KWAZULU-NATAL FILM COMMISSION
SOUTH AFRICA

• OUR KINGDOM IS YOUR STAGE •

ANNUAL REPORT 2018/2019


IF YOU WANT
TO GO FAST
GO ALONE,
IF YOU WANT
TO GO FAR
GO TOGETHER


KWAZULU-NATAL
FILM COMMISSION
SOUTH AFRICA
Soundcraft

KWAZULU-NATAL FILM COMMISSION

ANNUAL REPORT 2018/19

KWAZULU-NATAL FILM COMMISSION'S GENERAL INFORMATION

REGISTERED NAME: KwaZulu-Natal Film Commission

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

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PART A

FOREWORD BY THE EXECUTIVE AUTHORITY

Ms Nomusa Dube-Ncube, MPL
MEC for Economic Development, Tourism and Environmental Affairs

The financial year 2018/19 marked the fifth year of which KwaZulu-Natal Film Commission (KZNFC) has been operating as a Public Entity under the Department of Economic Development, Tourism and Environmental Affairs. During the financial year the entity did very well in positioning our province as film destination of choice, through aggressive marketing and promotion of our locations and facilities, training and capacity building programmes targeting filmmakers, establishing partnerships with key role players in the industry to facilitate filming and through the establishment of a film cluster to ensure that filmmakers are able to access resources and tools of trade at reasonable costs. These achievements are indeed a cause to celebrate. We are, however, not complacent in our approaches. We know that the coming years poses new challenges and opportunities.

The KwaZulu-Natal Film Commission has also made some strides in ensuring that its programmes reach communities that are in peri-urban and in rural areas. A number of audience development initiatives and information sharing sessions targeting these communities were held. Also, the KwaZulu-Natal Film Commission continued to support our local film festivals such as Ugu, KwaZulu-Natal African Film Festival, Kwasukasukela film festival and Durban International Film Festival in order to grow the local audience. The KwaZulu-Natal Film Commission also hosted the annual Simon "Mabhunu" Sabela Awards, which has received a lot of support and appreciation from the local film industry as it recognises the local talent and provides a platform for their exposure to the world of filmmaking.

The rationalisation process of entities has gone very well so far and I am hopeful that the process will be concluded soon. This will enable the merged entities like KwaZulu-Natal Film Commission to focus on their strategic programmes that seek to ensure that the province grows the film industry, creates job opportunities and economic growth. In partnership with the Department of Economic Development, Tourism and Environmental Affairs, KZNFC commenced work on an infrastructure project, that seeks to build a film studio in the province. A budget of R45m over three years for this project was secured from the Department of Economic Development, Tourism and Environmental Affairs. According to the project plan, the studio will be completed in 2021.

During the 2018/19 financial year the KwaZulu-Natal Film Commission began to align its programmes to the technological developments in the film and video space. Training programmes to support the animation sector and to assist the filmmakers to understand other media platforms such as Video On Demand (VOD) were initiated so that the local filmmakers could access multiple platforms to distribute and to sell their content.

In line with the Provincial Strategy to support youth and women, the KwaZulu-Natal Film Commission continued in 2018/19 to support youth studying film related course in KZN tertiary institutions. Also, through MICTSETA partnership, learner-ships were given to selected students to study film related courses at Amajuba TVET Colleague.

Lastly, I would like to convey my sincere gratitude to the Board and to the entire KwaZulu-Natal Film Commission employees for their sterling work during the financial year.

MS NOMUSA DUBE-NCUBE, MPL
MEC FOR ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

FOREWORD BY THE CHAIRPERSON

The KwaZulu-Natal Film Commission has been operating for five years and has certainly had an epic journey, marked by opportunities and challenges that the film industry is confronted with due to rapidly changing technology and new trends in content consumption. I, however, take pride that the Strategic Plan developed in 2014 by the Board anticipated these industry challenges. As a result, we were able to mitigate the impact of those changes and supported the industry appropriately. Our plans were solid and the achievements of the Commission in the last five years had tremendous impact in the film industry in KwaZulu-Natal. In the last five years KZNFC has funded a total of 216 projects, of which 157 of them were in development, 59 in production and 93 are still active. Eighteen filmmakers were supported to attend national and international markets and festivals to showcase their products on various platforms.

KZNFC has worked very hard to address some of the fundamental challenges that the film industry faces in the province. For instance, the issue of a lack of infrastructure, resulted in the Board approving the establishment of a Film Cluster, a facility that has been of great assistance to local filmmakers. Our programmes such as training, audience development and information sharing have gone a long way to attract new audiences and to develop local skills.

The entity has constantly achieved an unqualified audit in the last four years of its operations. An indication that there has been proper oversight and adherence to good corporate governance prescripts. The uncertainty of the rationalisation process has however been a challenge for the entity. We are however certain that as the Board the rationalisation process would be finalised soon and the work that the KZNFC provides to the industry in the province will continue.

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 to all our Stakeholders for their respective contributions towards the achievements of KZNFC and the growth of the industry.

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Welcome Msomi
Chairperson of the Board
Date 30 May 2019

CHIEF EXECUTIVE OFFICER'S OVERVIEW

In the 2018/19 financial year the KwaZulu-Natal Film Commission continued to provide programmes to support the growth of the film industry in the Province. Thirty-five (35) Film projects were funded to the value of R16.5m. Of these, 20 were development projects where KZNFC contributed R3.2m and 15 were production projects where KZNFC contributed R13.3m.

The partnership with SABC was kick started with the SABC selecting 8 projects for production in the period under review, and committing to participating in the Quality Boost Programme of Made for TV movies where a further 6 projects will be considered for licensing. The Programme is intended to:- improve audio and video quality of Micro Budget movies, shorten the period from development to production, arrange pre-sale deals with broadcasters and improve efficiencies in productions. In the implementation of this programme, the productions will use KZNFC facilities located in the film cluster for postproduction as well as KZN based skilled crew that provides sustainable employment.

Through the partnership signed with Viacom through BET Africa, 8 short films will be produced for broadcast on the BET Africa platform.

In 2018/19, there has been an increase in the number of projects allocated to youth beneficiaries at 47.2% up from 32.1% of the fund in the previous year. KZN beneficiaries have also increased from 78.6% to 88.9% of the fund and 2.8% of the fund was awarded to people with disabilities. In implementing the animation strategy of the KZN Film Strategy, the Commission has 6 projects in development and 2 projects in the production phase of animation. The isiZulu component of the KZN film Strategy is being realised by developing 10 projects and producing 6 projects of IsiZulu content to be distributed on SABC platforms.

The rationalisation process of entities predictably had an adverse impact on the entity in terms of staff moral and halted the process of filling of vacancies permanently. The process of incorporation between KZNFC and KZN Tourism was communicated during the year to staff and continues to create uncertainty in the organisation. The entity's vacancy rate remained high during the year at 27% and this has impacted on the various business unit's capacity to deliver and impacts on the effectiveness of controls in terms of segregation of duties especially in the finance team. Temporary resources were required to be secured to attempt to mitigate these risks.

In line with the entity's quest to operate in a paperless business environment there were a number of milestones that were achieved in the financial year such as fully automated finance and supply chain management processes, through the use of SharePoint and Sage. The system has been beneficial to the entity, in ensuring improved efficiencies through automation. The KZNFC received additional funding of R20 million from EDTEA during the year for youth and infrastructure development and R1.3 million commitment from MICT SETA. This increased the budget to R115 million. The year-end position reflected 84% spend of the budget with the balance being fully committed. A total value of R35.9m was spent on services providers on levels 1-3 BBBEE with an overall BEE spend of 112%. The 2018/19 year was the first year where the BBBEE spent was further reviewed and reported on in terms of the priority groups with 26% of procurement spend on women and 10% spend on youth owned companies.

During 2018/19 the development of the KZN Studios commenced. The Department of Economic Development, Tourism and Environmental Affairs provided a R45million budget for this project over a three-year period. The project is estimated to be completed in 2020/2021.

The KZNFC continued to ensure that filmmakers receive adequate support from the entity so that they can improve their skills and industry knowledge with over 253 people being trained during the year. Also, eighteen filmmakers were supported to attend film markets and festivals so that they can show case their products, solicit funding support and possible distribution through sales agents. The entity undertook twenty-eight audience development initiatives in various communities throughout KZN, seven industry research papers and eleven monitoring and evaluation reports of its programs in order to ensure that the programs that are offered are relevant and service delivery is improved.

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 to ensure that this entity succeeds in achieving its mandate and impacting meaningfully on the communities we serve.

Carol Coetzee

Chief Executive Officer

Date: 30 May 2019

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 2019.

Yours faithfully

Carol Coetzee

Chief Executive Officer

Date: 30 May 2019

Welcome Msomi

Chairperson of the Board

Date: 30 May 2019

Board Leadership

Front Row from left: Leonie Berning, Musa Mzimela, Nise Malange (Deputy chairperson), Nozizwe Mthembu
Back Row from Left: Kealeboga Bogatsu (Chief Financial Officer), Fikiswa Pupuma, Carol Coetzee (Chief Executive Officer), Jackie Motsepe (Chief Operations Officer)

CEO's Office

Front Row from left: Carol Coetzee (Chief Executive Officer), Ngqabutho Bhebhe (Manager - Research and Development)

Back Row from left: Sandile Zuma (Research Analyst), Nomathemba Ngcobo (PA Intern), Thembile Ngcobo (Intern), Keshnee Williams (Compliance & Risk Officer)

Finance and Administration Office

Front Row from left: Linda Cebekhulu (HR Generalist), Nonhlanhla Thanjekwayo (Finance Manager), Kealeboga Bogatsu (Chief Financial Officer), Olivia Manjate (SCM Manager), Mphiwa Xulu (HR Manager), Khensani Maswanganyi (Executive Administrator to the CFO).

Back Row from left: Relebohile Putsoane (HR Trainee), Nana Mchunu (CMA Trainee), Bukelani Dlezi Assistant Accountant(CMA), Sboniso Gama (SCM Practitioner), Nonjabulo Mnguni (SCM Practitioner), Skhonangenkosi Madwalaza (HR Intern), Mafika Mbatha (IT Trainee), Mthobisi Ncube Assistant Accountant (FA), Nkosinathi Khanyile (IT Intern), Sthandiwe Mnguni (SCM Intern), Lwazi Nodada(IT Specialist), Thembisile Madonsela (FA Trainee).

Marketing and Industry Development

First row from left: Peter Ramatswana (HCD Manager), Simphiwe Ngcobo (P &D Manager), Jackie Motsepe (COO); Mu Ngcolosi (Marketing & Communication Manager)

Back row from left: Sthabile Nyuswa (Locations Coordinator), Mbali Nyuswa (Acting Marketing Coordinator), Simphiwe Nxumalo (Executive Administrator), Ziyanda Macingwane (Production Analyst), Zamabuya Msibi (HCD Coordinator), Lonwabo Dindi (Marketing Intern), Zanele Nhlapo (Production Coordinator), Nosipho Gabela (Receptionist Intern), Buhle Ngcobo (Production Coordinator), Teboho Pietersen (Production Analyst), Valentia Mthembu (PR & Events Specialist), Mbali Makhoba (HCD Coordinator), Silindile Mthimkhulu (FITI Trainee), Nokuthula Shongwe (Acting Marketing & Comms Specialist), Sithembiso Gigaba (Facilities Coordinator), Dimpho Ndlovu (P&D Coordinator).

STRATEGIC OVERVIEW

Vision

To position KZN as a globally competitive, diverse and sustainable choice film destination.

Mission

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

Values

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

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

LEGISLATIVE AND OTHER MANDATES

The KZNFC is mandated through the powers and responsibilities delegated by the Premier to the respective Member of the Executive Council (in relation to film). In KZN this responsibility falls within the Department of 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 additional legislation which governs the operations of the entity includes the following: -

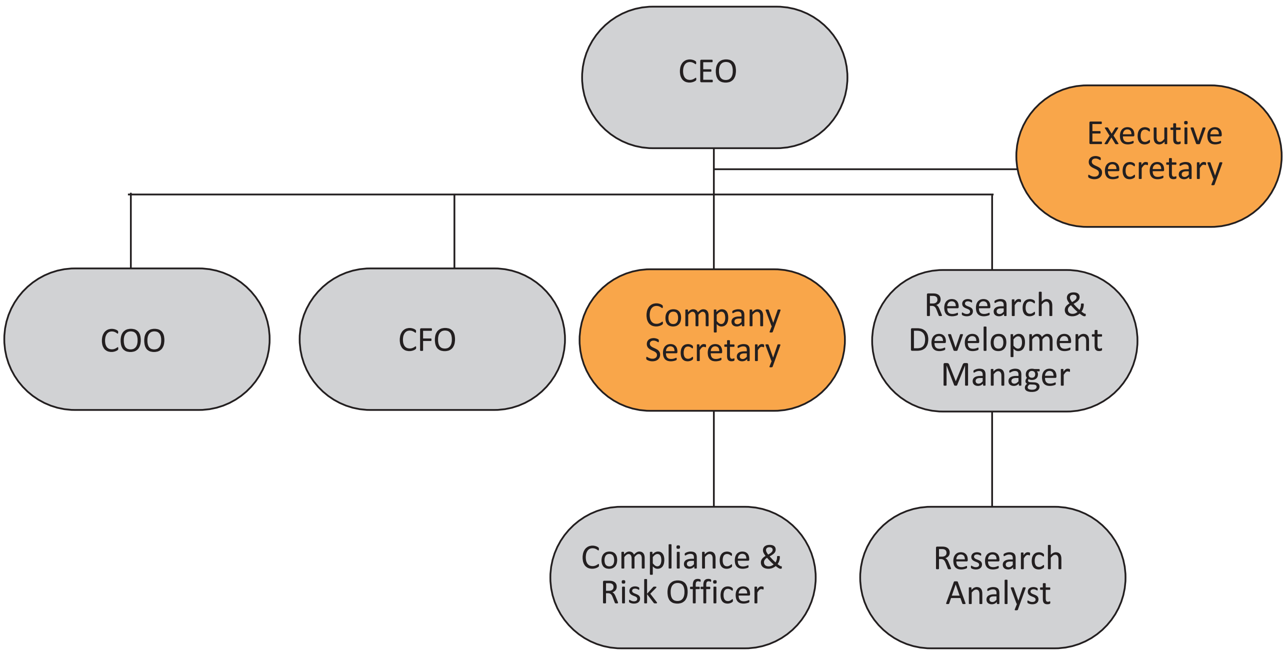
- The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- Public Finance Management Act (Act No. 1 of 1999, as amended)
- National Treasury Regulations 2001
- The National Film and Video Foundation Act (Act No. 73 of 1997)
- Promotion of Access to Information Act (Act No. 2 of 2000)
- Preferential Procurement Policy Framework Act (Act No. 5 of 2000)
- Intergovernmental Relations Framework Act (Act No. 13 of 2005)

Policy mandates

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

ORGANISATIONAL STRUCTURE

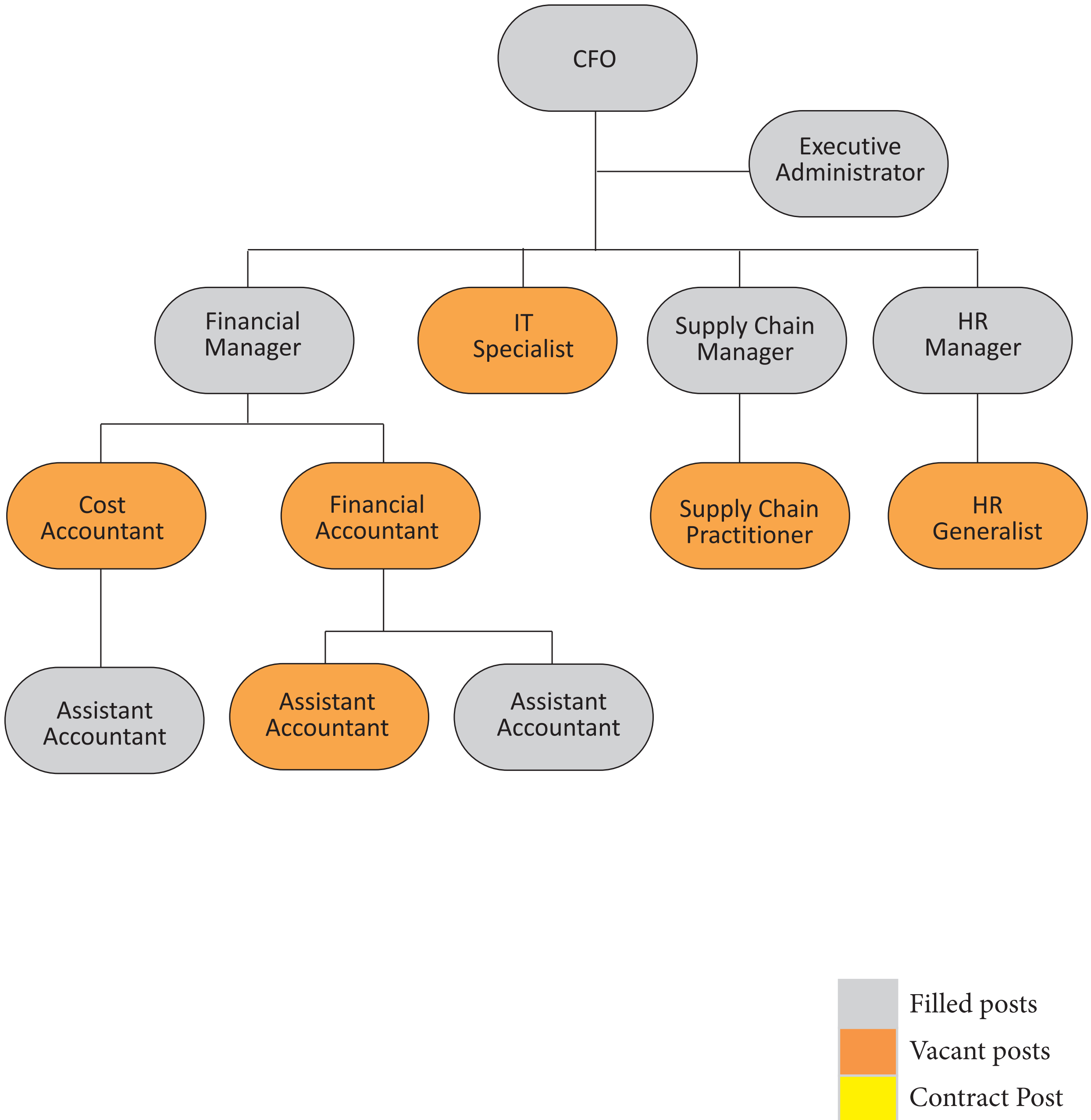
The Office of the Chief Executive Officer



Filled posts
Vacant posts
Contract Post

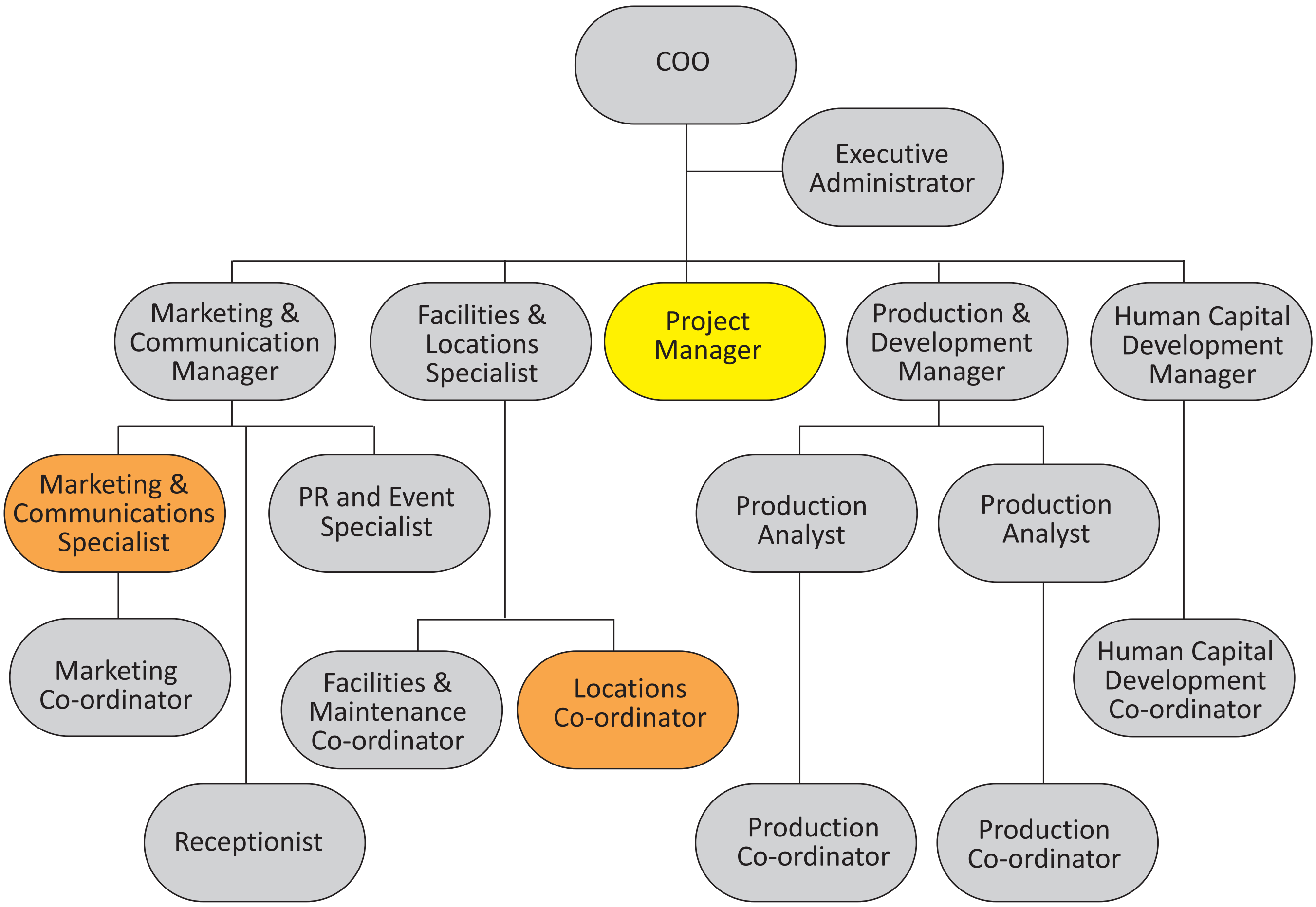
ORGANISATIONAL STRUCTURE (ctnd)

Finance and Administration



ORGANISATIONAL STRUCTURE (ctnd)

Marketing and Industry Development



Filled posts

Vacant posts

Contract Post

PART B

PERFORMANCE INFORMATION

Auditor's Report: Predetermined Objectives

The AG currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the report on other legal and regulatory requirements section of the auditor's report.

Refer to page 65 of the Report of the Auditor General's Report, published as Part E: Financial information.

SITUATIONAL ANALYSIS

Overview of the Service Delivery Environment

Internal Environment

The Accounting Authority of the KZNFC is the Board, appointed by the Executive Authority. The Board has six members, comprising of five non-executive Board members and one Executive Board member. The term of Board members expired on 31st January 2018. The MEC extended the term for all the remaining members for a period until such time as the incorporation process with Tourism KwaZulu-Natal (TKZN) is complete and a new Board is appointed.

The entity is comprised of three functional divisions which are: -

- The Office of the Chief Executive Officer;
- Finance and Administration; and
- Marketing and Industry Development.

The entity has an approved organogram of thirty-seven posts. The current vacancy rate stands at 27% as of March 2019. The filling of the vacant posts is currently on hold to allow the rationalisation process to be finalised. To address this challenge of capacity contract employee have been employed on short term contracts. Although this provides a short term solution, a long term and sustainable solution is needed to ensure that there is stability in the organisation.

In July 2018 the management approved the recruitment of five interns who required experiential training of six months from July up to December 2018 in order to complete their qualification. It has been further agreed that the interns will be given a further six months' contract to be in line with the KZNFC internship policy.

The uncertainty of the incorporation with TKZN has impacted on staff morale and levels of productivity as employees actively searched for alternative employment. Whilst several engagements have taken place, it is inevitable that this will be the unintended consequence. Furthermore, the incorporation will certainly require amendments to the mandates of the new entity through a legislative process which is anticipated to be completed before March 2020.

The KZN Film Industry Transformation Initiative (FITI)

At the beginning of 2018/19 financial year, the entity began to implement its FITI. A total number of 32 graduates were inducted into the FITI programme, at the beginning of the year. There are currently 21 students enrolled. The programme had three phases. Phase one of the programme focused on advanced script writing, concept development and screen play development. Two industry experts were appointed to facilitate the training programme. Phase two focuses on film production. The training will be facilitated by a senior producer and takes place in Year 2. Phase three will focus on marketing and distribution as key aspects of film production value chain in Year 3.

In broad terms, this programme seeks to achieve the following in the industry:

- To create a skills base of professionals (focusing on current scarce skills identified) in the film sector within a period of three years in KZN;
- To promote the transformation agenda by training individuals from the previously disadvantaged background to a professional level where they can participate at a Head of Department position and remain in KZN;

- To develop a team that will focus on developing local quality content which talks to local audiences (local stories) and local broadcasting quotas;
- To invest in a group of KZN filmmakers who will be recognised both nationally and internationally;
- To focus on programmes that will promote KZNFC as a brand, particularly reaching communities that have been previously marginalised.

KZN Film Industry

KZN film industry is fairly small in comparison to the Western Cape and Gauteng film industries. The size of the industry in this instance is being measured by a number of productions that each province is able to host each year (KZN represents 9%). The factors identified as inhibitors or barriers to the KZN film sector are;

- Lack of skilled crew and infrastructure
- Lack of large local market / consumer base
- Local films not well distributed
- Limited access to local films by majority of the population
- Small talent pool – especially limited scriptwriters and artists

The challenges mentioned above inform the strategies of the KwaZulu-Natal Film Commission and for the past five years, KZNFC has developed targeted interventions aligned to these issues.

External Environment

The film industry in KwaZulu-Natal has shown a significant growth since the operations of the KZNFC began in 2013. The industry participants have grown in numbers, there is improved coordination and infrastructure in the form of a Cluster is now available for industry use. However, in general, the local productions are still facing challenges in competing with foreign productions in local box office and in other platforms. A study conducted by National Film and Video Foundation (Jan, 2018), found that the South African productions recorded R45,2 million at box office during the 2017/18 financial year, this was a 35% decline compared to the previous year. Locally produced films have been struggling to compete with the increased inflow of foreign film releases as foreign films are better received by the South African audience. The box office revenue performance of domestic films is worrying as the loss of revenue deprives filmmakers of the opportunity to break even and make profit. Lack of support for locally produced films is a serious concern to the industry as a whole.

The decline in revenues of local productions is a reflection of the broader macro-economic effects of the South African economy. The South African economy has been on a slippery slope since the end of the 2008/2009 financial crisis. Although the economy recovered in the third and fourth quarters of 2018 recording seasonally adjusted and annualised growth rates of 2.6% (revised upwards from the previously announce 2.2%) and 1.4% respectively, the overall weak performance in output growth remains evident in the long term trends of key labour market aggregates. In KwaZulu-Natal province, employment has been declining gradually from its peak of 2.58 million in the 4th quarter of 2008.

South African Television Sector

South Africa remains the largest TV market on the African continent. South African TV market also continues to exhibit strong growth, with total market revenues projected to expanding at a 4.6% CAGR over the next five years to reach R51.2 billion in 2021 (*PwC, 2018*). However, South Africa missed the International Telecommunications Union's (ITU's) June 2015 deadline for digital transition and delays have continued.

According to *PwC, 2018 report*, the pay-TV sector continues to add households and will reach nearly seven million subscriptions by the end of 2021. This will result in pay-TV penetration of 59.9%, up from 57.5% in 2016. By 2021 satellite's dominance will have been squeezed but the sector will still account for 93.6% of subscriptions. Naspers' MultiChoice continues to dominate the satellite market and much of the country's premium entertainment content and sporting rights. MultiChoice added a further 626 000 satellite households to its South African base in the 2016-17 financial year, bringing subscriber numbers to 6.4 million, although profits have been hit by local currency pressures *(PwC, 2018 report)*.

MultiChoice has had success with its GOtv pay-DTT service across sub-Saharan Africa and launched in South Africa in early 2016. The operator has pushed low-cost packages to entice the many low-income households across the region. The arrival of subscription video on-demand (SVOD) platforms in the South African market brings new competition. Netflix and Amazon Prime Video launched in the South African market in 2016 and have brought competition to the industry in terms of exclusive access to original programming. Internet video has long term potential. However, it continues to be limited by poor broadband infrastructure and cost, with unreliable connectivity and insufficient speeds for streaming video outside the largest cities. TV advertising remains a vital part of the market, accounting for 43.2% of total TV revenue in 2016 *(PwC, 2018)*. Advertising continues to be dominated by terrestrial channels, although the pay-TV sector is boosting its share. Online TV advertising revenues remain in their infancy and will account for just 0.1% of TV advertising revenues in 2021 *(PwC, 2018)*. Public broadcaster SABC continues to lead the ratings. Financial pressure is, however, mounting after increasing losses in recent years. It is heavily reliant on advertising revenues, which accounted for 74% of total income in 2016, compared to just 12% for public licence fees *(PwC, 2018)*.

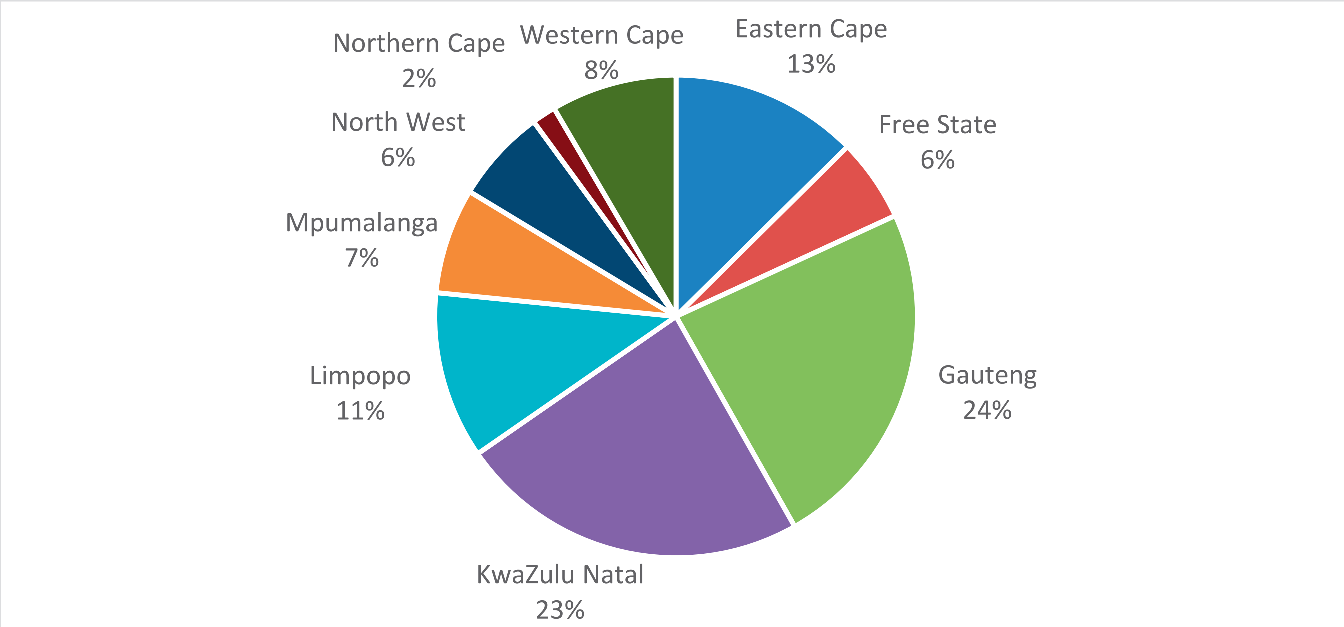
An international study conducted by Nielsen shows that it is no secret that younger consumers are cutting the cord and finding new ways to watch video via an ever-growing roster of nascent technologies. The younger generation / viewers are switching to subscription video on-demand (SVOD) services or viewing content on their phone with no interest in linear TV. In the process the younger consumers are driving the growth of streaming, especially through their mobile devices. The major trend, however, is that they're stepping away from the comfort of their homes to tune in as they grow into independent decision-making consumers of media (and goods and services, too).

The research findings show that Generation Z and Millennial consumers contribute 39% of all out-of-home video viewing *(Nielsen, 2018)*. That's 14% higher than national in-home viewing for these demographic segments *(Nielsen, 2018)*. Importantly, these two markets segments constitute the majority of the population across the continents.

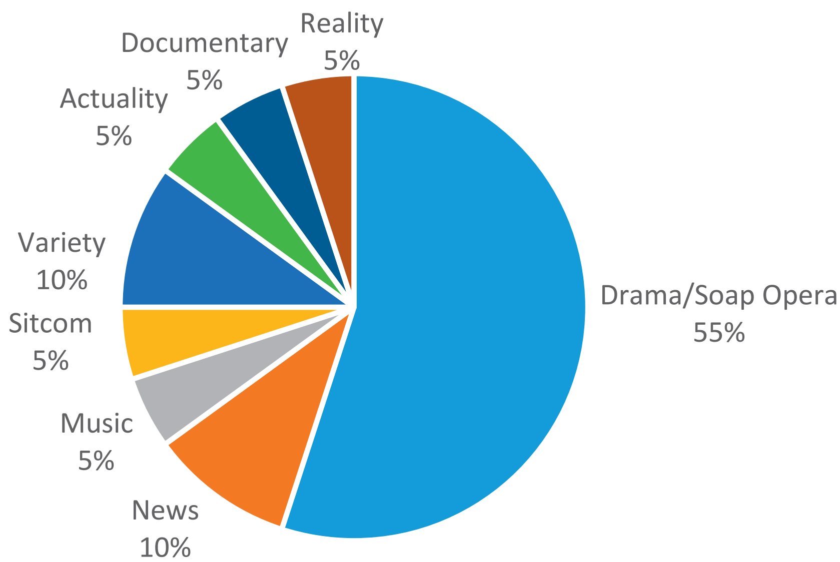
South African Television Audience Measurement Survey (TAMS)

The province of KwaZulu-Natal and the province of Gauteng have the biggest volumes of audiences that view television on open channel platforms. The two provinces have almost 47% of the audiences that view television on open 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.

% Viewers by Provinces for the Open Channels for the month of December 2018

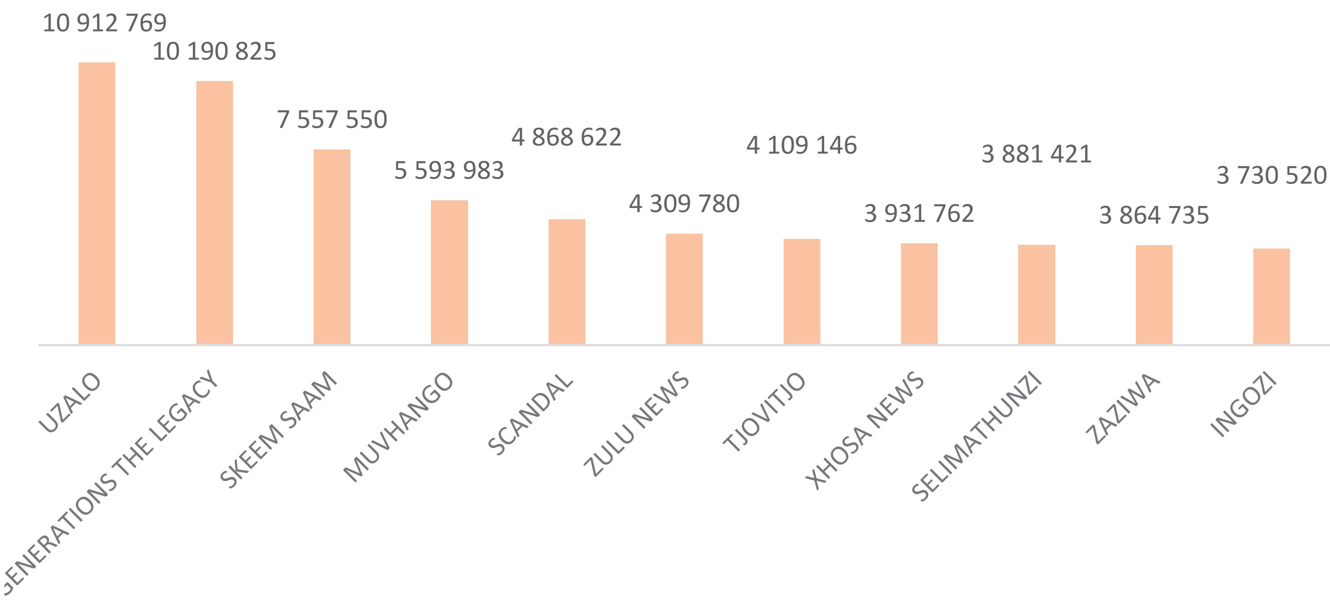


Distribution by genre for the month of December 2018



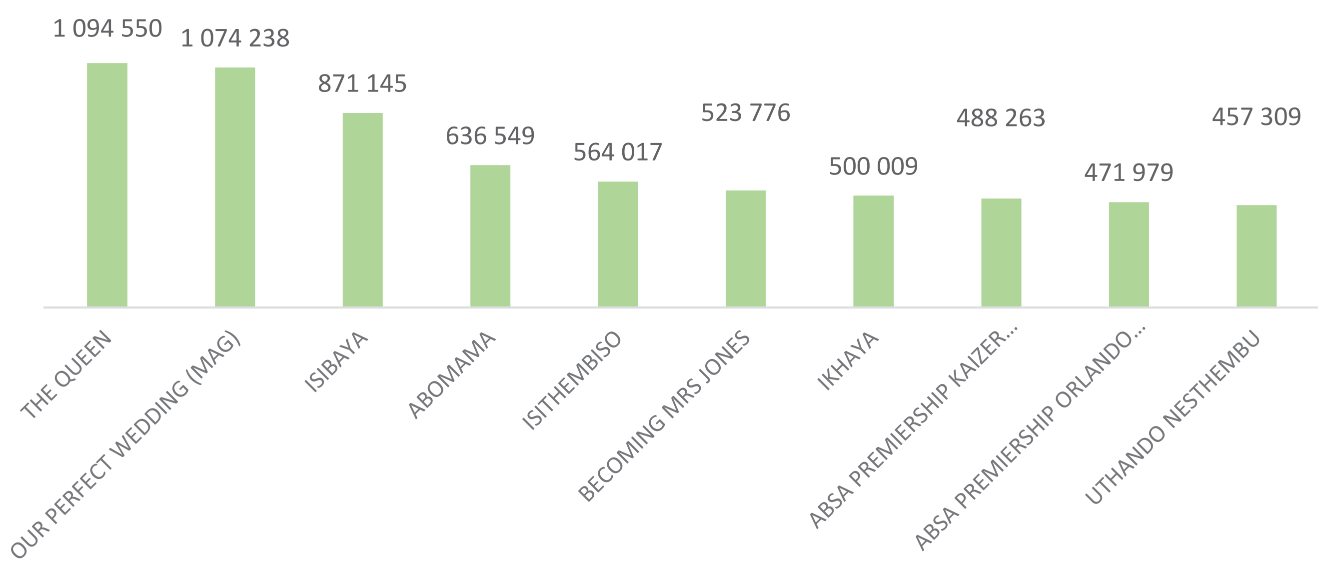
Over 50% of the television audience that watches programmes on the public channels /open to air channels preferred drama and soap opera genres.

SA top 10 programmes on public channels

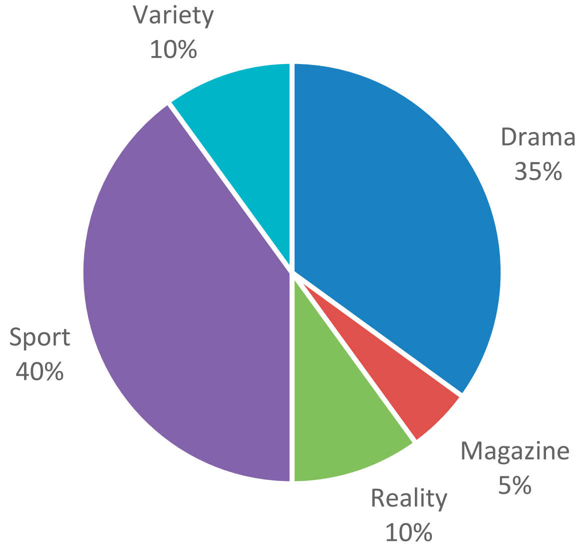


The top ten programmes in open channel platforms have on average above 3 million viewers a day. Uzalo was the most watched program with over 10 million viewers on average per day.

Top 10 programmes on DSTV channels in 2018

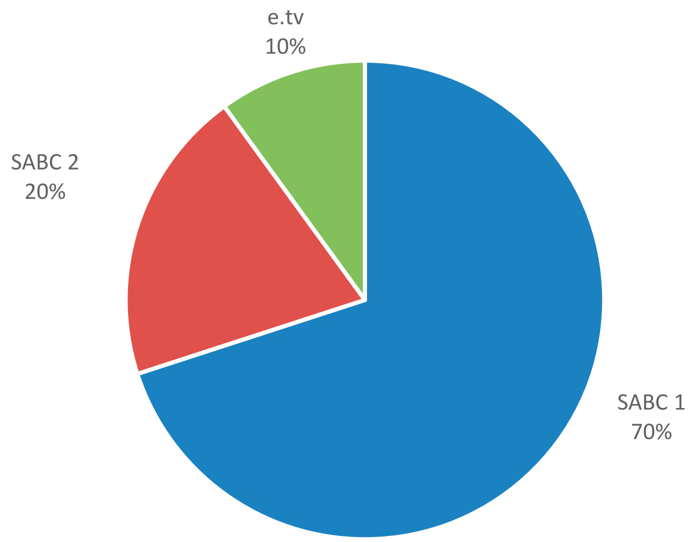


Genre: DStv channel programmes



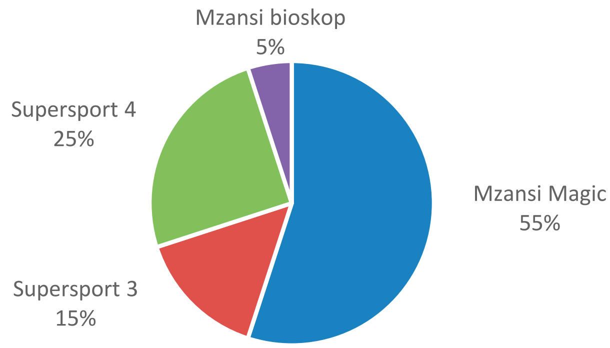
On DStv channels there is no programme that dominates with a wide margin. Drama and sport are the most watched programmes with 35% and 40% of the audience share respectively. The other programmes, namely Reality shows and Magazine are at 10% and 5% of audience share respectively.

Public channels mostly watched



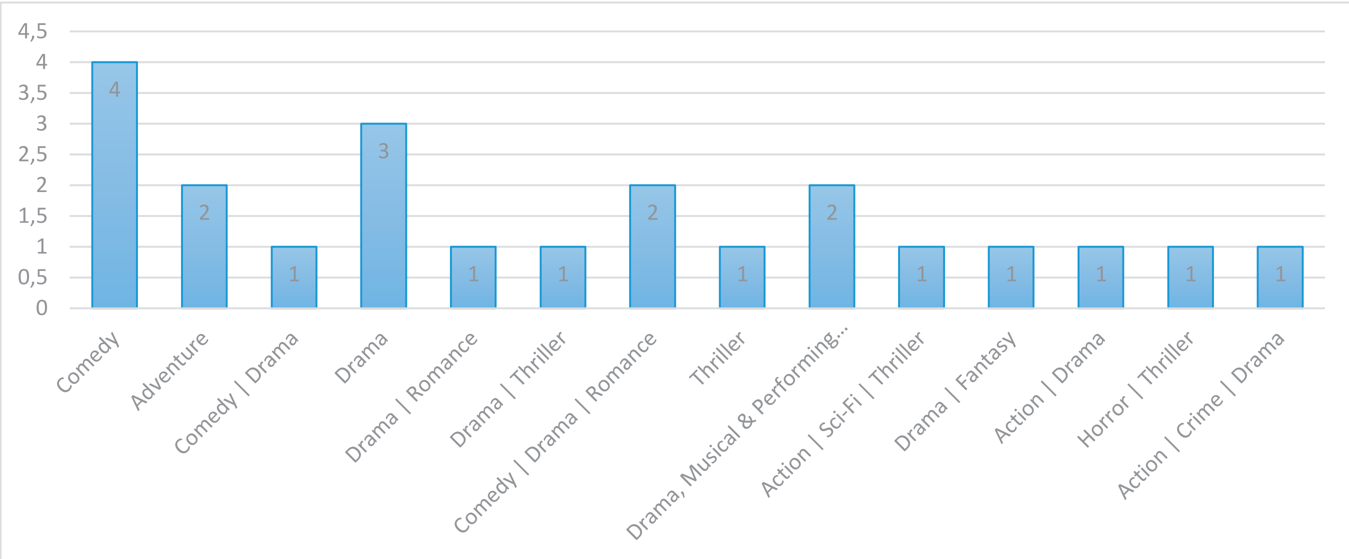
Large volumes of SA audiences are found on SABC channels in public broadcasting platforms; in particularly, on SABC channel 1.

DStv channels mostly watched



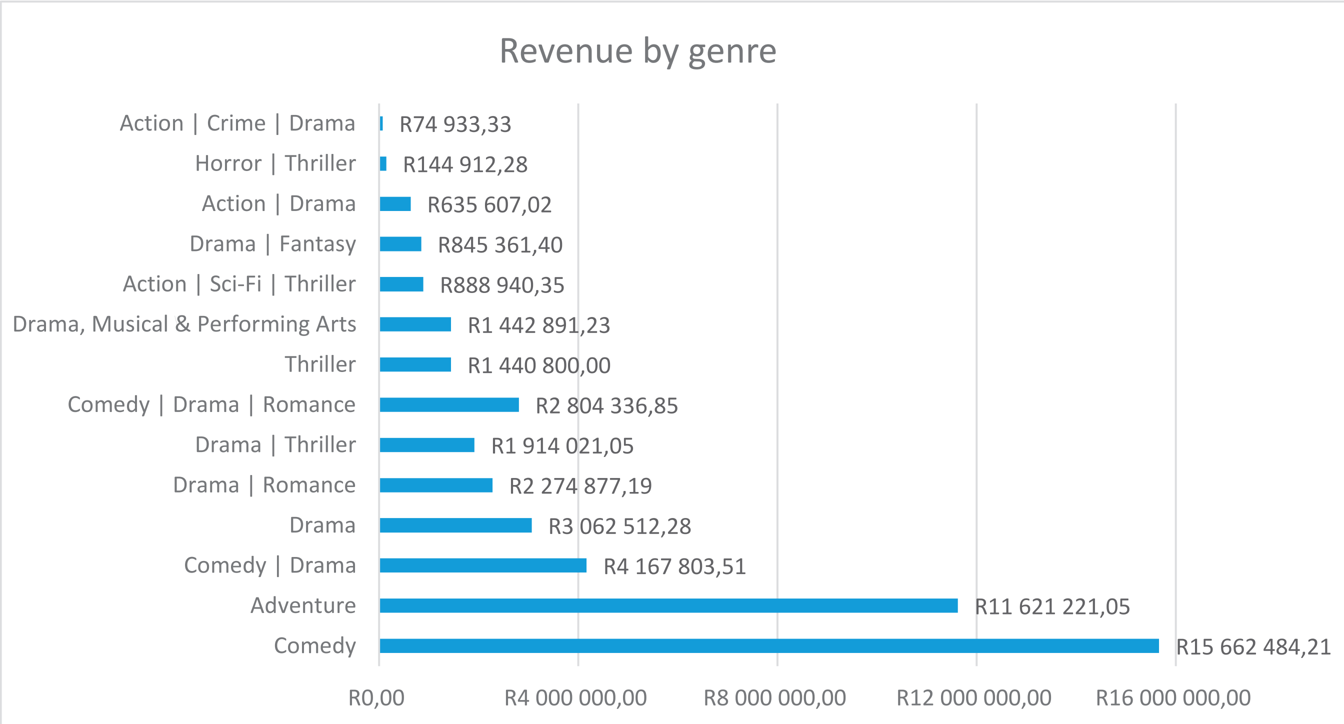
Mzansi Magic was the most watched channel on DSTV channels in 2018. Second most watch channel was SuperSport 4, and the least watched was Mzansi Bioskop. Telenovelas and Soapies have the highest number of viewership for both DSTV and public broadcast platforms.

South African local films in box office



From January 2018 to December 2018 South African box office had 214 films listed as good performing movies. There were no South African made films among the top 20. The two that appeared in the top 50 list were; Frank and fearless at number 43 (with gross earnings of R7 892 982.46) and at number 48 it was Stroomop (gross earnings R7 039 957,89). There were only 5 South African movies that appeared in top 100 performing movies.

2018 top 22 South African Movies in box office by genre



The above table outlines, the relative popularity of different genres of South African made films at the box office. The comedy was the top performing genre, [*Frank and Fearless, Baby Mamas, Thys en Trix and looking for love*]. Drama came in as the second [*Raaiselkind, The Recce and Farewell Ella Bella*], while adventure, comedy/drama/ romance and drama/musical performing were equal with 2 movies per genre.

PERFORMANCE INFORMATION

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.
- Quality Assurance management programme.
- 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

Programme Strategic objective: To operate an effective administrative businesses processes inculcating Good Governance, Risk Management and Compliance and industry growth					
Performance Indicator	**Actual Achievement 2017/18**	**Planned Target 2018/19**	**Actual Achievement 2018/19**	**Deviation**	**Comments**
Number of research papers which provide for film sector data	4	5	7	+2	Additional capacity now resides within the unit[1].
Number of M&E reports on the KZNFC programmes with key recommendations for improvement	4	8	11	+3	Additional capacity now resides within the unit[2].
Number of strategic partnership signed	4	4	10	+6	MOUs are negotiated over a period of years and the success of the KZNFC has attracted various partners[3].

1 There were 7 research papers that was completed in 2018/19, namely, (1)Research on the status quo and socio-economic impact of micro budget filmmakers in KZN, (2)A socio-economic impact analysis of a KZN based T.V series, (3) The role of film in the promotion of culture in KZN,(4)A study on the environmental impact ad resource use of the film industry, (5) The impact of MOUs as an intervention to cost reduction and establishment of partnerships for filmmakers in KZN, (6) A skills audit of the KZN Film industry, (7) Business/Corporate Videos companies in KZN

2 There were 11 M&E reports tabled in the 2018/19 year, namely, (1)Camera and lighting, sound production and production accounting, (2)Family Matters, (3)Uncovered, (4)Kings of Mulberry,(5)18 July Mandela Legacy Project, (6)The Letter Reader, (7)Ibala, (8)Jozini Film Festival, (9)Film and T.v Production Learnership, (10)Production Accounting, (11) Kandasamy's The Wedding

3 There were 10 MOUs signed during the 2018/19 year, namely, (1)Majuba TVET College, (2)Trace TV, (3)Impucuzeko Skills & Dev, (4) The Playhouse Company, (5)The Capital Hotel & Apartments,(6)DT Film Services, (7)Laletsa Lodge, (8)Dr J.L Dube Institute,(9)KCAP, (10)First Group Pty Ltd

Research Projects

In 2018/19 financial year, four research papers were undertaken by service providers and three papers were undertaken internally. Of the seven papers that were finalised, three were converted into six to nine minutes' animation videos. This was to ensure that the information is widely distributed and easily accessible by various stakeholders. This was well received as they are now able to access researched information in summarized versions and in audio format. The papers and videos are loaded on to the web-sites in both versions. Recommendations from the research were presented and adopted by the respective business units which will be followed up on in the new year.

Monitoring and Evaluation

During the financial year the entity appointed a Risk and Compliance Officer in order to ensure that there is in-depth monitoring and evaluation of our programmes. There was also a need to measure and evaluate the impact that these programmes have on our stakeholders so that proper interventions could be developed and to assess whether the initial objectives have been achieved. There was an increase in the number of programmes that were evaluated during the year. Recommendations were put forward as a result of the monitoring and evaluation exercises and were adopted by the respective business units for implementation. These recommendations will be followed through in the new year.

Strategic Partnerships signed

There were ten MOUs signed with various strategic partners during the year under review. The main objective of these MOU's is to ensure that the cost of filming in the province is competitive when compared to other provinces. Most of the MOU's were signed with the partners in the service industries such as hotels, B&Bs and car hire. A special focus will be placed on B&B's after an evaluation exercise that assessed the impact of the existing MOU's indicated that filmmakers prefer to use B&B's, largely because of the convenience that such accommodation offers to them and the ability to negotiate better rates.

PROGRAMME TWO: FINANCE AND ADMINISTRATION

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

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

Programme Purpose

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

Functions co-ordinated under this programme include:

- Financial management and reporting
- Administration support
- Management and Cost Accounting
- Supply Chain Management
- Legal and contracts management
- Human resources management
- Information communication and technology management
- Business facilitation to attract investments

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Programme Strategic objective: To operate an effective administrative businesses processes inculcating Good Governance, Risk Management and Compliance and industry growth					
Performance Indicator	**Actual Achievement 2017/18**	**Planned Target 2018/19**	**Actual Achievement 2018/19**	**Deviation**	**Comment**
Achieve a clean audit on financial, compliance and performance information	Unqualified report for 2017/18	Unqualified	Unqualified - with no material findings	Unqualified - with no material findings	The entity received a clean audit for the 2017/18 financial year
Percentage of total procurement spent on BBBEE service providers	112%	110%	112%	+2%	The KZNFC has focused its procurement in sourcing services from suppliers that have a BBBEE level that is between 1 and 3.
Percentage of valid invoice paid within 30 days	100%	100%	100%	0%	100% of valid invoices were paid to service providers within in 30 days of receipt of a valid invoice.
Strategic Objective: To develop in-house capabilities and skills in order to provide world class quality service to our client					
Vacancy rate on approved staff complement	38.89%	25%	27.03%	+2.03%	The filling of positions is currently on hold. This indicator is beyond the control of the management.
Percentage of approved training attended and completed	82%	100%	85%	-15%	Four planned training interventions could not take place in the current financial year due to a lack of response from the market and accredited service providers. Alternatives are being considered.

Financial Management

During the 2018/19 financial year the Finance team experienced capacity issues, with the business unit having a 46% vacancy rate. Even with this challenge the business unit was still able to achieve all its targets and deliver on all the requirements per the entity's objectives and all legislative requirements.

Internal audits of Supply Chain Management, Asset Management, Human Resources Management and Interim Financial Statements were carried out, within no material findings.

In 2018/19 the entity operated with fully automated finance and supply chain management processes. The system has been beneficial to the entity, in ensuring improved efficiencies through automation. Financial Management policies where reviewed to ensure alignment with the applicable legislations. The 2018/19 approved budget was monitored during the year, with the entity spending 84% of the budget and the remaining 16% being fully committed at year end.

Supply Chain Management

During 2018/19 the Supply Chain Management function was able to appoint a Supply Chain Manger. During this period the entity improved its internal controls and compliance with applicable laws and regulations. The Supply Chain Management function ensures that the entity procures from service providers that are registered on the Central Supplier Database, with a BBBEE Level between 1 and 3. This has had a positive impact as the entity's BBBEE spending percentage achieved is at 112% with a total value of R 35,9 million. Focus on women and youth has been prioritised during the period with an achievement of 26% spend on women and 10% on youth owned companies.

Human Resources Management

The role of human resource management and administration in the public entity is to provide an effective human resource management service by developing and implementing policies, programs and services that contribute to the attainment of strategic goals whilst balancing the needs of the employees and the needs of the KZN Film Commission.

At the end of the financial year the vacancy rate stood at 27.03% and the training achieved was 85%. The following seven vacant positions were approved by the Premier during the financial year:

- Risk and Compliance Officer
- Human Resources Manager
- Supply Chain Manager
- Human Capital Development Manager
- Marketing and Communications Manager
- Facilities and Locations Specialist
- Facilities and Maintenance Coordinator.

The critical role of the Human Resources department in this regard is to ensure that the right talent is hired to deliver against strategic objectives. The seven positions were filled according to recruitment plan within the financial year and all the new staff members were properly inducted. The approved training plan for the year was designed around ensuring effective delivery of the strategic objectives of the organisation, to address the scarce skills. The ability of the organisation to successfully deliver on its mandate depends on how skilled, motivated and productive the employees are. Our training programmes are structured to be in line with the Workplace Skills Plan (WSP), aligned to the Personal Development Plans of individual and to address the training needs identified from the performance management processes.

Human Resources policies have to be reviewed annually to verify whether are aligned to relevant legislation and prescripts as well as best practices. Twenty-one (21) policies were reviewed during the year under review and all of them were declared to be relevant and no amendments were made. The entity operates on a fully-fledged Premier Human Resources management system, including payroll and leave management. A lot of groundwork has gone toward the implementation of the online staff performance management system and the rollout will be done during the coming financial year.

As part of our attraction and retention strategy, the organisation strives to offer remuneration packages and related benefits which compare favourably with market-related remuneration packages and annual salary benchmarks, job evaluation and grading processes are done to ensure that we continually remain competitive in the industry. The importance of Talent Retention is also underlined by the approval of the Retention and Succession Policy during the year under review. The practical implementation of the talent management processes will be implemented in the coming financial year.

To balance the quality of working and private time, the organisation has a comprehensive wellness program. This program is to encourage staff members adopt healthy lifestyles while providing the holistic wellness support to staff. A strong performance management culture is a cornerstone of any successful organisation. KZN Film Commission conducts performance assessments every quarter. Each assessment process is tabled at the Moderation Committee to ensure consistency across the entity as well as to identify performance gaps and ensure that these are attended to on regular basis rather than at the end of the financial year.

Information Communication Technology

During 2018/19 the IT Function was outsourced due to the resignation of the IT Specialist in the beginning of the fourth quarter. During this period the IT Function implemented the SharePoint, Started the Online Funding System Design and Development, Moved to Cloud Environment for Emails and Business Continuity.

KZN Studios

During 2018/19 the development of KZN Studios project commenced. This will be a first of its kind facility for KZN and will have a significant impact on the KZN film industry. The project is estimated to be completed in the next three to four years.

PROGRAMME THREE: MARKETING AND INDUSTRY DEVELOPMENT

Marketing and Industry development falls under the Chief Operations Officer. The Business Unit is tasked with positioning the KwaZulu-Natal province as a location for film, as well as positioning the KwaZulu-Natal Film Commission as a leading film commission in the African market.

Programme Purpose:

The main purpose of the Chief Operations Officers' office is to promote the region through appropriate marketing and communication strategies that focus on film industry development through human capital development and investment promotion.

Functions co-ordinated under this programme include:

- 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 identification and promotion of business with certain countries that are leaders in the film industry.
- Establishment of partnerships and attracting new business and production to KZN.
- Development, management and maintenance of a website and critical stakeholder databases. To assist in facilitating production and employment opportunities for the local industry.
- Human Capital development to address the current skills shortages in the film industry from the Province. Coupled with intentions to increased KZN local content on the South African and international distribution platforms.
- Management of the KZN Film Fund.
- Locations identification and production support for the businesses that come to KwaZulu-Natal.
- Development of the film protocol and guidelines on how to do business in KZN.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Programme objective: • **To facilitate transformation in the film industry;** • **To facilitate human capital development in the film industry;** • **To facilitate investment promotion into KwaZulu-Natal's filming industry; and** • **To promote and market KwaZulu-Natal as a choice film destination.**					
Performance Indicator	**Actual Achieve-ment 2017/18**	**Planned Target 2018/19**	**Actual Achievement 2018/19**	**Deviation**	**Comment**
Strategic Objective: To implement interventions that support transformation, diversification and service excellence in the film industry					
Temporary jobs created in the film sector through production and development of projects supported by the film fund	123	150	165	+15	The number of jobs is linked to the projects implemented during the year and is based on estimates[4].
Strategic Objective: To implement interventions that support transformation, diversification and service excellence in the film industry					
Number of information sharing sessions with HDI groups regarding opportunities in the film industry	26	20	30	+10	Partnerships with organisers of markets and festivals helped to ensure that more information sharing sessions were arranged using their platforms[5].

Note: The temporary jobs indicator was amended from the APP given the nature of the industry being project based and not maintaining time sheets which would be required to calculate FTE jobs. The target remained the same.

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4 165 jobs were validated from 52 projects and apportioned according to expenditure in the 2018/19 financial year

5 There were 30 information sharing sessions held during 18/19 namely, (1) Multi-choice Information sharing session ; (2) Career Development and Exhibition at Bhamshela; (3-5) Youth Employability and KZN Career Expo - at Durban Exhibition Centre; (6) Umgungundlovu District youth entrepreneurship outreach - at City Hall, Pietermaritzburg; and (7) Career Expo Youth Art boot Camp - at Moses Mabhida Stadium.(8-10) SA/UK Trade mission at Elangeni Hotel; (11) Career exhibition at KwaXimba; (12) DUT World of Work Career Expo at the DUT Ritson Campus in Durban; (13) DUT World of Work Career Exhibitio at the DUT Ritson Campus in Durban; (14) Career Guidance Programme at eMtubatuba; (15) Career Expo hosted by EDTEA and Ithala Bank in Newcastle; (16) Industry Development Workshop on scriptwriting and distribution at the KZNFC Training Room and (17) OSS Cabinet Day at Umgungundlovu Hall, (18)Drakensberg Extravaganza, (19) Kwasukasukela Film Festival in Jozini , (20) KAFF in KwaMashu; (21) Nquthu Incubation Centre ; (22) Training and Funding session in Newcastle; (23) Industry Development Workshop in Port Shepstone, (24)Industry Development Workshop at Musgrave Towers, (25) Industry Development Workshop at Pietermaritzburg, (26) Industry Development Workshop at Richards; (27) Industry Development Workshop; (28) Stakeholder engagement in Esikhawini, (29) OSS Cabinet day in Newcastle, (30) Film & TV the beginners workshop in Umbumbulu

6 There were28 audience development initiatives held during the year. (1) Outdoor screening - 6 April 2018 at New beach, Durban and (2) Movie Thursday screening - 21 June 2018 at KZNFC Cinema; (3) Movie screening of the film Miners Shut Sown on 5 July 2018 at the KZNFC Cinema; (4) Movie screenings of the short films Beyond the Monologue (5) Movie screening of the film Strike a Rock on 30 August 2018 and (6) Outdoor screening at New Beach on 18 July 2018 (7-9) DIFF Outdoor screenings from 23-29 July 2018 at various venues; (10) Screening Krotoa at DUT; and (11-13) Movie screening of films Adventures of Zambezia, Beyond the River and Keeping up with the Kandasamys at the KCAP Arts Centre in KwaMashu on 15 September2018; (14-24)Screening of locals films at Kwasukasukela at three different venues, (25-26) Screening of locals films at KAFF; (27) Screening of Jersey No.10 at DUT; (28) Screening at the Drakensberg Extravaganza Fashion and Film Meets Tourism . Annual target achieved

Strategic Objective: To implement interventions that support transformation, diversification and service excellence in the film industry					
Number of audience development initiatives with HDI groups	8	25	28	+3	There were additional audience development initiatives that were arranged during the festivals and this due to involvement of various partners[6].
Strategic Objective: Support the development of a strong human capital base throughout the value chain through SMME development and training					
Number of new businesses supported through incubator programmes focussing on small, medium and micro business enterprises	19	7	0	-7	The tender for the programme was unsuccessful after three attempts and therefore the programme was not implemented. Alternative partnerships are being explored.
Number of people trained throughout the value chain in the Film industry	146	75	253	+178	Additional funding for training was received from MICTSETA resulting in additional people being trained during the year[7].
Strategic Objective: To secure strategic investment through facilitation and promotion into the film industry in KZN					
Number of production and development projects awarded funding through the KZNFC fund	60	30	35	+5	The value of the projects approved impacts on the number achieved- where the value is low, more projects can be approved.

Note: The "Number of Projects" indicator was amended to enhance the meaning of the indicator and to link it directly to the KZN Film Fund.

Production Funding

The KwaZulu-Natal Film Commission funded 35 production and development projects at an investment of R16.5m in 2018/19 financial year. Of these, there were 20 development projects where KZNFC contributed R3.2m and 15 production projects where KZNFC contributed R13.3m. The partnership with SABC was kick started with the SABC selecting 8 projects for production and committing to participating in the Quality Boost Programme of Made for TV movies where a further 6 projects will be considered for licensing. The Quality Boost Programme of Made for TV movies is intended to do the following; improve audio and video quality of what used to be called Micro Budget movies, shorten the period from development to production, arrange pre-sale deals with broadcasters and improve efficiencies in productions. Also, during the financial year a partnership with Viacom through BET Africa was signed. The envisaged outcome of this partnership will be 8 short films being produced for broadcast on the BET Africa platform. In the implementation of the Quality Boost Programme and Short film, the productions will use KZNFC facilities located in the film cluster for postproduction. The productions will also use skilled crew that is on the KZNFC

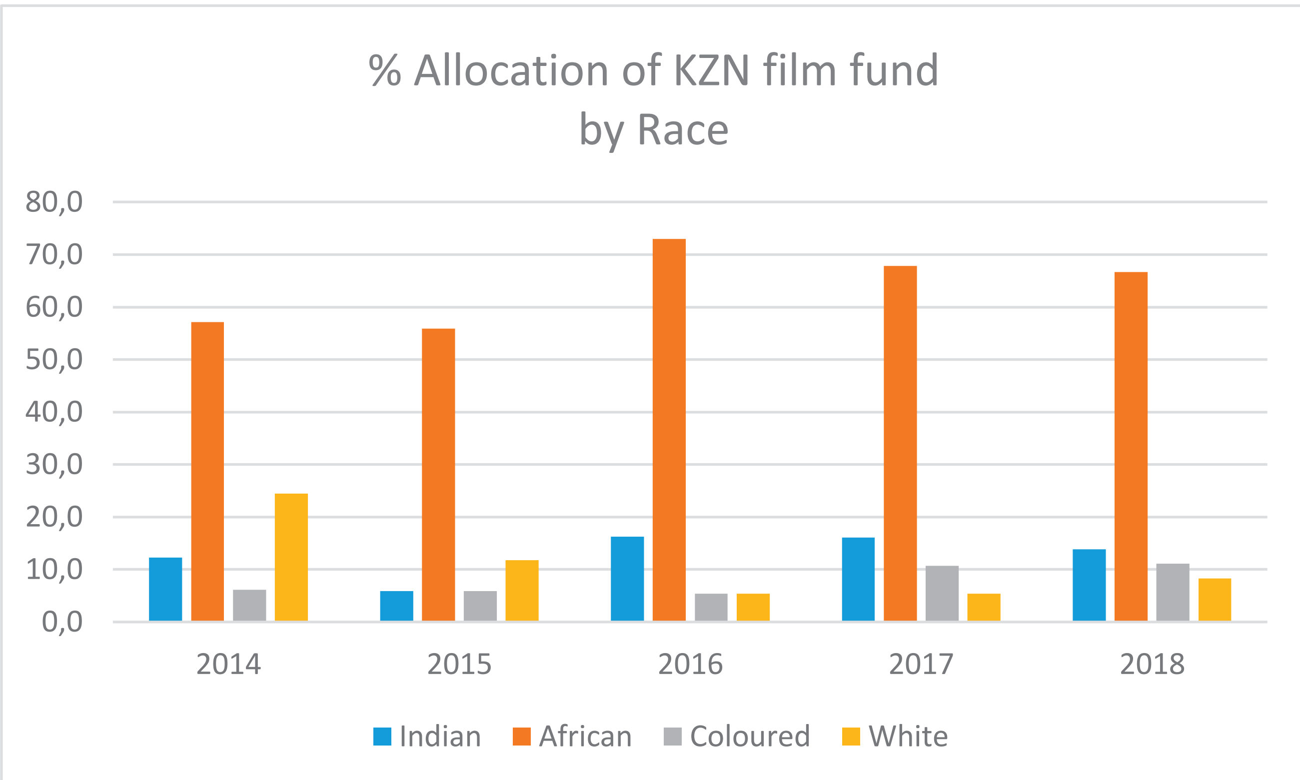
7 The following trainings were held in 2018/19, Directing, Editing, Cinematography, sound, shooting schedule, production schedule, production budget, marketing and distribution, script development, sound production, budgeting and scheduling and production accounting. In total 253 people were trained.

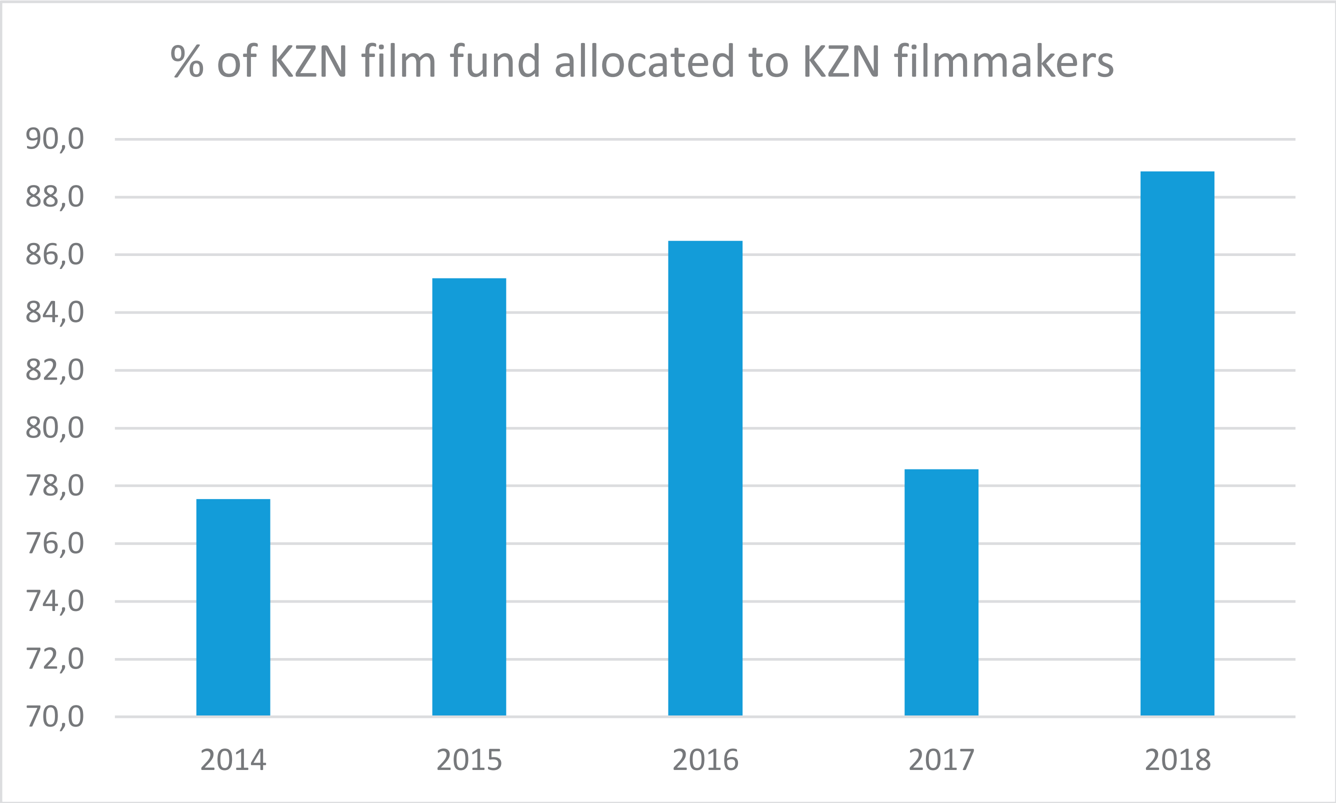
database on a consistent basis.

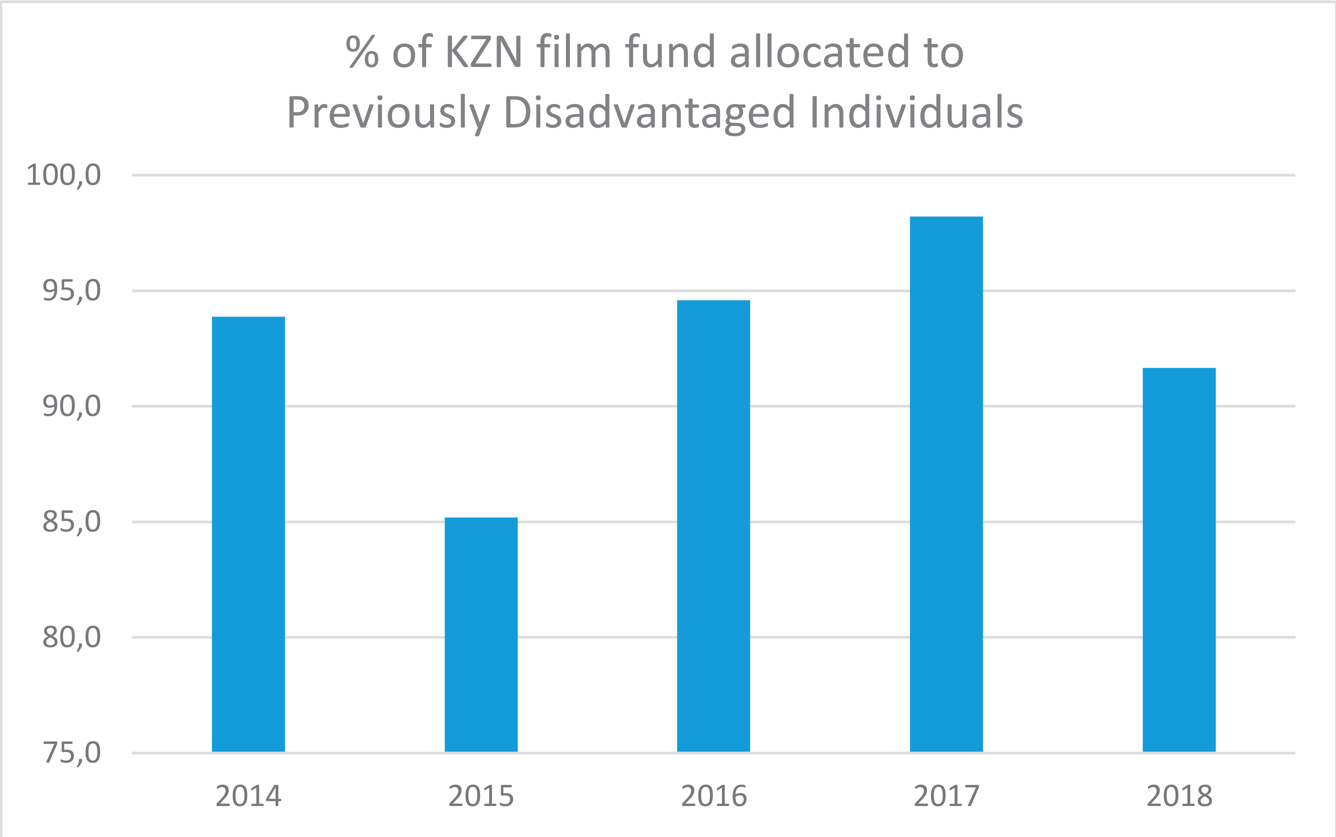
The financial year witnessed a huge step forward for KZNFC funded projects as a number the completed projects hit the big screen and the silver screen. *Deep end* by Jacintha Timothy, *3 days to go* by Bianca Isaac, *Asinamali* by Mbongeni Ngema and *Harvesters* by Lwazi Manzi were released commercially in cinemas, while *Made in Africa* by Awesome Advertising and *Gqom Nation 2* by Native Gang had their broadcast on BET Africa and MTV Base respectively. Ten production projects were completed in the period under review, these are: *Uncovered* by Zuko Nodada, *3 days to go* by Bianca Isaac, *Deep end* by Jacintha Timothy, *Made in Africa* by Sifiso Gebashe, *Zulu return* by Gugulethu Mseleku, *The Harvesters* by Lwazi Manzi, *Kandasamys – the wedding* by Jayan Moodley, *Love lives here* by Mokopi Shale, *Being Mandela - Joko ya hao* by Mbuyiselo Mokwena and *By all means necessary* by Ramadan Suleman.

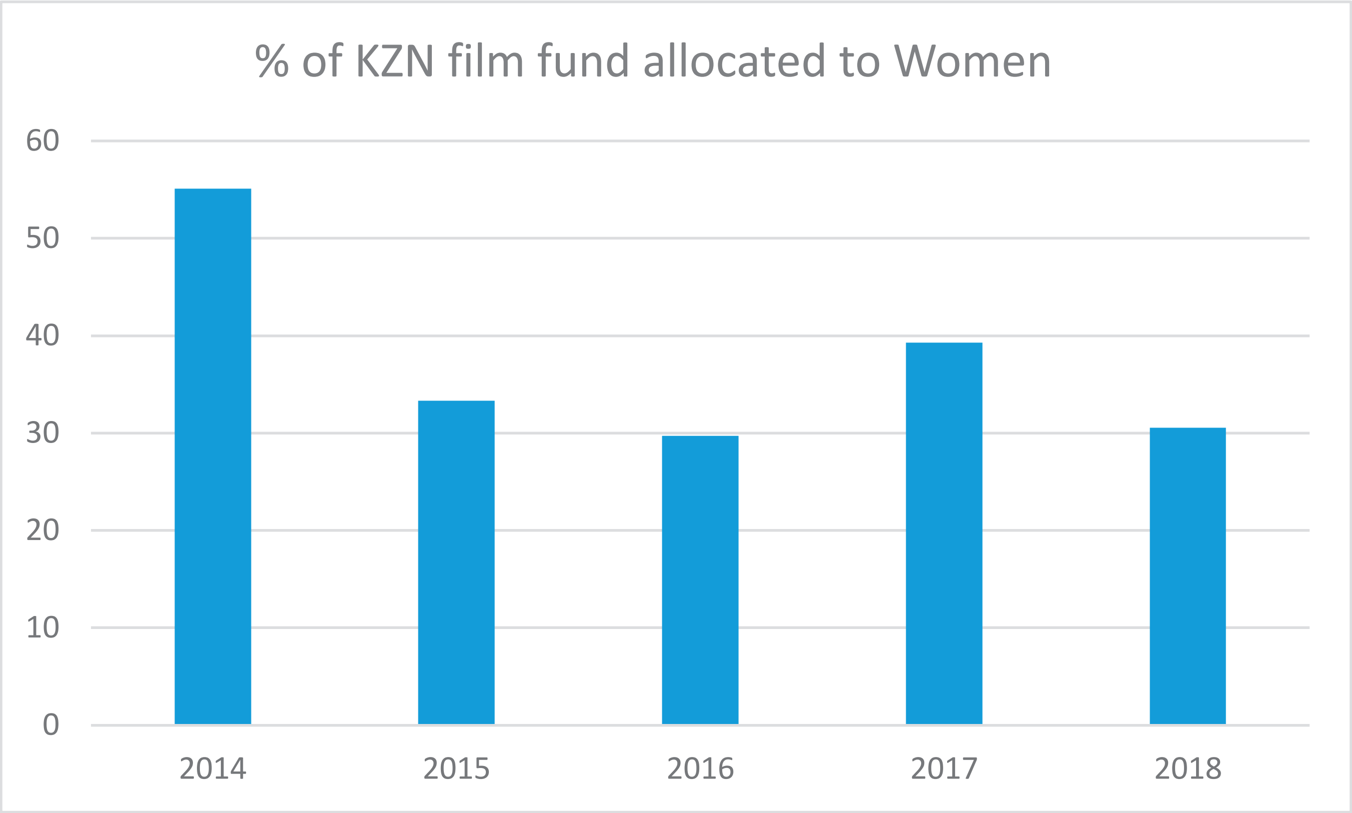
The commission has funded 216 production and development projects since 2014/15, 93 of those are still active. In 2018/19, there has been an increase in the number of projects allocated to youth beneficiaries at 47.2% up from 32.1% of the fund in the previous year. KZN beneficiaries have also increased from 78.6% to 88.9% of the fund and 2.8% of the fund went to people living with disabilities. In implementing the KZN Film Strategy with a key focus on animation, the Commission has 6 projects in development and 2 projects in the production phase of animation. The isiZulu element of the KZN film Strategy is being realised by developing 10 projects and producing 6 of those for SABC.

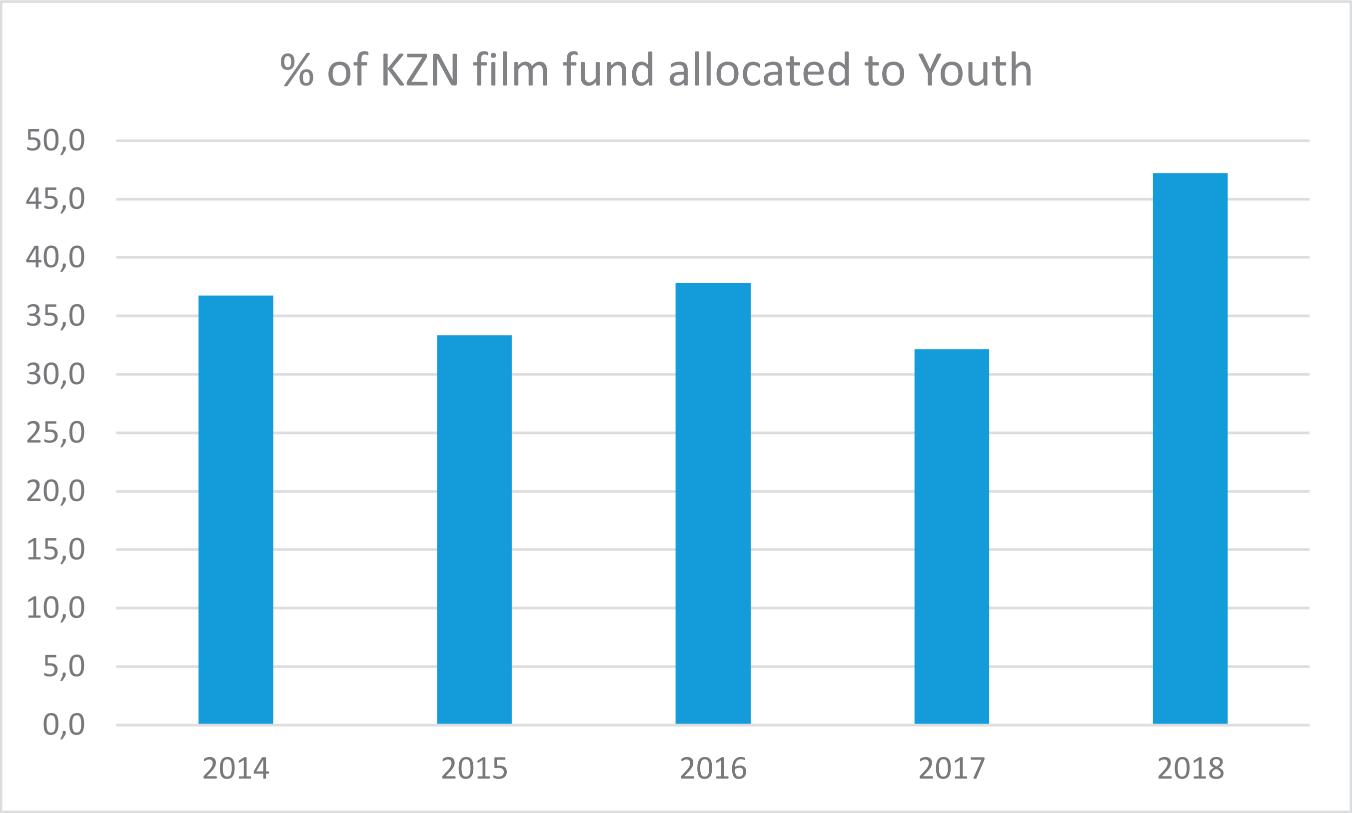
Funding Demographics (2014/15 – 2018/19)




% of KZN film fund allocated to KZN filmmakers
90,0
88,0
86,0
84,0
82,0
80,0
78,0
76,0
74,0
72,0
70,0
2014
2015
2016
2017
2018


% of KZN film fund allocated to Previously Disadvantaged Individuals
100,0
95,0
90,0
85,0
80,0
75,0
2014
2015
2016
2017
2018


% of KZN film fund allocated to Women
60
50
40
30
20
10
0
2014
2015
2016
2017
2018


% of KZN film fund allocated to Youth
50,0
45,0
40,0
35,0
30,0
25,0
20,0
15,0
10,0
5,0
0,0
2014
2015
2016
2017
2018

Highlights of Productions supported during 2018/19 financial year

Uncovered

This 90-minute political thriller was directed by Zuko Nodada and produced by Thandeka Nodada of Final Chapter based in Durban. The two have worked on big screen projects such as Between Friends and numerous other TV projects across a number of broadcast platforms. The production took a bold decision to shoot this movie in the remote mining town of Newcastle, Blaaubosch and Osizweni. All heads of departments for this movie were Black. About 34 young people were given on the job experience for two weeks during the production. The Newcastle Municipality and Amajuba TVET College were supportive during the production. The movie will be commercially released in cinemas nationwide in August 2019. The production value of this project is estimated at R7m and the KZNFC contribution is R1.2m. About 52% of the budget was spent in KZN and 64 jobs were created in total, of which 26 jobs are proportional to the budget that KZNFC put.

Kandasamys – the wedding

This is a sequel of Keeping up with the Kandasamys which broke local box office records by making more than R16m in the box office alone. Kandasamys – wedding promises to perform even better than that in the box office. The movie is directed by Jayan Moodley and produced by Suda Sing from African Lotus Production based in Durban. During this production, 70% of the crew and 100% of the cast came from KZN. The movie was shot in Chatsworth, Ushaka beach, Riverside precinct and Zimbali. It will be commercially released nationwide on 18 April 2019. Estimated production value of the project is R9.2m with KZNFC contributing R1.2m. Over 57% of the budget has been spent in KZN.

Love lives here

This project was written to be shot in Gauteng. The production team was persuaded to come and shoot in KZN because of the financial incentive and the kind of production support that the KZNFC offers. It also helped that one of the producers is from KZN. The movie was directed by Norman Maake and produced by Dumi Gumbi and Mokopi Shale. The movie was shot primarily in Umlazi, the Golden mile of Durban and the Point Waterfront. 52% of the total budget of R 7m was spent on KwaZulu-Natal goods and services. About 75 jobs were created during the development and production of this film. The movie will be released in cinemas nationwide on 5 April 2019.

3 days to go

The movie was produced and directed by Bianca Isaac, a young, female and dynamic filmmaker based in Durban. This was one of the youth beneficiation project that was further supported by the Department of Economic Development, Tourism and Environmental Affairs through the Directorate of Youth Economic Empowerment. This film was shot in Morningside, Cowies Hill and King George Hospital. There were 10 film graduates from AFDA and DUT who were offered internship on this R6m production. The majority of the crew and cast were from KZN. The movie featured a Bollywood star in an attempt to also distribute it in India. About 61% of the budget was spent in KZN and over 66 jobs were created. This movie was released on the big screen on 25 January 2019 and made over R3.m in the box office.

Deep end

Deep end was directed by Eubulus Timothy and produced by Jacintha Timothy who are Black KZN based filmmakers. The film had to be produced at a reduced budget of R4m as they could not raise further funding from NFVF. The movie was made possible through the funding by KZNFC, DTI and the investment by the producers. More than 80%

of the cast and crew were from KZN. It showcased Durban as a surfer's paradise as it was shot on the Durban Golden Mile. More than 60% of the total budget was spent on KZN goods and services. The movie was released commercially in cinemas nationwide on 15 March 2019 at the height of rolling blackouts in the country.

Zulu returns

This is a documentary about a very influential African American Hip hop artist called Bhambatha. This artist had modelled himself around Bhambatha kaMancinza who is known for leading the Zulu rebellion against White administration in 1906. The documentary follows Bhambatha's journey of 'discovering his roots' and meeting the Zulu King. The documentary is directed by Gugulethu Mseleku who is a KZN based Black female filmmaker. The documentary has been screened in Egypt and also scheduled for screening at the Encounters in Johannesburg and Cape Town.

The Harvesters

This was one of the most complicated films to be made as it was a co-production with multiple country partners: Greece, Poland, France, Germany and South Africa. It was shot around the border of KZN and the Free State – with the base being Bergville. The film was a partnership between Spier Films and Mercurial Pictures led by a young, Black, female producer – Lwazi Manzi. The film was selected for screening in Cannes, France during the period under review. Harvesters also had a commercial cinema release on 15 March 2019 in cinemas nationwide. The value of the production was about R13m and KZNFC contribution was about R903 000.00. About 48.5% of the total budget was spent in KZN. About 38 jobs were created a number that has been apportioned according to the budget contribution by KZNFC.

Joko yahao

This is the first of the Commissioned Heritage content that has gone to production and was successfully finished. It is the first of the two instalments produced under the title Being Mandela - Joko ya hao. It is produced by Mbuyiselo Mokwena. This short film has been screened at the Africa Rising International Film Festival in 2018. It was part of the Mandela celebrations. The second episode is set to be completed by 18 July 2019 as it is now in the final stages of postproduction.

By all means necessary

This historical documentary chronicles the African struggle for freedom. It shows never seen before archives of the years that Nelson Mandela spent in Algeria. It was made through the support of Algeria, France, NFVF, KZNFC and the DTI. The documentary was directed and produced by a Black KZN filmmaker. It had an international premiere at FESPACO in Burkina Faso in February 2019. It received raving reviews during its premiere. The documentary has been done both in French and English. In 2019/20 the film will be showcased in film festivals worldwide. The production company behind this film is involved in mentoring young Black filmmakers in KZN through various platforms.

The table below provides an indication of where the productions, funded by KZNFC, have been distributed or showcased.

KZNFC FUNDED PROJECT	PLATFORM SCREENED
Asinamali	New York African Film Festival – USA, Africa International Film Festival – Nigeria, limited Commercial cinema release in South Africa
Uncovered	Pan African Film Festival - USA
Fragments of Imperfection	Africa International Film Festival - Nigeria
Gracie	Africa International Film Festival - Nigeria
Comatose	Africa International Film Festival – Nigeria, FESPACO – Burkina Faso
3 days to go	Commercial cinema release – South Africa
The Harvesters	Cannes – France, Commercial Cinema release – South Africa
Deep end	Commercial cinema release – South Africa
Made in Africa	BET Africa - worldwide
Gqom Nation 2	MTV Base - worldwide
Being Mandela – Joko ya hao	Africa Rising International Film Festival – South Africa
By all means necessary	FESPACO – Burkina Faso
The Zulu return	Aswan International Women Film Festival - Egypt

Industry Development Interventions

Four (4) training programmes were developed and delivered in the 2018/19 financial year, namely, Production Accounting, Sound Production, Budgeting and Scheduling and Film Industry Transformation Initiative (FITI). All these programmes were geared to develop and built capacity of young people in particular the previously disadvantaged individuals.

Production Accounting Training

A total of twenty-nine (29) (PDI) student's majority of whom were females, seventeen (17) and twelve males (12) were trained from 1 – 12 October 2018 in Production Accounting. The programme was delivered as an accredited skills programme, resulting in students receiving statements of results issued by MICT SETA. The programme equipped students with budget management skills for pre-production, production and post-production as well as costing of all activities related to script costing, payroll, cost reporting and purchase orders.

Sound Production Training

A total of twenty-three (23) (PDI) students were trained from 15 – 31 October, 2018 in sound production. Of the 23, majority were youth, eighteen (18) in total, twelve (12) were males and eleven were females (11). The programme was successfully delivered as trainees were all deemed competent and issued with certificates of competence. The programme equipped trainees with the following skills; acoustics of sound, characteristics of sound, frequency response, characteristics of audio devices, recording devices, multi-track, cables, sound spaces, effects and signal processes, sound effects in film and music in film.

Budgeting and Scheduling Training

A total of twenty 26 students were trained from 11 – 20 Mar 2019. Of the 26 students, the majority were males, fifteen (15) males and eleven (11) females and eighteen (18) of them were young people all of whom are previously disadvantaged individuals. The programme was successfully completed with all trainees declared competent and issued with certificates of competence. The programme was focused on equipping trainees with the following skills:

- Basic Principles of Budgeting and Scheduling;
- Practical Scheduling and Budgeting a script using a Movie Magic;
- Scheduling Reports;
- Comparison of Schedules with the actual schedule used for the Film and
- Advanced Budgeting.

Film Industry Transformation Initiative (FITI)

The KZN Film Industry Transformation Initiative (FITI) is flagship programme which aims to increase specialised skills in key areas of the industry value chain. The main aim is to create a pool of specialists and retain them as residents in the province as a core team that service local and international productions. The programme is planned to be piloted over three (3) years and the following are key learning areas identified to develop film graduates who were beneficiaries of KZNFC bursary scheme:

- Script development;
- Camera & Lighting;
- Audio;
- Editing;
- Producing;
- Directing;
- Marketing & Distribution and;
- Animation & VFX.

The primary aims and objectives of the programme are the following:

- To accelerate industry participation for graduates.
- Provide a holistic and integrated perspective of the creation and business of Television and Film.
- Build a portfolio of work while providing practical industry experience.
- Developing future leaders.

There is a total of twenty-one (21) students, majority of whom are females, totalling eleven (11) and ten (10) males, all who are previously disadvantaged individuals.

In the 2018/19 financial, the following modules have been successfully completed with all twenty-one (21) students being declared competent and receiving certificates of competence:

- Soft Skills;
- Script Writing;
- Production;
- Directing;
- Cinematography;

- Sound;
- Editing;

Bursary Scheme

A total of thirty-three (33**)** bursary students were enrolled at AFDA and DUT Universities. The profile of the students was made up of fourteen (14) Males and nineteen (19) Females, and thirty-one (31) of them are PDI, with one (1) from the disabled community. Sixteen (16) of the students are enrolled at AFDA and seventeen (17) at DUT. All the students sat for their exams and out of thirty-three (33), three (3) were unsuccessful as they failed their exams. Eleven students graduated after successfully completing their courses.

KZN locations

The business unit has compiled a database of various locations in the province and these are accessible for viewing on KZNFC webpage. KZNFC also played a proactive role during the year through facilitation of engagements between filmmakers and Municipalities / other stakeholders in scouting for film productions, during the actual filming and during the hosting of Familiarisation tours. The KZNFC takes pride in encouraging productions throughout the province with content to be shot in KZN. This is to assist South African production companies filming in KZN such as Stained-glass who are already filming Uzalo in creating more work and to utilise local service providers. The Familiarisation Tours which took place during 2018/19 included the UK Familiarisation Tour in August, FIAP (The International Federation of Photographic art), Duzi2Sani in the Dr Nkosazana Dlamini Zuma municipality, Ike Nnaebue Nigerian Producer.

The location and facilities

The business unit continued to compile a detailed database of various crew members throughout the province of KZN. The database of crew members from the funded projects and training programmes done by the KZNFC has grown. This has assisted in identifying crew members for the productions interested in filming in KZN.

The KZNFC Location and Facilities unit prides itself in creating working relationships with service providers to assist in reducing costs filming in KZN through MOUs. Some of the MOUs signed in 2018/19 were the following: Laletsa Lodge, First Group hotel and the Capital Hotel in this financial year. There were also a number of meetings that were held with Municipalities across the Province, to create awareness of the film industry and to inform communities of the opportunities that exists in the film industry.

In 2018/19 financial, the KZNFC Film Cluster had full occupancy on the 10th floor with the 11th floor having available offices Cluster rates were revised to ensure that filmmakers are able to access the facility and utilize it more effectively.

Markets and Festivals Funding

The KwaZulu-Natal Film Commission's Markets and Festivals fund seeks to create an enabling environment and platform where local filmmakers can interact with other filmmakers and explore co-production opportunities, as well as to secure foreign funding. This is made possible through exhibitions, networking sessions and targeted appointments. In the financial year 2018/19 the KZNFC supported 13 filmmakers to attend the following local and international Markets and Festivals: Cape Town International Film Festival, Berlin Film Festival, Pan African Film Festival, London Screenwriters Film Festival, Cannes and Annecy International Animation Film Festival.

The delegation is the initiated by the KZNFC by publicising "a call for interest" to filmmakers. Those that fit the set criteria are supported with transport, accommodation, subsistence allowance and any other incidental costs. There are also those filmmakers who apply on their own to the KZNFC for funding to attend Markets and Festival for various reasons, such as their film is selected to be shown at a festival, they have arranged meetings with key potential funders etc., The applicants are funded up to a maximum of R50 000.00 and are required to produce a report indicating the outcome of their engagements.

KZN Markets and Festival Support

KwaZulu-Natal Film Commission encourages and support local Markets and Festivals as an initiative that creates platforms for information sharing of various forms (panel discussion, master class, expert presentation/lecturer), content screening (which assist in building audience and consumers for local films) and filmmaker networking. The following Markets and Festivals were supported in in 2018/2019: KAFF (KwaZulu-Natal African Film Festival), KFF (Kwasukasukela Film Festival), DIFF (Durban International Film Festival) and UGUFF (UGU Film Festival). A total amount of R2.7m was allocated to these various festivals.

KwaZulu-Natal African Film Festival (KAFF)

KAFF is the longest running African film festival in the Province which has since established a satellite in the North Coast of the Province. In 2018 KAFF, had an attendance of about 2 838 people who participated in various activities such as screenings, seminars and workshops. The festival was held over seven days. The success of KAFF has a direct bearing on the establishment of the Kwasukasukela Film Festival in uMkhanyakude District Municipality and the uZulu Film Festival in King Cetshwayo District Municipality.

Kwasukasukela Film Festival (KFF)

KFF was in their second year running in 2018 December taking place in the deep rural areas of eJozini under UMkhanyakude District. This District Municipality has high unemployment rates among the youth. As such, the KFF festival is highly embraced and supported by the Local Municipality as a platform that provides opportunity for youth to get training and temporary employment in the film industry. The festival took four days and featured trainings, information sharing and screening for local film. Over 2000 people attended the festival.

Durban International Film Festival (DIFF)

DIFF celebrated 39 years of its existence in July 2018 which makes it the longest running festival in Southern Africa. The festival runs for ten days. The most attended screenings were at Ster-Kinekor with about 6 419 people and at Suncoast with about 3101 people. This festival targets and captures the attention of filmmakers throughout the world with its captivating programme that is focused on growth and transformation of the local film industry. The DIFF Industry programme, Durban FilmMart, Talent, Schools Programme and Isiphethu Community outreach, are some of the programmes that are undertaken during the film festival to ensure that there is development of the African film industry, its content and audience in general.

Ugu Film Festival (UGUFF)

KZNFC encourages the staging of UGUFF as it sees it as an opportunity to grow local audience. Ugu film Festival which takes place in the South Coast of the Province, targets emerging filmmakers under Ugu District Municipality and activations are held in the Local Municipality across the District. The programme of this festival includes training as well as daily screenings.

MARKETING AND DISTRIBUTION FUNDING

This fund was initiated to support the distribution of local content through provision of marketing funding which is severely under resourced in SA. During the 2018/19 financial year, the KZNFC funded the following five projects for marketing and distribution: 3 Days to Go, Deep End, Buddha in Africa, Love Lives Here and Kandasamys and The Wedding. A total of approximately one million rand was allocated for this purpose which is a sizeable growth from the allocation of R270 000 in the previous year.

Audience development

Audience development was added as a new category for funding in 2017/18. A maximum of R300 000 contribution per project was set towards an audience development initiative. This is a very important initiative that contributes towards the much-needed support to the local film industry in developing local audiences. This financial year saw funding of Durban International Film Festival (DIFF), KwaZulu-Natal African Film Festival (KAFF) and Kwasukasukela Film Festival(KFF) and Nature, Environmental & Wildlife Film Festival (NEWF), at a combined value of over R2,777,121.00.

The distribution of the funding was as follows: -

DIFF Outdoor screenings from 23-29 July 2018 at various venues	R1,500 000.00
Screening of locals films at Kwasukasukela at three different venues	R280 000.00
Screening of locals films at KAFF	R700 000.00
Nature, Environmental & Wildlife Film Festival	R 297,121.00

There were a number of community screenings during the year. These included screenings at: DIFF, Thursday movie screenings at KZNFC cinema, screenings Krotoa at DUT, screenings at KCAP, screenings at Kwasukasukela, screenings at KAFF, screenings at the Drakensberg Extravaganza Fashion and Film Meets Tourism

SIMON SABELA AWARDS

The Simon “Mabhunu” Sabel[1]a Film and Television Awards are an initiative of the Department of Economic Development, Tourism and Environmental Affairs and are implemented by the KwaZulu-Natal Film Commission. The purpose of the awards is to reward and acknowledge excellence in the film and television industry as well as demonstrate growth of the film industry in the Province.

The event was attended by the who’s who of the film and television industry, celebrities, socialites, government officials from other Provinces and representative of the African continent. There were about 800 people who attended in total. There were twenty-three categories for different talents within the KZN film industry. The event was attended by over seven hundred people and most of the delegates were Durban International Film Festival attendees. Cost of the production event was R7 854 000.00.

PART C

PART C: GOVERNANCE

Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, corporate governance with regard to public entities is applied through the 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.

Portfolio Committees

The entity reports to the Department of Economic Development, Tourism and Environmental Affairs Portfolio as well as to the Finance Portfolio Committee and the Standing Committee on Public Accounts (SCOPA). There was limited engagement with the relevant portfolio committees however regular quarterly meetings took place with the shareholder department who in turn reports to the Portfolio Committee.

The Accounting Authority

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

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

The details of the Board members appointed by the MEC for Economic Development, Tourism and Environmental Affairs including an indication of their attendance at meetings and remuneration paid during the financial year are contained in the annual financial statements *Refer to page 67*

Risk Management

The risk management process undertaking 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 2018/19 financial year the following six areas were identified as high risks areas:

a) Not having a real impact - beneficiaries of KZNFC HCD programmes are not absorbed into industry / films not earning revenue.

   The root causes for this risk has been identified as the following; insufficient investment over period of time (life of a film/ training through to employment of candidate); mismatch between industry requirements and curricula.

b) Durban International Film Festival (DIFF) declining market positioning to other festivals in South africa

   The DIFF program is owned by the University of KwaZulu-Natal. This limits the influence of KZNFC to this important event that is critical to showcase the film industry in the province. Also, there is lack of funding to the DIFF which might affect its long term impact and strategy.

c) Inability to grow audiences for local content

   The root causes for this risk has been identified as the following; perceived inferiority of SA produced film; inadequate coverage of infrastructure to distribute film; prohibitive costs; audience preferences - TV vs. Cinema

d) Funded projects not reaching the market and not earning sufficient revenue

   The root causes for this risk has been identified as the following; film makers not owning IP; insufficient investment over period of time (life of a film); classification of film project - limitation in distribution; structure of exhibition market (limited); and insufficient marketing and distribution plan

e) Unproductive use of cluster facilities and equipment

   The root causes for this risk has been identified as the following; people don't know about the facility (insufficient/inadequate marketing); preference for ownership vs. renting equipment; mismatch between what is offered and what the filmmakers need and affordability by emerging filmmakers

f) 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 due to reduction of Board fees; conflict of interest and appointments not based on expertise.

g) None attainment of transformation targets.

   The root causes for this risk has been identified as the following; manipulation of funding system (fronting); human Capital (external) not being developed fast enough to meet transformation goals; incorrect assumptions regarding competency of beneficiaries of programmes; training pitched at the wrong level or not relevant to industry need and insufficient resources to support candidates from training to employment (financial).

h) Increased competition for opportunities from other regions (Limpopo, Eastern Cape & North-West upswing).

The root causes for this risk has been identified as the following; blanket incentive policies that disadvantage KZN as a film investment destination (rebate structure not on par with other regions); growing interest in film across provinces (relatively greater government investment in film).

i) Absence of enabling national policy environment to drive transformation initiatives.

The root causes for this risk has been identified as the following; lack of consultation during policy formulation; absence of enabling policy instruments for the industry (management by quotas and levies); disconnect between Department of Arts and Culture and DTI priorities and ownership of policy formulation.

j) Loss of key staff.

The root causes for this risk has been identified as the following; Uncertainty of job security; lack of growth opportunities; flat structure - limited upward mobility; low staff morale (e.g. perception of unfairness) and over worked - not rewarded

k) Exclusion of potentially viable funding opportunities in online content.

The root causes for this risk has been identified as the following; 'business model (application evaluation criteria) not adapted to measure the benefits (ROI).

l) Rationalisation of entities could result in dilution of core mandate

The root cause is a perception of tourism being a more significant sector to GDP contribution and that funding would be directed to this sector

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

Financial statements

The Audit and Risk Committee (ARC)

The functions of the ARC are: -

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

Internal Control

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

a) Interim and Annual Financial Statements Review (this assignment was done by HTB)

b) Human Resources Management and Recruitment

c) Supply Chain Management

d) Asset Management

e) Performance Information (on going)

The Audit and Risk Committee shall:

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

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

Compliance with laws and Regulations

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

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

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


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SOUTH AFRICA

PART D

PART D: HUMAN RESOURCE MANAGEMENT

INTRODUCTION

KZNFC's approved organogram has thirty-seven posts, which include the Project Management position. This position (Project Management) is not included in the analysis as it is filled based on active and ad hoc projects. Therefore the statistical trends calculation of employment uses a baseline of thirty-six employees.

The office of the Premier approved the filing of the following seven positions which were filled during the financial year:

- Risk and Compliance Officer
- Human Resources Manager
- Supply Chain Manager
- Human Capital Development Manager
- Marketing and Communications Manager
- Facilities and Locations Specialist
- Facilities and Maintenance Coordinator.

The Annual Performance Plan (APP) target was for the entity to achieve a vacancy rate of 25%. The entity suffered two resignations towards the latter part of the year in the Marketing and Development program and IT team and this resulted in a vacancy of 27.03% at the end of the financial year. The Finance and Administration unit has a 46.15% vacancy rate. Despite the ongoing moratorium on the filling of vacancies, the drive has been to operate optimally under the circumstances, and great effort was made by employees to ensure that the targeted outcomes were met during the period under review.

KZNFC is committed to providing a regular, comprehensive and tailored Skills Development/Training programs, and these are aligned to the Workplace Skills Plans, the Personal Development Plans of Individual staff members. During the period in review, the entity achieved 85% of the planned training and this was largely caused by the inability to source accredited training providers timeously. Five (5) staff members received Bursaries to further their studies at Tertiary Institutions during the period under review, and all of them passed their exams.

The retention of talent is of critical importance to KZNFC. The objective is to provide its staff members with market related remuneration packages, and these are benchmarked annually to ensure that the entity pays marked related salaries.

KZNFC has a very proactive wellness program for staff to promote healthy living and to ensure that the entity encourages work/life balance for its staff members.

HUMAN RESOURCE STATISTICS

Personnel Cost by programme

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Office of CEO	8 112	3 992	49%	4	998
Marketing & Industry Development	58 698	8 037	14%	15	539
Finance & Administration	31 397	4 712	15%	7	673
TOTAL	98 207	16 471	17%	26	644

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	5 151	31%	3	1 717
Senior Management	5 101	30%	7	729
Professional qualified	3 101	19%	5	620
Skilled	3 388	20%	11	308
TOTAL	16 471	100%	26	644
Internship	755	5%	7	108

Personnel on contract

Level	Contracted employees by KZNFC	Contracted via Service Providers	No. of employees on contracts	% of contracts employees vs approved positions
Top Management	1	0	0	0.00%
Senior Management	1	0	1	2.78%
Professional qualified	0	2	2	5.56%
Skilled	0	4	4	11.11%
TOTAL	1	6	7	19.44%

Occupational levels and demographics

Occupational Levels	Designated								Non-Designated		TOTAL
	MALE				FEMALE						
	African	Co-loured	Indian	White	African	Co-loured	Indian	White	Male	Fe-male	
Top / Senior Manage-ment	1				1			1			3
Profession-ally qualified and expe-rienced specialists and mid-management	6				5		1				12
Semi-skilled and discre-tionary deci-sion making	4				7						11
TOTAL PER-MANENT	11				13		1	1			26
Temporary employees	1				5						6
GRAND TOTAL	12				18		1	1			32
EQUITY %	28%				44.44%						72%

The equity total includes all employees that worked in the entity during the year under review, and those who have resigned.

Employment and vacancies in Business Units

Programme	2018/19 No. of Employees	2018/19 Vacancies	% of vacancies
Office of CEO	4	2	33.33%
Marketing & Industry Development	15	2	11.76%
Finance & Administration	7	6	46.15%
Total	26	10	27.78%

* 27 approved posts exist. One position is a fixed term project manager and has been excluded from the table above

Employment and vacancies by levels

Programme/activity/objective	2018/2019 No. of Employees	2018/19 Vacancies	% of vacancies
Top Management	3	0	0.00%
Senior Management	7	1	12.50%
Professional qualified	5	7	58.33%
Skilled	11	2	15.38%
TOTAL	**26**	**10**	27.78%

The proposal for the filling of 7 (Seven) positions was approved by the Premier and all Seven positions were filled during the period under review, all to black individuals.

Levels occupied by males

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top/Senior Management **(Executives)**	1	1	0	0	0	0	0	0
Professional qualified (**Managers)**	6	8	0	0	0	1	0	0
Skilled & Semi skilled (**Specialist & Clerical)**	4	4	0	0	0	0	0	0
Internships: out of 7 we have 1 African male	**1**	**1**	**0**	**0**	**0**	**0**	**0**	**0**

Levels occupied by females

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top/Senior Management **(Executives)**	1	1	0	0	0	0	1	0
Professional qualified **(Managers)**	6	8	0	0	1	0	0	1
Skilled & Semi skilled (**Specialists & clerical)**	7	9	0	1	0	0	0	0
Internships: Out of 7 we have 6 African females	**6**	**6**	**0**	**0**	**0**	**0**	**0**	**0**

Summary Target					
MALES			FEMALES		
	Target	Actual		Target	Actuals
African Male	16	11		14	13
Coloured Male	1	0		1	0
Indian Male	1	0		1	1
White Male	0	0		2	1
Overall Summary	18	11		18	15
Internships : 7					
African Male	**0**	**1**		**0**	**6**

Reasons why staff are leaving

Termination type	Number	% of total terminations
Death	0	0%
Resignation	3	8.1%
Expiry of contract	0	0%
Dismissal – operational changes	0	0%
Dismissal – misconduct	0	0%
Dismissal – inefficiency	0	0%
Discharged due to ill-health	0	0%
Retirement	0	0%
Restructuring Package (Excess)	0	0%
Medical retirement	0	0%
Total	**3**	**8.1%**

Disciplinary action

Occupational category	Male				Female				Total
	African	Indian	Coloured	White	African	Indian	Coloured	White	
Top/Senior Management (Executives)	0	0	0	0	1	0	0	0	1
Professional qualified (Managers)	1	0	0	0	0	0	0	0	1
Skilled & Semi skilled (Specialists & clerical)	0	0	0	0	2	0	0	0	2
Internships	0	0	0	0	0	0	0	0	0
Total	1	0	0	0	3	0	0	0	4

Grievances logged for period 1 April 2018 till 31 March 2019

	Number	% of Total
Number of grievances resolved	2	100%
Number of grievances unresolved	0	0
Total number of grievances addressed	**2**	**100%**

Training provided for period 1 April 2018 to 31 March 2019

Occupational Categories	Gender M	Gender F	Number of employees	Skills programs
Top/Senior management **(Executives)**	0	1	1	Principles in Project Management
Professional qualified Skilled and semi-skilled **((Managers, Specialist & Clerical)**	0	2	2	Risk Tolerance and Appetite
	1	0	1	Management Development Programme
	0	2	2	Risk Facilitation
	0	2	2	Risk Reporting
	1	0	1	Excel level 3
	1	0	1	Skills Development Facilitator
	1	0	1	Assessor
	1	0	1	Moderator
	0	1	1	Social Media
	1	0	1	Cyber Security
	0	1	1	IT Governance
	0	1	0	Performance Management
	1	0	1	Skills Map training
Internships	0	1	1	Minute Taking
	1	3	4	Business etiquette
	1	6	0	Excel level 1
	3	4	0	Excel level 2
	0	1	0	Excel level 3
	0	1	1	Basic Payroll
	0	1	0	Payroll Pro
	0	1	0	Leave Administration
	1	1	2	GRAAP
	0	1	0	Performance Management
	0	1	0	Skills Map training
All Finance Team	IFRS and GRAP update			
All staff	Leadership development			

In pursuit of the principle of life-long learning, to develop professional capacity of employees and to improve service delivery, KZNFC arranged the above-mentioned training programmes. The training programmes undertaken were able to develop staff capacity so that the organization can execute its mandate. The total amount spent on staff trainings and bursaries for the period ending March 2019 was R477 435.00

PART E

Registration number M3/15/32 (834/15)

Annual Financial Statements

for the year ended 31 March 2019

These annual financial statements were prepared by:
Kealeboga Bogatsu (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 initiatices

Registered Office
10th Floor, Musgrave Towers, 115 Musgrave Road, Durban, 4001

Bankers
ABSA

Auditors
Auditor General of South Africa
Registered Auditors

CONTENTS

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

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 72 to 111, which comprise statement of financial position as at 31 March 2019, the 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 2019, and its financial performance and cash flows for the year then ended in accordance with the Standard of General 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 public entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matter

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

Rationalisation of entities

7. As disclosed in note 37 for the Going Concern, the KwaZulu-Natal Film Commission(KZNFC) received a recommendation and 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 KZNFC 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 the 31st of March 2020.

Responsibilities of the accounting authority for the financial statements

8. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

9. In preparing the financial statements, the accounting authority is responsible for assessing the KwaZulu-Natal Film Commission'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 public 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

10. 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.

11. 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

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

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

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2019:

- Programme 3 – Marketing and Industry Development

15. 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.

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for Programme 3

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. The annual performance report on pages 72 to 111 sets out information on the achievement of planned targets for the year and explanations provided for the under and over-achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Marketing and Industry Development. As management subsequently corrected the misstatements, 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

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

21. The material findings on compliance with specific matters in key legislations are as follows:

Annual Financial Statement

22. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA. Material misstatements on the disclosure of post-employment benefits and irregular expenditure items identified by the auditors in the submitted financial statement were subsequently corrected.

Procurement and Contract Management

23. A contract was awarded to a bidder which did not satisfy the pre-qualifying criteria as stipulated in the invitation for bidding, in contravention of treasury regulations 16A3.2. This relates to the KZN Studio where there was inconsistent and inadequate bid process. The inconsistency relates to the entity assessing the proposals from bidders that had not submitted all the required documents as per the terms of reference.

Other information

24. 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 those selected programme presented in the annual performance report that have been specifically reported in this auditor's report.

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

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

27. I have nothing to report in this regard.

Internal control deficiencies

28. 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion and the findings on compliance with legislation included in this report.

29. Management did not not fully apply the requirements of the financial reporting framework as the financial statements contained misstatements that were corrected and the lack of reviews and monitoring of legislation resulted in non-compliance with legislation.

Auditor-General

Pietermaritzburg

31 July 2019

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 board of directors, which constitutes the accounting authority
   - conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the KwaZulu-Natal Film Commission ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

KWAZULU-NATAL FILM COMMISSION

(Registration number M3/15/32 (834/15))
Annual Financial Statements for the year ended 31 March 2019

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 2020 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 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 72 to 111 which have been prepared on the going concern basis, were approved by the board of members on 28 May 2019 and were signed on its behalf by:

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

KWAZULU-NATAL FILM COMMISSION

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Annual Financial Statements for the year ended 31 March 2019

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2019.

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 four times during the year under review.

Name of member	Number of meetings attended
B.M. Malange	4
D. Ramuedzisi	4
M. Mzimela (Chairperson)	3
N. Mthembu	3

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

Date: 31st July 2019

KWAZULU-NATAL FILM COMMISSION
(Registration number M3/15/32 (834/15))
Annual Financial Statements for the year ended 31 March 2019

Board Members' Report

The Board members submit their report for the year ended 31 March 2019.

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. A full report on the achievements for the period under review is included in the CEO's report.

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

Net surplus of the entity was R 15 684 845 (2018: surplus R 1 208 393),

The entity had a relatively higher surplus in the current year due to investment in associates for the KZN Studios of R15million which is currently disclosed as an investment in associates.

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 2019, the entity had an accumulated surplus of R 39 799 346 and that the entity's total assets exceed its liabilities by R 39 799 346.

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 2019, 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.

KWAZULU-NATAL FILM COMMISSION

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Annual Financial Statements for the year ended 31 March 2019

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
W Msomi	Chairperson	01 February 2013
BM Malange	Deputy Chairperson	01 February 2013
L Berning	Human Resources, Remuneration and 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

Executive management		
CL Coetzee	Chief Executive Officer	01 October 2013
K Bogatsu	Chief Financial Officer	01 February 2014
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 and three Special Board meetings were held during the year.

Name	29/05/18 Board Meeting	08/08/18 Board Meeting	31/10/18 Board Meeting	22/11/18 Special Board Meeting	31/01/19 Board Meeting	18/02/19 Special Board Meeting	19/03/19 Special Board Meeting
W Msomi	Yes	Yes	Yes	Yes	No	No	No
BM Malange	Yes	Yes	Yes	Yes	Yes	Yes	Yes
L Berning	Yes	Yes	Yes	Yes	Yes	Yes	Yes
M Mzimela	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N Mthembu	Yes	Yes	Yes	No	Yes	Yes	Yes
C Coetzee	Yes	Yes	Yes	Yes	Yes	Yes	Yes

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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 Ubucule Accountants and Business Advisors. Ubucule Accountants and Business Advisors provided the services in the year under review, in line with the approved annual audit plan.

Four meetings were held during the year.

Name	23/05/18	25/07/18	23/10/18	15/01/19
M Mzimela	Yes	Yes	Yes	No
N Mthembu	N/a	Yes	Yes	Yes
BM Malange	Yes	Yes	Yes	Yes
D Ramuedzisi (Independent sub-committee member)	Yes	Yes	Yes	Yes

Human Resource, Remuneration and Ethics Committee

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

Four meetings were held during the year.

Name	23/05/18	30/07/18	12/11/18	19/03/19
L Berning	Yes	Yes	Yes	Yes
M Mzimela	Yes	Yes	Yes	Yes
BM Malange	Yes	Yes	Yes	Yes
K Simelane (Independent sub-committee member)	Yes	Yes	Yes	Yes

10. Bankers

ABSA

11. Auditors

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

KWAZULU-NATAL FILM COMMISSION

(Registration number M3/15/32 (834/15))
Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Position as at 31 March 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	409 356	130 487
Receivables from non-exchange transactions	4	45 529	-
Cash and cash equivalents	5	19 331 423	17 649 148
Prepayments	6	4 089 405	3 671 797
		23 875 713	**21 451 432**
Non-Current Assets			
Property, plant and equipment	7	4 645 291	6 685 266
Intangible assets	8	761 918	1 023 987
Investments in associates	9	15 000 000	-
		20 407 209	**7 709 253**
Total Assets		**44 282 922**	**29 160 685**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	4 426 598	4 917 392
Payables from non-exchange transactions	11	56 978	128 792
		4 483 576	**5 046 184**
Total Liabilities		**4 483 576**	**5 046 184**
Net Assets		**39 799 346**	**24 114 501**
Accumulated surplus		39 799 346	24 114 501

* See Note 36

KWAZULU-NATAL FILM COMMISSION

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Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	12	70 213	38 401
Rental of facilities and equipment	13	209 631	386 380
Interest received - investment	14	1 520 093	1 004 789
Other income	15	1 099 783	1 284 341
Total revenue from exchange transactions		**2 899 720**	**2 713 911**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	16	96 267 000	83 843 000
Total revenue		**99 166 720**	**86 556 911**
Expenditure			
Board and committee members costs	17	(1 020 311)	(1 353 578)
Employee related costs	18	(19 432 773)	(16 392 747)
Finance costs	19	(35)	(1 859)
Marketing and projects	20	(13 880 954)	(10 768 149)
Depreciation and amortisation	21	(2 855 375)	(2 855 419)
Operating expenses	22	(16 294 016)	(15 304 817)
Audit fees	23	(1 395 752)	(874 168)
Production and development costs	24	(27 502 349)	(36 275 108)
Research and development	25	(963 151)	(1 514 313)
Total expenditure		**(83 344 716)**	**(85 340 158)**
Operating surplus		**15 822 004**	**1 216 753**
Loss on disposal of assets and liabilities	7	(137 159)	(8 360)
Surplus for the year		**15 684 845**	**1 208 393**

* See Note 36

KWAZULU-NATAL FILM COMMISSION

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2017	**22 906 108**	**22 906 108**
Changes in net assets		
Surplus for the year	1 208 393	1 208 393
Total changes	1 208 393	1 208 393
Restated* Balance at 01 April 2018	**24 114 501**	**24 114 501**
Changes in net assets		
Surplus for the year	15 684 845	15 684 845
Total changes	15 684 845	15 684 845
Balance at 31 March 2019	**39 799 346**	**39 799 346**

* See Note 36

KWAZULU-NATAL FILM COMMISSION

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Annual Financial Statements for the year ended 31 March 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Grants		96 267 000	83 843 000
Interest received - investment		1 520 093	1 004 789
Other receipts		1 044 825	1 681 374
		98 831 918	86 529 163
Payments			
Employee costs		(19 224 383)	(16 647 119)
Finance costs		(35)	(1 859)
Other payments		(62 234 730)	(70 780 607)
		(81 459 148)	(87 429 585)
Net cash flows from operating activities	26	**17 372 770**	**(900 422)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(388 192)	(783 487)
Proceeds from sale of property, plant and equipment	7	18 812	-
Purchase of other intangible assets	8	(321 115)	(1 108 173)
Purchase of investment in associates		(15 000 000)	-
Net cash flows from investing activities		**(15 690 495)**	**(1 891 660)**
Net increase/(decrease) in cash and cash equivalents		**1 682 275**	**(2 792 082)**
Cash and cash equivalents at the beginning of the year		17 649 148	20 441 230
Cash and cash equivalents at the end of the year	5	**19 331 423**	**17 649 148**

* See Note 36

KWAZULU-NATAL FILM COMMISSION

(Registration number M3/15/32 (834/15))
Annual Financial Statements for the year ended 31 March 2019

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	-	-	**-**	70 213	**70 213**	39.1
Rental of facilities and equipment	-	-	**-**	209 631	**209 631**	39.2
Other income	-	-	**-**	1 099 783	**1 099 783**	39.3
Interest received - investment	-	-	**-**	1 520 093	**1 520 093**	39.4
Total revenue from exchange transactions	**-**	**-**	**-**	**2 899 720**	**2 899 720**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	76 267 000	20 000 000	**96 267 000**	96 267 000	**-**	39.5
Rollover funds 2017/18	-	17 647 230	**17 647 230**	17 647 230	**-**	
Total revenue from non-exchange transactions	**76 267 000**	**37 647 230**	**113 914 230**	**113 914 230**	**-**	
Total revenue	**76 267 000**	**37 647 230**	**113 914 230**	**116 813 950**	**2 899 720**	
Expenditure						
Employee related costs	(24 664 750)	5 288 155	**(19 376 595)**	(19 432 773)	**(56 178)**	39.6
Board and committee members costs	(1 683 816)	501 097	**(1 182 719)**	(1 020 311)	**162 408**	39.7
Marketing and projects	(16 015 900)	1 711 797	**(14 304 103)**	(13 880 954)	**423 149**	39.8
Audit fees	(1 072 000)	(89 008)	**(1 161 008)**	(1 395 752)	**(234 744)**	39.9
Depreciation and amortisation	-	-	**-**	(2 855 375)	**(2 855 375)**	39.10
Finance costs	-	-	**-**	(35)	**(35)**	
Research and development	(800 000)	(968 137)	**(1 768 137)**	(963 151)	**804 986**	39.11
Production and development costs	(16 514 300)	(27 474 636)	**(43 988 936)**	(27 502 349)	**16 486 587**	39.12
Operating expenses	(15 516 234)	(2 322 370)	**(17 838 604)**	(16 294 016)	**1 544 588**	39.13
Total expenditure	**(76 267 000)**	**(23 353 102)**	**(99 620 102)**	**(83 344 716)**	**16 275 386**	
Operating surplus	**-**	**14 294 128**	**14 294 128**	**33 469 234**	**19 175 106**	
Loss on disposal of assets and liabilities	-	-	**-**	(137 159)	**(137 159)**	39.14
Surplus for the year from continuing operations	**-**	**14 294 128**	**14 294 128**	**33 332 075**	**19 037 947**	
Capex	-	(15 619 128)	**(15 619 128)**	(15 709 307)	**(90 179)**	39.15
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**(1 325 000)**	**(1 325 000)**	**17 622 768**	**18 947 768**	

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 Annual Financial Statements .

Prior year comparatives

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

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

1.4 Significant judgements and sources of estimation uncertainty

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)

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.

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.

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Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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.

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Accounting Policies

1.6 Intangible assets (continued)

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 of 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.

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.

Accounting Policies

1.9 Leases (continued)

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 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.

1.11 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.

Accounting Policies

1.11 Provisions and contingencies (continued)

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).

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 28.

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.

1.12 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.

1.13 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.

Accounting Policies

1.13 Revenue from exchange transactions (continued)

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.

Measurement

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

1.14 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.

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.

1.15 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.

Accounting Policies

1.16 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.

1.17 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.

1.18 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.

1.19 Irregular expenditure

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

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

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

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

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

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

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

1.20 Research and development expenditure

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

Accounting Policies

1.20 Research and development expenditure (continued)

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.

1.21 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 2018-04-01 to 2019-03-31.

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

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

1.22 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.

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.

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Accounting Policies

1.23 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.

1.24 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.

1.25 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.

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2. New standards and interpretations
None applicable in the year under review.

3. Receivables from exchange transactions

Customer Control Account	352 042	62 770
Sundry Debtors	57 314	67 717
	409 356	**130 487**

The total of R352 042 relates to:

- Hire of production equipment and office space (R31 042) from tenants who occupy the KZN Cluster.

- Production funding recovery of R321 000 for production projects for non delivery of agreed milestones.

The amount of R57 314 relates to:

- R47 314 for suppliers that had overchanrged the entity, a recovery process has been initiated.

- R10 000 relates to employee debtors.

4. Receivables from non-exchange transactions

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

The amount of R45 529 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	5 000	1 918
Bank balances	78 570	2 940 616
Call account	19 247 853	14 706 614
	19 331 423	**17 649 148**

At the end of period the carrying amounts of cash and cash equivalents approximated their fair values due to the short-term maturities of these assets. The total cash and cash equivalents balance of R19.3 million was fully committed as at 31 March 2019.

6. Prepayments

Prepayments	4 089 405	3 671 797

Subscriptions and services	5 269	18 995
Rental	284 533	258 941
IT costs	217 702	165 900
Projects and events	3 581 901	3 227 961
	4 089 405	**3 671 797**

The prepayments relate to:

- Amount of R5 269 relates to tv licence and newspaper subscriptions.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

6. Prepayments (continued)

- Rental relates to corporate office rental for the month of April 2019.

- IT costs relates to server maintenance and subcription for Caseware licence.

- Projects and events of R3.5 million relates to Simon "Mabhunu" Sabela Film and Television Awards to be hosted in July 2019 for concept, planning and securing the venue hire.

7. Property, plant and equipment

	2019			2018		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Furniture and fixtures	4 111 302	(1 768 745)	2 342 557	3 905 916	(1 090 506)	2 815 410
Office equipment	257 144	(150 229)	106 915	257 144	(98 801)	158 343
IT equipment	2 145 794	(1 749 642)	396 152	2 407 906	(1 780 461)	627 445
Leasehold improvements	3 598 991	(2 094 390)	1 504 601	3 598 991	(1 309 381)	2 289 610
Production and development equipment	2 070 294	(1 775 228)	295 066	2 070 294	(1 275 836)	794 458
Total	**12 183 525**	**(7 538 234)**	**4 645 291**	**12 240 251**	**(5 554 985)**	**6 685 266**

Reconciliation of property, plant and equipment - 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**

Reconciliation of property, plant and equipment - 2018

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Furniture and fixtures	3 465 123	-	-	(649 713)	2 815 410
Office equipment	182 744	26 585	-	(50 986)	158 343
IT equipment	583 623	474 039	(8 360)	(421 857)	627 445
Leasehold improvements	2 905 805	165 225	-	(781 420)	2 289 610
Production and development equipment	1 327 735	117 638	-	(650 915)	794 458
	8 465 030	**783 487**	**(8 360)**	**(2 554 891)**	**6 685 266**

During the year under review Computer equipment with the total book value of R16 086 was disposed of as it was no longer in use.

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8. Intangible assets

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer software, other	2 252 577	(1 490 659)	761 918	2 328 686	(1 304 699)	1 023 987

Reconciliation of intangible assets - 2019

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

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Depreciation	Total
Computer software, other	216 343	1 108 173	(300 529)	1 023 987

During the year under review Computer Software with the book value of R139 200, relating to the online funding system was written off due to non-delivery by service provider. The balance of R686 relates to Computer Software that was no longer used by the entity.

9. Investments in associates

Name of entity	Listed / Unlisted	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018	Fair value 2019
KZN Studios	Unlisted	10.00 %	- %	15 000 000	-	15 000 000
				15 000 000	-	15 000 000

The Investment in associate relates to the establishment of the KZN Studios, to develop feasibility study and business plan. The entity will acquire 10% in the KZN Studio. The entity has significant influence over the KZN Studios.

10. Payables from exchange transactions

	2019	2018
Trade payables	627 229	1 695 519
Accrued Expenses	1 741 529	1 195 835
Deposits on cluster rentals	8 973	34 519
Leave pay provision	442 738	408 327
13th cheque savings	-	97 607
Accrued performance bonuses	1 606 129	1 485 585
	4 426 598	**4 917 392**

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

	2019	2018
30 days	627 229	1 695 519

11. Payables from non exchange transactions

	2019	2018
Pay-As-You-Earn (PAYE)	-	19 261
Medical Aid	56 978	51 748
Board fees payable	-	57 783
	56 978	**128 792**

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11. Payables from non exchange transactions (continued)

The medical aid is deducted in arrears, which would come through in April 2019.

12. Rendering of services

Services Rendered	70 213	38 401

The amount of R70 213 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	209 631	378 155
Rental of equipment	-	8 225
	209 631	**386 380**

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

14. Interest received- investment

Interest on call account	1 520 093	1 004 789

15. Other income

Tender receipts	16 230	13 461
Insurance recoveries and other	100 053	190 880
Production and development recoveries/ recoupments	321 000	1 080 000
Funds- MICT Seta Learnership	662 500	-
	1 099 783	**1 284 341**

The other income relates to:

- Amount of R16 230 relates to receipts from SCM tender documents issued during the year under review.

- The amount of R100 053 relates to insurance recoveries.

- The amount of R321 000 relates to production and development recoveries.

- The amount of R662 500 for MICT Seta learnership programme.

16. Government grants and subsidies

Operating grants		
Released to income from EDTEA	76 267 000	71 843 000
Special grant - Youth and women programme	5 000 000	12 000 000
Special grant - KZN Studios (EDTEA)	15 000 000	-
Total grants released	**96 267 000**	**83 843 000**

All the above grants were received from EDTEA, a special grant of R5 million to fund KZN women and youth film programmes.

R15 million relates to grants received to implement the KZN Studios as per the MOU signed between EDTEA and the entity.

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17. Board and committee members costs

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**

2018

	Member's fees	Sub-Committees	Other Payments	Total
W Msomi	526 029	4 120	17 517	547 666
BM Malange	274 198	21 425	-	295 623
P Raleigh	61 670	46 877	-	108 547
M Mzimela	121 454	30 607	30 930	182 991
L Berning	121 454	45 595	1 413	168 462
* D Ramuedzisi	-	29 523	-	29 523
* K Simelane	-	20 766	-	20 766
	1 104 805	**198 913**	**49 860**	**1 353 578**

*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 when they are on KZNFC business.

KZNFC Board Members that are employed within government do not receive remuneration for the service rendered as board members:

N Mthembu

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

18. Employee related costs

Executive Management	Designation		
CL Coetzee	Chief Executive Officer	2 239 729	2 053 524
K Bogatsu	Chief Financial Officer	1 653 162	1 529 394
JM Japal	Chief Operations Officer	1 651 412	1 496 343
		5 544 303	**5 079 261**

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**

2018	Salary	Cellphone Reimbursements	Employer Contributions	Performance Bonus	Total
CL Coetzee	1 811 390	67 200	39 215	135 719	2 053 524
K Bogatsu	1 361 368	31 200	29 997	106 829	1 529 394
JM Japal	1 341 640	31 200	29 866	93 637	1 496 343
	4 514 398	**129 600**	**99 078**	**336 185**	**5 079 261**

Non Executive Employee Costs		
Cost of employment	11 425 513	9 730 797
Performance bonus	1 087 273	1 178 910
Company contributions	409 509	232 574
Cellphone reimbursements	179 200	160 200
Contractors from agencies	727 470	149 409
Leave expense	59 505	(138 404)
	13 888 470	**11 313 486**
Total employee related costs	19 432 773	16 392 747

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).

Defined provident fund contribution plan	1 911 178	1 567 128

19. Finance costs

Interest paid	35	1 859

Interest related to an invoices not paid on the due date as the entity had not received the invoices from the service provider due to invoices being delivered to the incorrect addresses.

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20. Marketing and projects

Advertising and promotion	226 026	1 384 939
Branding and marketing	2 501 261	2 002 270
Familiarisation tours	215 814	27 914
Locations and facilities	174 367	68 022
Simon Mabhunu Sabela - film awards	8 157 637	6 662 264
Special projects - film festivals	889 875	622 740
Special projects - audience development	1 715 974	-
	13 880 954	**10 768 149**

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	678 238	649 713
IT equipment	398 014	421 856
Office equipment	51 423	50 986
Production and development equipment	499 392	650 915
Leasehold improvements	785 009	781 420
Computer software	443 298	300 529
	2 855 374	**2 855 419**

22. Operating expenses

Advertising	285 538	85 910
Bank charges	40 020	31 683
Cleaning	686 566	631 718
Corporate social initivaties	15 500	249 012
Consulting and professional fees	4 219 751	3 218 961
Insurance	310 706	182 756
Conferences and seminars	-	9 900
IT expenses	1 550 402	1 385 520
File management	30 704	17 746
Postage and courier	41 800	87 094
Printing and stationery	448 665	454 820
Repairs and maintenance	173 736	113 071
Security	1 131 151	1 049 855
Staff welfare	29 355	47 865
Subscriptions and membership fees	108 638	111 221
Telephone and fax	436 449	370 730
Training	473 070	652 244
Travel	841 617	1 268 487
Non capitalised equipment	24 016	63 009
Electricity	691 337	636 615
Water	358 740	297 702
Recruitment costs	176 278	878
Internship programme	810 053	1 049 156
Lease rentals on operating lease	3 197 043	2 956 462
Employee wellness	172 287	155 967
Other expenses	40 594	176 435
	16 294 016	**15 304 817**

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23. Audit fees

External audit fees	1 170 294	766 178
Internal audit fees	225 458	107 990
	1 395 752	**874 168**

24. Production and development costs

Film production		
Film production	18 173 152	29 856 431

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

Project costs		
SMME programme and incubation	-	375 000
FITI Project	3 208 881	522 025
Stakeholder engagement programmes	30 933	527 726
Bursaries	1 391 987	1 150 383
Skills development	3 872 906	3 843 543
MICT Seta Learnership	824 490	-
	9 329 197	**6 418 677**

Film production	18 173 152	29 856 431
Project costs	9 329 197	6 418 677
Total production and development cost	**27 502 349**	**36 275 108**

25. Research and development

Film industry research	963 151	1 514 313

26. Cash generated from (used in) operations

Surplus	15 684 845	1 208 393
Adjustments for:		
Depreciation and amortisation	2 855 375	2 855 419
Profil/Loss on assets and liabilities	137 159	8 360
Changes in working capital:		
Receivables from exchange transactions	(278 869)	(127 984)
Receivables from non-exchange transactions	(45 529)	163 932
Prepayments	(417 608)	(3 302 734)
Payables from exchange transactions	(490 794)	(1 781 589)
Payables from non exchange transactions	(71 813)	75 778
	17 372 770	**(900 422)**

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27. 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	19 331 423	17 649 148
Prepayments	4 089 405	3 671 797
Sundry debtors	57 314	67 717
Receivables from exchange transactions (cluster rentals)	31 042	62 770
Receivables from exchage transactions (production funding)	321 000	-
	23 830 184	**21 451 432**

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.

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.

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Figures in Rand	2019	2018

27. Risk management (continued)

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

Financial asset profile	**2019**	**2018**
Cash and bank balances	19 331 423	17 649 148

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.

	2019		2018	
Surplus or deficit	100 bp Increase	100 pb Decrease	100 bp Increase	100 bp Decrease
	193 314	(193 314)	176 491	(176 491)

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.

28. Contingencies

The entity has reviewed the contingent liabilities as at 31 March 2019, and there were no significant matters or legal cases that the entity was aware of.

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29. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	Non- financial instruments	Cash & cash equivalents	Total
Trade and other receivables from exchange transactions	409 356	-	409 356
Trade and other 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
	4 544 290	**19 331 423**	**23 875 713**

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
Trade and other payables (non-exchange)	-	-	56 978	56 978
	627 229	**442 738**	**3 413 609**	**4 483 576**

2018

Financial assets

	Non- financial instruments	Cash & cash equivalents	Total
Trade and other receivables from exchange transactions	130 487	-	130 487
Cash and cash equivalents	-	17 649 148	17 649 148
Prepayments	3 671 797	-	3 671 797
	3 802 284	**17 649 148**	**21 451 432**

Financial liabilities

	At amortised cost	Non- financial instruments	Loans and payables	Total
Trade and other payables from exchange transactions	1 695 519	408 327	2 813 546	4 917 392

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30. Related parties

Relationships

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

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

Related party transactions

	2019	2018
Total Grants Received for the year		
Released to income from EDTEA	76 267 000	71 843 000
Special grant - Youth and women programme	5 000 000	12 000 000
Special grant - KZN Digital Studios (EDTEA)	15 000 000	-
Compensation to Members and Key Management		
Key management remuneration	5 544 303	5 079 261
Board and Committe member's fees	1 020 311	1 353 578

31. Fruitless and wasteful expenditure

	2019	2018
Fruitless and wasteful expenditure- operating expenses	35	1 859
Fruitless and wasteful expenditure- capital expenses	139 200	-
	139 235	1 859
Write off during the year	(139 200)	(1 859)
	35	**-**

The amount of R35 from operating expenses relates to interest charges by service provider for invoices for invoices not paid on time due to invoices being delivered at incorrect the address.

The amount of R139k has been written off by the accounting officer, which relates to fruitless and wasteful expenditure on computer software (online funding sytstem) that was to be developed and service provider failed to deliver full contract performance.

32. Irregular expenditure

	2019	2018
Opening balance	598 664	-
Add: Irregular Expenditure - current year	15 696 425	1 217 864
Less: Amounts condoned	(1 145 200)	(619 200)
	15 149 889	**598 664**

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Figures in Rand	2019	2018

32. Irregular expenditure (continued)

All irregular expenditure arising from prior year was condoned in the year under review. The entity had carry through irregular expenditure in the period under review which related to professional services to support the entity appointed in the previous financial year where there were vacancies. The total of R1145 200 has been condoned in the year under review by the board.

The amount of R 15 149 889 relates to:

- Internal audit services where the intention to award was not advertised on the Government Gazette for R149 889, however it was advertised on other media platform and;

- The amount of R15 0000 000 relates to the KZN Studio where there was inconsistent and inadequate bid process. The inconsistency relates to the entity assessing the proposals from bidders that had not submitted all the required documents as per the terms of reference.

33. Funds to be surrendered

	2019	2018
Cash and cash equivalents	19 331 423	17 649 148
Creditors and accruals for goods and services	(2 367 948)	(2 891 354)
Projects to be completed in 2018/19 financial year	(16 963 475)	(14 757 794)
	-	-

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.

34. Commitments

Authorised capital expenditure

	2019	2018
Already contracted for but not provided for		
• Approved and contracted	-	203 599
Total capital commitments		
Already contracted for but not provided for	-	203 599

35. Operating lease

Operating lease agreement RT3 2015 Konica Minolta 12th floor ended 28 February 2019 and a variation order was issued that covers March 2019 to May 2019 with posibilities of extending to June 2019.

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**

Minimum lease payments 2018

	</= 1 year	>1 - 5 years
Broll - Rental of property for office space (ends February 2021)	2 818 366	6 037 276
Nashua - Rental Copier (ends May 2019)	117 031	19 939
Konica Minolta - Rental Copier 12th floor (ends 28 February 2019)	52 606	-
Nestle - 2 Coffee Machines 12th & 13th floor (ends May 2018)	2 257	-
	2 990 260	**6 057 215**

Notes to the Annual Financial Statements

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36. 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 finanical performance

2019

	Note	As previously reported	Re-classification	Restated
Marketing and Projects	20	11 290 174	(522 024)	10 768 149
Production and Development	24	35 753 083	522 024	36 275 108
Surplus for the year		**47 043 257**	**-**	**47 043 257**

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1

Marketing and Projects, FITI costs were included within Marketing and Project costs instead of Production and Development costs. This reclassification has no impact on Statement of Financial Position nor Cash Flow, its only a movement within expenditure on the Statement of Financial Performance.

The reason for reclassification is to show a true reflection of comparative figures and the FITI costs are a sepate line item within Production and development costs.

37. Going concern

We draw attention to the fact that at 31 March 2019, the entity had an accumulated surplus of R 39 799 346 and that the entity's total assets exceed its liabilities by R 39 799 346.

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 2020 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.

During the year under review the entity received a recommendation and confirmation from EDTEA that KZNFC will be incorporated into Tourism KwaZulu-Natal Authority (TKZN) as a going function shift and going concern.

After year end the Incorporation Agreement was signed between the KZNFC and TKZN and the project plan has been approved with progress monitored by a Joint Management Committe chaired by EDTEA. It is estimated that the incorporation with the approved legislation will be completed 31st March 2020.

38. Events after the reporting date

There were no events that have taken place after reporting date, but before the Annual Financial Statements are issued.

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39. 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.

39.1 Rendering of services - The amount relates to rendering of services recouped from cluster tenants for the use of telephone not budgeted for by the KZNFC.

39.2 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.

39.3 Other income - The other income was received from MICSETA, the partnership with MICSETA was concluded after finalisation of the budget and therefore amount was not provided for.

39.4 Interest received- investment - The KZNFC doesn't budget for interest income as receipt of funds from EDTEA is 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, resulting in interest being earned.

39.5 Government grants and subsidies - No variance.

39.6 Employee related costs - The underspent in Employee Related costs is due to non-filling of vacant posts by KZNFC as a result of incoporation into Tourism KwaZulu- Natal.

39.7 Board and committee members costs - The underspend in Board and Committees Member Costs is due the KZN Film Commission having a lower number of Board members than what was budgeted for.

39.8 Marketing and projects - The amount relates to savings due to lower rates for advertising being negotiated.

39.9 Audit fees - The overspend in Audit fees is due to the payment of Auditor General's planning phase for 2018/19 audit which was budgeted for in the 2019/20 financial year.

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

39.11 Research and development - The under spending in Research and Development is due to research projects on Skills Audit in the KZN Film industry and Analysis of KZN Film and Festivals which are not complete and thus could not be paid.

39.12 Production and development costs - The underspend in Production and Development is due to the contracting and award letters for the March meeting being finalised towards the end of March resulting in a delay in the allocation of projects to the project management unit.

39.13 Operating expenses - The underspend in operating expenses is due to savings achieved as a result of cost cutting measures implemented as per Provincial Treasury circulars.

39.14 Loss on disposal of assets and liabilities - Relates to loss on assets that were disposed during the year. These were not budgeted for.

39.15 Capex - The overspending related to purchase and setup costs of SharePoint, that was not included in the 2018/19 budget but was a project that was identified as beneficial to the organisation during the financial year and budget savings were used to fund this project.

40. Deviation from supply chain management regulations

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

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

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40. Deviation from supply chain management regulations (continued)

2019 - Deviations	<R500 000	>R500 000	Total
Professional fees	1 593 606	850 000	2 443 606
Marketing and publications	699 347	-	699 347
IT costs	120 617	-	120 617
Research and development	306 569	-	306 569
	2 720 139	**850 000**	**3 570 139**

40.1 Professional fees amount relates to:

- Service providers who rendered professional services which could not be sourced under normal SCM processes, for example R850k where head hunting process was instituted as there was no response after closing date of advert or sourcing.

- An amount of R441k which was to do a work study and less than 3 quotes were received.

- An amount of R210k fees for the video editing for Simon Sabela Film & Television Awards for 2017 which required a variation on existing order with service provider.

- An amount of R246k for payroll services due to single sourcing.

- An amount of R283k for skills audit where there were less than 3 quotes

- The balance thereof relates to other professional fees due to targeted marketing, non response and less than 3 quotes.

In terms of SCM various service providers were requested to submit quotations, following several attempts less than 3 quotes were received and to avoid non-delivery of service, the responsive quotations were evaluated and a service provider selected. The Accounting Officer approved all deviations.

40.2 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.

40.3 IT costs:

IT costs related to the Caseware working papers licence,which is only provided by Adapt-IT in South Africa and RT Sytems licence.

40.4 Research and development:

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

2018 - Deviations	<R500 000	>R500 000	Total
Professional fees	308 847	254 387	563 234
Marketing and publications	395 680	-	396 680
IT costs	122 067	-	122 067
Research and development	160 301	-	160 301
	986 895	**254 387**	**1 242 282**

41. 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.

Notes to the Annual Financial Statements

Figures in Rand

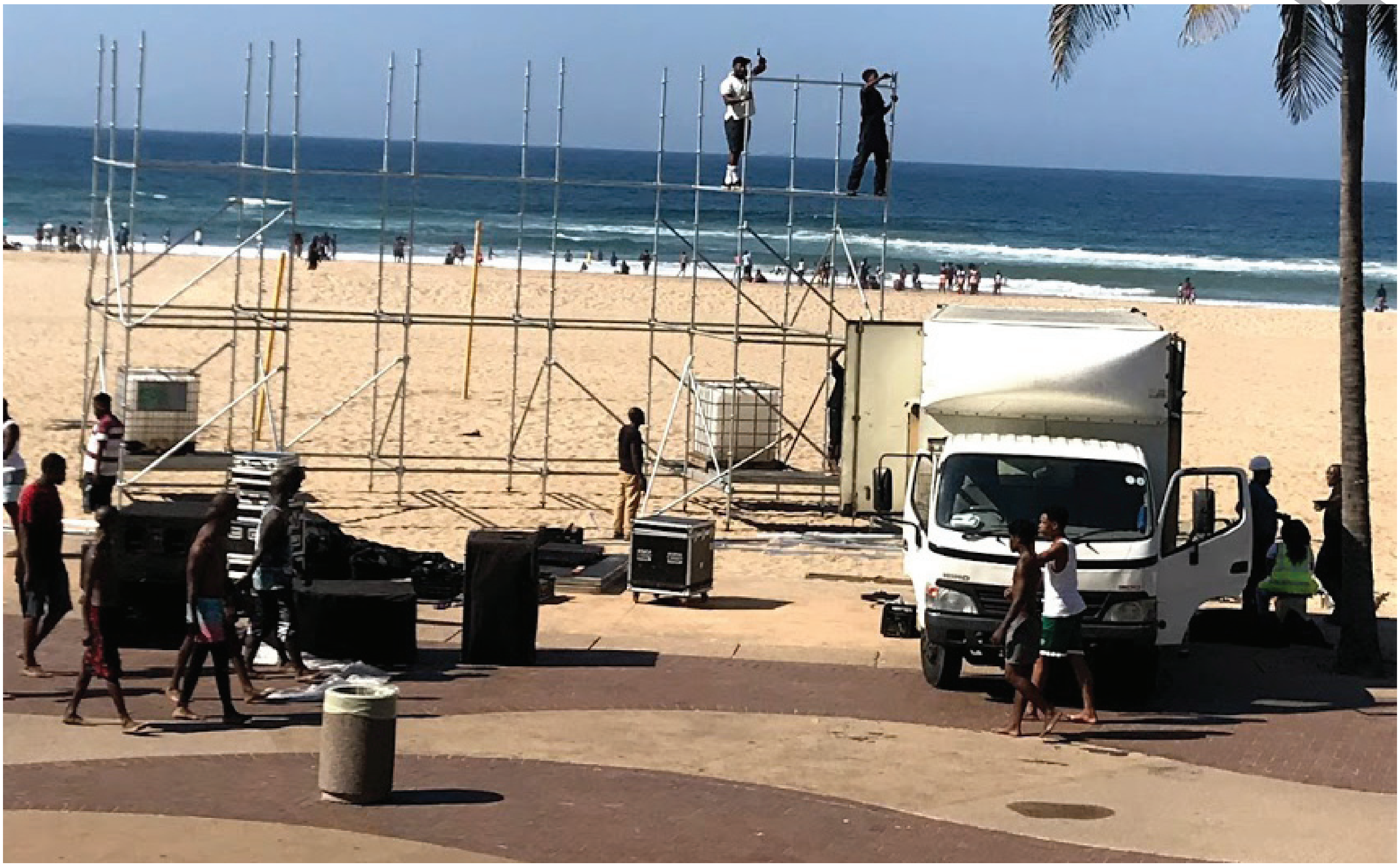
41. Budget differences (continued)

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.

2019	Original Budget	Final Adjusted Budget	Actual Expenditure
KwaZulu-Natal Film Commission- Operational Expenditure	76 267 000	114 620 102	(83 344 716)
KwaZulu-Natal Film Commission- Capital Expenditure	-	15 619 128	(15 709 307)
	76 267 000	**130 239 230**	**(99 054 023)**

NOTES



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

KWAZULU-NATAL FILM COMMISSION

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