

Annual Report
2015/2016



• OUR KINGDOM IS YOUR STAGE •

KWAZULU-NATAL FILM COMMISSION'S GENERAL INFORMATION

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PART A

GENERAL INFORMATION



Foreword by the MEC for

Economic Development, Tourism and Environmental Affairs



The KwaZulu-Natal Film Commission is mandated to champion the activities of the film industry in the province, so that the sector can make a meaningful contribution to the provincial economic growth. In a recent study by PwC on Entertainment and Media Outlook for 2015-2019, it is projected that the South Africa's entertainment and media (E&M) market will continue to run double-digit year-on-year growth up to the end of 2016.

The economic growth in the film sector globally and nationally provides an opportunity for the province to position itself as a major player in the film sector in South Africa. KwaZulu-Natal is well known of its competitive advantage in areas such as locations, weather and unique culture and historical sites. The KZNFC has identified these strategic and competitive advantages and it is capitalizing on them. After an aggressive marketing exercise in 2015/16, KZNFC witnessed a gradual increase in number of films shot in KZN. The Board is working on increasing this number in 2016/17.

The increase was also partly due to the implementation of Board's strategy to reduce costs associated with film making through Memorandum of Understanding with

key stakeholders. This intervention began in 2014/15 and is gradually producing results that will sustain the film industry in the province.

Also the Board identified the establishment of the Film Cluster in the province as one of the pillar of its long term strategy. We are excited to announce that the establishment of the Film Cluster as an important infrastructure to support filmmakers in the province began in the fourth quarter of 2015/16. It is anticipated that the Film Cluster will be fully functional in 2016/17 financial year. The Film Cluster will support the film industry at large in the province. It will bring all facets of the film sector into one place, so that the practitioners are fully supported and trained in the sector.

Furthermore, the Cluster will be utilized to address the issues of transformation in the film sector, an important aspect in the mandate of KZNFC. The Cluster will be used to provide training programs aimed at addressing gaps that will be identified in emerging filmmakers. Partnerships will also be entered with other role-players in the film sector to provide relevant trainings that will assist emerging filmmakers to grow.

We have further tasked the Board to look at strategies to reposition the Durban International Film Festival, so that its impact can transform this province to be a home of filmmaking. The Durban International Film Festival marks an important event in the international film festival calendar and the Commission must play an important strategic role in positioning the province to be an international leader in the film industry through this event.

Critically, we have placed the transformation of the film industry in our province at the apex of our list of priorities. We want to see our people playing a role in the whole value chain of the film industry: from production, to distribution, marketing and management. Lastly, we would like to take this opportunity to convey our sincere gratitude to the Board led by Mr

W. Msomi and the staff of the entity led the CEO; Ms C. Coetzee for their dedication and commitment to make this entity a success in a very competitive sector. All this could not have been achieved without their tireless efforts. Also, we would like to extend my heartfelt gratitude to all the stakeholders who supported the programmes of KZNFC in 2015/ 16 financial year.



Mr Sihle Zikalala, MPL

MEC: KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs



Foreword by the Chairperson

KwaZulu-Natal Film Commission



It gives us great pleasure as a board to welcome MEC S. Zikalala as the new Executive Authority of the KwaZulu-Natal Film Commission. The Board looks forward to his astute leadership and guidance as we move forward. Secondly, it gives me great pleasure to report on the activities that were undertaken by the KwaZulu-Natal Film Commission in 2015/16 financial year. The KZNFC oversight was provided by the eight Board members that performed their duties during the financial year. A transfer amount of R63m was received from EDTEA for the financial year 2015/16, representing an increase of 8% from the 2014/15 budget allocation.

KZNFC Strategic Goals are as follows:-

- To promote and market KZN to become a leading global destination for film production;
- To achieve a sustainable investment inflows into the film industry in the Province;

- To establish a competitive Industry achieved through Development and Transformation; and
- To create a vibrant superior performance institution

To achieve the above mentioned goals the Board has worked tirelessly to ensure that KZN becomes a destination of choice for the film industry. KZNFC participated in, a number of national and international markets and festivals during the year. In all festivals that KZNFC participated in there was visibility in terms of work that market and promote the province. These festivals are aligned to the market segmentation strategy that targets countries with treaties with South Africa, have a large propensity to spend outside their countries (in order to enter into co-productions), have a distribution / consumption base for new content and potential to partner on skills development. Attendance at these festivals is therefore essential to ensure international exposure and partnerships.

Through KZNFC's funding programs there was an increase in the number of films shot in the province. The Commission continued to support uZalo, a TV production that plays on SABC1. A production that KZNFC prides itself for funding and supporting. Firstly, among other things the production promotes the province's culture, locations and provided opportunities for employment and business opportunities to the local communities. Secondly, and most important the production addresses the issue of transformation in the film sector.

The KZNFC continued to assist historically disadvantaged individuals within the film industry in KZN through its film fund. The fund gives priority to youth and women in the film sector. The fund was made available in the following four broad categories:

- Script development
- Production
- Marketing and distribution
- Markets and festivals

The achievements in meeting our priority targets is contained in the detailed report under performance information. The Commission also conducted intense training and development programs for the emerging filmmakers. These programs were

conducted in partnership with other stakeholders in the industry, such as National Film and Video Foundation (NFVF) and National Electronic Media Institute of South Africa (NEMISA).

Finally, I am pleased to inform our stakeholders that the KZN Film Cluster concept is coming to fruition. During the fourth quarter of 2015/16, KZNFC offices relocated to Musgrave Centre where the work on the establishment of the Film Cluster began. The Film Cluster will be complete and fully operational in the 2016/17 financial year through partnering with public and private partners and will be the first of its kind in South Africa.

On behalf of the Board, I would like to extend my gratitude to Ms C. Coetzee and her team for all their hard work in 2015/16 financial year. I would also like to thank my Board members for their support and guidance to the KZNFC and most importantly to our former stakeholder, the MEC Mike Mabuyakhulu, for his commitment and support to the film industry in KZN.



Welcome Msoni

Chairperson of the Board

Date: 30 June 2016



Chief Executive Officer's Overview

KwaZulu-Natal Film Commission



The financial year 2015/16, has been an exciting year for the KwaZulu-Natal Film Commission. All the posts in the approved organogram were filled during the year, with the exception of the one vacancy that arose during the year. This provided the entity an opportunity to execute all its planned projects efficiently and effectively in accordance to the approved annual performance plan for the 2015/16. The strategies to promote and market KZN as a choice film destination were refined during the year and implemented with notable success.

The Department's grant transfer to KwaZulu-Natal Film Commission for 2015/16 was R63m. The bulk of the budget was channelled to assist projects that were identified by the Board in line with its mandate and its five year strategic plan. Core to the Board's strategy was to make sure that the historically disadvantaged individuals in our communities, who have a passion for filmmaking, are fully supported and nurtured to grow within this sector. In 2015/16, a substantial amount was set aside for emerging filmmakers and the results were commendable.

Since the inception of the film fund in 2014, 74 projects have been supported in the province. This total is made of 58 development and 16 production projects, 88.2% of the projects were owned by historically disadvantaged individuals, 38.2% were owned by women and 29.4% were owned by youth. Due to the fact that film projects are comprised of various phases, many projects overlap into two or three financial years. At the close of 2015/16 financial year a total of seven production projects had already been shot in the province with a combined budget of R67.5m, of which R40m was spent in the province. Over 220 job opportunities were created in the province through these projects.

The KZNFC continued with its Human Capital Development projects in 2015/16 with various training programs being provided with identified stakeholders to grow and develop the film sector in the province. The training programs mainly focused on women and youth representing the broad sector of the disadvantaged communities. There was an overwhelming response to our training programs and programs have been refined for the coming financial year to meet the needs of



our stakeholders and clients. The ultimate objective of the training programmes is to create a pool of skilled workers who would be retained within the province of KwaZulu-Natal to support the growing industry. Also, as an extension of the human capital development program the Board approved twenty-eight bursaries to fund tertiary students who are studying film related courses. The bursaries are renewed annually only where students perform at a satisfactory level. Work experience is also granted at KZNFC during the calendar year.

The KZNFC is also committed to make sure that emerging filmmakers succeed in this industry through the establishment of solid sustainable businesses. Companies that were supported by the KZNFC went through a rigorous screening process. Companies that showed weaknesses in the film business were placed in an incubation program where the required support was provided in order for them to be better equipped to succeed. A similar program was extended to other areas such as script writing, whereby recipients were assigned a mentor to guide them through their projects that were funded by the KZNFC.

In July 2015, KZNFC hosted the Simon 'Mabhunu' Sabela awards for its third year. The event provides a platform to acknowledge talent of KZN emerging and established filmmakers. There were fourteen categories of awards, in addition to the four life time achievement awards and two honorary awards presented by the MEC and Chairperson of the Board.

The KZNFC is now well established and has begun to aggressively partner with the industry and relevant public sector institutions to push the transformation and developmental agenda. Progress has been made in this regard, with additional funding being raised either in cash or in kind allowing for an expansion of our support to more filmmakers in the region.

Transformation is a core thread within all our programs and the results clearly indicate that great strides are being made to ensure equitable and meaningful participation of historically disadvantaged individuals in the film industry. Given the current state of the film in the Province, KZNFC strongly believes that KwaZulu-Natal is best placed to take a lead towards a fully transformed industry.

Finally, I wish to express my sincere gratitude to my entire team at KZNFC who have demonstrated their commitment to the vision of KZNFC throughout the year. To EDTEA – the MEC, HoD and his team thank you for your support during the year. I would like to express my sincere gratitude to our Chairman and Board Members for their guidance during the year in ensuring that we remain focussed and on track. Lastly, I would like to thank our partners and the industry for their willingness to work with us to ensure sustainable growth and success of the industry.



Carol Coetzee

Chief Executive Officer
Date: 30 May 2016



Board Members



Welcome Msomi
Chairperson



Bulelwa Nise Malange
Deputy Chairperson



Paul Raleigh



Ndabezitha Khoza



Zamokuhle Andrew Gwala



Nozizwe Mthembu



Leonie Berning



Musa Mzimela



Carol Coetzee

Statement of Responsibility and Confirmation of Accuracy for the Annual Report

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the Public Entity.
- The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2016.

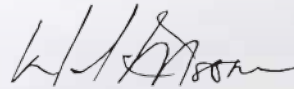
Yours faithfully



Carol Coetzee

Chief Executive Officer

Date: 30 May 2016



Welcome Msomi

Chairperson of the Board

Date: 30 May 2016

Strategic Overview

Vision

The KwaZulu-Natal Film Commission's vision is to position KZN as a globally competitive, diverse and sustainable choice film destination.

Mission

To facilitate effective support throughout the value chain to the local and international film industry stakeholders in order to create opportunities and grow the KwaZulu-Natal film industry.

Values

The values of the KZN Film Commission (KZNFC) represent the organisation's culture and service delivery commitment to our citizens and clients:

- Uncompromising Integrity
- Respect for all
- Collaboration
- Professionalism
- Accountability
- Innovation through leadership



Legislative and Other Mandates

The KZNFC is mandated through the powers and responsibilities delegated by the Premier to the respective Member of the Executive Council (in relation to film). In KZN this responsibility falls within the Economic Development, Tourism and Environmental Affairs portfolio.

At a national level, the primary legislative mandate of the National Department of Arts and Culture (under which portfolio this sector falls) comes from the Constitution of the Republic of South Africa, which states that: Section 16 (1) "Everyone has the right to freedom of expression, which includes:

- Freedom of press and other media;
- Freedom to receive or impart information or ideas;
- Freedom of artistic creativity; and
- Academic freedom and freedom of scientific research".

Section 30 "Everyone has the right to use language and to participate in the cultural life of their choice, but no one exercising these rights may do so in manners inconsistent with any provision of the Bill of Rights".

Legislative Mandate

The KZNFC derives its mandate from the KwaZulu-Natal Film Act No. 3 of 2010 which established the KwaZulu-Natal Film Commission (KZNFC) and has as part of its objectives:

- a) to promote and market the Province as a global destination of choice for film production;
- b) to develop, promote and market, locally, nationally and internationally, the film industry in the Province;
- c) to facilitate investment in the film industry in the Province;
- d) to provide and encourage the provision of opportunities for persons, especially from disadvantaged communities, to enter and participate in the film industry in the Province;
- e) to address historical imbalances in the infrastructure and in the distribution of skills and resources in the film industry in the Province; and
- f) to contribute to an enabling environment for job creation in the film industry in the Province.

The other legislation which governs the operations of the entity include:

- The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- Public Finance Management Act (Act No. 1 of 1999, as amended)
- National Treasury Regulations 2001
- The National Film and Video Foundation Act 1997
- Promotion of Access to Information Act (Act No. 2 of 2000)
- Preferential Procurement Policy Framework Act (Act No. 5 of 2000)
- Intergovernmental Relations Framework Act (Act No. 13 of 2005)

Policy mandates

The MEC for the Department of Economic Development, Tourism and Environmental Affairs is responsible for defining the policy directives of the entity. The Board is responsible for approving the operational policies of the entity dealing with the financial, human resources and operational matters.



CEO OFFICE TEAM



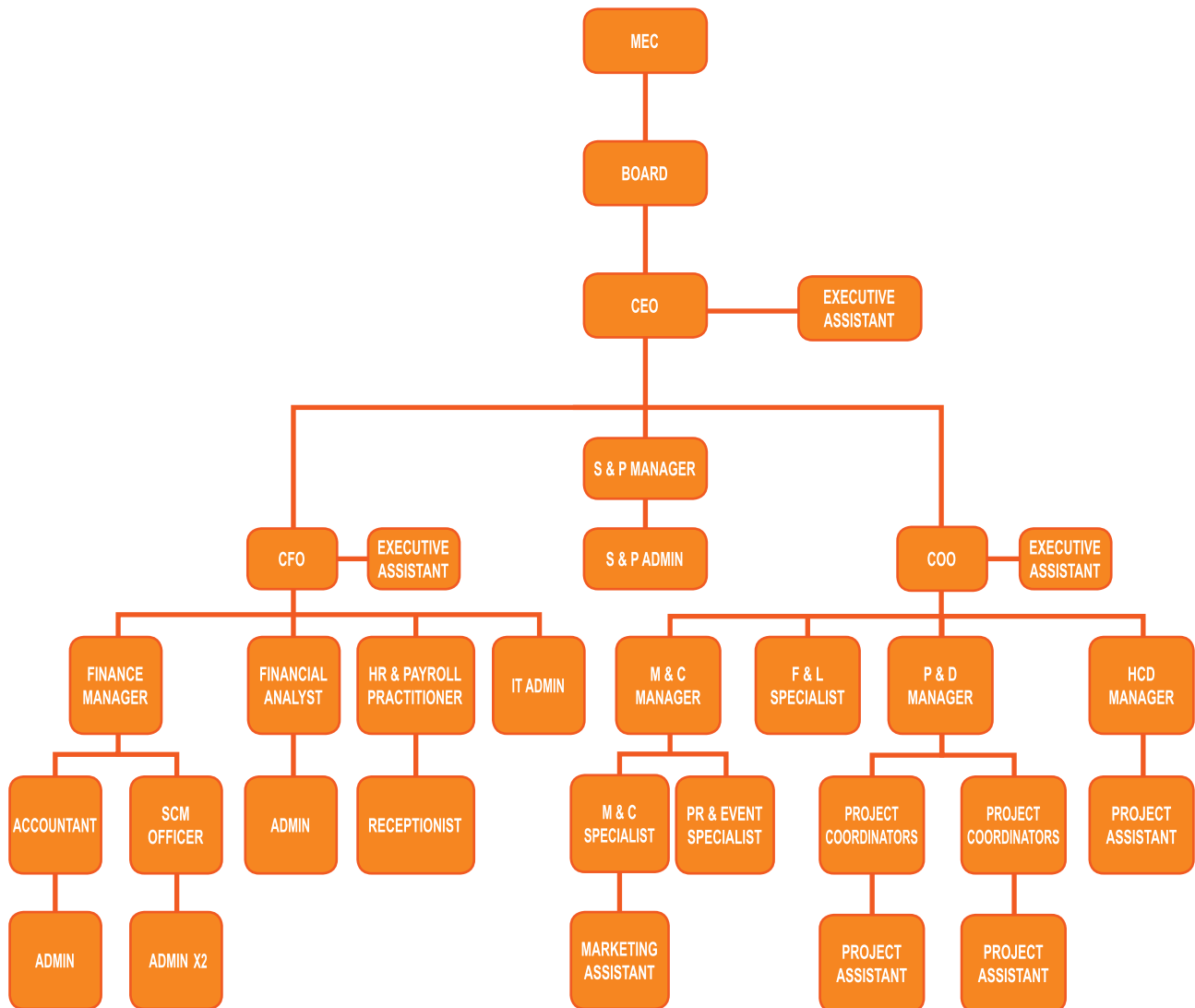
FINANCE AND ADMINISTRATION TEAM



MARKETING AND INDUSTRY DEVELOPMENT TEAM

Organisational Structure

The organisation structure was approved in 2014 and all positions were filled by the first quarter of 2015/16, with the exception of one position.



CEO – Chief Executive Officer; **COO** – Chief Operations Officer; **CFO** – Chief Financial Officer; **EA** – Executive Assistant; **P&D** – Production and Development; **HCD** – Human Capital Development; **F&L** – Facilities and Locations; **HR** – Human Resources; **SCM** - Supply Chain Management; **ADMIN** – Administrator; **SP** – Strategy and Planning; **M&C** – Marketing and Communication

PART B

PERFORMANCE INFORMATION



Auditor's Report: Predetermined Objectives

The AG currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings

being reported under the Predetermined Objectives heading in the report on other legal and regulatory requirements section of the auditor's report.

Refer to page 48 of the Report of the Auditors Report, published as Part E: Financial information.



SITUATIONAL ANALYSIS

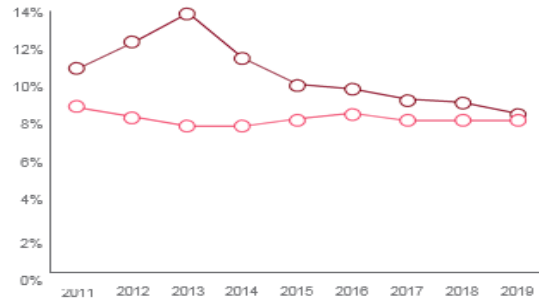
Overview of the Service Delivery Environment

External Environment

According to a study by PwC on Entertainment and Media Outlook for 2015-2019, the South Africa's entertainment and media (E&M) market will continue to run double-digit year-on-year growth up to the end of 2016. Thereafter a healthy compound annual growth rate (CAGR) rise of 9.4% is projected up to 2019, reaching R176.3 billion in that year. It is digital growth that will fuel the overall rise, with Internet access and advertising combined rising at an 18.8% CAGR to account for the majority of the R64 billion improvement. Internet access and advertising revenues as a percentage of total E&M revenue will rise from 31% in 2014 to 46% in 2019.

The growth in E&M is in line with wider economic growth, with nominal GDP forecast to rise above 8.0% year- on-year from 2015 onwards. Although E&M revenue growth year-on-year will continue to exceed nominal GDP growth over the forecast period, the two streams will nearly converge by 2019.

Fig 1. Entertainment and media (CAGR %), and nominal GDP growth 2011-2019(%)

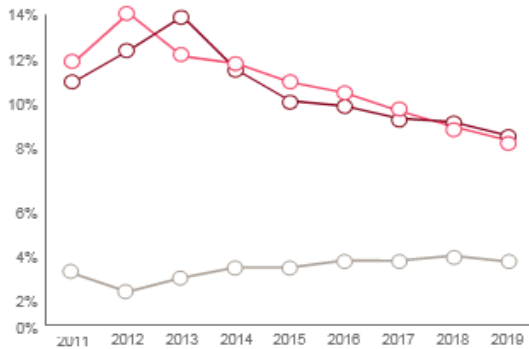


Sources: PwC, Ovum

Overall, what is becoming more evident globally is that the distinction between 'digital' and 'non-digital' is regarded as mostly irrelevant by consumers. Instead, their focus is on choosing a convenient and compelling content experience that suits their needs depending on where they are and what they are doing – without worrying or even caring how it's delivered. What is much more relevant these days is what content, services and experiences consumers are willing to pay for and how.

Internet access in particular is making up an ever larger proportion of overall revenue – without it, the total entertainment and media industry would rise at only a 4.5% CAGR to 2019. That in itself should be a source of concern for providers of E&M content: the amount of free print and video content on offer once consumers have access to the Internet may well prove discouraging to future consumer spend.

Fig 2. South Africa, E&M revenue growth vs EMEA, and Middle East and Africa (%) 2011–2019

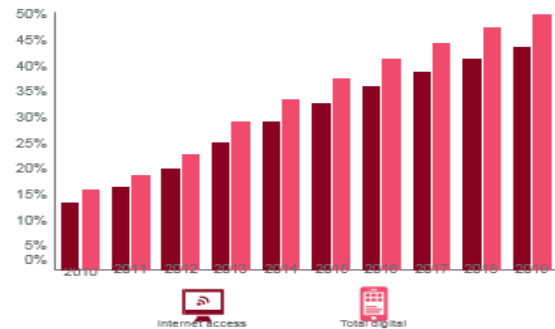


Sources: PwC, Ovum

As ‘traditional’ media in general rises at a gentler rate, digital media’s strong performance means that the South African market is approaching a significant tipping point. The total digital share of E&M spending was an already strong 33% in 2014, but this will rise to 49.6% in 2019, meaning that digital revenues could account for the majority of overall E&M revenues as early as 2020.

The figure was only 16% in 2010, clearly demonstrating the transformative effect of the Internet in South Africa. Indeed, across multiple segments, shifts to digital will be observed before the end of the forecast period: digital recorded music revenue is set to overtake physical recorded music revenue in 2019; electronic home video revenue will surpass physical home video revenue in the same year, and South Africa will be one of the few markets globally where social/casual gaming revenue (which is primarily app-based) will overtake traditional gaming revenue by 2019.

Fig 3. Internet access share, and total digital share, of E&M spending, 2010–2019 (%)



Sources: PwC, Ovum

Internet advertising is another key digital segment, with revenue forecast to rise at a 21.7% CAGR as advertisers continue to redirect their spending to online formats. But digital delivery is also clearly working for consumers, as shown by the 9.3%



CAGR growth forecast for digital recorded music revenue, and the enormous 21.6% CAGR growth expected in electronic home video revenue.

A report on world film market trends (a publication for Cannes festival) indicated that the South African Global box office (GBO) revenues surged by 36% in 2015, up to R1.2b (USD 78.9M). The following were listed as possible contributors; the success of American franchise, leaving just 5.8% of the box revenues to indigenous productions; secondly the depreciation of the South African rand against the US dollar (25% over 2015) lured inward investment. Also to some extent the appetite of the South African government to sign co-production agreements might be acting as an incentive for inward investment in the film industry as countries such as Netherlands and Brazil agreements were signed with the NFVF.

Overall the South African environment remained vibrant and supportive for the growing local film industry. The South African government through its public entities and government departments, such as the NFVF, Provincial Commissions KZN, Gauteng, the Industrial Development Corporation and the Department of Trade and Industry continued to invest in the local film production industry through various support and incentives. Also, the government through the National Department of Arts and Culture began to draft a policy that will look into detail on how to support the local film industry through the white paper policy review on the arts sector.

The depreciation of the rand also created an opportunity to attract foreign filmmakers to come and shoot in the country. Due to the currency depreciation, shooting in the country resulted in production costs becoming 40% cheaper to make a movie than in Europe or the US and up to 20% cheaper than in Australia. This however is a situation that needs to be managed carefully as it might undermine the local industry.

In conclusion, it is important to mention that due to global economic challenges, the South African film industry also felt the effects. A mid-year

survey conducted by NFVF showed that mid-year box office gross (revenues generated through SA productions) had declined by 15%, from R33 million in 2014 to R28 million by mid-2015. Also the market share of the local films had declined by 4% from 9%. These are areas that will need to be addressed collectively to ensure the ongoing sustainability of the film industry whilst at the same time realising that the shift from box office to other multi-media platforms is the current global trend.

Internal Environment

During the financial year 2015/16, KZNFC had a full staff complement. This provided KZNFC with an opportunity to focus on its key objectives which are:

- to provide funding to support opportunities for emerging filmmakers in KwaZulu-Natal;
- to build a skills base in KwaZulu-Natal through an increase in production of national and international productions in the region;
- to develop and showcase KwaZulu-Natal local content; and
- to showcase the Province of KwaZulu-Natal's talent, locations and infrastructure through productions.

However, even though 30 of 31 approved posts were filled during the financial year, the organisation still experienced constraints in terms of being able to service the whole province of KwaZulu-Natal. This provides a challenge in terms of ensuring that our beneficiaries have equal access to the various opportunities being presented.

KZNFC has recognised the importance of their human capital and has invested in the development of its staff in various aspects of their jobs. One of the key training programs that the organisation embarked on for all the staff during the financial year was a leadership program. The objective was to develop leadership skills and align all business units and individuals to the vision, core values and culture of the KZNFC. The program will continue in the coming financial year.

Also, as part of enhancing staff participation in all KZNFC programs an Employees Forum was established. Staff participate on this forum voluntarily. Its primary objective is to identify staff and organisational related matters that need management attention. This forum provides a platform whereby staff matters and suggestions are brought to management in a cordial and structured manner.

The filling of the vacant posts during the financial year created an opportunity for the organisation to consider the reconfiguration of the office space that would suit the organisation whilst providing an appropriate working space to interact with the industry. This resulted in the conceptualisation of the film cluster which would achieve this objective as well as provide critical infrastructure for the emerging industry. The proposal was presented and approved by the Board in the third quarter of the year and implementation got underway with the securing of a five year lease towards the end of the fourth quarter of 2015/16. The cluster has attracted a number of potential investors and partners and has been well received by the industry with the first incubatees to move in in May 2016. The final construction will be concluded in 2016/17 financial year.

Finally, KZNFC like all public entities and government departments had to revise its budget downwards for the 2016 MTEF in order to comply with the National Treasury austerity measures. This indeed affected the planned programs as financial resources were cut. The KZNFC budget was reduced by R4m during the Provincial budget cuts which has had an impact on the human capital development programme and film fund.

Overview of the Organisational Environment

The Board held its annual strategic review to ensure continued alignment of the programmes of KZNFC to the needs of the industry, national and provincial priorities and within its legal mandate. National representatives and industry representatives were invited to participate in the strategic planning session. The current challenges facing the film industry such as access to finance and the need for more incentives were discussed. The inputs from

the stakeholders / participants was then integrated into the revised Annual Performance Plan.

The KZNFC held workshops with various Municipalities in the Province to introduce its program of action and to seek buy in from the Municipalities to standardize the process of permitting and supporting filmmaking in the Province at a local government level. The KZNFC identified the lack of standardization as an inhibitor to the growth of the film sector in the Province as it impacts on the film friendliness of the region. Hence, a program to standardize the procedures and the processes was embarked and draft provincial guidelines were developed and presented to the relevant stakeholders with approval from the Provincial Tourism Committee.

It is the strategy of KZNFC to ensure that all its key stakeholders are assisted in accessing the services that the organisation offers. Hence, conducting workshops and partnering with the Municipalities has been an important program for the KZNFC.

The KwaZulu-Natal Film Commission also continued working with other national and provincial entities to enhance its fund offerings through increased co-operation and accessibility to filmmakers.

Key Policy Developments and Legislative Changes

There have been no policy changes with regards to the mandate of the entity. There has however been significant development in terms of enhancing all operational policies for the organisation and developing new policies to strengthen corporate governance. A draft white paper on the arts sector is currently being considered.

Strategic Outcome Oriented Goals

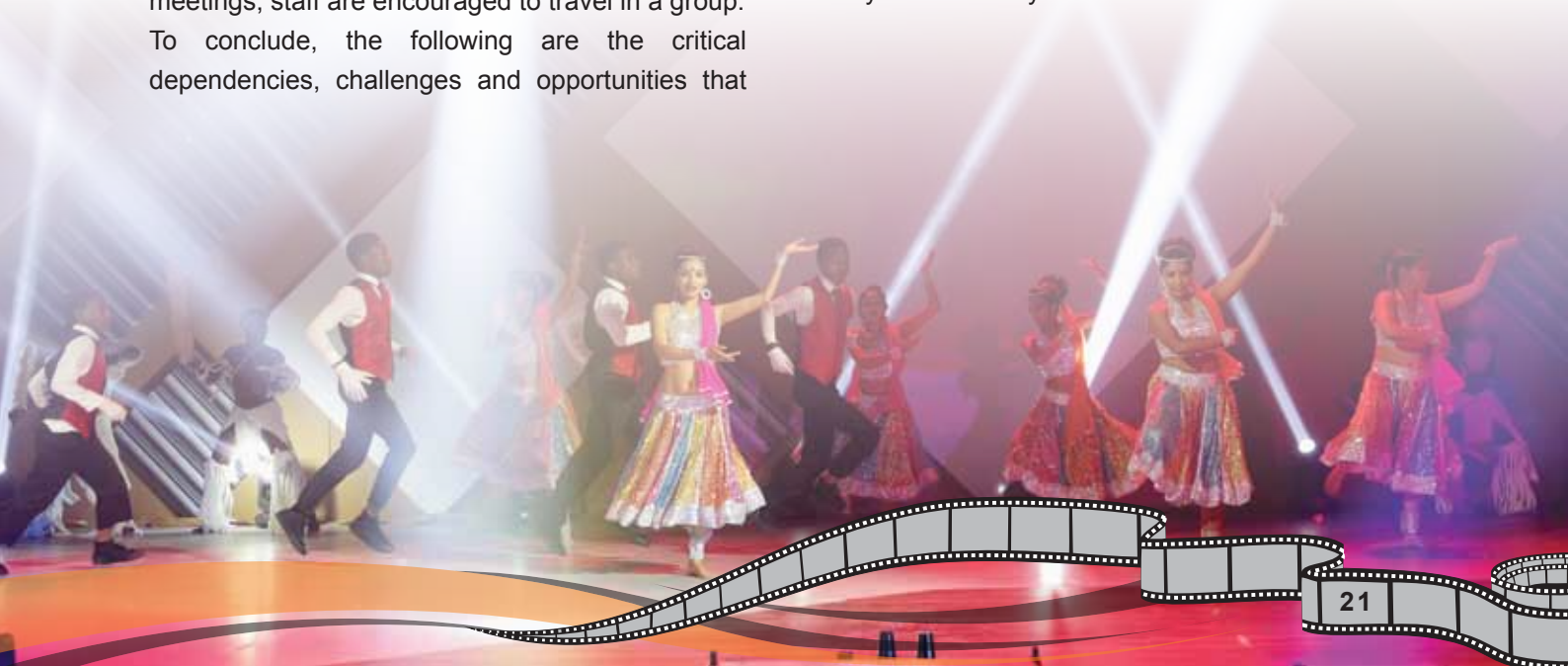
The KwaZulu-Natal Film Commission sought to achieve the following strategic outcome oriented goals for 2015/16:

- To operate effective administrative businesses processes inculcating Good Governance, Risk and Compliance;

- To facilitate transformation in the film industry;
- To facilitate human capital development in the film industry;
- To facilitate investment promotion into KwaZulu-Natal's filming industry; and
- To promote and market KwaZulu-Natal as a choice film destination.

The achievements made in terms of the above strategic outcome oriented goals are outlined under the performance information section. However, it is important to briefly elaborate on how activities that are undertaken by KZNFC create value to the economy, society and to the environment in line with King III principles of corporate governance. KZNFC strategic goals are aligned to the National Development Plan, New Growth Plan, KZN Provincial Growth and Development Strategy that seek to improve the economic outlook of the country through job creation and economic growth. Through the KZNFC film fund, the Board deliberately targets youth and women to encourage their participation in the film industry taking cognisance of the fact that these two groups comprise the most vulnerable and marginalised of our society. KZNFC further provides training and skills development programs to ensure that the industry has people who are skilled and who would be able to grow sustainable film businesses in the province. Lastly, in terms of the contribution to sustainable environment, KZNFC is striving to become paperless in its operations with electronic board packs, management packs and system driven processes. Travelling is kept at a minimum to minimize carbon emission-when attending outside meetings, staff are encouraged to travel in a group. To conclude, the following are the critical dependencies, challenges and opportunities that

materially affect KZNFC's achievement of its core purpose and strategic objectives. In terms of critical dependencies, the KZNFC as a public entity is wholly dependent on the grant from Department of Economic Development, Tourism and Environment Affairs. With cost cutting and restructuring processes, the decisions that are taken by the department directly affect the entity. Also, at national level the decisions surrounding funding and incentives taken by NFVF, DTI, etc, has a direct bearing on KZNFC performance and operations. Incentives, for instance attract and encourage filmmakers to shoot in different locations around the country. If the incentives are low, the overall film business' attractiveness is affected. Also, the new requirements by SABC, in terms of imposing quotas for local content will assist entities like KZNFC to attract and retain filmmakers in the province given the increased demand for local content. In terms of challenges, KZNFC is relatively new and is competing with established entities in Cape Town and Gauteng. Further the majority of the established companies with resources are located outside the province, as a result it is expensive to do business in KZN as it means that film companies are forced to hire the equipment and services from other provinces. However, on the other hand opportunities are significant for KZNFC. As a new entity, KZNFC can create its own reputation of excellence in film making and support. IsiZulu is regarded as one of the most used languages in the country and therefore there is a market for IsiZulu projects. KZN is known for its unique Zulu culture and to have the highest Indian population outside India creating a positive link with the significant Bollywood industry.



PERFORMANCE INFORMATION BY PROGRAMME

PROGRAMME ONE: CHIEF EXECUTIVE OFFICE

Programme Purpose

The main purpose of the Chief Executive Officers' office, is to provide strategic guidance through delivering on the strategic objectives whilst ensuring compliance within the legislated environment.

Functions co-ordinated under this programme include:

- Strategic development, research and monitoring and evaluation for the organisation.
- Policy and legislation advocacy, drafting and implementing.
- Stakeholder development and engagement to enhance relationships, encourage local production and partnerships and to ensure a clear understanding of the mandate and services of the KZNFC.
- Negotiating and entering into partnerships with various stakeholders to enhance the competitiveness of KZN and to secure additional funding to further enhance and increase the entity's outcomes.
- Board Secretarial functions and governance support to the Board and committees.
- Oversee the Internal Audit function through monitoring the implementation of management commitments.
- Oversight of operations of KZNFC and providing guidance thereon.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS
High Level Review of Performance Information

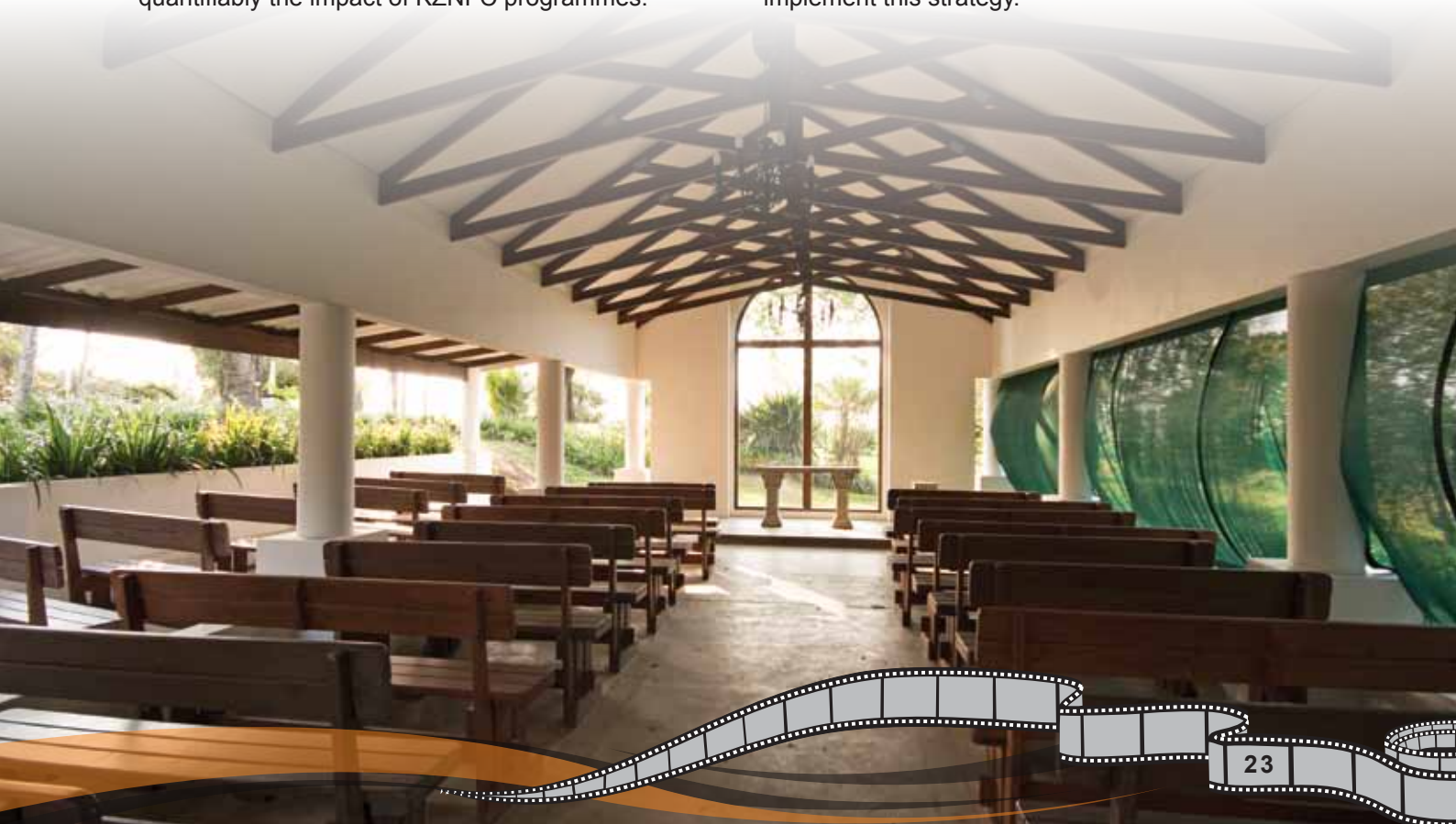
Programme objective: To operate an effective administrative businesses processes inculcating Good Governance, Risk and Compliance					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
% of APP Targets Achieved	56%	100%	73%	-17%	The following targets were not achieved: Staff training, GRC and signing of MOU's as detailed below. These did not have a significant impact on external service delivery.
Number of Research/ Monitoring and Evaluation papers produced	New Indicator	2	6	+4	The target was met and exceeded through increased internal capacity.

Research Projects

As a means to continuously deepen our knowledge and understanding of the issues affecting the film industry, the entity identified specific research topics that were undertaken in 2015/16. The research project that was concluded during the year related to the **Baseline research on KwaZulu-Natal film industry**. The baseline research provided a status quo of the KZN film industry. The study provided important inputs into the strategic planning for the organisation as it provided information that the organisation could use to provide a baseline of the current status of the industry in order to track quantifiably the impact of KZNFC programmes.

Development of a film induced tourism strategy

A film induced tourism strategy was developed during the financial year and it was approved by the Board. The strategy seeks to use film as an inducement for tourism and leverage partnerships for film products. Studies elsewhere have indicated that there is a direct correlation between an increase in tourists' numbers to certain locations and a success of a film showing such locations. KZNFC, is the first province to undertake this initiative that has worked successfully in other countries such as New Zealand, UK, Egypt etc. The KZNFC will be working jointly with KZN Tourism and other stakeholders to implement this strategy.



Community Social Investment (CSI)

KZNFC supported various organisations as part of its CSI program for 2015/16 financial year. The support rendered ranged from donations of blankets to Gift of the Givers for the victims of the xenophobic attacks in Durban, adoption of a girls room at the Durban Child and Youth Care Centre, sponsorship of “Dreams” in partnership with Reach For A Dream to children suffering from terminal illnesses and donation of care packages to Open Door Crisis Centre for victims of abuse. The support is provided in financial support, actual educational products, solutions for specifically identified needs and time commitment from staff.

Governance, Risk and Compliance

Governance, Risk and Compliance (GRC) as a management tool is meant to ensure that an organization meets all its strategic objectives in an efficient and sustainable manner. Again KZNFC is the first to implement the GRC model that takes into account all the facets of an organisation in day-to-day operations. Given the status of the KZNFC at the beginning of its second year of operations, the maturity levels were assessed as evolving with the target being that of a mature or leading entity. The roadmap to achieve the target consisted of seventy-one initiatives for 2015/16 financial year that the KZNFC set itself to achieve. Sixty-five of the targets were fully achieved (92% success rate). The journey will continue in 2016/17 based on the revised roadmap to a leading entity.

Monitoring and Evaluation

In 2015/16 the Monitoring and Evaluation was conducted on selected training programs that were undertaken by the organization. Primarily, the M&E process was meant to assist the organisation to identify gaps and areas that the organisation could improve on to make its training programs more relevant and effective. This was the first time that the organisation implemented a M&E process for its programs.

Quality Assurance

To improve the programs and services that the organisation offers to its stakeholders (both internally and externally), it is important that a quality assurance program is conducted. Quality assurance as a program refers to assessments and checks designed to prevent mistakes or to avoid problems when delivering solutions or services to customers. It is also a mechanism to continuously improve on efficiencies. In the processes of implementing quality assurance, management focuses on providing confidence that quality requirements will be fulfilled. The two basic underlying principles in quality assurance are: “Fit for purpose” (the product should be suitable for the intended purpose); and “right first time” (mistakes should be eliminated). KZNFC assessed two of its policies under the program of quality assurance. These were the funding policy and the SCM policy.

PERFORMANCE INFORMATION BY PROGRAMME

PROGRAMME TWO: FINANCE AND ADMINISTRATION

The core activities of this programme relates to the management and direction of the Finance and Administration of the KwaZulu-Natal Film Commission in support of the business of the entity.

The Finance and Administration business unit provides the required services such as financial management, human resource development, information technology and corporate services. The business unit provides support to the development of business processes to enhance good governance, risk management and compliance with the legislative environment to enhance efficiency through business process and control design and to uphold the principle of the PFMA in the utilization of the Public Entity's resources effectively to ensure service delivery.

Programme Purpose

The core business of the Finance and Administration business unit is to enhance the KZNFC financial, human resource and information technology administration reporting capability and to ensure service efficiency within the regulatory framework.

Functions co-ordinated under this programme include:

- Financial management and reporting
- Administration support
- Management and Cost Accounting
- Supply Chain Management
- Legal and contracts management
- Human resources management
- Information communication and technology management
- Business facilitation to attract investments
- Auxiliary services supporting office infrastructure and the film cluster



KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Programme objective: To operate an effective administrative businesses processes inculcating Good Governance, Risk and Compliance					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Percentage of GRC Road Map Implemented	New Indicator	100%	92%	-8%	6 of the 71 actions were not completed which related to IT solutions and certain HR training and mentorship.
Outcome of Auditor General's report	Unqualified	Unqualified	Unqualified	0	Unqualified audit opinion was received
Percentage of procurement spent on BEE Businesses	92%	75%	97%	+22%	The target was met and exceeded with focus of appointing BEE suppliers.
Vacancy rate on approved staff complement	16%	8%	3%	-5%	The annual target was met and exceeded- only one vacancy.
Percentage of staff undertaking training programme as contained in development plans	New indicator	100%	64%	-36%	A small number of programmes could not be implemented due to challenges with service providers not having the required number of attendees.

Film Cluster

The Film Cluster is an integrated process meant to enhance the value chain of the film industry in KZN. The cluster will bring together all different key role players in the industry together so that they can be able to maximize their resources. This one-stop shop for the filmmakers will increase synergy in the film sector in KZN, and subsequently reduce operating costs for filmmakers. KZNFC has spent R5m in the construction of this infrastructure and the total amount to be spent over two years will be R13m. The film cluster consists of : seven editing facilities, hot desks, +/-twelve, one final mix suit, green room (waiting area before the studio), make-up room, six offices, 100m (square) open plan offices, 150 seater training room, 43 seater cinema and two meeting rooms.

Review of Policies

The Finance and Administration business unit reviewed and amended a number of policies during the financial year which included the Asset Management Policy, Delegation of Authority, Fraud Prevention and Anti-Corruption Policy and the Supply Chain Management Policy.

The business unit was further responsible for planning and facilitation of the relocation of the entire offices from Marine Building in the City centre to Musgrave Centre. The tasks that were executed by the Business Unit during the relocation process included the procurement of new IT infrastructure and its installation in the new premises, design of new offices and renegotiation of the lease agreement, full logistical arrangements of the move and ongoing co-ordination and communication with all employees. The office move was an efficient process with minimal disruption to business and customers having greater access to the offices.

The business unit was further involved in the arrangement of all the training programs for the staff during the financial year which was based on the performance development plans attached to each employees performance agreement. The specific training programs attended by staff are listed under the skills development section in the Human Resource Management report.

PERFORMANCE INFORMATION BY PROGRAMME

PROGRAMME THREE: MARKETING AND INDUSTRY DEVELOPMENT

Marketing and Industry Development business unit is tasked with positioning the KwaZulu-Natal province as a choice location for film, as well as positioning the KwaZulu-Natal Film Commission as a leading film commission in the African market.

Programme Purpose:

The main purpose of the Marketing and Industry Development programme is to promote the region through appropriate marketing and communication strategies that focus on film industry development through human capital development and investment promotion.

Functions co-ordinated under this programme include:

- A Human Capital Development Programme aimed at transforming the industry and creating a skills force that can work on major productions in areas of specialised skills.
- Management of the KZNFC Film Fund aimed at documenting the history of the province and developing screenplays on the legacy of the province with its rich and majestic history. Attracting productions into the province to stimulate the economy and sharpen the skills of local talent.
- Stakeholder Management aimed at securing partnerships for the key strategic programmes of funding and Human Capital Development.
- A Marketing and Communications strategy geared towards attracting local and international partners for co-production. The promotion of KZNFC and its programmes to key market segments in the broader public.
- Locations and Facilities facilitation to assist in positioning KZN as a film friendly destination.
- Publishing of the film protocol and guidelines on how to do business in KZN.



KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Programme objectives: <ul style="list-style-type: none"> To facilitate transformation in the film industry; To facilitate human capital development in the film industry; To facilitate investment promotion into KwaZulu-Natal’s filming industry; and To promote and market KwaZulu-Natal as a choice film destination. 					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Amount of Investment leveraged through the film fund	New Indicator	R 36m	R51.8m	+R15.8m	The target was achieved. Investment was leverage from three projects: uZalo, Code Green and Earth Beats with a larger production budget than estimated.
Number of new businesses supported through the incubator programmes	New Indicator	12	13	+1	The target was exceeded through partnership with SmartXchange incubatees.
Number of people trained through the film value chain in the industry	New Indicator	90	100	+10	The target was exceeded with an increase in applicants and capability to deliver.
Number of development and productions projects funded through KZNFC	38	35	36	+1	The target was exceeded with more development rather than production projects than what was planned.
Number of MOUs signed to reduce film production cost in KZN	3	3	0	-3	The target was not met. However, there were various discussions held with partners with draft MOUs in place.

The Film Fund

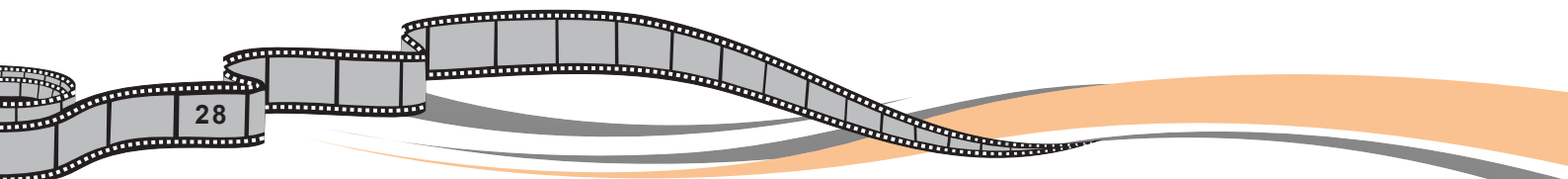
The 2015/16 financial year focused on completing the projects that were approved in the first funding cycle that commenced in July 2014, as film projects are typically multi-year by design. Forty one projects were approved in the 2015/16 financial year of which 36 were funded. The 41 projects that were approved consisted of 30 development projects (15 feature films, 6 micro budget films, 3 short films, 3 documentaries and 1 TV reality series), 3 fund mentor documentary projects and 8 production projects (6 feature films, 1 micro budget film and 1 TV drama series). Out of the 41 development and production projects that were approved, 29 (70%) of the projects were received from applicants who reside in the KwaZulu-Natal province. The youth and women were awarded 17 projects (42%) in each category whilst the previously disadvantaged individuals were awarded 90% of the funding.

Development Funding

Of the 18 development projects that were approved this year, there were 10 feature films, 3 Television Series and 5 documentaries. Six of the projects were completed and are now eligible to apply for production funding whilst the remainder of the projects are still being taken through the various phases of development, and are not yet finalised.

Fund Mentor Programme

The fund mentor programme was established to assist first time filmmakers to meet the delivery obligations of the film fund. A mentor was assigned to a project based on the expertise required and the identified capacity challenges of the candidate. Of the 12 fund mentor projects that were approved, there were 3 feature films, 8 documentaries and 1 short film. Three of the projects were completed successfully during the year the remainder of the projects are still being developed through this process.



Production Funding

The following production projects, with a combined budget of R59m were completed and broadcast:

- *Durban Beach Rescue* (SABC3 & Travel Channel) – 10 part Documentary series
- *Uzalo* (SABC1) – Telenovela
- *Code Green* (SABC1) – 13 part TV Magazine
- *Earth Beats* (ED channel) – 12 part Documentary series

The KwaZulu-Natal Film Commission entered into a 3 year co-production agreement with ETV which will increase the number of long running series that are shot in the KZN province, that way ensuring consistent workflow for KZN filmmakers. In the long run, filmmakers will have the potential of creating permanent employment for crew members who usually work on a freelance basis. Such opportunities will create stability in the KZN film industry. A similar programme is being negotiated with the other broadcasters.

Markets and Festivals Funding

Eight filmmakers benefited from the markets and festivals fund, to attend MIPDOC in France and AFRIFF in Nigeria. Four filmmakers were funded to attend Cannes in France. MIPDOC is the leading factual co-production, screenings and conference event where filmmakers have access to buyers and commissioners matchmaking events. AFRIFF is a festival staged in Nigeria where there are opportunities for commercialisation of African Cinema through co-production and distribution. In November 2015, the spotlight was on South Africa during AFRIFF with more focus on KwaZulu-Natal. This gave an opportunity to KwaZulu-Natal as the relation with AFRIFF was struck in 2014 when the KZNFC attended the festival and participated in the jury.

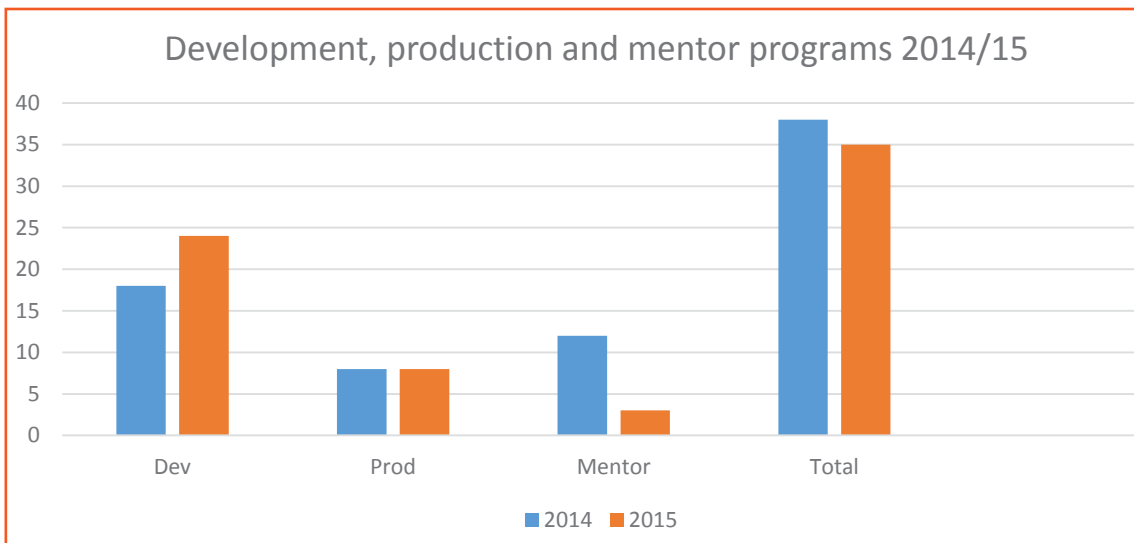
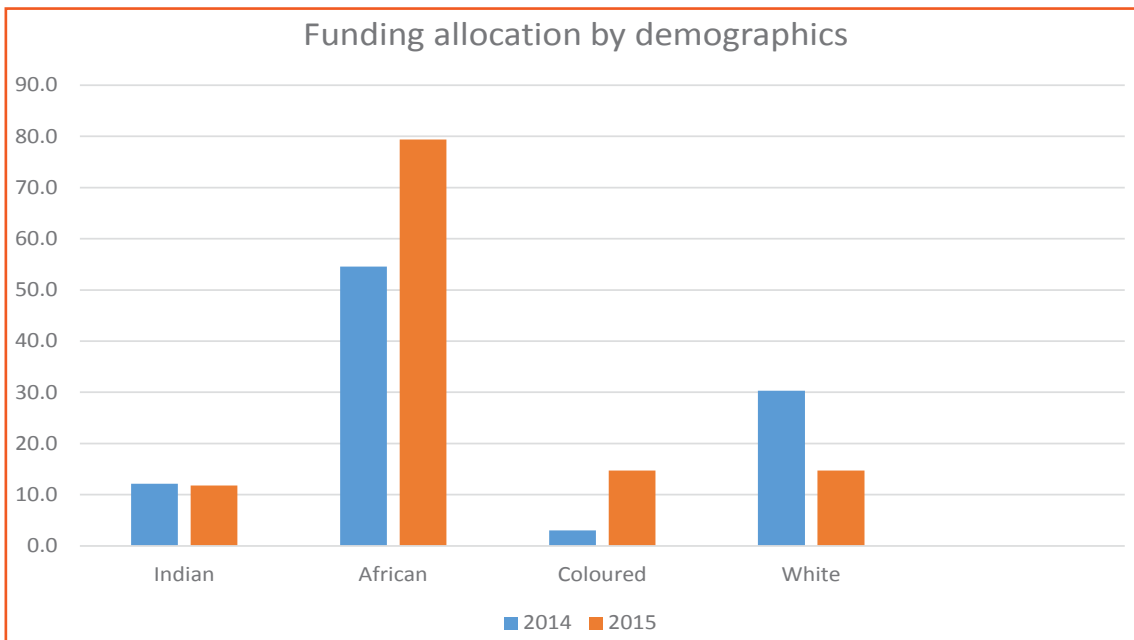
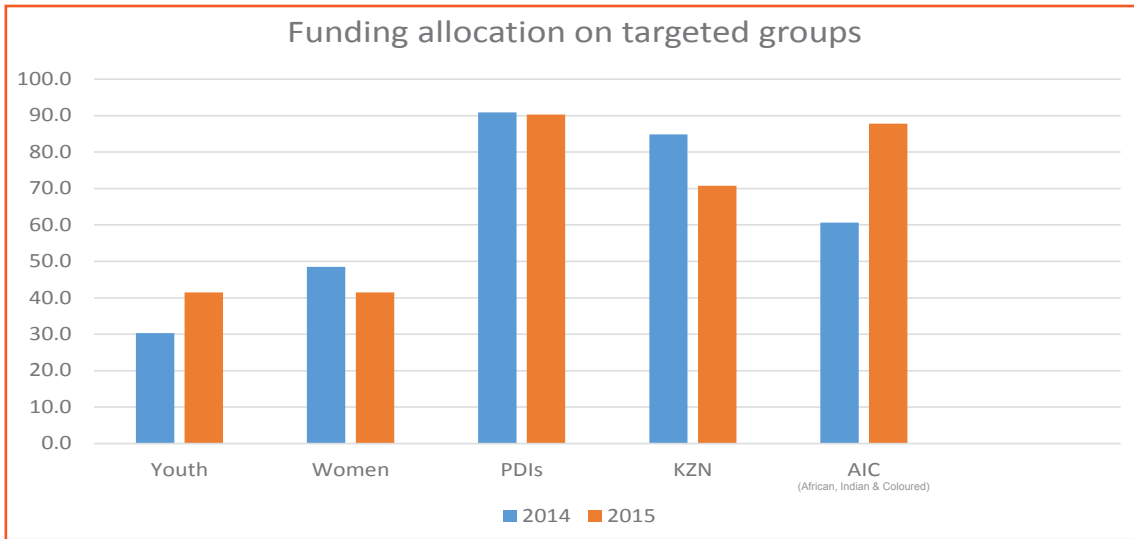
Marketing and Distribution Funding

Five projects benefited from the marketing and distribution fund, which included KwaZulu-Natal African Film Festival, Ugu Film Festival, Ethekwini Metro Awards, DVD distribution of *Indoda Ayikhali 2* and the Ndwedwe Gender Film Festival. These festivals provide platforms to promote and showcase KZN talent and content whilst enhancing audience development.



Film Fund Performance

The budget of R12m was fully committed by the end of the 2015/16 financial year.



Industry Development Interventions

The KZNFC is aware that the KZN industry is mainly comprised of emerging filmmakers, who are self taught and passionate to produce content. Specific skills gaps have been identified, and through industry development workshops, interventions are made to bridge the gap. The sessions also provide up to date information on the industry developments by our various industry partners. Broadcast media and mainly radio was used to explain to industry how the KZNFC film fund can be accessed. The platforms were also used, amongst others, to encourage filmmakers to attend the industry development workshops.

The KZNFC hosted 14 industry development workshops during the year covering areas in Durban, Ndwedwe, Paulpietersburg, Newcastle, Pietermaritzburg, Portshepstone and Richards Bay. The workshops gave practical case studies on how to package films for the market, how to access the film fund, financial management for film, how to effectively use new camera and lighting techniques, developing ground-breaking documentaries, and micro budget films as a viable option. The platforms also provided opportunities for filmmakers to engage with the Department of Trade and Industry and The Industrial Development Corporation whose officials responsible for film, flew down to Durban to address local filmmakers and explain how to access their funding.

The KZNFC reached out to KZN filmmakers based in the Gauteng province to encourage them to consider their home province as a viable location to continue growing their careers. The relocation of the filmmakers will assist in decreasing the cost

of production in the province as additional costs of flights and accommodation will not be incurred. In order for the KZN province to attract projects from other provinces, established skills are needed to execute the projects. The KZN province has suffered a brain drain as Gauteng and Western Cape provinces became lucrative as a result of a number of production opportunities that exist there. The funding provided by KZNFC stipulates a minimum KZN spend and percentage of KZN black crew as a contractual condition.

Skills Development Programmes

A total of 11 programmes were managed and implemented by Human Capital Development section in 2015/16 financial year with a total of 320 people participating from throughout the province in the various programmes. The programmes are categorised as follows:-

- SEDIBA Spark Narrative
- SEDIBA Spark Doccie
- International Finance and Producing
- Umthombo Industry Development Workshops
- NEMISA Field Production and Post-Production Training
- SMME Programmes and Incubation (MMA)
- Youth Filmmaker Project – Mandela's Children
- Cannes South Africa Factory
- Bursary Scheme
- Mentors for P&D
- Ingomso in partnership with Youth Development at EDTEA



The following three courses were implemented in partnership with the NFVF as this is one of their core courses offered.

SEDIBA Spark Narrative is an introductory course in scriptwriting technique. The course was run over a 5 month period with a total of **26 participants** completing the course.

SEDIBA Spark Doccie is an introductory course in documentary development. The course was run over a 5 month period with a total of **15 participants** completing the course.

International Financing and Producers Programme is a high level course to support producers with feature film project to package and source financing locally and internationally. The course was run over a 5 month period with a total of **15 participants** completing the course.

Umthombo Industry Development Workshops was a response to feedback received on the SEDIBA programmes. A roadshow to 5 key areas in KZN which included Port Shepstone, Pietermaritzburg, Newcastle, Durban and Richards Bay with the following aims:-

- a) To meet the industry
- b) To introduce the Script Narrative course to the local industry and
- c) To generate a database of the industry in the province

The programme was highly successful reaching over **200 participants** with the following key feedback and learnings:-

- The programme had to be adapted for different areas taking into consideration issues of language, and levels of literacy.
- There is a large of pool of filmmakers that need to be supported and developed.
- The training programmes going forward would need to include an intermediary/introduction level.

NEMISA Field Production and Post-Production implemented in partnership with NEMISA is a NQF Level 4 training programme. Each course ran separately for a period of 3 months. A total of **40 participants** were up-skilled with each course and provides the participants the opportunity to enter the industry as an intern or assistant.

SMME Programmes and Incubation

SMME Incubator – MMA is a two year accelerator programme to develop sustainable small businesses within the film and television industry. A total of **13 SMME** s completed Year 1 programme as level 1 companies. Two companies were graduated to Level 2 companies for Year 2 of the programme.

Youth Filmmaker Project – Mandela's Children Programme is a youth incubator developing young filmmakers across the value chain. The 2015 leg produced 10 x 24" films with a total of 14 writers and directors trained in the process. SABC is the broadcast partner for the project ensuring distribution of the content produced.

Cannes South Africa Factory is a project to develop 4 short films written and directed by 4 South African filmmakers who are partnered with 4 international filmmakers. The films will be screened at Cannes 2016 as part of the Director's fortnight in May 2016. The local filmmakers will be given an opportunity to pitch their feature film concepts to potential international stakeholders and funders which is a once in a life time achievement.

Bursary Scheme

The External Bursary Scheme supports students wishing to study film and television at tertiary institutions in KZN. The 2015/16 Scheme supported a total of **28 students** doing various film related courses. There were seven students who completed their studies in 2015 through the support of KZNFC bursary scheme.

Mentorship

KZNFC also runs a mentorship programme in conjunction with Production and Development section. The programme manages the sourcing of mentors for funded projects. During the 2015/16 financial year there were fifteen projects that were being mentored.

Human Capital Development Strategy

Following a skills audit that was conducted by the KZNFC, a need to develop an integrated Human Capital Development Strategy was identified. The development of the strategy was still at its infancy stages at the close of 2015/16 financial year. It is anticipated that the development process will be completed in 2016/17 financial year.

Markets and Festivals

The KZNFC acknowledges the importance of global strategies for promotion at markets and festivals. Markets and festivals therefore become a strategically essential element to engage in order to promote the province as a film destination. As part of the strategy, the following markets have been identified as focus points: Germany, France, Australia, United Kingdom, Canada, India, Nigeria and USA. Festivals that were attended were; AFCI locations Show, Berlin Film Festival, Cannes International Film Festival, India International Film and Tourism Festival (IIFTC), MIPCOM, DISCOP, DIFF, New York Film Festival, London Expo and African International Film Festival.

Simon Sabela Awards

The Simon “Mabhunu” Sabela Film and Television Awards which are in honour of the late Simon “Mabhunu” Sabela who was a legend in film and television. The awards were an initiative of KwaZulu-Natal’s Department of Economic Development, Tourism and Environmental Affairs and aim to acknowledge and honour talent from the province. The event, held in July during the Durban International Film Festival, was attended by approximately 600 people. There were twenty-one categories that the filmmakers participated on. The judging processes was conducted by seven judges who are all seasoned filmmakers on their own right. The theme of the event was on **“OUR KINGDOM IS YOUR STAGE”** and the overall cost of the event was R6m.

Durban International Film Festival [DIFF]

Durban International Film Festival is undoubtedly one of the most important event in the international film festivals calendar. The KZNFC was one of the partners in the planning and organising DIFF. The Durban International Film Festival attracts participants from all the corners of the world. It is a ten day celebration of world class cinema which screens new feature, documentary and short films from around the globe with a special focus on African film. Furthermore, besides the fact that the event was happening in our region, it provided the KZNFC with an opportunity to promote and market the province as an international choice of film destination. Given the impact and the magnitude of the event, the Board approved an amount of R2.3 m as a contribution towards execution of the programs that were planned for the 36th edition of DIFF in 2015. The rationale behind the additional funding to DIFF was for marketing, to make the festival more visible to the broader public who may want to attend film screenings and workshops, to include a collaboration with the BRICS countries, with a strong emphasis on the African continent, to expand the festival programme beyond the 4 days of the film market and to incorporate activities for filmmakers based in the province who are normally not able to attend the festival. This investment also includes the appointment of a project manager to both oversee DIFF 2015 as well as begin the strategic positioning of the festival going into the future. The KZNFC’s intervention proved to be successful and achieved the objective of raising the profile of the festival and injecting a varied and diverse range of content and participation from across the continent.

KZN locations

The province is well known for its unique locations, ranging from old / historical building to its natural beautiful landscapes. The KZNFC has compiled a detailed database of various locations in the province and these are accessible for viewing on our recently redesigned webpage. KZNFC also played a proactive role during the year through facilitation of engagements between filmmakers and Municipalities / other stakeholders in preparation for the filming. The inquiries that were dealt with were mainly about locations and permitting processes. KZNFC takes pride in the fact that we are encouraging productions throughout the region and not focussing on the Durban surrounding areas only.

PART C

GOVERNANCE



Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance. The principles on King's Report on Corporate Governance have been used in this report to clarify issues related to leadership, ethics, and performance reporting, governance and stakeholder relationships.

Portfolio Committees

The entity reports to the Economic Development, Tourism and Environmental Affairs Portfolio as well as the Finance Portfolio Committee and the Standing Committee on Public Accounts (SCOPA). KZNFC was invited by various oversight bodies to present its progress on its APP targets and its strategic plan and its annual report during the year. The Board attended two Finance Portfolio Committee meetings, two SCOPA meetings and in one EDTEA portfolio committee meeting as part of oversight meetings.

The Accounting Authority

The Board is appointed in terms of the founding legislation of the KZN Film Commission Act. The membership is clearly defined and the responsibilities of the Board are guided by the principles of good corporate governance, which include:

- To provide strategic direction to the organisation. The Board has a strategic function in providing the vision, mission and goals of the organisation. These are determined in combination with the CEO and the executive team.
- To establish a policy based governance system. The Board has the responsibility of developing a governance system for the business.
- To provide oversight over the performance of the organisation.
- Fiduciary duty to protect the interests of the shareholder.
- Recruitment of the CEO.

The details of the Board members appointed by the MEC for Economic Development, Tourism and Environmental Affairs including an indication of their attendance at meetings and remuneration paid during the financial year are contained in the annual financial statements Refer to page 52.



Risk Management

The risk management process undertaken during the year provided a strong foundation and focus for the executive team. It has significantly improved the strategic management and corporate governance of the entity. We believe that strategy, risk performance and sustainable service delivery are inseparable. Quality reviews are undertaken by EXCO and presented to the ARC in terms of quarterly progress made during the year in addressing the risks. A risk register is compiled at the beginning of the financial year. For the 2015/16 financial year the following five areas were identified as high risks areas:

- a) Lack of coordination and integration of the KZN film industry.

There is a lack of coordination of various industry players in the province with limited membership to the appropriate industry bodies and various stakeholders undertaking programmes without co-ordination.

- b) Limited strategic positioning of the Durban International Film Festival (DIFF)
- c) Infrastructure inadequacy to support film production in the province. This affects the province's competitiveness in terms of costs as necessary equipment and resources that are essential for the industry have to be imported from elsewhere.

- d) Lack of adequate industry related skills

The film industry depends on people with specific skills and expertise to drive it. The research has revealed that there is a gap between what the tertiary institutions produce and what the industry need. The level of skills currently do not match the level of productions being attracted to the region.

- e) Lack of Industry transformation
The current level of participation by PDIs demands a renewed focus and deliberate support to address the barriers to access in order to balance the playing field.

A specific programme of action has been designed and is being implemented in order to address the above risks and to ensure that they are mitigated within the acceptable levels.

The Audit and Risk Committee will constantly monitor the roll-out of risk management in order to ensure that the process reaches maturity within a reasonable time. Internal audit will review the progress made to provide further assurance to the committee that risks are being managed.

Financial statements

The Audit and Risk Committee (ARC)

The functions of the ARC are: -

- To examine and review the Annual Financial Statements and interim financial reports with management and the external auditors before filing with regulators, and to consider whether such documentation is complete and consistent with information known to members of the Committee and reflects appropriate accounting principles;
- To review with management and external auditors the results of the audit, including any difficulties encountered; and
- To review with management and the external auditors all matters required to be communicated to stakeholders under generally recognised accounting.

Internal Control

During the year under review the Internal Audit was undertaken by Provincial Treasury. They undertook the following audit assignments, with management implementing all recommendation and actions as agreed with the auditors:-

- a) Interim and Annual Financial Statements Review
- b) Human Resources Management and Development
- c) Supply Chain Management
- d) AG Follow-up
- e) Asset Management
- f) Performance Information
- g) IT General Control Reviews
- h) Follow-up on Internal reports (e.g film fund)

The Audit and Risk Committee shall:

- Consider the effectiveness of the organisation's internal control system, including information technology security and control;
- Understand the scope of internal and external auditor's review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses;
- Review the effectiveness of the internal control systems;
- Review the control procedures followed by management;
- Review the controls designed to ensure that assets are safeguarded;
- Review the Fraud Prevention Plan implemented to prevent and detect fraud;
- Review risk management and related policies; and
- Review compliance with prescribed accounting framework.

The Annual Report contains a report by the ARC committee indicating their assessment of these matters.

Compliance with laws and Regulations

The ARC reports must comply with its responsibilities arising from Section 50(1) of the Public Finance Management Act and Treasury Regulations. The Audit and Risk Committee shall be responsible for:

- Reviewing the effectiveness of systems for monitoring compliance with laws and regulations and the results of management's investigation and follow-up on any instances of non-compliance;
- Reviewing processes for communicating the Code of Conduct to personnel and for monitoring compliance therewith; and
- Obtaining regular updates from management and the organisation's legal counsel regarding compliance matters.

In the coming financial year the entity will focus on the monitoring of the fraud prevention plan and systems, and the ethics management programme. The risk assessment will provide the Committee with an overview of the focal points which will be monitored during the year.

PART D

HUMAN RESOURCE MANAGEMENT



INTRODUCTION

The KZNFC team in 2015/16 was relatively new. This was due to the fact that most of the appointments were concluded in the last quarter of 2014/15. The first quarter focused on induction programmes that were conducted by the Human Resource Management Section. Significant efforts were put on ensuring that all staff members were familiar with the regulatory framework and the policies of the entity.

For the financial year 2015/16 KZNFC had thirty permanent staff members and one part-time staff member. There were two resignations during the year. No disabled permanent staff were recruited as at 31 March 2016. The KZNFC did however employ one disabled intern for a period of 6 months during the financial year.

HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Office of CEO	R 6 843	R 2 969	43%	4	R 742
Marketing & Industry Development	R 46 274	R 7 141	15%	14	R 510
Finance & Administration	R 14 269	R 5 741	40%	12	R 478

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	R 3 995	25%	3	R 1 332
Senior Management	R4 972	31%	6	R 829
Professional qualified	R 4 293	27%	9	R 477
Skilled	R2 591	16%	12	R 216
TOTAL	R 15 851	100%	30	R 528

The table below reflects the employment equity statistics on the **appointments made** in KZNFC as at 31st March 2016.

LEVELS	MALE				FEMALE				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Management	1	-	-	-	1	-	-	1	3
Professionally qualified and experienced specialists and mid-management	2	-	-	-	3	-	1	-	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3	-	-	-	3	-	0	-	6
Semi-skilled and discretionary decision making	3	-	-	-	12	-	0	-	15
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
TOTAL PERMANENT	9	-	-	-	19	-	1	1	30
Temporary employees	1	-	-	-	0	-	0	-	1
GRAND TOTAL	1	0	0	0	0	0	0	0	31
EQUITY %	28%				72%				100%



Employment and vacancies

Programme	2014/2015 No. of Employees	2015/2016 Approved Posts	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Office of CEO	2	4	4	0	0%
Marketing & Industry Development	1	14	14	0	0%
Finance & Administration	2	13	12	1	3%

Programme/activity/objective	2014/2015 No. of Employees	2015/2016 Approved Posts	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Top Management	3	3	3	0	0%
Senior Management	0	6	6	0	0%
Professional qualified	0	9	9	0	0%
Skilled	1	13	12	1	3%
TOTAL	4	31	30	1	3%

As per the approved organogram 30 positions were filled.

Equity Target and Employment Equity Status

The KZNFC was able to meet its targets set in the Employment Equity Plan in most areas except for in the male gender across the various categories. As a result the African females exceeded the set targets in most levels within the organisation.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top/ Senior Management (Executives)	33%	33%	0%	0%	0%	0%	0%	0%
Professional qualified (Managers)	6.45%	42.8%	0%	14.28%	0%	0%	0%	0%
Skilled & Semi skilled (Specialist & Clerical)	19.35%	42%	0%	0%	0%	4.7%	0%	0%

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top/ Senior Management (Executives)	33%	33%	0%	0%	0%	0%	33%	33%
Professional qualified (Managers)	9.86%	28.6%	0%	0%	3%	14.28%	0%	0%
Skilled & Semi skilled (Specialists & clerical)	42%	42%	0%	3.2%	3%	3.2%	0%	3.2%

Summary Target					
MALES			FEMALES		
	Target	Actual		Target	Actuals
African Male	41.9%	31%	African Female	38%	58.70%
Coloured Male	3.3%	0%	Coloured Female	3.3%	0%
Indian Male	3.3%	0%	Indian Female	3.3%	6.90%
White Male	0%	0%	White Female	6.5%	3.40%
Overall Summary	48.5%	31%		52%	69%



Reasons why staff are leaving

Termination Type	Number	% of total Terminations
Death	0	0
Resignation	2	6%
Expiry of contract	0	0
Dismissal – operational changes	0	0
Dismissal – misconduct	0	0
Dismissal – inefficiency	0	0
Discharged due to ill-health	0	0
Retirement	0	0
Restructuring Package (Excess)	0	0
Medical retirement	0	0
Total	2	6%

Disciplinary action

Occupational Category	Male				Female				
	African	Indian	Coloured	White	African	Indian	Coloured	White	Total
Senior Manager	0	0	0	0	1	0	0	0	1
Total	0	0	0	0	1	0	0	0	1

Grievances logged for the period 1 April 2015 till 31 March 2016

	Number	% of Total
Number of grievances resolved	0	0
Number of grievances not resolved	0	0
Total number of grievances addressed	0	0

Training provided for the period 1 April 2015 to 31 March 2016

Occupational Categories	Gender		Number of employees	Type of programme	
	M	F		Skills programs	Total
Top/ Senior Management (Executives)	2	1	3	Disciplinary procedure training	3
	0	1	1	HR policies and procedures	1
	1	2	3	MS Project / Project Management	3
	1	1	2	Supply Chain Management	2
	1	2	3	Leadership	3
	1	0	1	Procurement and Fraud detection	1
Professional qualified (Managers)	1	4	5	Disciplinary procedure training	5
	2	4	6	Leadership	6
	2	4	6	MS Project / Project Management	6
	2	3	5	Procurement and Fraud detection	5
Skilled & Semi skilled (Specialist & Clerical)	0	2	2	Advanced excel level 3	2
	0	4	4	Business Writing level 2	4
	0	3	3	MS Projects and	3
	0	4	4	Project management	4
	3	3	6	Disciplinary procedure training	6
	0	1	1	HR policies and procedures	1
	0	1	1	HR Premier	1
	6	16	22	Leadership	22
	3	1	4	Procurement and Fraud detection	4

NB: The course on leadership development, alignment and support is still on going.

PART E

FINANCIAL INFORMATION



KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To promote and market the Province as a global destination for film production
Registered office	13th Floor, Musgrave Towers 115 Musgrave Road Durban 4000
Auditors	Auditor General of South Africa Registered Auditors

Index

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

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AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2016

KWAZULU-NATAL FILM COMMISSION

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature on the KwaZulu-Natal Film Commission

Report on the financial statements

Introduction

1. I have audited the financial statements of the KwaZulu-Natal Film Commission set out on pages 55 to 87 which comprise the statement of financial position as at 31 March 2016, statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The board of members, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the

audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Emphasis of matter

7. I draw attention to the matter below.

Restatement of corresponding figures

8. As disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 2016 in the financial statements of the KwaZulu-Natal Film Commission at, and for the year ended, 31 March 2015.

Report on other legal and regulatory requirements

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for programme 3: marketing and industry development on pages 27 to 33 in the annual performance report of the entity for the year ended 31 March 2016.

11. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPI).

12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

13. I did not raise any material findings on the usefulness and reliability of the reported performance information for programme 3: marketing and industry development on pages 27 to 33.

Additional matter

14. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected programme, I draw attention to the following matter.

Achievement of planned targets

15. Refer to the annual performance report on pages 22 to 33 for information on the achievement of the planned targets for the year.

Compliance with legislation

16. I performed procedures to obtain evidence that the KwaZulu-Natal Film Commission had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

17. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor - General

Pietermaritzburg

29 July 2016



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Board Members' Responsibilities and Approval

The Board members are required by the Public Finance Management Act, 1 of 1999 (PFMA), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Board members to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Board members to meet these responsibilities, the Board members sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While

operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Going concern

The Board members have reviewed the entity's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the KZN - Department of Economic Development, Tourism and Environmental Affairs (EDTEA) for continued funding of operations. The financial statements are prepared on the basis that the entity is a going concern and that the KZN - Department of Economic Development, Tourism and Environmental Affairs has neither the intention nor the need to liquidate or curtail materially the scale of the operations of the entity.

The external auditors are responsible for independently reviewing and reporting on the entity's financial statements.

The Annual Financial Statements set out on pages 55 to 87, which have been prepared on the going concern basis, were approved by the Board on 26 May 2016 and were signed on it's behalf by:



.....
W Msomi
Board Chairman



.....
C Coetzee
Chief Executive Officer

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2016.

Audit and Risk committee members and attendance

The audit and risk committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. Members met four times during the year under review.

Name of member	Number of meetings attended
N Khoza (Chairperson)	4
Z Gwala	3
A Monty (resigned 15/09/2015)	2
D Ramuedzisi (appointed 01/08/2015)	2

Audit and Risk committee responsibility

The audit and risk committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1. The audit and risk committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the audit report on the financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The audit and risk committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the members of the entity during the year under review.

Evaluation of financial statements

The audit and risk committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General and the members;
- reviewed the Auditor-General of South Africa’s management report and management’s response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions and;
- reviewed significant adjustments resulting from the audit.

The audit and risk committee concurs with and accepts the Auditor-General of South Africa’s report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit and risk committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity. Risk based audits were conducted to ensure sound internal controls were implemented during the year under review.

Auditor-General of South Africa

The Audit and Risk Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

.....
Chairperson of the Audit and Risk Committee

The Board members submit their report for the year ended 31 March 2016.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Board Members' Report

1. Incorporation

The entity was incorporated on 09 September 2010. The KwaZulu-Natal Film Commission (KZNFC) commenced its operations on 01 October 2013.

2. Review of activities

Main business and operations

The entity is engaged in promoting and marketing the province as a global destination for film production and operates principally in South Africa. A full report on the achievements for the year are included in the CEO's Report.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the entity was R 2 606 360 (2015: surplus R 19 500 678), due to expenditure relating to previous years rollover.

The objectives as defined by the KwaZulu-Natal Film Commission Act, No. 3 of 2010 are:

- to promote and market the Province as a global destination for film production;
- to develop, promote and market, locally, nationally and internationally, the film industry in the Province;
- to facilitate investment in the film industry in the Province;
- to provide and encourage the provision of opportunities for persons, especially from disadvantaged communities, to enter and participate in the film industry in the Province;
- to address historical imbalances in the infrastructure and in the distribution of skills and resources in the film industry in the Province: and
- to contribute to an enabling environment for job creation in the film industry in the Province.

3. Going concern

The Board members have assessed the going concern of the entity as at 31 March 2016. The entity has an accumulated surplus of R 18 770 888 and the entity's total assets exceed its liabilities by R 18 770 888.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Subsequent events

The Board members are not aware of any matter or circumstance arising since the end of the financial year.

5. Board members' interest in contracts

Members of the board declared any conflict of interest during the meetings. As at 31 March 2016, no interest or conflict of interests were recorded.

6. Accounting policies

The annual financial statements were prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. Board members

The Board members of the entity during the year and to the date of this report are as follows:

Name	Designation	Date of appointment	Date of resignation
W Msomi	Chairperson	01 February 2013	
B N Malange	Deputy Chairperson	01 February 2013	
L Berning	Chairperson Human Resource and Remuneration Committee	01 February 2013	
N Khoza	Chairperson Audit and Risk Committee Chairperson	01 February 2013	
Z Gwala	Member	01 February 2013	
M Mzimela	Member	01 February 2013	
N Mthembu	Member	01 February 2013	
P Raleigh	Member	01 February 2013	
A Monty	Member	01 February 2013	15 September 2015
C Coetzee	Executive Member	01 October 2013	

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Board Members' Report

Executive management

CL Coetzee	Chief Executive Officer	01 October 2013
K Bogatsu	Chief Financial Officer	01 February 2014
JM Motsepe	Chief Operations Officer	01 February 2014

8. Secretary

Statucor (Pty) Ltd provided the entity with secretarial services for eleven (11) months until February 2016, and The Company House Secretarial Services provided secretarial service with effect from March 2016.

The roles of Chairman and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion in line with Board Charter.

9. Members meetings

Chairperson and Chief Executive

The Chairman is a non-executive and independent member of the board as defined by the PFMA and the Code of Good Corporate Governance.

Board meetings

The members of the board are scheduled to meet at least four times per annum.

Non-executive members of the board have access to all members of management of the entity. Five meetings were held during this period.

Name	08/04/15	26/05/15	28/07/15	19/10/15	26/01/16
Mr W Msomi	Yes	Yes	Yes	Yes	Yes
Ms B N Malange	Yes	Yes	Yes	Yes	Yes
Mr N Khoza	Yes	Yes	Yes	No	Yes
Ms L Berning	No	Yes	Yes	Yes	Yes
Mr P Raleigh	Yes	Yes	Yes	Yes	Yes
Mr Z Gwala	Yes	No	Yes	No	No
Mr M Mzimela	Yes	No	No	No	Yes
Ms N Mthembu	Yes	No	Yes	No	Yes
Ms A Monty	Yes	Yes	Yes	Resigned as of 15/09/2015	
Ms C Coetzee	Yes	Yes	Yes	Yes	Yes

Audit and risk committee

For the current financial year, the Chairman of the audit and risk committee was Mr N Khoza (non executive member of the board). The committee met in line with the requirements of the KZNFC audit charter to review matters necessary to fulfil its role.

The entity has outsourced its Internal Audit function to KwaZulu-Natal Provincial Treasury Internal Audit, who provided the service in the year under review, in line with the approved annual audit plan.

Four Meetings were held during this period.

Name	25/05/15	21/07/15	16/11/15	01/03/16
N Khoza	Yes	Yes	Yes	Yes
Z Gwala	Yes	Yes	Yes	No
A Monty	Yes	Yes	Resigned as of 15/09/2015	
D Ramuedzisi (Independent Non-Board member)	N/a	N/a	Yes	Yes

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Board Members' Report

Human Resource and Remuneration committee

For the year under review, the chairperson of the Human Resource and Remuneration Committee was Ms L Berning (non executive board member). The committee met in line with the requirements of the KZNFC terms of reference to review matters necessary to fulfil its role.

Four meetings were held during this period.

Name	11/05/15	08/06/15	06/10/15	14/03/16
L Berning	Yes	Yes	Yes	Yes
M Mzimela	No	Yes	Yes	No
B N Malange	Yes	Yes	Yes	No
K Simelane (Independent Non-Board member)	N/a	N/a	N/a	Yes

10. Bankers

Amalgamated Banks of South Africa (ABSA)

11. Auditors

Auditor General of South Africa will continue in office for the next financial period.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Statement of Financial Position as at 31 March 2016

Figures in Rand	Note(s)	2016	2015 Restated ^{'*}
Assets			
Current Assets			
Receivables from exchange transactions	3	8 284	
Receivables from non-exchange transactions	4	38	1 215
Cash and cash equivalents	5	20 364 719	21 628 099
Prepayments	6	3 325 458	1 323 374
		23 698 499	22 952 688
Non-Current Assets			
Property, plant and equipment	7	4 522 445	2 301 020
Intangible assets	8	489 466	836 236
		5 011 911	3 137 256
Total Assets		28 710 410	26 089 944
Liabilities			
Current Liabilities			
Finance lease obligation	9	65 653	78 337
Payables from exchange transactions	10	9 679 544	4 564 778
Payables from non-exchange transactions	11	190 161	17 816
		9 935 358	4 660 931
Non-Current Liabilities			
Finance lease obligation	9	4 164	51 764
Total Liabilities		9 939 522	4 712 695
Net Assets		18 770 888	21 377 249
Accumulated surplus		18 770 888	21 377 249
Total liabilities and net assets		28 710 410	26 089 944

* See note 33

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated**
Revenue			
Revenue from exchange transactions			
Interest received - investment	12	1 396 550	228 390
Other income	13	83 443	22 550
Total revenue from exchange transactions		1 479 993	250 940
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	14	64 657 500	58 559 306
Total revenue		66 137 493	58 810 246
Expenditure			
Board and committees members costs	15	(944 480)	(987 220)
Employee related costs	16	(17 281 510)	(8 256 246)
Finance costs	17	(370)	(60 021)
Marketing and projects	18	(15 750 275)	(14 329 331)
Depreciation and amortisation	19	(1 658 193)	(972 498)
Operating expenses	20	(9 281 430)	(8 234 394)
Audit fees	21	(828 194)	(589 282)
Production and development costs	22	(21 747 263)	(5 873 636)
Research and development	23	(1 212 380)	-
Total expenditure		(68 704 095)	(39 302 628)
Operating (deficit) surplus		(2 566 602)	19 507 618
Loss on assets written off		(39 758)	(6 940)
(Deficit) surplus for the year		(2 606 360)	19 500 678

* See note 33

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2014	1 876 570	1 876 570
Changes in net assets		
Surplus for the year	19 500 679	19 500 679
Total changes	<u>19 500 679</u>	<u>19 500 679</u>
Opening balance as previously reported	21 283 925	21 283 925
Adjustments		
Prior year adjustments	93 323	93 323
Balance at 01 April 2015 as restated*	<u>21 377 248</u>	<u>21 377 248</u>
Changes in net assets		
Surplus for the year	(2 606 360)	(2 606 360)
Total changes	<u>(2 606 360)</u>	<u>(2 606 360)</u>
Balance at 31 March 2016	<u>18 770 888</u>	<u>18 770 888</u>

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated**
Cash flows from operating activities			
Receipts			
Grants		64 657 500	57 201 000
Interest income		1 396 550	228 390
Other receipts		83 443	22 550
		<u>66 137 493</u>	<u>57 451 940</u>
Payments			
Employee costs		(15 864 514)	(7 663 109)
Finance costs		(370)	(60 021)
Other payments		(47 903 098)	(27 658 823)
		<u>(63 767 982)</u>	<u>(35 381 953)</u>
Net cash flows from operating activities	24	<u>2 369 511</u>	<u>22 069 987</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(3 523 576)	(1 685 993)
Purchase of other intangible assets	8	(49 032)	(700 656)
Net cash flows from Investing activities		<u>(3 572 608)</u>	<u>(2 386 649)</u>
Cash flows from financing activities			
Finance lease liability (payments)		(60 283)	130 101
Net increase/(decrease) In cash and cash equivalents		<u>(1 263 380)</u>	<u>19 813 439</u>
Cash and cash equivalents at the beginning of the year		21 628 099	1 814 659
Cash and cash equivalents at the end of the year	5	<u>20 364 719</u>	<u>21 628 098</u>

* See note 33

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget on comparable basis	Actual amounts between final budget and actual	Difference	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other Income	-	-	-	83 443	83 443	
Interest received - investment	-	-	-	1 396 550	1 396 550	
Total revenue from exchange transactions	-	-	-	1 479 993	1 479 993	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	60 178 000	4 479 500	64 657 500	64 657 500	-	
Rollover funds 2014/15		21 628 098	21 628 098	21 628 098	-	
Total revenue from non- exchange transactions	60 178 000	26 107 598	86 285 598	86 285 598	-	
Total revenue	60 178 000	26 107 598	86 285 598	87 765 591	1 479 993	
Expenditure						
Employee related costs	(17 307 907)	1 331 878	(15 976 029)	(17 281 510)	(1 305 481)	37.1
Board and committee members costs	(1 421 264)	259 424	(1 161 840)	(944 480)	217 360	37.2
Depreciation and amortisation				(1 658 193)	(1 658 193)	37.3
Finance costs				(370)	(370)	
Research and development	(1 215 105)	(11 345)	(1 226 450)	(1 212 380)	14 070	
Production and development funding	(17 686 000)	(12 448 760)	(30 134 760)	(21 747 263)	8 387 497	37.4
Audit fees	(864 000)	30 000	(834 000)	(828 194)	5 806	
Marketing and projects	(14 093 000)	(4 266 489)	(18 359 489)	(15 750 275)	2 609 214	37.5
Operating expenses	(7 390 724)	(7 975 925)	(15 366 649)	(9 281 430)	6 085 219	37.6
Total expenditure	(59 978 000)	(23 081 217)	(83 059 217)	(68 704 095)	14 355 122	
Operating surplus	200 000	3 026 381	3 226 381	19 061 496	15 835 115	
Loss on assets written off	-	-	-	(39 758)	(39 758)	
Surplus before taxation	200 000	3 026 381	3 226 381	19 021 738	15 795 357	
Surplus for the year from continuing operations	200 000	3 026 381	3 226 381	19 021 738	15 795 357	
Capex	(200 000)	(3 026 381)	(3 226 381)	(2 845 551)	380 830	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	16 176 187	16 176 187	

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Public Finance Management Act, 1 of 1999 (PFMA).

These 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.

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 as read with Directive 5.

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

1.1 Presentation currency

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

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Comparative figures

Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been complied with, and the detailed budget will be attached to the annual financial statements.

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

1.4 Significant judgements and sources of estimation uncertainty

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

Impairments of non-financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

1.5 Financial instruments

Initial recognition and measurement

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial Measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to

the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity 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 financial assets held at amortised cost:

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity 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 the 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 (i.e. the effective interest rate computed at initial recognition). 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 (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall 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.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Accounting Policies**1.5 Financial instruments (continued)
Impairment of financial assets****For financial assets held at cost**

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

These financial assets are classified as loans and receivables. A financial asset is derecognised at trade date, when:

- a. The cash flows from the asset expire, are settled or waived;
- b. Significant risks and rewards are transferred to another party; or
- c. Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Receivable from exchange and non-exchange transactions

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Payables from exchange and non-exchange transactions

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

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 and deposits held on call with banks.

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or 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.

Offsetting

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position except where offsetting is required or permitted by GRAP.

1.6 Property, plant and equipment**Initial recognition and measurement**

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

The cost of an item of 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 entity; and
- the cost or fair value of the item can be measured reliably.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.6 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost at which the asset is recognised. The cost also includes the estimated costs of dismantling and removing the asset and restoring the site on which it is operated.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets 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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition.

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. These major components are depreciated separately over their useful lives.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Subsequent expenditure

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an assets' residual value, where applicable.

The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively, if appropriate.

The annual depreciation rates are based on the following estimated asset useful lives:

Item	Average useful life
Leasehold improvements	5 years (lease period)
Furniture and fixtures	6 years
Finance lease assets	2 years
Office equipment	5 years
IT equipment	3 years
Production and development equipment	3 years
Cellphones device	2 years

Financial leases assets (cellphones) are recognised at a fixed cost of the device value and depreciated over a period of 2 years.

Leasehold improvements are amortised in line, with the lease term.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Accounting Policies

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

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 the impairment is recognised in the Statement of Financial Performance.

Derecognition

Items of property, plant and equipment 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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.7 Intangible assets

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. The entity 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 entity and the cost or fair value of the asset can be measured reliably.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and

- the cost or fair value of the asset can be measured reliably.

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

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- a. The entity intends to complete the intangible asset for use or sale.
- b. It is technically feasible to complete the intangible asset.
- c. The entity has the resources to complete the project.
- d. It is probable that the entity will receive future economic benefits or service potential.
- e. The entity has the ability to measure reliably the expenditure during development.

Where an intangible asset is acquired by the entity 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.

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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.7 Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Impairments

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the

estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from 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.

1.8 Employee benefits

Short-term employee benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Post employment benefits

The entity operates a defined contribution plan in the form of a provident fund scheme covering all qualifying employees. The assets of the scheme are held separately from those of the entity and are administered by the scheme's trustees. The entity's contributions to the defined contribution fund are included in the staff costs and charged to the statement of financial performance during the year to which they relate.

1.9 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.9 Revenue from exchange transactions (continued)

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a. The entity retains neither continuing
- b. The amount of revenue can be measured
- c. It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Expenditure from exchange transactions

The accounting policy for expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

1.10 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions.

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Specific non-exchange-revenue sources

Revenue from public contributions and donations 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 qualifies for recognition and first becomes available for use by the entity. Where public contributions have been received

but the entity has not met the related conditions that would entitle it to the revenue, a liability is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the entity.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

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.

Expenditure relating to non-exchange

The accounting policy for expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.10 Government grants (continued)

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a reimbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.11 Surplus and Deficit

Gains and losses

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented separately from other revenue in the Statement of Financial Performance.

Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

1.12 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- a. this Act; or
- b. the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- c. any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Accounting Policies

1.12 Irregular expenditure (continued)

If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.13 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and could 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.

1.14 Recovery of Unauthorised, Irregular, Fruitless and Wasteful expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery there of from the responsible officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income.

1.15 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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

Related parties are disclosed in terms of GRAP 20.

1.16 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.17 Provisions and contingencies

Provisions are recognised when:

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

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Accounting Policies

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Employee entitlement to annual leave is recognised when it accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up to the amount of the obligation.

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity- therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 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 both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned and reduced on the outstanding liability. The entity does not enter into finance leases which attracts finance charges.

Operating leases - lessee

Operating lease payments are recognised as an expense in the statement of financial performance.

1.20 Translation of foreign currencies

Foreign currency transactions

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

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Accounting Policies**1.20 Translation of foreign currencies
(continued)**

- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

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

1.21 Budget information

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 April 2015 to 31 March 2016.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual amounts.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand **2016** **2015**

2. New standards and interpretations

2.1 Standards and interpretations Issued, but not yet effective

The entity has chosen to early adopt the following standards and interpretations:

Standard / Interpretation:	Effective Date:	Expected impact
	Years beginning on or after	The impact of the amendment is not material.
GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.
GRAP32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
GRAP108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
IGRAP17: Service Concession Arrangements where a Granter Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The impact of the amendment is not material.

3. Receivables from exchange transactions

Sundry debtors	8 284	-
Sundry debtors relates to an overpayment of an Audit and Risk Committee member which will be recovered in 2016/17 financial year		

4. Receivables from non-exchange transactions

Pay-As-You-Earn (PAYE)	38	1 215
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5. Cash and cash equivalents

Cash on hand	648	868
Bank balances	516 378	954 190
Call account	19 847 693	20 673 041
	20 364 719	21 628 099

At the end of period the carrying amounts of cash and cash equivalents approximated their fair values due to the short-term maturities of these assets. A total of R66 137 492 received in the current financial year and R21 628 099 was brought forward from prior year. Disbursements of R67 468 412 have been made since 01 April 2015.

6. Prepayments

Prepayments	3 325 458	1 323 374
Subscription and services	1 503	21 027
Rental	289 256	5 700
IT costs	32 391	67 918
Marketing	3 002 308	1 228 729
	3 325 458	1 323 374

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements
Figures in Rand
2016
2015
6. Prepayments (continued)

Prepayments comprise of the payments for the Simon Sabela Awards 2016 and international travel for the CANNES Film Festival paid in advance to secure discounted rates for May 2016.

Other prepayments comprise of newspaper subscriptions, rentals for office space, office equipment and payments for IT costs relating to server maintenance for services which will be received after the period end.

7. Property, plant and equipment

	2016			2015 (Restated)		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and	Carrying value
Furniture and fixtures	739 592	(222 509)	517 083	503 213	(100 785)	402 428
Finance lease assets	166 835	(104 327)	62 508	156 673	(26 572)	130 101
Office equipment	112 727	(15 658)	97 069	62 709	(6 557)	56 152
IT equipment	2 448 751	(1 561 762)	886 989	2 465 934	(753 595)	1 712 339
Leasehold improvements	1 840 590	(30 677)	1 809 913	-	-	-
Production and development equipment	683 479	(190 718)	492 761	-	-	-
Cellphone devices	19 549	(3 249)	16 300	-	-	-
Work-in-progress	639 822	-	639 822	-	-	-
Total	6 651 345	(2 128 900)	4 522 445	3 188 529	(887 509)	2 301 020

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Impairment loss / Loss on write off	Total
Furniture and fixtures	402 428	236 379	(121 724)	-	517 083
Finance lease assets	130 101	27 779	(81 170)	(14 202)	62 508
Office equipment	56 152	67 118	(11 382)	(14 819)	97 069
IT equipment	1 712 339	8 860	(823 474)	(10 736)	886 989
Leasehold improvements	-	1 840 590	(30 677)	-	1 809 913
Production and development equipment	-	683 479	(190 718)	-	492 761
Cellphone devices	-	19 549	(3 249)	-	16 300
Work-in-progress	-	639 822	-	-	639 822
Total	2 301 020	3 523 576	(1 262 394)	(39 757)	4 522 445

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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7. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Depreciation	Impairment loss/ Loss on write off	Total
Furniture and fixtures	312 151	162 685	(72 408)	-	402 428
Finance lease assets	-	156 673	(26 572)	-	130 101
Office equipment	-	62 709	(6 557)	-	56 152
IT equipment	1 030 853	1 303 926	(615 500)	(6 940)	1 712 339
	1 343 004	1 685 993	(721 037)	(6 940)	2 301 020

Work-in progress relates to the setup and partitioning of the KZNFC offices.

The loss on assets of R39 757 reported as assets lost, relates to electronic equipment that was used by the entity's employees for business purposes. The losses were recovered through insurance claims amounting to R51 484

Finance lease assets were restated to correct an over-capitalisation that was under taken in the prior year. The net impact of the changes on the finance lease assets is reduction of R256 770.

IT equipment was restated to include one CCTV camera, which was reclassified from non-capitalised assets to fixed assets. The reclassification resulted to a net increase of R7 546 in IT equipment.

8. Intangible assets

	2016			2015 (Restated)		
	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 196 579	(707 113)	489 466	1 147 547	(311 311)	836 236

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	836 236	49 032	(395 802)	489 466

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	387 041	7 000 656	(251 461)	836 236

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
9. Finance lease obligation		
Minimum lease payments due		
- within one year	65 653	78 337
- in second to fifth year inclusive	4164	51 764
Present value of minimum lease payments	69 817	130 101
Non-current liabilities	4164	51 764
Current liabilities	65 653	78 337
	69 817	130 101

The entity has two (2) year cellphone contracts and the cost of the devices is capitalised and treated as finance lease which is amortised over a period of two years.

10. Payables from exchange transactions

Trade payables	7 524 100	3 884 137
Other current liabilities - board fees	22 120	22 567
Accrued leave pay	420 446	212 085
Accrued 13th cheque savings	92 694	40 985
Accrued performance bonuses	1 620 184	405 004
	9 679 544	4 564 778

The ageing of trade payables as at reporting date were as follows:

Goods and services

30 days	6 659 347	1 742 634
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11. Trade and other payables from non-exchange transactions

Medical aid	60 414	17 816
Provident fund	129 747	-
	190 161	17 816

12. Finance income

Interest revenue

Bank	1 396 550	228 390
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13. Sundry income

Tender documents	31 959	22 550
Insurance recoveries	51 484	-
	83 443	22 550

Insurance recoveries relate to receipts for claims on loss of assets during the year under review.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
14. Grants and transfers		
Released to income from EDTEA	63 178 000	58 235 747
Grants on behalf of KZNFC	-	323 559
Special grants	1 479 500	-
Total Grants Released	64 657 500	58 559 306

The special grant of R1 479 500, was received from EDTEA to fund the KZN Youth Film Production programme.

15. Members' emoluments**2016**

	Members' fees	Other payments	Total
W Msomi	388 118	11 445	399 563
B N Malange	213 329	8 150	221 479
P Raleigh	97 036		97 036
M Mzimela	62 739		62 739
L Berning	135 750		135 750
D Ramuedzisi	20 922		20 922
K Simelane	6 991		6 991
	924 885	19 595	944 480

2015

	Members' fees	Other payments	Total
W Msomi	405 357	15 407	420 764
B N Malange	228 250	-	228 250
P Raleigh	66 985	7 720	74 705
M Mzimela	57 891	-	57 891
L Berning	150 431	7 696	158 127
D Ndlovu	47 483	-	47 483
	956 397	30 823	987 220

Other payments relate to subsistence and travel costs paid to Board members when they are on KZNFC business.

Members of the KZNFC Board that are employed within government do not receive remuneration for the service rendered as board members. The following members were therefore not paid for the current financial year;

N Khoza
Z Gwala
A Monty
N Mthembu

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand		2016	2015
16. Employee related costs			
Executive Management	Designation		
CL Coetzee	Chief Executive Officer	1 738 333	1 643 784
K Bogatsu	Chief Financial Officer	1 312 614	1 134 240
JM Motsepe	Chief Operations Officer	1 295 992	1 124 985
		4 346 939	3 903 009
2016		Salary	Performance Bonus
			Total
CL Coetzee		1 599 421	138 912
K Bogatsu		1 207 896	104 718
JM Motsepe		1 207 970	87 975
		4 015 287	331 605
2015		Salary	Performance Bonus
			Total
CL Coetzee		1 508 077	135 707
K Bogatsu		1 039 341	94 899
JM Motsepe		1 039 509	85 476
		3 586 927	316 082
Cost of employment - non executive		11 307 922	2 656 347
Performance bonus - non executive		1 288 532	88 921
Temporary staff		93 634	136 595
Contractor		36 168	1 287 952
Leave accruals		208 362	183 422
		12 934 618	4 353 237
Total employee related costs		17 281 510	8 256 246
17. Finance costs			
Trade and other payables		354	3 219
Late payment of tax		16	56 802
		370	60 021
18. Marketing and projects			
Advertising and promotions		2 631 427	1 938 255
Branding and marketing		2 939 966	2 951 282
Simon Mabhunu Sabela - film awards		6 141 017	5 187 764
Special projects - Durban international film festival		1 910 000	3 603 750
Special projects - other festivals		2 127 865	648 280
		15 750 275	14 329 331

These costs relate to different initiatives by KZNFC to transform and develop the film industry while recognising the achievements of KZN born filmmakers during the Simon Sabela Awards, Durban International Film Festival. The key focus is to market KwaZulu-Natal as a preferred film destination to the local and international stakeholders.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
19. Depreciation and amortisation		
Furniture and fittings	121 724	72 408
IT equipment	823 473	615 500
Computer software	395 802	251 461
Office equipment	11 381	6 557
Finance leases assets (cellphones)	81 170	26 572
Production and development equipment	190 718	-
Cellphones	3 248	-
Leasehold improvements	30 677	-
	1 658 193	972 498
20. Operating Expenses		
Advertising	276 381	386 777
Bank charges	34 303	20 345
Cleaning	107 252	53 131
Consulting and professional fees	1 725 316	1 197 695
Corporate social initiatives	147 619	305 911
Fines and penalties	5 627	157 904
Insurance	142 571	62 444
Conferences and seminars	11 592	42 472
IT expenses	913 528	1 318 476
File management	30 914	-
Recruitment costs	403 043	1 701 510
Postage and courier	17 231	33 001
Printing and stationery	321 694	192 207
Security services	46 868	19 214
Staff welfare	23 644	18 162
Subscriptions and membership fees	49 481	29 872
Telephone and fax	687 006	271 911
Training	801 810	112 883
Travel - local	664 241	592 110
Non-capitalised equipment - consumables	304 611	186 849
Electricity	243 031	-
Water	11 481	-
Internship programme	208 080	178 203
Employee wellness	108 089	42 399
Repairs and maintenance	5 521	75 771
Lease rentals on operating lease	1 813 033	1 222 810
Other expenses	177 463	12 337
	9 281 430	8 234 394
21. Auditors' fees		
Audit fees	828 194	589 282
22. Production and development costs		
Film production		
Film production	11 999 907	2 827 657

The amount relates to projects funded through the KZNFC film funding policy. This is to ensure there is an increase in production of film and television in KwaZulu-Natal Province.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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22. Production and development costs (continued)

Project costs

SMME programme & incubation	3 305 125	1 695 076
Stakeholder engagement programme	580 651	111 169
Bursaries	610 115	1 239 734
Skills development	5 251 465	-
	<u>9 747 356</u>	<u>3 045 979</u>
Total production and development costs	<u>21 747 263</u>	<u>5 873 636</u>

23. Research and development

Film industry research	<u>1 212 380</u>	<u>-</u>
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24. Cash generated from operations

(Deficit) surplus	(2 606 360)	19 500 678
Adjustments for:		
Depreciation and amortisation	1 658 193	972 498
Loss on assets written off	39 758	6 940
Changes In working capital:		
Receivables from exchange transactions	(8 284)	-
Other receivables from non-exchange transactions	1 177	(1 215)
Prepayments	(2 002 084)	(1 104 030)
Payables from exchange transactions	5 114 766	3 851 886
Taxes and transfers payable (non exchange)	172 345	(122 023)
Deferred Income		<u>(1 034 747)</u>
	<u>2 369 511</u>	<u>22 069 987</u>

25. Risk management

Financial risk management

Capital Management

The entity manages its capital to ensure that the entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the assets. The entity's overall strategy remains unchanged. The entity is not subject to any externally imposed capital requirements.

Cash and cash equivalents	20 364 719	21 628 099
Prepayments	3 325 458	1 323 374
Other receivables	8 322	1 215
	<u>23 698 499</u>	<u>22 952 688</u>

Liquidity risk

The entity's exposure to liquidity risk is minimal as it is 100% funded by the Department of Economic Development, Tourism and Environmental Affairs. The annual budgets are approved at the beginning of each fiscal year and draw-down as requested at the beginning of each quarter. Cash flows are monitored monthly against budgets and adjustments are made where necessary. Risk management assessments are conducted annually to assist with identifying any possible cash flows, liquidity or other risks.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements**Figures in Rand****2016****2015****25. Risk management (continued)****Credit risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the entity.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors.

Other receivables comprise a widespread counter base. Credit exposure is controlled by the application of the entity's credit control and debt collection policies.

There has been no significant change during the financial year, or since the end of the financial year, to the entity's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing the risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the entity's maximum exposure to credit risk:

Potential concentration of credit risks consists principally of other trade receivables and short-term cash investments. At year end management did not consider the entity to have significant concentration of credit risk other than short-term investment held with the bank.

Market risk**Interest rate risk**

The entity's interest bearing assets are included under cash and cash equivalents. The entity's income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of interest bearing assets.

Balances with banks and all call and current accounts attract interest at rates that vary with the South African prime rate. The entity generally adopts a policy of ensuring that its exposure to changes in interest rates is on floating rate basis.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the potential change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus. The sensitivity analysis shows reasonable expected changes in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite percentage adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below. The disclosure only indicates the effect of the change in interest rate on surplus.

Estimated Increase in rates

Estimated increase in basis points

100100

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand **2016** **2015**

25. Risk management (continued)

Financial asset profile	2016	2015
Cash and bank balances	<u>20 364 719</u>	<u>21 628 099</u>

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variable remain constant. The analysis is performed on the same basis for 2016

Surplus or deficit	2016		2015	
	100 bp Increase	100 pb Decrease	100 bp Increase	100 bp Decrease
Cash and bank balances	<u>203 647</u>	<u>(203 647)</u>	<u>216 281</u>	<u>(216 281)</u>

Currency risk

The entity is exposed to currency risks due to foreign currency payments, however management has ensured that all foreign transactions are hedged where possible. The foreign currency transactions are monitored by ensuring that payments are made within the transaction date to avoid high fluctuations of the different currencies.

Price risk

The entity has limited market risk exposure for the year, the foreign exchange transactions during the current financial year having been limited to payments for services rendered which are paid using the ruling transaction rate on the date of payment.

26. Contingencies

The entity has reviewed the contingent liabilities as at 31 March 2016, and there were no significant matters or legal cases that the entity was aware of.

27. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	Non-financial instruments	Loans & receivables	Total
Cash and cash equivalents	-	20 364 719	20 364 719
Prepaid expenses	3 325 458		3 325 458
Other receivables	8 322		8 322
	<u>3 333 780</u>	<u>20 364 719</u>	<u>23 698 499</u>

Financial liabilities

	At amortised cost	Non-financial instruments	Loans & receivables	Total
Other financial liabilities	69 817	-	-	69 817
Trade and other payables from exchange transactions	6 659 347	420 446	2 489 911	9 569 704
	<u>6 729 164</u>	<u>420 446</u>	<u>2 489 911</u>	<u>9 639 521</u>

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Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand **2016** **2015**

27. Financial Instruments disclosure (continued)

2015

Financial assets

	Non-financial instruments	Loans & receivables	Total
Cash and cash equivalents	-	21 628 099	21 628 099
Prepayments	1 323 374	-	1 323 374
Other receivables	1 215	-	1 215
	1 324 589	21 628 099	22 952 688

Financial liabilities

	At amortised cost	Non-financial instruments	Loans & receivables	Total
Other financial liabilities	130 100	-	-	130 100
Trade and other payables from exchange transactions	1 742 634	212 085	2 629 091	4 583 810
	1 872 734	212 085	2 629 091	4 713 910

Management has reviewed the financial instruments and assessed the impact of interest. The financial instruments are of a short-term nature and therefore interest has not been calculated as there will be no significant impact on the financial instruments.

28. Related parties

Relationships	
Members of key management	CL Coetsee K Bogatsu JM Motsepe
Members of the Board	W Msomi BN Malange N Khoza L Berning P Raleigh Z Gwala M Mzimela N Mthembu A Monty (Resigned 15 September 2015)
Independent Committee members	D Ramuedzisi K Simelane

Related party transactions

Total grants received for the year

Department of Economic Development, Tourism and Environmental Affairs	63 178 000	57 201 000
Special grants	1 479 500	-

Total grants paid on behalf of KwaZulu-Natal for the year

Department of Economic Development, Tourism and Environmental Affairs	-	323 559
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Compensation to members and key management

Key management remuneration	4 346 939	3 918 538
Board and committee members' fees	944 481	987 220

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
29. Fruitless and wasteful expenditure		
Interest- SARS PAYE	16	56 802
Interest- Telkom	354	3 219
Penalty- SARS PAYE	5 627	157 904
Flights	3 126	-
Subtotal	9 123	217 925
Recovery - Flights	(3 126)	-
	5 997	217 925

The Telkom account was paid late due to Telkom not sending invoices to KZNFC before the due date, as this account was initially under EDTEA. The delays in receiving of invoices attracted interest, but has subsequently been resolved.

30. Irregular expenditure

Opening balance	561 985	40 926
Add: Irregular Expenditure - year under review	-	4 195 764
Less: Amounts condoned	(307 473)	(3 674 705)
	254 512	561 985

Details of irregular expenditure condoned

	Condoned by	
Service providers with three quotations but 80/20 not calculated (2014/15)	Accounting authority in 2015/16	181 849
Three quotations not sourced (2014/15)	Accounting authority in 2015/16	125 624
		-
		307 473

Details of irregular expenditure not recoverable (not condoned)

Incorrect SCM thresholds used in 2014/15	254 512
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31. Funds To Be Surrendered

Cash and cash equivalents	20 364 719	21 628 098
Creditors and Accruals for goods and services	(9 514 922)	(4 499 043)
Projects to be finalised and completed 2016/17	(10 849 797)	(17 129 055)
	-	-

There are no grants or funds to be surrendered in the 2015/16 financial year due to the KZNFC having all its available funds being fully committed through contracts.

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
32. Commitments		
Authorised operational expenditure		
Authorised operational expenditure		
• Approved and contracted	36 095 974	21 469 042
Not yet contracted for and authorised - operational		
• Approved and not yet contracted	1 200 000	9 093 700
Total operational commitments		
Approved and contracted	36 095 974	21 469 042
Approved and not yet contracted	1 200 000	9 093 700
	37 295 974	30 562 742

33. Prior period adjustments

The Annual Financial Statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practices on a basis consistent with the prior year. Where adjustments were done in the current annual financial statements, management considered the impact on the opening balances of the earliest comparative figures and these were adjusted accordingly.

The effect of the prior period adjustment on the financial statements for the period ended 31 March 2016 is as follows:

Statement of Financial Position

Property, plant and equipment	2015
Previously stated	2 540 917
Prior year adjustment	(239 897)
	2 301 020

The CCTV camera was reclassified from non capitalised assets to fixed assets and correction of Computer equipment accumulated depreciation of R16 872. Finance lease assets have been restated to correct the erroneous treatment that was applied prior year (R256 770).

Finance lease assets	2015
Previously stated	386 871
Prior year adjustment	(256 770)
	130 101

The finance lease assets were previously reported at total contract value. This was restated to total asset value of the devices under the contract.

Payables from exchange transactions	2015
Previously stated	4 375 624
Prior year adjustment	189 154
	4 564 778

KWAZULU-NATAL FILM COMMISSION

Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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33. Prior period adjustments (continued)

The adjustment is made up of amounts which were only brought to book at invoices processed after year-end. This includes marketing costs of R125 624 and employee, contractor costs which were not accrued for at the reporting date.

	2015
Finance lease obligation	
Previously stated	382 476
Prior year adjustment	<u>(252 375)</u>
	130 101

The finance lease obligation was previously reported at total contract value. This was restated to the amount owed due to the cost price of the device under the contract.

	2015
Accumulated surplus	
Previously stated	21 283 925
Prior year adjustment	<u>93 323</u>
	21 377 248

The prior year adjustments on surplus is an aggregation of the adjustments reported on PPE and payables from exchange transactions as mentioned above.

Statement of financial performance

	2015
Employee related costs	
Previously stated	8 224 704
Prior year adjustment	<u>31 542</u>
	8 256 246

This prior year adjustment is for contractor costs that was not accrued for at reporting date.

	2015
Marketing and projects	
Previously stated	14 203 706
Prior year adjustment	<u>125 625</u>
	14 329 331

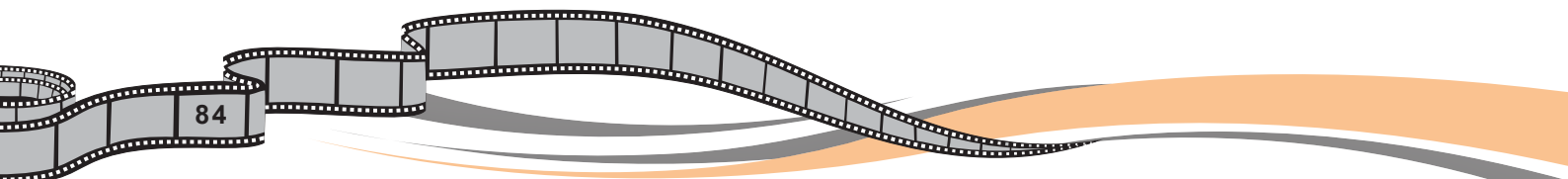
The amount refers to marketing costs that was not accrued for at reporting date.

	2015
Depreciation	
Previously stated	1 033 751
Prior year adjustment	<u>(61 253)</u>
	972 498

The adjustment on depreciation is due to the reclassification of fixed assets and the write back on finance lease assets depreciation due to the amendment of the fixed cellphone cost as reflected under PPE

	2015
Operating expenses	
Previously stated	8 153 631
Prior year adjustment	<u>80 763</u>
	8 234 394

The adjustment relates to the reclassification of an asset from inventory account to fixed assets, the recognition of courier costs that was not accrued for and the increase in the cellphone expense as a result of correction done on finance lease.



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Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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33. Prior period adjustments (continued)

Production and development costs	2015	
Previously stated	6 143 636	
Prior year adjustment	<u>(270 000)</u>	
	<u>5 873 636</u>	

The amount relates to reallocation of the payment made to NEMISA for collaboration on training. The amount was allocated in full to training but should have been split between assets and training as part of this payment went towards the payment for assets to be utilised by KZNFC for trainings.

34. Operating lease

2016		
Minimum lease payments	< 1 year	1 = 5 years
Rental of property for office space	2 426 042	11 454 911
Rental of photocopiers	192 811	304 326
	<u>2 618 853</u>	<u>11 759 237</u>
2015		
Minimum lease payments	<1 year	1 = 5 years
Rental of property for office space	388 788	-
Rental of photocopiers	124 863	423 054
	<u>513 651</u>	<u>423 054</u>

35. Going concern

We draw your attention to the fact that at 31 March 2016, the entity had accumulated surplus of R 18 770 888 and that the entity's total assets exceeded its liabilities by R 18 770 888.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The management have reviewed the entity's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the funding commitment by the Department of Economic Development Tourism & Environmental Affairs, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

36. Events after the reporting date

These will be events that have taken place after the reporting date, but before the Annual Financial Statements are issued, there were no changes that happened after the reporting date.

At this stage the management has assessed the events that have taken place since the reporting date and nothing has come up that will require the adjustment of the Annual Financial Statements. In making this assessment, management has looked at the following:

- Any legal claims lodged; nature of the event.
- Any publicity that may have taken place since the reporting date that may have an impact on the organisation.
- Minutes of the last management meetings to see whether anything was discussed that may require disclosure in terms of this standard; and
- Whether there are any significant assets bought or dispensed after the reporting date.

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Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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37. Actual operating expenditure versus budgeted operating expenditure

Refer to Statement of comparison of budget and actual amounts for the comparison of actual operating expenditure versus budgeted expenditure.

37.1 Employee related costs - Over-expenditure in employee related costs is due to performance bonuses that have been accrued and will be paid in the next financial year, as budget is on a cash basis.

37.2 Board members remuneration - Savings are due to KZNFC implementation of cost cutting measures as per Provincial Treasury circular 12 of 2015/16.

37.3 Depreciation - The KZNFC does not budget for depreciation as there is no cash outflow for this transaction.

37.4 Production and development funding - The underspend relates to delays in receiving milestone reports for projects, as KZNFC pays funding to projects based on milestone achieved. The amounts will be spent in the next financial year.

37.5 Marketing and projects - The underspend was due to savings from implementation of cost cutting measures as per Provincial Treasury circular 12 of 2015/16 and cancellation of the rebranding project.

37.6 Operating expenses - Underspend due to delays in implementation of KZNFC film cluster. The cluster will be completed in 2016/17. Other savings are due to the implementation of cost cutting measures.

38. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the reasons for any deviations are recorded and reported at the next meeting of the members and includes a note to the financial statements.

2016 - Deviations	<R500 000	>R500 000
IT-Cost	161 297	-
Marketing and Publications	1 151 148	-
Office equipment	67 118	-
	1 379 563	-

38.1 IT-Cost:

The deviation on IT costs was due to an increase of internet broadband to meet KZNFC capacity requirements. Other costs relate to engagement of Ukhozi Systems to enhance the Paster Accounting system set-up.

38.2 Marketing and publications:

Procurement was for Sun Circle Publishers, The Hollywood reporter, The Callsheet, Disbook Magazine, CANNES Fund Book, Time Media Publishing, Locations Guide, Scan Display Solutions, Durban Film Mart and Inkosi Chief Albert Luthuli rec for services related to placement of advertisements targeting selected publications and payments for exhibition stands in markets where it is impractical to source other quotations due to targeted marketing strategy by the entity.

38.3 Office equipment:

The deviation on office equipment was due to purchase of air conditioners for the server room as the entity was moving to the new office premises. AERS is the only service provider allowed to install air conditioners in the building by the Landlord due to health and safety requirements, three quotations could not be sourced from other services providers.

2015 - Deviations	<R500 000	>R500 000
IT-Cost	227 134	-
Marketing and Publications	1 225 141	1 149 536
Office equipment	23 940	-
	1 476 215	1 149 536

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Financial Statements for the year ended 31 March 2016

Notes to the Financial Statements**Figures in Rand****2016****2015****39. Budget differences****Material differences between budget and actual amounts**

There are differences between budget and actual expenditure in some of the expenditure categories. These are mainly due to KZNFC paying funding contracts based on project milestones. The KZNFC uses the accrual principle in reporting while the budget is on a cash basis.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

2016	Original Budget	Final Adjusted Budget	Actual Expenditure
KwaZulu-Natal Film Commission	60 178 000	87 696 116	68 704 095

