ANNUAL REPORT 2019/2020

KWAZULU-NATAL FILM COMMISSION

SOUTH AFRICA

• OUR KINGDOM IS YOUR STAGE •

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ANNUAL REPORT 2019/2020

KWAZULU-NATAL FILM COMMISSION'S GENERAL INFORMATION

REGISTERED NAME: KZNFC

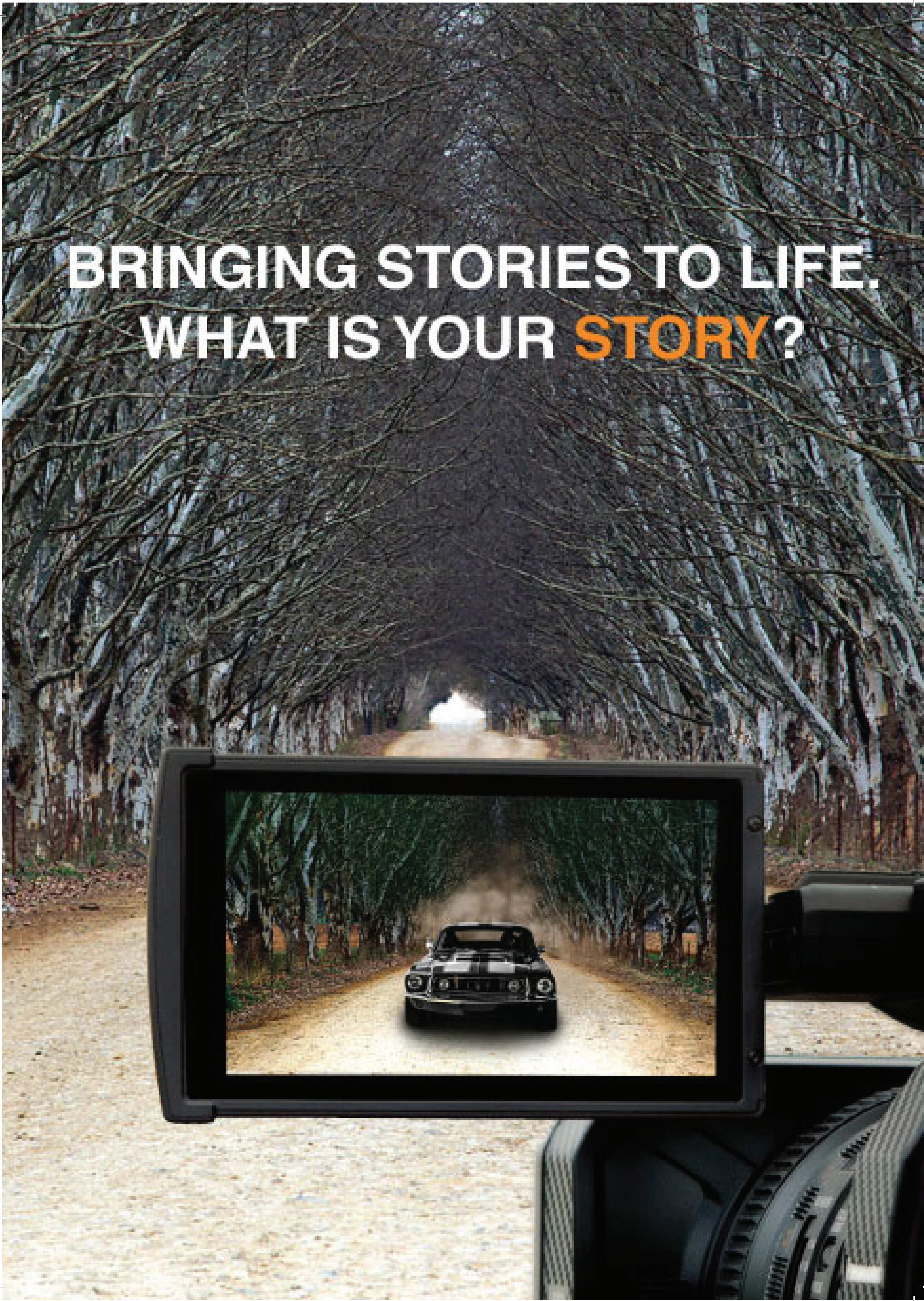
PHYSICAL ADDRESS: 115 Musgrave Centre, 10th Floor, Durban

POSTAL ADDRESS: P O Box 5274, Durban, 4000

TELEPHONE NUMBER: +27 31 325 0200

EMAIL ADDRESS: info@kwazulunatalfilm.co.za

WEBSITE ADDRESS: www.kwazulunatalfilm.co.za


BRINGING STORIES TO LIFE.
WHAT IS YOUR STORY?

Contents

Fam tour with production company Puo Pha for their upcoming production BAHWEBI

Location: Sani Pass

PART A

General Information

PART A

1. GENERAL INFORMATION

REGISTERED NAME: KZNFC

PHYSICAL ADDRESS: **115 Musgrave Centre**, 10th Floor, Durban

POSTAL ADDRESS: P O Box 5274, Durban, 4000

TELEPHONE NUMBER: +27 31 003 9000

EMAIL ADDRESS: info@kznfilm.co.za

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2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	-	**Auditor General of South Africa**
BBBEE	-	**Broad-Based Black Economic Empowerment**
CEO	-	**Chief Executive Office**
CFO	-	**Chief Financial Officer**
COVID -19	-	**Coronavirus disease**
EXCO	-	**Executive Committee**
GRAP	-	**Generally Recognised Accounting Practice**
KZNFC	-	**KwaZulu-Natal Film Commission**
MEC	-	**Member of Executive Council**
MPL	-	**Member of the Provincial Legislature**
MTEF	-	**Medium Term Expenditure Framework**
PFMA	-	**Public Finance Management Act**
SMME	-	**Small Medium and Micro Enterprises**
SCM	-	**Supply Chain Management**
QSE	-	**Qualifying Small Enterprises**
VOD	-	**Video On Demand**

Nomsa Dube-Ncube. MPL

Foreword by the MEC for Economic Development, Tourism and Environmental Affairs

During the 2019/20 financial year, the KwaZulu-Natal Film Commission (KZNFC) continued to ensure that our Province is promoted and marketed as a global destination for film productions. The financial year 2019/20 was not easy, particularly the fourth quarter of the fiscal year, that saw the outbreak of the Corona Virus (COVID-19 pandemic). COVID-19 adversely affected all industries across the world with the media and entertainment industry being one of the hardest-hit sectors. The film industry has been notably more vulnerable due to the nature of production, and the consumption of its output wherein physical interaction is required on production sets and in exhibition spaces such as cinemas. With the containment strategies of COVID 19 that includes, restrictions on movements and gatherings, travelling and closure of cinemas, this meant that the industry came to a halt.

As in the case of so many other industries, the film sector will have to adjust in order to recover from the impact of the pandemic. It is positive to note, however, that KZNFC had begun in 2019/20 financial year to look at the impact of the fourth industrial revolution on the film sector. During the fiscal year, the entity began to prioritise its funding and training to cater for digitally-driven film content such as animation. Programmes to enhance the skills and knowledge of the filmmakers to understand alternative media platforms such as Video On Demand (VOD) were provided so that the local filmmakers could access multiple platforms to distribute and to sell their content. It is a key strategy of the entity that these scarce skills and digitally driven programmes be supported as the drivers of the film sector going forward.

The KZNFC continued in the 2019/20 financial year to ensure that the film programmes are taken to previously disadvantaged communities. This was achieved through audience development, information sharing sessions and funding people from designated groups throughout the Province. Over R32 million was spent on funding production and development projects and a further R1,6m to support local film festivals during the year. In addition KwaZulu-Natal African Film Festival, Kwasukasukela film festival and Durban International Film Festival, the uMsunduzi Local Municipality had its inaugural Umgungundlovu film festival in 2019. The KZNFC successfully hosted the 7th instalment of the Annual Simon "Mabhunu" Sabela Film and Television Awards, which continues to grow in strength with over 20 awards being presented to our local talent.

Lastly, I would like to convey my sincere gratitude to the Board and theKZNFC's employees for their support and commitment to growing a sustainable and transformed KZN Film Industry.

Nomsa Dube-Ncube. MPL
Department of Economic Development, Tourism and Environmental Affairs

Nise Malange
Chairperson: KZNFC

Foreword by the Chairperson of KZN Film Commission

It gives me great pleasure to provide an account of the achievements of the KZNFC in the 2019/20 financial year. During the financial year, the Board identified the film fund and issues of transformation as its key priorities. In terms of the Film Fund, the Board sought to ensure that the emerging KZN filmmakers from the designated groups received the required support that they needed in order to succeed with their productions. There were sixty-three projects awarded funded by KZNFC for development and production during the year. A total budget of about R32m was allocated for these projects with all savings identified during the year being redirected to the film fund as well as an additional R10m secured from EDTEA. Regarding transformation, the Board ensured that the various interventions ranging from funding, training and supplier development are designed and implemented to address the radical economic transformation programme. Furthermore, it is essential to mention that the Board took a deliberate decision that KZNFC programmes must be taken to the previously disadvantaged communities. Three programmes were identified for this initiative, which included;- audience development, information sharing and human capital development.

The Board directed that the programmes identified for community initiatives were fully supported in terms of human and financial resources. Furthermore, the existence of the KZNFC film cluster infrastructure further enhanced the delivery mechanism. The Board is aware that the lack of infrastructure poses a considerable limitation to the growth of the film sector in the Province. However, the KZNFC film cluster provided the much-needed relief to the local filmmakers. To enhance the operations of the cluster, the process of researching the feasibility of establishing studios is underway.

The year certainly had its fair share of challenges with limited board members and the removal of the previous Chairperson by the shareholder in terms of the provisions of the KZNFC Act; high vacancy levels impacting on the governance results and effectiveness of controls and an investigation into allegations made against senior officials who subsequently resigned from the entity. These have been finalised, and all matters have been appropriately concluded and reported on. These matters led to a full review of our processes and the implementation of interim solutions to deal with the capacity constraints until such time as the merger process is determined.

Finally, I would like to take this opportunity to extend my sincere gratitude to the MEC, my fellow Board Members, to our CEO and her EXCO, to all KZNFC Staff Members and all our Stakeholders for their respective contributions towards the achievements of KZNFC vision and the growth of the industry.

Nise Malange
Chairperson: KZNFC
Date: 30 May 2020

Chief Executive Officer's Overview

The KZNFCs budget of R80 538 000 is directed to effectively supporting the growth and development of the industry. The entity ended the year with a surplus of R15,7m. The additional allocation of R10m, late in the year, and a return of production funding held in trust resulted in a low spend of 57% for the year. However, the full budget was committed at the financial year-end and has been approved for rollover. Certain adjustments were made to prior year figures to cater to accounting standards and to provide the users of the annual report with more information. The KZNFC is in a good position with minimal debts and healthy financial position. Whilst budgets will be cut in the foreseeable future; the entity is financially stable and has effective systems to support the industry programmes.

During the financial year, an additional allocation of R10m was made by EDTEA towards the film fund, due to the increased number of qualifying applications of funding from our filmmakers. All operational savings realised during the year are allocated to the film fund as the funding of productions is considered critical for the sustainability of the sector. As a result, the 2019/20 financial year saw a record number of 63 projects being funded in development and production through the film fund. Thirty-eight were in development to the value of R4.4m and twenty-three were production projects to the value of R28.3m. The total investment made towards these projects was R32.7 million with a likely total production spend in the Province of R100m over the next two years. The success of the slated projects, previously undertaken by the NFVF, resulted in KZNFC launching the call in February this year and the award in March of a fictional and a documentary slate project for the next three years to two companies owned by black female filmmakers.

The 2019/20 financial year showcased many of the KZNFC funded productions on both the big screen and in the festival circuits with many being successful from a box office revenue perspective (earning highest revenue for a SA production) to receiving numerous awards both locally and internationally.

During the financial year under review, KZNFC has a signed an MOU with Black Entertainment Television (BET) to develop eight short films which will be broadcast on BET platforms. The Short Films Programme is an intervention to provide new entrants in the industry, particularly those from historically disadvantaged backgrounds, an opportunity to make films in collaboration or under the guidance of experienced industry experts with the guaranteed distribution.

In June 2019, KZNFC launched the Made for TV Quality Boost Programme. Following a selection process of several months of pitching and presentations, ten KZN emerging filmmakers were selected onto the program. The project has been supported by the EDTEA youth beneficiation fund and by the National Film and Video Foundation (NFVF) and the Durban Film Office (DFO). The development phase of the ten projects was successfully completed in 2019/20 financial year. The next stage, which is the production and delivery of the films, is scheduled to be completed in 2020/21 financial year.

Marketing KZNFC attended, with a business delegation of filmmakers, twelve national and international Markets and Festivals during the financial year. These included Annecy International Film Festival in France, Zanzibar International Film festival, in Tanzania, Toronto International Film Festival in Canada, BFI Film Festival in London. Marketing and Distribution funding supported the exhibition of 'Uncovered' and 'Kandasamys: The Wedding' at various platforms.

The Audience Development funded beneficiaries for the year were: Kwasukasukela Film Festival, Umgungundlovu Film Festival, KwaMashu African Film Festival and the Durban International Film Festival. There were numerous community screening initiatives that were held across the Province in order to take the content to communities. Several information-sharing sessions were also held with the key stakeholders during the financial year to empower filmmakers with knowledge and access to opportunities.

Additional programmes to increase filmmakers skills and knowledge in the sector included several accredited training interventions implemented in different parts of the Province including skills courses on level NQF 4 and 5 intervention with MICT Seta who contributed R651 700 towards the Learnership programmes. KZNFC continued to award bursaries to students studying film and video related courses at tertiary institutions.

The entity is committed to transformation and achieved a BBBEE spending of 114% for the year against a target of 110%. In an attempt to assist our suppliers in understanding our SCM processes, a Suppliers Development workshop was held during the year.

The Film Cluster, which was launched in March 2017, is an integrated facility aimed at enhancing the value chain of the KZN film industry through the provision of private offices to local filmmakers, edit suites, the training room, hot Desks and Resource Centre, and sound room with a fully equipped recording booth at reasonably discounted rates. As at the 31 March 2020, KZNFC has generated revenue to the amount of R302 168 in cluster office and facility rentals. KZNFC had 14 production companies renting the cluster by the end of the 2019/20 financial year.

KZNFC began a process of investigating the development of studios through undertaking a feasibility study through a

Strategic Purpose Vehicle (SPV) established with our investment partner. The Auditor-General considered thetransaction as irregular and a legal process is underway..

The key challenge facing the entity at present is the 40% vacancy rate, particularly at the management level and within finance team. The pending rationalisation process of the past three years has exacerbated the problem by creating uncertainty and low staff morale leading to further resignations. The impact has been felt on the effectiveness of the internal controls with a decline in the audit results in 2018/29, the internal investigation and identification of corrupt activities, compromised internal controls, governance challenges and service delivery complaints.

Whilst interim measures have been put in place, these are simply not sustainable and have been raised with the shareholder on several platforms. Despite these issues, the entity has performed exceptionally well with the annual targets being exceeded in most instances as contained in the relevant sections below relating to performance information.

With the global announcement of COVID 19, the entity focused on preparing the entity for the lockdown during the last three weeks of the financial year. Whilst the majority of planned programs had been completed, two training programs were halted and are still to be completed. Business processes were revised to ensure that all necessary controls would be in place whilst staff operated remotely, and employees were provided with the required tools to operate safely from home. The offices were assessed, and all appropriate steps were taken to ensure the safety of our staff and our visitors in compliance with the relevant regulations.

Lastly, I would like to express my sincere gratitude to our shareholder, the MEC, the acting Head of Department and his team, to our Board Members and all the KZNFC staff members for their hard work and commitment during a particularly challenging year to ensure that this entity succeeds in achieving its mandate and impacting meaningfully on the communities we serve.

J Coetzee

Chief Executive Officer
Date: 30 May, 2020.

6. 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 2020.

Yours faithfully

____

Carol Coetzee
Chief Executive Officer
Date: 30 May, 2020.

____

Nise Malange
Chairperson of the Board
Date: 30 May 2020

7. Strategic Overview

7.1 Vision

A globally competitive, transformed and sustainable film industry in KwaZulu-Natal.

7.2 Mission

To be a catalyst for transformation, job creation and sustainability through funding, human capital development and the promotion of KwaZulu-Natal.

7.3 Values

The values of the KZN Film Commission (KZNFC) are aligned to the Provincial Citizen's Charter as follows:

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

8. 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 impact 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 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 entity is required to comply with the following as an entity of government: -

- 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
- Promotion of Access to Information Act (Act No. 2 of 2000)
- Preferential Procurement Policy Framework Act (Act No. 5 of 2000)

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.

National Lockdown 2020

On 26 March 2020, the President declared a National State of Disaster to contain the spread of the Corona Virus (COVID-19 pandemic). This led to an initial 21 days national shut down. The KZNFC established a COVID Steering Committee to prepare the employees to operate remotely. This required:

- resources to be allocated in order to equip employees (eg laptops, 3G cards, cellphone allowances) to operate effectively from their remote locations;
- Review of business process to ensure effective controls remained in place
- Preparation of the offices to safeguard employees, stakeholders and visitors coming to the Office;
- Automation of all business processes;
- Extensive ongoing risk assessments;
- Extensive communication with all stakeholders on the availability of services; and
- Compliance with all COVID regulations and Treasury practice notes issued weekly.

The lockdown had an adverse impact on some of the operations of the entity. Meetings and workshops that were planned for the financial year were cancelled or postponed. Bid committee meetings to undertake SCM decisions were postponed resulting in the delay in procurement of goods and services and extensions being granted. In line with the Treasury Instruction notes.

The financial impact has a significant bearing on the 2020/21 financial year as the cost implications for the activities mentioned above would be paid in the following year and required reprioritisation of budgets. Furthermore, in order to support the tenants facing financial challenges, the rental holiday was granted for the duration that offices were not accessible to tenants. This will impact on the revenue of KZNFC, albeit nominal. The impact of COVID lockdown is reflected in PART B.

Board

BACK ROW (Left to Right): Kealeboga Bogatsu (Former: Chief Financial Officer), Fikiswa Pupuma (EDTEA representative), Carol Coetzee (Chief Executive Officer), Jackie Motsepe (Chief Operating Officer)

FRONT ROW (Left to right): Leonie Berning, Musa Mzimela (Deputy Chairperson), Nise Malanga (Chairperson), Nozizwe Mthembu

CEO's Office

BACK ROW (Left to Right): Sandile Zuma (Research Analyst), Nomathemba Ngcobo (Executive Secretary to the CEO), Thembile Ngcobo (Research and Development Intern), Keshnee Williams (Compliance and Risk Officer)

FONT ROW (Left to right): Carol Coetzee (Chief Executive Officer), Dr Ngqabutho Bhebhe (Manager: Research and Development)

Finance and Administration

BACK ROW (Left to Right): Lwazi Nodada (IT Specialist), Nkosinathi Khanyile (IT Intern), Mafika Mbatha (IT Trainee), Sboniso Gama (SCM Practitioner)

MIDDLE ROW (Left to Right): Thembisile Madonsela (Accountant Trainee), Sthandiwe Mnguni (SCM Intern), Mthobisi Ncube (Assistant Accountant), Skhonangenkosi Madwalaza (HR Intern), Nonjabulo Mnguni (SCM Practitioner), Bukelani Dlezi (Assistant Accountant), Nana Mchunu (Finance Trainee), Relebohile Putsoane (HR Trainee)

FRONT ROW (Left to Right): Linda Cebekhulu (Human Resource Generalist, Nonhlanhla Thanjekwayo (Financial Manager), Kealeboga Bogatsu (Chief Financial Officer), Olivia Manjate (SCM Manager) Mphiwa Xulu (HR Manager), Khensani Maswanganyi (Executive Administrator to The CFO)

Marketing and Industry Development

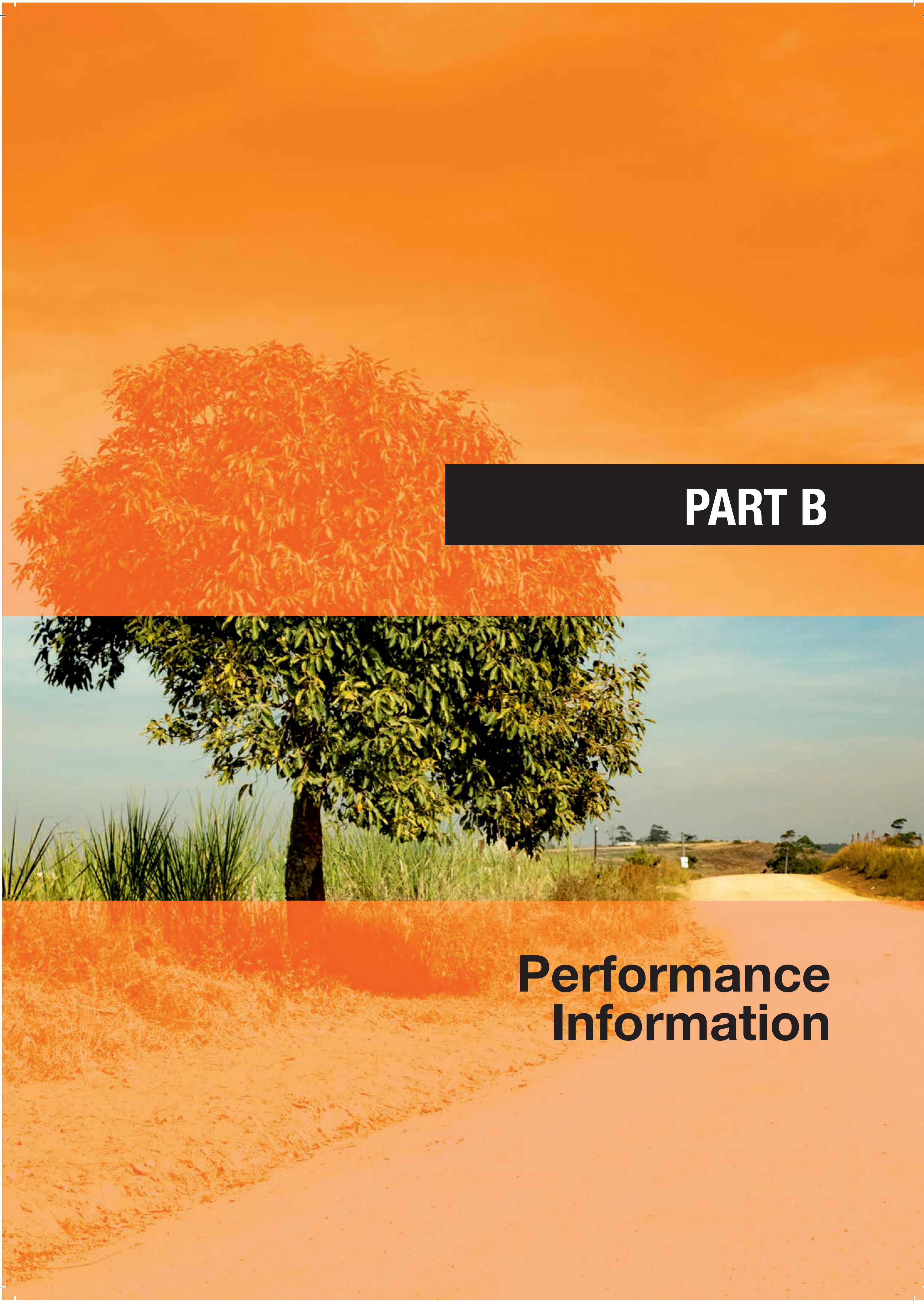
BACK ROW (Left to Right): Portia Nxumalo (Executive Assistant To The COO), Zamabuya Msibi (HCD Coordinator), Nosipho Gabela (Receptionist Trainee), Valentia Mthembu (PR & Events Specialist), Silindile Mthimkhulu (FITI Trainee), Sithembiso Gigaba (Facilities and Maintenance Coordinator)

MIDDLE ROW (Left to Right): Sthabile Nyuswa (Facilities and Locations Coordinator, Mbali Nyuswa (Receptionist), Ziyanda Macingwane (Production Analyst), Lonwabo Dindi (Marketing Intern), Zanele Nhlapho (Project Coordinator), Buhle Ngcobo (Production Coordinator), Teboho Pietersen (Production Analyst – Fiction), Mbali Makhoba (HCD Coordinator), Nokuthula Shongwe (Marketing Coordinator), Dimpho Ndlovu (Production and Development Administrator)

FRONT ROW (Left to Right): Peter Ramatswana (HCD Manager), Simphiwe Ngcobo (Production & Development Manager), Jackie Motsepe (Chief Operations Officer), Mu Ngcolosi (Marketing and Communications Manager)

Location: City Hall

Location: Pietermaritzburg Old Prison



PART B

Performance Information

PART B

PERFORMANCE INFORMATION

Auditor's Report: Predetermined Objectives

The Auditor-General (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 62 of the Report of the Auditor General's Report, published as Part E: Financial information.

2. SITUATIONAL ANALYSIS

2.1 Overview of the Service Delivery Environment

At a global level, the entertainment industry trends are moving very fast. There are several variables that contribute to these changes, but technology and the embracement of the 4th industrial revolution tools is key to these changes. According to the PwC 2019-23 Report, South Africa's entertainment and media market, comprising consumer and advertiser spend, rose 7.1% year-on-year, from R120.4 billion to R128.9 billion. PwC (2019-23) further forecast that by the end of the five-year forecast period in 2023, this figure will have increased at a 5.8% CAGR to R170.5 billion. The internet is identified as the primary driver in the growth of consumer spending during this period (pre-covid).

In the coming years, the film industry, as part of the entertainment and media sector would be immensely transformed by the introduction of 5G. PwC ' 2019's, forecast and analysis is that the fully immersive virtual reality (VR) and 'everywhere commerce' may eventually become mainstays, as might artificial intelligence (AI)- driven use cases that have and haven't been conceived yet.

The impact of the COVID -19 pandemic in the fourth quarter of the financial year, led to massive economic disruptions and markets collapsing in all sectors of the economy. The leisure and the entertainment industry were the most affected sectors of the economy according to financial data available. The sector's resurgence out of the pandemic would indeed require a fundamental shift in how things are done. The best hope for the industry is that the fourth industrial revolution tools and artificial intelligence (AI) would spur the sector forward on a grand scale.

2.2 Internal Environment Analysis

The Accounting Authority of the KZNFC is the Board, appointed by the Executive Authority. The Board has five members, comprising of four non-executive Board members and one Executive Board member. Currently the Board requires an additional non-executive member in order to be legally constituted and in line with the legislation. The proposed mergers being considered by the shareholder has impacted on the appointment of additional members in order to strengthen the skills base and governance of its committees.

The KZNFC has three Business Units, namely the Office of the CEO, Finance and Administration; and Marketing and Industry Development (MID). The entity has a staff complement of thirty-seven employees, which is considered insufficient to serve the whole Province. Matters have been compounded by a moratorium on the filling of vacant posts, (with the exception of critical positions) and by a protracted merger process for the public entities. This has resulted in a vacancy rate of 38%. To mitigate the risk of this high vacancy rate, the Board approved the appointment of temporary staff on contract as a stop-gap measure which carries its own challenges, such as lack of business continuity and succession planning. Long-term and sustainable solutions are needed to ensure that there is organisational stability. KZNFC currently comprises 96% Black Employees, of which 94% are Africans, 55% youth, and 64% women. The entity has eight interns, on a two-year programme at financial year-end.

KZNFC has continued to automate its operations in order to increase the efficiency and effectiveness of its business processes including SAGE (online procurement system); ESS system (Performance Management, leave etc.,) and SHAREPOINT documents management. This assisted business continuity during the lockdown as all systems could be accessed remotely by authorised personnel.

2.3 External Environment Analysis

The film sector's outlook in the first three-quarters of 2019/20, was positive. The data on the national and international performance of films in box-office improved significantly from 2018/19. However, with COVID -19, the gains made have now been adversely affected in the fourth quarter of 2019/2020.

Due to the reliability and details of the data on cinemas (box-office data), it is relied on as a yardstick to determine the annual performance of the SA film sector. The table below shows the performance of films in the South African box office. Important to note is that none of the local (South African) movies made it to the top ten revenue earners in the South African box office.

Top 10 movies at South African box office in 2019

Movie	Gross earnings	Total Gross earnings	No. of Theaters	Indigenous language
The Lion King	R122 673 965,04	R122 673 965,04	156	English | Hindi
Avengers: Endgame	R106 714 540,00	R106 714 540,00	202	English /Japanese
Fast & Furious Presents: Hobbs & Shaw	R57 989 635,47	R57 989 635,47	124	English | Hindi
Captain Marvel	R51 758 498,75	R51 758 498,75	133	English
Frozen II	R45 901 784,08	R56 368 985,43	155	English
Aladdin	R43 716 203,90	R43 716 203,90	120	English | Tamil
Jumanji: The Next Level	R39 617 541,34	R69 086 817,87	148	English
Spider-Man: Far from Home	R36 026 966,61	R36 026 966,61	123	English | Italian
Aquaman	R30 539 433,35	R57 407 507,82	116	English | Russian | Maori | Italian
John Wick: Chapter 3 - Parabellum	R29 956 368,79	R29 956 368,79	120	English | Russian

The gross earnings were converted from US dollars to South African Rands using rates google updated for 17 February 2020, which $1 = R14,89

The above information provides an overall analysis of the top-earning titles released in the South African box office in the 2019 financial year. The highest gross earning film in 2019 was The Lion King, which earned over R120 million, which is higher than the Black Partner, which earned R107m in 2018.

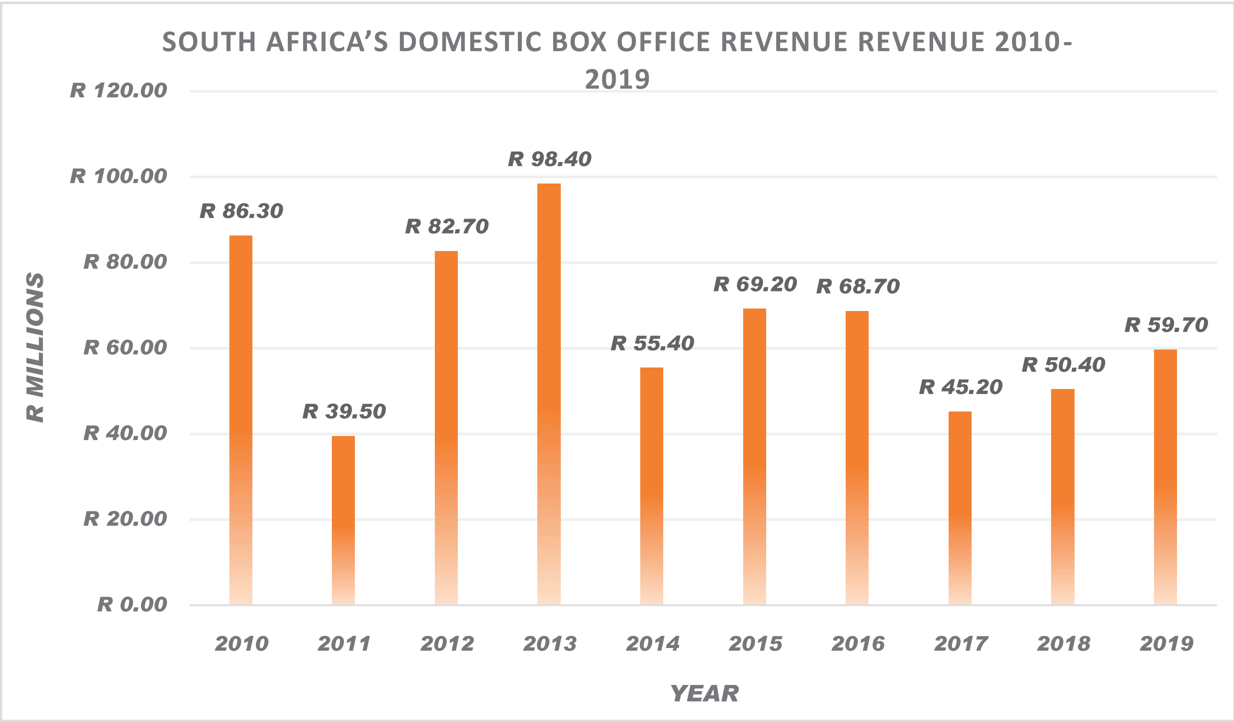
Top 20 South African movies in the box office in 2019

Ranking	SA Ranking	Movie	Total Gross earnings	No. of Theaters	Indigenous language
17	1	Kandasamys: The Wedding*	R20196487,83	52	English
44	2	Wizard	R6 898 870,17	37	English, SeTswana
55	3	Losing Lerato	R4 981 105,72	36	English
62	4	Zulu Wedding*	R4 639 742,54	64	English
63	5	Dominee Tiene	R4 329 652,19	40	Afrikaans, English
69	6	3 Days to go*	R3 597 229,73	31	English
73	7	Blessers	R3 115 431,61	54	English
74	8	Fiela se kind	R3 163 791,07	59	Afrikaans
77	9	Love Lives Here*	R2 873 248,86	54	English
80	10	Kings of Mulberry Street *	R2 420 351,38	30	English
96	11	The Story of Racheltjie De Beer	R1 473 375,82	43	Afrikaans
141	12	Deep End*	R649 569,91	26	English
143	13	Skemerson	R613 093,95	27	Afrikaans
145	14	Liewe Lisa	R580 622,90	43	Afrikaans
154	15	Frank & Fearless	R8 470 717,49	98	English
169	16	Back of the Moon	R356 094,73	28	IsiZulu
180	17	An Act of Defiance	R258 428,48	9	Afrikaans | English | Zulu
190	18	Cut-out Girls	R129 258,90	14	English
191	19	The Harvesters*[1]	R126 981,02	10	Afrikaans, English
193	20	Ander Mens	R125 983,51	30	Afrikaans

The gross earnings were converted from US dollars to South African Rands using rates google updated for 17 February 2020, which $1 = R14,89

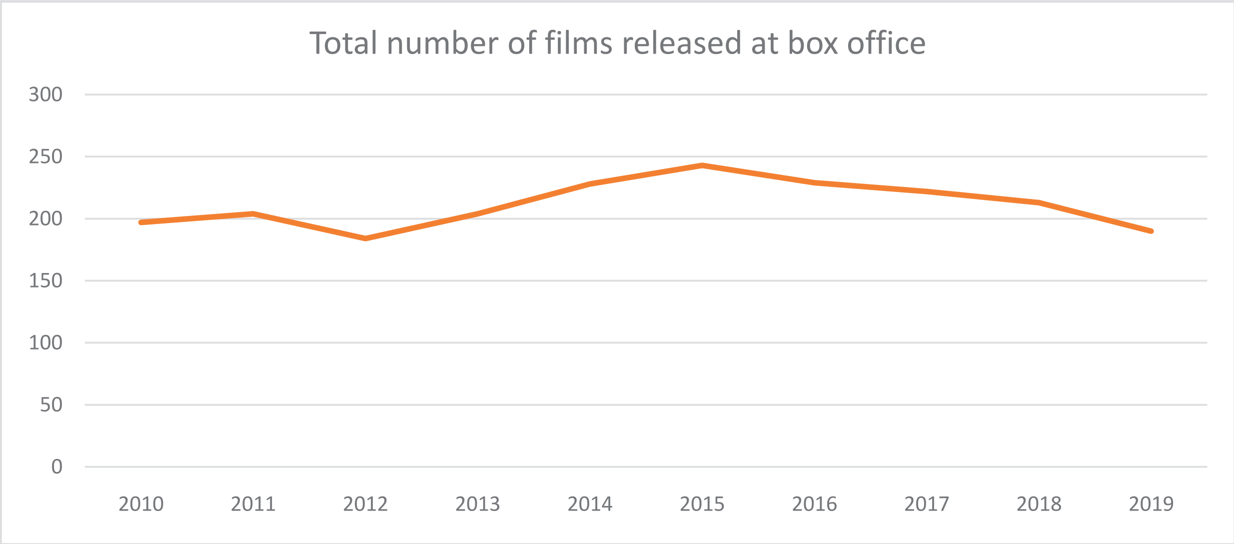
*Movies partly funded by KZNFC.

South Africa's domestic box office revenue between 2010-2019



The above figure illustrates the performance of theatrical produced domestic films. It can be observed from the statistics above that locally produced films recorded a total of R59,6 million at the box office in 2019. This is a substantial increase from R50,4 million in 2018 (18% growth).

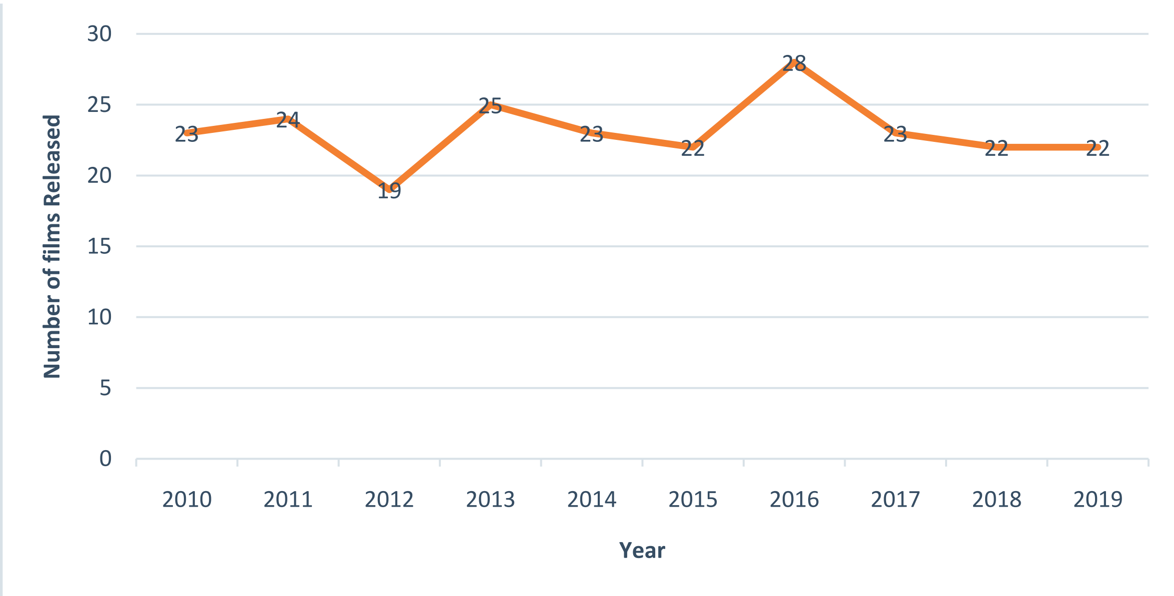
Total number of films released at the box office between 2010 -2019



The total number of films released in South African cinemas dropped by 11% from two hundred and thirteen (213) films released in 2018 to one hundred and ninety (190) films released in 2019.

Number of domestic films released between 2010 – 2019

The number of domestic films released in 2019 remained the same at 22 as in 2018.



The number of domestic films released in 2019 remained the same at 22 as in 2018.

A comparative analysis of the total gross earnings to the budgets shows that the local films are struggling to breakeven. Locally produced films are struggling to compete with an increased inflow of foreign film releases as foreign films are usually supported by substantial marketing and distribution budgets. The standard norm for international productions is that at least 30% of the total budget goes to marketing and distribution. In contrast, on average, South African productions spend about 1% of their total production on marketing and distribution. The box office revenue performance of domestic films is worrying as the failure to generate revenues means that the filmmakers cannot make a living out of their professions. In the past year, there have been some exceptions such as The Kandasamys: The Wedding which performing exceptionally well in the box office and other platforms earning overR20million.

According to PwC (2019-23) report, South Africa's cinema sector is showing steady growth. Total revenue, including box office and cinema advertising, was R1.8 billion in 2018. That figure is forecast to rise at a 2.7% CAGR to R2.0 billion by 2023 (pre-covid 19 impact). As the biggest cinema market in the region, South Africa should be in a position to benefit. However, in 2018 the country had 765 screens serving a population of 56 million, which is less than 14 screens per million inhabitants. This compares unfavourably with 124 screens per million inhabitants in the US. Screen numbers are predicted to rise only very modestly over the next five years. By 2023 the country will have 785 screens. Poorer townships and rural areas remain especially poorly served by cinema exhibitors, but the high capital costs and lower ticket prices (versus international markets) make expansion into these geographies economically unviable.

South Africa's total TV market revenue (defined as revenues from pay-TV subscriptions, physical home video, public licence fees, OTT video and TV advertising) grew 3.5% year-on-year to R33.5 billion in 2018, making the country by far the largest television market on the African continent. This followed similar growth in 2017 with the TV industry adjusting to a challenging macroeconomic environment. While still vulnerable to political and economic instability, the TV market will grow at a 3.9% CAGR over the next five years, producing total estimated revenue of R40.5 billion in 2023.

Nationally the Province of KwaZulu-Natal and the Province of Gauteng have the highest volume of audiences that view television on open channel platforms. The two regions have almost 47% of the viewers that view TV on public broadcaster channels. This is consistent with the population census figure that shows that at least over two-fifths of the South African population reside in KwaZulu-Natal and Gauteng provinces. The SABC programmes continued to dominate the TV channels in 2019/20 season. UZalo, a TV series shot in KZN recorded the highest audiences with a daily average above 10 million viewers.

The global economic effects of the COVID-19 pandemic are already taking shape, as markets tumble and countries take emergency actions to respond. As global habits change to adapt to the new realities of the outbreak, consumer spending also appears likely to fall, and the impact could have far-reaching effects on the media, sports and entertainment industries. The expectation is that restrictions on movement and large gatherings will be in place for some time. This will result in diminishing spending on media strategies and advertisements targeted at consumers outside their homes. The pandemic would affect some of the projections put forward by PwC, that are stated above. According to media estimates, the COVID-19 could cause $5 billion in losses to the global film industry.

According to Independent Producers' Organisations (IPO) (19 March 2020), SA's TV and film industry face an unprecedented period of uncertainty that will require urgent interventions. The lockdown on 26 March 2020, has caused suspensions and delays in producing content which will have long term ramifications for the sector.

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1 PROGRAMME ONE: CHIEF EXECUTIVE OFFICERS' 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:

- Development of strategies, policies and standards of performance.
- Development of statutory and ad hoc reporting on the performance of the organisation
- Monitoring performance and evaluating the outcomes of the organisation.
- Driving the programme of Governance, Risk and Compliance through the Organisational Values, Culture and Leadership.
- Policy and legislation advocacy, drafting and implementing.
- Stakeholder development, networking and engagement to enhance relationships, encourage local production 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 through film-friendly programmes and to secure additional funding to further enhance and increase our outcomes.
- Overseeing the effectiveness of the functions and operations of the Board and its committees to enhance its governance and oversight.
- Oversee the internal audit function and risk management of the organisation.
- Conducting research designed to inform future programmes of the organisation
- Managing the Corporate Social Responsibility programme for the organisation.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

High-Level Review of Performance Information

Strategic Objective: To operate an effective administrative business process inculcating good governance, risk management, compliance and industry growth					
Performance Indicator	**Actual Achievement 2018/19**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviations**	**Comments**
Numbers of Research papers which provide film sector data	5	6	7	+1	The target was exceeded.
Number of Monitoring and Evaluation reports on KZNFC programmes with key recommendations for improvement	8	12	12	0	The target was achieved.
Number of signed MOU's	4	4	4	0	The target was achieved.

Research Projects

Seven research projects were undertaken during the financial year under review which included: - Revenue generated by local films at the box office in 2018/19, Distribution and Exhibition Platforms for Micro-Budget Film, An analysis on how marketing and distribution budget affects box office revenues, The Status of Transformation in KZN film companies, A survey report on students who have completed their studies and were partly funded by KZNFC, Guidelines on environmental sustainability, and Films Shot/ Filmed in KwaZulu-Natal - 1900-2020. The guidelines on environmental sustainability research are being translated into isiZulu along with an animation video highlighting the key aspects of the research.

Monitoring and Evaluation

There were twelve Monitoring and Evaluation (M&E) assessments and reports that were produced in the 2019/20 financial year, which focussed on film funded projects, human capital development training initiatives and audience development programs. The key objective is to ascertain whether the goals of the programmes are being achieved and to obtain critical feedback from stakeholders. The recommendations are presented to the management team, and progress is reported on quarterly.

Strategic partnerships (MOU's)

There were four MOU's that KZNFC signed with key stakeholders, namely Mango Airlines, Dreamlights (LED light manufacturing and rental company), SA Airways and Grapevine productions. These MOU's seek to ensure that filming costs in KZN remain reasonable low through discounts that the partners would offer to filmmakers bringing productions to the Province.

Risks Management

In 2019, the entity appointed a Risk and Compliance Officer who resides in the Office of the CEO. The risks are divided into operational and strategic risks which are tracked and monitored on a quarterly basis and reported to the relevant governance structures. The annual risk assessment broadly looks at the risks that could affect the ability of the entity to execute its mandate cost-effectively and must be reviewed regularly.

Socio-Economic Development

In the 2019/20 financial year, KZNFC supported two projects under its socio-economic development initiative. Support was given to Siyazama Creche situated at Ezimbokodweni, ward 93 under eThekwini Metro. Twenty-three children of between 1-6 years of age were attending the Creche. KZNFC donated to the Creche 20 PVC mattresses at a cost of R6 900.00. The second project that KZNFC supported was Jabulisile Creche situated at Umzinyathi area in ward 108 under eThekwini Metro. There were 44 children of between 2-6 years who attend the Creche. KZNFC donated a new container for the Creche to replace the previous shack structure. The new modular classroom was supplied and installed at a cost of R281, 566.00. Also, KZNFC further donated educational items to the value of R12 070.00 to the Creche.

3.2 PROGRAMME 2:

FINANCE AND ADMINISTRATION

Programme Purpose

The effective administration of the public entity is essential to ensure efficient service delivery. The Finance and Administration business unit provides the required services such as financial management, human resource development, information technology and corporate services.

Functions co-ordinated under this programme include:

- Financial management and cost accounting
- Supply Chain Management
- Human resources management
- Information communication and technology management
- Business facilitation to attract investments and fundraising

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

High-Level Review of Performance Information

Strategic Objective: To operate an effective administrative business process inculcating good governance, risk management, compliance and industry growth

Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to actual achievement	Comment
Achieve a clean audit on financial, compliance and performance information	Unqualified with material findings for 2017/18	Unqualified with no material findings for 2018/19	Unqualified with material findings for 2018/19	Material findings communicated by the Auditor General for the 2018/19 audit.	Various findings on AFS, SCM, compliance and performance information
Percentage of total procurement spent on BBBEE service providers	110%	110%	114%	+4%	KZNFC has focused its procurement on sourcing goods and services from suppliers that have a BBEEE status level 1-2, EME's and QSE's*
Percentage of the valid invoices paid within 30 days	100%	100%	100%	0	KZNFC ensures payment of all valid invoices within 30 days and tracks each invoice accordingly.

Strategic Objective: To develop in-house capabilities and skills in order to provide world-class quality services to our clients					
Performance Indicator	**Actual Achievement 2018/19**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from planned target to actual achievement**	**Comment**
Vacancy rate on approved staff complement	25%	35%	38,89%	+3.89%	Increased resignations and the moratorium on filling vacant positions resulted in the entity not achieving the target.
Percentage of approved training attended and completed	100%	100%	100%	0	The annual target was achieved.

Clean audit on financial, compliance and performance information

The non-achievement of the Audit outcome target relates to material findings by the Auditor General on various compliance and performance matters. These matters have since been corrected and processes improved to ensure these matters do not recur in future audits.

Percentage of total procurement spent on BBBEE service providers

The entity has ensured that the approved Transformation Policy has been implemented, which includes increased spending on BBBEE compliant suppliers. The target has primarily been on procuring from service providers that are Exempted Micro Enterprises (EME), Qualifying Small Enterprises (QSE) and B-BBEE status level between level 1 and level 3. This has enabled the entity to achieve a BBBEE spending of 114% (using the DTI calculation rate) against the target of 110%. 54% of the budget was spent on EME's and 7% on QSE's.

% of Valid invoices paid within 30 days

All invoices are verified against orders and contract, with end-users confirming quality and delivery of services before invoices are considered valid and payments made. 100% compliance was achieved during the year.

The vacancy rate on approved staff complement

The vacancy rate remained high for the entity during the year in review. This target is beyond the control of the entity. A moratorium on the filling of vacant posts (except critical positions), and the rationalisation process for public entities have contributed to the high vacancy rate. For instance, the Finance and Administration Business Unit had a vacancy rate of 53.85% during the year under review. This exposes the entity to a high risk of non-compliance policy and legislative requirements relating to controls such as segregation of duties are compromised. Interventions were implemented to mitigate the risk of non-compliance and compromised service delivery through employing temporary resources.

Percentage of approved training attended and completed

The entity identified several Training initiatives based on Individual development plans and the skills audit of employees. Eleven training interventions were implemented during the year.

3.3 PROGRAMME 3:

MARKETING AND INDUSTRY DEVELOPMENT

Programme Purpose:

The main purpose of Marketing and Industry Development is to facilitate the development of the film industry in the Province, ensure that the Province is film-friendly, attract investment into the Province through co-productions and film facilitation, promote the region through appropriate marketing and communication strategies that focus on film industry development programmes through human capital development and investment promotion.

Functions co-ordinated under this programme include:

- Investment promotion at local and international platforms aimed at attracting investment into infrastructure as well as into productions in the region.
- Development and implementation of a marketing strategy aimed at positioning the film commission in the local and international marketplace, engaging communities in the Province to ensure access to the programmes of the commission, identification and enabling business with key countries that are leaders in the film industry.
- Development, management and maintenance of a website and critical stakeholder databases in order to assist in facilitating production and employment opportunities for the local industry.
- Business development / Incubation and graduate accelerator programmes.
- Human Capital Development through various training and skills development interventions.
- Management of the KZN FC Film Fund, for job creation; inward production investment and the development of technical skills in the Province through increased and varied productions .
- One-stop shop for production support including support in finding local crew and cast, film facilities, film permitting and location scouting.

Strategic Objective: To promote and market KZN as a choice film destination					
Performance Indicator	**Actual Achievement 2018/19**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from planned target to actual achievement**	**Comment**
Number of markets and festivals attended	New	12	12	0	The target was achieved.

Strategic Objective: To implement interventions that support transformation, diversification and service excellence in the film industry					
Performance Indicator	**Actual Achievement 2018/19**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from planned target to actual achievement**	**Comment**
Number of temporary jobs created in the film sector through production and development projects supported by the film fund	150	170	168	-2	There were 168 temporary jobs created. The total number before apportionment is 301.

Strategic Objective: To implement interventions that support transformation, diversification and service excellence in the film industry					
Performance Indicator	**Actual Achievement 2018/19**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from planned target to actual achievement**	**Comment**
Number of information-sharing sessions with HDI groups regarding opportunities in the film industry	20	20	29	+9	The target was exceeded through participation in the additional sessions hosted by EDTEA.
Number of audience development initiatives with HDI groups	25	30	37	+7	The target was exceeded through the allocation of additional funding.

Strategic Objective: To support human capital base throughout the value chain through SMME development and training					
Performance Indicator	**Actual Achievement 2018/19**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from planned target to actual achievement**	**Comment**
Number of new businesses supported through incubators focusing on small, medium and micro business enterprises	7	10	10	0	The target was achieved as 10 companies have been supported in the SMME Incubation Programme.
Number of people trained throughout the value chain in the film industry	75	164	118*	-46	The target was not achieved due to the lockdown in March.

*Due to COVI-19 Lockdown the following two programmes were not completed. Schools programme in Port Shepstone which had 23 attendees and Post production skills programme in Richards Bay which had 25 attendees. Both programmes were to be completed in the last 2 weeks of March 2020.

Strategic Objective: To secure strategic investment through facilitation and promotion into the filming industry in KZN					
Performance Indicator	**Actual Achievement 2018/19**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from planned target to actual achievement**	**Comment**
Number of production and development projects awarded funding through KZNFC film fund	30	35	**61**	+26	The target was exceeded as a result of additional R10m funding received from EDTEA and savings from operations redirected to the film fund.

Markets and Festivals

Twelve national and international Markets and Festivals were planned for the financial year 2019/20. These markets and festivals were aligned to the market segmentation, which aims to ensure that KZN becomes a global destination for film production. Filmmakers were invited to form part of the delegations based on the relevance and readiness of their projects. The market segmentation is linked to treaty agreements, the consumer base for South African content, potential co-productions and skills development where specialities exist. Four international film festivals were attended, namely Annecy International Film Festival in France, Zanzibar International Film festival, in Tanzania, Toronto International Film Festival in Canada and BFI Film Festival in London. To ensure that the annual performance target was met, four local markets and festivals that were not initially part of the plan were included as challenges were experienced with international festivals being postponed.

Marketing and Distribution Funding

The fund supports the distribution and exhibition of local film content through the provision of film marketing funding which is severely under-resourced in the country. The fund assists in making provision for a marketing campaign to be implemented in support of the film as it goes to market. Ordinarily, South African films do not perform well at the box office, partly because there are not enough resources put in place to promote them on different platforms. The marketing and distribution fund goes some way in ensuring the success of KZN productions in the market and that they attain the expected economic benefits for the beneficiaries. In the 2019/20 financial year, the KZNFC supported the following two projects for Marketing and Distribution: Kandasamys: The Wedding' was shown at Mustard Seed Film Festival (Philadelphia), River to River Florence Festival (Italy), M-net, ShowMax, 6 International Airlines and on Cinemas (52 screens). Uncovered was screened at the following; Durban International Film Festival, Pan African Film Festival, was released in Cinemas, and on Netflix.

The table below shows where productions, funded by the KZNFC in 2019/20 have been distributed or showcased.

KZNFC FUNDED PROJECT	PLATFORM SCREENED
Kings Of Mulberry Street	Commercial Cinema Release - South Africa
Our Oceans	Ireland Wildlife Film Festival – Ireland
The Last Victims	Pan African Film Festival – USA
Love Lives Here	Commercial Cinema Release - South Africa
In The Light Of Fire	Shnit Worldwide – South Africa
The Letter Reader	Shnit Worldwide – South Africa, Pan African Film Festival – USA, Rapid Lion International Film Festival – South Africa
Zulu Wedding	Pan African Film Festival – USA
Ibala	African Women Arts and Film Festival (AWAFFEST) -Tanzania; We are Africa Film Festival – South Africa
Buddha In Africa	Hot Docs – Canada, Encounters – South Africa, Durban International Film Festival 2019 , Hilton Arts Festival – South Africa, Knysna Film Festival – South Africa, IDFA – Amsterdam

Information Sharing

Information sharing sessions create a platform for emerging filmmakers to be informed about business opportunities in the industry, to network and to establish partnerships. The industry is about "who you know", and these connections are critical for the integration of independent filmmakers. Experts in the sector, funders and broadcasters are usually invited to provide talks on industry matters. Also, information such as careers in the industry is shared with the youth at various engagements. Thirty information-sharing sessions were held with different stakeholders during the financial year throughout the Province, including many rural communities.

The KZNFC Regional Information Sharing Sessions

The KZN Film Commission hosted four Information Sharing Sessions across the Province (eThekwini, Richards Bay, Port Shepstone). In these sessions, key industry players such as the Dti, SARS amongst others were invited to present to filmmakers and share relevant information with respect to the film industry.

Audience development

The KZNFC Audience Development is an initiative where local content, in particular KZN films, are screened in communities across the Province. The screenings seek to develop a culture of watching local movies among communities. Screenings also provide an opportunity to market local content *(local is lekker).* The expectation is that when the local communities are exposed to local films, audiences for local content will increase, and filmmakers become known in our communities. Actors are provided with an opportunity to build their profiles and fan base, increasing their potential value for future contracts. Screenings also focus on *"our local stories",* and at times, issues such as social cohesion are addressed. KZNFC has also made a conscious decision to ensure that screenings take place in peri-urban and rural areas. All these efforts are aimed at building a sustainable audience to consume local content. In this financial year, the beneficiaries of funding were Kwasukasukela Film Festival which takes place in the rural Jozini in Umkhanyakude District, Umgungundlovu Film Festival, KwaMashu African Film Festival and the Durban International Film Festival. There were thirty-seven audience development initiatives that were held during the 2019/20 financial year.

Highlights of some of the Industry Development Interventions

Pitching workshop

During 2019, the KZNFC held a workshop on the pitching of film and television projects. The purpose of the workshop was to inform the participants about the tools and techniques in pitching projects. This workshop was only open to filmmakers who had an existing project and who intended to pitch his /her project at the workshop. The filmmakers had five-minute pitches and a five-minute feedback session in front of a panel of industry experts. Pitching is an essential skill to acquire in the film business as it is through a film pitch that you secures sales or finance for projects.

The KZNFC SMME Incubation programme

The KZNFC SMME Incubation programme is an in-house project that incubates ten (10) youth and women-owned SMME's in the industry. These SMME's are trained and mentored in their chosen specialisations of the film industry value chain. KZNFC appointed a Project manager and a Programme Facilitator who facilitate and manage the process based on a business growth model that has been adopted from the Innovation Hub. The programme started in October 2019 and will be completed in September 2020 and includes strategic training interventions and industry exposure identified by the KZNFC.

Skills Development Programmes

Film Industry Transformation Initiative (FITI)

The main objective of the 'KZNFC Film Industry transformation initiative (FITI)' is to develop a holistic programme that will facilitate the creation of an inclusive, sustainable and transformed film and TV industry in KZN. The programme is geared towards medium-term focussed human capital development of previously disadvantaged individuals to increase their participation in senior positions and equipping them to deliver high quality, high-value productions.

Importantly, the FITI programme focuses on maintaining a core group of trainees that will be trained over a 3-year cycle from entry-level fundamentals to gaining specialist skills that enable them to remain as residents in the Province and become members of the core team that service productions.

In May 2019, the FITI graduates completed six (6) productions that were shot in different locations around Durban with the support of a team of senior Producers. The final films were screened in the KZNFC Cinema, and a panel of industry experts was able to provide the graduates with feedback on their films. At the beginning of 2020, the graduates were placed on the Imbewu production through a partnership with Grapevine Productions. The placements provide the graduates with an opportunity to gain practical hands-on experience on a daily soap for a period of six months.

Bursary Scheme

The 2019 academic year KZNFC awarded external bursaries to twenty- four students, all from the designated groups. Out of the twenty-four students, seventeen were females, and one student lives with a disability. The KZNFC assisted in paying the tuition fees, which were capped at the Government rate as well as accommodation for learners whose permanent residence is outside of the eThekwini Metro. Fifteen of the students were studying at AFDA, and nine of them were studying at DUT. All students completed their 2019 academic year and passed.

NQF Level 4 Film and TV Production Operations Learnership Programme

The NQF Level 4 Film and Tv Production learnership started on the 3 July 2018 with twenty-five (25) learners. The learnership took place in Newcastle through a partnership with MICT SETA and Majuba TVET College. The learners spent the first six months on the theory component of the programme and the rest of the programme was dedicated to practical exposure in production and post-production. The learners completed their summative assessments that were marked and finalised in May 2019. All twenty-four (24) learners were deemed competent.

NQF Level 5 Film and TV Production Learnership Programme

The NQF Level 5 Film and TV Production Learnership Programme qualification was designed to provide knowledge in all of the disciplines that are related to film and television production. These included camera, lighting, vision control, vision mixing, editing, recording, sound and captioning competence, with the elective component allowing for each student to select a specialisation elective.

Fifty learners took part in the NQF Level 5 Film and TV Production Learnership Programme from 3 November 2018 to 31 October 2019. The training was held in Durban. MICT SETA verified all assessments, and all the 50 learners were deemed competent.

Mellon Scriptwriting Residency

The KZNFC in partnership with the Mellon Foundation and the University of KwaZulu-Natal invited experienced scriptwriters to apply for the Mellon Foundation residency. This was a one-month residency which took place between 1 July 2019 and 28 July 2019 during the Durban International Film Festival. The residency programme was based in Durban at the Centre for Creative Arts at the University of KwaZulu-Natal. Five participants were selected for the programme.

Production Skills programme

Training on audio-visual production skills programme focusing on the production stage of filming was held from the 8 November 2019 until 12 February 2020 at the Esayidi TVET College - Sizanani Skills Development Centre in Gamalakhe, Ugu District Municipality. 13 students participated in the programme and were deemed competent.

Post Production Skills Programme

The post-production skills training programme was held at 1KZN TV in Richard's Bay from the 16 January 2020. The training programme was scheduled to be completed on 28 March 2020. However, the final week was disrupted by the COVID-19 outbreak and the country's lockdown. The learners would complete the programme after the lockdown 25 students participated in the programme.

Schools Programme

The purpose of the school's programme is to introduce learners in the Province of KwaZulu-Natal to the audio-visual industry. The programme covered aspects of visual literacy for learners, engaged learners in the theory and practice of film and audio-visual content, enabled schoolteachers to consider using film as a medium of instruction, where appropriate and introduced learners to the range of careers in the audio-visual industry.

The school's programme commenced in Umlazi Comtech High School in Umlazi, Durban on 29 February 2020. The programme ran for two weeks up to the 8 March 2020. The students were eager to learn and showed great enthusiasm to learn. Each student was given the assignment to draft a script and to shoot a five-minute production.

The second programme was held in Port Shepstone High School from 14 to 15 March 2020. The programme went well, and the students were eager to learn and enjoyed their sessions. The final weekend was scheduled for 21-22 March, and the last session was postponed due to the outbreak of COVID-19 and lockdown.

Temporary jobs created in the film sector through production and development

There were 168 temporary jobs created, two short of the annual set target. The total number of temporary jobs created on production is prorated according to the KZNFC funding contribution as a percentage of the total production budget. Only where spending has taken place can the number of new temporary jobs be recognised for the reporting period. The actual total number of temporary jobs created before apportionment stood at 320 temporary job opportunities on productions taking place during the year.A number of productions including the co-production with the United Kingdom had to stop during the month of March, and this impacted directly on the total number of temporary jobs created in 2019/20.

Production Funding

The KZNFC funded sixty-three production and development projects at an investment of R32.7million in the 2019/20 financial year. The distribution was as follows; 38 development projects where the KZNFC contributed R4.4million and 23 production projects where the KZNFC contributed R28.3million. Two slate projects were awarded contracts for the first time.

The slate funding seeks to grow KZN film companies through a holistic approach that goes beyond funding a single project. The KZNFC will fund two companies, nurture them, and for three years guarantee that they will be funded with for a slate of films, as opposed to the single projects that the film fund has been awarding. This approach would provide the support that would eliminate the uncertainty of running a business. To ensure that the KZNFC's strategic goals are embedded in the project, a specific criterion was developed to select the filmmakers for the slate projects. The slate projects have two areas of focus, the one being the preservation of the culture and heritage of KZN through the production or documentary films. The second area of focus is the development and production of commercially vible films that will reach specified target audiences and generate revenue.

In the 2019/20 financial year, certain KZNFC funded films enjoyed massive success on the big screen and in the film festival circuit both in the country and around the world. Kings of Mulberry Stree*t* by Judy Naidoo, Zulu Wedding by Lineo Sekeleoane and Love Lives Here directed by Norman Maake were released commercially in cinemas. While The Letter Reader by Sibususo Khuzwayo, Buddha In Africa by Nicole Schafer, and The Last Victims by Maynard Kraak had a huge success in the film festival space.

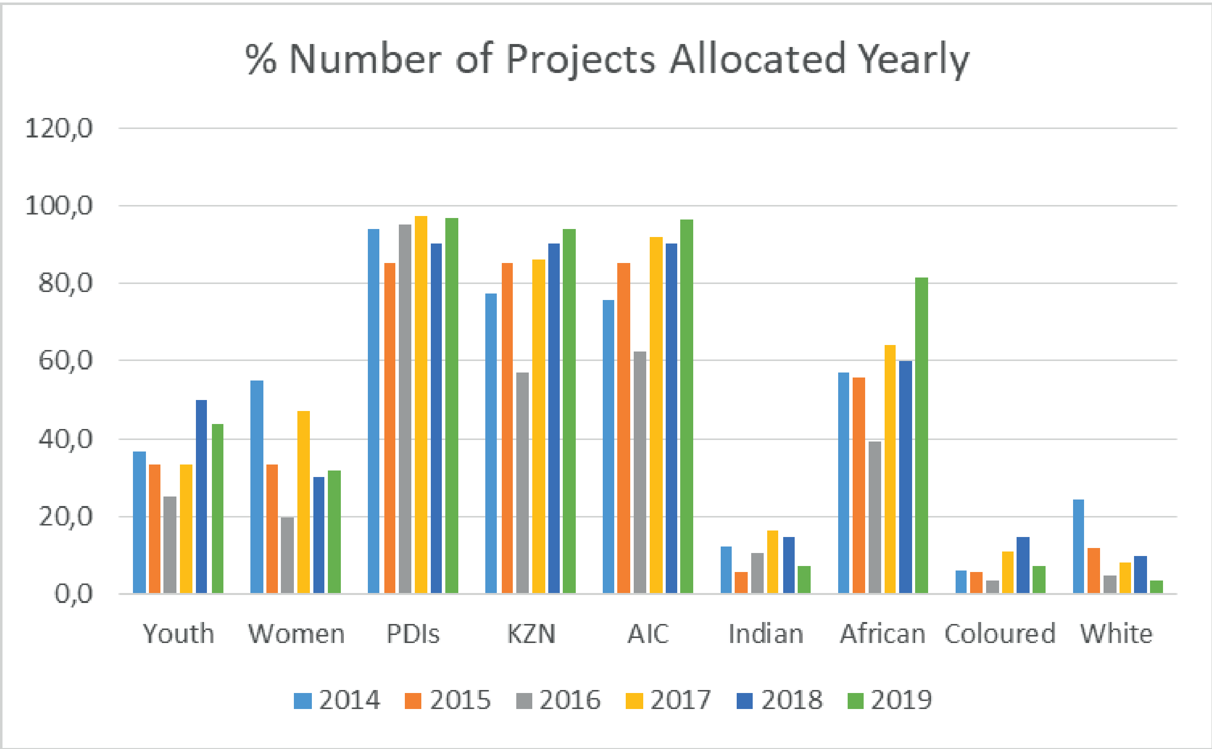
Ten production projects were completed in the period under review, and these are Kings Of Mulberry Street by Judy Naidoo, Ibala by Mpho Ramathuthu, In The Light Of Fire by Rafeeqah Gallant, 3 AM by Joe Spirit, The Letter Reader by Sibusiso Khuzwayo, Zulu Wedding by Lineo Sekeleoane, Part Of The Pack by Emily Cross, Epic Encounters by Jessica Singh, Traffic Lights by Nomcebo Cele, and Our Oceans by Charlie Luckock. This was a significant achievement for KZNFC, to see such a large number of productions being finalised in one year.

Since the 2014/15 financial year when the film fund was launched, the KZNFC has funded 279 production and development projects with development projects taking the larger share of the portfolio. KZNFC has prioritised people from the designated groups in awarding project funding. In the 2019/20 financial year, the number of projects allocated to youth beneficiaries was over 40%. The total number of beneficiaries who reside in the Province increased from 88.9% to 93,79%. In pursuance of the KZN Film Strategy, three animation projects were funded and are at development stages.

In 2019/20 KZNFC signed an MOU to partner with BET. The partnership will see the development of eight short films through the KZNFC film fund, and BET has undertaken to broadcast the movies. The Short Films Programme is an intervention to provide new entrants into the industry, particularly those from historically disadvantaged backgrounds, an opportunity to make films in collaboration or under the guidance of experienced industry experts. This programme is part of the KZNFC special projects funding that seeks to increase opportunities for young emerging writers and directors.

The entity is currently working on an Online Film Fund Application and has completed a Virtual Reality marketing video. KZNFC is committed to sustainability and developed environmentally-friendly guidelines for the industry to ensure that filmmakers limit their impact on the environment through shifting production techniques for 'greener ' methods'.

The following bar chart indicates how the KwaZulu Natal Film Commission has supported different population groups through the film fund.



The film fund is designed as a development tool that seeks to encourage the participation of designated groups in the KZN film industry. In the 2019/20 financial year, 97% of the beneficiaries of the film fund came from previously disadvantaged individuals. 94 % of the beneficiaries were KZN residents; this is an improvement from previous years and is linked to the newly introduced Made For TV Quality Boost Initiative, which worked exclusively with KZN beneficiaries. It is also a result of the change in policy where only KZN persons are eligible for development funding. 100% of the slate funds were awarded to black women and 50% to youth.

Film Fund Performance in 2019/20

Highlights of movies supported during 2019/20 financial year

The Letter Reader

Dumi Gumbi produced this short film which has gone to win several awards. Cati Weinek worked closely with KZN beneficiary Sibusiso Khuzwayo to make his dream of directing a film come true. The KZNFC proudly funded 50 % of the film's total budget of R500 000. The NFVF and the producers partly financed the balance.

The Producers engaged leading talent such as the late Andile Gumbi as the lead, and experienced crew such as Director of Photography Lance Gewer. Besides winning several awards, the film has been picked up by Netflix for broadcast.

Kings of Mulberry Street

Kings of Mulberry Street is a South African comedy-drama made for family entertainment. The film was shot entirely in KZN produced, written and directed by Judy Naidoo. It is an outstanding story with great performances from young South African acting talent. The film stars Aaqil Hoosen, Amith Sing, Rizelle Januk and Neville Pillay in the lead roles with Keshan Chetty, Chris Forrest, Kogie Naidoo and Thiru Naidoo playing supportive roles, all child actors.

The film had a budget of R8 million, and part of the finance plan included NFVF and the Department of Trade and Industry. The KZN funded the film with R1.5 million and more than 50% of the total budget was spent in KZN.

The Fiela Files

The Fiela Files is a micro-budget film, directed by a young emerging KZN filmmaker Collin Mfayela. The film was shot entirely in Durban with 100% of the cast and crew from KZN. The film's modest budget of R400 000 was wholly spent in the Province. The film was a collaboration with another proudly KZN producer Ms Bonie Sithebe who was brought onto the project as an experienced producer in this genre. More than twenty-two jobs were created as a result of this project, and all the Heads of Department were black.

Our Oceans

Our Oceans is a four-part documentary series about the marine ecosystem. The film is a co-production between WildOceans, a programme of the WildTrust based in KwaZulu-Natal and Off The Fence Production Company based in the Netherlands. It was conceived during the 2018 NEWF (Nature, Environment and Wildlife Filmmakers Congress) held in Durban and founded by Noel and Pragna Kok. The project has a total budget of more than R6million, of which KZNFC funded R1million. The rest (R5m) of the funds were secured from Wild trust and Wild Ocean.

Ibala

This production is a short film shot in KZN as part of the project Breaking Borders which was made up of 15 female filmmakers - a director, producer and writer each from 6 Southern African countries, shooting five short films of which one of the films was shot in KZN.Shot in KZN's North Coast town Ndwedwe, the film had a budget of R300 000KZNFC funded R250 000 and the balance of R50 000 was funded by National Department of Arts and Culture more than 70% of the budget was spent in KZN. The story is about a baby born to a Zulu Chief whose eventual ascent to the throne is threatened because he has albinism, which according to the story means that the local community has negative feelings about him and his condition.

Epic Encounters

Epic Encounters is a short film produced under the NEWF Development Programme (Nature, Environment and Wildlife Filmmakers Congress). It was one of the few selected short films pitched during the NEWF 2018 conference. In Epic Encounters Jessica Singh, from CatClawz Productions, a Production Company based in KwaZulu-Natal embarks on a journey to face her fear of snakes. . The budget of the film was R50 000 and this was funded entirely by KZNFC.

Fragile King

This feature film was directed by Tristan Holmes and produced by KZN filmmaker Dumi Gumbi, and three other producers, Cati Weinek, Adam Thal, and Tristan Holmes. A road trip story about a small boy, Michael and his grandfather Gerald. When Gerald is dumped with a grandson he never knew he had, he embarks on a road trip to find the child's father, and together as they search for him they discover the meaning of family. The film went into production in August 2019, and some of the scenes were shot in Morningside, Addington Hospital, and others in the Durban CBD area. Other locations outside KZN were Kimberley, Port Nolloth, Alexander Bay (in the Northern Cape Province). The total budget of the project was R5.8 million, and the KZN Film Commission supported the project with R1.5million. The project created more than 80 jobs in the Province.

Made For TV Quality Boost Programme

In 2019/20, KZNFC introduced the Made for TV Quality Boost Programme as a special initiative. The programme is a mentorship programme that is aimed at upskilling emerging filmmakers in KZN, in order for them to be able to deliver quality content to the national broadcaster. The programme was officially launched in June 2019 following a selection process of several months of pitching and presentations where ten emerging filmmakers were selected into the program. The project has been supported by the EDTEA youth beneficiation fund and by the NFVF and the DFO. The programme's initial focus has been the advancement and development of ten scripts. The beneficiaries included writers and producers all from KZN, and among them, there are two black female writers. The development component had a budget of R1.2 million funded by the KZNFC, and at-least 40 jobs were created as a result of the program during the period. The participants sharpened their skills through the intense process that included collaboration through workshops and with one on one meetings with industry professional script editors. The development phase of the ten projects was successfully completed in the 2019/20 financial year. The next stage, which is the production and delivery of the films, is scheduled for the 2020 financial year.

The Female Filmmaker Project

The Female Filmmaker Project is undertaken in partnership with the National Film and Video Foundation (NFVF). The concept for the Female Filmmaker Project is to provide female filmmakers, particularly those from historically disadvantaged backgrounds, with an opportunity to make a film in collaboration with other female filmmakers. The aspirant female filmmakers will be guided in the development and production of their stories in a 24-minute script. The KZNFC supported two KZN filmmakers who formed part of the programme.

Simon Sabela Awards

The Simon "Mabhunu" Sabela Film and Television Awards are an initiative of the Department of Economic Development, Tourism and Environmental Affairs and are implemented by the KZNFC. The awards seek to reward and acknowledge excellence in the film and television industry as well as demonstrate the growth of the film industry in the Province. Key stakeholders in the film and television industry are invited to attend the event which takes place during the Durban International Film Festival. In the 2019/20 Simon Sabela Awards, there were twenty-three categories for different talents within the KZN film industry. Over six hundred people attended the event, with the University of KwaZulu-Natal celebrating the staging and hosting of the Durban International Film Festival for the last 40 years.

KZN locations and Facilities

The KZNFC host's various production companies on familiarisation tours wherein the Province is showcased from locations, accommodation facilities and talent. as a means to attract the productions. The tours vary based on the needs of the company in terms of the script descriptions of locations, architecture and landscapes. Various tours were held during the year throughout the Province including Green shoot films (a Ballito based production company), PuoPha, Quizzical Pictures and an award-winning Nigerian filmmaker CJ Obasi. Seven filmmakers were selected to participate in the Duzi2Sani expedition which promotes the Dr Nkosazana Dlamini Zuma Municipality.

During the 2019 Durban International Film Festival, the KZNFC hosted a delegation of filmmakers from Kenya; Nigeria and the UK. The delegation of filmmakers comprised mainly of producers and distributors. Some of the members of the delegation were already in co-production with KZN producers. The UK film producer Victoria Thomas was working with KZN producer Jacintha De Nobrega on a co-production called Street Food which is partly funded by the KZNFC and will be shot early in 2020. Several locations were assessed around KZN for this film. Also amongst the delegation was the UK producer Shantelle Rochester Henry, who is working on a production called Stolen, co-produced with KZN producer Uzanenkosi Mahlangu

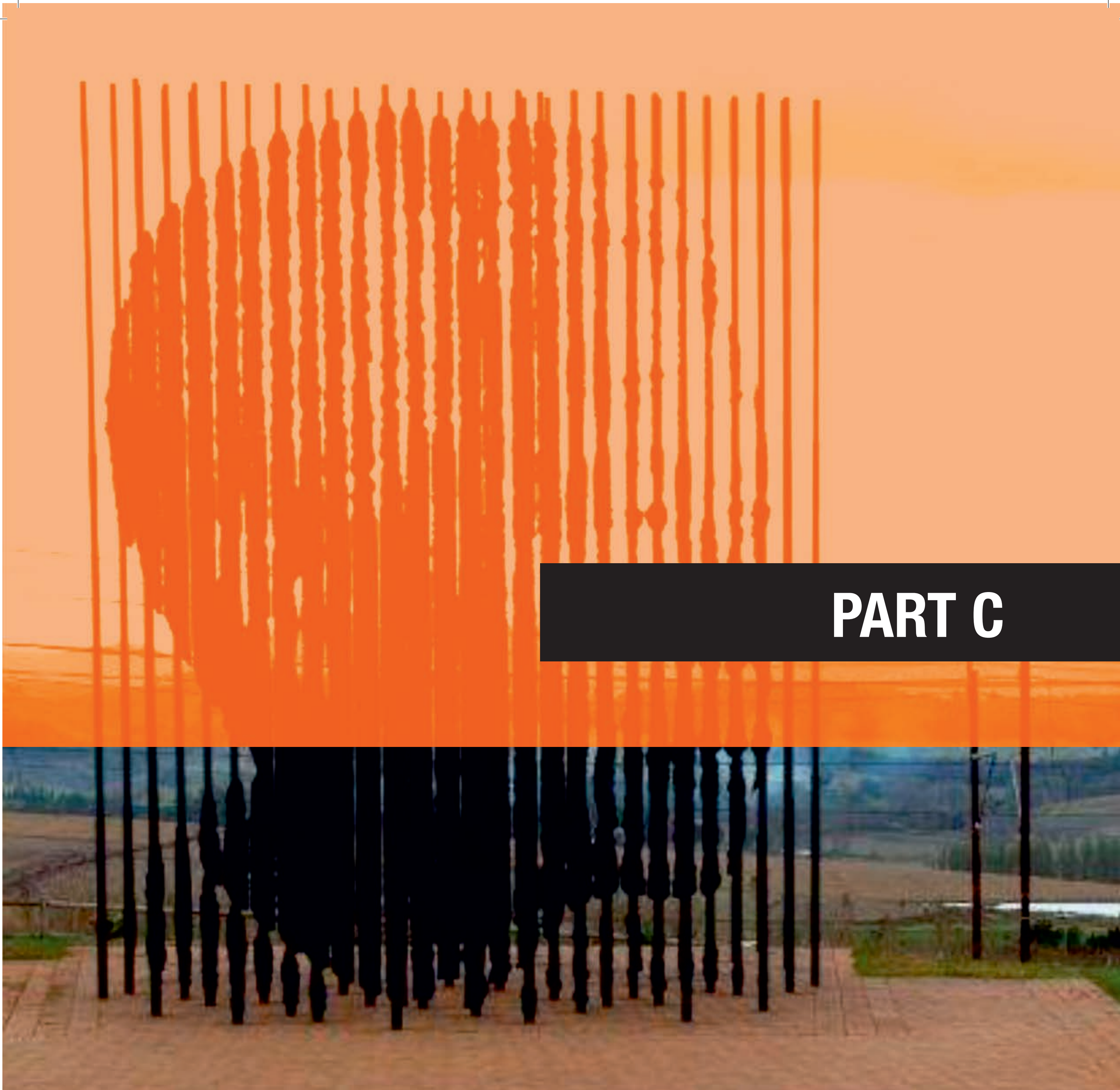
The KZNFC film Cluster saw steady growth in the number of tenants in 2019 with the cluster occupancy rate at 90%, indicating the need for such working space at reasonably reduced rates.

4. Revenue Collection

The entity is not established to generate revenue but has generated revenue to the amount of R302 168 during the financial year under review through cluster office and facility rentals. Fourteen production companies were renting the cluster by the end of the 2019/20 financial year.In addition, recoupable funding in relation to productions that successfully recover their production costs through distribution channels was paid to KZNFC amounting to R1.5m for the Kandasamys, the Wedding. KZNFC earned interest on the bank account amounting to R1 658 289.40.

4.1 Capital Investment

KZNFC received seed capital funding from EDTEA to research the development and facilitate the establishment of a Film Studio in the Province. An amount of R15m was to be used annually, spreading it to cover three years. The first phase of the pre-feasibility was undertaken. However, in 2018-19 financial, the Auditor -General declared the transaction irregular and a legal process is underway to regularise the matter. The project has been on hold since July 2019.



PART C

Governance

PART C

GOVERNANCE

1. 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 prescripts 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, performance reporting, governance and stakeholder relationships.

2. 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 Board attended one meeting during the financial year at the invitation of the Finance Portfolio Committee.

3. Executive Authority

The Executive Authority of the entity is the MEC for the Department of Economic Development, Tourism and Environmental Affairs.

4. The Accounting Authority/ Board

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 60

5. 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 2019/20 financial year, the following areas were identified as high risks areas:

a) Oversight structures not fully/ properly constituted in terms of numbers and relevance to core mandate. The root causes for this risk has been identified as the following; lack of timeous appointment of Board members; resignations of Board members due to reduction of Board fees; Conflict of interest would restrict industry practitioners to serve as Board members and appointments of members not based on expertise.

b) The incorporation of KZNFC into Tourism KZN could result in dilution of core mandate.The progress on the merge with Tourism KZN has been placed on hold until Cabinet has made a decision on the revised incorporation.

c) Failure to keep abreast with the development of the fourth Industrial Revolution. The root causes for this risk has been identified as the following; failure to keep up with the technological advancements within the industry; lack of resources and lack of thorough understanding of the impact of the fourth industrial revolution.

d) KZNFC forced to close due to natural disaster. Due to the COVI-19 pandemic, KZNFC had to close its offices, which resulted in service delivery being halted. This risk is still currently one of the highest risks the

organisation faces.

The Audit and Risk Committee will continuously monitor the roll-out of risk management 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.

6. Internal Control

During the year under review, the Internal Audit was undertaken by Thornton Dibb Rossal Ubucule (TDRU) Inc. They conducted the following audit assignments: -

a) Interim and Annual Financial Statements Review

b) Supply Chain Management

c) Commercialisation marketing and customer service cycle

d) Location and Facility management

e) Performance Information

7. 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.

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.

8. 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; and
- Obtaining regular updates from management and the organisation's legal counsel regarding compliance matters.

9. Fraud and Corruption

During the financial under review, an external service provide Deloitte & Touche South Africa (Auditors) was appointed to investigate fraud and corruption matters that were reported within the entity. The findings were tabled with the Board, and appropriate action was taken against the relevant officials.

10. Conflict of Interest

Each employee and Board member declares their business interests at the beginning of the financial year. Staff members who serve on different SCM committees are required to declare their business interests on every meeting that they attend. It si general practice that the participants in the various governance structures are required to declare any conflicts of interest in the matters being discussed which is then noted in the minutes of the meeting.

11. Code of Conduct

With regards to SCM matters, the code of conduct as contained in the Provincial Treasury Practice Note 04 of 2007 are applied in KZNFC.

Furthermore, KZNFC has a Code of Ethics policy which serves as a set of rules guiding the behaviour of individuals in an organisational set-up. The behavioural rules are based on KZNFC's Core Values and create an organisation's culture requiring exemplary reputation with all its stakeholders. This Code of Ethics is designed to take ambiguity out of values and explains how employees are to demonstrate the core values of the organisation which must manifest on a daily basis as a way of life and that of doing business.

12. Health Safety and Environmental Issues

The entity has a Health and Safety Committee appointed to look after all health and safety issues at the workplace. On environmental issues, the entity has endeavoured to ensure that its systems are automated and therefore paperless in order to reduce carbon emissions. With respect to the industry at large, the entity has produced guidelines for environmental sustainability. The information has been shared with the industry practitioners and with the Municipalities.

13. Company / Board Secretary

The Company Secretariat was outsourced during the year under review to Statucor (Pty)Ltd.

14. Audit and Risk Committee Report

Refer to PART E under the Annual Financial Statements

15. B-BBEE compliance performance information

The KZNFC performance in relation to BBBEE is documented in line with the scorecard elements and covers the key areas of:

- Management control
- Skills Development
- Enterprise and Supplier Development Element
- Socio-Economic Development Element

The KZNFC underwent a BEE review and resulted in a Non-compliance score. This predominantly was linked to inadequate reporting to the respective authorities in the previous financial year (2019/19), which was subsequently corrected. The KZNFC programmes are targeting designated groups and have, in most instances, exceeded targets set for the year as indicated below.

Management Control

The entity had five Non-Executive Members of the Board during the financial year under review. There was, however one change recorded during the financial year. There was no member living with disabilities among the Members. The composition is made of 4 females and one male with 80% African representation.

The CEO is the only Executive Board Member as provided for in the KZNFC Act. The KZNFC has exceeded its targets in terms of African representetivity and was penalised in terms of the BEE validation as not adhering to the demographics of the province. Gender balance leans strongly towards females representativity throughout the respective levels. Several resignations took place at the management level, which impacted on the gender balance.

The senior management team is comprised of 7 Africans with five males and two females.

Middle Management levels comprised of 7 people, 4 African females, 2 African males and 1 Indian female.

Junior levels are comprised of 10 Africans with seven females and 3 males.

Skills Development

During the financial year under review, there were a number of training interventions that the entity conducted to develop the local filmmaker's skills and industry practitioners in general; these are captured in the report above. To serve as an example, the NQF level 4, in Film and TV learnership programme was conducted over a twelve months period. There were 24 learners on the programme (all were African and 14 were female students). Costs per learner were R31 400.00, and each learner received a monthly stipend of R1 800.00.

A total of R351 982 was spent on training employees of KZNFC, and R164 026 was awarded in bursaries to further develop the employees. An amount of R202 1010 was paid for skills levies.

Enterprise and Supplier Development

The total spent on all suppliers was to the value of R31,664,919.00. The entity has ensured that the approved Transformation Policy has been implemented, which includes increased spending on BBBEE compliant suppliers. The target has primarily been on procuring from service providers that are Exempted Micro Enterprises

(EME), Qualifying Small Enterprises (QSE) and B-BBEE status level between level 1 and level 3. This has enabled the entity to achieve a BBBEE spending of 114% (using the DTI calculation rate) against the target of 110%. 54% of the budget was spent on EME's and 7%on QSE's.

There was no Supplier Development programme nor Enterprise Development for the year in terms of the BEE scorecard criteria albeit that an incubation programme was run for 10 companies.

Many of the initiatives that KZNFC has undertaken in terms of transformation are not considered for BEE scorecard as they are considered to be part of our mandate as KZNFC.

Socio-Economic Development

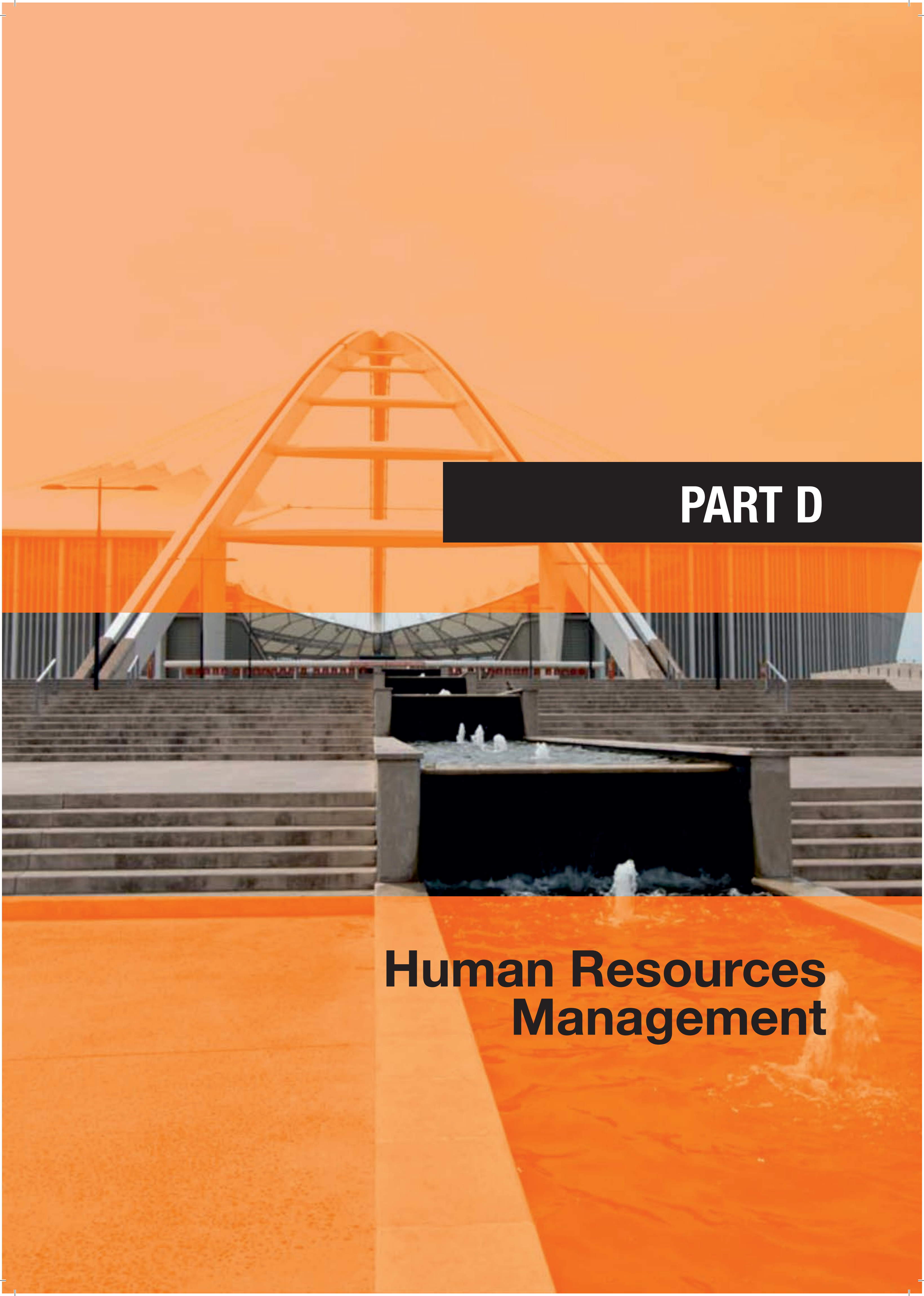
The project was to provide a new facility in the form of a Parkhouse for the Zamani Creche in Inanda community as the existing facility was not suitable for the health and safety of the children. Educational equipment was also provided to further equip the teacher in providing early childhood education to the children attending the creche. The beneficiaries of the creche are all African.

Has the Public Entity applied any relevant Code of Good Practice with regards to the following:		
Criteria	Response Yes / No	Discussion (*include a discussion on your response and indicate what measures have been taken to comply*)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	Outside the mandate of KZNFC
Developing and implementing a preferential procurement policy?	Yes	This is contained in the SCM policy and the PPPFA applies to KZNFC
Determining qualification criteria for the sale of state-owned enterprises?	No	Not applicable
Developing criteria for entering into partnerships with the private sector?	Yes	Partnerships are based on the potential benefit that beneficiaries could derive and in most instances are co-funding productions in KZN with the agreement to distrubte on platforms.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Yes	Criteria for the film fund are detailed in the Film Fund Policy. Any other programmes advertise for applcaints to participate and the criteria are documented in the advertisement.

Famtour with Quizzical Pictures for their production Reyka

Location:
Shakas rock

Location:
Bluff Tidal pool



PART D

Human Resources Management

Part D

Human Resources Management

1. Introduction

The human resources of an entity are the key to its success in delivering services to the public. The KZNFC has a fairly small team of 36 approved positions with a very flat organisational design to limit bureaucracy and enhance operational efficiency. The entity had a vacancy rate of 38.89% which included critical positions such as the CFO position and key management positions dealing with productions and HCD as well as the several support positions in IT, HR and Finance. The finance and administration program, which is critical to the governance and compliance and enabler of service delivery, has the highest vacancy rate of 53.85%. Vacancies create gaps in business processes and the inherent internal controls built in the segregation of duties. Despite the ongoing moratorium on the filling of vacancies, the drive has been to operate optimally under the circumstances, and considerable effort was put in by employees to ensure that the targeted outcomes were met during the period under review. This included hiring a significant number of temporary staff on contract to ensure that service delivery and the internal controls were not compromised.

KZNFC is committed to providing a regular, comprehensive and tailored Skills Development/Training programs, and these are aligned to the Workplace Skills Plans and the Personal Development Plans of individual staff members. During the review period, the entity rolled out all the 11 planned training interventions (100%), and additional training was rolled out to address training necessitated by identified performance gaps in quarterly performance assessments. Three (3) staff members received Bursaries to further their studies at Tertiary Institutions during the period under review, and all of them passed their exams.

While the primary function of the Quarterly performance management processes is to monitor employee performance to ensure that it is at acceptable levels, the system also aims to identify performance gaps that need to be addressed as well as to identify talent that can be developed. The right environment has to be created for an employee to develop and obtain feedback on performance and to identify opportunities for career advancement within the organisation. The online performance management process was rolled out during the financial year under review. This has simplified the process and improved the objectivity of the entire process in terms of streamlining the Key Performance Areas and ensuring that they are consistent across the entity.

The Human Resources strategy aims to enable employees to acquire the competencies and related qualifications and to develop their potential to meet the entity's future human resources needs, as indicated in the organisation's strategy. Furthermore, the Retention and Succession policy rests on the fundamental tenet of creating a work environment and climate that is supportive and conducive to attracting the calibre of persons with competencies that are appropriate to the needs of the KZNFC whilst realising the career pathing of individuals. As part of the practical implementation of the succession and retention policy, KZNFC rolled out a Leadership intervention for six (6) staff members at B and C Band. This seeks to develop a leadership pipeline for Manco positions where internal employees could be potential candidates when management positions become available in future.

The Executive Management Development Program (EMDP) by Mancosa is an NQF Level 8 intervention and credit-bearing/accredited programme that carries with it a compulsory formative and summative assessments (assignments and examinations). On successful completion, delegates then receive credits towards a Postgraduate Diploma in Business Management.

As far as the Internship program is concerned, the entity has been able to attract and develop high calibre ready-for work- graduates. The current eight graduates were taken through a structured program with clearly defined outcomes. The focus was to ensure that the Mentors provide a stable and supportive environment for the growth of the interns. Interns attend various training programmes during the two-year cycles which include: work readiness, interview skills, work etiquette, support in obtaining drivers licenses.

A Wellness service provider (Careways) was appointed on 1 April 2019 which led to the improvement in the wellness services provided to the employees including quarterly presentations on critical topical issues like Interpersonal relationships, Managing Change in Personal and Work-Life, Relationships at work, Stress Management, Resilience, Assertiveness and Anger Management and Cultural diversity. Topical awareness posters around these topics were put on a fortnightly basis at various working stations. One of the wellness priorities was to ensure that employees adopt a healthy lifestyle. In this regard, KZNFC funded the registration costs of seven (7) local road races for employees' participation. This has also encouraged teamwork and camaraderie amongst staff members as they trained and raced together on race days. There was a keen interest from staff, and this financial year, a total of 34 employees took part in these programmes.

2. Human Resources 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 per programme.	No. of employees	Average personnel cost per employee (R'000)
Office of CEO	8 941	4 900	55%	4	1 225
Marketing & Industry Development	36 817	10 031	27%	13	772
Finance & Administration	17 412	5 292	30%	5	1 058
TOTAL	63 170	20 223	32%	22	919

The total entity's personnel costs were 32% of the actual operating expenses for the year under review. The entity's main budget goes to Marketing and Industry Development, and the personnel costs in that programme amount to 50% of personnel expenditure

1.1. **Personnel cost by salary band**

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	2 542	13%	1	2 542
Senior Management	2 897	14%	1	2 897
Professional qualified	7 436	37%	5	1 487
Skilled technical	4 229	21%	6	705
Semi Skilled	3 119	15%	9	347
TOTAL	20 223	100%	22	919

During the year under review, the entity contracted employees in critical areas that required to be filled, particularly in the positions that need segregation of duties. The team are predominantly comprised of specialists and managers with limited administrative staff.

1.2. **Personnel cost of Temporary placements**

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Internship/Trainees	668	17%	5	134
Temporary staff on Payroll	1 523	40%	11	138
Contracted via Supply Chain Management	1 628	43%	2	814
TOTAL	3 819	100%	18	212

The number of temporary employees is high due to the entity being unable to fill vacant positions in the year under review in line with the austerity measures, 18 temporary employees were contracted to assist with the vacancies in critical areas.

1.3. **Personnel Temporary cost by salary band**

Level	Contracted employees by KZNFC	Contracted via Service Providers	No. of employees on contracts	% of contracted employees vs approved positions
Top Management	-	-	-	0%
Senior Management	-	-	-	0%
Professional qualified	-	1	1	3%
Skilled Technical	3	1	4	11%
Semi-Skilled and defined decision making	8	-	8	22%
Internship/ Traineeship	5	-	5	14%
Total	16	2	18	50%

The number of employees of contracted employees is 50% of the approved positions in the organogram. The percentage of contracted employees is high, and as explained above the situation has been worsened by the moratorium on the filling of posts in the public sector.

Employment and vacancies

Programme	No of approved positions	2019/20: No. of Employees	2019/20 Vacancies	% of vacancies
Office of CEO	6	4	2	33,33%
Marketing & Industry Development	17	12	5	29,41%
Finance & Administration	13	6	7	53,85%
Total	36	22	14	38,89%

Programme/activity/objective	No of approved positions	2019/20 No. of Employees	2019/20 Vacancies	% of vacancies
Top Management	1	1	0	0%
Senior Management	2	1	1	50,00%
Professional Qualified	8	5	3	37,50%
Skilled Technical	12	5	7	58,33%
Semi-Skilled	13	10	3	23,08%
TOTAL	36	22	14	38,89%

The total vacancy rate was 38.89% for the year under review. This was higher than the planned target of 35%.

3. Employments Equity Statistics

3.1. Per occupational level - Males

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0
Professional qualified (Managers)	3	1	0	0	0	0	0	0
Skilled Technical	3	2	0	0	0	1	0	0
Semi-Skilled	2	2	0	0	0	0	0	0
Internships: out of 5 we have 1 African males	1	0	0	0	0	0	0	0

3.2. Per Occupational level - Females

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	1	0
Senior Management	1	1	0	0	0	0	0	0
Professional qualified (Managers)	2	2	0	0	0	0	0	0
Skilled Technical	3	2	0	0	1	0	0	1
Semi-skilled	6	2	0	0	0	0	0	0
Interns	4	0	0	0	0	0	0	0

3.3. Per Occupational levels – including temporary staff

Occupational Levels	Designated								Non-Designated		TOTAL
	MALE				FEMALE				MALE	FEMALE	
	African	Coloured	Indian	White	African	Coloured	Indian	White			
Top Management								1			1
Senior Management					1						1
Professionally qualified and experienced specialists and mid-management	3				2						5
Skilled Technical	3				3		1				7
Semi-skilled and discretionary decision making	2				6						8
TOTAL PERMANENT	8				12		1	1			22
Temporary employees	3				8						11
GRAND TOTAL	11				20		1	1			33

The equity total includes all employees that were employed by the entity as at 31st March 2020.

3.4. Summary of targets

Summary of Targets					
MALES			**FEMALES**		
	Target	**Actual**		**Target**	**Actuals**
African Male	16	8	African Female	14	12
Coloured Male	1	0	Coloured Female	1	0
Indian Male	1	0	Indian Female	1	1
White Male	0	0	White Female	2	1
Overall Summary	18	8		18	14
Internships					
African Male	0	1		0	4

As of 31 March 2020, KZNFC comprises 96% Black Employees, of which 94% were Africans, 55% youth, and 64% women. The entity had eight interns, on a two-year programme.

Reasons why staff are leaving

Termination type	Number	% of total terminations
Resignation	3	100%
Total	3	100%

Three resignation took place during the year at a senior management level.

Disciplinary action

Occupational category	Male				Female				Total
	African	Indian	Coloured	White	African	Indian	Coloured	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Professionally Qualified (Managers)	1	0	0	0	2	0	0	0	3
Skilled Technical	1	0	0	0	0	0	0	0	1
Semi-Skilled	1	0	0	0	3	0	0	0	4
Internships	0	0	0	0	0	0	0	0	0
Total	3	0	0	0	5	0	0	0	8

Desciplinary action is only taken where the nature of the actions requires such an intervention. The majority of the instances were informal disciplinary actions without hearing being required.

Grievances lodged for period 1 April 2019 till 31 March 2020

	Number	% of Total
Number of grievances resolved	4	80%
Number of grievances pending	1	20%
Total number of grievances	5	100%

The pending grievance was lodged towards the end of the financial year.

Training provided for period 1 April 2019 to 31 March 2020

Occupational Categories	Gender		Number of employees	
	M	F		Skills programs
Top management	0	1	1	Sharepoint user training
	0	1	1	Premier HR and ESS training
	0	1	1	4th Industrial Revolution
Senior Management	0	1	1	Sharepoint user training
	0	1	1	Premier HR and ESS training
	0	1	1	4th Industrial Revolution
Professional qualified (Managers)	0	1	1	IRMSA Risk Appetite and Tolerance
	2	0	2	Sharepoint user training
	2	2	4	Drawing up of terms of reference (specifications)
	1	0	1	Excel level 2
	1	0	1	Excel level 3
	2	2	4	4th Industrial Revolution
	1	0	1	Excel level 2

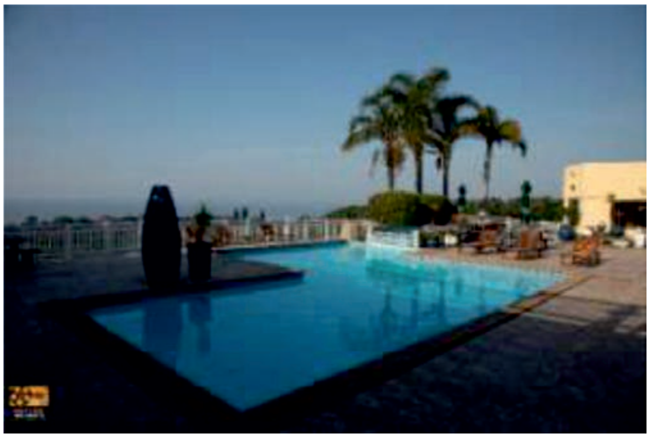
Skilled Technical	**0**	**1**	**1**	**IRMSA Risk Appetite and Tolerance**
	1	**5**	**6**	**Management Development Programme**
	2	**5**	**7**	**Sharepoint user training**
	4	**6**	**10**	**Drawing up of terms of references (Specifications)**
	1	**0**	**1**	**Excel level 2 training**
	0	**1**	**1**	**Records Management**
	4	**7**	**11**	**Premier HR training**
	4	**7**	**11**	**4th Industrial Revolution**
	1	**0**	**1**	**Excel level 3 training**
	1	**2**	**3**	**Share point user training**
Internships	**0**	**2**	**2**	**Excel level 1**
	0	**1**	**1**	**Excel level 2**
	0	**1**	**1**	**Excel level 3**
	1	**5**	**6**	**Sharepoint user training**
	2	**2**	**4**	**Business Etiquette**
	1	**3**	**4**	**Drawing up of terms of references**
All MID Team	Work-study training Intervention			
All staff	Fraud Awareness workshop			
All Staff	Customer care/ living to KZNFC Values			

The entity identified several training initiatives through individual development plans and the analysis of skills gaps during the year under review. All the identified interventions were undertaken.

Locations taken in the South Coast by commissioned photographer

Location:
River Lodge

Location:
River Lodge



Location:
Hill Billion Estate

Location:
Park Rynie

Location:
South Coast

Location:
Bluff Tidal pool

PART E

Financial Information

Pictures taken by a commissioned photographer of Thekwini

Location: Phoenix Cemetary

Location: Durban city at night

Location: Harbour Wilsons Wharf

Location: Illovu

Location: Chatsworth Mosque

Location: Church uMlazi

Auditor-General of South Africa

KwaZulu-Natal Film Commission

Audit Report 2019-20

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the KwaZulu-Natal Film Commission set out on pages 69 to 122 which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the KwaZulu-Natal Film Commission as at 31 March 2020, and its financial performance and cash flows for the year then ended 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).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the entity in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

Financial sustainability: Rationalisation of entities

6. As disclosed in the going concern, note 38, KwaZulu-Natal Film Commission received a confirmation from the Department of Economic Development, Tourism and Environmental Affairs (EDTEA) that it will be incorporated into Tourism KwaZulu-Natal Authority (TKZN) as a going function shift and going concern. An Incorporation Agreement has been signed between the KwaZulu-Natal Film Commission and TKZN and the project plan has been approved with progress monitored by a Joint Management Committee chaired by EDTEA. It is estimated that the incorporation with the approved legislation will be completed by 31 March 2021.

Emphasis of matter

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

Irregular expenditure

8. As disclosed in note 33 to the financial statements, the entity incurred irregular expenditure of R1,74 million, as it did not follow a proper procurement process.

Responsibilities of the accounting authority for the financial statements

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

10. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

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

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

Report on the audit of the annual performance report

Introduction and scope

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

14. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for programme 3 – marketing and industry development presented on pages 29 to 39 in the annual performance report of the entity for the year ended 31 March 2020:

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programme.

Other matter

18. I draw attention to the matters below.

Achievement of planned targets

19. The annual performance report on pages 24 to 39 includes information on the achievement of planned targets for the year and explanations provided for the under and over achievement of a number of targets.

Adjustment of material misstatements

20. I identified a material misstatement in the annual performance report submitted for auditing. This material misstatement was in the reported performance information of the marketing and industry development programme. As management subsequently corrected the misstatement, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

22. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that have been specifically reported in this auditor's report.

24. My opinion on the financial statements, the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

26. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

27. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor-General

30 September 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

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

Communication with those charged with governance

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

KWAZULU-NATAL FILM COMMISSION
SOUTH AFRICA
• OUR KINGDOM IS YOUR STAGE •

KWAZULU-NATAL FILM COMMISSION
(Registration number M3/15/32 (834/15))
Annual Financial Statements
for the year ended 31 March 2020

These annual financial statements were prepared by:
Nonhlanhla Thanjekwayo
Acting Chief Financial Officer

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 and facilitate the development of the industry through strategic initiatives.
Registered office	10th Floor, Musgrave Towers 115 Musgrave Road Durban 4001
Bankers	ABSA
Auditors	Auditor General of South Africa Registered Auditors

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

KWAZULU-NATAL FILM COMMISSION

(Registration number M3/15/32 (834/15))
Annual Financial Statements for the year ended 31 March 2020

Board Members' Responsibilities and Approval

The Board members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Board members to ensure that the annual 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 year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

The annual 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 of members set 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 annual 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 12 months to 31 March 2021 and, in light of this review and the current financial position, they are satisfied that the entity 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 annual financial statements are prepared on the basis that the entity is a going concern and that EDTEA has committed to fund the entity for the next 12 months. The Provincial Cabinet has not taken a decision on the proposed mergers on public entities and KZNFC has continued to operate independently as a public entity.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on a separate report.

The annual financial statements set out on pages 77 to 122 which have been prepared on the going concern basis, were reviewed by the members of the board on 30 July 2020 and were signed on its behalf by:

BM Malange	**C Coetzee**
Board Chairperson	**Chief Executive Officer**

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2020.

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 audit charter. Members met five times during the period under review.

Name of member	Number of meetings attended
M.Mzimela (Chairperson)	5
B.M. Malange	4
D. Ramuedzisi	5
N. Mthembu	4
SL. Madlala (appointed 26/02/2020)	1

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 Public Finance Management Act (PFMA) and Treasury Regulation 3.1. The Audit and Risk Committee also reports that it has adopted appropriate Audit and Risk 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 IV 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 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 deficiences 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 quarterly reports prepared and issued by the management of the entity during the year under review.

Evaluation of annual financial statements

The Audit and Risk Committee has:

- reviewed and discussed the audited annual financial statements to be included in the report, with the Auditor-General and the Members of the Board;
- 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 is 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 Committee

Board Members' Report

The Board members submit their report for the year ended 31 March 2020.

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 KwaZulu-Natal province as a global destination for film production. The entity operates principally in South Africa.

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 surplus of the entity was R 17,017,879 (2019: surplus R 24,086,961),

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

We draw attention to the fact that at 31 March 2020, the entity had an accumulated surplus of R 65,219,340 and that the entity's total assets exceed its liabilities by R 65,219,340.

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 year under review.

5. Board members' interest in contracts

Board Members are required to declare any conflict of interest during the meetings. As at 31 March 2020, there was no conflict of interest recorded for the period under review.

6. Accounting policies

The annual financial statements are 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 (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Board Members' Report

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/ removal
W Msomi	Previous Chairperson	01 February 2013	24 November 2019
BM Malange	Chairperson (1 December 2019)	01 February 2013	
L Berning	Human Resources and Social Ethics Committee Chairperson	01 February 2013	
M Mzimela	Audit and Risk Committee Chairperson	01 February 2013	
N Mthembu	Member	01 February 2013	
CL Coetzee	Executive Member	01 October 2013	
SL Madlala	Member	26 February 2020	
Executive management			
CL Coetzee	Chief Executive Officer	01 October 2013	
NC Thanjekwayo	Acting Chief Financial Officer	14 October 2019	
K Bogatsu	Chief Financial Officer	01 February 2014	11 October 2019
JM Japal	Chief Operations Officer	01 February 2014	

8. Secretary

The Statucor (Pty) Ltd provided secretarial services for the period under review.

9. Members meetings

Chairperson and Chief Executive Officer

The Chairperson is a non-executive and independent Board Members as defined by the PFMA and the King Code of Good Corporate Governance.

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

Board meetings

The Board Members are scheduled to meet at least four times per annum.

Non-executive Board Members have access to all members of management of the entity.

Four Board meetings, three Special Board meetings were held during the period, one Board strategy meeting and one Joint workshop Board meeting with Tourism KwaZulu-Natal Board.

Name	24/04/19 Joint Workshop	28/05/19 Meeting	01/08/19 Meeting	28/08/19 Strategy Session	25/09/19 Special Board	25/10/19 Meeting	26/11/19 Special Board	04/03/20 Meeting	24/03/20 Special Board
W Msomi	No	No	No	No	No	No	No	N/a	N/a
BM Malange	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
L Berning	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
M Mzimela	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N Mthembu	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
C Coetzee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SL Madlala	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	Yes

Board Members' Report

Audit and Risk Committee

For the year under review, the Chairperson of the Audit and Risk Committee was Mr M Mzimela (Non- Executive Board Member).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 ThorntonDibbRossalUbucule (TDRU) who provided the services in the period under review, in line with the approved annual audit plan.

Five meetings were held during the period.

Name	21/05/19	23/07/19	16/10/19	14/01/20	24/03/20
M Mzimela	Yes	Yes	Yes	Yes	Yes
N Mthembu	Yes	Yes	Yes	No	Yes
BM Malange	Yes	Yes	Yes	No	Yes
D Ramuedzisi (Independent sub-committee member)	Yes	Yes	Yes	Yes	Yes
SL Madlala	N/a	N/a	N/a	N/a	Yes

Human Resources and Social Ethics Committee

For the period under review, the Chairperson of the Human Resource and Social Ethics Committee was Ms L Berning (Non Executive Board Member).The committee met in line with the requirements of the HRSEC terms of reference to review matters necessary to fulfil its role.

Six meetings were held during the year.

Name	21/05/19	12/06/19	24/07/19	07/10/19	26/11/19	24/03/20
L Berning	Yes	Yes	Yes	Yes	Yes	Yes
M Mzimela	Yes	Yes	Yes	Yes	Yes	Yes
BM Malange	Yes	Yes	Yes	Yes	Yes	Yes
K Simelane (Independent sub-committee member)	Yes	No	Yes	Yes	Yes	Yes

10. Bankers

ABSA

11. Auditors

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

Statement of Financial Position as at 31 March 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	105,897	8,811,472
Receivables from non-exchange transactions	4	45,519	45,529
Cash and cash equivalents	5	49,848,548	19,331,423
Prepayments	6	621,344	4,089,405
		50,621,308	**32,277,829**
Non-Current Assets			
Property, plant and equipment	7	2,777,281	4,645,291
Intangible assets	8	375,181	761,918
Investments in associates	9	15,000,000	15,000,000
		18,152,462	**20,407,209**
Total Assets		**68,773,770**	**52,685,038**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	3,512,118	4,426,598
Payables from non-exchange transactions	11	42,312	56,978
		3,554,430	**4,483,576**
Total Liabilities		**3,554,430**	**4,483,576**
Net Assets		**65,219,340**	**48,201,462**
Accumulated surplus		65,219,340	48,201,462

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	12	48,770	70,213
Rental of facilities and equipment	13	271,505	209,631
Interest received - investment	14	1,551,911	1,638,548
Other income	15	2,180,415	1,100,283
Total revenue from exchange transactions		**4,052,601**	**3,018,675**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	16	90,538,000	96,267,000
Total revenue		**94,590,601**	**99,285,675**
Expenditure			
Board and committee members costs	17	(986,804)	(1,020,311)
Employee related costs	18	(22,511,454)	(19,432,773)
Finance costs	19	(951)	(35)
Marketing and projects	20	(14,293,402)	(13,880,954)
Depreciation and amortisation	21	(2,490,302)	(2,855,375)
Doubtful debts	22	(286,000)	-
Operating expenses	23	(15,535,869)	(16,304,045)
Audit fees	24	(1,709,934)	(1,395,752)
Production and development costs	25	(19,212,794)	(19,209,159)
Research and development	26	(525,612)	(963,151)
Total expenditure		**(77,553,122)**	**(75,061,555)**
Operating surplus		**17,037,479**	**24,224,120**
Loss on disposal of assets and liabilities	7	(19,600)	(137,159)
Surplus for the year		**17,017,879**	**24,086,961**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2018	**24,114,501**	**24,114,501**
Changes in net assets		
Surplus for the year	24,086,961	24,086,961
Total changes	24,086,961	24,086,961
Restated* Balance at 01 April 2019	**48,201,461**	**48,201,461**
Changes in net assets		
Surplus for the year	17,017,879	17,017,879
Total changes	17,017,879	17,017,879
Balance at 31 March 2020	**65,219,340**	**65,219,340**

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Grants		90,538,000	96,267,000
Interest received - investment		1,551,911	1,638,548
Other receipts		2,769,895	1,045,326
		94,859,806	98,950,874
Payments			
Employee costs		(23,697,929)	(19,706,905)
Finance costs		(951)	(35)
Other payments		(40,388,644)	(61,871,164)
		(64,087,524)	(81,578,104)
Net cash flows from operating activities	27	**30,772,282**	**17,372,770**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(205,157)	(388,192)
Proceeds from sale of property, plant and equipment	7	-	18,812
Purchase of other intangible assets	8	(50,000)	(321,115)
Purchase of investment in associates		-	(15,000,000)
Net cash flows from investing activities		**(255,157)**	**(15,690,495)**
Net increase/(decrease) in cash and cash equivalents		**30,517,125**	**1,682,275**
Cash and cash equivalents at the beginning of the year		19,331,423	17,649,148
Cash and cash equivalents at the end of the year	5	**49,848,548**	**19,331,423**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	-	-	**-**	48,770	**48,770**	40.1
Rental of facilities and equipment	28,195	-	**28,195**	271,505	**243,310**	40.2
Other income	651,700	-	**651,700**	2,180,415	**1,528,715**	40.3
Interest received - investment	-	-	**-**	1,551,911	**1,551,911**	40.4
Total revenue from exchange transactions	**679,895**	**-**	**679,895**	**4,052,601**	**3,372,706**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	80,538,000	10,000,000	**90,538,000**	90,538,000	**-**	40.5
Rollover funds 2018/19	-	19,326,423	**19,326,423**	19,326,423	**-**	40.6
Total revenue from non-exchange transactions	**80,538,000**	**29,326,423**	**109,864,423**	**109,864,423**	**-**	
Total revenue	**81,217,895**	**29,326,423**	**110,544,318**	**113,917,024**	**3,372,706**	
Expenditure						
Employee related costs	(23,437,366)	105,493	**(23,331,873)**	(22,511,454)	**820,419**	40.7
Board and committee members costs	(1,592,684)	732,281	**(860,403)**	(986,804)	**(126,401)**	40.8
Marketing and projects	(18,247,525)	7,598,922	**(10,648,603)**	(14,293,402)	**(3,644,799)**	40.9
Audit fees	(1,161,771)	(59,814)	**(1,221,585)**	(1,709,934)	**(488,349)**	40.10
Depreciation and amortisation	-	-	**-**	(2,490,302)	**(2,490,302)**	40.11
Finance costs	-	-	**-**	(951)	**(951)**	40.12
Doubtful debts	-	-	**-**	(286,000)	**(286,000)**	40.18
Research and development	(500,000)	(350,000)	**(850,000)**	(525,612)	**324,388**	40.13
Repairs and maintenance	-	-	**-**	(220,331)	**(220,331)**	
Production and development costs	(27,353,681)	(10,056,752)	**(37,410,433)**	(19,212,794)	**18,197,639**	40.14
Operating expenses	(18,094,973)	1,423,331	**(16,671,642)**	(15,315,538)	**1,356,104**	40.15
Total expenditure	**(90,388,000)**	**(606,539)**	**(90,994,539)**	**(77,553,122)**	**13,441,417**	
Operating surplus	**(9,170,105)**	**28,719,884**	**19,549,779**	**36,363,902**	**16,814,123**	
Loss on disposal of assets and liabilities	-	-	**-**	(19,600)	**(19,600)**	40.16
Surplus for the year from continuing operations	**(9,170,105)**	**28,719,884**	**19,549,779**	**36,344,302**	**16,794,523**	
Capex	(150,000)	(55,961)	**(205,961)**	(255,158)	**(49,197)**	40.17
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(9,320,105)**	**28,663,923**	**19,343,818**	**36,089,144**	**16,745,326**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual 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 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

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.

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

1.1 Presentation currency

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

1.2 Going concern assumption

These annual 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 Financial Statements .

Prior year comparatives

When the presentation or classification of items in the 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

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Provisions

Provisions are measured as at 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 the future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. The measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes based on the probability that the outcome will materialise in the 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.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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 an 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.

Estimates

Estimates are informed by historical experience, information currently available 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 an 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 Property, plant and equipment

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 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 of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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.

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

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

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.

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Accounting Policies

1.5 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	5 years (lease period)
Production and development equipment	Straight line	3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no future economic[benefits or service potential expected from the use of the asset.

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

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

1.6 Intangible assets

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Accounting Policies

1.6 Intangible assets (continued)

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.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

Accounting Policies

1.7 Investments in associates

An investment in an associate is carried at cost as per GRAP 7.

The entity applies the same accounting for each category of investment.

The entity recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Definition

Associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a controlled entity nor an interest in a joint venture.

Significant influence

If an investor holds, directly or indirectly (e.g. through controlled entities), 20 per cent or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly (e.g. through controlled entities), less than 20 per cent of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

Initial recognition

The investment in an associate is initially recorded at cost (including transaction costs directly attributable to the acquisition of the investment) and the carrying amount is increased or decreased to recognise the investor’s share of surplus or deficit of the investee after the date of acquisition. The investor’s share of the surplus or deficit of the investee is recognised in the investor’s surplus or deficit.

Subsequent

Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor’s proportionate interest in the investee arising from changes in the investee’s net assets that have not been recognised in the investee’s surplus or deficit. Such changes include those arising from the revaluation of property, plant, equipment and from foreign exchange translation differences. The investor’s share of those changes is recognised directly in net assets of the investor.

Impairment

The entire carrying amount of an investment is tested for impairment in accordance with the Standards of GRAP on Impairment of Cash-generating Assets (GRAP 26) or Impairment of Non-cash-generating Assets (GRAP 21) for impairment as a single amount, by comparing its recoverable amount or recoverable service amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of the requirements in GRAP 104 indicates that the investment may be impaired. An impairment loss recognised in those circumstances is not allocated to GRAP 7 Issued March 2012 15 Investments in Associates any asset that forms part of the carrying amount of the investment in the associate. Accordingly, any reversal of that impairment loss is recognised in accordance with GRAP 26 and GRAP 21 to the extent that the recoverable service amount or recoverable amount of the investment subsequently increases.

De-recognition

When the significant influence over an associate is lost, the entity will derecognise that associate and recognise in profit or loss the difference between the sum of the proceeds received and any retained interest, and the carrying amount of the investment in the associate at the date significant influence is lost.

Accounting Policies

1.8 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.

Impairment of financial assets

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.

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.

Accounting Policies

1.8 Financial instruments (continued)

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.

Gains and losses

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.

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

Accounting Policies

Statutory receivables (continued)

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.9 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 between the finance charge and reduction of the outstanding liability. The entity does not enter into finance leases that attract finance charges.

Operating leases - lessee

Operating lease payments are recognised as an expense in the Statement of Financial Performance by applying a systematic basis of using actual invoices received for lease.

Operating lease commitments disclosure includes a contingent rental.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

1.11 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.12 Employee benefits

Short-term employee benefits

Short-term employee benefits encompass all those benefits that become payable in the short term, i.e. within a financial year or within 12 month 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-accummulating 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.

1.13 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.

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.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

Accounting Policies

1.13 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

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.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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.

1.14 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.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Measurement

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

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

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.

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, which-ever is earlier.

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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.

1.17 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.18 Expenditure

Expenditure reported on the entity's annual financial statements, refers to decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities. Expenditure recorded is on accrual basis, expenses are recorded when they are incurred. The entity recognises an asset if it has prepaid an expense, but does not yet have a present obligation to pay that expenditure.

1.19 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

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

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Accounting Policies

1.19 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised 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.

1.21 Fruitless and wasteful expenditure

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

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

1.22 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 Instrauction note no. 2 of 2019/2020 which was issued in terms of sections 76(2) (e) and 76(4) of the PFMA requires the following (effective from 17 May 2019):

Accounting Policies

1.22 Irregular expenditure (continued)

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. 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.

1.23 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.24 Budget information

Entity is 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 2019/04/01 to 2020/03/31.

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

The annual financial statements and the budget are not on the same basis of accounting, the financials are reported on the accrual basis and budgeted amounts are on cash basis for the reporting period and have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Accounting Policies

1.25 Related parties (continued)

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.26 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.

1.27 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 exceprtional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

1.28 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 thereof from the responsible official is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The impact of the interpretation is not material.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The entity has adopted the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The impact of the standard is not material.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The impact of the interpretation is not material.

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The impact of the standard is not material.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The impact of the standard is not material.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2019.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2099	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2020	Unlikely there will be a material impact

3. Receivables from exchange transactions

Customer Control Account	368,847	352,042
Provision for doubtful debts	(286,000)	-
Sundry Debtors	23,050	8,459,430
	105,897	**8,811,472**

Customer control account

- Hire of production equipment and office space for R47 847 from tenants who occupy the KZN Cluster.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

3. Receivables from exchange transactions (continued)

- Breach of film fund contracts resulting in debts to be recovered of R321000

Provision for doubtful debts

- A provision of R286 000 has been raised in relation to the production recoveries for film funded projects that breached funding agreement, matter is being handled by legal. To date only R35 000 has been recovered by legal the other amounts still to be presented to court.

Sundry debtors

- The amount of R23 050 relates to a supplier that had overcharged the entity as a result of moving from EFT payments to debit orderand duplicating one month's fee, recovery process has been initiated.

4. Receivables from non-exchange transactions

Pay-As-You-Earn (PAYE)	45,519	45,529

The amount of R45 519 relates to employee tax deduction which has been reconciled as at 31 March 2019, where a credit is due to the organisation.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,125	5,000
Bank balances	1,585,760	78,570
Call account	48,261,663	19,247,853
	49,848,548	**19,331,423**

6. Prepayments

Prepayments	621,344	4,089,405

Subscriptions and services	199	5,269
Rental	302,029	284,533
IT Costs	234,850	217,702
Projects and events	-	3,581,901
Board Q1 retainer fees	84,266	-
	621,344	**4,089,405**

The prepayments relate to:

- Amount of R199 relates to tv licence.

- Rental relates to corporate office rental for the month of April 2020.

- IT costs relates to server maintenance and other IT related subcriptions .

- The amount of R84 266 relates to Board retainer fees for quarter 1 that were paid in March due to Covid 19 office shutdown to avoid any payment delays.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

7. Property, plant and equipment

	2020			2019		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Furniture and fixtures	4,111,302	(2,440,062)	1,671,240	4,111,302	(1,768,745)	2,342,557
Office equipment	302,270	(177,913)	124,357	257,144	(150,229)	106,915
IT equipment	2,263,826	(2,040,947)	222,879	2,145,794	(1,749,642)	396,152
Leasehold improvements	3,598,991	(2,879,399)	719,592	3,598,991	(2,094,390)	1,504,601
Production and development equipment	2,026,799	(1,987,586)	39,213	2,070,294	(1,775,228)	295,066
Total	**12,303,188**	**(9,525,907)**	**2,777,281**	**12,183,525**	**(7,538,234)**	**4,645,291**

Reconciliation of property, plant and equipment - 31 March 2020

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Furniture and fixtures	2,342,557	-	-	(671,317)	1,671,240
Office equipment	106,915	87,125	(19,600)	(50,083)	124,357
IT equipment	396,152	118,032	-	(291,305)	222,879
Leasehold improvements	1,504,601	-	-	(785,009)	719,592
Production and development equipment	295,066	-	-	(255,853)	39,213
	4,645,291	**205,157**	**(19,600)**	**(2,053,567)**	**2,777,281**

Reconciliation of property, plant and equipment - 31 March 2019

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Furniture and fixtures	2,815,410	205,385	-	(678,238)	2,342,557
Office equipment	158,343	-	-	(51,428)	106,915
IT equipment	627,445	182,807	(16,086)	(398,014)	396,152
Leasehold improvements	2,289,610	-	-	(785,009)	1,504,601
Production and development equipment	794,458	-	-	(499,392)	295,066
	6,685,266	**388,192**	**(16,086)**	**(2,412,081)**	**4,645,291**

During the year under review office equipment with the total book value of R19 600 was disposed of, as a result of the equipment being lost at the scene of an accident involving the employee who utilised the equipment for official purposes.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

8. Intangible assets

	2020			2019		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Computer software, other	2,302,577	(1,927,396)	375,181	2,252,577	(1,490,659)	761,918

Reconciliation of intangible assets - 31 March 2020

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	761,918	50,000	(436,737)	375,181

Reconciliation of intangible assets - 31 March 2019

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software, other	1,023,987	321,115	(139,886)	(443,298)	761,918

9. Investments in associates

Name of entity	**Listed / Unlisted**	**% holding 2020**	**% holding 2019**	**Carrying amount 2020**	**Carrying amount 2019**	**Fair value 2019**
KZN Studios	Unlisted	10.00 %	10.00 %	15,000,000	15,000,000	15,000,000
				15,000,000	15,000,000	15,000,000

The Investment in associate relates to the development costs in the establishment of the KZN Studios. The entity will acquire 10% in the KZN Studio pending the finalisation of Funding Structure.

In terms of (GRAP 7.06), an Associate is an entity, including an incorporated entity such as a partnership over which the investor has significant influence and that it is neither a controlled entity nor an interest in a joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of an activity but is not control or joint control over policies.

(GRAP 7.20) states that if an investor holds directly or indirectly 20% or more of the voting power over the investee, it is presumed that the investor has significant influence unless it can be clearly demonstrated that this is not the case.

Conversely, if the investor holds directly or indirectly less than 20% if the voting power of the investee, it is presumed that the investor does not have significant influence unless such influence can be clearly demonstrated.

The existence of significant influence is usually evidenced by one or more of the following ways: (GRAP 7.12)

- Representation on the Board of Directors or equivalent governing body of the investee, the Board members representation by the KZNFC was 2 members of the 4 members which give a balance in voting rights of 2:4 (50%).

- Participation in policy making processes including participation in decisions about dividends and similar distributions, the KZNFC has rights at a later stage to transfer the project to a deserving Broad-Based Black entity comprising of emerging film makers.

- Material transactions between the investor and investee, as per the Framework the KZNFC was committed to contribute R15 million to cater for the first phase of the project. The first phase which includes initial setup, feasibity analysis and other project planning costs.

- Interchange of managerial personnel, board of KZNFC appointed all 3 executive members as representatives of the KZNFC in the project and the represantation is currently 2 members of the executives which can be interchanged.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

9. Investments in associates (continued)

- Provision of essential technical information,according to paragraph 4.5 (2) of the Framework the KZNFC was to commit and make available resourses in assisting the project in completing feasibility studies, business plans and other associated pre-operational activities in respect of the project.

In looking at the definition of significant influence the standard goes beyond ownership to include power to participate in the financial and operating policy decisions. KZNFC has two members on the KZN Studio (Pty) Ltd Board representing 50% of the board membership and therefore has significant voting rights as well as influence on financial and operating policy decisions.

The framework agreement which governs the relationship further provides that:

- Both parties undertake to conclude on the memorandum of interest and the shareholder agreement

- Yearly contributions for the phases of the project

- KZNFC is as a co-signatory to the bank account

- KZNFC is party to establishing all governance matters

Based on the above the KZNFC concluded that the entity has significant influence over the investee and therefore the investment is disclosed as investment in an associate and is recognised at cost.

The investment in associate was kept as cost due to:

Following the findings of the Auditor-General in July 2019, the KZN film studios project was placed on hold and no further expenditure or activities took place for the balance of the financial year. Furthermore, based on the audit findings and legal opinion obtained, a letter of termination was issued to Contento Pty limited in December 2019. Due to the legal engagement, KZN studios company has not produced annual financial statements and therefore there is no basis on which to determine the fair value of the investment in associates. Whilst we have copies of the investment bank account indicating the current balance in the investment account in KZN studios we do not have an expenditure report to indicate what the funding was utilized for.

Using the bank statements available the entity has prepared simulated financial statements in relation to the investment. KZN Studios incurred a decifit of R1 188 503 (2018/19) and R1 283 971 (2019/20), the KZNFC had 10% share in the investment which would have been accounted for as 10% of the simulated deficit resulting to total deficit of R247 247 and decreasing the investment to a carrying amount of R14 752 753.

At a point where Contento (Pty) Ltd has furnished the KZNFC with audited annual financials statements relating to the investment, the Investment in associate would be assessed for subsequent measurement of the investment and disclosed as such.

10. Payables from exchange transactions

Trade payables	1,802,784	627,229
Accrued Expenses	1,032,823	1,741,529
Deposits on cluster rentals	8,751	8,973
Leave pay provision	667,760	442,738
Accrued performance bonuses	-	1,606,129
	3,512,118	**4,426,598**

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

30 days	1,802,784	627,229

11. Payables from non exchange transactions

Medical Aid	42,312	56,978

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

11. Payables from non exchange transactions (continued)

The medical aid is deducted in arrears, which would come through in April 2020.

12. Rendering of services

Services Rendered	48,770	70,213

The amount of R48 770 relates to income generated from KZN Film Cluster tenants for telephone usage, access tags and parking discs.

13. Rental of facilities and equipment

Rental of office space	263,580	209,631
Rental of equipment	7,925	-
	271,505	**209,631**

Rental income relates to letting of office space and equipment hire at the KZN Film Cluster.

14. Interest received- investment

Interest revenue		
Interest on call account	1,551,911	1,638,548

15. Other income

Tender receipts	11,803	16,730
Fruitless and wasteful recovery	8,164	-
Insurance recoveries and other	116,892	100,053
Production and development recoveries/ recoupments	1,391,856	321,000
Funds- MICT Seta Learnership	651,700	662,500
	2,180,415	**1,100,283**

The other income relates to:

- Amount of R11 803 relates to receipts from SCM tender documents issued during the period under review.

- The amount of R8 164 relates to recovery made on fruitless and wasteful expenditure.

- The amount of R116 829 relates to Santam recoveries and income for discs lost.

- The amount of R1 391 856 relates to Production recoupment of R960k from the production "Keeping up with the Kandaysamys", DUT bursary recovery of R80k, R216k that was received from UKZN for overpayment, R80k for Kwasukesukela Skills programe by the NFVF and an amount of R55k that was received from MICT Seta for Skills and Develpment Levy with regards to learnership programme.

- The amount of R651 700 relates to MICT Seta contribution to the learnership programme.

16. Government grants and subsidies

Operating grants		
Released to income from EDTEA	80,538,000	76,267,000
Special grant - Production and development programme	10,000,000	5,000,000
Government grant (operating) 5	-	15,000,000
Total grants released	**90,538,000**	**96,267,000**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

17. Board and committee members costs

2020

	Member's fees	Sub-Committees	Other Payments	Total
BM Malange	243,501	80,895	-	324,396
M Mzimela	129,252	152,991	86,103	368,346
L Berning	97,265	91,190	2,599	191,054
SL Madlala	9,353	9,841	-	19,194
* D Ramuedzisi	-	34,609	-	34,609
* K Simelane	-	49,205	-	49,205
	479,371	**418,731**	**88,702**	**986,804**

2019

	Member's fees	Sub-Committees	Other Payments	Total
W Msomi	280,337	-	-	280,337
BM Malange	197,306	67,052	-	264,358
M Mzimela	96,441	94,563	58,560	249,564
L Berning	96,441	60,793	1,767	159,001
* D Ramuedzisi	-	27,687	-	27,687
* K Simelane	-	39,364	-	39,364
	670,525	**289,459**	**60,327**	**1,020,311**

*The KZNFC had Independent non-board members that are serving on sub-committees.

Other payments relate to subsistence and travel costs paid to Board members on official KZNFC business.

KZNFC Board Members that are employed within government do not receive remuneration for the service rendered, N Mthembu is such a member employed at IDC.

Notes to the Annual Financial Statements

Figures in Rand		2020	2019

18. Employee related costs

Executive Management	Designation	2020	2019
CL Coetzee	Chief Executive Officer	2,541,766	2,239,729
NC Thanjekwayo (6 months)	Acting Chief Financial Officer	618,951	-
K Bogatsu (6 months)	Chief Financial Officer	1,079,588	1,653,162
JM Japal	Chief Operations Officer	1,815,104	1,651,412
		6,055,409	**5,544,303**

31 March 2020	Salary	Cellphone Reimbursements	Employer Contributions	Performance Bonus	Total
CL Coetzee	2,401,828	67,200	72,904	(166)	2,541,766
NC Thanjekwayo	589,446	13,000	16,505	-	618,951
K Bogatsu	1,030,388	18,200	31,918	(918)	1,079,588
JM Japal	1,731,231	31,200	53,847	(1,174)	1,815,104
	5,752,893	**129,600**	**175,174**	**(2,258)**	**6,055,409**

31 March 2019	Salary	Cellphone Reimbursements	Employer Contributions	Performance Bonus	Total
CL Coetzee	1,962,686	67,200	42,365	167,478	2,239,729
K Bogatsu	1,476,863	31,200	32,324	112,775	1,653,162
JM Japal	1,470,145	31,200	32,182	117,885	1,651,412
	4,909,694	**129,600**	**106,871**	**398,138**	**5,544,303**

Non Executive Employee Costs	2020	2019
Cost of employment	14,752,957	11,425,513
Performance bonus	35,404	1,087,273
Company contributions	478,929	409,509
Cellphone reimbursements	239,100	179,200
Contractors from agencies	515,335	727,470
Leave expense	434,320	59,505
	16,456,045	**13,888,470**
Total employee related costs	22,511,454	19,432,773

Termination Benefits

The KZNFC contributes to the Alexander Forbes Provident Fund. Membership is compulsory for all permanent employees. The fund is a defined contribution plan and the employees contributes 10% as a minimum of the pensionable remuneration. Included in the employee costs disclosed above is an amount paid over for the provident fund (see the table below for details).

	2020	2019
Defined provident fund contribution plan	**2,240,167**	**1,911,178**

19. Finance costs

	2020	2019
Interest paid	951	35

Interest related to an invoices to Telkom that were paid late due to internal processes.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

20. Marketing and projects

Advertising and promotion	613,384	226,026
Branding and marketing	2,783,924	2,501,261
Familiarisation tours	340,224	215,814
Locations and facilities	203,947	174,367
Simon Mabhunu Sabela - film awards	6,862,579	8,157,637
Durban International Film Festival	1,092,300	-
Special projects - film festivals	1,045,628	889,875
Special projects - audience development	1,351,416	1,715,974
	14,293,402	**13,880,954**

The marketing costs relates to the KZNFC initiatives in promoting KwaZulu-Natal as a preferred film destination to the local and international stakeholders.

21. Depreciation and amortisation

Furniture and fixtures	671,317	678,238
IT equipment	291,305	398,014
Office equipment	50,083	51,423
Production and development equipment	255,853	499,392
Leasehold improvements	785,009	785,010
Computer software	436,737	443,298
	2,490,304	**2,855,375**

22. Doubtful debts

Contributions to debt impairment provision	286,000	-

A provision of R286000 has been raised in relation to the film fund projects that are in breach of the contractual obligations. Attempts have been made to recover outstanding amounts which have failed and have now been handed over to the legal team for recovery. To date only R35,000 has been recovered and the balance will be taken forward in terms of the respective policy e.g. write off or court proceedings.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

23. Operating expenses

Advertising	61,739	285,538
Bank charges	41,047	50,049
Cleaning	597,879	686,566
Corporate social initiatives	298,668	15,500
Consulting and professional fees	3,486,852	4,219,751
Insurance	377,432	310,706
IT expenses	2,005,786	1,550,402
File management	41,035	30,704
Postage and courier	29,075	41,800
Printing and stationery	384,813	448,665
Repairs and maintenance	220,331	173,736
Security	732,710	1,131,151
Staff welfare	60,498	29,355
Subscriptions and membership fees	68,634	108,638
Telephone and fax	458,810	436,449
Training	516,009	473,070
Travel	836,816	841,617
Non capitalised equipment	22,581	24,016
Electricity	748,637	691,337
Water	173,940	358,740
Recruitment costs	78,919	176,278
Internship programme	706,965	810,053
Lease rentals on operating lease	3,511,942	3,197,043
Employee wellness	25,764	172,287
Other expenses	48,987	40,594
	15,535,869	**16,304,045**

24. Audit fees

External audit fees	1,437,439	1,170,294
Internal audit fees	272,495	225,458
	1,709,934	**1,395,752**

25. Production and development costs

Film production		
Film production	12,599,118	9,879,962

The amount relates to projects funded through the KZNFC Film Fund. This is to ensure there is an increase in production of film and television in KwaZulu - Natal Province. Additional funding was allocated during the year based on savings from other business units.

Project costs		
SMME programme and incubation	16,506	-
FITI Project	2,779,225	3,208,881
Stakeholder engagement programmes	64,083	30,933
Bursaries	1,323,814	1,391,987
Skills development	1,858,147	3,872,906
MICT Seta Learnership	571,900	824,490
	6,613,675	**9,329,197**

Film production	12,599,118	9,879,962
Project costs	6,613,675	9,329,197
Total production and development cost	**19,212,793**	**19,209,159**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

26. Research and development

Film industry research	525,612	963,151

27. Cash generated from operations

Surplus	17,017,879	24,086,961
Adjustments for:		
Depreciation and amortisation	2,490,302	2,855,375
Profil/Loss on assets and liabilities	19,600	137,159
Debt impairment	286,000	-
Changes in working capital:		
Receivables from exchange transactions	8,705,575	(8,680,985)
Provision for doubtful debts	(286,000)	-
Receivables from non-exchange transactions	10	(45,529)
Prepayments	3,468,061	(417,608)
Payables from exchange transactions	(914,480)	(490,794)
Payables from non exchange transactions	(14,666)	(71,813)
	30,772,282	**17,372,770**

28. 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	49,848,547	19,331,423
Prepayments	621,344	4,089,405
Sundry debtors	23,050	57,314
Receivables from exchange transactions (cluster rentals)	47,848	31,042
Receivables from exchange transactions (production funding)	35,000	321,000
	50,575,789	**23,830,184**

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.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

28. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterpart 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 counterbase. 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	100	100

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

28. Risk management (continued)

Financial asset profile	**2020**	**2019**
Cash and bank balances	49,848,547	19,331,423

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 2019.

	2020		2019	
Surplus or deficit	100 bp Increase	100 pb Decrease	100 bp Increase	100 bp Decrease
	498,485	(498,485)	193,314	(193,314)

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 flactuations 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.

29. Contingencies

The entity has reviewed the contingent liabilities as at 31 March 2020, and there were no significant matters or legal cases that the entity was aware of.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

30. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	Non- financial instruments	Cash & cash equivalents	Total
Trade and other receivables from exchange transactions	82,847	-	82,847
Trade receivables from non-exchange transactions	45,519	-	45,519
Cash and cash equivalents	-	49,848,547	49,848,547
Prepayments	621,344	-	621,344
	749,710	**49,848,547**	**50,598,257**

Financial liabilities

	At amortised cost	Non- financial instruments	Loans & payables	Total
Trade and other payables from exchange transactions	1,802,783	667,760	1,041,575	3,512,118
Trade and other payable (non-exchange)	-	-	42,312	42,312
	1,802,783	**667,760**	**1,083,887**	**3,554,430**

2019

Financial assets

	Non- financial instruments	Cash & cash equivalents	Total
Trade and other receivables from exchange transactions	8,811,472	-	8,811,472
Trade receivables from non-exchange transactions	45,529	-	45,529
Cash and cash equivalents	-	19,331,423	19,331,423
Prepayments	4,089,405	-	4,089,405
	12,946,406	**19,331,423**	**32,277,829**

Financial liabilities

	At amortised cost	Non- financial instruments	Loans & payables	Total
Trade and other payables from exchange transactions	627,229	442,738	3,356,631	4,426,598
Taxes and transfers payable (non-exchange)	-	-	56,978	56,978
	627,229	**442,738**	**3,413,609**	**4,483,576**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

31. Related parties

Relationships

Members of key management	C.L Coetzee N.C Thanjekwayo K. Bogatsu J.M Japal
Board Members	W. Msomi B.M Malange L. Berning M. Mzimela N. Mthembu SL. Madlala
Independent sub-committee members	D. Ramuedzisi K. Simelane

Schedule 3C PFMA Listed Entity (KwaZulu-Natal Department of Economic Development Tourism and Environmental Affairs-EDTEA 100% Shareholdership)

Related party transactions

	2020	2019
Total Grants Received for the year		
Released to income from EDTEA	80,538,000	76,267,000
Special grant - Production and Development	10,000,000	5,000,000
Special grant - KZN Digital Studios (EDTEA)	-	15,000,000
Compensation to Members and Key Management		
Key management remuneration	6,055,409	5,544,303
Board and Committe member's fees	986,804	1,020,311
Investments in Associates		
KZN Studio Pty Ltd	15,000,000	15,000,000

32. Fruitless and wasteful expenditure

	2020	2019
Fruitless and wasteful expenditure- opening balance	92,546	-
Fruitless and wasteful expenditure- operating expenses	8,128	92,546
Fruitless and wasteful expenditure- capital expenses	-	139,200
Fruitless and wasteful expenditure- corrupt activities	19,430	-
	120,104	231,746
Witten off/ Recovered during the year	(2,833)	(139,200)
	117,271	**92,546**

The opening balance on fruitless and wasteful expendure relates to:

An amount of R92 511 for a bid advert that was cancelled (in line with Note 37) and R35 for interest charged by Government printing works from prior year which was recovered from employee.

The current year's fruitless and wasteful operating expenses relates:

- An amount of R951 for invoices from Telkom that were paid late Investigations on the matter were finalised and recovery was made from employee.

- An amount of R7 177 charged by Tourvest for changes in flight. An amount of R1847 was recovered from employee.

- The amount of R19 430 relates to corrupt activities that were detected throgh internal investigations where the items procured were not for the use of KZNFC.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

32. Fruitless and wasteful expenditure (continued)

Recovered amounts relates to amounts paid back by employees for the following transactions:

- Interest R35 (2018/19)

- Interest R951 (2019/20)

- Cancellation fee R1847 (2019/20)

33. Irregular expenditure

Opening balance	15,173,706	598,664
Add: Irregular Expenditure - current year	1,743,831	15,720,242
Less: Amounts condoned/	(286,368)	(1,145,200)
Less: Amounts recoverable (not condoned)- credit note issued	(117,580)	-
	16,513,589	**15,173,706**

2018/19

An adjustment of R23 817 was made to the prior year relating to SAGE consulting services (refer to note 37).

The condoned irregular expenditure in the prior year was in line with National Treasury Instruction Note 1 of 2018/2019 as it was condoned before the issue of National Treasury Instruction Note 2 of 2019/2020.

2019/20

The amount of R1 743 831 relates to:

- Internal audit services where the intention to award was not advertised on the Government Gazette for R107 279 in the current year, however it was advertised on other media platform and was condoned in the period under review.

- An amount of R5 383 where SCM processes were not followed for Sage payroll services, the amount was condoned in the current year.

- An amount of R211 140 where the SCM process was not followed for the Simon Sabela awards editing and a credit note of R117 580 was received.

- An amount of R448 500 where the SCM process was not followed in the procurement of the project facilitator for FITI project.

- An amount of R484 749 where the SCM process was not followed in procuring Insurance services.

- An amount of R486 780 for hiring temporary staff where SCM was not followed correctly.

34. Funds to be surrendered

Cash and cash equivalents	49,848,548	19,331,423
Creditors and accruals for goods and services	(2,835,606)	(2,368,758)
Projects to be completed	(47,012,942)	(16,962,665)
	-	-

There are no grants or funds to be surrendered in the period under review due to the KZNFC having all its available fund being fully committed through contracts, and purchase orders.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

35. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	582,808	-
Total capital commitments		
Already contracted for but not provided for	582,808	-

The committed capital expenditure relates to property plant and equipment and will be financed with available bank facilities.

36. Operating lease

Minimum lease payments 2020

	</= 1 year	>1 - 5 years
Broll - Rental of property for office space (ends February 2021)	3,193,465	-
Konica Minolta - Rental Copier 10th floor (ends 30 September 2022)	26,313	39,469
Konica Minolta - Rental Copier 12th floor (ends 30 November 2022)	26,313	43,854
Konica Minolta - Rental Copier 13th floor (ends 30 April 2021)	48,978	4,081
	3,295,069	**87,404**

Minimum lease payments 2019

	</= 1 year	>1 - 5 years
Broll - Rental of property for office space (ends February 2021)	3,043,835	3,193,465
Nashua - Rental Copier (ends May 2019)	19,939	-
Konica Minolta - Rental Copier 12th floor (ends 31 May 2019)	2,412	-
Konica Minolta - Rental copier 13th floor (ends 30 April 2021)	48,978	53,059
	3,115,164	**3,246,524**

37. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2019

	Note	**As previously reported**	**Correction of error**	**Restated**
Trade receivables from exchange transactions	3	409,356	8,402,116	8,811,472

Statement of finanical performance

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

37. Prior-year adjustments (continued)

2019

	Note	As previously reported	Correction of error	Restated
Interest received	14	1,520,093	118,454	1,638,548
Other income	15	1,099,783	500	1,100,283
Production and development costs	25	(27,502,249)	8,293,191	(19,209,059)
Operating expenses- bank charges	23	(16,294,016)	(10,029)	(16,304,045)
Surplus for the year		**(41,176,389)**	**8,402,116**	**(32,774,273)**

In 2018 the KZNFC entered into contracts with three companies to assist with the cost reporting and disbursement of funds to funding beneficiaries of the KZN Film Fund. These companies were referred to as the project management unit. With the issue of new accounting standards, the KZNFC has since deemed that the relationship with the PMU companies was that of a principal agent relationship. In 2018, the KZNFC had recognized all funds paid to the PMU trust accounts as expenditure and was therefore required to adjust all prior year figures in line with the standards requirements. These adjustments affected interest received, other income, production and development costs, and operating expenses. In the current year all funds remaining in the PMU Trust account was returned to the KZNFC with all related interest accrued. As at the 31st of March there was therefore no principal agent relationship.

Note disclosure restatements

The following prior period errors adjustments on the note disclosures occurred:

Note disclosure restatement 1

Fruitless and wasteful expenditure note 32

During the annual audit expenditure was identified that was considered to have been made in vain when a tender had to be cancelled and re-advertised at a later stage. The amount associated with both advertisements total R92 511 which was previously included in the 2018/19 annual financial statements as expenditure but is now reflected as fruitless and wasteful expenditure in the adjusted statements.

Note disclosure restatement 2

Related parties note 31

An amount of R45 million rand was contracted with Contento for the establishment of the KZN Film Studios. An amount of R15 million was paid to the special purpose vehicle and was disclosed as investment in associate in 2018/19 annual financial statements. The transaction was omitted from the related parties note and has now been corrected in the 2019/20 financial statements for the comparative amount.

Note disclosure restatement 3

Funds to be surrended note 34

The funds to be surrendered in the prior year contained an error of R810 relating to bursaries in accruals. This resulted in a restatement of creditors and accruals for goods and services from R2 367 948 to R2 368 758 as well as the adjustment to funds to be surrendered from R16 963 475 to R16 962 665.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

37. Prior-year adjustments (continued)

Note disclosure restatement 4

Irregular expenditure note 33

The entity uses SAGE for HR related consulting matters and had utilized additional services which fell outside the approved order resulting in irregular expenditure which was only identified after the financial year end March 2019. The reported amount for the previous financial year was therefore understated and has been increased by R23 817 to reflect the correct balance of R15 173 706.

Note disclosure restatement 5

Deviations note 41

Practice Note number 08 of 2007/2008 paragraph 3.3.1 states that the Accounting Officer should invite and accept price quotations for the requirement up to an estimated value of R500,000.00 from as many suppliers as possible, that are listed on the list of prospective suppliers. Practice Note number 08 of 2007/2008 paragraph 3.3.3 further states that where it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved by the Accounting Officer or his/her delegate. Requests for quotations were sent to as many suppliers from the Central Suppliers Database, however less than three quotations were obtained. The transactions were approved by the Accounting Officer, however they were approved as deviations instead of less than three quotations. As a result the reported Deviations of R3 570 139 in 2018/19 were restated to adjust for the applicable practice and were restated to R2 443 119.

38. Going concern

We draw attention to the fact that at 31 March 2020, the entity had an accumulated surplus of R 65,219,340 and that the entity's total assets exceed its liabilities by R 65,219,340.

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.

The management have reviewed the entity's cash flow forecast for the year to 31 March 2021 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.

The proposed incorporation of KZNFC into Tourism KZN was initially placed on hold, but new communication received post year end, from the shareholder, confirms that the merger will take place and is estimated based on the proposed project plan to be completed by 31 March 2021. Funding has nevertheless been approved for the KZNFC ongoing operations for the MTEF period.

39. Events after the reporting date

Whilst COVID-19 and the nationwide lockdown has had a major impact on the country, KZFC has reviewed the accounting standards and determined that there were no material matters that need to be adjusted or disclosed in the annual financial statements. Refer to CEO's report wherein the impact on the performance of KZNFC is reflected upon.

As indicated in the Going concern note above, the entity was informed in July 2020, that the incorporation of the KZNFC and TKZN would be going ahead. This decision has not resulted in the need to adjust the Annual Financial Statements as the entity is still considered a going concern.

The budget of the entity for 2020/21 was revised by EDTEA to take into account the funding needs for COVID 19 for the province. Management subsequently revised its budgets in line with the commitment by 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.

Notes to the Annual Financial Statements

Figures in Rand

40. 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.

40.1 Rendering of services - Income received from rental of facilities were planned for, but it was not included in the budget.

40.2 Rental of facilities and equipment - The amount relates to Cluster rental facilities which were planned for rental but there was no basis for estimations to input into the budget.

40.3 Other income - Other Income was unforeseen at the time of the budget thus the KZFNC had not budgeted for it. These includes funds recouped from various projects including, fees earned from sale of tender documents and insurance claims for lost or stolen assets.

40.4 Interest received- investment - The KZNFC doesn't budget for interest income as receipt of funds from EDTEA are determined by the bank balance of the KZNFC at the end of each month, therefore, it would be difficult to determine how much will be transferred to the investment account.

40.5 Government grants and subsidies - No material variance.

40.6 Rollover funds - The amounts relates to unspent funding from 2018/19 where commitments were in place and rollover of such funds was approved by the department.

40.7 Employee related costs - The overspending is due to the leave accrual based on the leave days taken at the end of the period. The KZNFC doesn't not budget for leave expenses.

40.8 Board and committee members costs - The overspending is due to more board and committee meetings held during the year than what was planned for, these meetings related predominantly to the proposed merger and the KZN Studios matter. The KZNFC budgets one meeting per quarter for Board and the committees.

40.9 Marketing and projects - The overspending is caused by KZNFC's budget being on a cash basis. Funds that were prepayments in the previous financial year have come in as expenditure in this financial year but were not included in the cash budget i.e. Simon Sabela Awards first tranche payment.

40.10 Audit fees - Overspending in Audit Fees is due to the fact that the scope for 2018/19 Audit was extended by Auditor General due to material findings which resulted in increased fees.

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

40.12 Finance costs - The reported finance costs relates to interest charged by Telkom on invoices paid late. The amount were recovered. The KZNFC does not budget for the payment of interest.

40.13 Research and development - The underspending in Research and development is due to research projects expenditure which is only incurred according to project milestones that must be achieved. These were not completed at the end of the period.

40.14 Production and development costs - The underspending is due to production and development funding being paid according to milestones achieved by the projects. These projects are multi year in nature and thus expenditure is reflected once milestones are reached. The projects are committed in the form of contracts and award letters.

40.15 Operating expenses - The underspend in operating expenses is due to the purchase orders that has been issued during the month of March whose goods and services have not been received.

40.16 Loss on disposal of assets and liabilities - Loss on disposal is not budget for. The amount relates to assets lost during the year under review.

40.17 Capex - No material variance.

Notes to the Annual Financial Statements

Figures in Rand

40. Actual operating expenditure versus budgeted operating expenditure (continued)

40.18 Doubtful debts- amount relates to film fund projects that have breached contractual obligations and recovery proceedings are underway. The expenditure was not anticipated.

41. Deviation from supply chain management regulations

National Treasury Instruction Note 3 of 2016/2017 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 board of members and include a note to the annual financial statements.

2020 - Deviations	<R500 000	>R500 000	Total
Professional fees	622,256	650,000	1,272,256
Marketing and publications	377,303	-	377,303
IT costs	120,112	-	120,112
Research and development	63,822	-	63,822
	1,183,493	**650,000**	**1,833,493**

41.1 Professional fees amount relates to:

- Service provider who rendered professional services which could not be sourced under normal SCM processes, for R650k where head hunting was required after repeated failed recruitment processes.

- An amount of R278k for payroll services due to single sourcing by software company SAGE.

- An amount of R340k for Deloitte, the deviation was due to the sensitive nature of the investigation which had to be conducted against the Senior Official of the Organization and the TOR's which needed to be kept confidential from the staff including SCM staff members.

- R3k that relates to The SA Labour Guide which is the only Organization which runs annual labour law workshops and a panel of expert labour lawyers and industry experts present on all labour law amendments.

41.2 Marketing and publications:

This is due to targeted marketing of KZNFC to advertise on film and tv related publications and therefore it was impractical to source three quotes.

41.3 IT Costs:

- Annual licence renewal of R90k for Caseware Working Papers for preparing financial statements as Adapt IT is the sole provider of Caseware in Africa

- Sage system maintenance and support costs of R29k as SAGE is the sole provider of SAGE system.

41.4 Research and development:

Research and development costs relates to sole service provider who provides statistical information on the television platform in the country.

2019 - Deviations	<R500 000	>R500 000	Total
Professional fees	625,937	850,000	1,475,937
Marketing and publications	539,996	-	539,996
IT costs	120,617	-	120,617
Research and development	306,569	-	306,569
	1,593,119	**850,000**	**2,443,119**

Notes to the Annual Financial Statements

Figures in Rand

42. 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.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for government in general are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. Details of the differences between actuals and approved budget are indicated in the Statement of Comparison of Budget and Actual Amounts. Detailed explanations have been included under note 40.

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.

2020	Original Budget	Final Adjusted Budget	Actual Expenditure	Variance
KwaZulu-Natal Film Commission- Operational Expenditure	80,388,000	109,658,462	(78,615,470)	31,042,992
KwaZulu-Natal Film Commission- Capital Expenditure	150,000	205,961	(255,158)	(49,197)
	80,538,000	**109,864,423**	**(78,870,628)**	**30,993,795**

43. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

44. Expenditure incurred to repair and maintain property plant and equipment

Expenditure incurred to repair and maintain property plant and equipment that is included in the Statement of Financial Performance		
Furniture and fittings	-	1,000
Leasehold improvements	97,235	24,280
Computer equipment	1,050	-
Production equipment	44,998	-
Office equipment	1,898	26,462
	145,181	**51,742**

GRAP 17 par 88 was applied in the disclosure to report on expenditure incurred to repair and maintain property plant and equipment.

The entity's property plant and equipment consists of:

- Furniture and fittings

- Computer equipment

- Leasehold improvements

- Production equipment

- Office Equipment

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

44. Expenditure incurred to repair and maintain property plant and equipment (continued)

The incurred repairs and maintenance expenditure were only to restore assets to thier previous operating condition or to keep the assets to their current operating condition, there were no improvements made on the assets.

KWAZULU-NATAL
FILM COMMISSION
SOUTH AFRICA

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