



Council for Geoscience

ANNUAL REPORT

OF THE COUNCIL FOR GEOSCIENCE 2006/07



LEADING EARTH-SCIENCE SOLUTIONS

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Council for Geoscience

MANAGEMENT BOARD

OF THE COUNCIL FOR GEOSCIENCE



Prof. P E Ngoepe
Chairperson of the Board
University of Limpopo



Mr T Ramontja
Chief Executive Officer
Council for Geoscience



Prof. J M Barton Jr
*Geological Society of
South Africa*



Dr D G Clarke
Department of Land Affairs



Mr R W Hieber
Chamber of Mines



Mr K Hodges
*Industrial Development
Corporation*



Ms T R Mbassa
*Department of Water Affairs
and Forestry*



Mr A P Nkuna
*Mineworkers Investment
Company*



Ms N D Ntombela
*Department of Minerals and
Energy*



Ms T Xaso
Independent Consultant

Alternate Members

Ms S Bansi
Department of Minerals and Energy
Alternate to Ms N D Ntombela

Mr M Riba
Department of Land Affairs
Alternate to Dr D G Clarke

Mr M Smith
Chamber of Mines
Alternate to Mr R W Hiebert



Prof. P E Ngoepe
Chairperson of the Board



Mr T Ramontja
Chief Executive Officer

REVIEW

CHAIRPERSON OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER OF THE COUNCIL FOR GEOSCIENCE

The past year was once again very successful for the Council for Geoscience (CGS) in terms of its scientific research programmes and general business activities. The success is attributed to the implementation of the short- to medium-term strategy of the CGS in 2003/04. The strategy sought to realign the research programmes of the organisation to contribute towards addressing national imperatives, such as economic growth, development of Africa, transformation, advancement of research and development, rural development and poverty eradication. However, the Management Board has recognised the need to propel the CGS to higher levels of performance, ensuring that it continues to be a world-class research institution. In this regard the Board and the Executive Management have compiled a ten-year strategy document for the CGS. The strategy is aimed primarily at addressing future human-resource needs in geosciences for the CGS and South Africa, and at enhancing South Africa's geological infrastructure.

As part of the process of addressing future geoscience human-resource needs against the backdrop of a shortage of rare skills, the CGS has implemented several initiatives. One of the initiatives, known as *AfricaArray*, involves collaboration with the Pennsylvania State University and the University of the Witwatersrand. This collaboration aims to establish an interlinked seismic network on the African continent and to train

young geophysicists. Two CGS geoscientists are already benefiting from the initiative and are currently pursuing PhD degrees through the Pennsylvania State University and the University of the Witwatersrand. The CGS has also initiated a Geological Field Mapping School to train young scientists in geological mapping. The school is fast becoming a national asset and discussions are currently taking place with the University of Fort Hare and the University of Pretoria to collaborate in the training of young geoscientists in this regard.

As part of the strategy to contribute towards poverty eradication, the CGS and the Department of Minerals and Energy have, during the past financial year, provided assistance to 90 small-scale mining projects.

During the year under review, the CGS continued to play a strategic role in the generation of geoscience knowledge in the Southern African Development Community (SADC) and on the African continent. With regard to SADC, the compilation of a seamless geological map for SADC countries is at an advanced stage and should be completed in 2008. This represents a benchmark geoscience product for the region and will contribute considerably in terms of minerals and ground-water exploration. This map for SADC countries shows the value and importance of geoscience organisations working in collaboration on a common geoscience theme. A collaborative geological

programme has also been initiated between the CGS and the Geological Surveys of Botswana and Namibia. The programme involves the correlation of the Karoo rocks across the common borders, which could have important economic implications for the countries involved, as these rocks host a variety of minerals, such as coal and industrial minerals, and have potential for ground-water resources. In addition, the CGS is collaborating with other geoscience institutions through the African Mining Partnership, which is a ministerial forum of African mining ministers. In this regard, the CGS has completed compiling a series of reports for African countries that could potentially claim extensions of their offshore territories. The CGS also contributed towards the establishment of the Organisation of African Geological Surveys in order to foster partnership amongst geoscience institutions.

On the international front, the CGS continues to be involved in assisting the Comprehensive Test-Ban Treaty Organisation (CTBTO) by ensuring continuous data flow and availability from the seismograph and infrasound facilities at Boshof to the CTBTO. The CGS has also concluded discussions to conduct collaborative innovative research with the Norwegian Institute for Water Research in developing passive water samplers. An important international development is the CGS's involvement with the United States Geological Survey's Global Mineral Resource Assessment Programme. This programme is aimed at outlining principal land areas in the world that have the potential for selected undiscovered mineral resources and at estimating the size of such resources to a depth of 1 km below the earth's surface.

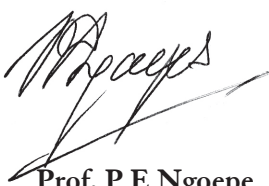
The South Africa–India collaboration in geoscience research has advanced considerably during the past year. CGS scientists and their counterparts in India are involved in the correlation of Karoo and Gondwana strata between the two countries. The project aims to improve the understanding of economic deposits, particularly of coal, on which both countries are dependent for power generation and for use in steel manufacture. This is the first attempt to correlate Karoo-type strata between east and west 'Gondwanaland'.

As part of a programme to increase exploration activities in South Africa's mining industry and thereby contributing to the accelerated economic growth targets for South Africa, the CGS is expediting its geoscience survey programmes in respect of airborne geophysics and geochemical surveys. These programmes, which aim at identifying mineral target areas, have already borne fruit and, during the year under review, a number of potential mineralised targets were identified.

The project to address water-related contamination, associated with more than 100 years of gold mining in the greater Gauteng area, has also progressed satisfactorily. The aim of the project is to, amongst others, reduce the ingress of surface water into mine workings in order to reduce pumping subsidies paid by Government to certain mines. The project also aims at addressing the impact of decanting polluted mine water. During the year, preliminary recommendations in respect of required geohydrological models were finalised. In addition, the Department of Science and Technology and the CGS have initiated a research programme on the apportionment of liability to polluting mines.

The Board and Executive Management of the CGS is highly appreciative of the staff for their dedication and commitment to the organisation. Despite the many challenges and the competitive environment in which the CGS operates, the organisation has, once again, increased its commercial earnings to unprecedented levels, exceeding previous expectations. Performance on statutory research projects has also maintained its high performance levels. The Board is confident that the strategy currently being implemented will propel the CGS to higher levels during the 2007/08 financial year and thereafter. The Board also believes that recent achievements and gains made by the organisation have placed the CGS in a much stronger position to face future challenges and provide geoscientific solutions to the people of South Africa.

The Board and Management of the CGS would like to thank the Ministers and staff of the Departments of Minerals and Energy and of Science and Technology for their unwavering support and advice during the past financial year.



Prof. P E Ngoepe

Chairperson: Management Board of the CGS



Mr T Ramontja

Chief Executive Officer

ABRIDGED BOARD CHARTER

PER PFMA AND PROTOCOL ON CORPORATE GOVERNANCE

Board Charter

A Board Charter, which sets out the responsibilities of the Board, was developed and established for the Management Board of the CGS, and includes the Board's Code of Conduct. The Board is fully committed to maintaining the standards of integrity, accountability and openness required to achieve effective corporate governance.

The Charter confirms the Board's

- accountability
- fiduciary duties and responsibilities
- appointment of committees
- governance and meeting procedures
- duty to declare conflict of interests
- responsibility for the adoption of strategic plans
- monitoring of operational performance and management
- determination of policy and processes to ensure the integrity of the CGS's risk management and internal controls
- communications policy
- director selection, orientation and evaluation.

The Board Charter is reviewed when necessary to ensure that it remains relevant to the business objectives of the CGS.

Council For Geoscience

Management Board's Responsibility for the Annual Financial Statements

The Board Members are responsible for the monitoring, preparation and the integrity of the financial statements and related information included in this annual report.

In order for the Board to discharge its responsibilities, Management has developed and continues to maintain a system of internal controls. The Board has the ultimate responsibility for the system of internal controls and reviews its operation primarily through management structures.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Council for Geoscience's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties and are monitored by Management. It includes a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The external auditors are responsible for reporting on the financial statements. These financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practices and incorporate disclosure in line with the accounting philosophy of the company. The financial statements are based on appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Board Members believe that the organisation will be a going concern in the year ahead. For this reason they continue to adopt the going-concern basis in preparing the financial statements of the Council for Geoscience.

The Board Members are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Council for Geoscience's annual financial statements that would affect the operations of the Council for Geoscience or the results of its operations significantly.

The annual financial statements for the year 2006/07 were approved by the Accounting Authority in terms of section 51.(1)(f) of the Public Finance Management Act on 31 July 2007 and are signed on its behalf by:



P E Ngoepe

Chairperson: Management Board of the CGS



N D Ntombela

Member: Management Board of the CGS

Date: 31 July 2007
Pretoria

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE COUNCIL FOR GEOSCIENCE FOR THE YEAR ENDED 31 MARCH 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

- 10
1. I have audited the accompanying financial statements of the Council for Geoscience which comprise the statement of financial position as at 31 March 2007, value added statement, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 24 to 50.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice and Generally Recognised Accounting Practice, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 647 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. 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.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The public entity's policy is to prepare financial statements in accordance with South African Statements of Generally Accepted Accounting Practice and Generally Recognised Accounting Practice, as set out in note 1.1 to the financial statements.

Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the Council for Geoscience as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the identified basis of accounting as described in note 1.1 and in the manner required by the PFMA.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

10. I have audited the performance information as set out on pages 19 to 21.

Responsibilities of the accounting authority

11. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Responsibility of the Auditor-General

12. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007*.
13. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
14. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings.

Audit findings

15. No audit findings came to the fore.

APPRECIATION

16. The assistance rendered by the staff of the Council for Geoscience during the audit is sincerely appreciated.



B R Wheeler for Auditor-General

Pretoria

30 July 2007



A U D I T O R - G E N E R A L

Mandate of the Council for Geoscience

The Council for Geoscience (CGS) is mandated to gather, compile, interpret and disseminate geoscience knowledge for South Africa. This mandate is captured in the Geoscience Act (Act No. 100 of 1993) and includes the following:

- a. Carry out the systematic geoscience (geological, geophysical, geochemical, metallogenic, etc.) mapping of the onshore and offshore territories of South Africa, compile the information into products and publish the information for public use.
- b. Collect, archive and arrange access to all geoscience data and information on South Africa. These data and information include the data from the CGS, universities and private companies.
- c. Conduct basic geoscience research in order to understand geoscience processes, both present and past.
- d. Manage a number of national geoscience facilities on behalf of the country. These resources include the National Geoscience Museum, the National Borehole Core Library, the National Geoscience Library, the National Seismograph Network and the South African Infrasound Observatory.
- e. Provide ad hoc advice to Government on geoscience matters.
- f. Provide geoscience data and products to external clients, both nationally and internationally. These services are to be rendered on a full cost-recovery basis.

Legislative and Corporate Governance Requirements

The CGS was established in terms of the Geoscience Act (Act No. 100 of 1993). This Act also established the

mandate and national responsibilities of the CGS. The CGS was listed as a schedule 3A Public Entity in terms of the Public Finance Management Act (Act No. 1 of 1999), as amended by Act No. 29 of 1999.

Overview of Business Operations

In the past year the CGS has continued its large international projects, procured through the Economic Development Fund of the European Union and the World Bank. The CGS plays a dual role in some of these programmes as it executes the work as well as supervises other consultants involved in the projects.

The national and international projects that the CGS is undertaking enabled the organisation to exceed its commercial income target for the year. This is also attributed to the implementation of the strategic direction the CGS took, which focusses on enhancing partnerships with government departments, such as the Departments of Minerals and Energy, Science and Technology, and Water Affairs and Forestry. The key objective of the enhanced partnerships is to ensure that the CGS is well positioned to deliver essential geoscience services to relevant departments as well as local authorities.

However, there is also the realisation that a business model that is placing a growing emphasis on commercial activities in response to budgetary constraints is significantly detracting from the organisation's role in addressing the national growth-related needs of the country. In essence, the CGS is facing critical challenges with regard to its ability to contribute to the country's economy. This is largely related to the many years of underinvestment in the organisation, which necessitated the focus on commercial activities. Consequently, the CGS Management developed a national strategy to transform the CGS into a geoscience organisation that focusses on national growth issues. The need for this strategic endeavour was based on the realisation that the CGS is facing critical challenges with regard to its operation and its ability to contribute to the country's economy and, accordingly, requires serious and urgent interventions if it is to be relevant to the needs of the country.

Highlights of Financial Results

	2006 R'000	2007 R'000
Government grant – core funding	86,078	93,100
Grant – earmarked funding	105	265
Government grant recognised	-	2,849
Contracting revenue	70,401	97,701
Publication revenue	624	595
Other operating income	6,944	12,556
Total revenue	164,152	207,066
Total expenses	147,376	190,839
Surplus for the year	16,776	16,227

Although the CGS has a clear mandate, as given in the Geoscience Act (Act No. 100 of 1993), it realises that the organisation is only partially delivering on this mandate of producing geoscience knowledge, infrastructure and the development of geoscience-related solutions that address the growth challenges facing the country. Based on a technical proposal in this longer term strategy, the CGS secured an additional R50 million as part of the Medium-Term Expenditure Framework process. This funding will be used over the next three years in the identification of priority mineral targets through national geophysical and geochemical surveys.

On innovation and geoscience research, important advances were made in respect of geohazards, environmental geosciences, geophysics and mineral resources assessment. In particular, new geological maps have been produced for portions of the Limpopo Province showing the distribution of clay deposits that can be exploited for a variety of ceramic products such as bricks and tiles. It is anticipated that these maps will stimulate small-scale mining in the region. With regard to environmental geosciences, important contributions were made in the fields of sustainable mining and ground-water pollution research. In geophysics, the CGS completed the first phase of establishing the first test site in Africa for ground geophysical techniques. In addition, the CGS is involved in the assessment of South Africa's mineral resources.

The importance of the geological environment in South Africa is highlighted through a project that is capturing information on unique areas in a Geosites database.

The CGS, in close cooperation with the Department of Minerals and Energy, forms part of the Small-Scale Mining Board (SSMB). This Board is responsible for assessing and approving the various small-scale mining

project proposals. Significant progress has been made during the past year with the registration and execution of several new projects.

Geoscience mapping and research programmes of the CGS, which are financed by state funds appropriated by Parliament, have made good progress in terms of achieving targets and improving performance. In this regard, performance in the past year has increased to 84,9%.

Strategic Objectives

The CGS developed its current strategy in response to the various mandates it operates under and the primary directive of the State, namely to free the potential of individuals by improving the quality of life of all citizens, assisting in the growth and wealth of South Africa and eradicating poverty, especially in the rural areas of the country.

In realising the urgent need for the CGS to address the national imperatives, its technical and social programmes address the following strategically defined focus areas of the organisation:

- **Growth of the CGS and development of the first economy** (ensuring that the CGS grows as an organisation and also contributes to economic development – people, sciences and finances)
- **Regulatory systems and stakeholder compliance** (ensuring CGS compliance with legislative requirements, development of CGS regulatory systems and alignment with national mandates)
- **Rural development and poverty eradication** (ensuring that the CGS contributes to the development of the second economy)
- **Innovation** (development of products, systems and services)

- **Africa development** (CGS assistance in the development of Africa and its people by upgrading the continent's geoscience infrastructure)
- **Skills development** (building capacity in respect of scientific, administrative and managerial/leadership skills)
- **Transformation** (business and people).

The CGS's objectives are achieved through continuously improving and enhancing the quality of its geoscience research, products and services. The strategic research priorities of the CGS are based on the following six scientific and business thrusts:

- Geoscience research and mapping
- Geoscience applicable to engineering and construction industries and the mitigation of geoscience-related physical hazards
- Geoscience applicable to water
- Geoscience education and information management
- Mineral and energy resources development and poverty alleviation
- Geoscience research applicable to the environment and chemical hazards.

Board of the Council for Geoscience

The Management Board of the CGS approves the mission, strategies, goals, operating policies and priorities of the organisation and monitors compliance with the policies and achievements with respect to the scientific, administrative and financial objectives.

The Management Board is appointed by the Minister in accordance with the provisions of Section 4 of the Geoscience Act (Act No. 100 of 1993). Other than the CEO, all the Board Members are non-executive members. The Board Members are continuously and actively involved in, and bring independent counsel and judgement to bear on all Board discussions and decisions. Board Members are fully conversant with their fiduciary duties as are outlined in Section 50 of the PFMA, which, amongst others, requires them to declare their interests when a potential conflict of interest may arise. The Board meets quarterly, in February, May, August and November.

The Board had the following active Committees:

- Audit and Risk
- Finance
- Technical
- Personnel, Remuneration and Transformation.

The composition of the Board during the 2006/07 financial year was as follows:

Prof. P E Ngoepe

(Chairperson)

Re-appointed on 1 October 2006

Mr T Ramontja

(Chief Executive Officer – Ex Officio)

Appointed on 1 November 2003

Prof. J M Barton Jr

Geological Society of South Africa

Re-appointed on 1 October 2006

Dr D G Clarke

Department of Land Affairs

Re-appointed on 1 October 2006

Mr A P Nkuna

Mineworkers Investment Company

Re-appointed on 1 October 2006

Ms N D Ntombela

Department of Minerals and Energy

Re-appointed on 1 October 2006

Ms T Xaso

Independent Consultant

Re-appointed on 1 October 2006

Mr R W Hieber

Chamber of Mines

Appointed on 1 October 2006

Mr K Hodges

Industrial Development Corporation

Appointed on 1 October 2006

Ms T R Mbassa

Department of Water Affairs and Forestry

Appointed on 1 October 2006

Mr L L Makibinyane

Export Credit Insurance Corporation

Appointed on 1 October 2003

Term ended on 30 September 2006

Ms L McCourt

Department of Environmental Affairs and Tourism

Appointed on 1 February 2006

Term ended on 30 September 2006

Mr J K Mollo

Chamber of Mines

Appointed on 2 November 2004

Term ended on 30 September 2006

Alternate Members**Ms S Bansi**

Department of Minerals and Energy
 Alternate to Ms N D Ntombela
 Re-appointed on 1 October 2006

Mr M Riba

Department of Land Affairs
 Alternate to Dr D G Clarke
 Re-appointed on 1 October 2006

Mr M Smith

Chamber of Mines
 Alternate to Mr R W Hieber
 Appointed on 1 October 2006

Ms D de Nooy

Mintek
 Alternate to Prof. J M Barton Jr
 Appointed on 1 February 2006
 Resigned on 10 August 2006

Attendance register of Board meetings

Seven meetings held

	1 Jun 06	Special 20 Jun 06	Special 7 Aug 06	31 Aug 06	Special 28 Sept 06	30 Nov 06	1 Mar 07	Total Attendance
P E Ngoepe	Present	Apology	Present	Present	Present	Present	Present	6
T Ramontja	Present	Present	Present	Present	Present	Present	Present	7
J M Barton Jr	Present	Present	Present	Present	Present	Present	Present	7
D G Clarke	Present	Apology	Apology	Present	Apology	Present	Present	4
A P Nkuna	Present	Apology	Present	Present	Present	Apology	Present	5
N D Ntombela	Apology	Present	Apology	Apology	Apology	Present	Apology	2
T Xaso	Apology	Apology	Present	Apology	Apology	Apology	Present	2
R W Hieber	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Present	Present	2
K Hodges	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Apology	Apology	0
T R Mbassa	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Present	Present	2
L L Makibinyane	Present	Present	Present	Present	Present	No longer member	No longer member	5
L McCourt	Present	Present	Apology	Present	Present	No longer member	No longer member	4
J K Mollo	Present	Present	Present	Present	Present	No longer member	No longer member	5
Alternate Members								
S Bansi	Present	Main member present	Apology	Present	Apology	Main member present	Apology	2
M Riba	Main member present	Apology	Apology	Main member present	Apology	Main member present	Main member present	0
M Smith	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Present	Main member present	1
D de Nooy	Main member present	Main member present	No longer member	No longer member	No longer member	No longer member	No longer member	0

Audit and Risk Committee

The Audit and Risk Committee of the CGS evaluates the annual internal and external audit plans, the internal and external audit reports and the financial statements. The Audit and Risk Committee also assesses the effectiveness of the internal audit function and the risk mitigation procedures, which are in place.

In addition, the Audit and Risk Committee, from time to time, assesses its mandate and charter in order to deal with emerging risks.

The composition of the Audit and Risk Committee as at 31 March 2007 was:

Mr B Hawksworth (Chairperson)
Mr R W Hieber
Ms S J Mbongo
Ms N D Ntombela
Ms N G Jiyane
Ms S Bansi (Alternate to Ms N D Ntombela)

Attendance register of the Audit and Risk Committee

Five meetings held

	19 May 06	Special 26 May 06	27 Jul 06	Special 16 Aug 06	14 Feb 07	Total Attendance
B Hawksworth	Present	Present	Present	Present	Present	5
R W Hieber (From 11/2006)	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Present	1
S J Mbongo (From 11/2006)	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Present	1
N D Ntombela	Present	Apology	Present	Apology	Apology	2
N G Jiyane (From 03/2007)	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	0
S Bansi (Alternate)	Main member present	Apology	Main member present	Apology	Apology	0
L L Makibinyane (Till 09/2006)	Present	Present	Present	Present	No longer member	4
J Mollo (Till 09/2006)	Present	Present	Present	Present	No longer member	4
T Xaso (Till 09/2006)	Apology	Present	Present	Present	No longer member	3

Finance Committee

The Finance Committee of the CGS deals with a range of corporate financial issues of the CGS, such as the recommendation for the approval of the Budget, the recommendation for major capital expenditure, the writing off of bad debts and assets and any other financial matters as are referred to it by the Board for recommendations.

The composition of the Finance Committee as at 31 March 2007 was:

Mr M Smith (Chairperson)
Ms N D Ntombela
Mr T Ramontja
Ms S Bansi (Alternate to Ms N D Ntombela)

Attendance register of the Finance Committee

Three meetings held

	19 May 06	16 Aug 06	14 Feb 07	Total Attendance
M Smith (From 11/2006)	Not yet appointed	Not yet appointed	Present	1
N D Ntombela	Present	Apology	Apology	1
T Ramontja	Present	Present	Present	3
S Bansi (Alternate)	Main member present	Apology	Present	1
L L Makibinyane (Till 09/2006)	Present	Present	No longer member	2
J K Mollo (Till 09/2006)	Present	Present	No longer member	2

Technical Committee

The Technical Committee of the CGS deals with the annual scientific and technical programme of the CGS, evaluates the scientific and technical output, oversees the annual technical audit and recommends on such scientific and technical matters as are referred to it by the Board.

The composition of the Technical Committee as at 31 March 2007 was:

Prof. J M Barton Jr (Chairperson)
Ms S Bansi
Mr K Hodges
Ms T R Mbassa
Dr K Pietersen
Mr T Ramontja

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Attendance register of the Technical Committee

Four meetings held

	19 May 06	15 Aug 06	15 Sept 06	14 Feb 07	Total Attendance
J M Barton Jr	Present	Present	Present	Present	4
S Bansi	Apology	Present	Apology	Present	2
K Hodges (From 11/2006)	Not yet appointed	Not yet appointed	Not yet appointed	Present	1
T R Mbassa (From 11/2006)	Not yet appointed	Not yet appointed	Not yet appointed	Apology	0
K Pietersen	Present	Present	Apology	Apology	2
T Ramontja	Present	Present	Present	Present	4
J Blaine (Till 09/2006)	Apology	Present	Present	No longer member	2
D de Nooy (Till 08/2006)	Present	No longer member	No longer member	No longer member	1
L L Makibinyane (Till 09/2006)	Present	Present	Present	No longer member	3

Personnel, Remuneration and Transformation Committee

The Personnel, Remuneration and Transformation Committee determines the human resources strategies and policies of the CGS. The Committee approves the remuneration structure and salary changes in the CGS and evaluates and makes recommendations on the payment of production bonuses. The Committee also decides upon the remuneration of the Executive Management.

The composition of the Personnel, Remuneration and Transformation Committee as at 31 March 2007 was:

Mr A P Nkuna (Chairperson)
Ms S Bansi
Prof. J M Barton Jr
Mr T Ramontja

Attendance register of the Personnel, Remuneration and Transformation Committee

Two meetings and one teleconference held

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	19 May 06	4 Jul 06 Teleconference	16 Aug 06	Total Attendance
A P Nkuna	Present	Present	Apology	2
S Bansi (From 11/2006)	Not yet appointed	Not yet appointed	Not yet appointed	0
J M Barton Jr	Present	Present	Present	3
T Ramontja	Present	Present	Present	3
P E Ngoepe (Till 03/2007)	Present	Apology	Present	2
L L Makibinyane (Till 09/2006)	Present	Present	Present	3
N D Ntombela (Till 09/2006)	Apology	Apology	Apology	0

Financial and Operational Factors

Post-balance-sheet events

No material facts or circumstances have arisen, between the date of the balance sheet and the production of this report, which will affect the financial position of the CGS as is reflected in the financial statements.

Major changes in respect of fixed assets

An amount of R2,7m was invested in the acquisition of new field-work vehicles. Scientific equipment acquired amounted to R8m, and computer software and hardware to R3,6m.

Losses Incurred or Recovered

Material losses incurred

The Management Board of the CGS has developed a Materiality and Significance Framework for the CGS. The Board has approved that any expenditure in excess of approximately 1% of the annual operating expenditure budget, which is an amount of R400 000 for 2006/07, and/or the writing off and disposal of any asset in excess of approximately 2% of the value of property and equipment as indicated in the annual financial statements of the year 2005/06, which is an amount of R3,1m individually or in aggregate, would be deemed material and significant. The CGS has thus accepted the above-mentioned threshold figures of materiality for its financial framework.

Performance management criteria and performance targets of the Council for Geoscience

The Council for Geoscience (CGS) has developed a number of measures that are used to evaluate the performance of the organisation against a set of predetermined targets. These measures were designed as a means to evaluate the performance of the CGS with respect to three levels of accountability. These include the measurement of:

- collective scientific and technical output during a specific financial year
- the performance of the different business units
- corporate performance.

The overall evaluation of corporate performance is based on aspects such as business growth, investment into organisational excellence, customer and client relationships, operational best practices, investing into people and stakeholder interaction. All of the above performance targets are set annually by the CGS and are, at the end of the financial year, audited by a team of external auditors.

In line with the new strategy developed by the CGS Management, the organisation has adopted a Balanced

Scorecard (BSC) approach to its performance measurement. The corporate BSC, which measures the performance of the organisation at corporate, business unit and individual level was approved and accepted by the Management Board of the CGS. The BSC incorporates the current performance measures into the following evaluation perspectives:

- Stakeholder and customer satisfaction
- Economic growth
- Organisational systems
- Scientific excellence and human capital development.

The BSC was implemented on 1 April 2005.

Corporate performance targets of the Council for Geoscience

In order to evaluate the corporate performance of the CGS, the organisation has developed a range of performance indicators, which cover the entire spectrum of activities within the CGS. The range of performance indicators, together with the performance targets for the period 2006/07 are summarised in the table below.

Corporate Scorecard for 2006/07

Market (Stakeholder/Customer) Perspective		To drive stakeholder and customer satisfaction by the development of world-class products and services	
Objectives	Measures	Target 2006/07	Performance 2006/07
Develop a Stakeholder- and Customer-Focussed Organisation	- Status of Annual Technical Programme throughout the Year	On Schedule	On Schedule
	- % Completion of Annual Technical Programme	68%	84,9%
	- Percentage Satisfied Customers	>85%	85,7%

Market (Stakeholder/Customer) Perspective		To drive stakeholder and customer satisfaction by the development of world-class products and services	
Objectives	Measures	Target 2006/07	Performance 2006/07
Dissemination of Information to Users	- No. of Maps and Publications Published	30	50
Promotion of CGS to Stakeholder/Customer	- No. of Small-Scale Mining Initiatives - No. of Repeat Clients - No. of New Clients	4 220 25	90 144 36
To Create Wealth and Ensure Rural and Regional Development	- No. of Geoscientific Projects - No. of Rural Development Projects - No. of Regional and African Development Projects	18 18 9	37 33 36
Develop Strategic Partnerships	- No. of Partners - No. of Active BEE/HDI Partners	15 4	34 8

Economic/Financial Growth		To achieve sustainable revenue and profit growth	
Objectives	Measures	Target 2006/07	Performance 2006/07
Generate Revenue	- Total Revenue (Rands) - Government Grant - Contract Revenue (Rands) - Sundry Income - Commercial Surplus - Ratio of Contract Revenue to Total Revenue - Ratio of External Revenue to Total Revenue	R140m R93m R40m R6,5m R4,9m 29% 33%	R207,1m R93,1m R98,3m R15,7m R16,2m 47,5% 55,0%
Overhead Efficiency	- Ratio of Overheads to Total Cost - Ratio of Personnel Cost to Total Cost	60% 60%	48,2% 53,7%

Effective Systems (Organisational)		To develop and maintain effective and streamlined processes, using appropriate tools and methodologies	
Objectives	Measures	Target 2006/07	Performance 2006/07
To Develop and Implement Effective Policies and Procedures	- % Policies reviewed, approved and developed	10%	17%
To Drive Preferential Procurement	- Preferential Procurement as a % of Total Procurement	35%	39,44%
To Implement Corporate Planning and Reporting	Regulatory Compliance - PFMA	100%	100%

World-Class People Perspective		To develop a world-class geoscience organisation where our people can grow and perform	
Objectives	Measures	Target 2006/07	Performance 2006/07
To Attract and Retain a Skilled Workforce	- Turnover (Management) - Turnover (Scientists) - Turnover (Technical Staff)	10% 10% 10%	4,76% 4,5% 1,18%
Promote Scientific and Innovation Excellence	- No. of Innovation Projects - No. of Staff studying - No. of Staff and Students enrolled for MSc and PhD degrees - No. of Papers and Articles published - Proportion of Researchers to Total Staff - % of Scientific Staff with PhD and MSc degrees	6 37 25 64 38% 59%	14 53 33 62 41,82% 42%
To Build a Positive Organisational Culture	- % Satisfied Staff Members	70%	53,8%
To Reflect and Embrace RSA Diversity	% Overall EE Targets in the CGS (W-B) % EE Targets Senior Officials and Management (W-A-I-C) % EE Targets Professionals (W-A-I-C) % EE Targets Technicians (W-A-I-C) % EE Targets Administrators (W-A-I-C) % Overall EE Targets by Gender (M-F) % Overall EE Targets for Disabled People	60:40 62:33:0:5 63:29:5:3 46:45:3:6 44:32:12:12 62:38 1%	51:49 66:29:0:5 61:30:5:4 45:50:1:4 31:61:3:5 58:42 2%
To Build and Maintain External Relations	- No. of Projects with External Collaborators - No. of Publications with External Collaborators - No. of International Awards - No. of Keynote Addresses	17 21 1 3	57 42 3 6

Responsibilities

The Management Board of the CGS has the overall responsibility to ensure that the organisation has and maintains effective, efficient and transparent systems of risk management and internal control. 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, operating as overseer with an independent and objective stance.

The Audit and Risk Committee has adopted formal terms of reference, which have been confirmed by the Board, as 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 system
- The functioning of the internal audit programme
- The risk areas of the entity's operations 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 entity's compliance with legal and regulatory provisions.

Governance

The Board appointed the following members of the Audit and Risk Committee:

Mr B Hawksworth (Chairperson)

Mr R Hieber

Ms N Jiyane

Ms S Mbongo

Ms N D Ntombela

The Audit and Risk Committee met six times during the period under review.

Internal Control Systems

The members of the Audit and Risk Committee believe that the system of internal controls is adequately designed to cover organisational risks, financial risks and operational risks. The control system provides reasonable, but not absolute, assurance that the organisation's assets 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 the 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.

Having reviewed the effectiveness of the organisation's system of internal controls, and based on detailed reports provided by the Internal Auditors, the members of the Audit and Risk Committee are not aware of any significant weakness or deficiency in the organisation's system of internal controls.

Internal Auditing

Internal auditing was outsourced during the year under review and provides a supportive role to Management and the Audit and Risk Committee to achieve their objectives by identifying and evaluating significant exposures to risk and contributing to the empowerment of risk management and control systems.

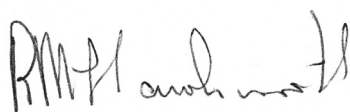
The internal audit function is responsible for independently and objectively evaluating the organisation's system of internal controls at a detailed level and to bring any significant business risks and exposures to the attention of Management and the Audit and Risk Committee through the provision of comprehensive internal audit reports.

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 2007 with the Auditor-General and the Accounting Officer. The Audit and Risk Committee also reviewed the management letter of the Auditor-General and the responses of Management thereto. The members of the Audit and Risk Committee believe that the financial statements comply, in all material respects, to the requirements of the Public Finance Management Act (Act No. 1 of 1999, as amended) and South African Statements of Generally Accepted Accounting Practices (GAAP) and Generally Recognised Accounting Practices (GRAP). The Audit and Risk Committee agrees that the adoption of the going-concern premise is appropriate in preparing the annual financial statements.

The Audit and Risk Committee, at its meeting held on 18 July 2007, recommended the adoption of the annual financial statements by the Board of Directors.

Approved



Mr B Hawksworth
Chairperson: Audit and Risk Committee

31 July 2007
Pretoria

COUNCIL FOR GEOSCIENCE

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2007

	Notes	2007 R'000	2006 R'000
Assets			Restated
Non current assets			
Property, plant and equipment	2	161,281	66,979
Intangible assets	3	896	1,417
Post employment benefit asset	4	1,062	5,200
Current assets		229,379	190,661
Trade and other receivables	5	72,141	45,820
Cash and cash equivalents	6	157,238	144,841
Total assets		392,618	264,257
Net assets and liabilities			
Net assets			
Accumulated surplus		183,972	175,175
Non current liability			
Government grant	7	97,098	-
Current liabilities		111,548	89,082
Trade and other payables	8	24,745	18,503
Deferred income	9	82,748	68,222
Provisions	10	4,055	2,357
Total net assets and liabilities		392,618	264,257

COUNCIL FOR GEOSCIENCE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2007

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	Notes	2007 R'000	2006 R'000
			Restated
Revenue	11	194,510	157,208
Cost of contracts	11	(75,787)	(47,740)
Gross surplus		118,723	109,468
Other operating income	11	5,994	1,168
Administrative expenses		(114,017)	(99,322)
Other operating expenses	11	(985)	(307)
Interest received	12	6,562	5,776
Surplus from operations		16,277	16,783
Finance cost	13	(50)	(7)
Net surplus for the year		16,227	16,776

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2007

	Notes	Revaluation Reserve R'000	Accumulated Surplus R'000	Total R'000
Balance at 31 March 2005		22,232	143,875	166,107
Revaluation of fixed assets		486	-	486
Amortisation		(7,708)	-	(7,708)
Prior period error	14	(7,094)	7,094	-
Prior period error	14	(486)	486	-
Net surplus for the year		-	16,290	16,290
Balance at 31 March 2006		7,430	167,745	175,175
Prior period error	14	(7,430)	-	(7,430)
Net surplus for the year		-	16,227	16,227
Balance at 31 March 2007		-	183,972	183,972

COUNCIL FOR GEOSCIENCE

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

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	Notes	2007 R'000	2006 R'000
			Restated
Cash inflow from operating activities		27,741	22,669
Cash receipts from customers		165,340	133,224
Cash paid to suppliers and employees		(144,111)	(116,324)
Cash generated from operations	15	21,229	16,900
Interest received	12	6,562	5,776
Interest paid	13	(50)	(7)
Cash outflow from investing activities		(15,344)	(17,319)
Acquisition of:			
Property, plant and equipment	16.1	(14,509)	(16,395)
Intangible assets	16.2	(835)	(924)
Net increase in cash and cash equivalents		12,397	5,350
Cash and cash equivalents at beginning of year	6	144,841	139,491
Cash and cash equivalents at end of year	6	157,238	144,841

COUNCIL FOR GEOSCIENCE

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	2007 R'000	% Value added	2006 R'000	% Value added
Value added				
Government Grant - Core funding	93,100	70.9%	86,078	81.4%
Government Grant - Earmarked funding	265	0.2%	105	0.1%
Government grant recognised	2,849	2.2%	-	0.0%
Contracting revenue	97,701	74.4%	70,401	66.6%
Publication revenue	595	0.4%	624	0.6%
Revenue	194,510	148.1%	157,208	148.7%
Paid to suppliers for material and services	(75,739)	(57.7%)	(58,444)	(55.3%)
Interest earned	6,562	5.0%	5,776	5.5%
Other income	5,994	4.6%	1,168	1.1%
	131,327	100.0%	105,708	100.0%
	% Distributed		% Distributed	

Distributed as follows -

Employees	100,040	76.2%	75,511	71.4%
- Staff costs	83,433	63.5%	63,757	60.3%
- Employer contributions	13,910	10.6%	9,623	9.1%
- Bursary and training	2,697	2.1%	2,131	2.0%
Finance cost	50	-	7	-
Central and local government	1,548	1.2%	2,296	2.2%
Retention for expansion and growth	29,689	22.6%	27,894	26.4%
- Depreciation	13,462	10.3%	11,118	10.5%
- Retained surplus for the year	16,227	12.4%	16,776	15.9%
	131,327	100.0%	105,708	100.0%

Value added ratios

- Number of employees	319	292
- Revenue per employees	R610	R538
- Wealth created per employees	R412	R362

COUNCIL FOR GEOSCIENCE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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1 Accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statement as follows:

Standard of GRAP

GRAP 1: Presentation of financial statements
GRAP 2: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors

Replaced statement of GAAP

AC101: Presentation of financial statements
AC118: Cash flow statements
AC103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the financial statements:

1. Terminology differences:

Standard of GRAP

Statement of financial performance
Statement of financial position
Statement of changes in net assets
Net assets
Surplus/deficit for the period
Accumulated surplus/deficit
Contributions from owners
Distributions to owners

Replaced statement of GAAP

Income statement
Balance sheet
Statement of changes in equity
Equity
Profit/loss for the period
Retained earnings
Share capital
Dividends

2. The cash flow statement can only be prepared in accordance with the direct method.

3. Specific information 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; must be presented separately on the statement of financial position.

4. The amount and nature of any restrictions on cash balances are required to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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1 Accounting policies *(continued)*

Paragraphs 11–15 of GRAP 1 has not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

1.2 Prior-year figures

Prior-year figures were adjusted due to the implementation of IAS16 and prior-period errors. Prior-period errors are omissions from, and misstatements in the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of reliable information that: (a) was available when financial statements for those periods were authorised for issue; and (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretation of facts, and fraud.

1.3 Revenue

Revenue comprises the annual government grant recognised as income in the current year, contract income and sales of publications.

1.4 Revenue recognition

1.4.1 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.

1.4.2 Government grant

The Council for Geoscience received grants in the form of assets and baseline allocation from government departments.

Government grants are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs which they are intended to compensate. The conditions for the use of each grant are stated in contractual agreements. Government refers to

COUNCIL FOR GEOSCIENCE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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1 Accounting policies *(continued)*

government, government agencies and similar bodies whether local, national or international.

1.4.3 Recognition of income from contracts

Revenue from contracts represents the invoiced value of goods supplied by the Council for Geoscience. Income from contracts is recognised by means of progress payments over the duration of the contracts. Income for contracts in progress is recognised when it can be invoiced. When the outcome of a contract can be estimated reliably, revenue is recognised by reference to the stage of completion of the contract activity.

1.5 Interest received

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

1.6 Property, plant and equipment

The cost of an item of fixed assets is recognised as an asset when:

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

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

Fixed assets are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all fixed assets other than freehold land, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Land	Not depreciated
Buildings	30 years
Motor vehicles	5 years
Equipment	5 years
Aircraft - Body	10 years
Aircraft - Engine	Useful hours
Aircraft - Propeller	Useful hours

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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1 Accounting policies *(continued)*

Office furniture	10 years
Computer equipment	3 years
Computer software	2 years

The depreciation charges for each period is recognised in profit or loss, unless it is included in the carrying amount of another asset.

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

1.7 Foreign currency

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the date of the transactions. Gains and losses arising from the settlement of such transactions are recognised in the statement of financial performance.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Unrealised differences on monetary assets and liabilities are recognised in the statement of financial performance in the period in which they occur.

1.8 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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies *(continued)*

1.9 Deferred income

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

1.10 Retirement benefit costs

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.

A portion of the actuarial gains and losses is to be recognised as income or expense, provided the net cumulative actuarial gains and losses at the end of the previous reporting period exceeds the greater of -

- 10% of the present value of the defined benefit obligation at that date, or
- 10% of the fair value of any plan assets at that date.

The portion of actuarial gains and losses to be recognised is equal to the excess calculated using the above limits, divided by the expected average remaining working lives of the employees participating in the plan.

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) exceeds 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

Provisions are recognised when a present legal or constructive obligation arises as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amounts can be made.

1.12 Financial instruments

Recognition

A financial instrument, being a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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1 Accounting policies *(continued)*

another entity, is recognised when the company becomes a party to the contractual provisions of the instrument.

Measurement

Financial instruments are initially measured at fair value which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables originated by the enterprise are treated as loans and receivables and are carried at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value with changes in fair value being recognised in profit and loss.

Trade and other payables

Trade and other payables are measured at amortised cost, using the effective interest method.

1.13 Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in value.

1.14 Operating leases

Leases of assets under which all the risk 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.

1.15 Impairment

At each reporting date, the Council for Geoscience reviews the carrying amounts of its assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. A reversal of an impairment loss is recognised as income immediately. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost to sell and its value in use. Value in use is the present

COUNCIL FOR GEOSCIENCE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies (continued)

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value of cash flows expected to be derived from an asset or cash-generating unit. If an impairment loss subsequently reverses, the carrying amount of an asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

1.16 Judgements made by Management

There were no material judgements made by Management that could have significant effect on the amounts recognised in the financial statements.

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.

2 Property, plant and equipment

2007	Land R'000	Buildings R'000	Equipment R'000	Office furniture R'000	Aircraft R'000	Motor vehicles R'000	Computer equipment R'000	Total R'000
Gross carrying amount	3,081	32,362	64,431	12,548	13,493	6,543	14,971	147,429
Accumulated depreciation at the beginning of the year	-	(4,472)	(46,778)	(10,011)	(1,760)	(5,890)	(11,539)	(80,450)
Opening net carrying amount at 31 March 2006	3,081	27,890	17,653	2,537	11,733	653	3,432	66,979
Movements during the year:								
Acquisitions	-	249	8,034	13	967	2,738	2,508	14,509
Acquired through government grant	15,150	80,613	-	-	-	-	-	95,763
Disposals	-	-	(866)	(2,426)	-	(12)	(459)	(3,763)
Depreciation	-	(1,078)	(7,157)	(20)	(1,541)	(159)	(2,252)	(12,207)
Closing net carrying amount at 31 March 2007	18,231	107,674	17,664	104	11,159	3,220	3,229	161,281
Gross carrying amount	18,231	113,224	67,261	250	14,460	9,210	14,279	236,915
Accumulated depreciation	-	(5,550)	(49,597)	(146)	(3,301)	(5,990)	(11,050)	(75,634)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

2 Property, plant and equipment (continued)

2006	Land R'000	Buildings R'000	Equipment R'000	Office furniture R'000	Aircraft R'000	Motor vehicles R'000	Computer equipment R'000	Total R'000
Gross carrying amount	3,081	29,592	59,198	12,453	6,391	6,543	13,776	131,034
Accumulated depreciation at the beginning of the year	-	(3,519)	(37,481)	(7,819)	(242)	(5,195)	(8,794)	(63,050)
Opening net carrying amount at 31 March 2005	3,081	26,073	21,717	4,634	6,149	1,348	4,982	67,984
Movements during the year:								
Acquisitions	-	2,770	5,233	95	7,102	-	1,195	16,395
Depreciation on revaluation reserves	-	-	(4,427)	(2,145)	-	(2)	(954)	(7,528)
Depreciation	-	(953)	(4,870)	(47)	(1,518)	(693)	(1,791)	(9,872)
Closing net carrying amount at 31 March 2006	3,081	27,890	17,653	2,537	11,733	653	3,432	66,979
Gross carrying amount	3,081	32,362	64,431	12,548	13,493	6,543	14,971	147,429
Accumulated depreciation	-	(4,472)	(46,778)	(10,011)	(1,760)	(5,890)	(11,539)	(80,450)

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.

The Council for Geoscience is currently awaiting the transfer of the Head Office building in Pretoria from the Department of Public Works to the Council for Geoscience.

Location	Fair value
280 Pretoria Street, Silverton, Pretoria	R 94,000,000
474 Carl Street, Town Lands 351JR, Pretoria West	R 2,800,000
Portion of stand 110, 21 Schoeman Street, Polokwane	R 350,000

The fair value of these properties has been included in the carrying amount of land and buildings as at 31 March 2007.

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

COUNCIL FOR GEOSCIENCE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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3 Intangible assets

Computer software

	2007 R'000	2006 R'000
Gross carrying amount	4,670	3,746
Accumulated amortisation	(3,253)	(1,827)
Opening net carrying amount at 31 March 2005	1,417	1,919
Movements during the year:		
Acquisitions	835	924
Disposals	(101)	-
Amortisation on revaluation reserves	-	(180)
Amortisation	(1,255)	(1,246)
Closing net carrying amount at 31 March 2006	896	1,417
Gross carrying amount	4,844	4,670
Accumulated amortisation	(3,948)	(3,253)

4 Retirement benefit

4.1 Medical aid scheme

The Council for Geoscience has made provision for the medical aid scheme covering substantially all employees. All eligible employees are members of the defined benefit scheme administered by the Council. The assets of these schemes are held in administered trust funds separate from the Council's assets. Scheme assets primarily consist of listed shares and property trust units, and fixed income securities.

The defined benefit scheme administered by the Council is valued actuarially using the projected unit credit method. The scheme was last actuarially valued during the year ended 31 March 2007. At that time the scheme was certified by the reporting actuary as being in a sound financial position. In arriving at his conclusion, the actuary took into account the following assumptions at reporting date (expressed as weighted averages)

Key assumptions		
Discount rate	8.25%	8.00%
Expected return on plan assets	8.25%	8.00%
Future salary increases	N/A	N/A
Medical inflation rate	6.75%	6.00%

The actual return on plan assets are:

Expected return on plan assets	2,217	1,852
Actuarial gain on plan assets	1,890	2,493
Actual return on plan assets	4,107	4,345

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

4 Retirement benefit *(continued)*

The amount included in the statement of financial position arising from the Council for Geoscience's obligation in respect of the post-retirement medical aid contributions to staff members is as follows:

	2007 R'000	2006 R'000
Present value of fund obligations	28,618	20,919
Fair value of plan assets	(31,277)	(27,716)
Unrecognised actuarial loss/(gain)	1,597	1,597
Asset recognised in the statement of financial position	<u>(1,062)</u>	<u>(5,200)</u>

Movements in the net liability in the current period were as follows:

Net liability at the beginning of the year	(5,200)	(3,480)
Amounts charged to income	4,138	1,267
Contributions paid to the Post-Retirement Medical Fund	-	(2,987)
Net asset at the end of the year	<u>(1,062)</u>	<u>(5,200)</u>

The post retirement medical benefit was found to have a funded actuarial projected asset totalling R1,062,000 (2006: R5,200,000). The Council for Geoscience stopped contributions until such time that the existing assets have been absorbed by the liability.

Changes in the present value of the obligation and in the fair value of the plan assets

Present value of obligation at 1 April	20,919	21,727
Interest cost	1,654	1,881
Current service cost	994	1,122
Benefits paid	(499)	(448)
Actuarial (gain)/loss obligation	5,550	(3,363)
Present value of obligation at 31 March	<u>28,618</u>	<u>20,919</u>
Fair value of plan assets at 1 April	27,715	20,832
Expected return on plan assets	2,217	1,852
Contributions	-	2,986
Benefits paid	(499)	(448)
Actuarial gain/(loss) on plan assets	1,844	2,493
Fair value of plan assets at 31 March	<u>31,277</u>	<u>27,715</u>
Fair value of obligation	28,618	20,919
Unrecognised actuarial gain/(loss)	1,597	1,596
Fair value of assets	<u>(31,277)</u>	<u>(27,715)</u>
	<u>(1,062)</u>	<u>(5,200)</u>

COUNCIL FOR GEOSCIENCE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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	2007 R'000	2006 R'000
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4 Retirement benefit *(continued)*

4.2 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 R4,209,919 (2006: R3,385,151) represents equal contributions of 7.5% by the employer and employee.

5 Trade and other receivables

Trade receivables	18,252	32,691
Trade receivables - Retention	853	629
Contract customers	52,210	11,526
Other receivables	1,682	1,508
Prepaid expenses	429	6,087
Personnel loans	30	150
	<u>73,456</u>	<u>52,591</u>
Less - Provision for bad debts	(1,315)	(6,771)
	<u>72,141</u>	<u>45,820</u>

The Morocco bad debt provision to the amount of R5,456,580 has been reversed since the potential breach of contract due to insurance problems has been averted.

6 Cash and cash equivalents

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

Cash at bank	15,524	42,161
Call accounts	141,714	102,680
Cash and cash equivalents at the end of the period	<u>157,238</u>	<u>144,841</u>

7 Government grant

Carrying amount at the beginning of year - Refer to note 14.3	7,430	-
Disposals	(3,246)	-
Recognised as income	(2,849)	-
Acquired through government grant	95,763	-
Carrying amount at the end of year	<u>97,098</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

	2007 R'000	2006 R'000
8 Trade and other payables		
Trade payables	7,996	2,757
Advance clients' billing	232	2,394
Advance European Commission	6,797	9,147
Other payables	9,720	4,205
	<u>24,745</u>	<u>18,503</u>
9 Deferred income		
Deferred income arising as a result of an agreement entered into with the Department of Minerals and Energy to develop and implement various measures to mitigate the effect of mining induced contamination of the ground water in the Witwatersrand area.		
Carrying amount at the beginning of year	4,841	23,135
Amounts received	4,600	-
Interest earned	407	963
Amounts used during the year	(5,357)	(19,257)
Carrying amount at the end of year	<u>4,491</u>	<u>4,841</u>
Deferred income arising as a result of an agreement entered into with the Department of Minerals and Energy to develop and implement Small-Scale Mining programmes.		
Carrying amount at the beginning of year	19,518	15,355
Amounts received	21,799	5,465
Amounts used during the year	(2,236)	(1,792)
Interest earned	1,396	490
Carrying amount at the end of year	<u>40,477</u>	<u>19,518</u>
Deferred income arising as a result of an agreement entered into with the Department of Minerals and Energy to develop and implement the closing of mine holes.		
Carrying amount at the beginning of year	28,614	13,253
Amounts received	-	15,638
Amounts used during the year	(10,466)	(1,012)
Interest earned	1,513	735
Carrying amount at the end of year	<u>19,661</u>	<u>28,614</u>
Deferred income arising as a result of a contract entered into with the Lesotho ARF Project.		

COUNCIL FOR GEOSCIENCE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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9 Deferred income (continued)

	2007 R'000	2006 R'000
Carrying amount at the beginning of year	709	1,298
Amounts used during the year	(358)	(589)
Carrying amount at the end of year	351	709

Deferred income arising as a result of an agreement with the Department of Minerals and Energy in terms of the Sustainable Development through Mining project.

Carrying amount at the beginning of year	8,050	-
Amounts received	9,300	8,050
Amounts used during the year	(5,356)	-
Interest earned	587	-
Carrying amount at the end of year	12,581	8,050

Deferred income arising as a result of an agreement with the Department of Science and Technology in terms of the Madagascar Geological Mapping project.

Carrying amount at the beginning of year	3,345	-
Amounts received	1,958	3,880
Amounts used during the year	(2,717)	(658)
Interest earned	254	123
Carrying amount at the end of year	2,840	3,345

Deferred income arising as a result of an agreement with the Department of Provincial and Local Government to establish a South African Tsunami Early Warning System.

Carrying amount at the beginning of year	1,950	-
Amounts received	-	1,950
Amounts used during the year	(427)	-
Carrying amount at the end of year	1,523	1,950

Deferred income arising as a result of an agreement with the Department of Science and Technology to establish an international collaboration research project on the Karoo sequences in South Africa, Botswana and Namibia.

Carrying amount at the beginning of year	1,195	-
Amounts received	-	1,195
Amounts used during the year	(371)	-
Carrying amount at the end of year	824	1,195
	82,748	68,222

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

10 Provisions

Provision for leave pay

	2007 R'000	2006 R'000
Carrying amount at the beginning of year	2,357	7,633
Provision current year	2,069	782
Amounts used during the current year	(371)	(6,058)
Carrying amount at the end of year	4,055	2,357

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

11 Surplus from operations

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

Revenue

Government grant - core funding	93,100	86,078
Earmarked funding	265	105
Government grant recognised	2,849	-
Contracting revenue	97,701	70,401
Publication revenue	595	624
	194,510	157,208

Cost of contracts

Direct cost	53,020	30,554
Personnel expenditure	22,767	17,186
	75,787	47,740

Other operating income

Foreign currency gains	5,262	311
Rental income	-	20
Sundry income	732	837
	5,994	1,168

Administrative expenses include -

Audit remuneration	621	308
Audit fees		
- Current year	32	49
- Prior year	363	193
- Fee for other services	226	66

COUNCIL FOR GEOSCIENCE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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11 Surplus from operations (continued)

	2007 R'000	2006 R'000
Bad debts written off	121	-
Provision for bad debts	(5,455)	5,028
Depreciation - on owned assets	13,462	11,118
- Buildings	1,078	953
- Equipment	7,157	4,870
- Office furniture	20	47
- Motor vehicles	159	693
- Aircraft	1,541	1,518
- Computer software	1,255	1,246
- Computer equipment	2,252	1,791
Rentals in respect of operating leases		
- Land and buildings	322	340
Other operating expenses	985	307
Net loss on disposal of equipment	618	-
Foreign currency losses	367	307
Staff costs	102,411	77,639
Included in staff costs are:		
Defined benefit plan expense for the post-retirement medical aid fund	4,138	1,267
Current service cost	994	1,122
Interest cost	1,654	1,881
Expected return on plan assets	(2,217)	(1,852)
Recognised actuarial loss	3,707	116
- Defined contribution plan expenses for the pension and provident fund	4,210	3,385

Emoluments

Senior management	2006/2007					2005/2006			
	Pensionable salary R	Provident fund contributions R	Performance bonus R	Other contributions R	Total R	Pensionable salary R	Provident fund contributions R	Other contributions R	Total R
Ramontja T	787,690	63,615	144,510	300,478	1,296,293	685,335	51,400	179,396	916,131
Matsepe L D	367,265	33,913	77,858	213,908	692,944	307,111	23,033	74,878	405,022
Ramagwede L F	550,761	49,047	81,987	285,468	967,263	476,922	36,555	84,672	598,149
Graham G	635,660	49,047	114,484	202,031	1,001,222	514,927	38,620	118,419	671,966
Zawada P K	657,837	47,687	107,329	157,160	970,013	497,750	37,331	110,915	645,996

Management Board member - T. Ramontja
Performance bonus was introduced in 2006/2007

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

	2007 R'000	2006 R'000
11 Surplus from operations <i>(continued)</i>		
Management Board Emoluments		
Non-executive Board Members		
Ngoepe P E	76,733	41,433
Nkuna A P	19,650	15,215
Barton J M Jr	63,114	35,639
Makibinyane L L	44,948	55,339
Mollo J K	39,300	23,668
Xaso T	31,440	8,453
	<u>275,185</u>	<u>179,747</u>

Details regarding Management Board members service contracts:
Management Board members representing government departments
are not included above as they received no emoluments.

The current term of office of the non-executive Management Board
members expires on 30 September 2009.

12 Interest received

Interest received		
- Interest income on call accounts	5,821	5,421
- Interest income on current accounts	741	355
	<u>6,562</u>	<u>5,776</u>

13 Finance cost

Interest	<u>50</u>	<u>7</u>
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14 Prior-period error

14.1 Useful life of fully depreciated assets

In the 2006 financial year the estimated value (R7,093,000) of the
extended useful life of fully depreciated assets was incorrectly allocated
to revaluation reserve instead of accumulated surpluses. The effect of
the correction of this error on the results of the 2006 financial year is
as follows:

Decrease in revaluation reserve		
Increase in accumulated surpluses	-	(7,093)
Adjustment against net assets	-	7,093
	<u>-</u>	<u>-</u>

COUNCIL FOR GEOSCIENCE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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	2007 R'000	2006 R'000
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14 Prior-period error *(continued)*

14.2 Assets incorrectly expensed

In the 2006 financial year small assets to the amount of R486,651 were incorrectly expensed and formed part of the administrative expenses. The estimated useful lives of these assets were extended and formed part of the revaluation reserve. The effect of the correction of this error on the results of the 2006 financial year is as follows:

Decrease in revaluation reserve	-	(486)
Increase in accumulated surpluses	-	486
Adjustment against net assets	-	-

14.3 Reclassification of revaluation reserve

The Council for Geoscience uses the cost model to account for its assets. In the 2006 financial year assets transferred from government were incorrectly revalued and a revaluation reserve was created. The value of these assets is now recognised as government grant and is reflected as the opening balance in the note to government grant.

14.4 Medical Aid Scheme

In the previous financial year the expected return on plan assets assumption was erroneously disclosed at 6% instead of 8%. No financial effect occurred as calculation was done using the correct rate.

15 Reconciliation of net surplus for the year to cash generated from operations

Net surplus for the year	16,227	16,776
Adjustments for -		
Interest	50	7
Depreciation on property and equipment	13,462	11,118
Government grant recognised	(2,849)	-
Net profit on disposal of property and equipment	618	-
Increase in provision for bad debts	(5,456)	5,028
Interest earned	(6,562)	(5,776)
Provision for post-retirement medical aid benefits	4,138	(1,720)
Operating cash flows before working capital changes	19,628	25,433

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

	2007 R'000	2006 R'000
15 Reconciliation of net surplus for the year to cash generated from operations <i>(continued)</i>		
Working capital changes -		
(Decrease)/increase in provision for accumulated leave pay	1,698	(5,276)
Increase in trade and other receivables	(20,865)	(29,012)
Increase in trade and other payables	6,242	10,679
Increase in deferred income	14,526	15,076
Cash generated from operations	<u>21,229</u>	<u>16,900</u>
16 Acquisition of:		
16.1 Property, plant and equipment		
Land and buildings	249	2,770
Equipment	8,034	5,233
Office furniture	13	95
Aircraft	967	7,102
Motor vehicles	2,738	-
Computer equipment	2,508	1,195
	<u>14,509</u>	<u>16,395</u>
16.2 Intangible assets		
Computer software	<u>835</u>	<u>924</u>
17 Contingent liability		
Performance bonds and bid bonds issued for contract work to various financial institutions.	<u>15,669</u>	<u>9,607</u>
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		
At the reporting date, the outstanding commitments under non cancellable operating leases which fall due, are as follows:		
Up to 1 year	270	389
2 to 5 years	-	70
Total lease commitments	<u>270</u>	<u>459</u>

COUNCIL FOR GEOSCIENCE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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19 Operating lease commitments *(continued)*

The Council for Geoscience is leasing office premises from EVN Africa for a period of one year, effective from 1 March 2007. The average lease payments are R22,513 per month, with an extension option.

The Council for Geoscience is leasing office premises and services from the University of KwaZulu-Natal on a monthly basis. The lease payments are R4,023 per month, with no contingent lease payments.

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.

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.

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 2007

	2007	2006
	Average %	Average %
Assets		
Cash	6.41%	5.50%
Call accounts	7.85%	7.03%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

2007	2006
R'000	R'000

20 Financial instruments (continued)

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, as was approved by the Management Board.
- Investments are only reinvested or invested with Executive 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 2007 is disclosed in note 22.

20.4 Airborne operations risk

Risk in respect of the airborne operations of the Council for Geoscience has been identified and transferred to a third party.

20.5 Fair value of financial instruments

At 31 March 2007 the carrying amounts of cash and short-term investments, accounts receivable and accounts payable approximated to their fair values due to the short-term maturities of these assets and liabilities. The net fair value of the Council for Geoscience's assets and liabilities are stated below -

Assets

Cash and cash equivalents	157,238	144,841
Trade and other receivables	72,141	45,820

Liabilities

Trade and other payables	24,745	18,503
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21 Capital commitments

Commitments for the alterations of property and equipment

- Approved and contracted for
Thirteen motor vehicles

2,901	-
2,901	-

COUNCIL FOR GEOSCIENCE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

22 Foreign currency exposure

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			2007 R'000			2006 R'000
	Exchange rate	Foreign amount	R value	Exchange rate	Foreign amount	R value
22.1 Trade receivables						
Foreign currency						
Ghana Cedi	R0.000750	¢ 59,706	R45	R0.000750	¢ 502,358	R329
Madagascar Ariary	-	-	-	R0.002729	Ar 41,8331	R1,142
Moroccan Dirham	R0.876600	DH 5,869	R5,145	R0.696100	DH 6,966	R4,849
Euro	R9.695200	€ 353	R3,422	R7.528800	€ 1,496	R11,263
US\$	-	-	-	R6.217500	\$ 867	R5,391

22.2 Banks

Foreign funds						
Ghana Cedi	R0.00075	¢ 598,061	R449	R0.00066	¢ 528,171	R346
Madagascar Ariary	R0.00359	Ar 4,241	R15	R0.00273	Ar 34,643	R95
Moroccan Dirham	R0.87660	DH 3,390	R2,972	R0.69610	DH 1,162	R809
Euro	R9.69520	€ 835	R8,095	R7.52880	€ 1,034	R7,785

23 Related-party transactions

During the year, the following related-party transactions took place between the Council for Geoscience and the Department of Minerals and Energy:

Sales of goods and services

Deferred income	77,210	61,023
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

23 Related-party transactions *(continued)*

During the year, the following related-party transactions took place between the Council for Geoscience and the Department of Science and Technology:

Sales of goods and services

Deferred income	2,840	3,345
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Refer to note 9 for further details regarding deferred income transaction.

The Council for Geoscience offers geoscientific services to government departments.

Government grants:
Revenue

93,100	86,078
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24 Change in accounting estimates

The useful life of an aircraft body was estimated in the 2006 financial period at 4 years and has been revised in the 2007 financial period to 10 years.

Depreciation before change	1,797	-
Depreciation after change	719	-
	1,078	-

The amount of R1,078,211 represents the helicopter depreciated for 9 months and the aeroplane for 12 months in the 2007 financial period.

The change of R1,147,257 for a full year will be reflected in future periods.

LEADING EARTH-SCIENCE SOLUTIONS

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