



**GEORGE LOCAL MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

GENERAL INFORMATION

Nature of business and principal activities

George Municipality (the municipality) is a category B, medium capacity, local government institution in George, Western Cape. The addresses of its registered office and principal place of business are disclosed hereunder and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

Reporting entity's mandate:

The reporting entity (hereafter 'the Entity') is a medium-capacity, category B local authority established in terms of section 151 of the Constitution of the Republic of South Africa (Act 108 of 1996).

The principal activities of the Entity are to:

- * provide democratic and accountable government to the local communities;
- * ensure sustainable service delivery to communities;
- * promote social and economic development;
- * promote a safe and healthy environment; and
- * encourage the involvement of communities and community organisations in the matters of local government.

The Entity's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems Act (Act 32 of 2000) and various other acts and regulations.

Mayoral committee

Executive Mayor
Deputy Executive Mayor

J Von Brandis
B Johnson
R Figland (Resigned 31 January 2025)
S Snyman

Speaker

Councillors
Ward

1	J Safers
2	DL Cronje
3	E Brown
4	M Barnardt
5	M Simmers
6	JH Jantjies
7	VS Mruqhli
8	S Vorster
9	TE Lento
10	ZB Gom
11	SZ Ntondini
12	ET Mdaka
13	SM Toto
14	M Roelfse
15	B Hani
16	T Jeyi
17	B Adams

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

GENERAL INFORMATION

18	D Gultig
19	I Kritzinger
20	R Gregory
20	C Alexander (Resigned 7 August 2024)
21	S Manxele
22	M Kruger
23	B Johnson
24	J Fry
25	J Esau
26	J Von Brandis
27	M Kleynhans
28	S Snyman

Proportionally elected councillors

M Gultig
R Figland
N Mbete
C Neethling
G Masase
E America
VD Carolus
J Du Toit
E Figland
D Coeries
M Greeff
J Gertse
E Bussack
K Lose
R Louw
F Mdaka
D Lemine
G Niehaus
T Qatana
C Kyd
RE Voster
G Van Niekerk
P Qampi
R Windwaai
C Clarke
J Stander
J Petersen (Terminated 11 July 2024)
M Gericke (Resigned 13 March 2025)
C Smart (Resigned 25 June 2025)
H Philander (Resigned 11 July 2024)

Grading of local authority

5

Municipal Demarcation code

WC044

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

GENERAL INFORMATION

Auditor	The Auditor General of South Africa
Bankers	First National Bank
Registered office	Civic Centre 71 York Street George 6530
Postal address	PO Box 19 George 6530
Accounting Officer	G Louw
Chief Finance Officer (CFO)	R du Plessis
Website	www.george.gov.za
E-mail	post@george.gov.za

George Local Municipality

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The reports and statements set out below comprise the audited annual financial statements presented to the provincial legislature:

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

ACCOUNTING OFFICER'S APPROVAL OF THE FINANCIAL STATEMENTS

Section 60 of the MFMA states that the municipal manager is the accounting officer, thus as the accounting officer of the municipality I hereby certify that -

Financial Management and administration

The top management of the municipality have assisted me with the management and co-ordination regarding the financial administration of the municipality. An appropriate system of delegation has been developed in order to both maximise administrative and operational efficiency, as well as provide adequate checks and balances in the municipality's financial administration. Each senior manager of the municipality has taken all reasonable steps within their respective areas of responsibility to ensure -

- o that the system of financial management and internal control established for the municipality is carried out diligently;
- o that the financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- o that any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented;
- o that all revenue due to the municipality is collected;
- o that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary;
- o that all information required by the accounting officer for compliance with the provisions of this Act is timeously submitted to the accounting officer; and
- o that the provisions of this Act, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, are complied with.

The salaries, allowances and benefits of Councillors as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act, and the Minister of Provincial and Local Government's determination in accordance with this Act.

Preparation of AFS and submission for audit purposes

I am responsible for the preparation of these Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act which I have signed on behalf of the municipality.

Issues raised by the Auditor-General in audit reports

All issues raised by the Auditor-General regarding the prior year Annual Financial Statements have been addressed.

B-BBEE Disclosure

In terms of Section 13G, read with regulation 12 of the B-BBEE Regulations, all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports. Please refer to note 61.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2025

Figures in Rand		2025	2024 Restated*
Assets			
Current Assets			
Inventories	2	123,665,092	116,749,323
Receivables from exchange transactions	3	259,774,213	228,000,980
Receivables from non-exchange transactions	4	66,730,661	74,962,040
Prepayments	6	8,548,477	7,218,596
VAT receivable	7	32,817,233	41,245,808
Construction contracts and receivables	8	395,889	2,537,515
Loans and receivables	9	27,004	122,910
Principle agent arrangement: amounts due from principle	10	1,103,983	1,103,983
Cash and cash equivalents	11	1,327,556,278	1,357,019,037
		1,820,618,830	1,828,960,192
Non-Current Assets			
Property, plant and equipment	12	5,695,862,533	4,603,622,224
Intangible assets	13	360,456	584,729
Heritage assets	14	4,236,000	4,236,000
Investment property	15	143,582,708	143,744,521
Loans and receivables	9	375	95,577
		5,844,042,072	4,752,283,051
Total Assets		7,664,660,902	6,581,243,243
Liabilities			
Current Liabilities			
Loans and borrowings	16	70,345,154	55,989,941
Service concession liability	17	22,368,427	19,848,947
Payables from exchange transactions	18	462,612,203	388,179,798
Consumer deposits	19	49,161,328	45,628,334
Employee benefit obligation	20	94,226,427	84,313,413
Provisions	21	27,734,019	18,641,924
Unspent conditional grants and receipts	22	437,501,034	749,271,265
		1,163,948,592	1,361,873,622
Non-Current Liabilities			
Loans and borrowings	16	738,001,199	414,367,952
Service concession liability	17	6,697,604	29,066,031
Payables from exchange transactions		7,613,716	10,504,474
Employee benefit obligation	20	239,570,400	215,022,400
Provisions	21	262,213,540	240,852,722
		1,254,096,459	909,813,579
Total Liabilities		2,418,045,051	2,271,687,201
Net Assets		5,246,615,851	4,309,556,042
Housing development fund	23	33,944,127	33,869,830
Accumulated surplus		5,212,671,721	4,275,686,216
Total Net Assets		5,246,615,848	4,309,556,046

* See Note 49

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand		2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Sale of electricity	24	1,122,368,759	931,086,882
Sale of water	24	223,808,441	228,473,527
Sewerage and sanitation charges	24	192,585,741	168,467,446
Refuse removal	24	174,450,375	153,295,801
Rental of facilities and equipment		5,447,323	4,425,474
Income from agency services	25	14,898,685	14,083,052
GIPTN Fare Revenue	26	86,237,000	77,498,662
Operating revenue	27	106,429,696	98,399,178
Interest received - Outstanding Debtors	28	26,474,175	21,634,976
Interest received - External Investments	28	116,822,355	103,305,656
Total revenue from exchange transactions		2,069,522,550	1,800,670,654
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	478,380,298	443,330,073
Licences and Permits	30	1,402,110	1,779,415
Transfer revenue			
Government grants & subsidies - Operating	31	705,334,121	680,045,129
Government grants & subsidies - Capital	31	952,678,594	580,648,646
Public contributions and donations		-	10,000
Construction contract revenue	8	324,449	314,874
Fines, Penalties and Forfeits	32	81,534,513	35,343,550
Other			
Availability charges	33	27,018,355	22,296,913
Actuarial gains		-	2,963,805
Total revenue from non-exchange transactions		2,246,672,440	1,766,732,405
Total revenue		4,316,194,990	3,567,403,059

* See Note 49

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Statement of Financial Performance

Figures in Rand		2025	2024 Restated*
Expenditure			
Employee related costs	34	693,444,370	643,775,148
Remuneration of councillors	35	27,697,453	25,563,677
Depreciation and amortisation	36	283,029,480	216,787,183
Impairments loss	37	191,925,001	135,065,902
Finance costs	38	109,852,846	102,687,903
Bulk purchases	39	831,301,153	686,988,068
Contracted Services	40	742,113,683	700,573,012
Grants and subsidies paid	41	103,415,447	85,765,255
Cost of housing sold		-	4,011,995
Loss on disposal of assets and liabilities	42	1,752,083	1,290,473
Actuarial gains/losses	20	3,918,137	-
Inventories losses/write-downs	43	37,883,073	26,162,832
Other materials / Inventory	44	187,750,224	192,922,619
General Expenses	45	165,052,239	140,487,177
Total expenditure		3,379,135,189	2,962,081,244
Surplus for the year		937,059,801	605,321,815

* See Note 49

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Statement of Changes in Net Assets

	Transfer to / (from) the Housing Development Fund	Accumulated surplus / deficit	Total net assets
Figures in Rand			
Opening balance as previously reported	35,729,371	3,787,850,763	3,823,580,134
Adjustments			
Correction of errors refer to note 49	-	(119,345,903)	(119,345,903)
Balance at July 1, 2023 as restated*	35,729,371	3,668,504,860	3,704,234,231
Changes in net assets			
Surplus for the year	-	605,321,815	605,321,815
Transfer to / (from) the Housing Development Fund	(1,859,541)	1,859,541	-
Total changes	(1,859,541)	607,181,356	605,321,815
Restated* Balance at July 1, 2024	33,869,830	4,275,686,217	4,309,556,047
Changes in net assets			
Surplus for the year	-	937,059,801	937,059,801
Transfer to / (from) the Housing Development Fund	74,297	(74,297)	-
Total changes	74,297	936,985,504	937,059,801
Balance at June 30, 2025	33,944,127	5,212,671,721	5,246,615,848
Note(s)	23		

* See Note 49

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

CASH FLOW STATEMENT

Figures in Rand	2025	2024 Restated*
Cash flows from operating activities		
Receipts		
Taxation	496,091,684	445,954,272
Sale of goods and services	1,695,282,327	1,486,826,430
Grants	1,350,741,147	1,608,038,565
Construction contracts	2,466,075	1,246,000
Interest income	131,453,716	114,973,106
Other receipts	133,420,388	105,899,258
	<u>3,809,455,337</u>	<u>3,762,937,631</u>
Payments		
Employee costs	(739,479,492)	(698,062,207)
Suppliers	(2,034,186,462)	(1,692,160,205)
Finance costs	(61,573,343)	(56,996,243)
	<u>(2,835,239,297)</u>	<u>(2,447,218,655)</u>
Net cash flows from operating activities	<u>974,216,040</u>	<u>1,315,718,976</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,321,922,451)	(948,722,022)
Proceeds from sale of property, plant and equipment	-	848,537
Proceeds from sale of investment property	21,087	121,720
Proceeds from sale of loans and receivables	14,383	69,210
	<u>(1,321,886,981)</u>	<u>(947,682,555)</u>
Cash flows from financing activities		
Proceeds from loans and borrowings	394,047,061	215,929,000
Repayment of loans and borrowings	(55,989,940)	(54,286,695)
Service concession liability	(19,848,947)	(16,538,803)
	<u>318,208,174</u>	<u>145,103,502</u>
Net increase/(decrease) in cash and cash equivalents	<u>(29,462,767)</u>	<u>513,139,923</u>
Cash and cash equivalents at the beginning of the year	1,357,019,037	843,879,110
Cash and cash equivalents at the end of the year	<u>1,327,556,278</u>	<u>1,357,019,033</u>

* See Note 49

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Statement of Financial Performance					
Revenue					
Revenue by source					
Property rates	483,043,260	-	483,043,260	478,380,298	(4,662,962)
Service charges	1,737,154,420	-	1,737,154,420	1,713,213,316	(23,941,104)
Investment revenue	107,978,300	-	107,978,300	116,822,355	8,844,055
Transfers recognised - operational	741,042,464	-	741,042,464	705,334,121	(35,708,343)
Other own revenue	640,295,057	-	640,295,057	349,766,306	(290,528,751)
Total Revenue (excluding capital transfers and contributions)	3,709,513,501	-	3,709,513,501	3,363,516,396	(345,997,105)
Expenditure by type					
Employee costs	830,542,685	(24,770,841)	805,771,844	693,444,370	(112,327,474)
Remuneration of councillors	31,119,660	320,557	31,440,217	27,697,453	(3,742,764)
Debt impairment	111,192,743	-	111,192,743	191,925,001	80,732,258
Depreciation and Amortisation	265,939,937	16,893,922	282,833,859	283,029,480	195,621
Finance charges	45,968,233	5,491,665	51,459,898	109,852,846	58,392,948
Inventory consumed and bulk purchases	1,237,880,450	(4,762,138)	1,233,118,312	1,056,934,450	(176,183,862)
Transfers and grants	103,785,921	589,219	104,375,140	103,415,447	(959,693)
Other expenditure	1,100,289,905	6,237,616	1,106,527,521	912,836,142	(193,691,379)
Total expenditure	3,726,719,534	-	3,726,719,534	3,379,135,189	(347,584,345)
Surplus / (Deficit)	(17,206,033)	-	(17,206,033)	(15,618,793)	1,587,240
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	1,371,148,526	-	1,371,148,526	952,678,594	(418,469,932)
Surplus / (Deficit) after capital transfers & contributions	1,353,942,493	-	1,353,942,493	937,059,801	(416,882,692)
Surplus / (Deficit) for the year	1,353,942,493	-	1,353,942,493	937,059,801	(416,882,692)

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
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Figures in Rand

Capital expenditure

Capital expenditure by vote

Finance and Administration	13,874,071	473,270	14,347,341	13,231,670	(1,115,671)
Internal Audit	13,000	3,000	16,000	11,689	(4,311)
Community and Social Services	9,915,149	(58,025)	9,857,124	8,520,254	(1,336,870)
Sport and recreation	46,523,653	(123,300)	46,400,353	45,131,723	(1,268,630)
Public Safety	27,971,629	(186,000)	27,785,629	27,074,745	(710,884)
Housing	3,171,878	11,000	3,182,878	2,572,411	(610,467)
Planning and Development	41,565,378	(24,000)	41,541,378	36,833,502	(4,707,876)
Road Transport	926,593,088	2,748,948	929,342,036	507,317,094	(422,024,942)
Energy Sources	108,888,840	2,089,813	110,978,653	91,548,402	(19,430,251)
Waste Management	21,571,223	103,555	21,674,778	21,183,300	(491,478)
Waste water management	252,318,701	(9,291,443)	243,027,258	199,938,490	(43,088,768)
Water Management	452,650,692	4,253,182	456,903,874	446,598,251	(10,305,623)
Other	1,537,389	-	1,537,389	1,205,427	(331,962)
	1,906,594,691	-	1,906,594,691	1,401,166,958	(505,427,733)
	1,906,594,691	-	1,906,594,691	1,401,166,958	(505,427,733)

Sources of Capital Funds

Borrowing	394,047,061	-	394,047,061	341,879,308	(52,167,753)
Internally Generated funds	259,084,697	-	259,084,697	223,142,284	(35,942,413)
Transfers recognized - Capital	1,253,462,933	-	1,253,462,933	834,522,093	(418,940,840)
	1,906,594,691	-	1,906,594,691	1,399,543,685	(507,051,006)

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Taxation	465,981,689	(29,320)	465,952,369	496,091,684	30,139,315
Sale of goods and services	1,671,674,662	-	1,671,674,662	1,695,282,327	23,607,665
Grants	1,446,878,798	(65,811,798)	1,381,067,000	1,350,741,147	(30,325,853)
Construction contracts	-	-	-	2,466,075	2,466,075
Interest income	59,978,300	48,000,000	107,978,300	131,453,716	23,475,416
Other receipts	531,053,939	18,518,851	549,572,790	133,420,388	(416,152,402)
	4,175,567,388	677,733	4,176,245,121	3,809,455,337	(366,789,784)
Payments					
Suppliers and employee cost	(3,236,002,569)	-	(3,236,002,569)	(2,773,665,954)	462,336,615
Finance costs	(68,888,720)	-	(68,888,720)	(61,573,343)	7,315,377
	(3,304,891,289)	-	(3,304,891,289)	(2,835,239,297)	469,651,992
Net cash flows from operating activities	870,676,099	677,733	871,353,832	974,216,040	102,862,208
Cash flows from investing activities					
Purchase of property, plant and equipment	(1,224,723,645)	(681,871,046)	(1,906,594,691)	(1,321,922,451)	584,672,240
Proceeds on disposal of Investment property	-	-	-	21,087	21,087
Proceeds from sale of loans and receivables	-	-	-	14,383	14,383
Net cash flows from investing activities	(1,224,723,645)	(681,871,046)	(1,906,594,691)	(1,321,886,981)	584,707,710

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Cash flows from financing activities					
Proceeds from loans and borrowings	461,456,483	-	461,456,483	394,047,061	(67,409,422)
Repayment of loans and borrowings	(56,768,880)	-	(56,768,880)	(55,989,940)	778,940
Repayment of Service concession liability	-	-	-	(19,848,947)	(19,848,947)
Net cash flows from Financing activities	404,687,603	-	404,687,603	318,208,174	(86,479,429)
Net increase/(decrease) in cash held	50,640,057	(681,193,313)	(630,553,256)	(29,462,767)	601,090,489
Cash/cash equivalents at the year begin:	289,209,217	1,067,809,809	1,357,019,026	1,357,019,037	11
Cash and cash equivalents at the end of the year	339,849,274	386,616,496	726,465,770	1,327,556,278	601,090,500

Refer to note 64 for explanations on material variances between final budget and actual amounts

The accounting policies on pages 15 to 47 and the notes on pages 48 to 165 form an integral part of the audited annual financial statements.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

George Municipality is a local government institution in George, Western Cape. The addresses of its registered office and principal place of business are disclosed under General Information.

The accounting policies for the municipality are:

1. Presentation of Audited Annual Financial Statements

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

The following GRAP standards, guidelines and interpretations have been issued but are not yet effective and have not been early adopted by the municipality.

Standard	Description	Effective date (Year starting on)
GRAP 103	<p><u>Heritage assets</u></p> <p>There are proposed amendments to the classification of mixed-use assets, cultural significance and the fair value accounting.</p> <p>The amendments to the Standard are approved by the Board. The amendments may not be applied by entities in developing an accounting policy. Entities are only permitted to adopt the amendments once an effective date has been determined by the Minister of Finance.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 104	<p><u>Financial Instruments</u></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>The Municipality might need to revise the categories of financial instruments and the impairment model.</p>	1 April 2025

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

GRAP 1: Going concern	<p><u>Presentation of Financial statements: Going concern</u></p> <p>The objective of this Standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. Adjustments for going concern proposed to provide guidance on the preparation of AFS as going concern and the related disclosure.</p> <p>The transitional provisions are specified in the revised Standard. The amendments may not be applied by entities in developing an accounting policy. Entities are only permitted to adopt the amendments once an effective date has been determined by the Minister of Finance.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment</p>	Unknown
Improvement to GRAP standards (2023)	<p><u>Improvement to GRAP standards (2023)</u></p> <p>The Improvements are approved by the Board. The effective date is yet to be determined by the Minister of Finance. The Improvements may not be applied by entities in developing an accounting policy. Entities are only permitted to adopt the Improvements once an effective date has been determined by the Minister of Finance.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 105, GRAP 106 and GRAP 107 (amendments)	<p><u>Transfer of Functions and Mergers</u></p> <p>The amendments to the Standards are approved by the Board. The amendments may not be applied by entities in developing an accounting policy. Entities are only permitted to adopt the amendments once an effective date has been determined by the Minister of Finance.</p>	Unknown
Guideline	<p><u>Application of Materiality of Financial Statements</u></p> <p>The guideline is not authoritative but only encourage.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	No effective date as only encouraged

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Accounting Policies

iGRAP 22

Foreign Currency Transactions and Advanced Consideration

1 April 2025

The interpretation is to provide guidance on determining the transaction date for purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.

1.1 Presentation currency

These audited annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These audited annual financial statements have been prepared on a going concern basis.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure. This indicator is from management's perspective and does not necessarily correlate with the auditors' materiality.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements in conformity with GRAP, management is required to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements include:

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

George Local Municipality

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is calculated based on the cost price of each component.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Investment property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Impairment of Property, plant and equipment, Intangible assets, Heritage assets and Inventory

Management considers the potential indicators of impairment as set out in GRAP 21: Impairment of cash-generating assets and GRAP 26: Impairment of non-cash generating assets.

The determination of the recoverable amount is dependent on the availability of required data.

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

Revenue Recognition

Accounting Policy 1.25 on Revenue from Non-Exchange Transactions and on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. Revenue from the sale of electricity prepaid units is recognised when the risks and rewards of ownership has passed to the buyer. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is measured by using a trend analysis and other historical data about electricity usage. The accounting policy stated above also includes the policies for the measurement of unbilled services estimation. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material. Additional disclosures of these estimates of provisions are included in Notes 21 and 48.

Provision for landfill site

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates linked to government bond rate and CPI was used to calculate the effect of the time value of money.

Post-retirement medical obligations, long service awards and ex gratia gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Employee benefits: Staff leave and bonus

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.

The provision for bonuses represents the best estimate of the obligation at year end and is based on historical patterns of payment of bonuses.

Impairment of receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Water inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or use it internally, or where the Municipality has incurred purification cost on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated and is under the control of the Municipality but cannot be measured reliable as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all cost of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water inventory is being measured by multiplying the cost per kiloliter of purified water by the amount of water in storage and controlled in reservoirs at year-end.

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 1.14 for more detail.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances, the municipality is not the legal owner or the custodian of land appointed in terms of legislation but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow (IGRAP 18 par. 41):

- Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use, the land and also by the right to direct access to the land and to restrict or deny access of others to the land.

In some instances, the municipality is the legal owner, or the custodian of land appointed in terms of legislation but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow (IGRAP 18 par. 41):

- Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the municipality. The municipality does not have the ability to use or direct others to use the land. The municipality does not have rights to direct access to the land and to restrict or deny access of others to the land. There is various housing scheme land where the municipality is still the legal owner per the deeds office, but where control and substantive rights were not transferred. These land are not recognised by the municipality.

1.5 Property, plant and equipment

Recognition and measurement

Property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably.

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and other directly attributable costs incurred in the acquisition, establishment and installation of such assets so as to bring them to a working condition for their intended use.

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, where applicable.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition, including transaction costs.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.5 Property, plant and equipment (continued)

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

The cost of day-to-day servicing of property, plant and equipment is recognised in surplus or deficit as incurred.

Classification

The following items will be regarded as Property, plant and equipment rather than investment property:

- Owner-occupied property (including held for future use);
- Owner-occupied property held for development;
- Property occupied by employees for housing;
- Owner-occupied property held for disposal;
- Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation and;
- Property held by the municipality for strategic purpose.

Leased assets

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Vehicles and office equipment acquired by way of finance leases are measured upon initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Leased assets are depreciated over the lesser of the useful life or lease term.

Subsequent costs

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Depreciation

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful life of each item of property, plant and equipment.

Depreciation begins when an asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases when the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end. The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The useful lives of items of property, plant and equipment have been assessed as follows:

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.5 Property, plant and equipment (continued)

Item	Average useful life
Infrastructure	
• Electricity	20 - 45
• Roads and paving	10 - 50
• Water	5 - 50
• Gas	20
• Sewerage	3 - 47
• Security measures	3 - 40
Community	
• Buildings	3 - 75
• Recreational facilities	49
Other	
• Office equipment	5 - 40
• Furniture and fittings	5 - 40
• Bins and containers	5 - 30
• Emergency equipment	5 - 50
• Motor vehicles	5 - 50
• Waterraft	15 - 25
• Plant and equipment	5 - 50
Service concession arrangement	
• Busses	4 - 12
Land and buildings	
• Buildings	75
• Land	Indefinite

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Property, plant and equipment are reviewed for any indication of impairment. If any such indication exists, the accounting policy as disclosed under 1.17 or 1.18 (which ever is relevant) is applied. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Property, plant and equipment are not used as security unless stated otherwise in the notes.

George Local Municipality

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Accounting Policies

1.6 Investment property

Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Subsequent Measurement

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Investment Property	Years
Buildings	30 - 75
Land	Indefinite

Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits or service potential expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Investment property is not used as security unless stated otherwise in the notes.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.7 Heritage assets (continued)

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the audited annual financial statements.

Heritage assets are not used as security unless stated otherwise in the notes.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost less any accumulated impairment loss.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that the heritage assets may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criteria in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.8 Intangible assets (continued)

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Initial recognition

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Intangible assets are not used as security unless stated otherwise in the notes.

Computer software

3 - 12

Subsequent measurement

After the initial measurement of intangible assets, subsequent expenditure is only capitalised if future economic benefits or service potential over the total life of the intangible assets, in excess of the most recently assessed standard of performance of the existing intangible assets, will flow to the municipality.

Intangible assets consist of computer software and amortisation is charged on a straight-line basis over their useful lives, which is estimated to be between 5 to 10 years. (2024: 5 to 10 years). The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount or recoverable service amount.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 Prepayments

Prepayments are the payments for goods or services to be received in the future and are recognised as a current asset. Prepayments are transferred to the Statement of Financial Performance upon the receipt of the goods or services paid for. Prepayments are accounted for at cost.

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset in one municipality and a financial-liability or a residual interest of another entity.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.10 Financial instruments (continued)

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange of financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange of financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Classification

The municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade receivables from exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset measured at amortised cost
Loans and receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Principle agent arrangement: amounts due from principle	Financial asset measured at amortised cost
Construction contracts and receivables	Financial asset measured at fair value

The municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans and borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Financial liabilities	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability in the case of a financial asset or financial liability not subsequently measured at fair value.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

George Local Municipality

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Accounting Policies

1.10 Financial instruments (continued)

- Financial instruments at amortised cost.

All financial assets measured at amortised cost are subject to an impairment review.

Gains and losses

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

George Local Municipality

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Accounting Policies

1.10 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Financial instruments are not used as security unless stated otherwise in the notes.

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Accounting Policies

1.11 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments.

1.12 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

Initial recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

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Accounting Policies

1.12 Statutory receivables (continued)

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

1.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes land and buildings elements, the municipality assesses the classification of each element separately.

The Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Payments received under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

The Municipality as Lessee

Under a finance lease, property, plant and equipment subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liabilities are initially recognised at the inception of the lease and are measured at the lower of the asset's fair value or the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

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Accounting Policies

1.14 Inventories

Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories consisting of consumable stores, raw materials and properties held for sale are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory is being measured by multiplying the cost per kilo-litre of purified water by the amount of water in storage.

Unsold properties held for sale are valued at the lower of cost and net realisable value. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. The net realisable value for this class of inventory is assessed each year by comparing the current book value to recent sales of properties in each area.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction and then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Even used for housing developments are properties that were part of the commonage when the municipality was established, and the municipality received these properties at no or nominal consideration. The value of these properties is deemed to be equal to their fair value on the date of acquisition.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventory is not used as security unless stated otherwise in the notes.

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Accounting Policies

1.15 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses. Revenue is recognised in terms of actual expenditure occurred on housing projects.

The municipality assessed all of the contracts in place and found that only those contracts pertaining to Housing Arrangements as those described in ASB's Accounting for Arrangements Undertaken in terms of the National Housing Programme would meet the definition on Construction Contracts.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.16 Accounting by principals and agents

Identification

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction,
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit,
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP.

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Accounting Policies

1.17 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in the Statement of Financial Performance.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.17 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in the Statement of Financial Performance.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.18 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

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Accounting Policies

1.18 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in the Statement of Financial Performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.18 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.19 Service concession arrangements: Entity as grantor

Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator; or
- is provided by the grantor which:
 - is an existing asset of the grantor; or
 - is an upgrade to an existing asset of the grantor.

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Accounting Policies

1.19 Service concession arrangements: Entity as grantor (continued)

Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a “whole-of-life” asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

Provisions, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions. Refer to 1.25 for the accounting policy of GIPTN fare revenue.

1.20 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for services rendered by employees.

Short-term employee benefits

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay and bonuses, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

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Accounting Policies

1.20 Employee benefits (continued)

Long-service Award

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation is valued by independent qualified actuaries at year-end and the corresponding liability is raised. Payments set-off against the net liability, including notional interest, resulting from the valuation by the actuaries, are charged against the statement of financial performance. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Accrued leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonuses accrued at year end for each employee.

Performance bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

Post-employment benefits

The Municipality provides post-retirement benefits for its employees. Council pays 70% as contributions and the remaining 30% are paid by the members.

These obligations are valued periodically by independent qualified actuaries.

Multi-employer Defined Benefit Plans and Defined Contribution Plans

The municipality classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

The municipality contributes to various National- and Provincial-administered plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 20 of the Financial Statements for details)

Post-retirement medical obligation

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

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Accounting Policies

1.20 Employee benefits (continued)

The Municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the net defined benefit liability is actuarially determined on an annual basis (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that they occur. These obligations are valued periodically by independent qualified actuaries.

1.21 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of the expenditure required to settle the present obligation. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

1.22 Unspent conditional government grants and receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

George Local Municipality

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Accounting Policies

1.22 Unspent conditional government grants and receipts (continued)

A liability for unspent conditional grants is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the operating account of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.23 Conditional government grants and subsidies receivables

Conditional government grants and subsidies receivable are assets in terms of GRAP that are separately reflected on the Statement of Financial Position. The asset is recognised when the municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provision is set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.24 Grant-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time in accordance with Section 67 of the MFMA. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.25 Revenue

Revenue from the sale of goods in the ordinary course of the municipality's activities is measured at the fair value of the consideration received or receivable, net of value-added tax, estimated returns, rebates and discounts. Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions

Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.25 Revenue (continued)

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Revenue from the services rendered is recognised when:

- The amount of revenue can be measured reliably;
- It is probable that economic benefits or service potential associated with the transaction will flow to the municipality;
- The stage of completion at the reporting date can be measured reliably;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when the risks and rewards of ownership has passed to the buyer. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is measured by using a trend analysis and other historical data about electricity usage.

Interest earned and rentals received

Interest income is recognised in the Statement of Financial Performance as it accrues, using the effective interest rate method. Rental income is recognised on a straight-line basis over the lease term. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund.

Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

Agency commission

Commission for agency services is recognised on a monthly basis once the income collected on behalf of the principles has been quantified. The income recognised is in terms of the agency agreement.

Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

GIPTN Fare Revenue

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.25 Revenue (continued)

Transit products are sold as single and multi-journey products that are scripted to the passengers' Europay, MasterCard and Visa (EMV) compliant GO GEORGE Smart Card. The products are sold at fixed and mobile kiosks and through third-party vendors. The transit products are redeemed on the bus when the passenger presents (taps) the Smart Card to the Optima reader to board the bus. If the transaction is successful, a trip is deducted from the balance on the Smart Card and the machine provides a receipt. Upon a successful transaction, a trip is valid for an hour, and the passenger may transfer between buses and routes within this period for free by presenting their receipt with the timestamp to the driver for verification. The Municipality collects the full revenue from products sold. The revenue is adjusted annually to account for unused trips. The unused trips are the difference between the total product sales and the taps on bus. Revenue is recognised at the point when the bus ticket is presented and the passengers boards the bus, as this is when the service is deemed to have been rendered.

Revenue from non-exchange transactions

Property Rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised using the effective interest method. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fine Revenue constitutes both spot fines and summonses. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset. Fine revenue is recognised when issued.

Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the property, plant and equipment received or receivable. Contributed property, plant and equipment is recognised when the risks and rewards of ownership have transferred to the municipality.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

Unconditional grant

An unconditional grant is recognised in the Statement of Financial Performance when the grant is receivable.

Conditional grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Grants that compensate the municipality for expenses incurred are recognised in the Statement of Financial Performance on a systematic basis in the same periods in which the expenses are recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.25 Revenue (continued)

Transfers and subsidies - Non-exchange expenditure

The Municipality transfers money to individuals, or organisations and other sectors of government from time to time. These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the liability and if not, it is recognised as interest earned in the Statement of Financial Performance.

Unclaimed monies forfeit

The municipality reserves the right to enforce the Prescription Act on all unidentified and unallocated monies after 3 years.

Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

1.26 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.27 Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of Value Added Tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

The municipality accounts for Value Added Tax on the payment basis. The municipality is liable to account for Value Added Tax at the standard rate of 15% in terms of section 7(1) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 or are out of scope for VAT purposes. The timing of payments to or from the South African Revenue Service is the last day of each of the twelve months of the financial year.

Any contributions to or from the fund must be shown as transfers in the Statement of Changes in Net Assets.

1.28 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.29 Municipal Land Transport Fund

The municipality, jointly with the Provincial Government of the Western Cape via its Department of Transport and Public Works, has implemented the George Integrated Public Transport Network for the delivery of public transport services in the George municipal area.

The National Land Transport Act, (Act No. 5 of 2009) requires that a municipality establishing an integrated public transport network must establish a Municipal Land Transport Fund in terms of Section 27 of the Act. Money appropriated by the Minister and / or MEC for the Fund, user charges collected and interest on invested cash balances belonging to the Fund, should be paid into the fund. The fund is utilised to defray the costs of the functions in terms of its integrated transport plan.

The Municipal Land Transport Fund was established on 8 December 2014, which is the date the transport service commenced.

The Municipal Land Transport Fund is treated as a ring-fenced cost centre within the municipality. Refer to note 56 for more detail.

1.30 Capital commitments

Capital commitments disclosed in the financial statements represent the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date. The amounts disclosed in note 47 are inclusive of VAT.

1.31 Events after reporting date

Events after the reporting date that are classified as adjusting events are accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the financial statements.

1.32 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Significant influence refers to the power to participate in the financial and operating policy decisions or the entity, without having control over the policies.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.32 Comparative figures (continued)

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the municipality.

All transactions with related parties are disclosed.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

1.33 Budget information

The Municipality is subject to budgetary limits in the form of a Council approved budget, which is given effect through authorising legislation.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis. The approved budget covers the fiscal period from 01/07/2024 to 30/06/2025.

The audited annual financial statements and the budget are on the same basis of accounting except for certain accounting entries (e.g. movement in legal provisions) therefore a reconciliation between the Statement of Financial Performance and the budget has been included in the audited annual financial statements. Refer to the Statement of Comparison of Budget and Actual Amounts.

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Material differences are being defined by Management as 10% of a specific line-item and amounts greater than R1,000,000. Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements - refer to Note 64.

1.34 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expense was incurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Unauthorised expenditure is submitted to Council after year end for authorisation.

1.35 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.36 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.37 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.38 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management are applied retrospectively except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively. Details of changes in estimates are disclosed in the notes to the financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 48 of the financial statements for details of corrections of errors recorded during the period under review.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Accounting Policies

1.39 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

Identification

Segments are identified by the way in which information is reported to management for purposes of assessing performance as well as allocating resources to the various activities undertaken. The classifications of activities identified in monthly management accounts and / or budget documentation usually reflect the segments reported to management.

It is prudent to note the following:

- activities performed by administrative units and functional departments which do not on its own give rise to future economic benefits or service potential, are not regarded as segments.
- post-employment benefit plans are expressly excluded from the scope of the standard of GRAP on segment reporting (i.e. GRAP 18) and thus is not regarded as a segment.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
2. Inventories		
Consumable stores - at cost	13,631,323	9,864,006
GIPTN Smart Cards for electronic fare revenue system	501,720	202,863
Maintenance materials, chemicals and water reserve - at cost	17,400,316	14,503,667
Purified water	1,030,464	1,047,109
Property Developments - at cost	8,857	39,266
Unsold Properties Held for Resale - at net realisable value	91,092,412	91,092,412
	123,665,092	116,749,323
Reconciliation of Purified Water		
Opening balance	1,047,109	850,905
System Input Volume	153,866,201	142,651,455
Authorised Consumption	(116,022,146)	(116,326,249)
Water losses	(37,860,700)	(26,129,002)
Purified Water	1,030,464	1,047,109
Refer to note 44 for the amount of inventories consumed and recognised as an expense during the period.		
Refer to note 43 for details of items written down to net realisable value.		
Inventory pledged as security		
No inventory was pledged as security as at 30 June 2025.		
3. Trade receivables from exchange transactions		
Service debtors	224,508,878	197,982,579
Other exchange receivables	35,265,335	30,018,401
- Prepaid electricity	9,540,585	6,221,339
- Rental debtors	1,449,941	1,429,565
- GIPTN fare revenue	881,706	951,423
- VAT Input Accrual	23,393,103	21,416,074
	259,774,213	228,000,980
VAT Input Accrual correctly classified as Trade receivables from exchange transactions.		
Refer to note 49 for detail regarding the correction of prior period errors.		
Gross balances		
Electricity	170,997,417	133,781,724
Water	187,390,542	169,746,189
Sewerage	112,184,488	91,280,933
Refuse	108,175,029	88,825,505
Housing loans instalments	517,847	586,237
Housing rental	624,418	456,672
Other	38,458,203	20,360,256
	618,347,944	505,037,516

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
3. Trade receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Electricity	(44,312,339)	(25,783,530)
Water	(140,560,489)	(125,607,889)
Sewerage	(87,211,623)	(69,043,437)
Refuse	(84,209,760)	(67,142,725)
Housing loans instalments	(479,004)	(541,561)
Housing rental	(434,917)	(346,109)
Other	(36,630,934)	(18,589,686)
	(393,839,066)	(307,054,937)
Net balance		
Electricity	126,685,078	107,998,194
Water	46,830,053	44,138,300
Sewerage	24,972,865	22,237,496
Refuse	23,965,269	21,682,780
Regional services levies	38,843	44,676
Housing rental	189,501	110,563
Other	1,827,269	1,770,570
	224,508,878	197,982,579
Electricity		
Current (0 -30 days)	116,924,136	97,666,751
31 - 60 days	7,190,714	4,801,829
61 - 90 days	3,261,549	3,379,348
91 - 120 days	2,763,636	2,255,884
121 - 365 days	40,857,382	25,677,912
Less: Allowance for impairment	(44,312,339)	(25,783,530)
	126,685,078	107,998,194
Water		
Current (0 -30 days)	35,240,325	32,820,195
31 - 60 days	8,278,640	12,390,901
61 - 90 days	6,269,564	6,815,700
91 - 120 days	5,918,916	6,417,822
121 - 365 days	131,683,097	111,301,571
Less: Allowance for impairment	(140,560,489)	(125,607,889)
	46,830,053	44,138,300
Sewerage		
Current (0 -30 days)	14,784,481	13,021,796
31 - 60 days	5,279,939	4,336,997
61 - 90 days	4,118,828	3,188,969
91 - 120 days	3,508,817	2,899,328
121 - 365 days	84,492,423	67,833,843
Less: Allowance for impairment	(87,211,623)	(69,043,437)
	24,972,865	22,237,496

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
3. Trade receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	14,090,634	12,515,612
31 - 60 days	5,333,875	4,288,335
61 - 90 days	4,186,653	3,167,268
91 - 120 days	3,677,157	2,881,583
121 - 365 days	80,886,710	65,972,707
Less: Allowance for impairment	(84,209,760)	(67,142,725)
	23,965,269	21,682,780
Housing loans instalments		
Current (0 -30 days)	5,723	11,482
31 - 60 days	3,515	7,047
61 - 90 days	3,515	5,924
91 - 120 days	3,515	5,707
121 - 365 days	501,579	556,077
Less: Allowance for impairment	(479,004)	(541,561)
	38,843	44,676
Housing rental		
Current (0 -30 days)	71,728	56,047
31 - 60 days	44,332	30,419
61 - 90 days	41,344	23,301
91 - 120 days	31,601	16,822
121 - 365 days	435,413	330,083
Less: Allowance for impairment	(434,917)	(346,109)
	189,501	110,563
Other		
Current (0 -30 days)	1,745,253	1,512,468
31 - 60 days	641,501	547,672
61 - 90 days	712,451	177,304
91 - 120 days	873,715	1,223,343
121 - 365 days	34,485,283	16,899,469
Less: Allowance for impairment	(36,630,934)	(18,589,686)
	1,827,269	1,770,570

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
3. Trade receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	64,686,025	55,146,761
31 - 60 days	22,036,397	22,744,795
61 - 90 days	15,719,310	14,394,951
91 - 120 days	14,533,920	14,586,292
121 - 365 days	332,859,666	266,372,043
Gross debtor	449,835,318	373,244,842
Less: Allowance for impairment	(353,410,464)	(287,146,493)
	96,424,854	86,098,349
Industrial/ commercial		
Current (0 -30 days)	113,788,144	97,533,277
31 - 60 days	3,365,250	3,274,467
61 - 90 days	1,664,639	2,059,122
91 - 120 days	1,221,325	1,043,994
121 - 365 days	35,692,930	22,173,065
Gross debtor	155,732,288	126,083,925
Less: Allowance for impairment	(40,428,603)	(19,908,444)
	115,303,685	106,175,481
National and provincial government		
Current (0 -30 days)	3,502,706	3,738,239
31 - 60 days	1,370,870	383,955
61 - 90 days	1,209,954	303,753
91 - 120 days	1,022,112	70,215
121 - 365 days	5,676,724	1,213,615
Gross debtor	12,782,366	5,709,777
Total		
Current (0 -30 days)	181,976,875	156,418,277
31 - 60 days	26,772,516	26,403,217
61 - 90 days	18,593,903	16,757,826
91 - 120 days	16,777,357	15,700,501
121 - 365 days	374,227,293	289,757,695
Gross debtor	618,347,944	505,037,516
Less: Allowance for impairment	(393,839,066)	(307,054,937)
	224,508,878	197,982,579

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand 2025 2024

3. Trade receivables from exchange transactions (continued)

Reconciliation of allowance for impairment of consumer debtors

2025	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Electricity	25,783,530	21,856,812	(3,328,003)	44,312,339
Water	125,607,889	40,922,189	(25,969,589)	140,560,489
Sewerage	69,043,437	30,241,799	(12,073,613)	87,211,623
Refuse	67,142,726	29,173,467	(12,106,433)	84,209,760
Housing loan instalments	541,560	(62,118)	(438)	479,004
Housing rentals	346,108	88,809	-	434,917
Other consumer debtors	18,589,686	19,083,648	(1,042,400)	36,630,934
	307,054,939	141,304,606	(54,520,476)	393,839,066
2024	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Electricity	10,143,455	17,867,609	(2,227,534)	25,783,530
Water	154,519,059	47,589,443	(76,500,613)	125,607,889
Sewerage	59,684,576	19,840,835	(10,481,974)	69,043,437
Refuse	57,792,889	20,276,453	(10,926,616)	67,142,726
Housing loan instalments	635,951	(77,017)	(17,374)	541,560
Housing rentals	380,952	3,812	(38,656)	346,108
Other consumer debtors	11,762,376	7,283,022	(455,712)	18,589,686
	294,919,258	112,784,157	(100,648,479)	307,054,939

Note 37 excludes the VAT component on the impairment movements.

Trade debtors past due but not impaired.

Figures in Rand	2025	2024
31 - 60 days	12,333,294	11,478,506
61 - 90 days	6,959,653	6,349,850
91 - 120 days	547,150	4,584,154
121 - 365 days	45,871,982	41,565,520
	65,712,079	63,978,030

Credit quality of consumer debtors

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables from exchange transactions.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
4. Receivables from non-exchange transactions		
Taxation receivables		
Net Rates	35,090,885	36,662,289
Gross rates	61,023,493	64,774,759
Allowance for impairment on rates	(25,932,608)	(28,112,470)
Transfer receivables		
Net Fines	6,562,451	5,952,919
Fines	77,243,457	47,359,805
Allowance for impairment of fines	(70,681,006)	(41,406,886)
Conditional government grants and subsidies receivable (Refer note 22)	-	4,498,063
Other receivables	25,077,325	27,848,769
Sundry receivables	19,912,106	24,614,868
Allowance for impairment on sundry receivables	(2,701,654)	(2,203,732)
Availability charges receivables	16,827,654	15,513,517
Allowance for impairment on availability charges receivables	(10,052,349)	(11,170,983)
Non-cash portion of Housing Development Fund	725,801	771,560
Operating lease receivables	365,767	323,539
	66,730,661	74,962,040

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
4. Receivables from non-exchange transactions (continued)		
The ageing of taxation receivables from non-exchange transactions		
Rates		
Current (0 - 30 days)	25,601,670	26,476,703
31 - 60 days	3,547,169	6,028,209
61 - 90 days	1,744,472	2,229,341
91 - 120 days	1,346,675	1,588,799
121 - 365 days	28,783,507	28,451,707
Less: Allowance for impairment	(25,932,608)	(28,112,470)
	35,090,885	36,662,289
Summary of Rates by customer classification		
Residential consumers		
Current (0 - 30 days)	17,676,196	18,034,596
31 - 60 days	2,654,595	3,560,632
61 - 90 days	1,167,812	1,602,833
91 - 120 days	843,944	1,119,523
121 - 365 days	22,066,938	22,509,410
Less: Allowance for impairment	(22,458,285)	(24,028,240)
	21,951,200	22,798,754
Industrial / commercial		
Current (0 - 30 days)	7,403,224	7,965,738
31 - 60 days	525,275	2,136,972
61 - 90 days	220,071	363,504
91 - 120 days	147,512	210,890
121 - 365 days	2,838,090	3,328,374
Less: Allowance for impairment	(3,474,323)	(4,084,230)
	7,659,849	9,921,248
National and provincial government and other		
Current (0 - 30 days)	420,130	391,085
31 - 60 days	367,298	330,588
61 - 90 days	356,590	262,994
91 - 120 days	355,219	258,375
121 - 365 days	3,980,598	2,697,215
	5,479,835	3,940,257
Total of rates by customer classification	35,090,885	36,662,289

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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4. Receivables from non-exchange transactions (continued)

Fines

The ageing of fines is as follows:

Current (0 - 30 days)	6,756,150	1,963,700
31 - 60 days	7,137,000	1,772,300
61 - 90 days	6,843,275	2,026,750
91 - 120 days	7,573,675	2,516,700
121 days - 365 days	48,933,357	39,080,355
Gross debtor	77,243,457	47,359,805
Less: Allowance for impairment	(70,681,006)	(41,406,886)
	6,562,451	5,952,919

Availability charges receivables

The ageing of availability charges receivables is as follows:

Current (0 - 30 days)	1,844,722	1,459,062
31 - 60 days	785,338	626,529
61 - 90 days	578,917	496,129
91 - 120 days	507,330	438,338
121 days - 365 days	13,111,347	12,493,459
Gross debtor	16,827,654	15,513,517
Less: Allowance for impairment	(10,052,349)	(11,170,983)
	6,775,305	4,342,534

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand 2025 2024

4. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions

2025	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	28,112,470	(509,560)	(1,670,302)	25,932,608
Transfer receivables (Fines)	41,406,885	63,814,242	(34,540,121)	70,681,006
Sundry receivables	2,203,732	497,922	-	2,701,654
Availability charges receivables	11,170,983	(327,926)	(790,708)	10,052,349
	82,894,070	63,474,678	(37,001,131)	109,367,617
2024	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	24,111,018	5,930,522	(1,929,070)	28,112,470
Transfer receivables (Fines)	63,520,720	25,583,433	(47,697,268)	41,406,885
Sundry receivables	1,439,979	763,753	-	2,203,732
Availability charges receivables	9,444,284	2,883,174	(1,156,475)	11,170,983
	98,516,001	35,160,882	(50,782,813)	82,894,070

The impairment allowance was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios. The impairment allowance on Taxation Receivables and Other Receivables exists predominantly due to the possibility that these debts will not be recovered. Taxation Receivables and Other Receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

Note 37 excludes the VAT component on the impairment movements.

Rates debtors past due but not impaired

31 - 60 days	1,634,074	2,620,699
61 - 90 days	652,952	844,739
91 - 120 days	434,820	463,890
121 - 365 days	3,536,569	4,098,006
	6,258,415	8,027,334

Fines debtors past due but not impaired

31 - 60 days	361,782	166,852
61 - 90 days	216,687	217,117
91 - 120 days	163,809	263,613
121 - 365 days	1,610,110	5,088,480
	2,352,388	5,736,062

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
4. Receivables from non-exchange transactions (continued)		
Availability charges receivables past due but not impaired		
31 - 60 days	392,825	272,377
61 - 90 days	240,561	187,993
91 - 120 days	190,668	127,984
121 - 365 days	2,539,295	1,797,358
	3,363,349	2,385,712

Credit quality of receivables from non-exchange transactions

Taxation debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to taxation debtors are limited due to the municipality's large number of customers. The municipality's historical experience in collection of non-exchange receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables from non-exchange transactions.

Operating lease receivables

Opening balance	323,539	275,721
Straight lining adjustment in the Statement of Financial Performance	42,228	47,818
	365,767	323,539

Operating leases - as lessor (income).

Minimum lease payments receivable

- within one year	1,741,309	1,306,198
- in second to fifth year inclusive	4,418,497	3,216,140
- after five years	529,031	925,176
	6,688,837	5,447,514

Operating leases relate to property owned by the municipality with lease terms of between 5 and 20 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Municipal buildings
- Vacant land.

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
5. Statutory receivables		
The municipality had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition		
Rates	35,090,885	36,662,289
Fines	6,562,451	5,952,919
VAT	32,817,233	41,245,808
Conditional government grants and subsidies receivable	-	4,498,063
	74,470,569	88,359,079

Conditional government grants and subsidies receivable included as statutory receivable as it was not previously included. Refer to note 49 for detail regarding the correction of prior period error.

VAT Receivable has been restated. Refer to note 49 for more information.

Statutory receivables general information

Transaction(s) arising from statute

Rates - Municipal Property Rates Act (MPR Act) section 2 states that a metropolitan or local municipality may levy a rate on property in its area.

Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

VAT - VAT is received and paid as required per the Value Added Tax Act No 89 of 1991 (VAT Act).

Conditional government grants and subsidies receivable - Government grants related transactions arise in terms of the applicable annual Division of Revenue Act as well as the relevant Provincial Gazette.

Determination of transaction amount

Rates - Rates amounts are determined in terms of section 11 of the MPR Act and the approved rates policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

VAT - VAT is applied to all relevant goods or services as stated in the Vat Act and the amount thereof is determined in terms of the Vat Act.

Conditional government grants and subsidies receivable - Government grants related transaction amounts allocated to the municipality are stipulated in the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

Interest or other charges levied/charged

Rates - Interest is charged on past due balances at the prime interest rate.

Fines - No interest or other charges are charged on outstanding fines.

VAT - VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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5. Statutory receivables (continued)

Conditional government grants and subsidies receivable - Interest or other charges levied on Government grants, if applicable, is based on the average investment rate for the applicable year.

No discount rate is applied on the above-mentioned statutory receivables to estimate future cash flows.

Statutory receivables impaired and past due not impaired

Rates - Payment percentage of receivables is used to assess whether the receivable is impaired. Refer to note 4 for more detail on the impairment provision and ageing of statutory receivables past due not impaired.

Fines - Payment percentage of fines is used to assess whether fines are impaired. Refer to note 4 for more detail on the impairment provision and ageing of statutory receivables past due not impaired.

VAT - VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts. VAT on output provision is assessed with the debtors impairment provision and included therein.

Conditional government grants and subsidies receivable - Each individual Grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

6. Prepayments

Prepayments consist of the following:

SALGA	8,548,477	7,212,077
Accommodation	-	2,520
SATSA	-	3,999
	8,548,477	7,218,596
Current assets	8,548,477	7,218,596

SALGA

SALGA membership fees for the 2025/2026 financial year were paid in April 2025 and the municipality received a 5% discount for early settlement.

SALGA membership fees for the 2024/2025 financial year were paid in April 2024 and the municipality received a 5% discount for early settlement.

Accommodation

Accommodation paid in advance for municipal officials attending out of town municipal matters in July 2024.

SATSA

Conference registration fee paid in advance for a municipal official attending the SATSA (South African Tourism Association) Conference schedule for August 2024.

7. VAT receivable

VAT receivable from SARS	32,817,233	41,245,808
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George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

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7. VAT receivable (continued)

VAT is payable to SARS on the payment basis. Only once payment is received from customers, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

For statutory receivable information regarding VAT refer to Note 5.

Refer to note 49 for detail regarding the correction of prior period errors.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

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8. Construction contracts and receivables

Contracts in progress at Statement of Financial Position date

Construction contracts and receivables/(payables) 395,889 2,537,515

Contract revenue is fixed based on the arrangement with the Provincial Department of Housing. Revenue is recognised to the extent that contract costs incurred are recoverable. The following projects were included in the balances reported above:

30 June 2025	Golden Valley	Thembaletu 700 Units	Thembaletu 42 & 58	Completed construction projects	Total
Opening balance from/(due to) customers	(1,102,745)	1,931,636	383,286	1,325,338	2,537,515
Advances received	-	(2,466,075)	-	-	(2,466,075)
Revenue recognised / (derecognised)	-	160,888	39,000	124,561	324,449
	<u>(1,102,745)</u>	<u>(373,551)</u>	<u>422,286</u>	<u>1,449,899</u>	<u>395,889</u>
Accumulated revenue recognised	(5,994,627)	(86,853,233)	(7,240,293)	(3,592,316)	(103,680,469)
Accumulated expenditure	5,994,627	86,853,233	7,240,293	3,592,316	103,680,469
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(1,102,745)</u>	<u>1,931,636</u>	<u>383,286</u>	<u>1,325,338</u>	<u>2,537,515</u>
Accumulated revenue recognised	(5,994,627)	(86,692,345)	(7,201,293)	(3,467,754)	(103,356,019)
Accumulated expenditure	5,994,627	86,692,345	7,201,293	3,467,754	103,356,019
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(1,102,745)</u>	<u>1,931,636</u>	<u>383,286</u>	<u>1,325,338</u>	<u>2,537,515</u>

30 June 2024	Golden Valley	Thembaletu 700 Units	Thembaletu 42 & 58	Completed construction projects	Total
Opening balance from/(due to) customers	(1,102,745)	1,931,636	383,286	2,256,464	3,468,641
Advances received	-	-	-	(1,246,000)	(1,246,000)
Revenue recognised / (derecognised)	-	-	-	314,874	314,874
	<u>(1,102,745)</u>	<u>1,931,636</u>	<u>383,286</u>	<u>1,325,338</u>	<u>2,537,515</u>
Accumulated revenue recognised	(5,994,627)	(86,692,345)	(7,201,293)	(3,467,754)	(103,356,019)
Accumulated expenditure	5,994,627	86,692,345	7,201,293	3,467,754	103,356,019
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(1,102,745)</u>	<u>1,931,636</u>	<u>383,286</u>	<u>1,325,338</u>	<u>2,537,515</u>

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024			
9. Loans and receivables						
As at 30 June 2025	Gross balance	Repayments	Impairment allowance / Written off	Net Balance	Transferred to current assets	Non-current
Housing scheme loans	21,967	(14,383)	(896)	6,688	(6,314)	375
Sale of erven loans	20,690	-	-	20,690	(20,690)	-
Actuary meter debt	175,830	-	(175,830)	-	-	-
	218,487	(14,383)	(176,726)	27,378	(27,004)	375
As at 30 June 2024	Gross balance	Repayments	Reversal of impairment	Net Balance	Transferred to current assets	Non-current
Housing scheme loans	36,462	(26,680)	12,185	21,967	(14,305)	7,662
Sale of erven loans	20,690	-	-	20,690	(20,690)	-
Actuary meter debt	218,360	(42,530)	-	175,830	(87,915)	87,915
	275,512	(69,210)	12,185	218,487	(122,910)	95,577

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

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9. Loans and receivables (continued)

Housing scheme loans

No housing loans may be granted to officials and the public. The outstanding amount is in respect of loans granted before 1 July 2005 and will be recovered over the remaining period of the loan agreements. The interest rate applicable to the loans is 13.5%.

Sale of erven loans

As from 1 July 2006 no loan agreements are entered into for the sale of erven. The outstanding loans will be recovered over the remaining period of the individual agreements entered into. The interest rates applicable to the loans vary between 11.0% and 14.5%.

Actuary meter cost

Arrear amounts on services are capitalised on completion of a formal agreement. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 60 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

The management of the municipality is of the opinion that the carrying value of loans and receivables recorded at amortised cost in the Financial Statements approximate their fair values.

The fair value of loans and receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's loans and receivables.

The provision for doubtful debts on loans and receivables exists due to the possibility that not all these debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Reconciliation of impairment allowance

	Balance at beginning of year	Impairment losses	Amounts written off as uncollectible	Balance at end of the year
2025				
Housing scheme loans	-	(896)	-	(896)
Actuaris meter debt	-	-	(175,830)	-
	<u>-</u>	<u>(896)</u>	<u>(175,830)</u>	<u>(896)</u>
2024				
Housing scheme loans	12,185	(12,185)	-	-

10. Principle agent arrangement

The municipality entered into the following arrangements with the Provincial Housing Department to act as agent on their behalf:

- Thembaletu Bungalow Housing Project: This project is for the rehabilitation of services and construction of 200 houses in Thembaletu via the Developer Driven Individual Subsidy Programme (DDISP).
- Title Deed Restoration Grant: This project was launched to eradicate the backlog of title deed registrations of houses allocated to beneficiaries pre-2014. This includes the professional fees associated with the process as well as beneficiary verification.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

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10. Principle agent arrangement (continued)

Transactions on these projects consists out of the following:

2025	Opening balance	Amounts paid back	Receipts from Department	Expenses on behalf of principal	Receivable / (Advances received) from Department
Housing scheme loans	<u>1,103,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,103,983</u>
2024	Opening balance	Amounts paid back	Receipts from Department	Expenses on behalf of principal	Receivable / (Advances received) from Department
Housing scheme loans	<u>1,103,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,103,983</u>

The beneficiary arrangement relating to the process of managing beneficiaries for the construction contracts as disclosed in Note 8, is managed on behalf of the Department of Human Settlements (Now known as Department of Infrastructure due to re-organisation of Departments on 1 April 2023), by the municipality.

No resources are held on behalf of the Department of Human Settlements.

The municipality does not receive any compensation from the department for the management of the beneficiary arrangement.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	24,620	27,380
Bank balances	641,194,404	454,825,179
Investments	686,337,254	902,166,478
	1,327,556,278	1,357,019,037

Cash and cash equivalents pledged as collateral

Cash and cash equivalents to an amount of R 4,295,000 have been pledged as guarantee in favour of Eskom.

Additional Eskom guarantee was done in the form of a 12-month fixed deposit for the upgrade to the electrical supply lines at the Schaapkop and Wilderness point of delivery.

The balance of unspent conditional grants as per note 22 can only be used for the purpose as set out in the different grant conditions and is not available to the municipality to use in its normal business operations. The same applies to the cash portion of the Housing Development Fund as per note 23. This balance can only be used for the purpose of the Housing Development Fund.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2025	June 30, 2024	June 30, 2023
Primary bank account:						
First National Bank - Cheque Account - 628 696 23150	636,051,219	454,560,757	441,589,131	639,862,882	453,929,655	443,104,606
Other bank accounts:						
ABSA BANK - Cheque Account - 102 222 0981	1,468,487	915,754	976,935	1,331,522	895,523	749,784
ABSA - George Charitable Relief Fund - 914 955 4208	4,806	6,283	5,930	-	-	-
Investment accounts:						
First National Bank - Cheque Bank - 762 034 22458	1,168,298	1,083,120	-	1,168,298	1,083,120	-
First National Bank - Cheque Bank - 630 596 62304	1,168,957	1,083,359	-	1,168,957	1,083,359	-
Nedbank Fixed Deposit	-	300,000,000	100,000,000	-	300,000,000	100,000,000
Standard Bank Fixed Deposit	-	100,000,000	200,000,000	-	100,000,000	200,000,000
ABSA Bank Fixed Deposit	-	500,000,000	100,000,000	-	500,000,000	100,000,000
First National Bank - Eskom Guarantee - 762 067 20370	84,000,000	-	-	84,000,000	-	-
African Bank Fixed Deposit	600,000,000	-	-	600,000,000	-	-
Total	1,323,861,767	1,357,649,273	842,571,996	1,327,531,659	1,356,991,657	843,854,390

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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11. Cash and cash equivalents (continued)

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

The credit rating was obtained from Moody's rating methodology has been revised, and the bank financial strength ratings have been withdrawn. This has been replaced with the Baseline Credit Assessment.

Credit ratings are as follows:

Credit rating

AAA (FNB accounts)	722,388,474	-
Aa1 (ABSA accounts)	1,473,293	-
Aa2 (African Bank accounts)	600,000,000	-
Ba2	-	1,357,649,273
	<u>1,323,861,767</u>	<u>1,357,649,273</u>

George Local Municipality
Trading as George Municipality
Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

12. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	926,166,558	-	926,166,558	922,840,318	-	922,840,318
Infrastructure	5,871,748,658	(1,972,627,703)	3,899,120,955	4,699,216,614	(1,772,981,900)	2,926,234,714
Community	339,784,489	(141,603,354)	198,181,135	298,883,239	(125,412,626)	173,470,613
Other	100,116,661	(55,534,280)	44,582,381	86,164,913	(47,498,140)	38,666,773
Other - Buildings	311,047,835	(98,537,058)	212,510,777	204,640,139	(85,552,010)	119,088,129
Service concession assets - GIPTN Buses	305,813,153	(201,036,203)	104,776,950	305,813,153	(166,592,929)	139,220,224
Machinery and Equipment	235,913,436	(104,136,850)	131,776,586	213,714,916	(82,313,118)	131,401,798
Transport	267,141,802	(88,394,611)	178,747,191	228,329,650	(75,629,995)	152,699,655
Total	8,357,732,592	(2,661,870,059)	5,695,862,533	6,959,602,942	(2,355,980,718)	4,603,622,224

George Local Municipality
Trading as George Municipality
Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment 2025

	Opening balance	Additions	WIP additions	Disposals	Transfers	Depreciation	Total
Land	922,840,318	3,326,240	-	-	-	-	926,166,558
Infrastructure	2,926,234,714	664,566,221	523,467,828	(2,500)	(15,499,506)	(199,645,802)	3,899,120,955
Community	173,470,613	44,354,296	2,236,738	(116,272)	(4,884,945)	(16,879,295)	198,181,135
Other	38,666,773	15,017,439	-	(57,664)	(850,367)	(8,193,800)	44,582,381
Other - Buildings	119,088,129	70,546,454	12,881,035	(85,023)	22,273,227	(12,193,045)	212,510,777
Service concession assets - GIPTN Buses	139,220,224	-	-	-	-	(34,443,274)	104,776,950
Machinery and Equipment	131,401,798	22,775,873	533,385	(3,174)	(1,038,409)	(21,892,887)	131,776,586
Transport	152,699,655	41,461,401	-	(1,508,294)	-	(13,905,571)	178,747,191
	4,603,622,224	862,047,924	539,118,986	(1,772,927)	-	(307,153,674)	5,695,862,533

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	WIP additions	Disposals	Transfers	Depreciation	Total
Land	923,830,099	-	-	(989,781)	-	-	922,840,318
Infrastructure	2,297,273,648	266,896,164	511,953,987	-	-	(149,889,085)	2,926,234,714
Community	151,039,023	28,027,778	8,237,414	-	-	(13,833,602)	173,470,613
Other	32,884,895	12,393,320	11,029	-	(23,814)	(6,598,657)	38,666,773
Other - Buildings	93,653,922	20,700,799	11,054,274	(61,449)	23,814	(6,283,231)	119,088,129
Service concession assets - GIPTN Buses	173,844,248	-	-	-	-	(34,624,024)	139,220,224
Machinery and Equipment	104,064,452	41,289,049	969,173	-	-	(14,920,876)	131,401,798
Transport	118,229,168	46,965,085	-	(980,358)	-	(11,514,240)	152,699,655
	3,894,819,455	416,272,195	532,225,877	(2,031,588)	-	(237,663,715)	4,603,622,224

Pledged as security

Property, plant and equipment was not pledged as security for financial liabilities.

Assets subject to finance leases

Service concession assets

GIPTN Buses used as public transport assets are classified as service concession assets. 104 buses are the property of the municipality, and 29 buses are owned by the VOC. Refer to note 57 for details of service concession arrangements.

Subsequent to year-end, the Municipality was instructed by a court ruling dated 18 November 2025 to transfer ownership of 69 Mercedes-Benz buses and 35 Minibuses to the operator (George Link Pty Ltd) at R1 each. The assets, has a carrying amount of R44 502 192 at 30 June 2025. Although the ownership of these assets will change, the buses will remain available for the bus service as service concession assets under GRAP 32 for the municipality.

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12. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Included within remaining PPE	Included within Land	Total
Opening balance	1,527,340,867	31,195,208	41,044,581	31,089,040	196,882	1,630,866,578
Additions/capital expenditure	523,467,828	2,236,738	533,385	12,881,035	-	539,118,986
Transferred to completed items	(529,751,435)	(23,552,291)	(3,068,321)	(15,923,984)	-	(572,296,031)
	1,521,057,260	9,879,655	38,509,645	28,046,091	196,882	1,597,689,533

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Included within remaining PPE	Included within Land	Total
Opening balance	1,035,184,771	22,957,794	40,064,379	20,034,766	196,882	1,118,438,592
Additions/capital expenditure	511,953,987	8,237,414	980,202	11,054,274	-	532,225,877
Transferred to completed items	(19,797,891)	-	-	-	-	(19,797,891)
	1,527,340,867	31,195,208	41,044,581	31,089,040	196,882	1,630,866,578

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12. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	217,056,906	174,062,540
Employee related costs	18,777,730	26,493,290
Material and other expenditure	27,049,112	23,173,528
	262,883,748	223,729,358

Changes in estimates

The municipality reviews the useful lives and residual values of the assets in the asset register regularly and makes adjustments as needed. The effect of the adjustments on the useful life and residual values of the assets had the following effect on the depreciation of the assets compared to the prior year:

Infrastructure	(6,337,303)	(5,042,984)
Community	(805,583)	(600,769)
Other	(460,499)	(945,584)
Other - Buildings	(417,607)	(234,837)
Transport	(52,612)	(688,470)
Machinery and Equipment	(430,427)	(915,563)
Service concession assets - GIPTN Buses	(109,189)	1,137,009
	(8,613,220)	(7,291,198)

Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)

In some instances, the municipality is not the legal owner or the custodian of land appointed in terms of legislation but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land are disclosed in note 1.4. The land of the municipality is under the control of the municipality due to a vesting substantive right over the land. Land mainly represents public open spaces and roads vesting to the municipality.

	2025	2024
Carrying value of land which the entity controls without legal ownership or custodianship included in property, plant and equipment	4,846,390	4,846,390

13. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,249,227	(3,888,771)	360,456	4,249,227	(3,664,498)	584,729

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Carrying value
Computer software	584,729	(224,273)	360,456

George Local Municipality

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13. Intangible assets (continued)

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Carrying value
Computer software	909,691	(324,962)	584,729

14. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments and open areas	4,236,000	-	4,236,000	4,236,000	-	4,236,000

Reconciliation of heritage assets 2025

	Opening balance	Total
Historical monuments and open areas	4,236,000	4,236,000

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical monuments and open areas	4,236,000	4,236,000

Details of heritage assets

Wilderness Commonage	4,050,000	4,050,000
Old Uniondale Fort	186,000	186,000
	4,236,000	4,236,000

Wilderness Commonage: This piece of land has a cultural and historical value due to being a stopover or resting place for ox-wagons travelling to Cape Town.

Old Uniondale Fort: During the Anglo Boer War, Uniondale was protected by six British forts of which one has been restored to its original state.

Expenditure incurred to repair and maintain heritage assets

No costs were incurred to repair and maintain heritage assets during the year (2024: RNil).

George Local Municipality

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15. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	142,565,453	-	142,565,453	142,565,696	-	142,565,696
Buildings	4,981,974	(3,964,719)	1,017,255	4,981,974	(3,803,149)	1,178,825
Total	147,547,427	(3,964,719)	143,582,708	147,547,670	(3,803,149)	143,744,521

Reconciliation of investment property - 2025

	Opening balance	Disposals	Depreciation	Carrying value
Land	142,565,696	(243)	-	142,565,453
Buildings	1,178,825	-	(161,570)	1,017,255
	143,744,521	(243)	(161,570)	143,582,708

Reconciliation of investment property - 2024

	Opening balance	Disposals	Depreciation	Carrying value
Land	142,570,866	(5,170)	-	142,565,696
Buildings	1,340,838	-	(162,013)	1,178,825
	143,911,704	(5,170)	(162,013)	143,744,521

Investment property was not pledged as security for financial liabilities.

Other disclosure

Included in the surplus for the year are the following:

Total rental income from investment property	1,691,747	1,384,842
Repairs and maintenance of investment property	151,070	273,969
	<u>1,842,817</u>	<u>1,658,811</u>

Repairs and maintenance incurred during the year were for the Davidsonhof apartments and Thusong Center.

16. Loans and borrowings

At amortised cost

Annuity loans	808,346,353	470,357,893
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Non-current liabilities

Annuity loans	738,001,199	414,367,952
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Current liabilities

Annuity loans	70,345,154	55,989,941
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George Local Municipality

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16. Loans and borrowings (continued)

Annuity loans

Annuity loans are repaid over periods varying from 1 year to 20 years (2024: 1 year to 15 years) and at interest rates varying from 6.75% to 12,15% (2024: 6.75% to 12,15%) per annum. Annuity loans are not secured.

Loans are for mainly for financing of Infrastructure and Transport assets.

17. Service concession liability

Minimum lease payments due

- within one year	26,752,535	28,404,413
- in second to fifth year inclusive	7,164,345	33,916,880
	<u>33,916,880</u>	<u>62,321,293</u>
less: future finance charges	(4,850,849)	(13,406,315)
Present value of minimum lease payments	<u>29,066,031</u>	<u>48,914,978</u>

Present value of minimum lease payments due

- within one year	22,368,427	19,848,947
- in second to fifth year inclusive	6,697,604	29,066,031
	<u>29,066,031</u>	<u>48,914,978</u>

George municipality has entered into a service concession arrangement with one Vehicle Operating Company (VOC) for the George Integrated Public Transport Network (GIPTN). The municipality shall pay the operator the agreed rates as detailed in the Operator agreement.

The average term is 4-7 years whereby the payments made to the VOC are affected by the change in Prime Rate.

18. Payables from exchange transactions

Current liabilities

Trade payables	238,234,135	217,655,480
Compensation Commissioner	4,031,972	3,779,053
GIPTN compensation liability	4,446,237	4,850,881
Other payables	8,916,473	13,350,974
Payments received in advanced - contract in process	36,050,857	32,285,828
Retentions	127,850,101	84,392,402
Unidentified deposits	5,181,981	6,702,454
VAT Output accrual	26,974,862	15,746,271
VAT Output accrual: Library Services	10,925,585	9,416,455
	<u>462,612,203</u>	<u>388,179,798</u>

Non-current liabilities

GIPTN compensation liability	7,613,716	10,504,474
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The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within credit timeframe.

George Local Municipality

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18. Payables from exchange transactions (continued)

The management of the municipality is of the opinion that the carrying value of trade and other payables approximate their fair values. The fair value of trade and other payables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

George Integrated Public Transport Network (GIPTN) compensation liability.

The public transport bus services commenced during the 2015 financial year. Taxi operators who signed buy-in agreements started receiving their monthly buy-in payments with the relinquishment of the taxi operator licences. The accrual was transferred from Provisions and is split between current and non-current based on the expected payments to be made as determined in the signed contracts. Refer to note 22 for more detail.

Balance at beginning of the year	15,355,355	12,707,878
Transferred from Provisions	2,693,091	10,637,552
Change in liability due to inflation and discounting rates	(108,657)	(1,933,833)
Paid during the year	(5,879,836)	(6,056,242)
	12,059,953	15,355,355
Non-current liabilities	7,613,716	10,504,474
Current liabilities	4,446,237	4,850,881
	12,059,953	15,355,355

VAT output accrual

Included in the VAT output accrual amount is the VAT component relating to the impairment of receivables amounting to R44 661 593 (2024: R36 529 234).

VAT output accrual: Library Services

As per the Schedule 5 of the Constitution of the Republic of South Africa, the responsibility to render library services is allocated to the provincial government. The Western Cape Provincial Department of Cultural Affairs and Sport (DCAS) therefore has a responsibility to provide the library services as per its mandate.

The library function has not been assigned to George Municipality. Library services therefore remains a provincial government function performed by DCAS.

In order for DCAS to carry out its library services, DCAS entered into a Memorandum of Agreement (MOA) with George Municipality in which DCAS makes a payment of library grant funding to the municipality, in order for the municipality to provide the library services for the benefit of the general public.

As per the Memorandum of Agreement between the Western Cape Government via its Department of Cultural Affairs and Sport and George Municipality, the funding provided is a contribution towards partially addressing the unfunded mandate, for staffing, the new library building project, instalment of a book detection system and / or other specified project cost of the public libraries in the municipality.

Refer to note 49 for detail regarding the correction of prior period errors.

George Local Municipality

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Notes to the Audited Annual Financial Statements

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19. Consumer deposits		
Electricity and water	48,832,224	45,182,856
Sundry deposits	329,104	445,478
	49,161,328	45,628,334
Guarantees held in lieu of electricity and water deposits	25,209,467	22,709,048

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.

Guarantees are given by business consumers on application for new water and electricity connections instead of deposits. In cases where consumers default on their accounts, the municipality can request the guarantee amounts from the consumers' bank as payment for the outstanding accounts.

George Local Municipality

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Notes to the Audited Annual Financial Statements

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20. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Non-current liabilities		
Post-Retirement Medical Aid benefits liability	210,062,000	185,942,000
Ex-gratia pension benefits liability	1,381,400	1,633,400
Long service awards	28,127,000	27,447,000
	239,570,400	215,022,400
Current liabilities		
Post-Retirement Medical Aid benefits liability	10,381,000	10,405,000
Ex-gratia pension benefits liability	594,000	470,500
Long service awards	4,223,000	2,138,000
Staff leave	59,427,452	53,610,112
Staff annual bonus	19,600,975	17,689,801
	94,226,427	84,313,413
Total liabilities		
Post-Retirement Medical Aid benefits liability	220,443,000	196,347,000
Ex-gratia pension benefits liability	1,975,400	2,103,900
Long service awards	32,350,000	29,585,000
Staff leave	59,427,452	53,610,112
Staff annual bonus	19,600,975	17,689,801
	333,796,827	299,335,813

Post-retirement medical aid benefit liability

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continuation member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2025. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

In-service (Employees) members	704	684
In-service (Employees) non-members	690	651
Continuation members (Retirees, widow and orphans)	148	153
	1,542	1,488
In-service members	87,799,000	72,523,000
In-service non-members	12,652,000	11,480,000
Continuation members	119,992,000	112,344,000
	220,443,000	196,347,000

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
20. Employee benefit obligations (continued)		
<ul style="list-style-type: none"> • Sizwe-Hosmed • LA Health • Key Health • Samwumed 		
Regulatory framework		
GRAP 25, derived from IPSAS 39 and IAS 19, has been approved by the ASB and the Minister of Finance, and is effective for financial periods commencing on or after 1 April 2024.		
It applies to institutions falling within the ambit of the Finance Management Act.		
Risks of the plan		
Inflation: The risk that future CPI inflation and medical aid contribution inflation are higher than assumed and present in an uncontrolled manner.		
Longevity: The risk that eligible individuals live longer than assumed i.e. their benefits are payable for longer than expected.		
Volatility of open-ended, long-term DBO: The risk that the DBO may be volatile which is exacerbated by its long-term nature.		
Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.		
Future changes in legislation: The risk that changes to legislation with respect to the post-employment medical aid benefit may increase the DBO for the Municipality.		
Administration: The administration of the DBO poses a burden on the Municipality.		
There are no curtailments or settlements to reflect.		
Valuation Method		
The projected unit credit method has been used to value the DBO.		
Post Retirement Benefits (PEMA)	220,443,000	196,347,000
Post Retirement Health Care Benefits		
Balance 1 July	196,347,000	180,646,000
Contribution for the year	6,474,000	6,142,000
Interest cost	23,338,000	21,932,000
Expenditure for the year	(10,405,000)	(8,954,000)
Actuarial Loss/(Gains)	4,689,000	(3,419,000)
	220,443,000	196,347,000
Transfer of Current Portion to Current Provisions	(10,381,000)	(10,405,000)
Non-current portion: Net defined benefit liability	210,062,000	185,942,000

The total defined benefit obligation has increased by 12% (or R24 096 million) since the last valuation. The main reasons for the change in liability:

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20. Employee benefit obligations (continued)

In-service members

1. an increase in the average age which means which means members are closer to retirement (less discounting and less likely to leave before retirement);
2. an increase in the average post-employment subsidy; and
3. a decrease in the net discount rate.

In-service non-members

1. an increase in the average post-employment subsidy;
2. a decrease in the average past-service.

Continuation members

1. an increase in the average post-employment subsidy;
2. a decrease in the net discount rate;
3. increase in the proportion of members with a spouse dependant.

Key actuarial assumptions used:

Financial assumptions

Rate on interest

Discount rate	11.10 %	12.20 %
CPI (Consumer Price inflation)	5.10 %	6.19 %
Medical Aid Contribution Inflation Rate	6.90 %	7.69 %
Net Effective Discount Rate	3.90 %	4.19 %

The next contribution increases were assumed to occur at 1 January 2026.

George Local Municipality

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20. Employee benefit obligations (continued)

Demographic assumptions

Mortality during employment

SA85-90 tables, adjusted for female lives.

Mortality rates post-employment

The PA 90-1 with 1% mortality improvement from p.a from 2010.

Normal retirement age

The normal retirement age is 65 for males and 60 for females.

Average retirement age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement

It has been assumed that 15% of eligible in-service non-members will be on a medical scheme by retirement (should they not exit employment before then) and continue with the subsidy at and after retirement.

Continuation from membership

It has been assumed that 80% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Family Profile

It has been assumed that female spouses will be three years younger than their male counterparts. Furthermore, we've assumed that 65% of eligible employees on a health care arrangement at retirement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

Termination of service

Valuation: 30 June 2025

Age	Rate
20 - 24	9%
25 -29	8%
30 - 34	6%
35 - 39	5%
40 - 44	5%
45 - 49	4%
50 - 54	3%
55+	0%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	220,443,000	196,347,000
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There are currently no long-term assets set aside off-balance sheet in respect of the DBO, thus plan assets is zero.

As there is no plan asset, the net defined benefit liability is equal to the defined benefit obligation.

George Local Municipality

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Figures in Rand	2025	2024
20. Employee benefit obligations (continued)		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	196,347,000	180,646,000
Total expenses	19,407,000	19,120,000
Service cost	6,474,000	6,142,000
Interest	23,338,000	21,932,000
Payments to the plan	(10,405,000)	(8,954,000)
Actuarial (gains)/losses	4,689,000	(3,419,000)
Demographic assumptions	-	-
Financial assumptions	7,428,000	(3,613,000)
Experience adjustments	(2,739,000)	194,000
Present value of fund obligation at the end of the year	220,443,000	196,347,000
Transfer of Current Portion	(10,381,000)	(10,405,000)
	210,062,000	185,942,000

Sensitivity Analysis on the Accrued Liability on 30 June 2025:

Assumption	Change	Total liability	%Change
Central Assumptions	-	220,443,000	-
Medical aid contribution inflation rate	1 %	252,155,000	14 %
Medical aid contribution inflation rate	(1)%	194,354,000	(12)%
Discount rate	1 %	195,459,000	(11)%
Discount rate	(1)%	251,140,000	14 %
Post-employment mortality (year)		214,221,000	(3)%
Post-employment mortality (year)	(1)	226,620,000	3 %
Average retirement age (year)	(1)	229,927,000	4 %
Membership continuation	10 %	208,424,000	(5)%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2025:

Assumption	Change	Current cost	Interest	Total Cost	%Change
Central Assumptions		6,474,000	23,338,000	29,812,000	
Medical aid contribution inflation rate	1.00 %	7,961,000	26,654,000	34,615,000	16 %
Medical aid contribution inflation rate	(1.00)%	5,308,000	20,597,000	25,905,000	(13)%
Discount rate	1.00 %	5,409,000	22,415,000	27,824,000	(7)%
Discount rate	(1.00)%	7,839,000	24,365,000	32,204,000	8 %
Post-employment mortality (years)	1	6,318,000	22,673,000	28,991,000	(3)%
Post-employment mortality (years)	(1)	6,625,000	23,997,000	30,622,000	(3)%
Average retirement age (years)	(1)	7,027,000	24,311,000	31,338,000	5 %
Membership continuation	(10)%	5,716,000	22,116,000	27,832,000	(7)%

The method used to prepare the sensitivity analysis remained unchanged from the previous period. The assumptions used would be based on the market conditions and demographic inputs as at 30 June 2025.

George Local Municipality

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20. Employee benefit obligations (continued)

The Service Cost for the ensuing year is estimated to be R7 782 000 whereas the Interest Cost for the next year is estimated to be R23 877 000.

Maturity analysis of the DBO (up to 80 years, R millions)

Future year	Expected benefits vesting
1	10.95
2	12.06
3	13.17
4	14.61
5	15.83
6 - 10	110.08
11 - 15	177.07
16 - 20	266.36
21 - 25	372.11
26 - 30	477.66
31 - 40	1 199.14
41 - 50	1 201.19
51 - 60	586.07
61 - 70	391.50
71 - 80	91.52

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods (**R millions**).

Net Defined Benefit Liability History	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
Defined benefit obligation	182.599	189.776	180.646	196.347	220.443
Fair value of plan asset	-	-	-	-	-
Surplus / (Deficit)	182.599	189.776	180.646	196.347	220.443

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred (**R millions**).

Experience adjustments	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
2025 Defined benefit obligation:	(6.705)	(8.765)	(4.573)	0.194	(2.739)
(Gain) / Loss	-	-	-	-	-
Assets: Gains / (Loss)	-	-	-	-	-
	(6.705)	(8.765)	(4.573)	0.194	(2.739)

Long service awards

The municipality's obligation for Long Service Awards is a defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).

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20. Employee benefit obligations (continued)

The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation less the fair value of any plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.

The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2025.

Eligible employees - Female	558	534
Eligible employees - Male	837	802
	1,395	1,336

The Service Cost for the ensuing year is estimated to be R2 769 000 whereas the Interest Cost for the next year is estimated to be R3 043 000.

Regulatory framework

GRAP 25, derived from IPSAS 39 and IAS 19, has been approved by the ASB and the Minister of Finance, and is effective for financial periods commencing on or after 1 April 2024.

It applies to institutions falling within the ambit of the Finance Management Act.

Risks of the plan

Inflation: The risk that future CPI inflation and medical aid contribution inflation are higher than assumed and present in an uncontrolled manner.

Longevity: The risk that fewer eligible employees terminate their service at the Municipality i.e. more long service awards vest than expected.

Volatility of open-ended, long-term DBO: The risk that the DBO may be volatile which is exacerbated by its long-term nature.

Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.

Future changes in legislation: The risk that changes to legislation with respect to long service awards may increase the DBO for the Municipality.

Administration: The administration of this DBO poses a burden on the Municipality.

There are no curtailments or settlements to reflect.

Valuation method

The Projected Unit Credit Method has been used to value the DBO.

Present value of fund obligations	32,350,000	29,585,000
Defined benefit obligation		
Balance 1 July	29,585,000	28,978,000

George Local Municipality

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Figures in Rand	2025	2024
20. Employee benefit obligations (continued)		
Contribution for the year	2,566,000	2,351,000
Interest cost	3,262,000	3,053,000
Expenditure for the year	(2,131,537)	(4,861,095)
Actuarial Loss/(Gain)	(931,463)	64,095
	32,350,000	29,585,000
Transfer of Current Portion to Current Provisions	(4,223,000)	(2,138,000)
Non-current portion: Net defined benefit liability	28,127,000	27,447,000

The average DBO has increased by 5% since the last valuation due to an increase in the average earnings.

The total DBO has increased by 9% (or R2 765 000) due to the above being more than offset by an increase in the number of eligible employees since the last valuation.

Key actuarial assumptions used:

Financial assumptions

Rate of interest

Discount rate	10.10 %	11.43 %
CPI (Consumer Price inflation)	4.10 %	5.53 %
General earnings inflation rate	5.10 %	6.53 %
Net Effective Discount Rate	4.80 %	4.60 %

The next general earnings increase was assumed to take place on 1 July 2026.

Demographic assumptions

Mortality during employment

SA85-90 tables, adjusted for female lives.

Promotional Earnings Scale

The annual escalation rates below are in addition to the general earnings inflation assumption of 6.53% per annum for all employees.

Average retirement age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Termination of service

Valuation: 30 June 2025.

Age	Rate
20 - 24	9%
25 - 29	8%
30 - 34	6%
35 - 39	5%
40 - 44	5%
45 - 49	4%
50 - 54	3%
55+	0%

The amounts recognised in the Statement of Financial Position are as follows:

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Figures in Rand	2025	2024
20. Employee benefit obligations (continued)		
Present value of fund obligations	32,350,000	29,585,000
Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA DBO.		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	29,585,000	28,978,000
Total expenses	3,696,463	542,905
Service cost	2,566,000	2,351,000
Interest Cost	3,262,000	3,053,000
Payments to the plan	(2,131,537)	(4,861,095)
Actuarial (gains)/losses	(931,463)	64,095
Financial assumptions	(140,463)	(23,905)
Experience adjustments	(791,000)	88,000
	32,350,000	29,585,000
Transfer of Current Portion	(4,223,000)	(2,138,000)
Net defined benefit liability	28,127,000	27,447,000

Sensitivity Analysis on the Accrued Liability on 30 June 2025

Assumption	Change	Total Liability	%Change ¹
Central Assumptions	-	32,350,000	-
General earnings inflation rate	1.00 %	34,299,000	6.00 %
General earnings inflation rate	(1.00)%	30,582,000	(5.00)%
Discount rate	1.00 %	30,554,000	(6.00)%
Discount rate	(1.00)%	30,357,000	6.00 %
Average retirement age	2	36,797,000	14.00 %
Average retirement age	(2)	27,436,000	(15.00)%
Rates of termination services (x)	2	26,704,000	(17.00)%
Rates of termination services (x)	0.5	36,183,000	12.00 %

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2025.

Assumptions	Change	Current cost	Interest	Total Cost	%Change
Central Assumptions	-	2,566,000	3,262,000	5,828,000	-
General earnings inflation rate	1.00 %	2,782,000	3,474,000	6,256,000	7.00 %
General earnings inflation rate	(1.00)%	2,373,000	3,069,000	5,442,000	(7.00)%
Discount rate	1.00 %	2,395,000	3,335,000	5,730,000	(2.00)%
Discount rate	(1.00)%	2,759,000	3,175,000	5,934,000	2.00 %
Average retirement age (years)	2	2,850,000	3,723,000	6,573,000	13.00 %
Average retirement age (years)	(2)	2,267,000	2,743,000	5,010,000	(14.00)%
Rates of termination services	2	1,869,000	2,644,000	4,513,000	(23.00)%
Rates of termination services	0.5	3,091,000	3,683,000	6,774,000	16.00 %

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20. Employee benefit obligations (continued)

The method used to prepare the sensitivity analysis remained unchanged from the previous period. The assumptions used would be based on the market conditions and demographic inputs as at 30 June 2025.

Maturity analysis of the DBO (up to 40 years, R millions):

Future year	Expected benefits vesting
1	4.549
2	4.244
3	5.171
4	4.999
5	3.029
6 - 10	29.246
11 - 15	34.862
16 - 20	32.843
21 - 30	51.765
31 - 40	7.355

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods (R millions).

Liability History	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
Accrued Liability	27.660	28.759	28.978	29.585	32.350
Fair value of plan assets	-	-	-	-	-
	27.660	28.759	28.978	29.585	32.350

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred (R rands).

Experience adjustment	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
Liabilities: (Gain) / Loss	37,000	215,000	(539,000)	88,000	(791,000)
Assets: Gain / (Loss)	-	-	-	-	-
	37,000	215,000	(539,000)	88,000	(791,000)

Ex-gratia benefits

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2025, 89 employees and 8 pensioners were eligible for payments in terms of this plan.

As there is no plan asset, the net defined benefit liability is equal to the defined benefit obligation.

The effective date of this valuation is 30 June 2025, and its purpose is to enable the Municipality to provide appropriate disclosure in their financial statements in respect of this net defined benefit liability.

There are no current service costs as the benefit is fully accrued for all eligible individuals.

Eligible employees	89	96
Pensioners	8	9
	97	105
Eligible employees	917,900	887,900
Pensioners	1,057,500	1,216,000

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20. Employee benefit obligations (continued)		
	1,975,400	2,103,900
Regulatory framework		
GRAP 25, derived from IPSAS 39 and IAS 19, has been approved by the ASB and the Minister of Finance, and is effective for financial periods commencing on or after 1 April 2024.		
It applies to institutions falling within the ambit of the Finance Management Act.		
Risks of the plan		
Inflation: The risk that future CPI inflation is higher than assumed and present in an uncontrolled manner.		
Longevity: The risk that eligible individuals live longer than assumed i.e. their benefits are payable for longer than expected.		
Termination of service: The risk that fewer eligible employees terminate their service at the Municipality i.e. more benefits will be payable than expected.		
Volatility of open-ended, long-term DBO: The risk that the DBO may be volatile which is exacerbated by its long-term nature.		
Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.		
Future changes in legislation: The risk that changes to legislation with respect to the ex-gratia benefits may increase the DBO for the Municipality.		
Administration: The administration of this DBO poses a burden on the Municipality.		
There are no curtailments or settlements to reflect.		
Valuation method		
The projected unit credit method has been used to value the DBO.		
Defined benefit obligation	1,975,400	2,103,900
Defined benefit obligation		
Balance 1 July	2,103,900	2,123,500
Contribution for the year	-	-
Interest cost	181,400	179,800
Expenditure for the year	(470,500)	(590,500)
Actuarial Loss/(Gain)	160,600	391,100
	1,975,400	2,103,900
Transfer of Current Portion to Current Provisions	(594,000)	(470,500)
Non-current portion: Net defined benefit liability	1,381,400	1,633,400

The total DBO has decreased by 6% (or R128 500) since the last valuation. A numerical analysis of the unexpected movement (actuarial gain/loss) is provided in the next section. The main reasons for the actual movement in the DBO are:

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20. Employee benefit obligations (continued)

1. The average employee DBO has increased by 12% since the last valuation due to an increase in the average current lump sum value, increase in the average age which means employees are closer to retirement (less discounting, and a decrease in the lump sum net discount rate.
2. The total employee DBO has increased by 3% due to the above, combined with a decrease in the number of eligible employees.
3. The average pensioner DBO has decreased by 2% since the last valuation, due to a decrease in the average pension and an increase in the average age.
4. The total pensioner DBO has also decreased by 13% due to the above, combined with a decrease in the number of pensioners.

Key actuarial assumptions used:

Financial assumptions

Rate of interest

Discount rate	8.50 %	9.68 %
CPI (Consumer Price inflation)	3.10 %	4.30 %
Net Effective Discount Rate (Lump sum)	8.50 %	9.68 %
Pension inflation rate	2.50 %	3.44 %
Net discount rate (Pension)	5.90 %	6.03 %

The next pension increase was assumed to occur at 1 July 2026.

Demographic assumptions

Mortality during employment

SA85-90 tables, adjusted for female lives

Mortality rates post-employment

The PA 90-1 with 1% mortality improvement from p.a from 2010

Average retirement age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Termination of service

If an eligible employee leaves due to resignation or retrenchment, the employer's DBO in respect of that employee ceases. It is therefore important not to overstate termination rates.

Valuation: 30 June 2025:

Age	Females	Males
55 - 54	3%	3%
55+	0%	0%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1,975,400	2,103,900
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20. Employee benefit obligations (continued)		
Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's ex-gratia DBO.		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	2,103,900	2,123,500
Total expenses	(289,100)	(410,700)
Service cost	-	-
Interest cost	181,400	179,800
Payments to the plan	(470,500)	(590,500)
Actuarial (gains)/losses	160,600	391,100
Demographic assumptions	-	-
Financial assumptions	38,800	69,200
Experience adjustments	121,800	321,900
	1,975,400	2,103,900
Transfer of Current Portion	(594,000)	(470,500)
Net defined benefit liability	1,381,400	1,633,400

Sensitivity analysis on the defined benefit obligation (Rands).

Assumptions	Change	Total Liability	%Change
Central Assumptions	-	1,975,400	-
Pension inflation rate	1.00 %	2,049,700	4.00 %
Pension inflation rate	(1.00)%	1,906,100	(4.00)%
Discount rate	1.00 %	1,901,900	(4.00)%
Discount rate	(1.00)%	2,055,100	4.00 %
Post-employment mortality (years)	1	1,930,400	(2.00)%
Post-employment mortality (years)	(1)	2,020,900	2.00 %
Average retirement age (years)	1	1,913,800	(3.00)%
Average retirement age (years)	(1)	2,022,700	2.00 %

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2025.

Assumption	Change	Interest cost	Total Cost	%Change
Central Assumptions	-	181,400	181,400	-
Pension inflation rate	1.00 %	189,800	189,800	5.00 %
Pension inflation rate	(1.00)%	173,600	173,600	(4.00)%
Discount rate	1.00 %	191,300	191,300	5.00 %
Discount rate	(1.00)%	170,600	170,600	(6.00)%
Post-employment mortality (years)	1	176,500	176,500	(3.00)%
Post-employment mortality (years)	(1)	186,400	186,400	3.00 %
Average retirement age (years)	1	176,900	176,900	(2.00)%
Average retirement age (years)	(1)	177,200	177,200	(2.00)%

The method used to prepare the sensitivity analysis remained unchanged from the previous period. The assumptions used would be based on the market conditions and demographic inputs as at 30 June 2025.

The Service Cost for the ensuing year is estimated to be Rnil whereas the Interest Cost for the next year is estimated to be R142 100.

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20. Employee benefit obligations (continued)

Maturity analysis of the DBO (up to 40 years, Rands):

Future year	Expected benefits vesting
1	619 100
2	249 700
3	234 200
4	165 700
5	290 800
6 - 10	816 600
11 - 15	320 000
16 - 20	173 800
21 - 25	123 500
31 - 40	17 800

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods (**R millions**).

Net Defined Benefit Liability History	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
Defined benefit obligation	2.640	2.336	2.124	2.104	1.975
Fair value of plan assets	-	-	-	-	-
	2.640	2.336	2.124	2.104	1.975

The table below summarises the experience adjustments for the current period and the previous periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred (**R rands**).

Experience adjustment	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
Defined Benefit Obligation: (Gain) / Loss	35,900	204,800	302,100	321,900	121,800
Assets: Gain / (Loss)	-	-	-	-	-
	35,900	204,800	302,100	321,900	121,800

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20. Employee benefit obligations (continued)

Multi-employer retirement benefit information

Employees belong to a variety of approved Pension and Provident Funds as described below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

SALA Pension Fund and the South African Municipal Workers Union Retirement Fund and Consolidated Retirement fund are defined benefit plans, whereas the LA Retirement Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- One set of financial statements is compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contribution applies to all participating employers, and no regard is paid to differences in the membership distribution of the participating employers.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where Councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R73,882,490 for employees and R374,704 for Councillors represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

LA Retirement Fund

The LA Retirement Fund's contribution rate payable is 9% by the members and 18% by Council.

The last actuarial valuation performed for the year ended 30 June 2024 revealed that the fund has a funding level of 118.5% (30 June 2023 - 120.3%).

SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme. The contribution rate paid by the members 8.60% and Council 22.78% is sufficient to fund the benefits accruing from the fund in the future. The most recent valuation statement available for SALA Pension Fund was the monthly report as at 30 September 2023. The total market value of the investments held by the Fund on the valuation date was R 12.076 billion.

Municipal Councillors Pension Fund

The contribution rate paid by the members (12%) and Council (15%) is sufficient to fund the benefits accruing from the fund in the future.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R1,798,030,000 (30 June 2017: R1,480,549,000), with funding levels of 103.26% (30 June 2017: 101.31%). The Actuary certified that the Fund was in a sound financial condition as at 30 June 2018, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

Municipal Workers Retirement Fund (previously South African Municipal Workers Union National Provident Fund)

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20. Employee benefit obligations (continued)

The Municipal Workers Retirement Fund is a defined contribution scheme.

The contribution rate paid by the members of 9% and Council of 18% are sufficient to fund the benefits accruing from the fund in the future.

The most recent valuation for the Municipal Workers Retirement Fund was performed for the year ended 30 June 2020. As at the valuation date, the total fund and reserves were R9 021 008 000 (corresponding to a funding level of 102.22%). The previous valuation as at 30 June 2019 revealed an excess of R 9 272 763 000 (corresponding to a funding level of 110.6%).

The Fund was in a sound financial position at the valuation date. The funding level before allowing for the reserves has reduced to 102.2%, largely as a result of the poor investment returns over the year to 30 June 2020. The Fund's assets were sufficient to cover the members' Fund Credits and to provide a margin for contingency reserves as at 30 June 2020.

Staff leave

The movement on the leave provision consists of the following:

Opening balance	53,610,112	53,405,045
Payments	(2,862,658)	(3,979,283)
Increase / (Decrease) in provision	8,679,998	4,184,350
	59,427,452	53,610,112

Staff annual bonus

The movement on the annual bonus provision consist of the following:

Opening balance	17,689,801	16,963,448
Payments	(17,689,801)	(16,963,448)
Increase / (Decrease) in provision	19,600,975	17,689,801
	19,600,975	17,689,801

21. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Rehabilitation of landfill site	229,611,337	15,940,902	(1,778,593)	21,206,184	-	264,979,830
Compensation Liability GIPTN	29,883,309	2,309,058	(7,560,059)	3,028,512	(2,693,091)	24,967,729
	259,494,646	18,249,960	(9,338,652)	24,234,696	(2,693,091)	289,947,559

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21. Provisions (continued)

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Rehabilitation of landfill site	213,259,353	(3,491,971)	(250,897)	20,094,852	-	229,611,337
Compensation Liability GIPTN	41,491,436	12,313,773	(16,306,118)	3,021,769	(10,637,551)	29,883,309
	254,750,789	8,821,802	(16,557,015)	23,116,621	(10,637,551)	259,494,646

Current liabilities consist of

Rehabilitation of landfill site	11,364,100	2,675,276
Compensation Liability GIPTN	16,369,919	15,966,648
	27,734,019	18,641,924
Non-current liabilities	262,213,540	240,852,722
Current liabilities	27,734,019	18,641,924
	289,947,559	259,494,646

Refer to note 49 for detail regarding the correction of prior period errors.

Rehabilitation of landfill site

The provision is made in terms of the municipality's licensing stipulations on the landfill waste sites. The landfill sites have reached full capacity, and the municipality obtained closure licences during the 2015 financial year for both the George and Uniondale landfill sites. The closure licences requires that the rehabilitation commence within five years after the date of issue of the licence and the rehabilitation should be completed within three to five years after the rehabilitation commencement date. Mandatory 30-year monitoring cost after closure of the landfill sites were also included in the provision.

During the year EAS Infrastructure Engineers Ltd visited the Uniondale and Gwaing landfill sites to assist the municipality with their rehabilitation plans so that the municipality can keep to the deadlines as stipulated in the closure licences.

The cost as at 30 June 2025 has been escalated annually with the Consumer Price Index rate until the estimated time of closure and discounted to present value using South African Government Bond rates of between 8.448 % and 11.045% depending on the estimated time of closure.

The movement on each of the landfill site's provisions is:

	Opening balance	Additions	Utilised during the year	Unwinding of discount	Total
George	226,279,271	16,082,216	(1,699,853)	20,839,965	261,501,599
Uniondale	3,332,066	(141,314)	(78,740)	366,219	3,478,231
	229,611,337	15,940,902	(1,778,593)	21,206,184	264,979,830

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21. Provisions (continued)

Compensation Liability: George Integrated Public Transport Network

The George Integrated Public Transport Network (GIPTN) has been developed by the municipality and the Provincial Government of the Western Cape to transform the road-based public transport sector through the establishment of a high quality, flexible and integrated public transport network.

An operating company was established and the current taxi owners form part of the operating company and operate the buses in the network. According to the signed operator's agreement, the taxi owners have to relinquish their existing taxi operators' licences to receive the compensation.

The bus services started operating during December 2014 and are rolled out in phases.

The provision for the compensation is based on the signed agreements with each of the taxi operators. Based on these agreements, 230 (2024: 230) licences were subject to the buy-in option, while 325 (2024: 295) licences were subject to the election of the buy-out option. The buy-in provision for operators who started receiving their monthly buy-in amounts was transferred to Trade and other payables. Refer to note 18.

The undiscounted provision for compensation before any pay outs over the five years covered by the compensation agreement is R28 779 935 (2024: R35 706 820). A discount rate of 8.012% (2024: 8.259%) (average between the 2 - and 5-year Government Bond rate) was used to discount the provision.

The municipality expects to pay the buy-out options between October 2025 and June 2026 as the next phases are rolled out and the buy-in options within 5 years from the roll out dates.

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
22. Conditional government grants and subsidies		
Unspent conditional government grants and subsidies	437,501,034	749,271,265
National Government Grants	426,078,878	735,311,904
Provincial Government Grants	11,115,805	6,180,131
Other	200,000	7,704,027
District Government Grants	106,351	75,211
Less: Conditional government grants and subsidies receivable - Note 4	-	(4,498,063)
National Government Grants	-	(262,147)
Provincial Government Grants	-	(1,662,519)
District Government Grants	-	(2,573,398)
	437,501,034	744,773,202

The amount of unspent conditional grants and receipts is held in the operating bank account of the municipality until utilised.

The total grants recognised in the Statement of Financial Performance are (Refer to note 31):

Unconditional Grants		
Grants	230,472,928	214,689,971
Conditional Grants		
Grants and Donations	1,426,256,867	1,044,565,336
Subsidies	1,282,927	1,438,468
Total Government Grants and Subsidies	1,658,012,722	1,260,693,775
Operating	705,334,121	680,045,129
Capital	952,678,594	580,648,646
	1,658,012,715	1,260,693,775

Details of the different grants are set out below.

Unconditional Grants

22.1 Equitable share

Grants received	230,472,928	214,689,971
Conditions met - Operating	(230,472,928)	(214,689,971)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Free basic services are services provided for poor households (indigent support) that are funded through the Equitable Share allocation. The cost of free basic services for 2025 were R106 001 573 (2024: R 133,832,229).

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

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Figures in Rand	2025	2024
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22. Conditional government grants and subsidies (continued)

Conditional Grants

22.2 National: Finance Management Grant (FMG)

Opening balance	-	-
Grants received	1,800,000	1,771,000
Conditions met - Operating	(1,800,000)	(1,771,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Program (e.g. salary costs of the Financial Management Interns).

22.3 National: Infrastructure Skills Development

Opening balance	1,172,217	1,221,971
Grants received	6,000,000	6,217,000
Conditions met - Operating	(4,287,081)	(5,044,783)
Repayment of grant	(1,172,217)	(1,221,971)
Conditions still to be met/(Grant expenditure to be recovered)	1,712,919	1,172,217

The Infrastructure Skills Development Grant is given to strengthen the capacity of local government to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available and to facilitate lifelong learning and the transfer of knowledge to municipalities.

22.4 National: Energy Efficiency and Demand Side Management Grant

Opening balance	-	399,612
Repayment of grant	-	(399,612)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Energy Efficiency and Demand Side Management Grant is given to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

22.5 National: Municipal Infrastructure Grant (MIG)

Opening balance	-	1,960,306
Conditions met - Capital	-	(1,960,306)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The grant was utilised to construct water and sewerage infrastructure and also to upgrade sport facilities, with the main focus on the historically disadvantaged areas.

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
22. Conditional government grants and subsidies (continued)		
22.6 National: Water Service Infrastructure Grant		
Opening balance	-	-
Grants received	1,800,000	3,820,000
Conditions met - Capital	(1,800,000)	(3,820,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The grant was allocated to the municipality to provide water and sanitation services and reduce backlogs.

22.7 National: Regional Bulk Infrastructure Grant (RBIG)		
Opening balance	151,991,136	129,404,089
Grants received	294,000,000	365,138,000
Conditions met - Operating	(6,000,000)	(4,000,000)
Conditions met - Capital	(439,990,435)	(338,550,953)
Conditions still to be met/(Grant expenditure to be recovered)	701	151,991,136

The grant was allocated to the municipality to construct bulk infrastructure for water and waste water. This grant was used specifically for raising the dam wall of the Garden Route dam.

22.8 National: Integrated National Electrification Grant		
Opening balance	698,264	104,578
Grants received	-	6,346,000
Conditions met - Capital	-	(5,752,314)
Repayment of grant	(698,264)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	698,264

The National Electrification Grant was used to upgrade the sub-station and electrification network.

22.9 National: Expanded Public Works Program Grant (EPWP)		
Opening balance	932,127	-
Grants received	1,966,000	4,173,000
Conditions met - Operating	(1,647,497)	(3,240,873)
Repayment of grant	(932,127)	-
Conditions still to be met/(Grant expenditure to be recovered)	318,503	932,127

The Expanded Public Works Program Grant was used to increase labour employment through infrastructure programs that increase job creation and skills development.

22.10 National: Lawaaikamp Sports Grounds (Lotto)		
Opening balance	(262,147)	(262,147)
Grants received	-	-
Conditions met - Capital	-	-
Transfer of grants	262,147	-
Conditions still to be met/(Grant expenditure to be recovered)	-	(262,147)

The National Lottery has given this grant to the municipality specifically for the upgrading of the Lawaaikamp Sports Grounds.

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand 2025 2024

22. Conditional government grants and subsidies (continued)

22.11 National: Public Transport Grant

Opening balance	449,969,167	24,304,645
Grants received	434,733,000	649,823,000
Conditions met - Operating	(160,149,261)	(170,300,423)
Conditions met - Capital	(319,246,002)	(53,858,055)
Conditions still to be met/(Grant expenditure to be recovered)	<u>405,306,904</u>	<u>449,969,167</u>

This grant's purpose is to provide supplementary operational funding to municipalities operating approved Integrated Public Transport Network services and to provide improved public transport network services that are formal, scheduled and well managed, as well as to provide funding for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.

22.12 National: Municipal Disaster Recovery Grant

Opening balance	130,521,066	229,095,398
Conditions met - Capital	(112,267,493)	(98,574,332)
Conditions still to be met/(Grant expenditure to be recovered)	<u>18,253,573</u>	<u>130,521,066</u>

The National Disaster Recovery Grant aims to facilitate the restoration of the municipal infrastructure that has been adversely affected by environmental hazards, such as flooding. This grant is intended to support the comprehensive recovery and repair efforts necessary to reinstate the functionality and resilience of the municipality's infrastructure systems.

22.13 National: Integrated Urban Development Grant

Opening balance	8,064	-
Grants received	74,419,000	59,878,999
Conditions met - Operating	-	(1,033,998)
Conditions met - Capital	(74,418,998)	(58,836,937)
Repayment of grant	(8,066)	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>-</u>	<u>8,064</u>

To provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for public investment in economic infrastructure; to ensure that public investments are spatially aligned and to promote the sound management of the assets delivered.

22.14 National: Neighbourhood Development Partnership Grant

Opening balance	19,864	-
Grants received	4,980,136	5,000,000
Conditions met - Capital	(4,513,723)	(4,980,136)
Conditions still to be met/(Grant expenditure to be recovered)	<u>486,277</u>	<u>19,864</u>

To plan, catalyse, and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation, which will improve the quality of life, and access to opportunities for residents in South Africa's targeted locations, under- served neighbourhoods, townships and rural towns.

George Local Municipality

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Figures in Rand	2025	2024
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22. Conditional government grants and subsidies (continued)

22.15 Provincial: Western Cape Financial Management Capacity

Building Grant

Opening balance	200,000	324,535
Grants received	2,100,000	1,200,000
Conditions met - Operating	(2,098,200)	(1,000,000)
Repayment of grant	(184,418)	(324,535)
Conditions still to be met/(Grant expenditure to be recovered)	17,382	200,000

This grant is given to develop financial human capacity within municipal areas to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

22.16 Provincial: Integrated Public Transport Network Grant

Opening balance	1,013,537	(12,997,789)
Grants received	297,994,000	288,868,000
Conditions met - Operating	(293,644,162)	(274,856,674)
Conditions still to be met/(Grant expenditure to be recovered)	5,363,375	1,013,537

The Integrated Public Transport Network Operations grant is given to the municipality to implement a public transport service as contemplated in the George Integrated Public Transport Network (GIPTN). This grant will fund the shortfall in operational cost and provide for the additional operational support to underwrite the consequences of significantly impaired operating conditions and magnified transformation obligations. This grant will also enhance infrastructure for public transport services provided by the municipality.

22.17 Provincial: Human Settlements Development Grant

Opening balance	4,844,095	4,844,095
Conditions met - Operating	(1,266,630)	-
Conditions still to be met/(Grant expenditure to be recovered)	3,577,465	4,844,095

This grant is given to provide funding for the creation of sustainable human settlements. The outcome of this grant is to provide top structures and basic social and economic amenities that contributes to the establishment of sustainable human settlements.

Refer to note 49 for detail regarding the correction of prior period errors.

22.18 Provincial: Housing Accreditation/Capacity Building Grants

Opening balance	122,500	182,363
Grants received	742,000	245,000
Conditions met - Operating	(207,080)	(122,500)
Repayment of grant	-	(182,363)
Conditions still to be met/(Grant expenditure to be recovered)	657,420	122,500

To fund the establishment of a human settlement unit within the accreditation priority municipality as well as enhancing the existing human settlements unit; and to finance the municipal institutional capacity requirements.

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
22. Conditional government grants and subsidies (continued)		
22.19 Provincial: Accelerated Housing Programme Grants		
Opening balance	-	530,000
Grants received	-	-
Conditions met - Capital	-	(530,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Accelerated Housing Program grant is a provincial initiative aimed at expediting the construction and availability of affordable housing units. Through this program eligible developers and organizations receive financial support, incentives, and streamlined regulatory processes to accelerate the planning and construction of housing projects. The grant aims to address housing shortages and promote urban development by facilitating the creation of new residential properties, thereby contributing to improved housing accessibility and affordability for a broader segment of the population.

22.20 Provincial: Informal Settlements Upgrade Grants		
Opening balance	(89,473)	1,171,868
Grants received	2,510,585	-
Conditions met - Operating	(1,368,119)	(1,261,341)
Conditions still to be met/(Grant expenditure to be recovered)	1,052,993	(89,473)

To provide funding to facilitate a programmatic and inclusive approach to upgrading informal settlements.

Below is a summary of the net amount payable / (receivable) to the Department of Human Settlements.

Department of Human Settlements		
22.17 Provincial: Human Settlements Development Grant	3,577,465	4,844,095
22.18 Provincial: Housing Accredited/Capacity Grants	657,420	122,500
22.20 Provincial: Informal Settlements Upgrade Grants	1,052,993	(89,473)
22.24 Provincial: Title Deeds Restoration Grant	51,298	(19,228)
Construction contracts Refer to note 8	(395,889)	(2,537,515)
Principle agent arrangements: amounts due from principle - Refer to note 10	(1,103,983)	(1,103,983)
	3,839,304	1,216,396

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
22. Conditional government grants and subsidies (continued)		
22.21 Provincial: Proclaimed Roads		
Opening balance	-	-
Grants received	450,000	504,946
Conditions met - Operating	(450,000)	(504,946)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

This grant is given by Provincial Treasury to financially assist municipalities with the maintenance/construction of proclaimed municipal main roads, where the municipality is the Road Authority (Section 50 of Ordinance 19 of 1976).

22.22 Provincial: Thembaletu & Pacaltsdorp sport fields (YDVS)		
Opening balance	(1,453,818)	(1,453,818)
Grants received	-	-
Transfer of grants	1,453,818	-
Conditions still to be met/(Grant expenditure to be recovered)	-	(1,453,818)

This grant was utilised to upgrade the Thembaletu and Pacaltsdorp sport fields.

22.23 Provincial: Provide resources for the Cycle Infrastructure Project Grant		
Opening balance	(100,000)	(100,000)
Grants received	-	-
Transfer of grant	100,000	-
Conditions still to be met/(Grant expenditure to be recovered)	-	(100,000)

This grant was given by Provincial Treasury to the Municipality to further develop and enhance cycle infrastructure in the municipal area.

22.24 Provincial: Title Deeds Restoration Grant		
Opening balance	(19,228)	-
Grants received	167,726	434,670
Conditions met - Operating	(97,201)	(453,898)
Conditions still to be met/(Grant expenditure to be recovered)	51,297	(19,228)

To provide funding for the eradication of the pre-2014 title-deeds registration backlog and the professional fees associated with it, including beneficiary verification.

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
22. Conditional government grants and subsidies (continued)		
22.25 Provincial: Community Development Workers' Operational Grant		
Grants received	94,000	94,000
Conditions met - Operating	(94,000)	(94,000)
Repayment of grant	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

This grant is for financial assistance to Municipalities to cover the operational expenses i.r.o the functions of the community development workers including the supervisors and regional organisers.

22.26 Provincial: Thembaletu Thusong Service Centre		
Opening balance	-	-
Grants received	150,000	150,000
Conditions met - Operating	(149,944)	(150,000)
Conditions still to be met/(Grant expenditure to be recovered)	56	-

This grant is given to provide financial assistance to Municipalities, ensuring the financial sustainability of the Thusong Service Centres.

22.27 Provincial: Sport / Recreational Facilities		
Opening balance	-	693,491
Grants received	460,000	750,000
Conditions met - Capital	(441,943)	(1,443,491)
Conditions still to be met/(Grant expenditure to be recovered)	18,057	-

This grant is given by Provincial Treasury to initiate and support socially cohesive sport and recreation structures and/or activities.

22.28 Provincial: Emergency Municipal Load-Shedding Relief		
Opening balance	-	12,872,121
Conditions met - Capital	-	(12,872,121)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

Provide a financial contribution to municipalities towards the purchase and installation of back-up energy supply (which may include generators, renewable power sources, batteries and all ancillary costs associated with the installation i.e: switch gear, safe keeping, caging etc) for water and wastewater infrastructure as an immediate response to the prolonged load-shedding, thereby mitigating the impact on the provision of basic services and potential health risks.

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
22. Conditional government grants and subsidies (continued)		
22.29 Provincial Transport Planning		
Opening balance	-	-
Grants received	628,000	-
Conditions met - Operating	(250,240)	-
	377,760	-

To review and update municipal Integrated Transport Plans in terms of the National Land Transport Act, 2009 (Act 5 of 2009).

22.30 Other: GRDM Electrification Grant		
Opening balance	200,000	200,000
Grants received	-	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	200,000	200,000

The Eden District Municipality grant was given for electrification of certain areas.

22.31 Other: GRDM Emergency Relief Funds		
Opening balance	(2,573,398)	(2,573,398)
Grants received	-	-
Conditions met - Capital	-	-
Transfer of grants	2,573,398	-
Conditions still to be met/(Grant expenditure to be recovered)	-	(2,573,398)

This grant was given to reimburse municipalities for flood damage incurred by the municipality.

22.32 Other SANRAL N2 / York Relief		
Opening balance	7,504,027	7,504,027
Grants received	-	-
Conditions met - Capital	-	-
Transfer of grants	(4,389,363)	-
Own revenue	(3,114,664)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	7,504,027

This grant was utilised to widen the N2/York Street bridge and to add a pedestrian crossing to the bridge.

22.33 Other: LG Seta		
Opening balance	-	-
Grants received	1,282,928	1,438,468
Conditions met - Operating	(1,282,928)	(1,438,468)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

These amounts were received from LG Seta based on the municipality's workplace skills plan.

George Local Municipality

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Figures in Rand	2025	2024
22. Conditional government grants and subsidies (continued)		
22.34 Other: GRDM Community Safety Initiatives		
Opening balance	72,746	-
Grants received	100,000	155,000
Conditions met - Operating	(68,859)	(82,254)
Conditions still to be met/(Grant expenditure to be recovered)	103,887	72,746

The Garden Route District Municipality Community Initiatives Grant is given to the municipality to provide community safety initiatives in the George Municipal area.

22.35 Other: GRDM Micro Enterprise Facilities Grant

Opening balance	2,465	2,465
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The Garden Route District Municipality Micro Enterprise Facilities grant is given to the municipality to allocate trading space to informal traders where they can trade in a safe and regulated environment.

Anti Land Invasion grant is given to protect public land and infrastructure from illegal invasion and opportunistic land grabs.

Total Grants

Opening balance	744,773,202	397,428,411
Grants received	1,356,870,167	1,610,697,055
Conditions met - Operating	(705,334,121)	(680,045,129)
Conditions met - Capital	(952,678,594)	(580,648,647)
Repayment of grant funding received	(6,129,620)	(2,658,480)
Conditions still to be met/(Grant expenditure to be recovered)	437,501,034	744,773,202

Refer to note 49 for detail regarding the corrections of prior period errors.

23. Housing development fund

Unappropriated surplus	(19,439,116)	(19,513,413)
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	33,944,127	33,869,830

The housing development fund is represented by the following assets and liabilities

Housing selling scheme loans	6,688	21,967
Inventory	8,857	39,266
Receivables from exchange transactions	1,142,265	1,042,910
Receivables from non-exchange transactions	725,801	771,560
Cash and cash equivalents	32,786,317	32,765,687
Payables from exchange transactions	(725,801)	(771,560)
Total Housing Development Fund Assets and Liabilities	33,944,127	33,869,830

George Local Municipality

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Figures in Rand	2025	2024
24. Service charges		
Sale of electricity	1,122,368,759	931,086,882
Sale of water	223,808,441	228,473,527
Sewerage and sanitation charges	192,585,741	168,467,446
Refuse removal	174,450,375	153,295,801
	<u>1,713,213,316</u>	<u>1,481,323,656</u>
25. Income from agency services		
Provincial vehicle registrations	<u>14,898,685</u>	<u>14,083,052</u>
Refer to note 58 regarding the principle-agent agreement.		
26. GIPTN Fare Revenue		
GIPTN Fare Revenue	<u>86,237,000</u>	<u>77,498,662</u>
Fare revenue is recognised in accordance with accounting policy 1.25.		
The GIPTN is part of a service concession arrangement. Refer to note 56 and 57 for more detail.		
27. Operating revenue		
Building plan fees and related income	9,953,808	10,888,745
Camping fees	1,103,798	1,216,357
Cemetery fees	1,632,038	1,666,201
Collection charges	13,651,809	8,516,535
Development charges	38,476,437	44,539,709
Insurance claims received	8,119,821	2,508,053
Entrance fees	40,337	60,247
Libraries	10,060,870	9,939,130
Land usage application fee	2,323,270	1,825,252
Rates clearance certificates for property transfers	941,481	808,960
Reversal to the rehabilitation of the landfill sites provision	-	3,491,972
Sale of Erven	182,840	4,561,714
Sundry income	19,943,187	8,376,303
	<u>106,429,696</u>	<u>98,399,178</u>

The amounts disclosed above for Other Income are in respect of services rendered, other than described in notes 24 and 29 which are billed to or paid for by the users of the services as required according to approved tariffs.

Refer to note 49 for detail regarding the correction of prior period errors.

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
28. Interest received		
Interest revenue		
Trade receivables	26,474,175	21,634,976
Interest revenue		
Bank accounts	61,729,538	53,603,837
Short term investments	55,092,817	49,701,819
	116,822,355	103,305,656
	143,296,530	124,940,632

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
29. Property rates		
Rates received		
Agriculture	7,223,837	6,648,952
Business and Commercial	97,344,502	91,342,049
Industrial	35,354,363	32,770,058
Public benefit organisations	354,572	318,239
Public service infrastructure	89,363	140,518
Mining	440,784	402,814
Residential	340,970,113	311,807,201
Public service purposes	20,699,961	18,620,814
Vacant land	27,667,991	30,365,018
Less: Income forgone	(47,781,970)	(45,440,474)
Less: Impermissible rates	(3,983,218)	(3,645,116)
	478,380,298	443,330,073

Valuations

Agriculture	4,663,750,000	4,619,342,000
Churches, Monuments and Parks	488,935,000	480,619,000
Business and Commercial	8,037,075,000	7,862,707,350
Public Service Purposes	1,670,436,000	1,670,432,060
Industrial	2,863,671,000	2,827,572,900
Municipal Exempt	1,478,890,000	1,410,568,100
Public Service Infrastructure	133,461,000	140,330,100
Public Benefit Organisations	227,630,000	225,430,000
Residential	55,596,652,000	53,533,875,500
Mining	35,570,000	35,570,000
Vacant land	2,198,627,000	2,542,368,965
	77,394,697,000	75,348,815,975

Assessment rates are levied on the total value of property of which the valuation must be performed every four years in terms of the Municipal Property Rates Act, 6 of 2004 and the Amendment Act, 29 of 2014. Interim valuations are processed on a monthly basis to take into account changes in individual property value due to alterations, completions, consolidations and subdivisions.

Uniform rates of 0.6197 (2024: 0.5846) cents in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 1.2392 (2024: 1.1691) for Commercial, Industrial, Business and Mining erven, and this was applicable for all Areas.

Rebates of 20%, 30% and 40% (2024: 15%, 20% and 40%) were applied to pensioners based on the annual income of the ratepayer.

Rates are levied monthly on property owners and are payable by the 15th of each month. Owners are allowed to pay the 12 monthly instalments annually by 30 September each year. Interest is levied at the prime rate on outstanding rates amounts.

30. Licences and permits (non-exchange)

License and permits	1,402,110	1,779,415
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Refer to note 58 regarding the principle-agent agreement.

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
31. Government grants & subsidies		
Operating grants		
Equitable share	230,472,928	214,689,971
National: Integrated Urban Development Grant	-	1,033,998
National: Expanded Public Works Program Grant	1,647,497	3,240,873
National: Financial Management Grant (FMG)	1,800,000	1,771,000
National: Infrastructure Skills Development	4,287,081	5,044,783
National: Public Transport Grant	160,149,261	170,300,423
National: Regional Bulk Infrastructure Grant (RBIG)	6,000,000	4,000,000
Provincial: Capacity Building and Other Grant	-	-
Provincial: Community Development Workers Grant	94,000	94,000
Provincial: Human Settlements Grant	2,841,829	1,383,841
Provincial: Integrated Public Transport Network Grant	293,644,162	274,856,674
Provincial: Title Deeds Restoration Grant	97,201	453,898
Provincial: Proclaimed Roads	450,000	504,946
Provincial: Thusong Centre Grant	149,944	150,000
Provincial: Western Cape Financial Management Capacity Building	2,098,200	1,000,000
Provincial: Western Cape Municipal Energy Resilience Grant	-	-
Provincial: Integrated Transport Planning	250,240	-
Other: LG Seta	1,282,928	1,438,468
Other: GRDM: Community Initiatives	68,850	82,254
	705,334,121	680,045,129
Capital grants		
Provincial: Emergency Municipal Load-Shedding Relief	-	12,872,121
Provincial: Sport and Recreational Facilities	441,943	1,443,491
National: Municipal Disaster Recovery Grant	112,267,493	98,574,332
National: Water Services Infrastructure Grant	1,800,000	3,820,000
National: Neighbourhood Development Partnership Grant	4,513,723	4,980,136
National: Integrated Urban Development Grant	74,418,998	58,836,937
National: Municipal Disaster Recovery Grant	-	-
National: Integrated National Electrification Grant	-	5,752,314
National: Municipal Infrastructure Grant (MIG)	-	1,960,307
National: Public Transport Grant	319,246,002	53,858,055
National: Regional Bulk Infrastructure Grant (RBIG)	439,990,435	338,550,953
	952,678,594	580,648,646
	1,658,012,715	1,260,693,775

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
31. Government grants & subsidies (continued)		
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Civil Engineering Services	1,496,596,117	1,062,459,054
Community Services	84,537,101	90,109,968
Corporate Services	7,536,173	9,076,783
Electro- Technical Services	45,726,301	59,663,910
Financial Services	6,123,083	22,164,745
Human Settlements, Planning and Property Management	17,493,940	17,219,315
	1,658,012,715	1,260,693,775
32. Fines, penalties and forfeits		
Property rates penalties	2,338,106	2,563,413
Other fines	2,557,410	2,777,817
Retentions Forfeits	474,001	-
Traffic fines	72,248,537	28,176,823
Unclaimed Money Forfeits	3,916,459	1,825,497
	81,534,513	35,343,550
33. Availability Charges		
Sewerage - Availability charges	4,956,250	5,230,346
Refuse - Availability charges	5,843,836	6,210,257
Electricity - Availability charges	9,517,584	2,925,451
Water - Availability charges	6,700,684	7,930,859
	27,018,354	22,296,913
Correction of prior year availability charges per classification.		
Water - Availability charges previously reported: R11 636 042.		
Refuse - Availability charges previously reported: R2 505 074		
34. Employee related costs		
Basic	433,462,409	395,442,534
Housing benefits and allowances	2,299,849	2,318,581
Medical aid - company contributions	29,611,129	28,100,347
Other payroll levies	10,997,022	11,175,855
Overtime payments	44,998,200	51,511,251
Employee benefit obligations	8,790,764	8,277,534
Bonus	34,209,085	30,865,858
Staff leave	8,679,998	4,184,350
Travel, motor car, accommodation, subsistence and other allowances	43,038,111	40,946,672
UIF	3,475,313	3,192,176
Pension	73,882,490	67,759,990
Settlement agreements	-	-
	693,444,370	643,775,148

Refer to note 49 for detail regarding the correction of prior period errors.

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
34. Employee related costs (continued)		
Remuneration of Municipal Manager		
Annual Remuneration	903,360	2,019,177
Car Allowance	85,484	132,000
Acting allowance	49,563	7,513
Contributions to UIF, Medical and Pension Funds	1,879	2,262
Performance bonus	256,812	248,608
Cellphone allowance	34,194	40,800
Once-off Gratuity	-	21,819
	1,331,292	2,472,179
Remuneration of Director Financial Services		
Annual Remuneration	1,550,124	1,502,697
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	91,394	108,076
Cellphone allowance	48,000	40,800
Performance bonus	215,822	208,927
Once-off Gratuity	-	20,340
Acting allowance	1,556	3,635
	2,026,896	2,004,475
Remuneration of Director Corporate Services		
Annual Remuneration	1,357,828	1,314,299
Car Allowance	-	100,000
Contributions to UIF, Medical and Pension Funds	37,868	2,062
Acting allowance	27,784	7,196
Performance Bonuses	-	81,282
Cellphone allowance	41,645	34,000
Once-off Gratuity	-	16,950
	1,465,125	1,555,789
Remuneration of Human Settlements, Planning and Development and Property Management		
Annual Remuneration	132,012	1,699,330
Car Allowance	50,000	-
Performance Bonuses	215,822	208,927
Contributions to UIF, Medical and Pension Funds	2,395	31,443
Cellphone allowance	17,000	40,800
Once-off Gratuity	-	20,340
Acting allowance	40,247	-
	457,476	2,000,840

George Local Municipality

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Figures in Rand	2025	2024
34. Employee related costs (continued)		
Remuneration of Director Electro- Technical Services		
Annual Remuneration	850,811	272,200
Car Allowance	36,000	-
Performance Bonuses	134,310	134,310
Contributions to UIF, Medical and Pension Funds	129,132	15,578
Acting allowance	23,362	40,849
Once-off Gratuity	-	3,390
Cellphone allowance	25,806	6,800
	1,199,421	473,127
Remuneration of Director Community Services		
Annual Remuneration	1,269,076	1,304,531
Car Allowance	156,000	156,000
Performance Bonuses	169,574	-
Contributions to UIF, Medical and Pension Funds	249,739	220,995
Cellphone allowance	48,000	40,800
Once-off Gratuity	-	20,340
	1,892,389	1,742,666
Remuneration of Director Civil Engineering Services		
Annual Remuneration	1,324,613	1,308,866
Car Allowance	123,600	-
Performance Bonuses	215,822	89,540
Contributions to UIF, Medical and Pension Funds	312,283	298,307
Cellphone allowance	48,000	40,800
Once-off Gratuity	-	20,340
Acting allowance	3,096	3,153
	2,027,414	1,761,006

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
35. Remuneration of councillors		
Basic salaries		
Executive Major	789,532	697,549
Deputy Executive Mayor	621,175	574,555
Speaker	742,861	693,838
Chief Whip	593,286	538,634
Mayoral Committee Members	6,910,656	6,315,807
Councillors	9,892,879	8,640,414
Allowances and contributions		
Car allowance	5,175,418	5,231,292
Cell phone allowance	2,360,858	2,348,811
Contributions to medical aid	236,084	214,523
Contributions to pension fund	374,704	308,254
	27,697,453	25,563,677
Remuneration for the Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip are:		
Executive Mayor		
Basic salary	789,532	697,549
Car allowance	247,278	232,145
Cell phone allowance	43,200	42,240
	1,080,010	971,934
Deputy Executive Mayor		
Basic salary	621,175	574,555
Car allowance	193,898	189,963
Cell phone allowance	42,471	43,200
	857,544	807,718
Speaker		
Basic salary	742,861	693,838
Cell phone allowance	43,200	43,200
Contributions to medical aid	77,372	70,680
	863,433	807,718
Chief Whip		
Basic salary	593,286	538,634
Car allowance	185,516	178,104
Cell phone allowance	43,200	43,200
	822,002	759,938
Executive Committee		
Basic salary	5,885,464	5,129,029
Car allowance	1,643,418	1,688,547
Cell phone allowance	423,090	410,520
Contributions to pension fund	135,039	61,828
	8,087,011	7,289,924

George Local Municipality

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Figures in Rand	2025	2024
Section 79 committee chairperson		
Basic salary	1,025,192	1,186,778
Car allowance	360,870	207,440
Cell phone allowance	86,632	91,560
	1,472,694	1,485,778
All Other Councillors		
Basic Salary	9,892,879	8,640,414
Car allowance	2,544,438	2,735,092
Cell phone allowance	1,679,065	1,674,891
Contributions to medical aid	158,712	143,843
Contributions to pension fund	239,665	246,426
	14,514,759	13,440,666
In-kind benefits		
<p>The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Executive Mayoral Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.</p> <p>The Executive Mayor and Deputy Executive Mayor have use of a Council owned vehicle for official duties.</p>		
36. Depreciation and amortisation		
Property, plant and equipment	282,643,637	216,300,208
Intangible assets	224,273	324,962
Investment property	161,570	162,013
	283,029,480	216,787,183
37. Impairment loss		
Impairments		
Trade receivables from exchange transactions	128,196,627	100,204,061
Trade and other receivables from non-exchange transactions	63,551,649	34,874,026
Loans and receivables	176,725	(12,185)
	191,925,001	135,065,902
<p>Impairment loss is disclosed VAT exclusive.</p>		
38. Finance costs		
Borrowings	48,658,582	40,016,132
Employee benefits obligations	26,781,400	25,164,800
Finance leases	-	32,171
Service concession Liability	10,178,167	14,358,179
Provision for rehabilitation of landfill site	21,206,185	20,094,852
Provision for Compensation Liability GIPTN (provision and accrual)	3,028,512	3,021,769
	109,852,846	102,687,903

Refer to note 21 for detail on the discounting of the provisions for the rehabilitation of the landfill site and the GIPTN Compensation Liability.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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39. Bulk purchases

Electricity - Eskom	<u>831,301,153</u>	<u>686,988,068</u>
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Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.

Refer to note 49 for detail regarding the correction of prior period errors.

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
40. Contracted Services		
Consultants and Professional Services		
Business and Advisory		
Accounting and Auditing	5,194,404	1,857,597
Air Pollution	161,815	73,130
Audit Committee	360,618	332,517
Human Resources	6,119,257	4,137,497
Project Management	5,154,132	2,309,450
Valuer and Assessors	1,903,887	2,281,215
Infrastructure and Planning		
Engineering	9,389,395	12,955,883
Town Planner	1,082,616	1,868,840
Other	16,550	-
Other		
Laboratory Services	120,172	384,322
Legal Cost	20,518,817	16,333,232
Medical examination and Occupational	1,067,553	412,852
Contractors		
Artist and Performers	-	543,358
Building	61,565	118,954
Catering Services	2,856,842	2,310,966
Electrical	11,976,742	7,859,182
Employee Wellness	790,696	982,337
Event Promoters	11,024,468	15,882,570
Fire Protection	123,573	67,063
First Aid	94,321	146,789
Haulage	8,224,204	6,223,733
Buildings and Facilities	49,799,031	39,064,018
Equipment	10,271,671	7,480,403
Unspecified Assets	178,568,568	150,639,748
Management of Informal Settlements	12,948,268	11,255,720
Hygiene services	285,015	250,474
Prepaid Electricity Vendors	25,317,761	26,818,467
Safeguard and Security	784,665	701,193
Traffic and Street Lights	16,385	401,032
Other	141,746	188,617
Outsourced Services		
Business and Advisory		
Accounting and Auditing	-	1,169,180
Business and Financial Management	6,853,682	4,163,554
Communications	637,923	815,280
Human Resources	855,656	270,982
Organisational	6,756,278	7,157,602
Electrical	-	30,102
Other		
Administrative and Support Staff	1,473,749	1,510,604
Alien Vegetation Control	1,284,120	1,196,422
Animal Care	3,270,250	3,270,250
Clearing and Grass Cutting Services	5,362,194	4,778,823
Internal Auditors	2,275,868	2,586,850
Legal Cost	11,876,232	5,103,496
Meter Management	2,208,463	2,337,682
Refuse Removal	13,992,392	21,906,329
Removal of chemical waste	837,290	704,005
Printing Services	207,382	392,006

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Figures in Rand	2025	2024
Security Services	31,338,092	34,831,812
Sewerage Services	-	-
Traffic Fines Management	2,501,211	2,163,524
Transport Services	283,463,342	289,990,595
Other	200,362	167,944
Personnel and labour	2,344,460	2,144,811
	742,113,683	700,573,012

41. Grants and subsidies paid

Other subsidies

Bursary Grants	612,900	538,892
Provincial Department of Mobility	98,516,663	83,784,442
Donations	244,929	1,441,921
Arbitration awards	23,633	-
Social Relief: In-kind	4,017,322	-
	103,415,447	85,765,255

42. Loss on disposal of assets

Property, plant and equipment	1,752,083	1,003,954
Inventory	-	286,519
	1,752,083	1,290,473

43. Inventories losses/write downs

Net realisable value adjustments

GIPTN Smart Cards for electronic fare revenue system	138,312	33,830
Consumer stores losses	(115,939)	-
Water distribution losses	37,860,700	26,129,002
	37,883,073	26,162,832

Refer to note 2 for details of inventories held by the municipality.

Net realisable value adjustments were performed on the GIPTN Smart Cards held as inventory as at 30 June 2025.

Water inventory to the value of R37,860,700 (2024: R26,129,002) were lost during the financial year. The main reason for these water losses is due to defective meters, breakage in pipelines, leaking valves, vandalism and theft.

44. Other materials / Inventory

Fuel	23,430,244	29,387,700
Chemicals	122,755	4,154,728
Other	48,175,078	43,053,942
Inventory consumed Purified Water	116,022,147	116,326,249
	187,750,224	192,922,619

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
45. General expenses		
Advertising, publicity and marketing	2,622,641	3,599,887
Auditors remuneration	9,678,610	7,793,739
Bank charges	3,125,765	2,952,324
Bargaining Council	7,365,926	7,307,582
Commission Third Party Vendors	12,348,675	9,065,668
Contribution to the rehabilitation of the landfill sites provision	15,940,902	-
External computer services	23,091,582	19,149,351
Fines and penalties	250,000	-
Rental of vehicles and equipment	4,102,444	13,376,178
Insurance	12,866,036	9,480,974
Internet charges	5,406,672	4,972,867
Learnerships and interns	52,591	578,685
Lease rentals on operating leases	4,944,031	4,425,171
Levies	-	1,839,559
Other general expenses	10,187,463	10,383,996
Postage, courier and delivery services	73,409	90,171
Printing and stationery	854,438	832,680
Refuse	24,146,177	21,138,340
Skills Development Levy	7,254,886	6,800,004
Telephone and fax	634,628	703,855
Travel	3,045,201	2,158,444
Uniforms	6,195,216	4,775,977
Vehicle Tracking	7,016,105	4,735,841
Workmen's Compensation Fund	3,848,841	4,325,884
	165,052,239	140,487,177

Refer to note 49 for detail regarding the correction of prior period errors.

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
46. Cash generated from operations		
Surplus	937,059,801	605,321,815
Adjustments for:		
Depreciation and amortisation	283,029,480	216,787,183
Gain on sale of assets and liabilities	1,752,083	1,290,473
Impairment loss	191,925,001	135,065,902
Movements in bonus provision	1,911,174	726,353
Movements in provisions	39,791,566	21,300,872
Provisions utilised during the year	(9,338,653)	(16,557,015)
Movement in Employee benefit asset and liabilities - Medical Aid, Pension and Long Service Awards	13,725,463	1,881,977
Movement in Employee benefit asset and liabilities - Staff leave	5,817,340	205,067
Benefits paid in terms of employee benefits obligations	(13,535,739)	(16,050,232)
Unspent conditional grants received	1,355,239,210	1,608,038,565
Payments from unspent conditional grants	(1,658,013,315)	(1,260,693,775)
Construction contracts revenue	1,817,177	616,252
Inventory Losses / Write - downs	37,883,073	26,162,832
Other income	4,429,402	193,175
Changes in working capital:		
Inventories	(6,915,769)	4,507,945
Receivables from exchange transactions	-	-
(Increase) / Decrease in Receivables from non-exchange transactions	(55,320,270)	(11,738,107)
(Increase) / Decrease in Prepayments	(1,329,881)	104,247
Increase) / Decrease in Receivables from exchange transactions	(159,969,860)	(127,244,851)
Increase / (Decrease) in Trade and other payables from exchange transaction	(7,702,812)	110,319,263
(Increase) / Decrease in VAT	8,428,575	9,511,787
Increase / (Decrease) in Consumer deposits	3,532,994	5,969,248
	974,216,040	1,315,718,976
47. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	643,794,979	825,788,802
• Community	5,282,284	36,189,556
• Other	290,884	-
	649,368,147	861,978,358
Total capital commitments		
Already contracted for but not provided for	649,077,263	861,978,358

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
47. Commitments (continued)		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	1,394,038	1,448,138
- in second to fifth year inclusive	788,392	2,190,144
	2,182,430	3,638,282

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

48. Contingencies

Compensation for damages

Magnolia Ridge Properties 77 (Pty) Ltd	3,000,000	3,000,000
Construction of Nelson Mandela Boulevard	2,000,000	1,000,000
Royal Haskoning	25,000	600,000
K Langeveldt	300,000	350,000
D Viljoen	50,000	30,000
P Ntlama	9,725	-
	5,384,725	4,980,000

Magnolia Ridge Properties 77 (Pty) Ltd: Claimant brought a review application against the George Municipality regarding a decision made to claimant's application for and uses of erven 25538 and 25541 which was refused. The company appealed against the decision and the appeal was dismissed by the Appeal Authority after which the company lodged a revised application which was heard in the High Court of South Africa, but the High Court referred the matter back to the Appeals Authority for consideration. There was an oral hearing on 1 April 2019 at the offices of the municipality and at this hearing, written and oral submissions were made. After the hearing, the Appeals Authority met with independent technical advisors for assistance and advice. The Appeals Authority dismissed the appeal in May 2019. The municipality paid R503,399 for legal costs in this matter. Magnolia Ridge Properties 77 (Pty) Ltd indicated that they intend to take the decision under review. To date the municipality did not receive any further communication from them on this matter.

Magnolia Ridge Properties 77 (Pty) Ltd also lodged a further application to change the zoning of erf 25541 in March 2019 for setting aside the decision of the Appeals Authority against the refusal of the company's request for rectification of a reported error on the municipality's zoning scheme map. The company requested an order that the entire extent of the property be rezoned, and a cost order was also requested against the municipality. The municipality indicated that they would oppose this matter and filed the necessary documentation in June 2019. The appeal of the claimant was dismissed, but the claimant subsequently brought a review application in the High Court for the setting aside of the decision of the Appeal Authority.

On 20 April 2021 the Applicant served a Rule 28(1) Notice to amend their Notice of Motion requesting further relief to review and set aside the decision of the Municipality. The Municipality made objection to the proposed amendment. The Applicant thereafter served a Notice of Application for Leave to Amend and Joinder Application on 25 May 2021. The Municipality does not intend to oppose the Joinder Application; however instructions were received to oppose the Application for Leave to Amend, and the Municipality's answering papers will be filed within the time limits allowed.

Application for Special Leave to Appeal on behalf on the Municipality was lodged at the Supreme Court on 19 June 2023 and granted on 11 September 2023. The Application for Special Leave to Appeal was dismissed and a cost order is requested against the municipality. The cost exposure for the municipality will be approximately R3 000 000 (2024: R3 000 000) if the company is successful.

George Local Municipality

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48. Contingencies (continued)

Construction of Nelson Mandela Boulevard: The High Court Litigation contains claims against both the contractor and principal agent based on the contracts between the parties and defective works as well as a claim against the principal agent for over certification.

The final report regarding the faulty construction by the consultant was received, awaiting final approval. Upon receipt of approval the litigation process will follow, bringing us closer to obtaining a trial date. The combined amount claimed against the two defendants will, after amendment to the pleadings, be in the region of R23 000 000 (2024: R30,000,000). The estimated amount of financial exposure for the Municipality as far as legal fees are concerned, is approximately R2 000 000 (2024: R1,000,000). Should the case be unsuccessful in the litigation, the costs of the Municipality's opponents, should they obtain a costs order, will also be in the region of R2 000 000 (2024: R1,000,000).

Royal Haskoning: The matter is centred around the professional negligence of the consulting engineer during the construction of a new 12.5ML Reservoir at the George Old Water Treatment Works. The claims are for damages as a result of the 1.38ML loss of water storage capacity due to the engineer's designs being incorrect. Following confirmation of the feasibility and cost of incorporating the lost capacity into two planned reservoir upgrades, a viable settlement offer is expected to be made. The estimated claimed amount is expected to be approximately R7 200 000. The cost exposure for the municipality will be approximately R25 000.

K Langeveldt: The matter is a review application by the plaintiff to have his dismissal set aside and declared unlawful. The plaintiff was appointed on a fixed term contract in the office of the mayor. Upon the end of the mayors term his contract had come to an end and his contract was not renewed. The plaintiff is claiming retrospective reinstatement, which monetary amount is one year's annual salary, should he be successful. The cost exposure for the municipality will be approximately R300 000 (2024: R350 000). The plaintiff is unlikely to pursue.

D Viljoen: A summons was issued against the municipality for damage to his vehicle as a result of an incident which took place on 31 July 2023 when the plaintiff's vehicle collided with a pothole. The pleadings have closed, and a settlement attempt was made. The offer was rejected by the plaintiff. A further offer was made by the plaintiff, however rejected by the municipality and wants to proceed with trial. The cost exposure for the municipality will be approximately R50 000 (2024: R30 000).

P Ntlama: A summons was issued against the municipality for alleged damage to his vehicle when accidentally drove into a pothole. Pleadings have closed; discovery has been made. The plaintiff must approach the Court for a trial date to proceed with the matter as the matter is ready to be heard. The maximum exposure will be R9 724.64; if the plaintiff succeeds with its claim plus legal costs on the Scale of the tariffs on party-to-party cost.

Jodan Construction PTY Ltd (TING005/2024): A dispute has been lodged by the contractor, Jodan Construction (Pty) Ltd, to the municipality in terms of the General Conditions of Contract for Construction Works, Third Edition (2015), for the short certification of their payment certificate no.3. The dispute has been referred for adjudication and Mr Leon Lamprecht has been appointed as adjudicator. The contractor filed their statement of claim on 16 May 2025, and the employer filed their response on 6 June 2025. The pending adjudication proceedings were halted by agreement, to afford the parties an opportunity to settle the matter. The settlement negotiation is currently pending; the amount is to be confirmed by CES.

Western Cape Community Education and Training College: An application for eviction and arrear rental owed to the municipality was issued against the respondent. As of the reporting date, council is now finalising the application. Anticipated issues were addressed in the consultation and documents as requested were sent to council. The estimated claimed amount is approximately R275 642.17.

GM and Earp Construction: Subdivision of Erven 13961 and 22933 was granted by Earp as developer. The claim concerns alleged negligence by George Municipality and Earp Construction (Pty) Ltd in relation to the design approval, and construction of stormwater drainage for the Golf Park 3 development in George. The Plaintiff, Golf Park 3 Home Owners Association, asserts that the stormwater system was inadequately designed and constructed, leading to the collapse of a retaining wall on 22 November 2021 and causing property damage. The Plaintiff seeks damages of R616 475.08 for repairs and proper drainage installation, plus interest and costs

George Local Municipality

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2024

48. Contingencies (continued)

The George Municipality is performing Library function due to unfunded mandates being imposed on municipalities. Library function is not assigned to George Municipality and is also not acting formally as an agent in terms of the SLA with the Western Cape Provincial Department of Cultural Affairs. Currently there is uncertainty regarding the VAT Treatment and therefore the municipality applied for a SARS binding ruling and is currently awaiting a formal response. Potential penalties and interest imposed by SARS could be on the receipts received for the past 5 years. SARS Penalties for late payment of Output Vat is at 10% and interest charged is in accordance to the latest interest rates from SARS. In order to mitigate the exposure to penalties, has resulted in the municipality applying for the VDP program at SARS. Based on the above the most prudent approach for the municipality is to disclose a contingent liability regarding the possible interest and penalties.

49. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year errors:

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024	
49. Prior period errors (continued)			
Statement of financial position			
2024			
	As previously reported	Prior period error	Restated
Current Assets			
Inventories	116,749,323	-	116,749,323
Receivables from exchange transactions	206,584,906	21,416,074	228,000,980
Receivables from non-exchange transactions	74,962,040	-	74,962,040
Prepayments	7,218,596	-	7,218,596
Vat receivable	23,875,342	17,370,466	41,245,808
Construction contracts and receivables/(payables)	2,537,515	-	2,537,515
Loans and receivables	122,910	-	122,910
Principle agent arrangement: amounts due from principle	1,103,983	-	1,103,983
Cash and cash equivalents	1,357,019,037	-	1,357,019,037
	1,790,173,652	38,786,540	1,828,960,192
Non-Current Assets			
Property, plant and equipment	4,603,622,224	-	4,603,622,224
Intangible assets	584,729	-	584,729
Heritage assets	4,236,000	-	4,236,000
Investment property	143,744,521	-	143,744,521
Loans and receivables	95,577	-	95,577
	4,752,283,051	-	4,752,283,051
Current Liabilities			
Loans and borrowings	(55,989,941)	-	(55,989,941)
Service concession liability	(19,848,947)	-	(19,848,947)
Payables from exchange transactions	(363,017,070)	(25,162,728)	(388,179,798)
Consumer deposits	(45,628,334)	-	(45,628,334)
Employee benefit obligation	(84,313,413)	-	(84,313,413)
Provisions	(18,495,179)	(146,745)	(18,641,924)
Unspent conditional grants and receipts	(757,265,419)	7,994,154	(749,271,265)
	(1,344,558,303)	(17,315,319)	(1,361,873,622)
Non-Current Liabilities			
Loans and borrowings	(414,367,952)	-	(414,367,952)
Service concession liability	(29,066,031)	-	(29,066,031)
Payables from exchange transactions	(10,504,474)	-	(10,504,474)
Employee benefit obligation	(215,022,400)	-	(215,022,400)
Provisions	(83,767,224)	(157,085,498)	(240,852,722)
	(752,728,081)	(157,085,498)	(909,813,579)
Net Assets			
Housing development fund	(33,569,830)	-	(33,569,830)
Accumulated surplus (Opening balance 1 July 2023)	(3,787,850,763)	119,345,903	(3,668,504,860)
	(3,821,420,593)	119,345,903	(3,702,074,690)

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024	
49. Prior period errors (continued)			
Statement of financial performance			
2024			
	As previously reported	Prior period error	Restated
Revenue from exchange transactions	1,803,644,189	-	1,800,670,654
Service charges - Electricity	931,086,882	-	931,086,882
Service charges - Water	228,473,527	-	228,473,527
Service charges - Sewerage and sanitation charges	168,467,446	-	168,467,446
Service charges - Refuse removal	153,295,801	-	153,295,801
Rental of facilities and equipment	4,425,474	-	4,425,474
Income from agency services	14,083,052	-	14,083,052
GIPTN Fare Revenue	77,498,662	-	77,498,662
Operating revenue	101,372,713	(2,973,535)	98,399,178
Interest received - Outstanding Debtors	21,634,976	-	21,634,976
Interest received - External Investments	103,305,656	-	103,305,656
Revenue from non-exchange transactions	1,766,732,405	-	1,766,732,405
Property rates	443,330,073	-	443,330,073
Licences and Permits	1,779,415	-	1,779,415
Government grants and subsidies - Operating	680,045,129	-	680,045,129
Government grants and subsidies - Capital	580,648,646	-	580,648,646
Public contributions and donations	10,000	-	10,000
Construction contract revenue	314,874	-	314,874
Fines, penalties and forfeits	35,343,550	-	35,343,550
Availability charges	22,296,913	-	22,296,913
Actuarial gains	2,963,805	-	2,963,805
Total Revenue	3,570,376,594	-	3,567,403,059
Expenditure	2,948,786,409		(2,962,081,244)
Employee related costs	(644,896,264)	1,121,116	(643,775,148)
Remuneration of Councillors	(25,563,677)	-	(25,563,677)
Depreciation and amortisation	(216,787,183)	-	(216,787,183)
Impairment loss	(135,065,902)	-	(135,065,902)
Finance costs	(89,393,067)	(13,294,836)	(102,687,903)
Bulk purchases	(715,566,093)	28,578,025	(686,988,068)
Contracted services	(700,573,012)	-	(700,573,012)
Grants and subsidies paid	(85,765,255)	-	(85,765,255)
Cost of Erven sold	(4,011,995)	-	(4,011,995)
Loss on disposal of assets and liabilities	(1,290,473)	-	(1,290,473)
Inventories losses/write-downs	(26,162,832)	-	(26,162,832)
Other materials / Inventory	(192,922,619)	-	(192,922,619)
General Expenses	(110,788,037)	(29,699,140)	(140,487,177)
Surplus for the year	621,590,185	(16,268,370)	605,321,815

Segment reporting note 65 have been adjusted subsequent to the corrections performed above.

Cash generated from operations note 46 have been adjusted subsequently to the corrections performed above.

Cash generated from operations

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024	
49. Prior period errors (continued)			
2024			
	As previously reported	Prior period error	Restated
Cash flow from operating activities			
Sale of goods and services	1,485,293,103	1,533,327	1,486,826,430
Suppliers	(1,690,626,875)	(1,533,327)	(1,692,160,202)
Note: Cashflow from operations			
Movement in provisions	5,032,500	16,268,372	21,300,872
(Increase)/Decrease in Receivables from exchange transactions	(117,762,727)	(9,482,124)	(127,244,851)
Increase/(Decrease) in Trade and other payables from exchange transactions	107,295,069	3,024,197	110,319,266
(Increase)/Decrease in VAT	3,053,860	6,457,927	9,511,787
	(207,715,070)	16,268,372	(191,446,698)

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
49. Prior period errors (continued)		
Errors		
Accounting for Prior year unclaimed VAT submitted to SARS.		
49.1 Receivables from exchange transactions		
Correct disclosing of VAT input accrual accounts.		
Receivables from exchange transactions (Balance as previously reported)	206,584,906	
Correction of error	21,416,074	
Receivables from exchange transactions (Restated balance)	228,000,980	
49.2 VAT Receivable		
Accounting for Prior year unclaimed VAT submitted to SARS.		
Correct disclosing of VAT input and output accrual accounts.		
VAT Receivable (Balance as previously reported)	23,875,342	
Correction of error (Prior year unclaimed VAT)	13,623,814	
Correction of error (Correct disclosing of accrual accounts)	3,746,652	
VAT Receivable (Restated balance)	41,245,808	
49.3 Payables from exchange transactions		
Correct disclosing of VAT output accruals accounts.		
Payables from exchange transactions (Balance as previously reported)	(363,017,070)	
Correction of error	(25,162,728)	
Payables from exchange transactions (Restated balance)	(388,179,798)	
49.4 Provisions (Current Liabilities)		
The provisions for 2023 and 2024 needed to be adjusted because the cubic meter estimates used for waste disposal, removal, and relocation.		
Provisions (Current Liabilities) (Balance as previously reported)	(18,495,179)	
Correction of error	(146,745)	
Provisions (Current Liabilities) (Restated balance)	(18,641,924)	
49.5 Unspent conditional grants and receipts		
Correcting of Housing Grant to reflect actual receipts and actual expenditure.		
Unspent conditional grants and receipts (Balance as previously reported)	(757,265,419)	
Correction of error	7,994,154	
Unspent conditional grants and receipts (Restated balance)	(749,271,265)	

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
49. Prior period errors (continued)		
49.6 Provisions (Non-Current Liability)		
The provisions for 2023 and 2024 needed to be adjusted because the cubic meter estimates used for waste disposal, removal, and relocation.		
Provisions (Non-Current Liability) (Balance as previously reported)		(83,767,224)
Correction of error		(157,085,498)
Provisions (Non-Current Liability) (Restated Balance)		<u>(240,852,722)</u>
49.7 Accumulated surplus Opening balance		
Accounting for Prior year unclaimed VAT submitted to SARS.		
Correcting of Housing Grant to reflect actual receipts and actual expenditure.		
The provisions for 2023 and 2024 needed to be adjusted because the cubic meter estimates used for waste disposal, removal, and relocation.		
Accumulated surplus Opening balance (Balance as previously reported)		(3,787,850,763)
Correction of error (VAT Receivable)		(13,623,814)
Correction of error (Unspent Conditional grants and receipts)		(7,994,155)
Correction of error (Provisions)		140,963,872
Provisions (Non-Current Liability) (Restated Balance)		<u>(3,668,504,860)</u>
49.8 Operating revenue		
The provisions for 2023 and 2024 needed to be adjusted because the cubic meter estimates used for waste disposal, removal, and relocation.		
Operating revenue (Balance as previously reported)		101,372,713
Correction of error		(2,973,535)
Operating revenue (Restated Balance)		<u>98,399,178</u>
49.9 Employee related costs		
Correct allocation of default cost (Water purification capitalised cost).		
Employee related costs (Balance as previously reported)		(644,896,264)
Correction of error		1,121,116
Employee related costs (Restated Balance)		<u>(643,775,148)</u>
49.10 Finance cost		
The provisions for 2023 and 2024 needed to be adjusted because the cubic meter estimates used for waste disposal, removal, and relocation.		
Finance cost (Balance as previously reported)		(89,393,067)
Correction of error		(13,294,836)
Finance cost (Restated Balance)		<u>(102,687,903)</u>

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
49. Prior period errors (continued)		
49.11 Bulk purchases		
Correct allocation of default cost (Water purification capitalised cost).		
Bulk purchases (Balance as previously reported)	(715,566,093)	
Correction of error	28,578,025	
Bulk purchases (Restated Balance)	<u>(686,988,068)</u>	
49.12 General Expenses		
Correct allocation of default cost (Water purification capitalised cost).		
General Expenses (Balance as previously reported)	(110,788,037)	
Correction of error	(29,699,140)	
General Expenses (Restated Balance)	<u>(140,487,177)</u>	

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
50. Financial instruments disclosure		
Categories of financial instruments		
2025		
Loans and receivables		
Housing Scheme loans	6,688	21,967
Sale of Erven Loans	20,690	20,690
Actaris Meter Debt	-	175,830
Trade and other receivables from exchange transactions		
Service debtors	224,508,878	197,982,579
Other debtors	35,265,335	30,018,401
Other receivables from non-exchange transactions		
Other debtors	23,985,757	26,753,670
Construction contracts and receivables/(payables)	395,889	2,537,515
Principle agent arrangement: amounts due from principle	1,103,983	1,103,983
Cash and cash equivalents		
Cash and cash equivalents	1,327,556,278	1,357,019,037
	<u>1,612,843,498</u>	<u>1,615,633,672</u>
Financial liabilities		
Loans and borrowings		
Annuity loans	808,346,353	470,357,893
Service concession Liability		
Service concession Liability	29,066,031	48,914,978
Consumer deposits		
Electricity and water deposits	49,161,328	45,628,334
Trade and other payables		
Trade payables	418,067,496	350,279,535
	<u>1,304,641,208</u>	<u>915,180,740</u>

Financial instruments is affected by the prior period errors corrected. Refer to note 49.

Trade payables previously not adjusted on the final submitted AFS.

Trade payables previously reported: R334 280 813.

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand 2025 2024

51. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's Treasury function provides services to the business, co-ordinates access to domestic markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The municipality seeks to minimise the effects of these risks in accordance with its policies approved by the Council. The policies provide written principles on interest rate risk, credit risk and in the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Director Financial Services on a continuous basis. The municipality does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Treasury function reports periodically to the municipality's finance committee, which monitors risks and policies implemented to mitigate risk exposures.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30, 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	157,392,714	147,770,285	375,760,047	787,208,579
Service Concession Liabilities	26,752,535	7,164,345	-	-
Consumer deposits	49,161,328	-	-	-
Trade and other payables	410,453,780	3,868,105	3,745,611	-
At June 30, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	107,453,768	98,154,747	240,963,368	363,047,398
Service Concession Liabilities	28,404,413	26,752,535	7,164,345	-
Consumer deposits	45,628,334	-	-	-
Trade and other payables	339,775,061	3,827,053	6,677,421	-

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

2025

2024

51. Risk management (continued)

Interest rate risk

The municipality is exposed to interest rate risk due to the movements in long-term and short-term interest rates.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings and finance leases are therefore usually at fixed rates.

This risk is managed on an ongoing basis.

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

Potential concentrations of credit rate risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors, the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The municipality only deposits with major banks with high quality credit standing. Cash and cash equivalents were pledged as guarantee in favour of Eskom. Refer to note 11 for more detail. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure is disclosed below.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Financial instruments

Loans and receivables	27,379	218,487
Receivables from exchange transactions	259,774,213	228,000,980
Other receivables from non-exchange transactions	1,499,872	8,139,561
Cash and cash equivalents	1,327,556,278	1,357,019,037
	<u>1,588,857,742</u>	<u>1,593,378,065</u>

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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51. Risk management (continued)

The method for determining the credit quality of the different financial instruments is disclosed in their individual notes.

Consumer deposits and guarantees held in lieu of service accounts are disclosed in note 19.

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

52. Unauthorised expenditure

Opening balance as previously reported	37,572,735	-
Add: Unauthorised expenditure - current (Operating)	27,440,341	37,572,735
Less: Unauthorised expenditure authorised by council	(31,271,056)	-
Closing balance	<u>33,742,020</u>	<u>37,572,735</u>

The over expenditure incurred by municipal departments during the year is attributable to the following categories

Non-cash	27,440,341	37,572,735
Cash	-	-
	<u>27,440,341</u>	<u>37,572,735</u>

Analysed as follows: non-cash

Bulk purchases (Eskom accrual)	-	19,365,693
Other	-	1,523,371
Impairment Loss	-	10,381,992
Finance cost: Provision for rehabilitation of landfill site	21,206,185	6,301,679
Contribution to the rehabilitation of the landfill sites provision	6,234,156	-
	<u>27,440,341</u>	<u>37,572,735</u>

Council approved the unauthorised expenditure amounting to R31 271 056 on 30 January 2025.

Unauthorised expenditure for the current year is disclosed in terms of Municipal Vote as per the MFMA definition of Vote.

Prior year unauthorised expenditure was restated due to the corrections done on the Landfill site corrections. Refer to note 49 for more details.

Unauthorised expenditure previously recorded: R31 271 056.

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2025	2025	2024
52. Unauthorised expenditure (continued)				
Budget Comparison by Municipal Vote in total	2025 Actual	2025 Budget	2025 Variance	2025 Unauthorised
Civil Engineering Services	2,437,684,721	3,167,128,649	(729,443,928)	-
Community Services	589,001,628	564,975,488	24,026,140	27,440,341
Corporate Services	236,270,067	246,312,807	(10,042,740)	-
Electro-Technical services	1,159,107,035	1,244,284,941	(85,177,906)	-
Financial Services	184,406,005	197,057,319	(12,651,314)	-
Human Settlements, Planning and Development and Property Management	145,053,084	183,226,642	(38,173,558)	-
Office of the Municipal Manager	27,156,334	30,328,379	(3,172,045)	-
	4,778,678,874	5,633,314,225	(854,635,351)	27,440,341
Budget Comparison by Municipal Vote - Operating Expenditure	2025 Actual	2025 Budget	2025 Variance	2025 Unauthorised
Civil Engineering Services	1,284,637,018	1,537,117,287	(252,480,269)	-
Community Services	485,888,509	458,448,168	27,440,341	27,440,341
Corporate Services	229,249,258	237,937,101	(8,687,843)	-
Electro-Technical services	1,067,558,633	1,133,306,288	(65,747,655)	-
Financial Services	181,802,638	194,241,493	(12,438,855)	-
Human Settlements, Planning and Development and Property Management	102,917,298	135,451,318	(32,534,020)	-
Office of the Municipal Manager	27,081,834	30,217,879	(3,136,045)	-
	3,379,135,188	3,726,719,534	(347,584,346)	27,440,341
Budget Comparison by Municipal Vote - Capital Expenditure	2025 Actual	2025 Budget	2025 Variance	2025 Unauthorised
Civil Engineering Services	1,153,047,703	1,630,011,362	(476,963,659)	-
Community Services	103,113,119	106,527,320	(3,414,201)	-
Corporate Services	7,020,809	8,375,706	(1,354,897)	-
Electro-Technical services	91,548,402	110,978,653	(19,430,251)	-
Financial Services	2,603,367	2,815,826	(212,459)	-
Human Settlements, Planning and Development and Property Management	42,135,786	47,775,324	(5,639,538)	-
Office of the Municipal Manager	74,500	110,500	(36,000)	-
	1,399,543,686	1,906,594,691	(507,051,005)	-
Budget Comparison by Municipal Vote in total	2024 Actual	2024 Budget	2024 Variance	2024 Unauthorised
Civil Engineering Services	1,850,349,603	2,786,198,886	(935,849,283)	-
Community Services	465,194,312	463,197,879	1,996,433	6,301,679
Corporate Services	216,683,935	227,099,737	(10,415,802)	-
Electro-Technical services	1,070,314,366	1,066,453,053	3,861,313	31,271,056
Financial Services	156,450,578	186,980,682	(30,530,104)	-
Human Settlements	125,232,805	145,151,550	(19,918,745)	-
Office of the Municipal Manager	26,385,690	28,978,111	(2,592,421)	-
	3,910,611,289	4,904,059,898	(993,448,609)	37,572,735

George Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024		
52. Unauthorised expenditure (continued)				
Budget Comparison by Municipal Vote - Operating Expenditure	2024 Actual	2024 Budget	2024 Variance	2024 Unauthorised
Civil Engineering Services	1,146,219,273	1,348,757,164	(202,537,891)	-
Community Services	393,178,493	386,876,814	6,301,679	6,301,679
Corporate Services	208,881,427	211,039,363	(2,157,936)	-
Electro-Technical services	928,206,424	896,935,368	31,271,056	31,271,056
Financial Services	153,555,975	183,993,682	(30,437,707)	-
Human Settlements	105,772,594	118,843,965	(13,071,371)	-
Office of the Municipal Manager	26,299,032	28,884,050	(2,585,018)	-
	2,962,113,218	3,175,330,406	(213,217,188)	37,572,735
Budget Comparison by Municipal Vote - Capital Expenditure	2024 Actual	2024 Budget	2024 Variance	2024 Unauthorised
Civil Engineering Services	704,130,330	1,437,441,722	(733,311,392)	-
Community Services	72,015,819	76,321,065	(4,305,246)	-
Corporate Services	7,802,508	16,060,374	(8,257,866)	-
Electro-Technical services	142,107,942	169,517,685	(27,409,743)	-
Financial Services	2,894,603	2,987,000	(92,397)	-
Human Settlements	19,460,211	26,307,585	(6,847,374)	-
Office of the Municipal Manager	86,658	94,061	(7,403)	-
	948,498,071	1,728,729,492	(780,231,421)	-

Alleged Unauthorised Expenditure under investigation

There is a case under investigation at year end which may possibly result in Unauthorised Expenditure. The cases relate to soup kitchen payments and the quantum are unknown at year end.

53. Irregular expenditure

Opening balance as previously reported	40,041,736	10,322,836
Opening balance as restated	40,041,736	10,322,836
Add: Irregular Expenditure - current	28,477,689	19,188,320
Add: Irregular Expenditure - prior period	31,504,450	10,703,800
Less: Amount written off - current	(41,286,180)	(173,220)
Closing balance	58,737,695	40,041,736

The amount of R41 286 180 comprising R40 041 736 from the prior financial year and R1 244 444 from the current year, was approved by Council as irregular expenditure on 27 June 2025.

Irregular expenditure is disclosed VAT inclusive.

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53. Irregular expenditure (continued)		
Details of irregular expenditure		
Identified during the financial year		
Overtime paid	85,080	-
Non-compliance with SCM regulation 44(c)	45,810,406	-
Non-compliance with SCM regulations 13(b) and 43	-	5,279,959
Non-compliance with S2(1)(a) of the PPPFA	-	13,063,754
Non-compliance with regulation 3(1) of the PPR (2022)	7,898,175	95,571
Non-compliance with regulation 4(2),4(4) and 9 of the PPR (2022)	-	46,850
Supplier in contravention to tender specification	-	160,983
Expenditure in excess of original contract value	-	541,203
Contravention Recruitment and Selection Policy (2012)	3,457,597	-
Non-compliance with S38(1) of the SCM regulation (2005)	23,760	-
Contravention section 67(1)(a) of the Municipal System Act	2,707,121	10,703,800
	59,982,139	29,892,120

Non-compliance with Supply Chain Management Regulation 44(c) has been disclosed based on the interpretation that no secondary award may be granted for advisory or consultancy services to any provider already contracted with the municipality or municipal entity. Management, however, disagrees with this interpretation and will engage with National Treasury to seek clarification on the application of this section. No financial loss was incurred.

Alleged Irregular Expenditure under investigation

The case under investigation at year end which may possibly result in Irregular Expenditure. The nature of the case relates to non-compliance with the recruitment and selection policy and quantum are unknown at year end.

54. Fruitless and wasteful expenditure

Opening balance as previously reported	728,648	728,648
Add: Fruitless and wasteful expenditure identified - current	254,060	-
Closing balance	982,708	728,648

Fruitless and wasteful expenditure is presented inclusive of VAT.

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Penalties paid	None	250,000	-
Overtime paid	None	4,060	-
		254,060	-

Administration fine issued in terms of section 24G of the National Environmental Management Act, 1998 for the unlawful commencement of the Erosion repairs and the rehabilitation at the stormwater outlet an Outeniqua waste water treatment works.

Overtime applications/submissions did not undergo the required approval process.

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54. Fruitless and wasteful expenditure (continued)

Alleged fruitless and wasteful Expenditure under investigation

There are two cases currently under investigation and still in progress as at 30 June 2025 which may result in fruitless and wasteful expenditure. The outcome and quantum are unknown at year end. The cases relate to the 145 toilet project dated 23 March 2023, and overtime paid.

55. Material losses

Electricity distribution

Units purchased (KWh)	444,832,855	418,242,602
Units lost during distribution	43,290,005	35,959,955
Percentage lost during distribution	9.73 %	8.60 %

Water distribution

Kilolitres purified	14,104,970	13,084,619
Kilolitres lost during distribution	3,470,704	2,718,399
Percentage lost during distribution	24.61 %	20.78 %

56. Municipal Land Transport Fund

Included in the Accumulated surplus is the Municipal Land Transport Fund for the George Integrated Public Transport Network as required by the National Land Transport Act, (Act No. 5 of 2009). Refer to accounting policy 1.29 for more information on the fund.

The transactions for the year were:

Opening balance	142,193,587	118,356,494
National grants - note 31	160,149,261	170,300,423
Provincial grants - note 31	293,894,402	274,856,674
Fare revenue - note 26	86,237,000	77,498,662
Other income - note 27	92,648	320,457
Less: Expenses	(540,018,900)	(499,139,123)
Surplus	<u>142,547,998</u>	<u>142,193,587</u>

The Municipal Land Transport Fund was established by the Municipality as required by the National Land Transport Act, No 5 of 2009. All fare revenues and other income from the operation of the GIPTN were received in the fund as well as grants received for the payment of operational contracts and related costs.

The following items did not form part of the MLTF:

National grants	115,336	390,998
Less: Expenses (depreciation and compensation adjustment)	(49,989,800)	(59,471,897)
Surplus / (Loss)	<u>(49,874,464)</u>	<u>(59,080,899)</u>
Total GIPTN Surplus / (Loss)	<u>92,673,534</u>	<u>83,112,688</u>

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57. Service concession arrangements

George Municipality has entered into a service concession arrangement with one Vehicle Operating Company (VOC) for the George Integrated Public Transport Network (GIPTN). Included in this arrangement is the bus fleet.

The objective of the concession arrangement is to support the National Land Transport Act (Act No. 5 of 2009) and Public Transport Strategy (PTS) and Action Plan in promoting the provision of accessible, reliable, and affordable integrated municipal public transport network services. The overall objective of the GIPTN project is to ensure that all members of the George community can use safe, affordable, accessible, and reliable public transport to access social, economic and employment opportunities. This is being achieved through the transformation of the existing local bus and minibus taxi industries, as well as through the support of non-motorised transport.

The Municipality and the VOC entered into a negotiated operator agreement which commenced 8 December 2014 with a termination date of 12 years after the commencement date. The contract does not contain a renewal clause.

The GIPTN bus fleet consists of 133 vehicles with the useful life ranging from six (6) to (12) years, split as per the table below:

Bus type	Quantity	Useful life
Standard	36	12 years
Standard - VOC	29	12 years
Midi	33	12 years
Mini	35	6 years
	133	

The asset may only be used for scheduled public transport services in the area as agreed between the parties. All vehicles must be compliant with the Vehicle Schedule, Vehicle Specifications as well as be maintained in terms of the Vehicle Operation and Maintenance Standards and Conditions to the Operator Contract.

The municipality retains full control over the nature, timing and extent of the services that the operator must perform. Routes, timetables and fare rates are determined by the municipality. Fare rate is increase annually.

Fare revenue received by the municipality is disclosed in note 26.

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58. Accounting by principals and agents

The entity is a party to the following principal-agent arrangements.

Municipality as agent

Motor Vehicle Registrations Arrangement

As per Circular R12.1994 the executive committee of the Provincial Administration of the Cape of Good Hope and the Department of State Expenditure granted authority that a new agency fee be paid to local authorities who have been appointed as registering authorities in the Cape Province for the registration and licensing of motor vehicles in terms of the National Road Traffic Act 93 of 1996.

The municipality is the agent in this binding agreement and uses its own resources in performing the service delivery and capturing the information on the ENATIS (Electronic National Administration Traffic Information System).

Agency Fee Circular R5.2005 further states that all municipalities must perform weekly pay-overs in terms of MFMA 56 of 2003 section 64(4).

Revenue and expenses from principal-agent transactions:

	Drivers licences	Vehicle registrations	Total
2025			
Revenue received from third parties	2,462,803	76,285,309	78,748,112
Payment to provincial traffic department	(1,060,693)	(61,386,624)	(62,447,317)
Agency fee income	1,402,110	14,898,685	16,300,795
Depreciation	-	(294,250)	(294,250)
Employee cost	(4,078,683)	(5,727,268)	(9,805,951)
Contracted services	(6,000)	(1,305,608)	(1,311,608)
General expenses	(965,336)	(1,374,015)	(2,339,351)
	(3,647,909)	6,197,544	2,549,635
2024			
Revenue received from third parties	3,320,058	73,400,895	76,720,953
Payment to provincial traffic department	(1,540,643)	(59,317,843)	(60,858,486)
Agency fee income	1,779,415	14,083,052	15,862,467
Depreciation	-	(302,655)	(302,655)
Employee cost	(4,025,308)	(5,412,618)	(9,437,926)
Contracted services	(17,995)	(850,798)	(868,793)
General expenses	(570,665)	(1,017,114)	(1,587,779)
	(2,834,553)	6,499,867	3,665,314

Municipality as the principal

Arrangement with George Link (Pty) Ltd to provide public transport service

There is a contractual arrangement between George Link (Pty) Ltd and the Municipality for operating the buses and collecting fare revenue from passengers. The arrangement between the two parties is a service concession arrangement (refer to note 56 for details).

George Link (Pty) Ltd operates the buses on the timetables, routes and at fares determined by the Municipality.

The municipality paid R336 754 632 (2024: R301 603 981) to the operator for providing the service on their behalf.

George Local Municipality

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58. Accounting by principals and agents (continued)

In the event that the arrangement is terminated and the municipality decides to provide the service and not make use of a contractor, the municipality will as a minimum have to procure additional buses, employ bus operators and administrative personnel.

A memorandum of understanding was entered into between the municipality and AFSOL implementing the automated fare revenue collection system which collects the fare revenue from passengers entering the buses.

No resources of the municipality are under the custodianship of AFSOL.

No fees are paid by the municipality to AFSOL.

There are no cost implications for the municipality if the memorandum of understanding between the municipality and AFSOL is terminated.

Distribution of prepaid electricity

The municipality entered into an agreement with Ontech Systems (Pty) Ltd to provide the hosting, vending, data management and supplementary support services to the municipality. Ontech Systems (Pty) Ltd distributes the prepaid electricity (by way of vendors) to third parties and pays the revenue received over to the municipality. The company does not use any of the municipality's resources

The fees paid to Ontech Systems (Pty) Ltd during the year were R25 662 186 (2024: R26 818 467).

In the event that the arrangement is terminated and the municipality decides to provide the service and not make use of a contractor, the municipality will as a minimum have to procure software, computer infrastructure and additional employees.

The municipality entered into an agreement with Cigicell (Pty) Ltd to provide vending services where consumers can pay their municipal accounts at various points in the George area. The purpose of the agreement is to increase the ability of the municipality to collect payments due to more available stations being open for payment collection.

The fees paid to Cigicell (Pty) Ltd during the year were R5 245 890 (2024: R3 337 114).

In the event that the arrangement is terminated and the municipality decides to provide the service and not make use of a contractor, the municipality will as a minimum have to procure the required infrastructure with the appropriate intellectual property and workforce to provide oversight and support services.

59. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(7,212,077)	(7,303,371)
Current year subscription / fee	7,212,077	7,303,371
Amount paid - current year	(8,548,477)	(7,212,077)
Prepayment - Refer to note 6	<u>(8,548,477)</u>	<u>(7,212,077)</u>

The municipality pays the SALGA membership fees annually in May for the following financial year in order to receive a 5% discount. Refer to note 6 for more detail.

Audit fees

Opening balance	3,932	-
Current year subscription / fee	9,678,610	7,793,739
Amount paid - current year	(9,648,676)	(7,789,807)

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)		
	33,866	3,932
The unpaid amount is included under trade payables. Refer to note 18.		
PAYE and UIF		
Current year subscription / fee	115,157,211	115,732,429
Amount paid - current year	(115,157,211)	(115,732,429)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	165,094,977	150,558,628
Amount paid - current year	(165,094,977)	(150,558,628)
	<u>-</u>	<u>-</u>
Skills Development Levies		
Current year subscription / fee	7,254,883	6,800,004
Amount paid - current year	(7,254,883)	(6,800,004)
	<u>-</u>	<u>-</u>
VAT		
VAT receivable / (payable)	32,817,233	41,245,808

All VAT returns have been submitted by the due date throughout the year.

Refer to note 49 for detail regarding the correction of prior period errors.

Councillors' arrear consumer accounts

June 30, 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
S Snyman	2,103	-	2,103
EC America	1,612	-	1,612
S Manxele	890	-	890
SZ Ntondini	1,775	-	1,775
SJ Smart	2,565	-	2,565
RE Voster	5,616	44,031	49,647
DG Lemine	1,083	-	1,083
J Gertse	8,021	418	8,439
ED Figland	5,860	-	5,860
RM Louw	477	-	477
TE Lento	4,181	-	4,181

No Councillors had arrear accounts outstanding for more than 90 days at any point in time during the year ended June 30, 2024:

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

June 30, 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
S Snyman	1,999	-	1,999
B Johnson	4,979	-	4,979
EC America	1,323	-	1,323
M Kruger	1,639	-	1,639
S Manxele	37,985	-	37,985
SZ Ntondini	1,217	-	1,217
SJ Smart	3,758	-	3,758
R Windwaai	44	-	44
GC Niehaus	9,538	-	9,538
VD Carolus	3,508	-	3,508
GJ Stander	1,898	-	1,898
	67,888	-	67,888

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

June 30, 2025	Highest outstanding amount	Aging (in days)
RE Voster	44,031	90
J Gertse	418	90
	44,449	180

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council. Deviations from the Supply Chain Management processes were identified for the following categories and have been approved by the Accounting Officer and reported to Council.

2025

Directorate	Less than R30 000	Between R30 001 and R200 000	Between R200 001 and R2 000 000	More than R2 000 001	Total per Directorate
Civil Engineering Services	13,991	254,927	-	-	268,918
Community Services	120,208	292,087	5,922,548	-	6,334,843
Corporate Services	12,289	195,034	-	8,998,397	9,205,720
Electro-Technical Services	383,467	884,757	-	-	1,268,224
Financial Services	22,320	219,072	855,645	-	1,097,037
Human Settlements, Planning and development	15,180	249,843	846,056	-	1,111,079
Office of the Municipal Manager	-	-	961,619	-	961,619
	567,455	2,095,720	8,585,868	8,998,397	20,247,440

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Category	Less than R30 000	Between R30 001 and R200 000	Between R200 001 and R2 000 000	More than R2 000 001	Total per Category
Single Provider	87,286	478,368	340,505	-	906,159
Exceptional Case (Impractical or impossible)	480,169	1,617,352	8,245,363	8,998,397	19,341,281
	567,455	2,095,720	8,585,868	8,998,397	20,247,440

2024

Directorate	Less than R30 000	Between R30 001 and R200 000	Between R200 001 and R2 000 000	More than R2 000 001	Total per Directorate
Civil Engineering Services	38,828	989,409	4,076,051	2,895,768	8,000,056
Community Services	124,893	295,920	4,842,415	-	5,263,228
Corporate Services	40,149	534,155	667,614	-	1,241,918
Electro-Technical Services	74,547	79,797	3,834,361	12,073,324	16,062,029
Financial Services	8,280	332,813	431,461	5,279,959	6,052,513
Human Settlement, Planning and Development	36,067	128,530	-	-	164,597
Office of the Municipal Manager	-	455,237	205,432	-	660,669
	322,764	2,815,861	14,057,334	20,249,051	37,445,010

Category	Less than R30 000	Between R30 001 and R200 000	Between R200 001 and R2 000 000	More than R2 000 001	Total per Directorate
Emergency	15,789	-	3,403,324	12,073,324	15,492,437
Single Provider	96,864	457,268	627,145	-	1,181,277
Exceptional Case (Impractical or impossible)	210,111	2,358,593	10,026,865	8,175,727	20,771,296
	322,764	2,815,861	14,057,334	20,249,051	37,445,010

Included in the deviations are rates-based deviations where a rate per unit or commodity is approved. The final quantities of units may not be known at the time of approving the deviations and is only quantified once invoices are paid after goods have been delivered or services rendered at the end of the period.

The major deviations were as follows:

2025

Awarded	Amount	Reason / Explanation
Ruwacon	206,830	Impossible to follow the official procurement processes because of the disaster that occurred.
Red Ant Security	1,787,813	Impossible to follow the official procurement processes due to the sensitivity of the operations.
Droomers Yamaha	340,505	Droomers Yamaha is the sole supplier of the Sea Ranger.

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Waste Carriers	339,787	Impossible to follow the official procurement process. Suppliers contracted by the municipality were requested for quotes but did not have any machinery available.
Henque Waste	1,778,233	Impossible to follow the official procurement process, LG-Ewaste withdraw from the project.
Esri South Africa (Pty) Ltd	648,815	Exceptional case and it is impractical or impossible to follow the official procurement processes.
Blue Top Ventures (Pty) Ltd t/a Blue Top	747,719	Exceptional case and it is impractical to follow the official procurement processes.
CSJ Civils and Construction (Pty) Ltd	846,056	Exceptional case and it is impractical to follow the official procurement processes.
Acumen Software (Pty) Ltd	1,676,210	Exceptional case and it is impractical to follow the official procurement processes.
SALGA	8,998,397	Exceptional case and it is impractical to follow the official procurement processes.
Heartbeat FM	213,900	Exceptional case and impractical or impossible to follow official procurement processes.
	17,584,265	

2024

Awarded	Amount	Reason / Explanation
Harvey World	224,630	Exceptional case and impractical to follow the official procurement process. Poor service from current service provider.
Henque Waste	1,457,811	Impossible to follow the official procurement process. The current service provider, LG-Waste withdraw from the project.
South Cape Petroleum	862,319	Emergency: Appointed supplier could not address the demand and supply challenges.
Eden FM	205,432	Impossible to follow the official procurement process. The municipality did go out on tender, but the tender has been cancelled due to non-compliance of all bidders.
South Cape Petroleum	12,073,324	Emergency: The municipality terminated the services of the bulk fuel delivery service provider.
SSK Agri	656,801	Emergency: The municipality terminated the services of the bulk fuel delivery service provider.
Millers Attorneys	1,279,998	Impossible to follow the official procurement process. Purchase of specific portion of land.
Millers Attorneys	1,800,002	Impossible to follow the official procurement process. Purchase of specific portion of land.
Red Ant	2,895,769	Impractical to follow the official procurement process due to the sensitivity of the operations.
Henque Waste	1,378,730	Impossible to follow the official procurement process. The current service provider, LG Waste withdraw from the project.
Minnar Niehaus Attorneys	388,759	Exceptional case and impractical to follow the official procurement process. Specialised knowledge and expertise are required.
South Cape Petroleum	1,884,205	Emergency: The appointed service provider could not delivered any fuel.
Henque Waste	662,400	Impossible to follow the official procurement process, LG-Ewaste withdraw from the project.
Fairbridges Wertheim Becker Inc	278,855	Exceptional case and it is impractical to follow the official procurement processes. The sensitivity and confidentiality of this matter necessitates the appointment of an attorney who is not on our panel of Attorneys.
Henque Waste	716,330	Impossible to follow the official procurement process. The tender for the collection for green bags still in process.

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

South Cape Petroleum	1,087,838	Impossible to follow the official procurement process. New tender in process.
Red Ant	339,250	Impossible to follow the official procurement process due to the sensitivity of the operations.
Ross Excavations	5,279,959	Impossible to follow the official procurement process because of the disaster that occurred on Monday, 6 May.
Hamilton Hydraulic Services	627,144	Sole Supplier of specific equipment in SA.
Ruwacon (Pty) Ltd	206,830	Impossible to follow the official procurement process because of the disaster that occurred on Monday, 6 May.
	34,306,386	

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Purchases from persons in service of the state

The municipality made the following payments to companies / persons in service of the state:

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Zutari (Pty) Ltd	Various	Various	Various	Various	28,074,858	25,794,245
	ZB Ebrahim	Non-Executive Director	Social Housing Regulatory	Various		
Royal Haskoning DHV	JD van Eeden	Member	Councillor - Langeberg	Brother	17,258,867	15,530,772
			Department of Water Affairs	Nephew		
SMEC South Africa (Pty) Ltd	M Phosa	Member	Finance - Mpumalanga Provincial Government	Spouse	29,955,472	22,123,390
Moreki Distributors	MD Moreki	Director	Palm Springs Magistrates Court	Spouse	155,629	93,924
Kathaka Enterprises (Pty) Ltd	MG Modise	Director	Not indicated	Shareholder at Kathaka Raw Enterprise (Pty) Ltd	25,041	19,400
Willvest Twenty Three (Pty) Ltd t/a Urhwebo E-transand	Various	Various	Various	Various	105,490,003	71,725,448
Minolta SA: George	KR Mthimunye	Non-Executive director	Mintek	Various	2,890,838	2,749,194
IMQS Software (Pty) Ltd	Various	Various	Various	Various	-	43,296
GLS Consulting	Various	Not indicated	Not indicated	Various	4,535,154	3,941,781
Ian Dickie and Company (Pty) Ltd	M Samuels	Director	SAPS - SCM	Spouse	1,766,055	2,049,185
Bidvest Waltons	KB Wakeford	Not indicated	Not indicated	Bidvest (Pty) Ltd and all affiliated companies	1,185,914	903,402
	GC McMahon	Not indicated	Not indicated			
	NT Madisa	Not indicated	Not indicated			
MDL George (Pty) Ltd t/a MDL Electrical	MD Loubser	Director	Not indicated	Shareholder in MDL Engineering Company (Pty) Ltd	826,622	-

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Conlog	L Moodley	Commercial Director	Provincial Health Department of KZN - Director of Informatics - GIS	Spouse	-	58,296
	L Gaxeni	Quality Manager	Eskom KZN - Deductor Manager	Spouse		
Chlorcape (Pty) Ltd	PW Pretorius	Director	Not indicated	Shareholder in Ultra Water, Ikapa Commodity	37,096,815	47,759,352
Cobus Louw Professional Eng (Pty) Ltd	DE Janeke	Director	Dept. of Education - Psychologist	Spouse	1,237,488	4,854,871
Just Breeze General Trading CC	CL Ntladi	Lebowakgomo Hospital	Lebowakgomo Hospital	Shareholder in Jomash Construction, Bakgorong Security, Mahlako Travels, LMN Training & Mosadi Holdings	3,286,438	22,873,994
2 Brothers Enterprise	J Booysen	Owner	George Municipality - Cleaner/Tea Lady	Sister-In-Law	180,840	412,775
Vilconsec	C Viljoen	Owner	Official at George Municipality - C Langeveldt	Sister	21,521	1,128,766
Agate & Bryant/a Rock Solutions	L Coetzee	Director	Corporate Service: Tea Lady/Caretaker	Mother-in-law	23,140	350,820
First Technology Western Cape	A Sharp	Not indicated	Not indicated	Various	2,841,863	2,604,335
Amandla GCF Construction cc	G Jones - Director W Frazenburg - Director	Not indicated	Not indicated	Interest in other companies: Empower Asphalt	-	202,388
Lexis Nexis South Africa (Pty) Ltd	I Andrew TR Naidoo	Not indicated	Not indicated	Shareholders	86,194	64,321
OWS & EAS Joint Venture	CR Stockwell	Director	Area Manager at City of Cape Town	CR Stockwell shareholder at Nadeson Consulting Services	5,838,882	8,503,396
Bearing Warehouse	FC Zeelie	Member	Department of Agriculture	Spouse	12,661	12,661

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Entsha Henra (Pty) Ltd	V Zitumane BKD Mafu	Shareholder and Director in other companies	Not indicated	K Lutchman, Non-Executive director of Entsha Henra (Pty) Ltd; Entsha Henra Plant Hire (Pty) Ltd; Entsha BEE (Pty) Ltd & Willvest Twenty Three (Pty) Ltd	239,364,363	122,727,171
CHM Vuwani Computer Solutions (Pty) Ltd	Shareholding & director in other companies	Not indicated	Interest in other related companies	First Technology Group, etc.	828,814	293,835
Inca Portfolio Managers	M Mokoene	Non-Executive Director	Gautrain Management Agency	Not Indicated	1,090,079	1,072,087

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Ruwacon (Pty) Ltd	PP Rantsoareng	Director	Various	Various	224,422,395	31,473,455
	KA Michael	Director	Various	Various		
	PB Ruthven	Director	Various	Various		
	HP van H Badenhorst	Director	Various	Various		
	FJ Prinsloo	Director	Various	Various		
	JL De Bruin	Director	Various	Various		
	JHJ Rheeder	Director	Various	Various		
	GF Le Roux	Director	Various	Various		
	D Plekker	Director	Various	Various		
	Direct Wholesale	R Jajbhay	Director	Professional Nurse - Mossel bay Hospital		
Raubenheimers Attorneys	WM Luttig	Director	Teacher	Spouse	974,639	1,579,042
Falcon Safety Management (Pty) Ltd	Anton van Greunen, Managing Director	Director	Nelson Mandela Bay Municipality	Spouse	250,587	58,880
Capstone VMG Enterprises (Pty) Ltd	V Sambokwe	Owner	Garden Route District Municipality - Administrative Clerk	Spouse	-	5,864
Hessequa Consulting Engineers cc	G Pepler	Director	Not indicated	Shareholder in Iviwe Engineering Solutions	-	317,288
Nadeson Consulting Services	CR Stockwell	Director	City of Cape Town	Shareholder in OWS and EAS Joint Venture	1,643,786	-
Seebosrand Catering	ME Classen	Owner	Official at George Municipality	Daughter	478,954	624,133
Bidvest Food Service	KB Wakeford	Not indicated	Not indicated	Bidvest (Pty) Ltd and all affiliated companies	12,000	21,291
	GC McMahon	Not indicated	Not indicated			
	NT Madisa	Not indicated	Not indicated			

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Bidvest Prestige	KB Wakeford	Not indicated	Not indicated	Bidvest (Pty) Ltd and all affiliated companies	10,251,210	9,510,033
	GC McMahon	Not indicated	Not indicated			
	NT Madisa	Not indicated	Not indicated			
Bidvest Steiner George	KB Wakeford	Not indicated	Not indicated	Various	178,041	112,794
	GC McMahon	Not indicated	Not indicated	Various		
	NT Madisa	Not indicated	Not indicated	Various		
Lexis Nexis Risk Management (Pty) Ltd	I Andrews	Not indicated	Not indicated	Various	45,587	-
	TR Naidoo	Not indicated	Not indicated	Various		
Kathaka Raw Enterprises (Pty) Ltd	MG Modise	Director	Not indicated	Shareholder at Kathaka Enterprise (Pty) Ltd	-	247,018
iX Engineers (Pty) Ltd	JC Karemaker	Director	Not indicated	Shareholder in BJE/IX/WRP JV	10,093,109	16,656,829

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Improchem (Pty) Ltd t/a AECI Water	Dr Khotso Mokhele	Non-executive chairman at AECI Limited	Not indicated	Dr Khotso Mokhele - University of Free State and Dept. of Science and Technology - Chancellor	156,400	148,919
Loyiso Civil Construction	L Gardiner	Not indicated	Not indicated	Interest in related company: Entsha Henra	461,904	114,885
Maverick Trading 59 CC	C Simons L vd Poll	Director Director	Not indicated	Maverick Trading 170 CC - shareholders	1,531,123	2,409,274
Memotek Trading CC	TG Sedumedi	Director	Not indicated	Director has shares in Gabriel & Michael Marketing	435,830	1,062,484
Elihlumayo Projects (Pty) Ltd	LA Mapolisa	Director	General Assistant at George Municipality	Family member	-	6,389
MDL Engineering Company (Pty) Ltd	MD Loubser	Director	Not indicated	Director has share in MDL Electrical cc	42,126,782	53,669,898
Adapt IT (Pty) Ltd / CaseWare	Mrs Mbambo	Director	Sanral: Operations and Maintenance Manager	Spouse	173,451	-
Boagi Projects	CC Madonsela	Member	Not indicated	Interest in other company: Bomba React Unit	51,555	-
BMK Group	BM Kannigadu	Director	Not indicated	Shareholder in BMK Technologies	536,485	-

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Poongavanum General Cleaning Services t/a RIG Marketing	RS Poongavanum	Director	PetroSA - SHEQ Officer	Daughter	-	4,357,394
Bosch Projects (Pty) Ltd	Not indicated	Not indicated	Not indicated	Some directors are directors of Bosch Holdings (Pty) Ltd	4,371,700	-
Commix Vision (Pty) Ltd	Not indicated	Not indicated	Active telematics Commix Academy & Muthenia Group	Active Telematics Commix Academy & Muthenia group	-	1,077,897
Icon Construction (Pty) Ltd	Shareholding & director in other companies	Not indicated	Interest in other related companies	Shareholders in other companies	193,240,652	127,692,614
Roy Steele & Associates CC	R Steele	Director	Managing ODS Consultants CC	Managing ODS Consultants cc	293,250	138,000
Cape Environmental Assessment Practitioners t/a Cape EAPRAC	DJ Jeffrey	Director	Not indicated	Shareholder in Doug Jeffrey Environmental Consultants	146,941	662,890
QJ Jaji t/a Jaji Bee Relocation and Honey Farming	N Jaji	Owner/Director	Electro-Technical Services	Daughter	72,100	70,000
VE Reticulation (Pty) Ltd	JJ Bosman HAR van Niekerk K Lutchman	Director Director Director	Not indicated	Shareholders in VE Management Services (Pty) Ltd	8,944,039	36,838,369

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Londoloza Utility Solution (Pty) Ltd	TS Mazibuko	Director	Not indicated	Department of Arts and Culture - National Archivist	2,482,330	356,208
SABS Commercial	JL Scholtz T Demana	Director Director	Department of Trade & Industry	JL Scholtz works at DTI. T Demana in service of state for the past twelve months at DTI.	13,546	95,805
Norland Construction (Pty) Ltd	Shareholding & director in other companies	Not indicated	Not indicated	Interest in other companies: Norlan Plant Holdings (Pty) Ltd; NJV Contractors (Pty) Ltd; Bastu Investments (Pty) Ltd; NAS Air Services (Pty) Ltd	1,449,860	3,801,603
Nikwe Enterprise (Pty) Ltd	M Olivier	Director	Admin Officer, George Municipality	Souse	12,920	84,876
Platinum Suppliers (Pty) Ltd	B Brass	Director	Not indicated	Shareholder at Bizconex (Pty) Ltd	145,782	27,233
Red Ant Security Relocation and Eviction Services	Buti Lesiela	Shareholder	Mogale City Local Municipality - Practitioner	Spouse	1,800,140	5,446,688
Sakhikhaya Suppliers cc	Mahadevan Valoo (Director) member Ikamva Facilities Management cc & Camel Rock Trading cc	Not indicated	Not indicated	Mahadevan Valoo member Ikamva Facilities Management cc & Camel Rock Trading cc	1,677,562	149,106

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

UDS Africa	AAE Khan	Director	Not indicated	Principal member at Edifice Consulting Engineers	373,750	392,645
VST Consulting Engineers (Pty) Ltd	V Thavar	Director	Not indicated	Shareholder in Khula Africa Engineers cc	201,250	1,064,240
Vanguard Fire and Safety Inland	J Buchan; L Sarabjit	Director Director	Not indicated Not indicated	J Buchan has Shares in other companies: Vanguard Fire and Safety Coastal and Vanguard Fire and safety Cape	692,121	42,809
Herold Gie Attorneys	Shareholding and director in other companies	Not indicated	Interest in other related companies	Interest in other related companies	1,235,357	191,007
Wolf Pack Race	Cheryl Langeveldt	Owner	Official at George Municipality	Spouse	35,115	116,190
Mimebe Projects	Mary-Anne Beukes	Director	South African Post Office	Director	-	1,448,643
Acumen Software (Pty) Ltd	Ismail Cachalia	Director	High Commissioner to Zambia Saad Chachalia	Father	-	506,000
Drager South Arica (Pty) Ltd	Theresa Mokgokong	Not indicated	Not indicated	Shareholder in various other companies	187,655	-
Engineering Advice and Services Western Cape (Pty) Ltd	A Westerberg	Director	PA at Mossel Bay Municipality	Sister-in-Law Shareholder in Engineering Advice and Services (Pty) Ltd & Siyakhatala Solutions	177,267	-
Ikusasa Chemicals (Pty) Ltd	MSV Gantsho SD Dandala	Director Director	Not indicated Not indicated	Shareholder in various other companies	2,708,250	-

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Jodan Construction (Pty) Ltd	DA Pretorius	Director	Not indicated	Shareholder in various other companies	14,744,685	-
	W du Toit	Director	Not indicated	Shareholder in various other companies		
	JP Labuschagne	Director	Not indicated	Shareholder in various other companies		
Lukhozi Consulting Engineers (Pty) Ltd	CJ Brink	Director	Not indicated	Shareholder in Eng Maintenance for Africa (Pty) Ltd; and Ketshana Consulting Engineers (Pty)	31,355,264	-
	GJ Tucker	Director	Not indicated	Shareholder in BVDM Trading 32 cc		
	JT Lochner	Director	Not indicated	Shareholder in JTD and Property Services cc		
	LS Mhlauli	Director	Not indicated	Shareholder in Eng Maintenance for Africa (Pty) Ltd		
Novus3 (Pty) Ltd	J De Vries	Director	University of Pretoria, Educator	Spouse	1,060,977	-
	J Scheepers	Director	Council for Medical Schemes, Chief Financial Analyst	Spouse		

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Rauch Gertenbach Inc.	Not indicated	Director	Not indicated	Shareholders in RG Trustees (Pty) Ltd; RGD Trust; Advertisergebou (Pty) Ltd; and Futurama (Pty) Ltd	64,357	-
Spectrum Communications (Pty) Ltd	E Vermeulen JC Petrow JM Ginsberg M Sosnovik	Director Director Director Director	Not indicated	Various	14,533,812	-
Sebelelsa Operations (Pty) Ltd	Not indicated	Not indicated	Not indicated	Not indicated	352,617	-
TPZSN General Services (Pty) Ltd	SM Nondlazi	Director	Department of Employment and Labour : Administrative Clerk	Spouse	5,850,237	-
Techso-IX Eng. Joint Venture	NA Mashengana	Director	Nurse	Spouse	250,240	-
Urban Engineering (Pty) Ltd	FR van Aardt	Director	Not indicated	Shareholder in Urban Engineering Consultants (Pty) Ltd	14,557,618	-
Waste Carriers (Pty) Ltd	ZA Enger	Director	Not indicated	Shareholder in SPE Property	13,144,600	-
Xenocorp 279cc	H Mukwevho	Director	Not indicated	Various	160,090	-
CVW Consulting Engineers (Pty) Ltd	S Noyakaza	Director	George Municipality: Human Resources	Spouse	378,781	-
Vanguard Fire and Safety Cape	J Buchan L Sarabijt	Directors	Not indicated	J Buchan has Shares in other companies: Vanguard Fire and Safety Coastal and Vanguard Fire and safety Cape	31,407	-

1,098,812,198 662,055,100

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60. Related parties

Councillors	Details of councillors are listed as part of General Information. Refer to page 1.
Directorate Financial Services	R du Plessis
Directorate Corporate Services	E Ganza (Acting Until July 2024)
Directorate Corporate Services	W Muller (Acting August 2024 until October 2024)
Directorate Corporate Services	B Ellman
Directorate Civil Engineering Services	J Koegelenberg
Directorate Electro- Technical Services	M Rhode
Directorate Electro- Technical Services	J Lawrence (Acting July until November 2024)
Directorate Electro- Technical Services	F Conradie (Acting December 2024)
Directorate Community Services	D Adonis
Director Human Settlement, Planning and Development and Property Management	D Power (Acting October 2024 until March 2025)
Director Human Settlement, Planning and Development and Property Management	H Kock (Acting April 2025)
Director Human Settlement, Planning and Development and Property Management	M Phosa
Municipal Manager	D Adonis (Acting July 2024 until October 2024)
Municipal Manager	G Louw

Related party transactions

The services rendered to related parties are charged at approved tariffs that were advertised to the public. No bad debts were written off or recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the Municipal Manager and Section 57 personnel.

Compensation of related parties

Compensation of Key Management Personnel and Councillors is set out in notes 34 and 35 to the Annual Financial Statements.

61. B-BBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

62. Events after the reporting date

Post-reporting date judicial ruling

On 18 November 2025, the Western Cape High Court issued a final order compelling the George Municipality to transfer ownership of 69 Mercedes-Benz buses and 35 Minibuses to the operating company (George Link Pty Ltd) for a nominal amount of R1 each. Although the transaction had not yet been affected at year-end, the ruling has created a binding legal obligation post-reporting date. The transfer is expected to take place within 30 days of the court order, in line with the court-mandated timeline. The assets, has a carrying amount of R44 502 192 at 30 June 2025. Although the ownership of these assets will change, the buses will remain available for the bus service as service concession assets under GRAP 32 for the municipality.

George Local Municipality

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Notes to the Audited Annual Financial Statements

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63. Utilisation of Long-term liabilities reconciliation		
Long-term liabilities raised	<u>808,346,353</u>	<u>470,357,893</u>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

George Local Municipality

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64. Budget differences

Material differences are being defined by Management as 10 % of a specific line-item and amounts greater than R1 000 000.

AFS Line item	Material differences between budget and actual amounts
Property rates	The variance is immaterial and within acceptable thresholds. No further action required.
Service charges	The variance is below the materiality threshold and does not require further disclosure.
Investment revenue	The over-collection is due to favourable interest rates. This is consistent with GRAP 9 and does not indicate a risk to budget credibility.
Transfers recognised - Operational	The variance is within acceptable limits. Timing differences in grant receipts are common and disclosed in accordance with GRAP 23. Roll-over applications will be submitted to National and Provincial Treasuries per MFMA and GRAP 23.
Other own revenue	The under-collection is primarily due to unsold water stock and water losses. The application of GRAP 12 and FAQ guidance on purified water treatment has been correctly implemented. Management will reassess inventory valuation and revenue recognition policies. The financial system currently being implemented at George Municipality will also rectify these issues.
Employee related cost	Underspensing is due to persistent vacancies. Management will review recruitment strategies to ensure alignment with GRAP 25 and AGSA workforce planning recommendations. The implementation of the new macro structure is also causing delays in the filling of vacancies.
Remuneration of councillors	The saving resulted from lower-than-anticipated increases. Budget assumptions will be refined to better reflect actual remuneration trends, in line with GRAP 1, and as per the trends of the Determination of upper limit of salaries, allowances and benefits of different members of municipal councils gazettes.
Debt impairment	Overspensing is due to increased outstanding debtors. Management will strengthen credit control and reassess impairment methodologies in line with GRAP 104. It is also due to the write off of long outstanding debt of debtors.
Depreciation and asset impairment	The variance is immaterial and within acceptable thresholds. No further action required.
Finance charges	Overspensing stems from unbudgeted interest on provisions. Provision estimation will be enhanced in accordance with GRAP 19.
Material and bulk purchases	Reduced bulk electricity purchases due to lower loadshedding. Water losses are treated per GRAP 12 and FAQ guidance. Management will refine demand forecasting and procurement planning.
Transfers and grants	The variance is immaterial and within acceptable thresholds. No further action required.

George Local Municipality

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64. Budget differences (continued)

Other expenditure	Variance driven by GRAP 12 application on purified water and delayed GIPTN Phase 4C rollout. Management will improve project execution timelines and contract management.
Transfers recognised - Capital	Revenue recognition is limited to actual capital spending. Variance due to incomplete projects. Roll-over applications will be submitted to National and Provincial Treasuries per MFMA and GRAP 23.

Capital expenditure by vote	Material differences between budget and actual amounts
Finance and administration	The variance is within the acceptable reporting thresholds and does not materially impact service delivery.
Internal audit	The variance is below the reporting materiality threshold and is therefore not considered material.
Community and social services	The variance is mainly due to delays in the delivery of vehicles (bakkies) and the upgrading of the Civic Centre air-conditioning system. The building plan approval process was not finalised before year-end. These projects will be included in the August 2025 Adjustments Budget for completion. These multi year projects will automatically incur roll-overs over the project lifespan.
Sport and recreation	The variance is within the acceptable reporting thresholds and does not materially impact service delivery.
Public safety	The variance is within the acceptable reporting thresholds and does not materially impact service delivery.
Housing	The variance is below the reporting materiality threshold and is therefore not considered material.

George Local Municipality

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64. Budget differences (continued)

<p>Planning and development</p>	<p>The variance is mainly due to delays in the Metrogrounds Industrial. The project was delayed due to specialist studies for environmental processes. The aquatic specialist report included conditions of approval for sewer related matters on the site. After the required maintenance and precautions were taken by the CES Department the specialist was instructed to update the relevant document. This delayed the drafting of the BAR Report by the appointed EAP.</p> <p>Due to the update of the BAR the Land Use Application could not be submitted until the specialist reports were aligned with both the BAR and LUA.</p> <p>The Civil Engineering Department expressed the need for additional property abutting the future Go George Bus Depot. The requirement will result in an amendment of the layout plan in order to accommodate this site. If changes to the layout plan are significant the environmental specialists will be required to amend their reports, which may result in further delays.</p> <p>Gwayang industrial project: The project experienced unforeseen delays and this prevented the service provider from reaching the intended progress milestone for this financial year. Due to this delay in project progress the corresponding project deliverable amounts cannot be claimed in the current financial year. Ilisoletu project: The contractor could not meet project deadlines which resulted into penalties imposed. The penalties affected the targeted spending for the 2024/25 financial year and were regarded as savings.</p>
<p>Road transport</p>	<p>The significant variance relates to the timing of the Public Transport Network Grant (PTNG) allocations of R505 million (April 2024) and R250 million (April 2025). Due to the late receipt of funding and supply chain timelines, project implementation could not be completed before year-end. The unspent funds will be included in the rollover applications to National and Provincial Treasury by 31 August 2025.</p>
<p>Energy sources</p>	<p>The variance relates to multi-year capital projects currently in progress. These projects will continue in the next financial year.</p>
<p>Water management</p>	<p>Difference is below 10%</p>
<p>Waste water management</p>	<p>The variance relates to ongoing multi-year projects. The unspent portion will be included in the August 2025 rollover adjustments budget.</p>
<p>Waste management</p>	<p>Difference is below 10%</p>

George Local Municipality

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64. Budget differences (continued)

Other	The variance is mainly due to the York Hostel project, which reached practical completion and entered the defects liability phase in terms of the JBCC principal building agreement. The certificate of practical completion has been issued by the principal agent, marking the commencement of the defects in liability period. The York Hostel is a multi year project. The variance on this project will be referred to the August 2025 roll-over adjustments budget.
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65. Segment information

General information

Identification of segments

The municipality is organised and operates in four key functional segments. To this end, management monitors the operating results of these functional segments for the purpose of making decisions about resource allocations and assessment of performance. Revenue and expenditures relating to these functional segments are allocated at a transactions level.

The four key functional segments comprise of:

- Community and Public Safety, which includes Community and Social Services, Sport and Recreation, Public Safety and Health and Housing Services.
- Economic and Environmental Services, which includes Planning and Development, Road Transport and Environmental Protection Services;
- Trading Services, which includes Energy Sources, Water Management, Waste Water Management and Waste Management Services;
- Municipal Governance and Administration, which includes Executive and Council and Finance and Administration Services.

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does not monitor performance geographically as it does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost-effective manner.

George Local Municipality

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65. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
Revenue from exchange transactions					
Sale of electricity	-	-	-	1,122,368,759	1,122,368,759
Sale of water	-	-	-	223,808,441	223,808,441
Sewerage and sanitation charges	-	-	-	192,585,741	192,585,741
Refuse removal	-	-	-	174,450,375	174,450,375
Rental of facilities and equipment	2,227,735	2,226,391	566,055	427,142	5,447,323
Income from agency services	-	-	14,898,685	-	14,898,685
GIPTN Fare Revenue	-	-	86,237,000	-	86,237,000
Operating revenue	16,068,891	25,624,214	17,016,994	47,719,597	106,429,696
Interest received - Outstanding Debtors	50,478	1,805,827	-	24,617,870	26,474,175
Interest received - External Investments	116,822,355	-	-	-	116,822,355
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	478,380,298	-	-	-	478,380,298
License and permits	-	-	1,402,110	-	1,402,110
Transfer revenue					
Government grants & subsidies - Operating	12,401,441	14,046,525	456,357,895	222,528,260	705,334,121
Government grants & subsidies - Capital	-	27,268,387	426,667,946	498,742,261	952,678,594
Construction contract revenue	-	324,449	-	-	324,449
Fines, Penalties and Forfeits	6,311,588	72,733,840	2,061,959	427,126	81,534,513
Other					
Availability charges	-	-	-	27,018,355	27,018,355
Total segment revenue	632,262,786	144,029,633	1,005,208,644	2,534,693,927	4,316,194,990
Expenditure					
Employee related costs	262,144,289	135,223,006	62,089,516	233,987,559	693,444,370
Remuneration of councillors	27,697,453	-	-	-	27,697,453
Depreciation and amortisation	16,116,216	19,914,239	52,181,096	194,817,929	283,029,480
Impairment loss	18,632,998	63,815,138	-	109,476,865	191,925,001
Finance charges	26,866,430	2,974,606	13,316,331	66,695,479	109,852,846
Bulk purchases	-	-	-	831,301,153	831,301,153
Contracted services	73,319,904	55,998,703	420,324,153	192,470,923	742,113,683
Grants and subsidies paid	304,347	4,044,437	99,066,663	-	103,415,447
Loss on disposal of assets and liabilities	89,863	115,959	13,465	1,532,796	1,752,083
Actuarial gains/losses	3,918,137	-	-	-	3,918,137
Inventories losses/write-downs	(115,939)	-	138,312	37,860,700	37,883,073
Other materials / Inventory	4,002,989	11,899,704	1,772,065	170,075,466	187,750,224
General Expenses	77,820,949	7,246,963	16,553,509	63,430,818	165,052,239
Total segment expenditure	510,797,636	301,232,755	665,455,110	1,901,649,688	3,379,135,189
Total segmental surplus/(deficit)	121,465,150	(157,203,122)	339,753,534	633,044,239	937,059,801

George Local Municipality

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65. Segment information (continued)					
Assets					
Segment assets	6,215,599,852	50,753,279	2,593,932	1,395,713,839	7,664,660,902
Total assets as per Statement of financial Position					7,664,660,902
Liabilities					
Segment liabilities	1,644,491,715	6,042,867	438,666,530	328,843,939	2,418,045,051
Total liabilities as per Statement of financial Position					2,418,045,051
Other information					
Additions to non-current assets (PPE, Investment Property and Intangible Assets)	15,353,646	112,839,157	517,664,555	755,309,600	1,401,166,958

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65. Segment information (continued)

2024

	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
Revenue from exchange transactions					
Sale of electricity	2,843	-	-	931,084,039	931,086,882
Sale of water	-	-	-	228,473,527	228,473,527
Sewerage and sanitation charges	-	-	-	168,467,446	168,467,446
Refuse removal	-	-	-	153,295,801	153,295,801
Rental of facilities and equipment	1,985,575	1,477,930	596,317	365,652	4,425,474
Income from agency services	-	-	14,083,052	-	14,083,052
GIPTN Fare Revenue	-	-	77,498,662	-	77,498,662
Operating revenue	15,240,108	14,618,363	16,738,123	51,802,584	98,399,178
Interest received - Outstanding Debtors	702	-	-	21,634,274	21,634,976
Interest received - External Investment	100,632,099	2,673,557	-	-	103,305,656
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	443,330,073	-	-	-	443,330,073
Licences and Permits	-	-	1,779,415	-	1,779,415
Transfer revenue					
Government grants & subsidies - Operating	31,661,205	15,346,429	447,805,482	185,232,013	680,045,129
Government grants & subsidies - Capital	-	13,800,111	58,838,191	508,010,344	580,648,646
Public contributions and donations	-	10,000	-	-	10,000
Construction contract revenue	-	-	-	314,874	314,874
Fines, Penalties and Forfeits	4,825,378	28,159,472	2,043,852	314,848	35,343,550
Other					
Availability charges	-	-	-	22,296,913	22,296,913
Actuarial gains	2,963,805	-	-	-	2,963,805
Total segment revenue	600,641,788	76,085,862	619,383,094	2,271,292,315	3,567,403,059
Entity's revenue					3,567,403,059
Expenditure					
Employee related costs	237,176,433	133,366,244	59,420,193	213,812,278	643,775,148
Remuneration of councillors	25,563,675	-	-	-	25,563,675
Depreciation and amortisation	13,006,321	15,992,035	51,167,153	136,621,674	216,787,183
Impairment loss	15,188,436	25,571,249	-	94,306,218	135,065,903
Finance costs	25,221,141	16,655,208	17,515,752	43,295,802	102,687,903
Bulk Purchases	-	-	-	686,988,068	686,988,068
Contracted services	57,579,619	57,873,098	405,603,066	179,517,228	700,573,011
Grants and subsidies paid	1,752,636	-	83,844,087	168,532	85,765,255
Cost of housing sold	4,011,995	-	-	-	4,011,995
Loss on disposal of assets and liabilities	600,925	239,360	6,072	444,116	1,290,473
Inventories losses/write-downs	-	-	33,830	26,129,002	26,162,832
Other materials / Inventory	4,137,664	12,015,562	1,590,403	175,178,990	192,922,619
General Expenses	26,332,624	45,226,631	27,290,136	41,637,786	140,487,177
Total segment expenditure	410,571,469	306,939,387	646,470,692	1,598,099,694	2,962,081,242
Total segmental surplus/(deficit)	190,070,319	(230,853,525)	(27,087,598)	673,192,621	605,321,817

George Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

65. Segment information (continued)

Assets

Segment assets	5,902,865,243	9,820,857	103,888,764	564,668,379	6,581,243,243
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Total assets as per Statement of financial Position					6,581,243,243
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Liabilities

Segment liabilities	1,170,685,162	162,963,146	528,425,185	409,613,708	2,271,687,201
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Total liabilities as per Statement of financial Position					2,271,687,201
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Other information

Additions to non-current assets (PPE, Investment Property and Intangible Assets)	12,404,349	68,020,265	262,743,078	605,330,379	948,498,072
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George Local Municipality
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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.f.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.f.o. s31 of the MFMA)	Virement (i.f.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025											
Financial Performance											
Property rates	480,506,360	2,536,900	483,043,260	-		483,043,260	478,380,298		(4,662,962)	99 %	100 %
Service charges	1,703,492,587	33,661,833	1,737,154,420	-		1,737,154,420	1,713,213,316		(23,941,104)	99 %	101 %
Investment revenue	59,978,300	48,000,000	107,978,300	-		107,978,300	116,822,355		8,844,055	108 %	195 %
Transfers recognised - operational	697,179,206	43,863,258	741,042,464	-		741,042,464	705,334,121		(35,708,343)	95 %	101 %
Other own revenue	613,350,391	26,944,666	640,295,057	-		640,295,057	349,766,306		(290,528,751)	55 %	57 %
Total revenue (excluding capital transfers and contributions)	3,554,506,844	155,006,657	3,709,513,501	-		3,709,513,501	3,363,516,396		(345,997,105)	91 %	95 %
Employee costs	823,626,328	6,916,357	830,542,685	-	(24,770,841)	805,771,844	693,444,370	-	(112,327,474)	86 %	84 %
Remuneration of councillors	31,120,110	(450)	31,119,660	-	320,557	31,440,217	27,697,453	-	(3,742,764)	88 %	89 %
Debt impairment	111,192,743	-	111,192,743			111,192,743	191,925,001	-	80,732,258	173 %	173 %
Depreciation and asset impairment	205,288,314	60,651,623	265,939,937	-	16,893,922	282,833,859	283,029,480	-	195,621	100 %	138 %
Finance charges	59,903,233	(13,935,000)	45,968,233	-	5,491,665	51,459,898	109,852,846	-	58,392,948	213 %	183 %
Inventory consumed and bulk purchases	1,146,657,770	91,222,680	1,237,880,450	-	(4,762,138)	1,233,118,312	1,056,934,450	-	(176,183,862)	86 %	92 %
Transfers and grants	90,392,375	13,393,546	103,785,921	-	589,219	104,375,140	103,415,447	-	(959,693)	99 %	114 %
Other expenditure	1,033,532,380	66,757,525	1,100,289,905	-	6,237,616	1,106,527,521	912,836,142	-	(193,691,379)	82 %	88 %
Total expenditure	3,501,713,253	225,006,281	3,726,719,534	-	-	3,726,719,534	3,379,135,189	-	(347,584,345)	91 %	96 %
Surplus/(Deficit)	52,793,591	(69,999,624)	(17,206,033)	-		(17,206,033)	(15,618,793)		(693,581,450)	91 %	(30)%

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	Original budget	Budget adjustments (i.f.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.f.o. s31 of the MFMA)	Virement (i.f.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	387,488,794	983,659,732	1,371,148,526	-		1,371,148,526	952,678,594		(418,469,932)	69 %	246 %
Surplus (Deficit) after capital transfers and contributions	440,282,385	913,660,108	1,353,942,493	-		1,353,942,493	937,059,801		(416,882,692)	69 %	213 %
Surplus/(Deficit) for the year	440,282,385	913,660,108	1,353,942,493	-		1,353,942,493	937,059,801		(416,882,692)	69 %	213 %
Capital expenditure and funds sources											
Total capital expenditure	1,906,594,691		- 1,906,594,691	-		1,906,594,691	1,401,166,958		(505,427,733)	73 %	73 %
Sources of capital funds											
Borrowing	394,047,061		- 394,047,061	-		394,047,061	341,879,308		(52,167,753)	87 %	87 %
Internally generated funds	259,084,697		- 259,084,697	-		259,084,697	223,142,284		(35,942,413)	86 %	86 %
Transfers recognised - capital	1,253,462,933		- 1,253,462,933	-		1,253,462,933	834,522,093		(418,940,840)	67 %	67 %
Total sources of capital funds	1,906,594,691		- 1,906,594,691	-		1,906,594,691	1,399,543,685		(507,051,006)	73 %	73 %

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Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2024				
Financial Performance				
Property rates				443,330,073
Service charges				1,481,323,656
Investment revenue				103,305,656
Transfers recognised - operational				680,045,129
Other own revenue				278,749,899
Total revenue (excluding capital transfers and contributions)				2,986,754,413
Employee costs	-	-	-	643,775,148
Remuneration of councillors	-	-	-	25,563,677
Debt impairment	10,381,992	10,381,992	-	135,065,902
Depreciation and asset impairment	-	-	-	216,787,183
Finance charges	6,301,679	-	6,301,679	102,687,903
Materials and bulk purchases	19,365,693	19,365,693	-	906,073,519
Transfers and grants	-	-	-	85,765,255
Other expenditure	1,523,371	1,523,371	-	846,362,657
Total expenditure	37,572,735	31,271,056	6,301,679	2,962,081,244
Surplus/(Deficit)				24,673,169
Transfers and subsidies - capital				580,648,646
Surplus (Deficit) after capital transfers and contributions				605,321,815
Surplus/(Deficit) for the year				605,321,815

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 Audited Annual Financial Statements for the year ended June 30, 2025

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Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
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Capital expenditure and funds sources

Total capital expenditure

				883,854,236
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