KWAZULU-NATAL
FILM COMMISSION
SOUTH AFRICA

• OUR KINGDOM IS YOUR STAGE •

ANNUAL REPORT 2021/22

KWAZULU-NATAL FILM COMMISSION

ANNUAL REPORT 2021/22

LIST OF ABBREVIATIONS/ACRONYMS

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

GENERAL INFORMATION

KWAZULU-NATAL FILM COMMISSION'S GENERAL INFORMATION

REGISTERED NAME: KZNFC

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

POSTAL ADDRESS: P O Box 5274, Durban, 4000

TELEPHONE NUMBER: +27 31 003 9000

EMAIL ADDRESS: info@kznfilm.co.za

WEBSITE ADDRESS: www.kznfilm.co.za

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PART A:

GENERAL INFORMATION

KWAZULU-NATAL FILM COMMISSION
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Foreword by the MEC for Economic Development Tourism and Environmental Affairs

EXECUTIVE AUTHORITY STATEMENT

The 2021/22 financial year witnessed the relative opening up of the economy through the easing of the lockdown restrictions. However, in July 2021, the protests and looting of businesses further disrupted the economic activities in the province. The entertainment and media industry was equally affected by these developments. To address these challenges, the KwaZulu-Natal Film Commission (KZNFC) participated in developing the Provincial Recovery Plan, which brought together various stakeholders to explore ways and means to support the industry and revive the economy.

In addition to the KZNFC Film Fund budget of R18.315 million in the 2021/22 financial year, additional funds were transferred to the entity through the Covid-19 Relief Fund facility to deal with Covid-19 projects and compliance. Six slate films with Covid-19 themes were funded, three factual and three fiction films. Three of these slate films have been finalised. One of the projects will be broadcasted in the first quarter of 2022 by the Peoples Weather Channel on DSTV and screened at the Women's Independent Film Festival 2022. The two other short films will be screened at the Durban International Film Festival 2022. The KZNFC continued with its focus on programmes promoting emerging filmmakers and local content promoting the province's heritage and culture. As part of heritage film projects, nine isiZulu Made for TV films were supported and completed. The completion of film projects brings employment opportunities across various sectors, given the high economic multiplier of 2.8 in the film sector.

I am also proud to announce that in the year under review, the KZNFC was the first in the country to develop audio-description tracks for nine of its funded projects. With this entity's limited budget, this is a remarkable milestone that seeks to ensure that people with disabilities can access local film content.

Also, as part of the recovery strategy for the sector, the KZNFC supported several training initiatives for emerging filmmakers through the Human Capital Development programmes. The training initiatives ranged from school programmes to scarce skills training like drone technology. Training is critical for this industry to ensure our local filmmakers remain globally competitive. It is further important to mention that various training and skills development partnerships have been established with local tertiary institutions and MICSETA.

The process of the merger of KZNFC with Tourism KwaZulu-Natal is still ongoing. The National Treasury (Government Technical Advisory Committee - GTAC) is on board to finalise a business case for this project. The merger will present various opportunities across both sectors and further contribute to the sustainable transformation of the provincial economy. The process is expected to be finalised in the 2022/23 financial year.

Lastly, as the Executive Authority, I would like to convey my sincere gratitude to the Board and the entire KZNFC team for their support and commitment to growing a sustainable and transformed KZN Film industry.

Hon. Mr R. Pillay
MEC: Department of Economic Development, Tourism and Environmental Affairs
DATE: 11 July 2022

Foreword by the Chairperson of KZN Film Commission

It gives me great pleasure to provide an account of the achievements and challenges that confronted KZNFC in the 2021/22 financial year. The impact of Covid -19 continued to adversely affect the industry during the year, even though there have been a lot of learnings and adjustments that the entity had made in the previous year. To mitigate against the Covid risks, the entity continued to ring-fence budget to support projects that were affected by Covid -19. Specific Covid slate projects were funded and three were finalised during the year. All KZNFC funded projects had to include Covid-19 compliance requirements in their budgets.

In September 2021, the Board met to review its five years Strategic Plan. This was an important session for the Board as there were new members who had just been appointed and this was an opportunity for them to look at what the entity seeks to achieve and how things could be improved.

The critical matters that the Board discussed were:-

1. The ongoing impact of Covid- 19 and the July riots on the film industry. The Board discussed strategies that could be used to assist the industry to cope in these difficult times. The Board further discussed and assessed the strides that have been made to transform the local industry.
2. Technology and the use of new platforms. The Board discussed ways in which the industry can use new technology and platforms. The importance of Human Capital Development was emphasised, with a particular focus to develop scarce skills in the industry.
3. The Board further noted the high vacancy rate in the entity. This was mainly due to the ongoing process of merger with Tourism KwaZulu-Natal.
4. The Board also emphasised the need to continuously inform stakeholders about the programmes that the entity is embarking on.

The Board also met with TKZN Board to look at the proposed five-year plan for the new entity. Also, during the financial year, the KZNFC and TKZN Board Chairpersons had a joint session with staff to allay fears and anxieties associated with ongoing merger processes.

Lastly, notwithstanding all the challenges that the entity faced during the financial year, I would like to take this opportunity on behalf of the Board to extend our gratitude to the MEC, for all his support and advice. Furthermore, I would like to convey the Board's gratitude for the support received from the CEO and her Exco, all KZNFC staff members and our stakeholders.

Nise Malange
|Chairperson of the Board
Date: 30 May 2022

Chief Executive Officer's Overview

In the financial year, 2021/22 KZNFC spent R92.757 million against an adjusted budget of R153.735 million. This amounts to 61% spent against the 2021/22 adjusted budget. The adjusted budget of R153.735 million includes:-

- baseline budget of R81.082 million,
- rollover funds from the 2020/21 financial year of R66.572 million,
- R3 million EDTEA Woman and Youth Incubation Programme,
- R1.920 million from Interest generated from an investment account,
- R268,032 generated from Cluster Rentals,
- R50,000 for NFVF - Made for TV Quality Boost and R842,632 from MICT SETA Partnership for the NQF Level 5 in Newcastle. Both NFVF and MICT Seta budget has been rolled over from the 2020/21 financial year.

During 2021/22 the entity had nine performance indicators to report on in its Annual Performance Plan. Eight out of nine targets were met. The target that was not met was on BBBEE spent. Even though the entity has been trying, by all means, to ensure that designed groups fully participate in the industry, there are still challenges in attracting women, people living with disabilities and military veterans. This negatively affects the entity's report on its support of designated groups. Also, two indicators were amended during the financial year due to Covid 19 restrictions that limited travelling. These two indicators were measuring national and international production shootings in KZN. Notwithstanding, all these challenges the entity achieved a clean audit.

The entity remains committed to supporting the industry transformation and promotion of KZN heritage and culture. The following are some of the achievements reflecting the entity's quest to achieve transformation:-

- 67% of the procurement budget spent on designated groups
- 72% of people selected to attend markets and festivals from the designated groups
- 96% of film fund projects awarded funding to designated groups
- 9 IsiZulu/ Zulu Cultural Made for TV movies and short films awarded funding in development and production
- 189 temporary jobs were created through the KZNFC film fund

The financial year 2021/22, witnessed a number of milestones being accomplished through the film fund. The 2021 National Film and Video Foundation in its baseline study found that KZN's share of the SA film sector has grown by 3%, from 9%to 12% due to the support provided by KZNFC. This has also had a direct impact on the number of jobs created which has increased by 88% in five years. KZNFC partly funded films were produced and screened on different platforms across the world. Some of the films won awards at different markets and festivals. High-quality isiZulu /Zulu Cultural Made for TV movies were produced. The majority of the completed films have negotiated licensing deals with Multichoice (Mzansi Magic). The second batch of the program is in the final stages of script development. The completed products would be delivered towards the end of the 2022/23 financial year. Three projects under the Covid-19 factual relief slate programme were finalised. One of the films will be broadcast in the first quarter of the financial year 2022 on DSTV, and will also be screened at the Women's Independent Film Festival 2022. The two other short films will be screened at the Durban International Film Festival 2022.

KZNFC continued in its efforts to forge partnerships with key industry stakeholders, in particular the broadcasters. In the 2021/22 financial year, seven local films which underwent the development phase under an MOU with the VIACOM were televised/broadcasted on the BET Channel 129. All the projects were in line with the theme -The Seven Deadly Sins.

The KZNFC became the first entity in the country to do audio descriptions on nine of its funded film projects. This has been a remarkable achievement that seeks to ensure that our audience is inclusive and people living with disabilities are able to access our film content. An audio description is a form of narration used to provide information surrounding key visual elements in films for the benefit of the blind and visually impaired audiences to give them a complete picture of what is being shown on the screen. KZNFC audio description project was done by a company run by a person with disabilities. The entity plans to continue with the programme in the 2022/23 financial year, with eight (8) KZNFC completed funded films, scheduled to be audio-described.

Due to Covid-19 regulations, KZNFC markets and festivals had a slow start in the 2021/22 financial year. A hybrid of physical and online participation was adopted. Five filmmakers were selected to attend markets and festivals for the financial year 2021/22. The attended markets and festivals were aligned to the market segmentation, which aims to ensure that KZN becomes a global destination for film production. One project was supported under marketing and distribution. The following festivals benefitted from the film audience development fund, Kwasukasukela Film Festival which takes place in the rural Jozini in Umkhanyakude District, Umgungundlovu Film Festival, Amajuba Film Festival, Umzansi Reel Film Festival and KwaZulu Natal African Film Festival taking place at KwaMashu. A total of fifteen industry development workshops were held mostly in the rural parts of the province, like Umzimkhulu, Dannhauser and Umfolozi to name a few. A common theme has been the information on the importance to register and keep one's Intellectual Property (IP). More than seventeen information-sharing sessions were held with different stakeholders during the financial year throughout the province, including many rural communities like Umzimkhulu, Umfolozi and Richmond etc.

The Human Capital and Development programmes were not as adversely affected as in the 2020/21 financial year. Training interventions and school programmes continued, particularly focusing on emerging filmmakers and graduates who are seeking to enter the industry. Our existing partnerships with MICSETA, TVET colleges, DUT, UKZN and AFDA continue to deliver interventions and programmes that support the industry. The KZNFC Film Industry Transformation Initiative programme was completed in 2021 with the graduation of 17 students, following an accelerated three-year programme.

In 2021/22, the KZNFC finalised eight research papers. The research that was conducted sort to assist the management and the Board in planning and decision making. There were also papers that were done to assist filmmakers (as our key stakeholders) to understand the developing trends in the industry.

A number of activities were undertaken to prepare for the merger of the Kwa-Zulu Natal Film Commission with Tourism KwaZulu-Natal. A joint Board Strategic Planning meeting was held in 2021, and a draft five-year Strategic Plan was developed for the new entity. Various work streams and the Champions for Change Committee (CFCC) worked on various aspects of the merger towards the finalisation of this process. The department EDTEA) assisted by the Government Technical Advisory Committee (GTAC), provided guidance on the process. However, the length of time associated with the rationalisation process has affected staff morale, as a large majority of the staff are on short term contracts. The vacancy rate stood at 41.6% and this is an unacceptably high rate. We hope that the merger will progress swiftly and that the new and larger entity will open more opportunities for career growth and absorption of certain staff members into permanent positions.

In 2021/22, the employees worked in a hybrid model. The Board in November approved the remote working that would come into operation early in 2022. Information technology (IT) systems were strengthened so that the teams can deliver services effectively and efficiently from their remote locations.

Lastly, I would like to express my gratitude to Ms C. Coetzee for her sterling leadership as she was the CEO of the entity during this period under review. I would also like to extend my gratitude to all our stakeholders, the MEC, the Head of Department and his team, to our Board Members and all the KZNFC staff members for their hard work and commitment during the difficult times of Covid 19.

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Mr V. Senna
Acting Chief Executive Office
Date: 30 May 2022

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 2022.

Yours faithfully

Mr V. Senna
Acting Chief Executive Officer
Date: 30 May 2022.

Nise Malange
Chairperson of the Board
Date: 30 May 2022

Hon. Mr R.R. Pillay
MEC: Department of Economic Development, Tourism and Environmental Affairs

Strategic Overview

Vision

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

Mission

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

Values

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

- Integrity
- Collaboration
- Intrapreneurial
- Accountability

Legislative and Other Mandates

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

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

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

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

Legislative Mandate

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

a) to promote and market the Province as a global destination of choice for film production;

b) to develop, promote and market, locally, nationally and internationally, the film industry in the Province;

c) to facilitate investment in the film industry in the Province;

d) to provide and encourage the provision of opportunities for persons, especially from disadvantaged communities, to enter and participate in the film industry in the Province;

e) to address historical imbalances in the infrastructure and in the distribution of skills and resources in the film industry in the Province; and

f) to contribute to an enabling environment for job creation in the film industry in the Province.

The entity is required to comply with the following as an entity of government: -

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

Policy mandates

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

Covid 19 Regulations

In the 2021/22 financial year, the country was in its second year under the National State of Disaster to contain the spread of Corona Virus (Covid -19). Even though there were different levels of restrictions during the financial year, the film industry continued to be adversely affected as most of its operations require some form of gathering for filmmakers to create content or for the audiences to consume the content. The growth in new platforms such as streaming services did however assist to alleviate the pressure that the industry was experiencing.

The KZNFC continued to support its staff to work remotely from home. Staff were provided with tools of trade and other resources such as:

- laptops, 3G cards, and cellphone allowances, so that they can operate effectively from their remote locations;
- business processes were reviewed to ensure effective controls remained in place;
- most of the business processes were automated;
- ongoing risk assessments were conducted;
- extensive communication with all stakeholders on the availability of services was undertaken; and
- compliance with all COVID regulations and Treasury practice notes issued weekly.

ORGANISATIONAL STRUCTURE

BOARD MEMBERS

BACK ROW (Left to Right): Ms Jackie Motsepe (Chief Operating Officer), Ms Linda Ngcobo, Mr Sanele Zondi, Mr Musa Mzimela (Deputy Chairperson), Ms Carol Coetzee (Former: Chief Executive Officer),

FONT ROW (Left to right): Mr John Wills, Ms Nise Malange (Chairperson),

Ms Leonie Berning

Mr Victor Senna
(Chief Financial Officer)

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

FONT ROW (Left to right): Dr Ngqabutho Bhebhe (Manager: Research and Development), Mr Victor Senna (Acting: Chief Executive Officer)

Finance and Administration

BACK ROW (Left to Right): Mafika Mbatha (IT Support administrator), Sboniso Gama (SCM Practitioner), Khensani Maswanganyi (Records Management Specialist), Lwazi Nodada (IT Specialist), Linda Cebekhulu (Human Resource Generalist), Andisa Mtsheke (Finance Trainee)

MIDDLE ROW (Left to Right): Lethukuthula Nyawuza (IT trainee), Thandeka Hlengwa (Executive Assistant to the CFO) Thembisile Madonsela (Assistant Accountant), Nqobile Shozi (SCM Trainee), Thulesazi Dube (SCM Trainee)

FRONT ROW (Left to Right): Mphiwa Xulu (HR Manager), Nonhlanhla Thanjekwayo (Acting: Chief Financial Officer), Olivia Manjate (SCM Manager)

Marketing and Industry Development

BACK ROW (Left to Right): Wandisiwe Mzobe (Production and Development Administrator), Monde Shabalala (Facilities Trainee) Sithembiso Gigaba (Facilities and Maintenance Specialist), Manqoba Ndlovu (Graphic Design Trainee), Dimpho Ndlovu (Production Coordinator), Mongezi Jili (HCD Trainee), Sthembile Mhlongo (Production Analyst), Mbali Makhoba (HCD Coordinator), Mthokozisi Buthelezi (Marketing and Communications Specialist), Buhle Ngcobo (Marketing Coordinator), Sindisiwe Ngcobo (Locations Coordinator)

MIDDLE ROW (Left to Right): Ziphozakhe Hlobo (Production Analyst). Maishe Mosala (Production Analyst), Mthobisi Ncube (Production Accountant), Thobile Sithole (Production and Development Administrator), Nomalungelo Mbokazi (Executive Administrator), Noluthando Shange (Marketing and Communications Intern)

FRONT ROW (Left to Right): Sphesihle Dlamini (Facilities and Locations Specialist), Mu Ngcolosi (Marketing and Communications Manager), Ziyanda Macingwane (Production and Development Manager), Zamabuya Msibi (Human Capital Development Specialist)

PART B:

PERFORMANCE INFORMATION

KWAZULU-NATAL FILM COMMISSION
SOUTH AFRICA

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PART B
PERFORMANCE INFORMATION

Auditor’s Report: Predetermined Objectives

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

Refer to page 51 of the Report of the Auditor General’s Report, published as Part E: Financial information.

SITUATIONAL ANALYSIS

Overview of the Service Delivery Environment

Contribution to the national economy

A baseline study released by NFVF in September 2021, showed that KZN's market share in film operations has increased from 9% to 12%. The study further highlighted the following economic impact on the film sector in 2021:-

- The Covid-19 pandemic had a destructive impact on the film industry, with the contribution of the industry to the South African economy contracting substantially by 59% in 2020/21 compared to 2019/20.
- In total, the direct, indirect and induced economic impact of the film industry to the South African economy has been estimated at R7.2 billion in 2019/20, declining to R2.9 billion in 2020/21 due to the negative impact of Covid-19.
- The total number of full-time equivalent jobs created/sustained by the activities of the film industry was approximately 31 444 in 2019/20, before falling to 12 775 in 2020/21.
- Annualised income derived by employees as a direct, indirect, or induced impact of the film industry amounted to R218 million for South Africa in 2019/20, declining to R88 million in 2020/21.
- Households benefited to the tune of R803 million in income in 2019/20 because of the activities of the film industry, however, this declined to R326 million in 2020/21.
- The approximate contribution to national government taxes amounted to an estimated R91 million in 2019/20, dropping to R37 million in 2020/21.

Contribution to the KZN economy

In the 2018/19 financial year, the DTIC incentive scheme approved a total of 102 grants, of which the Western Cape received 43 approvals or 67.3% of the R996.9 million total grant amount. The reason for the high number of grant approvals in the Western Cape is owing to the high investment multiplier in the province of 4.6. The province is deemed as a good investment and job creation location. The companies in the Western Cape are mainly servicing international productions and not necessarily producing local content. However, by assisting Western Cape province the DTIC has assisted in ensuring that South Africa attracts world-class/international productions.

Gauteng followed with 30.9% of the grant funds and 54 approvals. Gauteng has an investment multiplier of 3.6. The location and studio facilities in Gauteng and Western Cape are likely to be the reasons for a large number of approvals in both of these provinces. In terms of KZN, the province received 0.9% of grant funding and 3 approvals. The investment multiplier equates to 2.1. Although what KZN received may appear low, this is aligned to the current level of development, availability of skills and level and a number of applications submitted and has assisted in supporting the growth of the industry in the province.

At R156 461 per additional job in the film sector, Gauteng is the most favourable location in terms of investment needed to create additional employment opportunities. The Western Cape follows at R190 950 per additional job in the film sector, with KZN much higher at R314 962. The investment needed to create an additional job in the film sector in KZN is also much higher than the average of the five provinces, which stands at R179 920 per additional job.

For the 2021/22 financial year KZNFC supported five projects that were funded by DTI. The five projects were Eyethu, Not Joes Wedding, The Score, Valley of Thousand Hills and Time of Dr. The total budget for these projects was about R41.5m. DTI invested around R18m. KZNFC invested about R6.4m, leveraging about R35.1 m from the projects.

Provincial Economic Recovery Plan

The entity participates in the Provincial Economic Council Working group for the Creative and Cultural Industries (and Sports) (CCI's). The Economic Council's main objectives are to bring together the public sector and the private sector to respond effectively to the challenges posed by Covid 19 and the public unrest that the province experienced in July 2021. Quick and more sustainable interventions, such as training, use of technology and new media and entertainment platforms are among the priorities for the entity.

Internal environment analysis

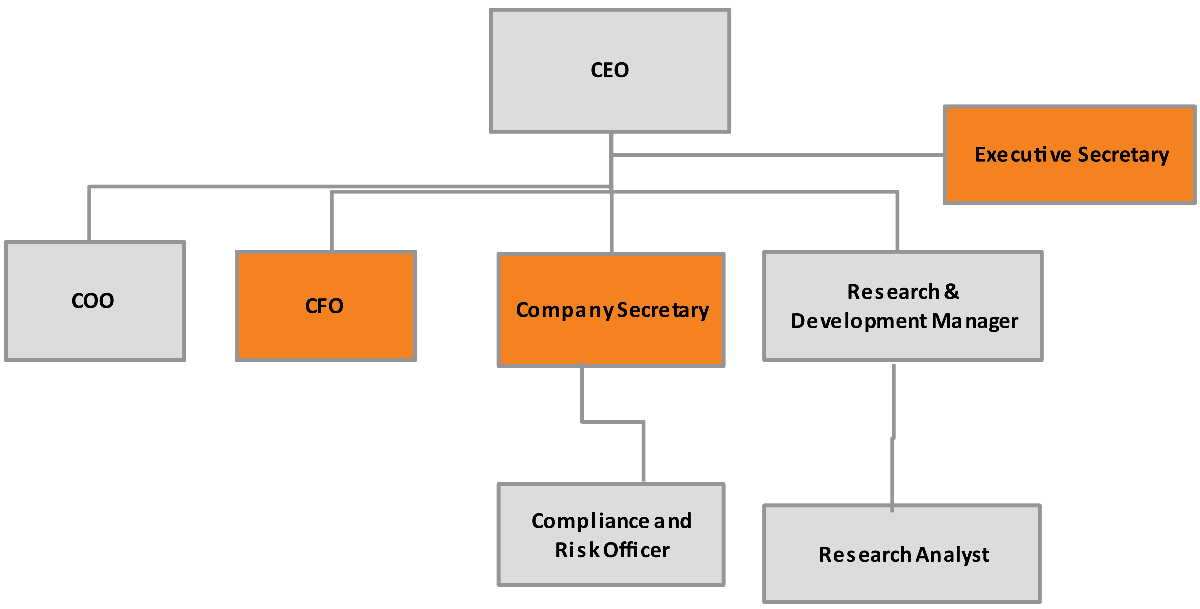
The Accounting Authority of the KZNFC is the Board, appointed by the Executive Authority. The Board has eight members, comprising seven Board Members and one non-executive Board member. Three additional members were appointed during the 2021/22 financial year. However, the ongoing process of merger with KZN Tourism has meant that their terms are shortened depending on when the process would be finalised.

The capacity of the entity

The KZNFC comprises three divisions which are: -

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

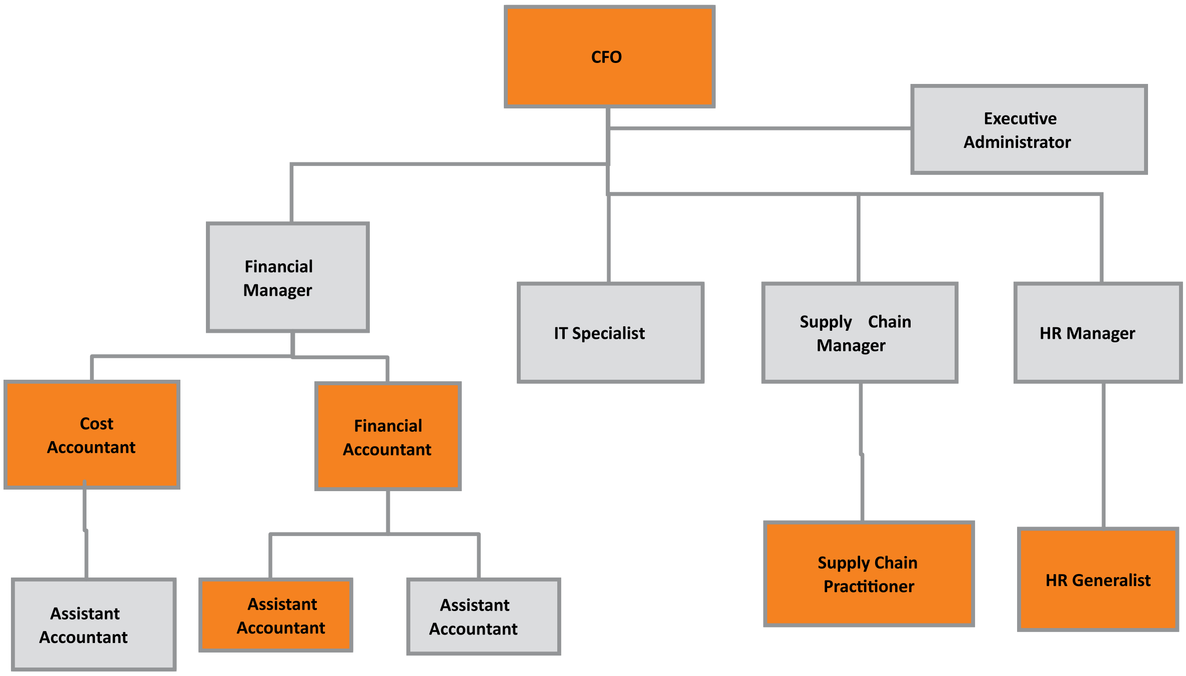
OFFICE OF THE CHIEF EXECUTIVE OFFICER



Contract positions

Permanent Positions

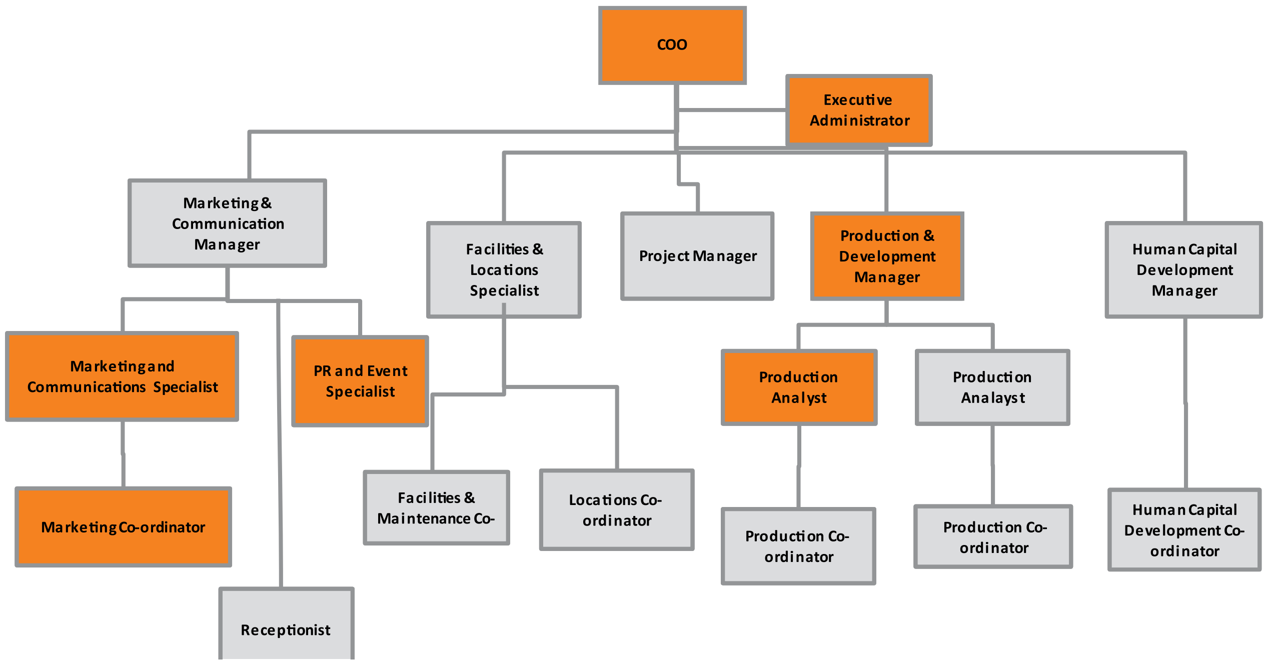
Finance and Administration



Contract positions

Permanent Positions

Marketing and Industry Development



Contract positions

Permanent Positions

AccountantAssistant Cost

Fixed-term contracts

The entity has a staff complement of thirty-seven (37) employees which is considered insufficient to serve the whole Province of KZN. Matters have been compounded by a moratorium on the filling of vacant posts (except critical posts), and a protracted rationalisation process for public entities resulting in a 41.6%vacancy rate. Technology has been introduced to assist with certain administrative processes (e.g.), online film fund system, and further IT solutions will be explored in the coming years. Serious capacity constraints impact on service delivery and the effectiveness of the control environment and should be resolved with the effective and timeous implementation of the merger.

KZNFC team currently comprises 96% Black Employees, of which 94% are Africans, 55% youth, 64% of employees are women who occupy various levels in the organisation. Interns have a two-year programme to ensure adequate exposure and to qualify for entry-level positions once they have successfully completed the programme.

The vacancy rate has resulted in appointing short-term temporary contract employees which in turn is posing a significant challenge to the entity in terms of:

- Business continuity
- Holding temporary/contract staff accountable
- Ineffectiveness of internal controls due to lack of segregation and expertise
- Inability to absorb interns post two years programmes resulting in further unemployed youth
- Higher costs being incurred in the hiring of temporary personnel
- Lower quality recruits as contracts are for short term periods

The Board supported two-year fixed-term contract appointments to address the above mentioned critical challenges. Although this provides some form of a solution, long term and sustainable solutions are needed to ensure that there is stability in the organisation. The entity has responded to the government's call to provide work experience for unemployed graduates and to this end, 28 interns have been supported over the past five years on a two-year programme. It is essential, however, to indicate that the ongoing merger with TKZN has impacted staff morale and levels of productivity as employees actively search for alternative permanent employment.

Information Communication and Technology

2017 saw the introduction of technological solutions to enhance and improve our levels of efficiency, effectiveness and improved service offering to our clients. The following are some of the technological improvements that KZNFC has implemented; SAGE Evolution in SCM (online procurement) and Financial Management (Monthly Management Accounts, payments process, contact management etc), ESS system for HR functions (Performance Management, leave etc), the introduction of SharePoint for document management and online workflows, Development of an online funding application process, Caseware for the compilation of the Interim and Annual Financial Statements, Cloud Impression for electronic signing capabilities and virtual reality marketing equipment.

The entity has also begun a process to implement cloud computing for all its critical computer applications and storage facilities and plans to move all its applications out of physical servers and onto the cloud computing environment. This will also require the entity to ensure sound and reliable cyber security. The project is to be finalised in the 2022/23 financial year.

External Environment Analysis

Since early 2020, the Covid-19 pandemic has been accelerating structural challenges and trends that have long faced the media and entertainment industry. The Covid-19 pandemic swiftly uprooted norms in every aspect of life across the globe. In a short period, consumer habits changed drastically, as attendance at live events came to a halt and internet data usage soared.

In 2020/1, the drop in global entertainment and media revenue was the sharpest ever recorded. There has been a slight improvement in 2021/22 but not to the same levels as before 2020/1. The Covid-19 pandemic will continue to shape business strategies throughout the telecommunications, media, and entertainment sectors.

It is estimated that the international box office revenues in 2020 fell by almost 71%. The industry recorded some improvements towards the end of the fourth quarter. The year 2020 saw studios and exhibitions suffer their worst returns of the modern era, while local films nevertheless proved that audiences are ready and willing to share auditorium space if they feel safe.

In media and entertainment, the pandemic has accelerated many trends that were already underway. For example, with theatres closed or allowed only limited attendance, major studios increasingly made first-run movies available direct-to-consumer via streaming services. As consumption of streaming content rises, there has been growth not just in the number of subscription services, but also in ad-supported models designed to satisfy increasingly cost-conscious consumers. For companies, customer retention (versus acquisition) has become top of mind – making it important that providers offer a broad range of content, for example, video, music, games, and even podcasts. This new reality places a premium on understanding consumer behaviour patterns and developing a more proactive approach to engaging with customers.

The critical issue to consider in planning is for the audio-visual industry to renew and strengthen its focus on customers' needs. Streaming providers should become more proactive and engage customers. To improve retention, providers should address customers' challenges and preferences through content windowing, tiered pricing, tailored services, and social experiences.

The Covid-19 pandemic has accelerated consumers' willingness to experiment with their entertainment options. The hard lines that used to exist between content and distribution channels are increasingly blurring. The coevolution of entertainment and technology is helping fuel new service offerings and entertainment bundles for consumers, necessitating new strategies and agile approaches for companies and creators.

1) All media and entertainment companies should think about moving beyond stand-alone products and embrace the aggregation of content through both subscription and ad-based services.

2) While the convergence of content and distribution channels has been apparent for some time, the Covid-19 pandemic sent this trend into overdrive. One of the prime examples is the decision by several studios to release first-run movies directly to streaming video services. Box-office revenues have been declining for years, as consumers watch more films from home on streaming video services. With Covid-19 closing theatres or forcing them to operate with limited audiences, some studios released movies directly to consumers. In the short term, this approach helps studios to counter the closure of theatres due to the pandemic. It could also serve a more strategic purpose, providing a powerful hook for acquiring and retaining customers on subscription-based video streaming platforms.

Although consumer and enterprise adoption of advanced wireless technologies like 5G is still new, the shift to next-generation networking is undeniably underway. The key for telecom providers is determining how they can leverage these new technologies to create new products, services, and business models that drive revenue growth.

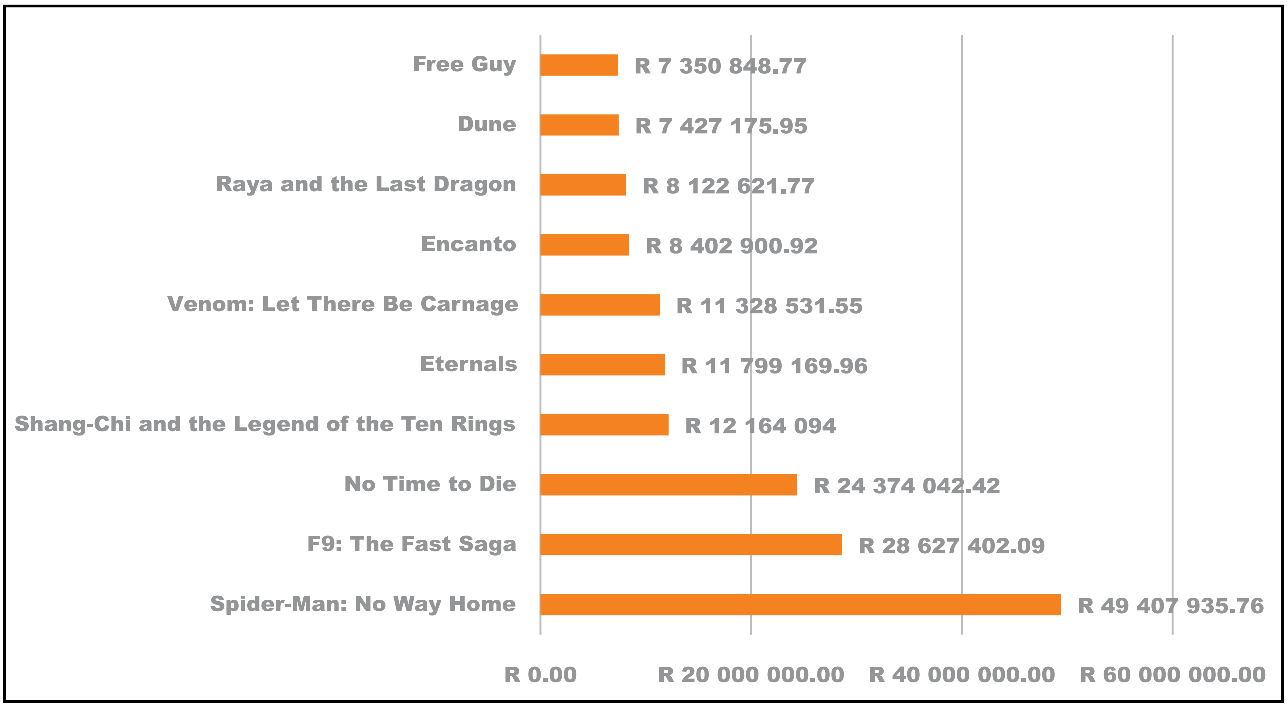
1) The 5G promises to provide enterprises with unprecedented, real-time visibility, insights, and control over their assets, products, and services. It can also provide new opportunities to radically transform how they operate and deliver new products and services. 5G capabilities have the potential to revolutionize every industry, from manufacturing to healthcare to government.

The whole cinema ecosystem is expected to be dramatically affected, from cinema owners with heavy rent payments to the staff that work there, technology vendors, suppliers of food and beverage products, cinema advertising providers, and marketing agencies. Over the next five years, cinema revenue is projected to contract globally at -2.4%.

South African cinema data analysis

South African Box Office

From January 2021 to December 2021, the top 20 performing movies that were released in South African Box Office were mainly foreign movies. The top performing movie in the South African Box Office in 2021 was Spider-Man: No Way Home. The movie made R49 407 935,76 in box office gross revenue. In the second place was F9: The Fast Saga, making R28 627 402,09 in box office gross revenue and in the third place was the No Time to Die making R24 374 042,42 in box office revenue.

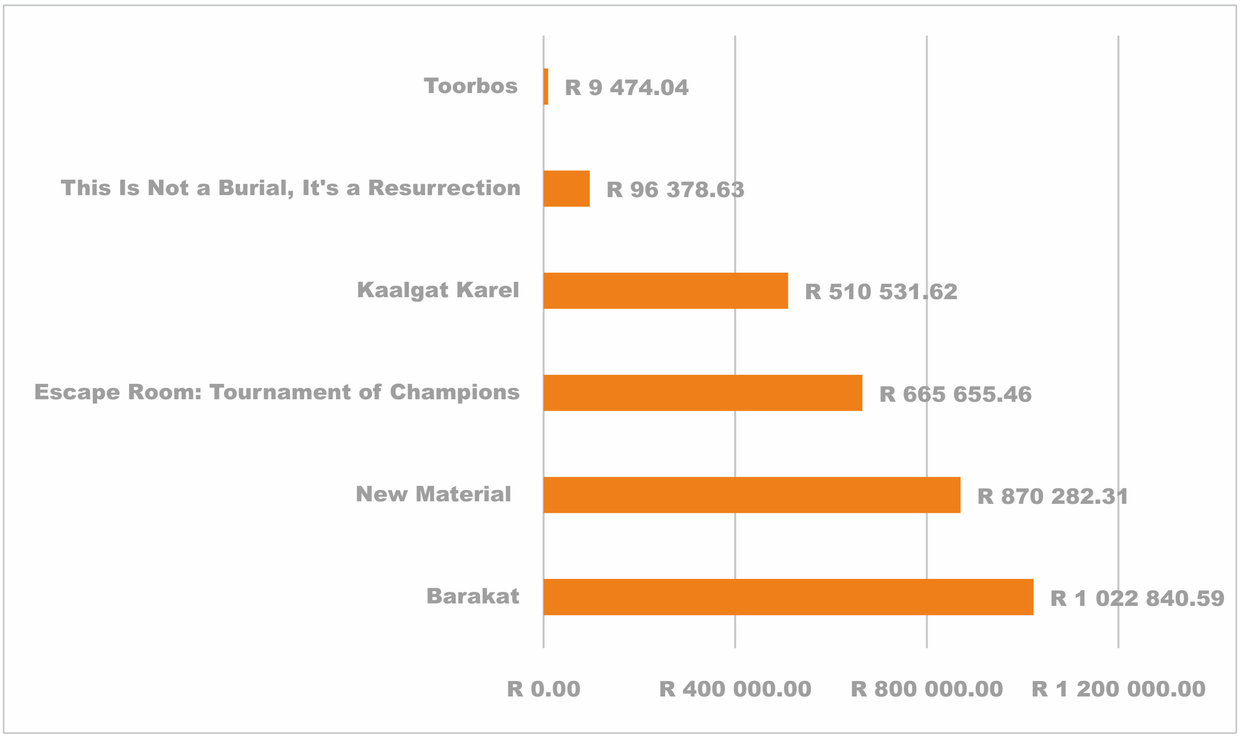


Top-performing South African movies in Box Office January – December 2021

Overall Ranking	SA Ranking	Movie	Gross earnings	No. of Theatres	Indigenous language	Genre
43	1	Barakat	R1 022 840,59	35	Afrikaans-English	Comedy-Drama
47	2	New Material	R870 282,31	42	English	Comedy
58	3	Escape Room: Tournament of Champions	R665 655,46	49	English	Action-Adventure-Horror-Mystery-Sci-Fi-Thriller
68	4	Kaalgat Karel	R510 531,62	46	Afrikaans	Comedy
106	5	This Is Not a Burial, It’s a Resurrection	R96 378,63	19	SeSotho	Drama
120	5	Toorbos	R9 474,04	39	Afrikaans	Drama

*** Note that the gross earnings were converted from the US Dollars to South African Rands, using rates google updated for 01 March 2022, which $1 = R15,42

Out of the top 126 movies listed at the end of the year 2021 in the South African Box Office, there were only Five South African movies and the majority were foreign movies mainly from the United States of America and Canada. During this period the top-performing South African produced films released at the South African Box Office were; No 1 Barakat, generating R1 022 840,59 in gross revenue, No 2 New Material, generation R870 282,31 in gross revenue, No 3 Escape Room: Tournament of Champions, generating R665 655,46 in gross revenue.



While revenues from the box office platforms plummeted to record lows, locally and internationally, there was a noticeable shift in television programmes. The local lockdown regulations restricted people to their homes. The industry recorded an increase in the use of OTT and VOD platforms. An analysis of South African top TV programmes, such as uZalo and Generation shows a decline in audiences during this time. The following can be advanced for this development:

- the impact of the streaming services, such as Netflix and ShowMax that offered more variety of content.

PERFORMANCE INFORMATION BY PROGRAMME

PROGRAMME ONE: CHIEF EXECUTIVE OFFICERS' OFFICE

Programme Purpose

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

Functions co-ordinated under this programme include:

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

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

High-Level Review of Performance Information

Outcome: To operate an effective administrative business process inculcating good governance, risk management, compliance and industry growth					
Performance Indicator	**Actual Achievement 2020/21**	**Planned Target 2021/22**	**Actual Achievement 2021/22**	**Deviations**	**Comments**
Number of research papers	8	6	8	+2	One of the additional papers achieved was carried over from the previous year. While the other paper was a survey that had to be conducted to plan for the 2022/23 financial year.

Research Projects

There were six research papers planned for the year. The target was achieved and exceeded by two papers. One of the additional papers was carried over from the previous year. While the other paper was a survey that had to be conducted to plan for the 2022/23 financial year.

Monitoring and Evaluation

The report on the evaluation of the non-responsiveness of service providers has been signed off. The report was tabled at EXCO. The business unit will be meeting to finalise the actions list in line with the recommendations made. This will be tracked on a quarterly basis to ensure implementation. The draft report for the baseline on the KZN crew has been submitted. The report is in the final stages of completion as additional information was required from the business units. The report will be signed off in April.

Risks Management

The strategic and operational risk registers were prepared and updated quarterly. During the financial year, the risk registers were presented to the Risk Committee and Exco for approval and appraisal.

Socio-Economic Development (SED)

In the 2021/22 financial year, the entity supported a Community Nursery project called Khula Arts Centre. The community project is situated in northern KZN at Pongola rural areas at a place called KwaBhembe. This community project seeks to impart agricultural skills to the local youth, with a specific focus on seedlings, vegetables, timber and fruit plants. As such, Khula Community Nursery is a quality seedlings production and retail project which produces vegetables and seedlings for flowers, vegetables, herbs and plants it is affiliated with the South African Nursery Association and Seedlings Growers Association of South Africa.

The entity supported this community project with an amount of R200 000. The project received further support from the provincial department of Agriculture, in the form of training on nursery operations and management.

PROGRAMME 2: FINANCE AND ADMINISTRATION

Programme Purpose

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

Functions co-ordinated under this programme include:

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

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

High-Level Review of Performance Information

Outcome: Effective administrative business processes that inculcate good governance, risk management and compliance					
Performance Indicator	**Actual Achievement 2020/21**	**Planned Target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to actual achievement**	**Comments**
Opinion expressed in the AG report.	Unqualified audit opinion with no material findings	Unqualified audit opinion with no material findings	Unqualified audit opinion with no material findings	Nil	The target for unqualified audit opinion with no material findings was achieved.

Outcome: Increased participation of the designated groups in the film sector					
Performance Indicator	**Actual Achievement 2020/21**	**Planned Target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to actual achievement**	**Comments**
Percentage of procurement budget spent on designated groups	120%	▪ Black 80% ▪ Women 70% ▪ Youth 15% ▪ PwDs 2% ▪ MV 1% ▪ Cooperatives 0%	▪ Black 67% ▪ Women 44% ▪ Youth 17% ▪ PwDs 4% ▪ MV 0% ▪ Cooperatives 0%	-13% -26% +2% +2% -1%	This indicator was amended during the financial year. Variances are explained below.

Clean audit on financial, compliance and performance information

The KZNFC achieved a clean audit for the 2020/21 financial year audit. The external audit was unqualified without material findings.

Percentage of total procurement spent on BBBEE service providers

1. Blacks: While Blacks are prioritized when inviting for bids and quotations, they are not always the lowest or they don't always meet the criteria set. The entity through supplier development programmes is working on this, to ensure that the identified gaps are addressed and Black participation is increased.
2. Women: While Women are prioritized when inviting for bids and quotations, they are, however, not always the lowest and they don't always meet the set criteria. Our industry is also unique and there are very few women who are participants in different operations of this industry.
3. Youth: Youth is prioritized when inviting for bids and quotations, also at times those who meet the set criteria are not always the lowest in price. However, there has been a noticeabe increase in participation of youth over the years.
4. People living with disabilities (PwD): Our database for PwD is limited, and so is the database for CSd. When a call is made to invite PwDs, they are not always responsive. However, numerous efforts are being made to increase the PwDs on our database.
5. Military Veterans Military and Co-Operatives: The Military Veterans and Co-operatives are nonresponsive from the CSD list, they are also limited on CSD. A call was made to invite them to register on our database to increase our pool. The entity is hoping to see an increase in this regard.

The vacancy rate on approved staff complement

The total vacancy rate as per the approved organogram, by occupational level, was 41.67% for the 2021/22 financial year.

Percentage of approved training attended and completed

Twenty (20) out of twenty (20) approved training interventions for the past financial year were completed as of the 31st of March 2022 – this translates into a 100% completion rate. The entity rolled out a Leadership Development Intervention for C, D Band and Exco during the period under review. Delegates did enneagram and 360 degrees assessments to identify developmental needs and delegates were allocated coaches to assist them to address identified developmental needs. Due to Covid-19 restrictions that were in place in the financial year, most of the training interventions were done online.

PROGRAMME 3: MARKETING AND INDUSTRY DEVELOPMENT

Programme Purpose:

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

Functions co-ordinated under this programme include:

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

Outcome: Transformed and inclusive film industry in KZN through Increased access to KZNFC Programmes					
Performance Indicator	**Actual Achievement 2020/21**	**Planned Target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to actual achievement**	**Comments**
Percentage of people selected to attend markets and festivals from the designated groups	100%	72%	80%	+8%	There were 5 filmmakers selected to attend markets and festivals, 4 were from the designated groups (80%). Of the awarded, 60% were women and 20% were youth. There were no persons with disabilities selected to attend markets and festivals

Outcome: Transformed and inclusive film industry in KZN through Increased access to KZNFC Programmes					
Performance Indicator	**Actual Achievement 2020/21**	**Planned Target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to actual achievement**	**Comments**
Percentage of film fund projects awarded funding to designated groups	98%	87%	96%	+9%	The target was met and exceeded by +9%. The focus on emerging film-makers has made it possible to achieve a high percentage of participation of the designated groups.

Outcome: Increased film production in KZN by 30% in order to create temporary jobs					
Performance Indicator	**Actual Achievement 2020/21**	**Planned Target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to actual achievement**	**Comments**
Number of IsiZulu/ Zulu Cultural Made for TV movies and short films awarded funding in development and production	14	8	9	+1	The target has been exceeded by additional 1 projects due to Film Fund receiving additional budget from savings.
Number of productions awarded funding through KZNFC film fund	9	6	12	+6	The target was met and exceeded by +6 projects. The availability of funding from other programmes made it possible to fund additional projects.
Number of development projects awarded funding through KZNFC film fund	21	14	33	+19	The target has been exceeded by additional 19 projects due to Film Fund receiving additional budget from savings.
Number of temporary jobs created through KZNFC film fund	187	150	189	+39	The target was achieved and exceeded by 39. The year to date apportioned jobs is 189. The unapportioned jobs created are 294.

Outcome: Increased film production in KZN by 30% in order to create temporary jobs					
Performance Indicator	**Actual Achievement**	**Planned Target**	**Actual Achievement**	**Deviation from planned target to actual achievement**	**Comments**
	2020/21	**2021/22**	**2021/22**		
Number of co-productions within the African continent	1	0	0	0	Target amended due to Covid 19 pandemic
Number of international productions shooting in KZN	1	0	0	0	Target amended due to Covid 19 pandemic

The above indicators were suspended due to the Covid 19 pandemic. The funds were utilised to fund additional projects within the KZNFC film fund and to cover Covid 19 costs that were not originally budgeted for in the production projects awarded funding pre-Covid 19.

Outcome: Increased participation of KZN crew in productions funded by KZNFC as a result of training programmes and Policy Promotion					
Performance Indicator	**Actual Achievement**	**Planned Target**	**Actual Achievement**	**Deviation from planned target to actual achievement**	**Comment**
	2020/21	**2021/22**	**2021/22**		
Percentage of temporary KZN crew employed on KZNFC funded projects	55%	64%	79%	+15%	The target was met and exceeded by 15%. However, the indicator is to be amended as the entity does not fully control this indicator.

International Markets and Festivals

The international markets and festivals offer filmmakers an opportunity to attend various film festivals that takes place outside South Africa and locally. The filmmakers can network with filmmakers from other countries so they stay in touch with changes in the industry while forging new relationships either for funding, distribution or coproduction. There were 5 Filmmakers selected to attend markets and festivals for the financial year 2021/22. The attended markets and festivals were aligned to the market segmentation, which aims to ensure that KZN becomes a global destination for film production. Filmmakers were invited to form part of the delegations based on the relevance and readiness of their projects.

The KwaZulu Natal Film Commission in partnership with The National Video and Film Foundation participated in the formerly Independent Filmmakers Project week now called the Gotham Week. This is a community of creators, producers and distributors working across film, television and beyond to advance the future of the story. The two projects supported through this programme were Valley of a Thousand Hills by Boni Sithebe and One Day in June by Ayanda Halimana. The programme was held online.

Film Marketing and Distribution Funding

The fund supports the distribution and exhibition of local film content through the provision of film marketing funding which is severely under-resourced in the country. The fund assists in making provisions for a marketing campaign to be implemented in support of the film as it goes to market. Ordinarily, South African films do not perform well at the box office, partly because there are not enough resources put in place to promote them on different platforms. The marketing and distribution fund goes some way in ensuring the success of KZN productions in the market. Furthermore, the fund seeks to ensure that the beneficiaries get better returns on their projects. In the 2021/22 financial year, the KZN Film Commission supported a project called, The Road Less Cycled.

It is important to note that the number of applications to this fund could have been impacted by the Covid 19 pandemic as films could not go into cinema and there was a lower level of production during this time.

Film Industry Development Workshop

The KwaZulu-Natal Film Commission is committed to providing "people-centred" services as part of its objectives that seeks to ensure the provision of opportunities for persons, especially from disadvantaged communities for them to enter and participate in the film industry. Experts in the industry, funders and broadcasters are usually invited to provide talks on industry matters. In the 2021/22 financial year, a total of 15 industry Development workshops were held mostly in the rural parts of the province. The Municipalities that we reached last year are the following over and above the usual in the city and urban Ethekwini: Newcastle, Dannhauser, Emadlangeni, Umfolozi, Mthonjaneni, Umhlathuze, Umzimkhulu, Richmond, Umhlabuyalingana, Jozini, Inquthu. A common theme has been the information on the importance to register and keep one's Intellectual Property (IP).

Film Information Sharing Sessions

Information sharing sessions create a platform for the general public to be introduced to the industry and the programmes offered by KwaZulu Natal Film Commission. The focus is generally to attract new entrants as service providers, suppliers, and practitioners. As, in most cases, the industry is about "whom you know", therefore the connections are critical for the integration of independent filmmakers. Also, information on careers in the industry is shared with the youth at various engagements. More than 17 information-sharing sessions were held with different stakeholders during the financial year throughout the province in rural communities as listed above.

Simon "Mabhunu" Sabela KZN Film and Television Awards

The Simon "Mabhunu" Sabela KZN Film and Television Awards are an initiative of the Department of Economic Development, Tourism and Environmental Affairs (EDTEA) and are implemented by the KwaZulu-Natal Film Commission. The awards seek to reward and acknowledge excellence in the film and television industry as well as demonstrate the growth of the film industry in the province. Annually, key stakeholders in the film and television industry are invited to attend the event which takes place during the Durban International Film Festival (DIFF).

In the 2021/22 financial year, the Simon Sabela Awards, saw a total of 174 entries, with a strong showing of television entries with 38 entries. The announcement of the winners was deferred for the date in July 2022 during the Durban International Film Festival.

Film Audience Development

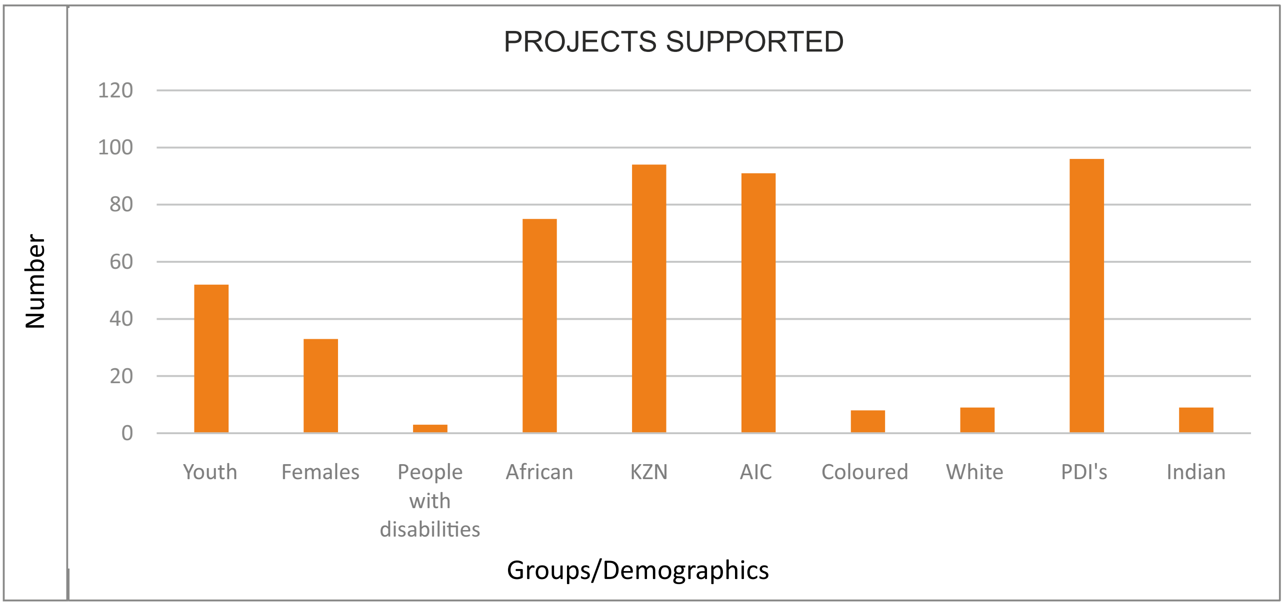
The KZN Film Commission Audience Development is an initiative where local content, in particular the KZN films, are screened in communities across the province. The screenings seek to develop a culture of watching local movies among communities. Screenings also provide an opportunity to market local content (local is lekker). The expectation is that when the local communities are exposed to local films, the audiences for local content will grow, and filmmakers will become popular. Actors are provided with an opportunity to build their profiles and fan base, increasing their potential value for future contracts. Screenings also focus on "our local stories", and at times, issues such as social cohesion are addressed. KwaZulu-Natal Film Commission has also made a conscious decision to ensure that screenings take place in peri-urban and rural areas. All these efforts are aimed at building a sustainable audience to consume local content. In the 2021/22 financial year, the beneficiaries of funding were Kwasukasukela Film Festival which takes place in the rural Jozini in Umkhanyakude District, Umgungundlovu Film Festival, Amajuba Film Festival, Umzansi Reel Film Festival and KwaZulu Natal African Film Festival taking place at KwaMashu.

KZNFC also supports the Durban International Film Festival and the Nature Environment and Wildlife Congress through this audience development film fund vehicle.

Film Fund

The KwaZulu-Natal Film Commission launched its Film Fund in July 2014. The Fund is for the development and production of television, feature films, short films, animation and documentary content. Since its inception, the organisation has committed a substantial amount towards the development, production and marketing and distribution of audio-visual content funding.

The bar chart below shows the numbers of different population groups supported through the film fund in the 2021/22 financial year.



Highlights of movies supported in the 2021/22 financial year

The financial year 2021/22 has been a fruitful year for the film fund as many milestones have been accomplished by our film projects. Several incredible upcoming feature films are production-ready to be completed and released in the 2022/23 financial year. These include:-

a) The Honeymoon- The Honeymoon unwraps the story of three friends in a dilemma. When one of them is dumped the night before her wedding; three best friends turn a would-be honeymoon into a wild time in paradise – but will their friendship last?

b) Not Joe's Wedding- A coming of age film of a young man who has to realise who he is so that he can achieve his dreams and also win over the love of his life.

c) Valley Of A Thousand Hills- is a feature about a same-sex couple who have to overcome the opinions and orders of their families and community in order to be together.

d) Inhlawulo - is a co-production with Nigeria and is currently on its journey to film the Nigerian leg of principal photography. Inhlawulo speaks of a young naive lady from a strong-headed royal family who falls in love with a Nigerian "prince". Little does she know that sometimes being in love with someone you don't know has its own consequences

Development Projects

Thirty-three development projects were approved during the 2021/22 financial year. This has been a testimony that scriptwriting interventions that KZNFC has been conducting are starting to bear fruits. The stories that were submitted were also of quality and reflected the heritage/culture and diversity of the province.

Made For TV Movies

The Made for TV programme has been the highlight of the special programmes as incredible concepts were developed and produced into riveting stories that the KZNFC hopes will capture the hearts of audiences. Despite the micro-budgets allocated to the filmmakers, they were able to create films of quality and content that resonates with KZN culture and traditions. These engaging stories have been developed and shot in the vibrant and breath-taking province of KwaZulu-Natal by filmmakers from designated groups with some of them being women. The majority of the completed films have negotiated licensing deals with Multichoice (Mzansi Magic). The second batch of the program is in the final stages of script development. The completed products would be delivered towards the end of the 2022/23 financial year.

Covid-19 Factual Relief Slate Programme

Pillay Laurenz Media & Communication has delivered all three COVID-19 Factual Relief Slate Programme films. One of the films, Mother Shoal will be broadcast in the first quarter of the financial year 2022/23 by the Peoples Weather Channel on DSTV, and will also be screened at the Women's Independent Film Festival 2022. The two other short films, Witness to COVID and Magdalene's Lies will be screened at the Durban International Film Festival 2022.

BET Short Films

The seven short films that were in development and subsequently produced, in partnership with BET (Channel 129) were broadcasted on BET in October and November 2021. All the projects were in line with the theme -The Seven Deadly Sins. The broadcaster will be announcing the second run of these films. Discussions around a prospective second programme, and potential collaborations are also underway.

Audio Description (AD) Programme

The KZNFC has funded numerous productions which have been accessible to many audiences through various distribution and exhibition platforms both locally and internationally. To ensure that our audience is inclusive, and to expand reach and accessibility, the entity began a programme of audio descriptions in the 2021/22 financial year. An audio description is a form of narration used to provide information surrounding key visual elements in films for the benefit of the blind and visually impaired audiences to give them a complete picture of what is being shown on the screen. KZNFC audio description project was done by ShazaCin, a company run by Shakila Maharaj, a person with disabilities. The entity plans to continue with the programme in the 2022/23 financial year, with eight (8) KZNFC completed funded films, scheduled to be audio-described.

Platforms used for the distribution of some of the KZNFC funded productions

The table below shows some of KZNFC's funded projects and platforms that there were screened in 2021/22 financial year.

No	Project	Platform/ Venue	TX Date
1.	Time and Tide	California Film Festival	April 2022
2.	Comatose	Amazon	The project has been licensed by Amazon
3.	One Time Pin	DSTV Channel 161	13 February 2022
4.	Salamina	DSTV Channel 161 Screened at Love and Film Sunset picnic	06 February 2022 26 February 2022
5.	Covid Documentary (Witness to Covid)	Durban International Film Festival	21-30 July 2022
6.	Love Lives Here	DSTV channel 161	February 2022

No	Project	Platform/ Venue	TX Date
7.	Grassland NEWF	NEWF Fellow Summit People's Weather 50/50	February 2022 TBC TBC
8.	Salamina	Screened at KZN Cultural and Heritage Experience	06 March 2022
9.	Dream Writer	KWANDE Festival	18 March 2022
10.	The Snake Chief	International World Film Awards and Manchester Lift-Off Film Festival 2022	1^{st} –3^{rd} April 2022
11.	Witness to Covid-	DIFF 2022	July 2022
12.	Mother Shoal	Women's Independent Film Festival 2022	October 2022
13.	Madgeline's Lies	DIFF 2022	July 2022
14.	Sonnyboy	Royal Cocoa International Film Festival	07 April 2022

Showmax and Netflix projects

No	Project	Platform/ Revenue
1.	**Joko Ya Hao**	**Showmax**
2.	**Worth (Working title – Lean)**	**Showmax**
3.	**Deep End**	**Showmax**
4.	**Killing Floor**	**Distributed by Video Vision Entertainment** **Showmax 1 year licencing for amount of R 106 397.26**
5.	**Keeping up with the Kandasamy's: Wedding**	**Showmax** **R19 250 000 (Gross)** **R1 000 000 (Mnet Box office)** **R233 000 (Netflix two payments)**
6.	**Uncovered**	**Netflix**
7.	**The Letter Reader**	**Netflix**
8.	**Mrs Right Guy**	**Netflix (Funded in marketing & distribution)**
9.	**Kalushi**	**Netflix (Funded in marketing & distribution)**

Awards

Project	Platform/ Venue	TX Date
Lamar Bonhomme	Time and Tide	**Idyllwild Festival 2022** • Won best international featurette. **London Rocks awards 2022** • Won best cinematography • Runner up best experimental film.
Pragna Parsortma-Kok	Part Of the Pack (NEWF)	**On Earth Awards 2022** • Winner Best Conservation film

Project	Platform/ Venue	TX Date
Londiwe Shange	Ngikhona	**Rustenburg Film Festival** • Awarded best short film **African Emerging Filmmakers Awards** • Won best editor and best actress.
Siyabonga Dlamini	One Time Pin	**Rustenburg Film Festival** • Won Best Actor and Best Actress **Aefa Awards** • Best Vernacular Award
Malcolm Nhleko	Sonnyboy (supported in development)	**Tagore Film Festival India (TIFF)** • Won Sound design and Best Documentary Film 2021 **World Film Carnival** • Doc Film-Outstanding Achievement 2021

Some of the productions previously funded are still circulating on platforms such as Netflix, DSTV and Show-Max

Highlights of the Industry Development Intervention:

- The Multichoice Talent Factory Workshops.

  In the 2021/22 financial year, Multichoice funded a three-day industry development workshop that was held at Umhlanga. Multichoice carried 100% of the costs and 30 local filmmakers participants attended. The workshop leaders were of the highest quality and inspired the participants tremendously.

- Film and Industry Transformation Initiative (FITI).

  There were four out of seven NQF 8 qualification manuals that were completed during the financial year. The process for the accreditation of the inaugural one-year intensive NQF level 8 qualification in the 2022/23 financial year began in the last quarter of the 2021/22 financial year. The training programme will launch after the completion of the 7 training modules.

- Skills Development Programmes.

  The following projects were completed during the financial year 2021/22.

  - Drone Technology programme where 7 participants graduated successfully;
  - Train the Trainer and Assessor training programme was held at Newcastle.

- Proposal writing and Pitching; The KZNFC launched its first training on proposal writing and pitching training with 20 participants in attendance, for 3 days. The training was recorded and is being edited into a stand-alone masterclass to be used for further training initiatives and for access on the KZNFC website.

- Animation: To assist filmmakers with how to apply to the KZNFC for its various initiatives, the HCD department developed short animation videos about the application processes for KZNFC funded programmes, including Supply Chain processes.

In the 2021/22 financial year, KZNFC supported twenty-two (22) students with bursaries. There were six (6) students who were KZNFC bursary recipients who graduated during this financial year. KZNFC paid outstanding fees to 8 AFDA students. Also a historical debt for two students was cleared to allow them to get their degrees.

Total	PDI	Male	Female	Youth	Disability
22	22	9	13	22	1

MICTSETA -NQF Level 4 – Groutville-

The purpose of this project was to equip youth, especially from previously disadvantaged backgrounds with the relevant professional filmmaking skills, knowledge and expertise by providing them with a MICT SETA accredited NQF Level 4 Film and TV Production Operations qualification learnership programme for KZN filmmakers. The duration of the training programme was 12 months, started on 1 March 2021 and ended 28 February 2022. The programme started with 30 learners, however, 27 completed the programme successfully.

Total	PDI	Male	Female	Youth	Disability
27	27	7	20	27	1

Year Schools' Programme.

Based in national and international research and benchmarking, skills training in Film and TV starts in high school, to inform students of the work opportunities available behind the camera. The KZNFC Schools programme visits 5 high schools in 5 different districts every year to do 5 day training about the work behind the scenes. The training culminates in the grade 10-12's making their own short films (max 5 minutes). KZNFC staff also addresses the high schools to inform them about the bursary programme and encourages them to apply.

The workshops at the selected schools commenced on the 29th of November 2021. The Roll-out of the workshops concluded on the 24th of February 2022.

The workshops took place in 5 schools in 5 District Municipalities.

District Municipalities	Schools
iLembe	Stanger Secondary School
uMkhanyakude	Jevu Secondary School
uThukela	KwaZamokuhle Special School
Harry Gwala	Lusibalukhulu High School.
uMgungundlovu	Alexander High School

Total	Males	Females	Youth	Disability
104	39	65	104	20

SMME Incubation

The audio-visual sector has a long history of SMME start-up creation. Often freelance workers start-up their own companies after having garnered years of experience and networks. This SMME Incubation training follows the same principle, in encouraging freelancers to start their own companies. The PMB district will be the training hub for this year's initiative.

The 9 SMMEs selected for 2-22/23 incubation programme shot their company profiles in December 2022.

NQF Level 5 Learnership Programme

The programme began with 30 learners but only 28 learners completed the programme. At the beginning of the programme, there were learners with difficulty grasping the work, and concepts. However, they all did manage to catch -up. At the completion of the programme, only one learner had difficulties, but also managed to pull through.

Total participants	PDI	Male	Female	Youth	Disability
28	28	13	15	27	0

The Film Industry Transformation Initiative (FITI)

The Film Industry Transformation Initiative (FITI) is aimed at providing KZN graduates hands-on skills on set/location. While graduates have the knowledge about the industry when they leave university, they often lack technical skills and are therefore shut out of job opportunities. FITI closes that gap by giving graduates an intensive one-year on set/location workplace skills transfer where they work with production companies, and produce broadcast quality work. After a successful piloting of this programme, FITI launches with a dedicated training programme and manual this year.

The programme began with 26 graduates but 15 learners completed the programme. The programme started on 21 February 2018 and was completed on 31 May 2022. Challenges faced include graduates dropping out due to full-time employment and delays in securing suitable service providers.

Participants	PDI	MALE	FEMALE	YOUTH	DISABILITY
15	15	6	9	15	0

Train the Trainer and Assessor Training Programme

The facilitator training programme started on the 9th to 11th March 2022. Of the selected ten participants nine attended and one participant advised that he can no longer join the programme. He was then replaced by a female participant who joined the programme on 11th March 2022. Registers were signed and successfully saved on SharePoint.

The assessor training programme then started on 15th March 2022 with Mandla Mthembu Being the facilitator and the last day for the workshop was 17th March 2022. Attendance was great as all 10 participants were present and certificates of attendance were handed out.

Participants	PDI	Male	Female	Youth	Disability
10	10	3	7	9	0

Environmental Sustainability Training Programme

The Training started on the 12th March 2022 with Dr Troy Govender being the facilitator. The sessions were completed on 31st March 2022. Certificates of attendance were not signed on time due to the unavailability of the Chairperson. The training was done in three big productions in KZN: Uzalo, Imbewu and Durban Gen.

Participants	PDI	Male	Female	Youth	Disability
3	3	1	2	3	0

Scriptwriting Training Programme

The skill of scriptwriting is a fundamental skill in the audio visual industry and its for this reason that the KZNFC runs this skills programme annually, targeting individuals who have no or little experience. The skills programme is presented by Ayanda Halimani, a highly regarded scriptwriter and script editor in our industry, who is a consultant to Netflix.

The programme started on 28 May 2021 and was completed successfully with 23 out of the 25 participants. A small graduation ceremony was held on the final day of completion on 10 October 2021.

Participants	PDI	Male	Female	Youth	Disability
23	23	9	19	19	1

Strategic partnerships (MOUs)

These are partnerships established with service providers that can cater to the film industry with hopes of further incentivising the film industry of KZN. These companies vary from catering, transport, accommodation etc. On a yearly basis, MOU's are signed and shared with productions filming in the province of KZN, with hopes of empowering these companies with a film skillset.

There were four MOUs that KZNFC signed with key stakeholders, namely JellyFish Catering, Sigard Group a security company, The Riverside Hotel and lastly My Word Group a 100% black-owned film insurance company. These MOUs seek to ensure that filming costs in KZN remain reasonably low through discounts that the stakeholders would offer to filmmakers shooting in the Province.

Cluster

The Cluster is situated on the 10th and 11th floor of the KZNFC. The KZNFC Facilities and Locations Unit is charged with managing the Cluster (rentals) which constitutes the KZNFC facilities and venues such as office space, edit suites, sound studio, a 42-seater Cinema and a training room. The KZNFC cluster is home to a number of tenants who play a vital role in the film industry, by providing varying affordable rates and ensuring they run a professional business.

The KZN Cluster is home to nine (9) companies. These companies vary from production houses, photography, and legal to Animation Hub. Most of the current leases will expire in 2023, which is in line with the KZNFC's current lease agreement with Musgrave Centre Management. The space which is still available for rental is the sound studio fully equipped for post-production; an Edit suite with final cut 10 and premier pro; a 42 seater cinema for all screenings, a training room, and some office space rental all at discounted rates.

The Cluster is situated on the 10th and 1th floor of the KZNFC. The KZNFC Facilities and Locations Unit is charged with managing the cluster (rentals) which constitutes of the KZNFC facilities and venues such as office space, edit suites, sound studio, a 42 seater cinema and a training room. The KZNFC cluster is home to a number of tenants who play a role in the film industry, through providing varying affordable rates and ensuring they run a professional business.

A facilities rate card has been developed and updated through conducting market research on equipment and facility hiring companies. This is to gauge the industry trends. Rates obtained from that market research have been used to benchmark KZNFC rates in a manner that it becomes the cheapest amongst the industry rates. Once the market research is one, Provincial Treasury signs off on the rates to ensure due diligence is done in terms of showcasing support to the KZN Film Industry.

Approved Cluster rates are as follows:

Office No.	Description/ Size	Rate/Per Month		Parking
	11TH FLOOR	with 10 Gig internet		
2.	(7.5m2)	R874		R250
3.	(7.6m2)	R885		R250
4.	(7.3m2)	R850		R250
5.	(15m2)	R1 747		R250
6.	(11m2)	R1 281		R250
7.	(11m2)	R1 281		R250
No. of desks	**Description**	**Rate/month**	**Per Day**	
	10TH FLOOR	10 Gigs		
5	Resource centre	R396	R150	R250
8	Hot desks	R378	R150	R250
24	Open plan (The kingdom)	R611	R150	R250
	Equipment Room	R1 165		R250
	Makeup Room	R3 377		R250

Locations

In 2018 the KZNFC procured Mac Computers used for editing, equipped with editing software such as Final Cut and Adobe Premier Pro, to be utilized at Smart Exchange for filmmakers situated in the UGU district. Then further donated a Mac to assist in capacitating the demand of filmmakers in the area. This has proved to be a great initiative in providing support to filmmakers in the UGU District.

In February 2022, Smart Exchange launched a new space in KwaMashu, PINK District (Phoenix, Inanda, Ntuzuma and KwaMashu) with the aim of pursuing the same initiative like that of the one in the South Coast. The KZNFC donated two edit suites, to the Smart Exchange Pink Hub. This is with the aim of supporting and growing the film industry in the PINK district.

Fam tours:

The Locations & Facilities unit hosted the uBhethina Wethu crew for a fam tour around various locations within eThekwini. The Fam tour was to assist the production to secure filming locations for the 2nd season of uBhethina Wethu which airs on SABC1 on Monday to Wednesday

Thedza; The River:

Tshedza Pictures is a production company based in JHB that is currently shooting the Drama series "The River" which is doing really well on 1Magic. They have in the past partnered with Limpopo Tourism to film in the province and in 2021, the production came to KZN for 1 week to look at different locations within the province. This was done in partnership with TKZN and the KZNFC.

Ka Lefu Laka:

The unit also hosted Chiriseri Studios for a fam tour during the 21/22 financial year. The production company was looking for assistance to identify a suitable location for their dark comedy feature film, Kalifu Laka, which was developed with Multichoice and is set to broadcast with them.

PART C:
GOVERNANCE

KWAZULU-NATAL
FILM COMMISSION
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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 Economic Development, Tourism and Environmental Affairs Portfolio as well as the Finance Portfolio Committee and the Standing Committee on Public Accounts (SCOPA). KZNFC Board attended one meeting during the financial year at the invitation of the Finance Portfolio Committee.

Executive Authority

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

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 46

Risk Management

The risk management process undertaken during the year provided a strong foundation and focus for the executive team. It has significantly improved the strategic management and corporate governance of the entity. We believe that strategy, risk performance and sustainable service delivery are inseparable. Quality reviews are undertaken by EXCO and presented to the ARC in terms of quarterly progress made during the year in addressing the risks. A risk register is compiled at the beginning of the financial year. For the 2021/22 financial year, the following areas were identified as high risks areas:

a) Oversight structures not fully/ properly constituted in terms of numbers and relevance to core mandate.

The root causes for this risk has been identified as the following; lack of timeous appointment of Board members; resignations of Board members due to reduction of Board fees; Conflict of interest would restrict industry practitioners to serve as Board members and appointments of members not based on expertise.

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

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

d) In 2021/22 KZNFC employees continued to work remote. The Board approved the remote working policy during the financial year.

Internal Control

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

a) Interim and Annual Financial Statements Review

b) Supply Chain Management

c) Commercialisation marketing and customer service cycle

d) Location and Facility management

e) Performance Information

The Audit and Risk Committee (ARC)

The functions of the ARC are: -

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

The Audit and Risk Committee shall:

- Consider the effectiveness of the organisation's internal control system, including information technology security and control;
- Understand the scope of internal and external auditor's review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses;
- Review the effectiveness of the internal control systems;
- Review the control procedures followed by management;
- Review the controls designed to ensure that assets are safeguarded;

- Review the Fraud Prevention Plan implemented to prevent and detect fraud;
- Review risk management and related policies; and
- Review compliance with prescribed accounting framework.

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

Compliance with Laws and Regulations

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

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

Conflict of Interest

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

Code of Conduct

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

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

Health Safety and Environmental Issues

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

Refer to PART E under the Annual Financial Statements

PART D:

HUMAN RESOURCES MANAGEMENT

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Part D:
Human Resources Management

The 2021/22 financial year has been a fairly successful year from the Human Capital Development perspective. Despite the Covid 19 pandemic and the associated mental health challenges, employees did a sterling job of resiliently adapting to the new normal and operating within a hybrid system of working from home and from the office. The majority of HR activities were not virtually and proper prior planning had to be undertaken to ensure smooth and successful implementation.

The merger process with Tourism Kwazulu-Natal which was set for the 1st of April 2022 has been delayed, meaning that all fixed terms contract positions which were expiring on the 31st of March 2022, and those which were expiring during the 2022/23 financial year had to be readvertised and filled until the 31st of March 2023 – this being the envisaged date for the merger.

The cost of employment of (permanent and contract) staff members over the total budget stood at 37% at the end of the financial year. This stringent cost control has been achieved despite the significant increase and Marketing and Industry Development (MID) projects. Despite the moratorium on the filling of vacancies, the drive has been to operate optimally under the circumstances, and considerable effort was put in by employees to ensure that the targeted outcomes were met during the period under review. For the first time since the inception of KZNFC, the MID department was capacitated for the first time at the end of the period under review.

Employers need to make sure that their employees are skilled and are well equipped and relevant to deal with the constantly changing work environment. The Skills Development Policy aims to assist employees to enhance their skills so as to be effective and efficient in the day to day operations thus adding value to the achievement of the organisational strategy. Human Resources Skills Development Plans and programs for all job levels support the KZNFC strategy and these also flow from the KZNFC's Performance Management System, action plans, human resources planning process, as well as any other present and future training and development needs.

Twenty (20) out of twenty (20) approved training interventions for the past financial year were completed as of the 31st of March 2022 – this translates into a 100% completion rate. The entity rolled out a Leadership Development Intervention for C, D Band and Exco during the period under review. Delegates did enneagram and 360 degrees assessments to identify developmental needs and delegates were allocated coaches to assist them to address identified developmental needs.

A successful Change Management process was finalized during the period under review and the intervention covered, among others, the following:

- To strengthen the Culture and Lived-Values of the organization;
- To prepare the KZNFC Team to embrace the forthcoming Merger with Tourism Kwazulu-Natal;
- To support the KZNFC Team in adapting to, and embracing the new realities arising from the Covid pandemic;
- To support the KZNFC Team in addressing culture and leadership gaps highlighted in the 2019 and 2020 Staff culture survey;
- To support the Leaders and Unit Teams in all of the above and to promote a culture of openness, inclusivity and engagement - for high-performance and service delivery.

The entity has to sustain this initiation until the end of the 2022/23 financial year and the focus will be on "business partnering" - meaning that support teams (Finance, SCM, IT, Risk, Research, HR, Office of the CEO) have to ensure a seamless experience of the Commissions value-add and service offerings to MID – this being the core function of the entity. The Business Processes/Standard Operating Processes across the various departments have been revised and updated and cross-functional meetings will take place before the end of the incoming financial year between MID and the respective Support Functions to go through these Business Processes and to enhance overall business understanding and to foster better collaboration.

On the Wellness front, a workshop was facilitated by a medical practitioner to all staff on the pros and cons of Covid vaccination with the view to encourage staff to vaccinate. This is based on the rationale that employers have a right to protect employees and ensure the efficient operation of their businesses. The best approach is to encourage staff to vaccinate voluntarily and to disclose comorbidities. This has been communicated to staff and staff are disclosing comorbidities. Staff get given time off to go and vaccinate. The vaccination take-up is improving and more effort will be put going forward to encourage staff – especially the younger workforce, to vaccinate. Staff are continually encouraged to disclose their vaccination status. The entity has had thirteen (14) positive cases to date. Focus on Covid will be an ongoing process as the pandemic will be with us for years.

At all monthly Exco staff briefing sessions during the period under review, a psychologist from Life Health Solutions presented on topical mental health challenges and how to overcome these. These presentations have been well received by staff and have assisted staff members to cope with the difficult and challenging Covid era.

While the primary function of the quarterly performance management processes is to monitor employee performance to ensure that it is at acceptable levels, the system also aims to identify performance gaps that need to be addressed as well as to identify talent that can be developed. The right environment has to be created for an employee to develop and obtain feedback on performance and to identify opportunities for career advancement within the organisation. The development of common Key Performance Areas (KPA's) and objective weighting for all staff members has created objectivity in the process. The Performance Management policy has been reviewed and was approved by the Board in 2021 to cover all staff on a fixed-term contract of one (1) year or more. The performance assessment processes are now done on a quarterly basis as opposed to bi-annual in the past.

There were 13 interns during the period under review. Due to the inability to source funding from MICTSETA, the stipends for these interns were paid for by the Entity. The graduates were taken through a structured program with clearly defined outcomes. The focus was to ensure that the Mentors provide a stable and supportive environment for the growth of the interns. Interns attend various training programmes during the two-year cycles which includes work readiness, interview skills, work etiquette, support in obtaining drivers licenses. The internship program has been a success and two (2) Interns during the period under review were appointed into fixed contract positions.

Human Resource Oversight Statistics: Personnel Cost by programme

Programme/activity/ objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp per programme.	No. of employees	Average personnel cost per employee (R'000)
Office of CEO	9 808	8 003	82%	5	1 601
Marketing & Industry Development	55 191	15 860	29%	22	721
Finance & Administration	27 757	10 889	39%	15	726
TOTAL	**92 756**	**34 752**	**37%**	**42**	**827**

The total entity's personnel costs (permanent and fixed term staff) were 37% of the actual operating expenses for the year under review.

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Executive Management	8 169	24%	3	2 723
Senior Management	10 280	30%	8	1 285
Middle Management	9 722	28%	16	608
Junior Management	6 581	19%	15	439
TOTAL	**34 752**	**100%**	**42**	**827**

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

Employment and vacancies (As per the approved organogram)

Programme	No of approved positions	2021/22: No. of Employees	2021/22 Vacancies	% of vacancies
Office of CEO	6	4	2	33,33%
Marketing & Industry Development	17	10	6	41,18%
Finance & Administration	13	7	6	46,15%
Total	**36**	**21**	**15**	**41.67%**

Programme/activity/objective	No of approved positions	2021/22 No. of Employees	2021/22 Vacancies	% of vacancies
Executive Management	3	2	1	33%
Senior Management	8	7	1	12,50%
Middle Management	12	6	6	50,00%
Junior Management	13	6	7	53,85%
TOTAL	**36**	**21**	**15**	**41,67%**

The total vacancy rate as per the approved organogram, by occupational level was 41.67% for the year under review.

Employments Equity Statistics

The employment equity statistics as per the report submitted to the Department of Labour on the 15th January 2022 are as follows:

Equity Target and Employment Equity Status		
Males		
Category	Current	Target
African Male	14	0
Coloured Male	0	1
Indian Male	0	1
White Male	0	0
People living with disability	0	2
Total	**14**	**4**

Equity Target and Employment Equity Status		
Females		
Category	Current	Target
African Female	24	0
Coloured Female	2	1
Indian Female	1	1
White Female	1	1
People living with disability	0	2
Total	**28**	**5**

Internship Equity Target and Employment Equity Status				
Males			Females	
Category	Current	Target	Current	Target
African Female	4	0	8	0
Coloured Female	0	0	0	1
Indian Female	0	0	0	1
White Female	0	0	0	1
People living with disability	1	1	0	1
Total	**5**	**1**	**8**	**4**

The equity total includes all employees that were employed by the Entity as at 31st March 2022.

Terminations

Termination type	Number
Resignation	**6**
Total	**6**

Six resignations took place during the year.

Disciplinary action

Occupational category	Male				Female				Total
	African	Indian	Coloured	White	African	Indian	Coloured	White	
Executive Management	0	0	0	0	0	0	0	1	1
Senior Management	1	0	0	0	2	0	1	0	4
Middle Management	3	0	0	0	4	0	0	0	7
Junior management	0	0	0	0	3	0	0	0	3
Internships	0	0	0	0	0	0	0	0	0
Total	4	0	0	0	9	0	1	1	15

Fifteen (15) disciplinary warnings were issued during the financial year and all of them pertained to irregular, fruitless and wasteful expenditure.

Grievances lodged for period 1 April 2021 to 31 March 2022

	Number	% of Total
Number of grievances resolved	1	100%
Number of grievances pending	0	0
Total number of grievances	1	100%

Training provided for period 1 April 2021 to 31 March 2022

Occupational Categories	Gender		Number of employees	
	M	F		Skills programs
Top Management				
Executive Management	1	0	1	BBBEE Scorecard
Middle Management	2	2	4	Covid Training for the workplace
	1	0	1	Report Analysis
	1	2	3	Mentor Intern Training
	0	1	1	BBBEE Scorecard
Junior Management	2	1	3	Mentor Intern Training
	2	3	5	Covid Training for the workplace
	1	0	1	Excel Level 3
	1	0	1	Data Analysis
	1	0	1	Management and IT Governance
	2	0	2	SharePoint
	1	0	1	Tax legislation update
	1	1	2	Contracts and Performance Management

Occupational Categories	Gender		Number of employees	Skills programs
	M	F		
Internships	0	1	1	Basic Payroll
	0	1	1	Payroll Pro
	0	1	1	Leave Administration
	2	7	9	Excel Level 1
	3	2	5	Mentor Intern training
	1	0	1	Digital Marketing
	2	7	9	Excel Level 2
	0	1	1	Contracts and Performance Management
	3	2	5	Report writing
	2	7	9	Business Etiquette

PART E:

FINANCIAL INFORMATION

KWAZULU-NATAL FILM COMMISSION
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Report of the auditor-general to the KwaZulu-Natal Provincial Legislature on the 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 56 to 106 which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as 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 2022, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

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

4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matters

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

Financial sustainability – Rationalisation of entities

7. As disclosed in note 41 to the financial statements, the proposed merger between the KwaZulu-Natal Film Commission and the KwaZulu-Natal Tourism Authority is currently underway and it is anticipated to be completed by the 31st March 2023.

Investments in associates

8. As disclosed in note 9 to the financial statements, the recoverable amount of the investment in associates has been impaired by an amount of R2,45 million, resulting in a net balance of R12,55 million at year end.

Responsibilities of the accounting authority for the financial statements

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

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

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

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

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for Programme 3 - Marketing and industry development as presented on pages 1 to 5 in the entity's annual performance report for the year ended 31 March 2022.

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

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

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. The annual performance report on pages 23 to 38 includes information on the achievement of planned targets for the year and management's explanations provided for the under- and over-achievement of targets.

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 entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

Other information

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

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

24. 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.

25. The other information I obtained prior to the date of this auditor's report is the draft annual report which excludes the final Board members' report and the final Audit committee's report which is expected to be made available to the auditors after 31 July 2022.

26. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

27. When I do receive and read the final annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

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. I did not identify any significant deficiencies in internal control.

Auditor-General

Pietermaritzburg

29 July 2022

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

Communication with those charged with governance

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

4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To promote and market the province as a global destination for film production and facilitate the development of the industry through strategic initiatives.
Registered office	10th Floor, Musgrave Towers 115 Musgrave Road Durban 4001
Bankers	ABSA
Auditors	Auditor General of South Africa (AGSA) Registered Auditors

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

Board Members' Responsibilities and Approval

Section 55 (1) (a) of the Public Finance Management Act (Act 1 of 1999) requires the Board to maintain full and proper records of the financial affairs of the public entity. The Board, therefore is required to satisfy themselves that the content and integrity of the financial information presented in this report is of the acceptable standards. It is the responsibility of the Board members to ensure that the annual financial statements fairly present the state of affairs of the entity and the results of its operations and cash flows as at the end of 31 March 2022. 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 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 members to meet these responsibilities, the board of members sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The 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.

Notwithstanding the merger process between KZNFC and Tourism KwaZulu-Natal, the members have reviewed the entity's cash flow forecast for the year to March 31, 2023 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the entity for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the board of members are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

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 page X.

The annual financial statements set out on pages 5 to 51, which have been prepared on the going concern basis, were approved by the board of members on May 31, 2022 and were signed on its behalf by:

BM Malange
Chairperson

VO Senna
Acting Chief Executive Officer

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended March 31, 2022.

Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 77 of the 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 deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The Audit and Risk Committee is satisfied with the content and quality of 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.

Ngcobo

Chairperson of the Audit Committee

Date: 28.07.2022

Board Members' Report

The Board members submit their report for the year ended March 31, 2022.

1. Incorporation

The entity was incorporated on September 9, 2010. The KwaZulu-Natal Film Commission (KZNFC) commenced its operations on 01 October 2013.

2. Review of activities

Main business and operations

The entity is engaged in promoting and marketing the KwaZulu-Natal province as a global destination for film production. The entity operates principally in South Africa.

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

Net deficit of the entity as at 31 March 2022 was R 8,401,380 (2021: surplus R 13,932,845),

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 as at March 31, 2022, the entity had an accumulated surplus of R 71,167,620 and that the entity's total assets exceed its liabilities by R 71,167,620.

Notwithstanding the anticipated merger of KZNFC and Tourism KwaZulu-Natal as communicated by the Shareholder, 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 is not aware of any matters or circumstances aring since the end of the financial year.

5. Board members' interest in contracts

Board Members are required to declare any conflict of interest during the meetings. As at 31 March 2022, there was no conflict of interest recorded for the period under review.

6. Accounting policies

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

Board Members' Report

7. Board members

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

Name	Nationality	Date of appointment	Date of resignation
BM Malange	Chairperson (1 December 2019)	February 1, 2013	
L Berning	Human Resources and Social Ethics Committee Chairperson	February 1, 2013	
M Mzimela	Audit and Risk Committee Chairperson	February 1, 2013	
N Mthembu	Member	February 1, 2013	
CL Coetzee	Executive Member	October 1, 2013	Thursday, March 31, 2022
John Wills	Deputy Chairperson	July 8, 2021	
VO Senna	Acting Chief Executive Officer	April 1, 2022	
Sanele Zondi	Member	August 1, 2021	
Linda Ngcobo	Member	August 8, 2021	
Executive management			
CL Coetzee	Chief Executive Officer	01 October 2013	Thursday, March 31, 2022
VO Senna	Chief Financial Officer	01 December 2020	
JM Motsepe	Chief Operations Officer	01 February 2014	

8. Secretary

The company secretary was Aneesa Ahmed from April 2021 to December 2021.
There was no secetary from January 2022 to March 2022.

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.

10. Bankers

ABSA Limited

11. Auditors

Auditor General of South Africa (AGSA).

Statement of Financial Position as at March 31, 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Operating lease asset	10	151,255	-
Receivables from exchange transactions	3	443,699	822,146
Receivables from non-exchange transactions	4	236	331
Cash and cash equivalents	5	60,919,514	66,574,392
Prepayments	6	279,287	321,257
		61,793,991	**67,718,126**
Non-Current Assets			
Property, plant and equipment	7	1,698,009	1,942,216
Intangible assets	8	75,482	221,434
Investments in associates	9	12,548,102	15,000,000
		14,321,593	**17,163,650**
Non-Current Assets		14,321,593	17,163,650
Current Assets		61,793,991	67,718,126
Total Assets		**76,115,584**	**84,881,776**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	2,803,261	2,824,587
Payables from non-exchange transactions	13	42,764	35,407
VAT payable		-	107,569
Provisions	11	2,101,939	2,345,213
		4,947,964	**5,312,776**
Non-Current Liabilities		-	-
Current Liabilities		4,947,964	5,312,776
Total Liabilities		**4,947,964**	**5,312,776**
Assets		76,115,584	84,881,776
Liabilities		(4,947,964)	(5,312,776)
Net Assets		**71,167,620**	**79,569,000**
Accumulated surplus		71,167,620	79,569,000

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	15	24,859	7,104
Rental of facilities and equipment	16	197,544	141,830
Interest received - investment	17	1,958,153	1,953,336
Other income	18	1,605,502	2,437,309
Total revenue from exchange transactions		**3,786,058**	**4,539,579**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	19	84,082,000	83,548,000
		3,786,058	4,539,579
		84,082,000	83,548,000
Total revenue	14	**87,868,058**	**88,087,579**
Expenditure			
Board and committee members costs	20	(1,176,528)	(1,037,317)
Employee related costs	21	(34,897,725)	(26,404,527)
Finance costs	22	-	(2,562)
Marketing and projects	23	(3,278,637)	(6,372,367)
Depreciation and amortisation	24	(1,373,058)	(1,960,091)
Operating expenses	25	(15,638,175)	(13,531,314)
Audit fees	27	(1,239,596)	(916,470)
Production and development costs	28	(35,276,843)	(23,293,603)
Bad debts written off		(31,042)	(31,703)
Research and development	29	(584,898)	(570,117)
Total expenditure		**(93,496,502)**	**(74,120,071)**
		-	-
Total revenue		87,868,058	88,087,579
Total expenditure		(93,496,502)	(74,120,071)
Operating (deficit) surplus		**(5,628,444)**	**13,967,508**
Loss on disposal of assets and liabilities	7	(321,038)	(34,663)
Impairment loss	26	(2,451,898)	-
		(2,772,936)	**(34,663)**
Operating surplus/deficit		(2,772,936)	(34,663)
(Deficit) surplus before taxation		(8,401,380)	13,932,845
Taxation		-	-
(Deficit) surplus for the year		**(8,401,380)**	**13,932,845**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	65,737,808	65,737,808
Adjustments		
Correction of errors	(101,651)	(101,651)
Balance at April 1, 2020 as restated*	**65,636,155**	**65,636,155**
Changes in net assets		
Surplus for the year	13,932,845	13,932,845
Total changes	13,932,845	13,932,845
Restated* Balance at April 1, 2021	**79,569,000**	**79,569,000**
Changes in net assets		
Deficit for the year	(8,401,380)	(8,401,380)
Total changes	(8,401,380)	(8,401,380)
Balance at March 31, 2022	**71,167,620**	**71,167,620**

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Grants		84,082,000	83,548,000
Interest received - investment		1,958,153	1,953,336
Other receipts		2,206,447	2,160,584
		88,246,600	87,661,920
Payments			
Employee costs		(32,803,143)	(24,178,612)
Finance costs		-	(2,562)
Other payments		(59,794,397)	(46,154,639)
		(92,597,540)	(70,335,813)
Total receipts		88,246,600	87,661,920
Total payments		(92,597,540)	(70,335,813)
Net cash flows from operating activities	30	**(4,350,940)**	**17,326,107**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1,303,938)	(600,263)
Proceeds from sale of property, plant and equipment	7	-	-
Net cash flows from investing activities		**(1,303,938)**	**(600,263)**
Net increase/(decrease) in cash and cash equivalents		**(5,654,878)**	**16,725,844**
Cash and cash equivalents at the beginning of the year		66,574,392	49,848,548
Cash and cash equivalents at the end of the year	5	**60,919,514**	**66,574,392**

* See Note 40

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	-	-	**-**	24,859	**24,859**	42.1
Rental of facilities and equipment	-	268,032	**268,032**	197,544	**(70,488)**	42.2
Other income	-	892,632	**892,632**	1,605,502	**712,870**	42.3
Interest received - investment	-	1,920,000	**1,920,000**	1,958,153	**38,153**	42.4
Total revenue from exchange transactions	**-**	**3,080,664**	**3,080,664**	**3,786,058**	**705,394**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	81,082,000	3,000,000	**84,082,000**	84,082,000	**-**	42.5
Roll Over funds 2020/21	-	66,574,392	**66,574,392**	-	**(66,574,392)**	
Total revenue from non-exchange transactions	**81,082,000**	**69,574,392**	**150,656,392**	**84,082,000**	**(66,574,392)**	
'Total revenue from exchange transactions'	-	3,080,664	**3,080,664**	3,786,058	**705,394**	
'Total revenue from non-exchange transactions'	81,082,000	69,574,392	**150,656,392**	84,082,000	**(66,574,392)**	
Total revenue	**81,082,000**	**72,655,056**	**153,737,056**	**87,868,058**	**(65,868,998)**	
Expenditure						
Employee related costs	(26,024,881)	(8,793,688)	**(34,818,569)**	(34,897,725)	**(79,156)**	42.6
Board and committee members costs	(1,484,741)	-	**(1,484,741)**	(1,176,528)	**308,213**	42.7
Marketing and projects	(12,758,900)	(1,656,431)	**(14,415,331)**	(3,278,637)	**11,136,694**	42.8
Audit fees	(1,258,128)	(215,011)	**(1,473,139)**	(1,239,596)	**233,543**	42.9
Depreciation and amortisation	-	-	**-**	(1,373,058)	**(1,373,058)**	42.10
Finance costs	-	-	**-**	-	**-**	42.11
Research and development	(870,000)	(98,532)	**(968,532)**	(584,898)	**383,634**	42.12
Repairs and maintenence	(463,500)	(197,174)	**(660,674)**	(667,955)	**(7,281)**	42.13
Production and development costs	(20,034,418)	(58,044,127)	**(78,078,545)**	(35,276,843)	**42,801,702**	42.14
Operating expenses	(17,287,432)	(827,460)	**(18,114,892)**	(14,970,220)	**3,144,672**	42.15
bad debts	-	-	**-**	(31,042)	**(31,042)**	42.16
Total expenditure	**(80,182,000)**	**(69,832,423)**	**(150,014,423)**	**(93,496,502)**	**56,517,921**	
	81,082,000	72,655,056	**153,737,056**	87,868,058	**(65,868,998)**	
	(80,182,000)	(69,832,423)	**(150,014,423)**	(93,496,502)	**56,517,921**	
Operating deficit	**900,000**	**2,822,633**	**3,722,633**	**(5,628,444)**	**(9,351,077)**	
Loss on disposal of assets and liabilities	-	-	**-**	(321,038)	**(321,038)**	
Fair value adjustments	-	-	**-**	(2,451,898)	**(2,451,898)**	
	-	**-**	**-**	**(2,772,936)**	**(2,772,936)**	
	900,000	2,822,633	**3,722,633**	(5,628,444)	**(9,351,077)**	

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
	-	-	**-**	(2,772,936)	**(2,772,936)**	
Surplus before taxation	900,000	2,822,633	**3,722,633**	(8,401,380)	**(12,124,013)**	
Taxation	-	-	**-**	-	**-**	
Deficit for the year from continuing operations	**900,000**	**2,822,633**	**3,722,633**	**(8,401,380)**	**(12,124,013)**	
Capex	(900,000)	(632,304)	**(1,532,304)**	(1,303,939)	**228,365**	42.17
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**2,190,329**	**2,190,329**	**(9,705,319)**	**(11,895,648)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Comparative figures

Current year comparatives (Budget)

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

Prior year comparatives

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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.

Allowance for doubtful debts

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

Depreciation and amortisation

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

Estimates

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

Impairments of non-financial assets

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

1.5 Property, plant and equipment

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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 - 10 years
Office equipment	Straight line	5 - 9 years
IT equipment	Straight line	3 - 7 years
Leasehold improvements	Straight line	5 years and 3 months (lease period)
Production and development equipment	Straight line	3 - 7 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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

Accounting Policies

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.

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 - 7 years

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

1.7 Investments in associates

An investment in an associate is carried at cost as per GRAP 36.

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

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

Definition

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

Significant influence

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

Initial recognition

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

Subsequent

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

Impairment

The entire carrying amount of an investment is tested for impairment in accordance with the Standards of GRAP on Impairment of Cash-generating Assets (GRAP 26) or Impairment of Non-cash-generating Assets (GRAP 21) for impairment as a single amount, by comparing its recoverable amount or recoverable service amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of the requirements in GRAP 104 indicates that the investment may be impaired.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.

1.8 Financial instruments

Initial recognition and measurement

Accounting Policies

1.8 Financial instruments (continued)

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.

Derecognition

These financial assets are classified as loans and receivables.

A financial asset is derecognised at trade date, when:

Accounting Policies

1.8 Financial instruments (continued)

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

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.

Accounting Policies

1.9 Statutory receivables

Identification

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

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

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

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

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

1.10 Leases

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

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

Finance leases - lessee

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The entity does not enter into finance leases that attract finance charges.

Operating leases - lessee

Operating lease payments are recognised as lease expense on a straight-line basis over the lease term.

Operating lease commitments disclosure includes a contingent rental.

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

Useful life is either:

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

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

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the entity designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

1.11 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

1.12 Share capital / contributed capital

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

1.13 Prepayments

The entity recognises an asset if it has prepaid an expense, but does not yet have a present obligation to pay that expenditure.

1.14 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 of the financial year. Therefore, short-term employee benefits include remuneration, compensated absences and bonuses.

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

Defined contribution plans

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.

Accounting Policies

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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 32.

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

Accounting Policies

1.15 Provisions and contingencies (continued)

- 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.

1.16 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.

1.17 Revenue from exchange transactions

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

An exchange transaction is one in which the entity 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.

Interest, royalties and dividends

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

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

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

1.18 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.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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.

1.19 Turnover

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

1.20 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.

1.21 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.

1.22 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.

Accounting Policies

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

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.

1.24 Research and development expenditure

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

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

1.25 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 01/04/2021 to 31/03/2022.

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

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

Accounting Policies

1.26 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.

1.27 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.

1.28 Surplus and Deficit

Gains and losses

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

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

Accounting Policies

1.29 Recovery of Unauthorised, Irregular, Fruitless and Wasteful expenditure

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	April 1, 2021	The impact of the Standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after April 1, 2022 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date.

3. Receivables from exchange transactions

	2022	2021
Customer Control Account	228,717	602,605
Debtors with credit balances	19,506	1,524
Sundry Debtors	195,476	218,017
	443,699	**822,146**
Non-current assets	-	-
Current assets	443,699	822,146
	443,699	**822,146**

Customer control account

- MICT SETA funding Learnership programme receivable of R248,220.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Receivables from exchange transactions (continued)

Sundry debtors

- The amount of R195,476.06 relates to interest earned on the investment bank balance for the period uder review.

4. Receivables from non-exchange transactions

Pay-As-You-Earn (PAYE)	236	331

The amount of R236 relates to employee tax deduction which has been reconciled as at 31 March 2022, where a credit is due to the organisation.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	123	2,297
Bank balances	506,725	481,088
Call account	60,412,666	66,091,007
	60,919,514	**66,574,392**

6. Prepayments

Prepayments	279,287	321,257

Subscription and services	-	3,143
Rentals	175,477	302,029
IT cost	-	16,085
Insurance	103,810	-
	279,287	**321,257**

The prepayments relate to:

Rentals of R175,477 for the month of April 2022 and insurance of R103,810.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

7. Property, plant and equipment

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Furniture and fixtures	1,697,984	(1,303,765)	394,219	4,104,218	(3,043,023)	1,061,195
Office equipment	490,378	(288,156)	202,222	463,978	(219,940)	244,038
IT equipment	2,751,813	(2,179,471)	572,342	2,659,441	(2,189,782)	469,659
Leasehold improvements	1,146,746	(639,509)	507,237	3,598,991	(3,560,520)	38,471
Production and development equipment	1,591,555	(1,569,566)	21,989	1,883,108	(1,754,255)	128,853
Total	**7,678,476**	**(5,980,467)**	**1,698,009**	**12,709,736**	**(10,767,520)**	**1,942,216**

Reconciliation of property, plant and equipment - 31 March 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1,061,195	246,213	(296,270)	(616,919)	394,219
Office equipment	244,038	35,000	-	(76,816)	202,222
IT equipment	469,659	459,128	(22,933)	(333,512)	572,342
Leasehold improvements	38,471	563,597	-	(94,831)	507,237
Production and development equipment	128,853	-	(1,835)	(105,029)	21,989
	1,942,216	**1,303,938**	**(321,038)**	**(1,227,107)**	**1,698,009**

Reconciliation of property, plant and equipment - 31 March 2021

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Furniture and fixtures	1,693,844	-	(1,966)	12,450	(643,133)	1,061,195
Office equipment	126,926	194,882	(6,634)	7,944	(79,079)	244,038
IT equipment	347,283	405,381	(181)	(28,968)	(253,856)	469,659
Leasehold improvements	714,927	-	-	108,553	(785,009)	38,471
Production and development equipment	260,753	-	(15,749)	(76,938)	(39,213)	128,853
	3,143,733	**600,263**	**(24,530)**	**23,041**	**(1,800,290)**	**1,942,216**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

8. Intangible assets

	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	2,005,955	(1,930,473)	75,482	2,005,955	(1,784,521)	221,434

Reconciliation of intangible assets - 31 March 2022

	Opening balance	**Amortisation**	**Total**
Computer software, other	221,434	(145,952)	75,482

Reconciliation of intangible assets - 31 March 2021

	Opening balance	**Disposals**	**Other changes, movements**	**Amortisation**	**Total**
Computer software, other	414,412	(10,132)	79,923	(262,769)	221,434

9. Investments in associates

Name of entity	**Listed / Unlisted**	**% holding 2022**	**% holding 2021**	**Carrying amount 2022**	**Carrying amount 2021**	**Fair value 2022**	**Fair value 2021**
KZN Studios		10.00 %	10.00 %	12,548,102	15,000,000	12,548,102	15,000,000
				12,548,102	15,000,000	12,548,102	15,000,000

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

In terms of (GRAP 36.06), an Associate is an entity, including an incorporated entity such as a partnership over which the investor has significant influence and that it is neither a controlled entity nor an interest in a joint venture.

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

(GRAP 36.08 & 09) states that if an investor holds directly or indirectly 20% or more of the voting power over the investee, it is presumed that the investor has significant influence unless it can be clearly demonstrated that this is not the case.

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

The existence of significant influence is usually evidenced by one or more of the following ways: (GRAP 36.10)

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

9. Investments in associates (continued)

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

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

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

The framework agreement which governs the relationship further provides that:

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

- Yearly contributions for the phases of the project

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

- KZNFC is party to establishing all governance matters

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

The asset is impaired based on the advise of National Treasury to impair the asset to the value of the recoverable amount as per the latest bank statements.

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Movements in carrying value

	2022	2021
Opening balance	15,000,000	15,000,000
Impairment loss (note 26)	(2,451,898)	-
	12,548,102	**15,000,000**

Investment in associate at March 31, 2022 of R 12,548,102 (2021: R 15,000,000).

10. Operating lease asset (accrual)

	2022	2021
Current assets	151,255	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

11. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Other provisions	2,345,213	2,101,939	(2,345,213)	2,101,939

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Other provisions	-	2,345,213	2,345,213

The provision relates to accounting for bonus provision for the period April 2021 to March 2022 for qualifying employees.

12. Payables from exchange transactions

	2022	2021
Trade payables	1,743,663	930,162
Accrued expenses	-	1,183,985
Leave pay provision	836,888	708,916
GRV accrual account	203,204	-
Debtors with credit balances	19,506	1,524
	2,803,261	**2,824,587**

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

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

	2022	2021
30 days	1,512,629	895,048
30-60 days	231,036	34,119
60-90 days	-	995
	1,743,665	**930,162**

13. Payables from non exchange transactions

	2022	2021
Medical Aid	42,764	35,407

Medical Aid

The medical aid is deducted in arrears, which will be paid in April 2022.

14. Revenue

	2022	2021
Rendering of services	24,859	7,104
Rental of facilities and equipment	197,544	141,830
Other income	1,605,502	2,437,309
Interest received - investment	1,958,153	1,953,336
Government grants & subsidies	84,082,000	83,548,000
	87,868,058	**88,087,579**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	24,859	7,104
Rental of facilities and equipment	197,544	141,830
Other income	1,605,502	2,437,309
Interest received - investment	1,958,153	1,953,336
	3,786,058	**4,539,579**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Transfer revenue		
Government grants & subsidies	84,082,000	83,548,000

15. Rendering of services

Services Rendered - KZN Film Cluster	24,859	7,104

Services Rendered

The amount of R24,859 relates to income generated from KZN Film Cluster tenants for parking services.

16. Rental of facilities and equipment

Rental of office space	196,694	136,093
Rental of equipment	850	5,737
	197,544	**141,830**

Rental Income

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

17. Interest received- investment

Interest revenue		
Interest on call account	1,958,153	1,953,336
	-	-
	1,958,153	1,953,336
	1,958,153	**1,953,336**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Other income

Tender receipts	-	600
Production and development recoveries/ recoupments	1,222,449	3,128
Recoveries and Staff debt	66,972	97,841
National Film and Video Foundation	-	900,000
Funds- MICT Seta Learnership	316,081	1,435,740
	1,605,502	**2,437,309**

The other income relates to

- The amount of R66,972 relates to staff debt recoveries and sale of old assets to staff.

- The amount of R1,222,449 relates to film production funds not utilised.

- The amount of R316,081 relates to MICT Seta contribution to the Learnership programme.

19. Government grants and subsidies

Operating grants		
Income from EDTEA	81,082,000	78,358,000
Special grant	3,000,000	5,190,000
Total grants released	**84,082,000**	**83,548,000**
	84,082,000	83,548,000
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

20. Board and committee members costs

31 March 2022

	Emoluments	Committees fees	Total
BM Malange	351,457	13,844	365,301
M Mzimela	164,935	70,293	235,228
L Berning	130,893	40,616	171,509
J Wills- Deputy Chair	157,275	-	157,275
S Zondi	66,369	17,491	83,860
* D Ramuedzisi	-	39,364	39,364
* K Simelane	-	13,844	13,844
L Ngcobo	87,297	22,850	110,147
	958,226	**218,302**	**1,176,528**

31 March 2020

	Emoluments	Committees fees	Other payments	Total
BM Malange	323,212	49,111	-	372,323
M Mzimela	198,954	135,763	42,463	377,180
L Berning	98,089	99,109	-	197,198
D Ndlovu	17,714	9,841	-	27,555
* D Ramuedzisi	-	42,295	-	42,295
* K Simelane	-	20,766	-	20,766
	637,969	**356,885**	**42,463**	**1,037,317**

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

21. Employee related costs

Executive Management	Designation	2022	2021
CL Coetzee	Chief Executive Officer	3,893,495	3,176,576
NC Thanjekwayo	Acting Chief Financial Officer	-	1,083,718
JM Motsepe	Chief Operations Officer	2,845,922	2,291,640
VO Senna (December 2020)	Chief Financial Officer	1,868,869	535,515
		8,608,286	**7,087,449**

31 March 2022	Salary	Cellphone Reimbursements	Employer Contributions	Performance Bonus	Total
CL Coetzee	2,984,045	67,200	421,308	420,942	3,893,495
VO Senna	1,506,198	31,200	215,576	115,895	1,868,869
JM Motsepe	2,210,709	31,200	322,347	281,666	2,845,922
	6,700,952	**129,600**	**959,231**	**818,503**	**8,608,286**

31 March 2021	Salary	Cellphone Reimbursements	Employer Contributions	Performance Bonus	Total
CL Coetzee	2,830,441	67,200	74,299	204,636	3,176,576
NC Thanjekwayo	919,614	20,800	26,173	117,131	1,083,718
VO Senna	509,385	10,400	15,730	-	535,515
JM Motsepe	2,078,065	31,200	54,402	127,973	2,291,640
	6,337,505	**129,600**	**170,604**	**449,740**	**7,087,449**

Non Executive Employee Costs	2022	2021
Cost of employment	20,345,342	17,404,291
Performance bonus	3,142,053	913,169
Company contribution	2,158,827	549,586
Cellphone reimbursements	428,500	307,200
Contractors from agencies	86,744	60,054
Leave expense	127,972	82,778
	26,289,438	**19,317,078**
Total employee related costs	34,897,725	26,404,527

Termination benefit

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 5% 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).

Performance bonus

Performance bonuses paid were in relation to 2020/21 financial year and only paid out in December 2021.

	2022	2021
Defined provident fund contribution plan	**3,059,813**	**2,359,010**

22. Finance costs

	2022	2021
Interest paid	-	2,562

Interest paid related to interest and penalties charged by SARS for late payment of PAYE.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

23. Marketing and Projects

Marketing and Projects	3,278,637	6,372,367
Advertising and promotion	600,433	400,252
Branding and marketing	1,283,452	831,719
Familiarisation tours	145,546	60,077
Locations and facilities	376,830	169,518
Simon Mabhunu Sabela - film awards	66,700	3,630,801
Durban International Film Festiva	-	400,000
Special projects - film festivals	805,676	640,000
Special projects - audience development	-	240,000

24. Depreciation and amortisation

Furniture and fixtures	616,919	630,682
IT equipment	333,512	282,823
Office equipment	76,816	71,134
Production and development equipment	105,029	116,151
Leasehold improvements	94,831	676,456
Computer software	145,952	182,845
	1,373,059	**1,960,091**

25. Operating expenses

Advertising	86,649	4,287
Bank charges	40,025	40,794
Cleaning	339,910	617,672
Corporate social initiatives	200,000	213,840
Consulting and professional fees	1,236,777	1,221,931
Hire	83	-
Insurance	149,049	341,818
IT expenses	3,792,563	2,617,249
File management	133,043	76,126
Postage and courier	138	1,629
Printing and stationery	104,743	97,843
Repairs and maintenance	667,955	422,308
Security	499,337	683,637
Subscriptions and membership fees	78,192	86,005
Telephone and fax	97,755	370,944
Training	1,092,718	546,655
Travel	1,511,982	568,665
Non capitalised equipment	15,456	25,238
Electricity	479,443	755,808
Water	363,241	221,205
Recruitment costs	369,945	771,278
Internship programme	883,903	554,569
Lease rentals on operating lease	3,396,877	3,243,406
Employee wellness	95,688	46,214
Other expenses	2,703	2,193
	15,638,175	**13,531,314**

26. Impairment

Investment in associates	(2,451,898)	-

The asset is impaired based on the advise of National Treasury to impair the asset to the value of the recoverable amount as per the latest bank statements.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Audit fees

External audit fees	1,024,340	641,428
Internal audit fees	215,256	275,042
	1,239,596	**916,470**

28. Production and development costs

Film production		
Film production	26,186,489	17,260,279

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

Human Capital Development Projects Costs		
SMME programme and incubation	-	750,850
FITI Project	1,423,595	1,928,758
Stakeholder engagement programmes	1,609	5,600
Bursaries	1,172,946	468,344
Skills development	4,140,269	1,902,230
MICT Seta Learnership	1,632,131	977,540
Covid-19 Relief Fund	115,974	-
(EDTEA - Special Projects - Production and Developments)	603,830	-
	9,090,354	**6,033,322**

Film production	26,186,489	17,260,279
Human Capital Development projects	9,090,354	6,033,322
Total production and development cost	**35,276,843**	**23,293,601**

29. Research and development

Film industry research	584,898	570,117

30. Cash (used in) generated from operations

(Deficit) surplus	(8,401,380)	13,932,845
Adjustments for:		
Depreciation and amortisation	1,373,058	1,960,091
Profil/Loss on assets and liabilities	321,038	34,663
Fair value adjustments	2,451,898	-
Bad debts written off	31,042	31,703
Movements in operating lease assets and accruals	(151,255)	(411,822)
Movements in provisions	(243,274)	2,345,214
Changes in working capital:		
Receivables from exchange transactions	347,404	(502,547)
Receivables from non-exchange transactions	95	45,188
Prepayments	41,970	300,087
Payables from exchange transactions	(21,324)	(408,327)
VAT	(107,569)	5,917
Payables from non exchange transactions	7,357	(6,905)
	(4,350,940)	**17,326,107**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

31. 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.

	2022	2021
Cash and cash equivalent	60,919,514	66,574,392
Prepayments	279,287	321,257
Sundry debtors	195,476	218,348
Receivables from exchange transactions (cluster rentals)	-	17,410
Receivables from exchange transactions (production funding)	443,935	586,720
	61,838,212	**67,718,127**

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.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

31. 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	**2022**	**2021**
Cash and bank balances	60,919,514	66,574,392

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 2022.

	2022		2021	
Surplus or deficit	100 bp Increase	100 pb Decrease	100 bp Increase	100 bp Decrease
Surplus or deficit	(41,844)	41,844	665,744	(665,744)

Currency risk

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

Price risk

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

32. Contingencies

The entity has reviewed the contingent liabilities as at 31 March 2022, and there were no significant matters or legal cases that the entity was aware of.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

33. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	228,717	-	228,717
Other receivables from non-exchange transactions	195,712	-	195,712
Cash and cash equivalents	-	60,919,514	60,919,514
Prepayment	279,287	-	279,287
	703,716	**60,919,514**	**61,623,230**

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	222,710	836,888	1,743,663	2,803,261
Taxes and transfers payable (non-exchange)	-	-	42,764	42,764
Provision	-	-	2,101,939	2,101,939
	222,710	**836,888**	**3,888,366**	**4,947,964**

2021

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	604,130	-	604,130
Other receivables from non-exchange transactions	218,348	-	218,348
Cash and cash equivalents	-	66,574,392	66,574,392
Prepayment	321,257	-	321,257
	1,143,735	**66,574,392**	**67,718,127**

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	930,162	708,916	1,185,510	2,824,588
Taxes and transfers payable (non-exchange)	-	-	35,407	35,407
Provisions	-	-	2,345,213	2,345,213
	930,162	**708,916**	**3,566,130**	**5,205,208**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

34. Related parties

Relationships

Members od key management	C.L Coetzee VO Senna J.M Motsepe
Board Members	BM Malange M Mzimela L Berning L Madlala John Wills- Deputy Chair Sanele Zondi- Board member Linda Ngcobo- Board member Independent Committee Members KP Simelani D Ramuedzisi

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

Related party balances

	2022	2021
Investment in Associates		
KZN Studio (Pty) Ltd	12,548,102	15,000,000

The investment has been impared to reflect the lastest bank statements based on advise from the National Treasury.

Related party transactions

	2022	2021
Total Grants Received for the year		
Income from EDTEA	81,082,000	78,358,000
Special grant	3,000,000	5,190,000
Compensation to Members and Key Management		
Key management remuneration	8,608,286	6,231,002
Board and Committee member`s fees	1,176,528	953,051

35. Fruitless and wasteful expenditure

	2022	2021
Fruitless and wasteful expenditure - opening balance	110,191	97,841
Fruitless and wasteful expenditure - operating expenses	27,114	12,349
	-	-
	137,305	110,191
Fruitless and wasteful expenditure - Amount recovered	(42,400)	-
Fruitless and wasteful expenditure - Amount written off	(51,510)	-
	43,395	**110,191**

The opening balance on fruitless and wasteful expenditure relate

The revised opening balance of R110,191 relates to Fruitless and Wasteful expenditure incurred during prior financial periods which was not finalised/resolved at year end.

The current period under review fruitless and wasteful expenditure

- An amount of R8,057 relates to consumable procured and not used until they expired- no value enjoyed by the entity.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

35. Fruitless and wasteful expenditure (continued)

- An amount of R22,895.71 relates to HR processes not followed in appoitment of Anna Sarah Firmin.

- An amount of R1,120 relates to paying above the listed pricing list for some Covid-19 Items.

- An amount of R3,092.22 relates to tickect bought not used to attend Annecy Festival by Mr Dlamini and Jackie Motsepe.

Recoveries for the current year

- An amount of R41,000 for advert published before the funds were confirmed by PT for the KZN Studios.

- An amount of R1,400 for purchased items that were disposed due to items expiring (Snacks, juices and cool drinks)

Write offs for the current year

- An amount of R51,510 was written off relating to advert published before the funds were confirmed by PT for the KZN Studios.

36. Irregular expenditure

	2022	2021
Opening balance	17,974,656	16,819,387
Add: Irregular Expenditure - current year	157,947	765,269
Less: Amounts condoned	(1,349,078)	-
Irregular expenditure incurred in prior year but identified in current year	56,730	390,000
	16,840,255	**17,974,656**

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The opening balance on irregular expenditure
The revised opening balance of R17,974,656.08 relates to irregular expenditure incurred during prior financial periods which was not finalised/resolved at year end.

Current period - 2021/22 irregular expenditure

An amount of R92,765.2 was for SCM process was not followed in procuring IT services.

An amount of R65,182.2 was for SCM process not followed in procuring internal audit services..

An Amount of R56,729.97 was for SCM process not followed in procuring the services for file maintanance.

37. Funds to be surrendered

	2022	2021
Cash and cash equivalent	60,919,514	66,574,394
Creditors and accruals	(4,947,964)	(5,205,206)
Projects to be completed	(55,971,550)	(61,369,188)
	-	-

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.

Figures in Rand	2022	2021

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	203,430	246,214
Total capital commitments		
Already contracted for but not provided for	203,430	246,214

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

39. Operating lease

Minimum lease payments 2022

	</= 1 year	>1 -5 years
Broll - Rental of property for office space	1,890,862	-
Konica Minoits - Rentals Copier 10th floor (ends 30 September 2022)	13,156	-
Broll - Rental of property for office space	17,542	-
	-	-
	1,921,560	**-**

Minimum lease payments 2021

	</= 1 year	>1 -5 years
Broll - Rental of property for office space (ends April 2021)	272,131	-
Konica Minoits - Rentals Copier 10th floor (ends 30 September 2022)	26,313	13,156
Broll - Rental of property for office space (ends April 2021)	26,313	17,542
Konica Minoits - Rentals Copier 13th floor (ends 30 April 2021)	4,081	-
	328,838	**30,698**

40. Prior period errors

Vat on imported services

An error occurred during the previous financial year on subscription on imported services.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	**31 March 2021**	**1 April 2020**
Vat payable	(5,918)	(101,651)

Statement of financial performance	**31 March 2021**	**1 April 2020**
Subcriptions	5,918	101,651

Fruitless and wasteful expenditure

Opening balance	102,135	-
Adjustments made	8,056	-
Restated opening balance	**110,191**	**-**

Adjustment made to opening balance of fruitless and wasteful expenditure is due to correction made to amount of R8,056.84 which was ommitted in the prior year

41. Going concern

We draw attention to the fact that at March 31, 2022, the entity had an accumulated surplus of R 71,167,620 and that the entity's total assets exceed its liabilities by R 71,167,620.

Notes to the Annual Financial Statements

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41. Going concern (continued)

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 2022 and, in the light of this review and the funding commitment by the Department of Economic Development Tourism & Environmental Affairs, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The proposed merger of KZNFC and TKZN is currently underway and is anticipated to be completed by 31 March 2023. Funding has nevertheless been approved for the KZNFC ongoing operations for the MTEF period.

42. Events after the reporting date

No events after the reporting date that management is aware of.

Notes to the Annual Financial Statements

Figures in Rand

43. 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.

42.1 **Rendering of services** -No material variance.

42.2 **Rental of facilities and equipment** - Under receipting in rental of facilities is due to the decrease in anticipated or planned demand of KZNFC cluster due to Covid-19 impact resulting in business not being able to afford rentals

42.3 **Other income** Included in the other income is MICT Seta - NQF Level 5 and NFVF - Made for TV Quality Boost. These planned incomes were not received as planned pending achievement of milestones on respective projects. These will be invoiced in the 2022/23 financial year.

Other Income was unforeseen at the time of the budget thus the KZNFC had not budgeted for it. These includes funds recouped from insurance claims, various production projects and fees earned from sale of tender documents.

42.4 **Interest received- investment** - No material variance.

42.5 **Government grants and subsidies** Grants received as expected at year-end. The variance relates to the Rollovers from 2020/21 financial year.

42.6 **Employee related costs** - The underspending in Employee Related costs is due to most of the position not being filled on a permanent basis because of the rationalisation process between KZNFC and TKZN.

42.7 **Board and committee members costs** -KKZNFC has planned for 9 Board members for 2021/22 financial year and actually appointed 7 members with one member not being paid by KZNFC. Some of the members were appointed later than anticipated resulting in the underspent in the account

42.8 **Marketing** - The underspend in Marketing and Projects is due to:

Simon Sabela Awards – The Awards have not taken place this financial year due to challenges with obtaining a suitable service provider. The only recommended provider has unresolved tax matters.

Branding and Marketing - The Project Tholulwazi procurement was finalized late, project only started towards the end of the Quarter 4. Secondly the other portion is digital marketing implementation which was halted by procurement moratorium. Finally, the community screening procurement process did not get finalized as anticipated.

International Travel and Events & Projects did not go ahead as planned due to most of the Film Festivals held online due to Covid-19.

42.9 **Audit fees** - Savings realised on Audit Fees as the External Audit was conducted during Covid-19 various levels which resulted in audit team conducting audit in their offices resulting in savings in travelling claims

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

42.11 **Finance costs** - No material variance.

42.12 **Research and development** - The underspending in Research and Development is due to the appointment of research projects service provider charging less than what was anticipated resulting in savings in the account.

42.13 **Repairs and Maintenanc**e - No material variance

42.14 **Production and development costs** -The underspending in Production and Development Funding is due to the payment released according to the milestones achieved by the project and if the milestones are not achieved, no payment is released to the beneficiaries.

42.15 **Operating expenses** - The underspend in operating expenses is due to savings identified because of 1 floor being surrendered to the landlord and resulted to 7 month's rent savings.

Notes to the Annual Financial Statements

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

Electricity, water, and telephone cost also contributed to the underspent due to most employees working remote which resulted in savings being realised in utilities.

Printing & Stationery and staff consumables has also contributed to the underspending as result of employee working remote

Familiarisation Tours has been cancelled in the period under review due to international travel restrictions that impacted the entity to host international delegates.

42.16 **Bad debts** - The KZNFC does not budget for bad debts as there is no cash outflow for this transaction.

42.17 **Capex** - The underspending in assets is due to the payment of laptops that could not be released to the services provider pending the delivery of laptops. These funds are committeed in the form of purchase order and they will be rolled over to 2022/23 financial year.

44. Unauthorised expenditure

There was no unauthorised expenditure incurred during the financial period under review.

45. Deviation from supply chain management regulations

National Treasury Instruction Note 3 of 2016/2017 states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that the reasons for any deviations are recorded and reported at the next meeting of the board of members and include a note to the annual financial statements.

Deviation -2021/ 2022	<R500 000	>R500 000	Total
Professional fees	207,271	-	207,271
Marketing and publications	350,000	-	350,000
IT costs	198,068	-	198,068
Advertising	323,007	-	323,007
	1,078,346	**-**	**1,078,346**

44.1 Marketing and publication amount relates to:

- Service provider who rendered professional services which could not be sourced under normal SCM processes, for R350,000 from participating, marketing and branding at Durban Film Mart Institute..

44.2 IT Costs:

For Renewal of iConnect 20Mbps Microwave Link services due to single sourcing by software company for R198,068.33.

44.3 Professional fees

Service provider who rendered professional services which could not be sourced under normal SCM processes for R207,270.94.

44.4 Advertising

Service providers who rendered advertising services which could not be sourced under nornal SCM processed for R323,006.98.

2020/2021 - Deviations	<R500 000	>R500 000	Total
Professional fees	18,834	600,000	618,834
Marketing and publications	227,899	-	227,899
IT costs	376,158	-	376,158
	622,891	**600,000**	**1,222,891**

Notes to the Annual Financial Statements

Figures in Rand

46. BBBEE Performance

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

47. Expenditure incurred to repair and maintain property, plant and equipment

Repairs and maintenance		
Furniture and fittings	-	174,705
Computer equipment	-	53,754
Leasehold improvements	103,761	50,000
Office Equipment	-	6,968
	103,761	**285,427**

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

The entity's property plant and equipment consists of:

- Furniture and fittings

- Computer equipment

- Leasehold improvements

- Production equipment

- Office Equipment

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

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