditure condoned per age classification | | |
| | Current year - condoned by the accounting authority of the Council for Geoscience | 1 314 | 114 |
| | Prior year - condoned by the accounting authority of the Council for Geoscience | 114 | - |
| | | - | 114 |

| | | | |
|-----------------|---|---|---------|
| 5.5.24 | CORRECTION OF PRIOR YEAR ERRORS | | |
| 5.5.24.1 | Correction of prior year cost and accumulated depreciation | | |
| | Nature | | |
| | Capitalisation of small assets to comply with GRAP 17 | | |
| | Effect | | |
| | Statement of financial position | | |
| | Property and equipment | - | - |
| | Cost | - | 5 254 |
| | Accumulated depreciation | - | (4 190) |
| | | - | 1 064 |

| | | | |
|-----------------|---|-----|-------|
| 5.5.24.2 | Correction of prior year unrecorded revenue and accruals | | |
| | Nature | | |
| | Revenue recorded in the incorrect period - MTEF | 129 | 2 324 |

Correction of prior year errors (continued)

| | 2016 R'000 | 2015 R'000 |
|---|---------------|---------------|
| Revenue recorded in the incorrect period - commercial revenue | 48 | - |
| 13 th cheque not accrued for in prior year | - | 4 016 |
| Expenditure captured in the incorrect period | 497 | 353 |
| Re-instatement of equipment | - | 1 064 |
| Effect | | |
| Statement of financial position as 31 March 2015 | | |
| Government grant project related revenue recognition | 129 | 2 324 |
| Commercial revenue work in progress - trade debtors | (48) | - |
| 13 th cheque not accrued for in prior year | - | (4 016) |
| Expenditure captured in the incorrect period - trade payables | (497) | (353) |
| Re-instatement of equipment | - | 1 064 |
| Statement of net assets for the period ended 31 March 2015 | | |
| Accumulated surpluses | (416) | (981) |

| | | | |
|-----------------|--|---|---|
| 5.5.24.3 | Correction of prior year commitments disclosure | | |
| | Nature | | |
| | Correction of prior year commitments disclosure | - | - |

| | | | |
|---------------|---|--------|--------|
| 5.5.25 | 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 | 13 318 |
| | Take on value | 13 318 | 13 318 |
| | Scrapped during the year (minerals) | (5) | - |
| | | 17 562 | 17 567 |

Heritage assets disclosure (continued)

| | 2016 R'000 | 2015 R'000 |
|---|---------------|---------------|
| The heritage assets were at initial recognition valued at fair value using evaluators with the following credentials: | | |
| Fossils - Professor for Palaeontological Research, University of the Witwatersrand | | |
| Mineral collections - MSc Geology, Professor and Chairman of the Department of Geology, University of the Witwatersrand | | |
| Meteorite collections - Author of "Meteorites", Private collector of meteorites | | |
| Gemstones - MSc Geology | | |
| Various valuation methods were used, taking into account the different types of heritage assets held by the Council for Geoscience. | | |
| The valuation reports are held at the Council for Geoscience offices and are available for inspection. | | |
| The Palaeontological (fossils) 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 for display purposes only. This equipment does not carry any value. | | |