

PART E: FINANCIAL INFORMATION

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

- The statement of responsibility for the Annual Financial Statements of the year ended 31 March 2017 as signed by the CEO, Mr M. Mabuza and the Chairperson of the Board, Dr H. Mathe;
- The report of the Chief Executive Officer, which includes the general financial review and matters related to the proposed activities, retention of surpluses, supply chain management, audit report matters and plans for the future;
- Report of the Auditor-General to Parliament on the Council for Geoscience. This report gives an opinion in regard to the fairness of the Annual Financial Statements in presenting the organisation's financial position, financial performance and cash flow in accordance with SA Standards of GRAP and requirements of the PFMA, in all material aspects. It reports on performance on legal and regulatory compliance, internal control and matters related thereto;
- The Annual Financial Statements comprise: the Statement of Financial Position; Statement of Financial Performance; Statement of Changes in Net Assets; Cash Flow Statement and Notes to the Financial Statements.

STATEMENT OF RESPONSIBILITY

Statement of responsibility for the annual financial statements for the year ended 31 March 2017

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 in respect of the integrity and reliability of the annual financial statements.

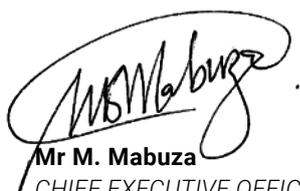
In our opinion, the financial statements fairly reflect the operations of the Council

for Geoscience for the financial year ended 31 March 2017.

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 2017 have been audited by the external auditors and their report is presented on pages 82 to 86.

The annual financial statements of the Council for Geoscience set out on pages 87 to 115 have been approved.



Mr M. Mabuza
CHIEF EXECUTIVE OFFICER
Council for Geoscience
31 July 2017



Dr H. Mathe
CHAIRPERSON OF THE BOARD
Council for Geoscience
31 July 2017

REPORT OF THE CHIEF EXECUTIVE OFFICER

General financial review of the Council for Geoscience

The statement of the financial position of the organisation shows growth in total assets from R571.1m to R613.7m. Current assets amount to R336.7m and current liabilities to R157.5m for the reporting period, meaning that the Council for Geoscience will be able to meet its current financial obligations. An amount of R74.7m was spent on Council for Geoscience 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 in the amount of R60.6m.

The increase in revenue and surplus is attributable to the changes that are being implemented in the organisation for better future performance and stability. There were also challenges in respect of implementing the projects that are of national importance, i.e. MTEF-funded projects.

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 the 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 year under review.

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 2017.

Plans for future additional financial challenges

The Council for Geoscience has reviewed its strategy and structure to optimise the delivery of its mandate. The new strategy includes an expanded mapping programme which aims to refocus the organisation in regard to its statutory mandate as well as to rejuvenate investment in the mining sector.

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Council for Geoscience set out on pages 87 to 115, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council for Geoscience as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with 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).

Basis for opinion

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

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 25 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2017.

Irregular expenditure

8. As disclosed in note 23 to the financial statements, irregular expenditure to the amount of R393 000 was incurred, due to payments made by the entity in contravention of the treasury regulations.

Responsibilities of the accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the financial statements, the accounting authority is responsible for assessing the Council for Geoscience's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention by the accounting authority either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

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

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

12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2017:

Objectives	Pages in the annual performance report
Objective 1 – To serve our stakeholders and customers	21
Objective 2 – To effectively promote the CGS and disseminate strategic information to the public	22
Objective 3 – To generate revenue	22
Objective 4 – To manage overhead efficiency	22
Objective 5 – To develop and implement effective procedures	23
Objective 6 – To drive preferential procurement	23
Objective 7 – To attract and retain workforce	23
Objective 8 – To build a positive organisation	24
Objective 9 – To reflect and embrace RSA diversity	24

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
- Objective 1 – To serve our stakeholders and customers
 - Objective 2 – To effectively promote the CGS and disseminate strategic information to the public
 - Objective 3 – To generate revenue
 - Objective 4 – To manage overhead efficiency
 - Objective 5 – To develop and implement effective procedures
 - Objective 6 – To drive preferential procurement
 - Objective 7 – To attract and retain workforce
 - Objective 8 – To build a positive organisation
 - Objective 9 – To reflect and embrace RSA diversity

Other matters

18. 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:
19. Achievement of planned targets
- Refer to the annual performance report on pages 21 to 24 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.
20. Adjustment of material misstatements
- I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Objective 1 – To serve our stakeholders and customers, Objective 7 – To attract and retain workforce, Objective 8 – To build a positive organisation and Objective 9 – To reflect and embrace RSA diversity. As management subsequently corrected the misstatements, I did not report any material findings on the usefulness and reliability of the reported performance information.

Report on audit of compliance with legislation

Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
22. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:
23. Annual financial statements, performance and annual report

The annual performance report did not include some of the actual performance results against the objectives, indicators and targets as per the annual performance plan, as required by section 55(2)(a) of the PFMA.

Other information

24. The Council for Geoscience accounting authority is responsible for the other information. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

27. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Financial and performance management

Regular, accurate and complete financial and performance reports

28. The review process did not detect errors in the annual performance report information submitted for audit.

Auditor General

Pretoria

31 July 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
 - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council for Geoscience’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause a public entity to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Statement of Financial Position at 31 March 2017

	Notes	2017 R'000	2016 (Restated) R'000
Assets			
Non-current assets			
		276 943	228 358
Property and equipment	3	255 542	206 984
Intangible assets	4	3 839	3 812
Heritage assets	26	17 562	17 562
Current assets			
		336 761	342 771
Inventories	5	5	5
Trade and other receivables	7	19 391	30 247
Cash and cash equivalents	8	317 364	312 519
Total assets		613 704	571 129
Net assets and liabilities			
Net assets			
Accumulated surplus		448 121	387 546
Non-current liabilities			
Post-employment benefit liabilities	6	8 050	7 872
Current liabilities			
		157 533	175 711
Trade and other payables	9	26 295	35 449
Deferred income	10	113 072	125 188
Accruals	11	18 166	15 074
Total net assets and liabilities		613 704	571 129

Statement of Financial Performance for the period ended 31 March 2017

	Notes	2017 R'000	2016 (Restated) R'000
Revenue	12	428 438	384 085
Cost of commercial projects	12	(14 615)	(28 454)
Cost of statutory projects	12	(159 243)	(145 831)
Gross surplus		254 580	209 800
Other operating income	12	6 513	8 884
Administrative expenses		(219 087)	(169 315)
Other operating expenses	12	(6 948)	(17 965)
Interest received	13	25 572	19 919
Surplus from operations		60 630	51 323
Finance cost	14	(55)	(19)
Net surplus for the year		60 575	51 304

Statement of Changes in Net Assets for the period ended 31 March 2017

	Notes	Accumulated surplus R'000	Total R'000
Balance at 31 March 2015		336 242	336 242
Net surplus for the period restated		51 304	51 304
Net surplus for the period 2016		54 180	54 180
Correction of prior period error	25.1	(2 876)	(2 876)
Balance at 31 March 2016 restated		387 546	387 546
Net surplus for the period		60 575	60 575
Balance at 31 March 2017		448 121	448 121

Cash Flow Statement for the period ended 31 March 2017

	Notes	2017 R'000	2016 (Restated) R'000
Cash inflow from operating activities		78 293	100 995
Cash receipts from customers		439 301	375 149
Cash paid to suppliers and employees		(386 525)	(294 054)
Cash generated from operations	15	52 776	81 095
Interest received	13	25 572	19 919
Finance cost	14	(55)	(19)
Cash outflow from investing activities		(73 448)	(40 413)
Acquisition of:			
Property and equipment	16.1	(73 127)	(40 002)
Intangible assets	16.2	(1 633)	(1 719)
Recovery of losses from property and equipment	3.1	1 312	1 308
Net increase in cash and cash equivalents		4 845	60 582
Cash and cash equivalents at beginning of period	8	312 519	251 937
Cash and cash equivalents at end of period	8	317 364	312 519

1. ACCOUNTING POLICIES

1.1 Basis of preparation

Statement of compliance

1. The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (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 and is not publicly available.

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.

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.

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 in relation to the costs incurred.

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.

1.3 Interest received

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

1.4 Property and equipment

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

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

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

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

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

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

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

Where an asset is acquired at no cost, or at a nominal cost, its cost is its fair value as at the 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 & Helicopter – Body	15 years
Aircraft & Helicopter – Components	Useful hours per Civil Aviation Authority
Boat	10 years
Office furniture	20 years
Computer equipment	6 years
Specialised equipment	15 years

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

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

1.5 Intangible assets

An intangible asset is recognised when:

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

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

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from research and development is recognised as part of intangible assets only if all of the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits;
- The development cost of the asset can be measured reliably;

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

1.6 Heritage assets

Heritage assets are assets held for their cultural, environmental or historical significance. Heritage assets are initially recognised at deemed cost (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.

1.7 Inventories

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

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

1.8 Translation of foreign currencies

Foreign currency transactions

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

At each balance sheet date:

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which

they were translated on initial recognition during the period or in previous annual financial statements are recognised in the statement of financial performance in the period in which they arise.

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

1.9 Deferred income

Deferred income is 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.

1.10 Retirement benefit costs

Short-term employee benefits

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

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

Defined contribution and defined benefit plans

The Council for Geoscience operates both a defined contribution pension and provident fund and a defined benefit plan in respect of post-retirement medical-aid contributions. For the defined benefit plan, the defined benefit obligation and the related current service cost 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.

1.11 Provisions and contingent liabilities

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

Commitments

The Council for Geoscience classifies commitments as contracted future transactions that are non-cancellable or only cancellable at significant cost, and that will normally result in the outflow of cash.

This excludes steady routine transactions such as salary commitments relating to employment contracts or social security benefits.

A distinction is made between operational and capital commitments.

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

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

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

1.12 Financial instruments

Initial recognition

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a

financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

Financial assets and liabilities are recognised initially at fair value.

Derecognition of financial instruments

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

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 uncollectable, 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 values 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 values 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 evaluated individually for impairment indicators. Write-offs of these assets are expensed in surplus or deficit.

Cash and cash equivalents

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

Financial liabilities carried at amortised cost

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

1.13 Operating leases

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

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

1.14 Impairment

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

The entity assesses at each balance sheet date whether there is any indication that an asset

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

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

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

1.15 Critical accounting estimates and judgements**Provision for bad debts**

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

Provisions

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

Property and equipment

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

Leases

Management has applied its judgement to classify all lease agreements that the entity is party to as operating leases, as they do not transfer substantially all risks and ownership

to the entity. Furthermore, as the operating lease in respect of premises is only for a relatively short period of time, Management has made a judgement that it would not be meaningful to classify the lease into separate components for the land and for the buildings for the Polokwane office current lease, and the agreement will be classified in its entirety as an operating lease.

1.16 Sources of estimation uncertainty

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

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The Council for Geoscience has not applied the following standards and interpretations, which have been approved but are not yet effective for accounting periods 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
IGRAP 17	Services Concession Arrangements	None	No effective date

3. PROPERTY AND EQUIPMENT

	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
2017								
Gross carrying amount	18 231	161 454	120 375	14 002	23 382	16 496	21 407	375 347
Accumulated depreciation at the beginning of the period	(1 600)	(49 785)	(76 522)	(8 214)	(8 732)	(9 854)	(13 656)	(168 363)
Opening net carrying amount at 31 March 2016	16 631	111 669	43 853	5 788	14 650	6 642	7 751	206 984
Movements during the period:								
Work in progress (refer to note 3.3)	-	19 360	2 230	-	983	-	-	22 573
Acquisitions	-	3 459	29 724	664	-	14 275	2 432	50 554
Impairment	(360)	-	-	-	-	-	-	(360)
Disposals	-	-	(2 116)	(404)	-	(11)	(486)	(3 017)
Disposals – Cost	-	-	(13 341)	(1 147)	-	(117)	(3 449)	(18 054)
Disposals – Depreciation	-	-	11 225	743	-	106	2 963	15 037
Depreciation	-	(4 941)	(10 020)	(685)	(1 750)	(1 821)	(1 978)	(21 195)
Closing net carrying amount at 31 March 2017	16 271	129 547	63 674	5 363	13 883	19 085	7 719	255 542
Gross carrying amount	18 231	184 273	138 988	13 519	24 365	30 654	20 390	430 420
Accumulated depreciation/ impairment	(1 960)	(54 726)	(75 314)	(8 156)	(10 482)	(11 569)	(12 671)	(174 878)

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	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
Impairment	(1 600)	(4 304)	-	-	-	-	-	(5 904)
Acquisitions	-	3 864	12 534	170	3 224	-	1 677	21 469
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)	(1 288)	(1 584)	(1 797)	(17 094)
Closing net carrying amount at 31 March 2016	16 631	111 669	43 853	5 788	14 650	6 642	7 751	206 984
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)	(8 732)	(9 854)	(13 656)	(168 363)

* Equipment in the tables above include the following categories of equipment: specialised equipment, audio and visual equipment and technical equipment

3.1 Compensation from third parties for property and equipment lost

Proceeds from insurance

	2017	2016
	R'000	R'000
Proceeds from insurance	1 312	1 308

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 R'000

474 Carl Street, Town Lands 351 JR, Pretoria West

R 2 800

280 Pretoria Street, Silverton, Pretoria

R 94 000

The value of these properties has been included in the carrying amount of land and buildings as at 31 March 2017 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.

3.2 Impairment of property

Description	2017	2016
	R'000	R'000
Buildings and fixtures	-	4 304
Land	360	1 600
	360	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 the findings of the valuator the appropriate recoverable service amount is its fair value less cost to sell.

3.3 Property and equipment in the process of being constructed

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

	Buildings and fixtures R'000	Equipment R'000	Aircraft and boat R'000	Total R'000
Gross carrying amount	16 133	2 400	-	18 533
Accumulated depreciation at the beginning of the period	-	-	-	-
Opening net carrying amount at 31 March 2016	16 133	2 400	-	18 533
Movement	3 227	(170)	983	4 040
Closing net carrying amount at 31 March 2017	19 360	2 230	983	22 573

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

Included in the work in progress for buildings and fixtures is a carrying amount of R18 748m in respect of an HVAC system (airconditioning system) in the Silverton building that has been delayed due to technical difficulties.

	Buildings and fixtures R'000
Gross carrying amount	13 654
Accumulated depreciation at the beginning of the period	-
Opening net carrying amount at 31 March 2016	13 654
Movement	5 094
Closing net carrying amount at 31 March 2017	18 748

Property and equipment (continued)

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

Repairs and maintenance

	2017	2016
	R'000	R'000
Description		
Land and buildings	4 064	4 447
Office equipment and furniture	92	112
Technical and scientific equipment	3 271	1 871
Computer equipment	375	192
Aircraft	1 229	2 293
	9 030	8 915

4. INTANGIBLE ASSETS

Computer software

Gross carrying amount	8 639	8 878
Accumulated amortisation	(4 827)	(5 299)
Opening net carrying amount at 31 March 2016	3 812	3 579
Movements during the period:		
Acquisitions	1 633	1 719
Disposals	(90)	(183)
Disposals – Cost	(301)	(1 958)
Disposals – Amortisation	211	1 775
Amortisation	(1 516)	(1 303)
Closing net carrying amount at 31 March 2017	3 839	3 812
Gross carrying amount	9 971	8 639
Accumulated amortisation	(6 132)	(4 827)

5. INVENTORIES

Publication inventories	5	5
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6. RETIREMENT BENEFIT

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:

	2017	2016
	R'000	R'000
Current service costs	118	144
Interest charge	1 995	1 651
Expected return on planned assets	(1 355)	(1 158)
Actuarial (gain)/loss recognised	(580)	1 873
Recognition of loss on asset realisation	-	(1 650)
	178	860

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

	2017	2016	2015	2014
	R'000	R'000	R'000	R'000
Present value of fund obligations	23 084	22 931	21 863	19 504
Fair value of planned assets	(15 034)	(15 059)	(14 851)	(14 147)
Liability recognised in statement of financial position	8 050	7 872	7 012	5 357

Movement in net liability during the period is as follows:	2017			2016		
	Liability	Planned asset	Net	Liability	Planned asset	Net
Liability at beginning of period	22 931	-	22 931	21 863	-	21 863
Value of planned assets at beginning of period	-	(15 059)	(15 059)	-	(14 851)	(14 851)
	22 931	(15 059)	7 872	21 863	(14 851)	7 012
Interest charge/expected return of planned asset	1 995	(1 355)	640	1 651	(1 158)	493
Contributions received	118	-	118	-	(1 650)	(1 650)
Current service costs	-	-	-	144	-	144
Benefits paid	(1 670)	1 670	-	(1 549)	1 549	-
Actuarial (gain)/loss	(290)	(290)	(580)	822	1 051	1 873
Actuarial loss/(gain) recognised on curtailment	-	-	-	-	-	-
Closing balance	23 084	(15 034)	8 050	22 931	(15 059)	7 872

Contributions expected to be paid

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

Expected rate of return on assets	8.55%
Assumptions	
Discount rates	8.55%
Basis of discount rates	JSE zero coupon bond yield after the market closed on 31 March 2017
Return on assets	8.55%
Expected salary increases	7.50%
Health care cost inflation rate	7.04%

Sensitivity analysis on accrued liability (R millions) for the year ending 31 March 2017

Assumption	Change	In-service	Continuation	Total	Change
Central assumptions	-	3.718	19.367	23.085	-
Health care inflation	1%	4.287	20.943	25.230	9%
	-1%	3.25	17.968	21.218	-8%
Discount rate	1%	3.252	17.956	21.208	-8%
	-1%	4.294	20.984	25.278	10%
Post-retirement mortality	-1 year	3.835	20.212	24.047	4%
Average retirement date	-1 year	3.806	19.367	23.173	0%
Continuation of membership at retirement	-10%	3.351	19.367	22.718	-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.

Sensitivity analysis for current service and interest cost for the year ending 31 March 2017

Assumption	Change	Current service	Interest cost	Total	Change
Central assumptions	-	118 400	1 995 100	2 113 500	-
Health care inflation	1%	140 500	2 198 500	2 339 000	11%
	-1%	100 700	1 819 100	1 919 800	-9%
Discount rate	1%	101 600	2 019 600	2 121 200	0%
	-1%	139 600	1 959 100	2 098 700	-1%
Average retirement age (60)	-1 year	100 200	2 012 800	2 113 000	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.

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 R10 521m (2016: R9 176m) represents equal contributions of 7.5% by the employer and employee.

7. TRADE AND OTHER RECEIVABLES FOR EXCHANGE REVENUE

	2017	2016
	R'000	R'000
Trade receivables	9 037	6 810
Contract customers	6 747	20 500
Other receivables	4 269	4 609
	20 053	31 919
Less – Provision for bad debts	(662)	(1 672)
	19 391	30 247
Provision for bad debts		
Opening balance	1 672	218
Movement	(1 010)	1 454
Closing balance	662	1 672

Analysis of impairment

Long overdue debtors considered impaired	662	1 672
	662	1 672

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

8. CASH AND CASH EQUIVALENTS

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

Cash at bank	16 497	20 389
Call accounts	300 867	292 130
Cash and cash equivalents at the end of the period are represented by the following balances:	317 364	312 519

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

9. TRADE AND OTHER PAYABLES

Trade payables	10 409	19 487
Other payables	15 886	15 962
	26 295	35 449

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

10. DEFERRED INCOME

Exchange revenue

	2017 R'000	2016 R'000
10.1 Deferred income arising as a result of an agreement entered into with the Department of Science and Technology to investigate rock innovation.		
Carrying amount at the beginning of period	192	-
Amounts received	-	304
Amounts used during the period	(192)	(112)
Carrying amount at the end of period	-	192
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	1 421
Carrying amount at the end of period	1 421	1 421
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
Amounts used during the period	-	(33)
Carrying amount at the end of period	-	-
10.4 Deferred income arising as a result of an agreement with the Department of Science and Technology for environmentally friendly and efficient methods for the extraction of Rare Earth Elements.		
Carrying amount at the beginning of period	1 502	1 299
Amounts received	-	203
Amounts used during the period	(498)	-
Carrying amount at the end of period	1 004	1 502
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
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	35
Carrying amount at the end of period	35	35

	2017 R'000	2016 R'000
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
Amounts received	211	-
Carrying amount at the end of period	321	110
10.8 Deferred income arising as a result of pre-funding for the Microzonation Project.		
Amounts received	11 493	-
Amounts used during the period	(11 493)	-
Carrying amount at the end of period	-	-
10.9 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	119 006	108 468
Amounts received	194 006	177 613
Amounts used during the period	(205 643)	(167 075)
Carrying amount at the end of period	107 369	119 006
Total deferred income	113 072	125 188

11. ACCRUALS

Accruals for leave pay

Carrying amount at the beginning of period	10 927	10 856
Provision current period	3 683	1 357
Amounts used during the current period	(1 026)	(1 286)
Carrying amount at the end of period	13 584	10 927

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	4 147	3 944
Provision current period	435	203
Carrying amount at the end of period	4 582	4 147

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

Total accrual	18 166	15 074
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12. SURPLUS/DEFICIT FROM OPERATIONS

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

Revenue

Non-exchange revenue

Total grant received	378 598	342 914
Project related revenue	(194 006)	(177 613)
	184 592	165 301

Exchange revenue

Department of Mineral Resources project related revenue	205 643	167 075
Contracting revenue	32 833	45 893
Publication revenue	5 369	5 816
	243 846	218 784
	428 438	384 085

Cost of contracts

Direct cost	7 222	17 625
Personnel expenditure	7 393	10 829
	14 615	28 454

Cost of statutory projects

Direct cost	79 373	67 633
Personnel expenditure	79 870	78 198
	159 243	145 831

Other operating income

Foreign currency gains	183	4 503
Recovery of asset losses	1 312	1 308
Sundry income	5 018	3 073
	6 513	8 884

Administrative expenses include -

Audit fees	3 024	1 913
- Current period	2 318	1 538
- Internal audit	194	238
- Fee for other services	512	137
Bad debts written off	1 090	-
Provision for bad debts	(1 010)	1 454
Depreciation — on owned assets	21 195	17 094

Surplus/deficit from operations (continued)

	2017	2016
	R'000	R'000
- Buildings	4 941	4 911
- Equipment	10 020	6 828
- Office furniture	685	686
- Motor vehicles	1 821	1 584
- Aircraft	1 750	1 288
- Computer equipment	1 978	1 797
Amortisation – intangible assets		
- Computer software	1 516	1 303
Rentals in respect of operating leases		
- Land and buildings	651	1 035
- Multifunctional printers	438	546
Other operating expenses		
Net loss on disposal of equipment	2 116	1 714
Net loss on disposal of vehicles	11	906
Net loss on disposal of intangible assets	90	184
Net loss on disposal of computer equipment	486	-
Net loss on disposal of office furniture	404	-
Net loss on disposal of aircraft	-	8 828
Impairment of assets	360	5 904
Writing off of bad debts	1 090	-
Foreign currency losses	2 391	429
	6 948	17 965
Staff costs	222 281	187 620
Included in staff costs are:		
Defined benefit plan expense for the post-retirement medical-aid fund	178	860
Current service cost	118	144
Interest cost	1 995	1 651
Expected return on plan assets	(1 355)	(1 158)
Recognised actuarial (gain)/loss	(580)	223
- Defined contribution plan expenses for the pension and provident fund	10 521	9 176

Emoluments

Senior management	2016/2017			
	Pensionable salary	Provident/Pension fund contributions	*Other contributions	Total
	R'000	R'000	R'000	R'000
Mr Sikhosana S.M. (Acting CEO) – End date November 2016	1 973	-	21	1 994
Mr Matsepe L.D.	2 041	107	90	2 238
Mr Ramagwede L.F.	1 909	108	88	2 105
Dr Makgae M.E.	1 645	100	84	1 829
Mr Mabuza M. (Acting CEO) – Start date November 2016	438	-	6	444

	2015/2016			
	Pensionable salary	Provident/Pension fund contributions	*Other contributions	Total
	R'000	R'000	R'000	R'000
Mr Kota M. (CEO) – End date April 2015	441	12	28	480
Mr Matsepe L.D.	1 576	103	86	1 765
Mr Ramagwede L.F.	1 559	95	86	1 740
Dr Makgae M.E.	1 503	91	83	1 677
Mr Sikhosana S.M. (Acting CEO) – Start date May 2015	2 347	-	29	2 375

Board emoluments		
Non-executive Board members		
	2017	2016
	R'000	R'000
Prof. Ngoepe P.E.	394	400
Ms Mthimunye K.R.	171	123
Dr Mathe H.	203	101
Mr Sibiyi D.	28	10
Prof. Hermanus M.A.	68	52
Dr McGill J.E.	101	108
	966	793

* Other contributions relate to employer contributions towards statutory deductions.

Surplus/deficit from operations (continued)

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 expired on 28 February 2017.

	2017	2016
	R'000	R'000
13. INTEREST RECEIVED		
Interest received		
- Interest income on call accounts	22 081	17 517
- Interest income on current accounts	3 491	2 402
	<u>25 572</u>	<u>19 919</u>

14. FINANCE COST

Interest	<u>55</u>	<u>19</u>
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15. RECONCILIATION OF NET SURPLUS FOR THE PERIOD TO CASH GENERATED FROM OPERATIONS

Net surplus for the period	60 575	51 304
Interest	55	19
Depreciation on property and equipment	21 195	17 094
Amortisation – intangible assets	1 516	1 303
Impairment of assets	360	5 904
Compensation from third parties for property and equipment lost	(1 312)	(1 308)
Net loss on disposal of fixed assets	3 107	11 632
Interest earned	(25 572)	(19 919)
Provision for post-retirement medical-aid benefits	178	860
Operating cash flows before working capital changes	<u>60 102</u>	<u>66 889</u>
Working capital changes -		
Increase in provision for accumulated leave pay and 13 th cheque	3 073	274
Decrease (increase) in trade and other receivables	10 860	(7 363)
(Decrease) increase in trade and other payables	(9 140)	8 970
(Decrease) increase in deferred income	(12 119)	12 325
Cash generated from operations (including finance costs)	<u>52 776</u>	<u>81 095</u>

2017	2016
R'000	R'000

16. ACQUISITION OF ASSETS

16.1 Property and equipment

Land and buildings	3 459	3 864
Equipment	29 724	12 534
Office furniture	664	170
Aircraft and boat (including WIP aircraft)	-	3 224
Motor vehicles	14 275	-
Computer equipment	2 432	1 677
	<u>50 554</u>	<u>21 469</u>

Work in progress – Acquisitions

Land and buildings	19 360	16 133
Equipment	2 230	2 400
Aircraft	983	-
	<u>22 573</u>	<u>18 533</u>
	<u>73 127</u>	<u>40 002</u>

16.2 Intangible assets

Computer software	1 633	1 719
	<u>1 633</u>	<u>1 719</u>

17. CONTINGENT LIABILITY

17.1 Bank guarantees

Performance bonds and bid bonds issued for contract work to various financial institutions

	1 400	-
	<u>1 400</u>	<u>-</u>

17.2 Pending legal action

The Council for Geoscience has an estimated legal liability due to a pending labour case

	3 000	990
	<u>3 000</u>	<u>990</u>

2017	2016
R'000	R'000

18. TAXATION

No provision for income tax was made as the Council for Geoscience is exempted in terms of section 10(1)(Ca)(i) of the Income Tax Act.

19. OPERATING LEASE COMMITMENTS

19.1 Lease of office space

At reporting date, the outstanding commitments under non-cancellable operating leases, which fall due are as follows:

Up to 1 year	-	492
Total lease commitments	-	492

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	1 689
2 to 5 years	2 214	4 090
Total lease commitments	3 903	5 779

19.3 Commitments

Operating expenditure		
Approved and contracted	85 337	74 270
Capital expenditure		
Approved and contracted: Property and equipment	27 889	23 689
Total commitments	113 226	97 959

Commitments		
Up to 1 year	89 570	88 538
2 to 5 years	23 656	9 421
Total commitments	113 226	97 959

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

- Sampling services, Geophysics
- Accommodation and travel
- Courier services

2017	2016
R'000	R'000

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 exposure of the Council for Geoscience to credit risk in relation to those assets.

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

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

20.2 Interest rate risk

The exposure of the organisation to interest rate risk and the effective interest rates on the financial instruments at reporting date are:
31 March 2017

	Weighted average effective interest rate	Weighted average effective interest rate
Assets		
Cash	3.95%	3.95%
Call accounts	7.46%	7.04%

Short-term deposits

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

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

20.3 Foreign currency risk

The Council for Geoscience undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. It is not policy for the Council for Geoscience to take out cover on these outstanding foreign currency transactions due to the fact that these transactions take place on an ad hoc basis. The Council for Geoscience exposure at 31 March 2017 is disclosed in note 21.

2017	2016
R'000	R'000

20.4 Airborne operations risk

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

21. FOREIGN CURRENCY EXPOSURE

	2017 R'000			2016 R'000		
	Exchange rate	Foreign amount	R-value	Exchange rate	Foreign amount	R-value

21.1 Trade receivables

Foreign currency

British Pound	R 16.39520	£ 15	238	R 20.80070	£ 7	146
US\$	R 13.19130	\$ 166	2 195	R 14.51300	\$ 33	479

21.2 Banks

Foreign funds

Moroccan Dirham (MAD)	R 1.32690	7 774	10 316	R 1.51791	7 861	11 932
Euro	R 14.05630	€ 240	3 374	R 16.53060	€ 240	3 967

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 received	378 598	342 914
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Refer to note 10 for further details regarding transactions with the Department of Mineral Resources.

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

Relationships:

Parent National Department:

Department of Mineral Resources

Other Government Departments and Entities:

Mine Health and Safety Council

	2017	2016
	R'000	R'000

23. IRREGULAR EXPENDITURE

Opening balance	217	1 428
Irregular expenses identified in the current year	393	217
Expenditure condoned	(610)	(1 428)
	-	217

Analysis of expenditure awaiting condonation per age classification

Prior year – payments not in line with supply chain management requirements	-	217
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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.

	-	-
	-	217

Analysis of expenditure condoned per age classification

Opening balance – condoned by the accounting authority of the Council for Geoscience	217	-
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Irregular expenses identified in the current year

Current year – condoned by the accounting authority of the Council for Geoscience	64	1 314
Prior year – Condoned by the accounting authority of the Council for Geoscience	329	114
	610	1 428

Details of irregular expenditure identified in the current year. Two board members were remunerated in direct contravention of the CGS policy and treasury regulation. An investigation confirmed that the irregular expenditure was not a result of fraudulent, corrupt and criminal activities or actions that deprived the state of value for money.

	393	-
	393	-

24. FRUITLESS AND WASTEFUL EXPENDITURE

Interest for late payment to supplier	33	-
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25. CORRECTION OF PRIOR YEAR ERROR

25.1 Correction of prior year unrecorded revenue and accruals

Nature

Statement of financial performance as at 31 March 2016

Revenue recorded in the incorrect period – MTEF	-	129
Revenue recorded in the incorrect period – Commercial revenue	-	48
Depreciation recorded in the incorrect period	600	-
Refund of overpaid expenditure – Retirement benefit expenses	(297)	-
Expenditure captured in the incorrect period	2 573	497

Correction of prior year error (continued)

	2017	2016
	R'000	R'000
Effect		
Statement of financial position as at 31 March 2016		
Government grant project related revenue recognise – Deferred income	-	129
Commercial revenue work in progress – Trade debtors	-	(48)
Depreciation recorded in the incorrect period	(600)	-
Refund of overpaid expenditure of retirement benefit expenses – Sundry debtor	297	-
Expenditure captured in the incorrect period	(2 573)	(497)
Statement of net assets for the period ended 31 March 2016		
Accumulated surpluses	(2 876)	(416)

26. HERITAGE ASSETS DISCLOSURE

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

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

Nature

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

- Gemstone collections	1 445	1 445
- Meteorite collections	2 804	2 804
- Mineral collections	13 313	13 313
Take on value	13 313	13 318
Scrapped during the year (minerals)	-	(5)
	17 562	17 562

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

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

The Council for Geoscience is in possession of old scientific equipment for display purposes only. This equipment does not carry any value.