ANNUAL REPORT 2020–2021

PROVINCE OF KWAZULU-NATAL

KWAZULU-NATAL FILM COMMISSION SOUTH AFRICA

- OUR KINGDOM IS YOUR STAGE -

KWAZULU-NATAL FILM COMMISSION'S GENERAL INFORMATION

REGISTERED NAME:

KwaZulu-Natal Film Commission (KZNFC)

PHYSICAL ADDRESS:

115 Musgrave Rd, Berea, 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

KZNFC funded project photos – 2020

Design and layout by Artworks | www.artworks.co.za

Contents

List of Abbreviations/Acronyms

4IR	Fourth Industrial Revolution
AGSA	Auditor-General of South Africa
AI	Artificial Intelligence
ARC	Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Office
CFO	Chief Financial Officer
COVID-19	Coronavirus Disease
EXCO	Executive Committee
EXE	Exempted Micro Enterprises
GRAP	Generally Recognised Accounting Practice
HCD	Human Capital Development
IRBA	Independent Regulatory Board for Auditors
KPA	Key Performance Areas

KZNFC	KwaZulu-Natal Film Commission
MEC	Member of Executive Council
MoU	Memorandum of Understanding
MPL	Member of the Provincial Legislature
MTEF	Medium-Term Expenditure Framework
PFMA	Public Finance Management Act
PPE	Personal protective equipment
PPPFA	Preferential Procurement Policy Framework Act
QME	Qualifying Micro Enterprises
SMME	Small, Medium and Micro Enterprises
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
QSE	Qualifying Small Enterprises
VOD	Video on Demand

PART A
General Information

Foreword by the MEC

Economic Development, Tourism and Environmental Affairs

The 2020/2021 financial year was a rather difficult year for the media and entertainment sector as the country was under various levels of lockdown. As such, the film sector had limited abilities to operate at optimal levels. At level 1-2 of the lockdown, additional funding had to be set aside for the funded projects going into production to ensure that they complied with COVID-19 protocols introduced into the industry. This was at a time when funds were also needed by the State to support essential services to fight the pandemic resulting in significant budget cuts.

MR RR PILLAY, MPL
MEC: KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs

The COVID-19 pandemic had an adverse impact on world industries. In the film sector, the pandemic has accelerated consumers' willingness to experiment with their entertainment options. With technology helping to fuel new service offerings, the traditional options and consumer content platforms are gradually changing resulting in a review of the KwaZulu-Natal Film Commission (KZNFC) approach and strategies going forward including focusing on industry scarce skills programmes to ensure that our local industry remains internationally competitive and relevant.

In the 2020/2021 financial year, noticeable progress was achieved with regards to the merger of KZNFC and KZN Tourism with a draft Bill being developed for the new entity. We are targeting to conclude this process in the 2021/2022 financial year. The new Entity is expected to perform the same functions and continue with the current mandate of both entities in a cost-effective business operation.

Despite the challenges of 2020/2021, KZNFC has delivered exceptional services and has continued operations throughout the year while adopting its business practices and level of engagement with its stakeholders. I am particularly proud of the achievements contained in this annual report with specific reference to the COVID Relief Fund that was established through the reprioritisation of funding which assisted six slate film projects and assisted some production projects through providing a budget for COVID-19 personal protective equipment (PPE's). Over one hundred and eighty-seven temporary jobs were created in the sector.

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

Mr RR Pillay, MPL
MEC: KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs
Date: 17 August 2021

BULELWA N MALANGE
Chairperson of the Board

Foreword by the Chairperson
KZN Film Commission

It gives me great pleasure to provide an account of the achievements of the KZNFC in the 2020/21 financial year. The operations of the Board continue to be a challenge with limited members due to vacancies thus impacting on the effectiveness of the governance structures. The ongoing merger process has delayed the appointment of additional members to strengthen the skills base and address the governance of its committees.

The proposed merger has also impacted on operations in terms of appointment of personnel as only temporary appointments are currently being considered and short-term service contracts concluded limiting the cost effectiveness and economies of scale of such services.

The COVID-19 pandemic had an adverse impact on the film sector. Lockdowns resulted in a halt to film productions and the closure of cinemas. With the impact on the national fiscus, the Entity was required to reprioritise its budget to allocate additional funding to existing projects to ensure that productions could go ahead while complying with the COVID-19 protocols established in the industry. The Board approved a COVID-19 Fund of R9m for these purposes. The full fund was awarded to various projects during the year as detailed in the annual report and provided much needed temporary employment for the sector.

COVID-19 fast-tracked the shift in consumer patterns and the use of technology in productions. KZNFC, in line with its Human Capital Development strategy, undertook drone training, which is considered not only scarce skills but also unaffordable for designated groups. Six candidates successfully completed the course.

The 2020/21 year was certainly a challenging one and has demonstrated the resilience of the KZNFC team as services continued throughout the various stages of lockdown. Every effort was made to ensure that our stakeholders continued to receive quality service and access to our team at all times.

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

Bulelwa N Malange
Chairperson of the Board
Date: 10 August 2021

Chief Executive Officer's Overview

CAROL COETZEE
Chief Executive Officer

The 2020/21 financial year has been a highly challenging year, particularly for the media and entertainment industry. Since early 2020, the COVID-19 pandemic affected every aspect of life across the globe. For, the media and entertainment industry the pandemic brought the industry and its functionaries to a halt. Cinemas were closed, live events and film productions came to a halt, across the globe.

The KwaZulu-Natal Film Commission had to swiftly adjust to the new normal. The entity had an adjusted budget of R135,148,326 which was made up of:

- Baseline budget of R78,358m,
- EDTEA additional funding of R1 million for EDTEA Women and Youth,
- EDTEA funding of R1 million for EDTEA Portfolio Corporate Video,
- EDTEA funding of R3,190 million for COVID-19 Industry Support,
- Rollover funds from 2019/20 financial year of R49,845 million,
- R950,000 from National Film and Video Foundation (NFVF) for Made for TV Quality Boost Programme and
- R1,698 million from MICT SETA Partnership for the NQF Level 5 in Newcastle.

KZNFC spent R74,114 million against an adjusted budget of R135,148,326 as at year-end. This amounts to 55% spent against the 2020/21 adjusted budget with the full remaining unspent budget being committed contractually. The entity is seeking ways on how it can address the challenges of rollovers for the film fund multi-year projects as this affects the budget spending patterns for the entity. There were significant delays in a number of projects due to the restrictions imposed by the lockdown which further impacted on the ability to deliver the services and therefore incur the expenses. The entity ended the year with a R13,9 million surplus whilst generating (2019:R4m) own revenue.

KZNFC had two COVID-19 response programmes during the financial year. The first programme had a budget of R9.9m. Out of this budget R3.6, m was set aside for slate productions of three fiction and three documentary COVID-19 projects. The balance was to fund PPE's and other film-related projects that had been approved by KZNFC and were going into production and were required to comply with the filming protocols which had significant impact on the productions budgets. A further R3.1m was received from EDTEA to allow all productions taking place in the province to apply for funding COVID-19 PPE's, in order to comply with the health regulations and protocols.

Even though, the entity operated in a difficult environment, during the financial year, the entity was able to achieve all its set Annual Performance Targets with the exception of one indicator. Over 75% of the indicators were exceeded as a result of:

a) the revision of targets and re-tabling of the APP in August 2020 which took into consideration the resources available and the practicality of achieving the targets.
b) additional funding for COVID-19 Relief fund through

budget reprioritisation, injected more funding into the film fund thereby supporting additional projects.

c) partnerships with NFVF and Moses Kotane also saw additional revenue to increase the outputs of KZNFC.

The entity remains committed to supporting the transformation of the sector and achieved the following during the year:

- 119% procurement spend on BEE companies,
- 98% of the film fund was awarded to designated groups to the total value of R16m with 21 development projects and 9 productions projects awarded during the year,
- 14 IsiZulu/ Zulu Cultural Made for TV movies were awarded funding in development and production to designated groups (this is important in that it markets and profiles the cultural heritage the province),
- 187 temporary jobs were created on production and development projects during the year of which 55% were KZN crew.

The markets and festivals programmes were mostly affected by the COVID-19 regulations. Some international and national markets and festivals were either postponed or cancelled during the year. Others offered online participation, but there was a very low response from our filmmakers to participate. However, the local film festivals such as Kwasukasukela Film Festival, KwaZulu-Natal African Film Festival, Mzansi Reel Stories, Umgungundlovu Film Festival did take place in various modalities – virtual /both. Our own 8th Annual Simon 'Mabhunu' Sabela KZN Film and Television Awards took place virtually (due to the COVID-19 pandemic) on 12 September 2020. The virtual awards ceremony was received well by the industry as well as by various other external stakeholders. A total of 167 applications for the various categories were received, out of which 18 awards were awarded to the winners. The lifetime achievement award was awarded to the late Henry Cele for his outstanding contribution to the film and TV industry.

The other programme that was adversely affected by the COVID-19 pandemic was Industry Skills Development. Although the annual target for training was met, most of the training interventions were placed on hold for the first two quarters of the year. Most of the training began in September 2020, when the country moved to level 3 and level 2 of lockdown. The most notable achievements for the year was the successful implementation of the Schools Programme where 123 learners were trained. Further specialised training of six students on the operation of Drones was undertaken addressing scarce skills in the sector. Twenty-four bursaries were awarded during the year to students studying film-related courses within KZN institutions. There were also NQF level 4/5 courses that were held to ensure that the local emerging filmmakers receive the necessary skills in order to enhance their opportunities to participate in the industry effectively.

During the 2020/21 financial year, KZNFC employees were working remotely from home for the majority of the year. The entity had to put in place support mechanisms to ensure that work productivity and client service was not compromised. Also, a COVID-19 compliance officer was appointed to ensure that staff adhere to COVID-19 health protocols and regulations with an extensive risk assessment being undertaken.

KZNFC continues to experience a high vacancy rate of 38.89% with increased staff turnover aligned to the pending merger and inability to appoint staff on a permanent basis. The highest vacancy rate was in Finance and Administration at 46.15% and Marketing and Industry Development had a vacancy rate of 35,29%. The high vacancy rate at Finance and Administration poses a high risk as it compromises internal control and undermines the notion of segregation of duties. The greatest challenge is the retention of skills and institutional knowledge of personnel whom have been trained and supported through various developmental programmes.

Notwithstanding, these challenges the entity did exceptionally well during this financial year, achieving all its set Annual Performance targets and a clean audit in July 2021.

Lastly, I would like to express my sincere gratitude to our shareholder, 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 a particularly challenging year to ensure that this entity succeeds in achieving its mandate and impacting meaningfully on the communities we serve.

Carol Coetzee
Chief Executive Officer
Date: 10 August 2021

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 2021.

Yours faithfully

Carol Coetzee
Chief Executive Officer
Date: 10 August 2021

Bulelwa N Malange
Chairperson of the Board
Date: 10 August 2021

Hon. Mr 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 to 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 impact information or ideas;
- Freedom of artistic creativity; and
- Academic freedom and freedom of scientific research".

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

Legislative Mandate

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

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

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

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

Policy Mandates

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

National Lockdown 2020

On 26 March 2020, the President declared a National State of Disaster to contain the spread of the Corona virus (COVID-19 pandemic). This led to an initial 21 days of national shutdown.

The KZNFC established a COVID-19 Steering Committee to prepare the employees to operate remotely. This required:

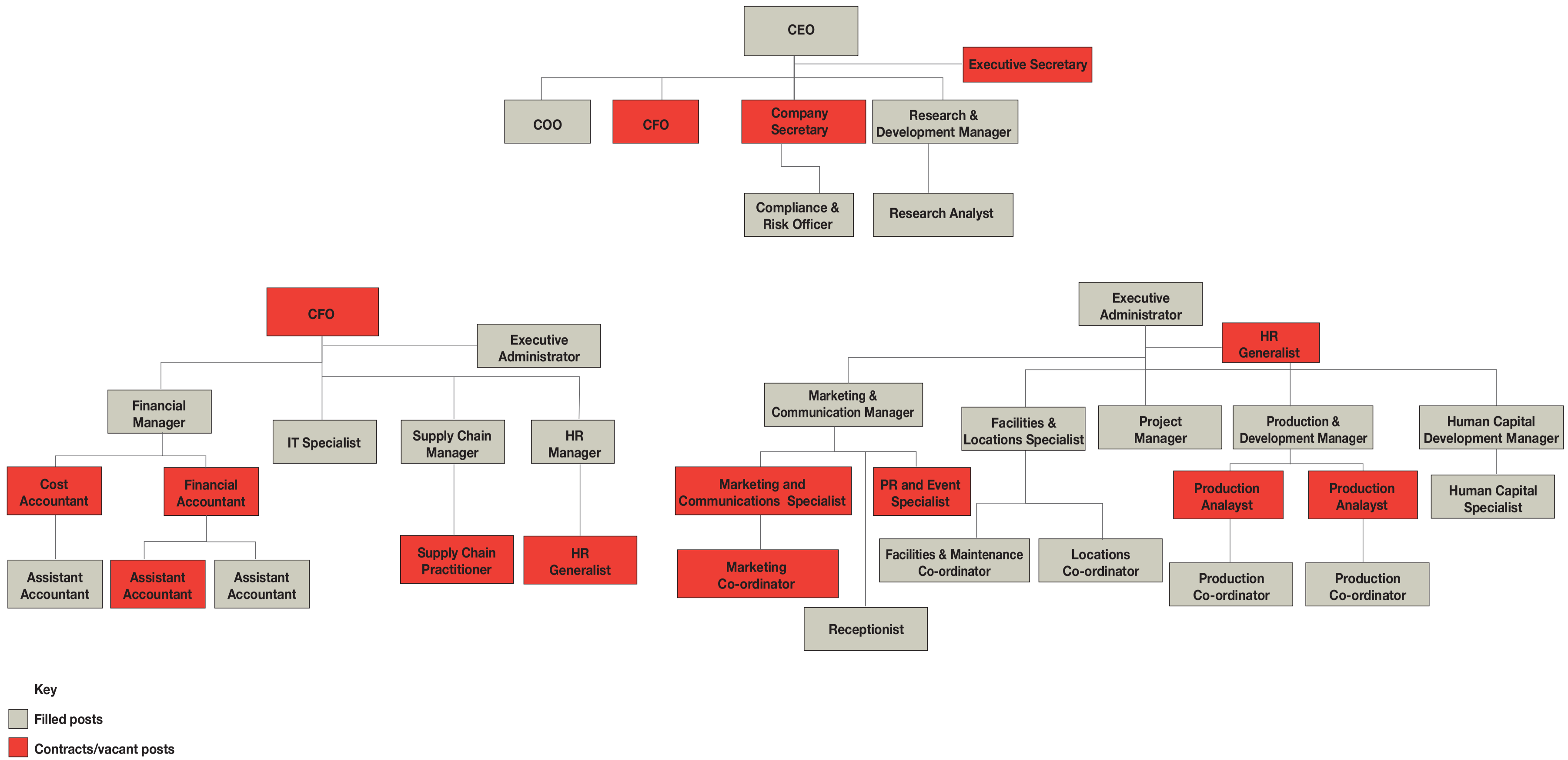
- Resources to be allocated in order to equip employees (e.g. laptops, 3G cards, cell phone allowances) to operate effectively from their remote locations;
- Review of the business process to ensure effective controls remained in place
- Preparation of offices to safeguard employees, stakeholders and visitors;
- Automation of all business processes;
- Extensive ongoing risk assessments;
- Extensive communication with all stakeholders on the availability of services; and
- Compliance with all COVID-19 regulations and Treasury practice notes issued weekly.

The lockdown had an adverse impact on some of the operations of the Entity with a number of activities being delayed or cancelled. Meetings and workshops that were planned for the financial year were cancelled or postponed. Bid committee meetings to undertake Supply Chain Management (SCM) decisions were postponed resulting in the delay in procurement of goods and services and extensions being granted in line with the Treasury Instruction notes.

The financial impact of the change in operations had both positive and negative impacts on the 2020/2021 financial year with cost savings in reduced activities such as printing and audit fees while data and IT services increased to ensure effective remote operations. Coupled with the internal changes, National Treasury issued instructions with regards to reducing specific costs pertaining to remuneration and associated personnel costs. Furthermore, reprioritisation was required where activities could not take place e.g. international marketing events, where funds were directed to a COVID-19 Relief Fund.

Furthermore, in order to support the KZNFC Film Cluster tenants who were facing financial challenges as their businesses came to a halt during lockdown, a rental holiday was granted for the duration that offices were not accessible to tenants, impacting on the revenue earned by KZNFC during the year. The full impact of the State of Emergency on the operations of KZNFC is reflected in PART B.

Organisational Structure



Board Leadership

Bulelwa N Malange
Chairperson

Musa Mzimela
Deputy Chairperson

Carol Coetzee
Chief Executive Officer

Jackie Motsepe
Chief Operations Officer

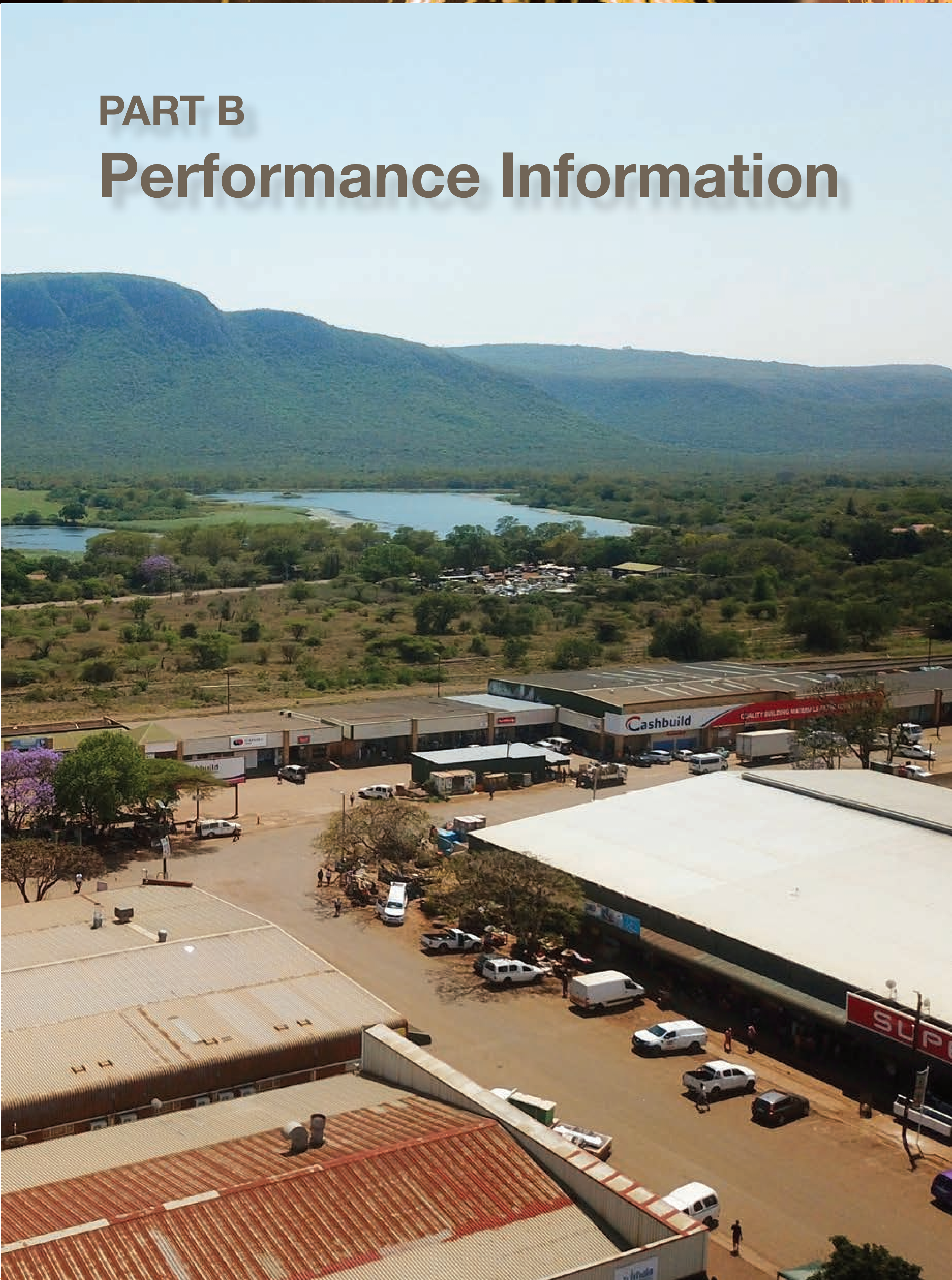
Victor Senna
Chief Financial Officer

Fikiswa Pupuma
Representative

Leonie Berning

Nozizwe Mthembu

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 limited 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 heading 'Report on Audit of the Annual Performance Report' in the Auditor's Report.

Refer to page 50 for the Auditor-General's Report, published as Part E: Financial information.

Situational Analysis

Overview of the Service Delivery Environment

The impact of the COVID-19 pandemic at the beginning of 2020, led to massive economic disruptions and markets collapsing in all sectors of the economy. The leisure and the entertainment industry were amongst the most affected sectors according to financial data available. The sector's resurgence from the pandemic would indeed require a fundamental shift in how things are done. The best hope for the industry is that the fourth industrial revolution (4IR) tools and artificial intelligence (AI) would spur the sector forward on a grand scale.

Internal Environment Analysis

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

The KZNFC has three Business Units, namely the Office of the CEO, Finance and Administration; and Marketing and Industry Development (MID). The Entity has a staff complement of thirty-six employees, which is considered insufficient to serve the whole Province. Matters have been compounded by a moratorium on the filling of vacant posts, (with the exception of critical positions) and by a protracted merger process for public entities. This has resulted in a vacancy rate of 38.89%. To mitigate the risk of this high vacancy rate, the Board approved the appointment of temporary staff on short-term contracts as a stop-gap measure which carries its own challenges, such as lack of business continuity and succession planning. Long-term and sustainable solutions are needed to ensure that there is organisational stability. KZNFC currently comprises 92% Black employees, 54% youth, and 63% women. During the financial year the Entity had eight interns, on a two-year programme at financial year-end. Two interns were employed on fixed term contracts while one intern secured permanent employment during the period under review.

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

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 (M&E) 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 2020/2021, the drop in global entertainment and media revenue was the sharpest ever recorded and the COVID-19 pandemic will continue to shape business strategies throughout the telecommunications, media, and entertainment sector.

It is estimated that in 2020 the international box office revenues fell by almost 71%. It's a year the world at large would like to forget, but in industry terms, it provided interesting phenomena to reflect upon even as we look ahead to 2021. The year, 2020 saw studios and exhibitions suffered their worst returns of the modern era while local films nevertheless proved that audiences are ready and willing to share auditorium space, as long as they feel safe.

In media and entertainment, the pandemic has accelerated many trends that were already underway. For example, with theatres closed or allowing 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: video, music, games, and even podcasts. This new reality places a premium on understanding consumer behaviour patterns and developing a more pro-active approach to engaging with customers.

The critical issue to consider in 2021 for the media and entertainment industry is renewing the focus on customers' needs. Streaming providers should become more proactive and engage customers. In order to improve retention, providers should address customers' challenges and preferences through content windowing, tiered pricing, tailored services, and social experiences.

- Media and entertainment companies need to understand consumer needs and behaviour patterns in order to develop services that both attract and retain customers. They should understand the economic needs of consumers. The COVID-19 pandemic has imposed severe economic constraints on millions of consumers. Consumers who lost income during the pandemic were more than twice as likely to cancel a streaming service because of the cost compared with those whose income was unchanged.
- To achieve success in 2021 and beyond, streaming providers should meet their customers where they are, both financially and with highly desirable content. This may mean that having great original content won't be enough in the long term and they should offer a broader array of other entertainment services as well.

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 to fuel new service offerings and entertainment bundles for consumers—necessitating new strategies and agile approaches for companies and creators.

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

- 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 revolutionise every industry, from manufacturing to health care to government.

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

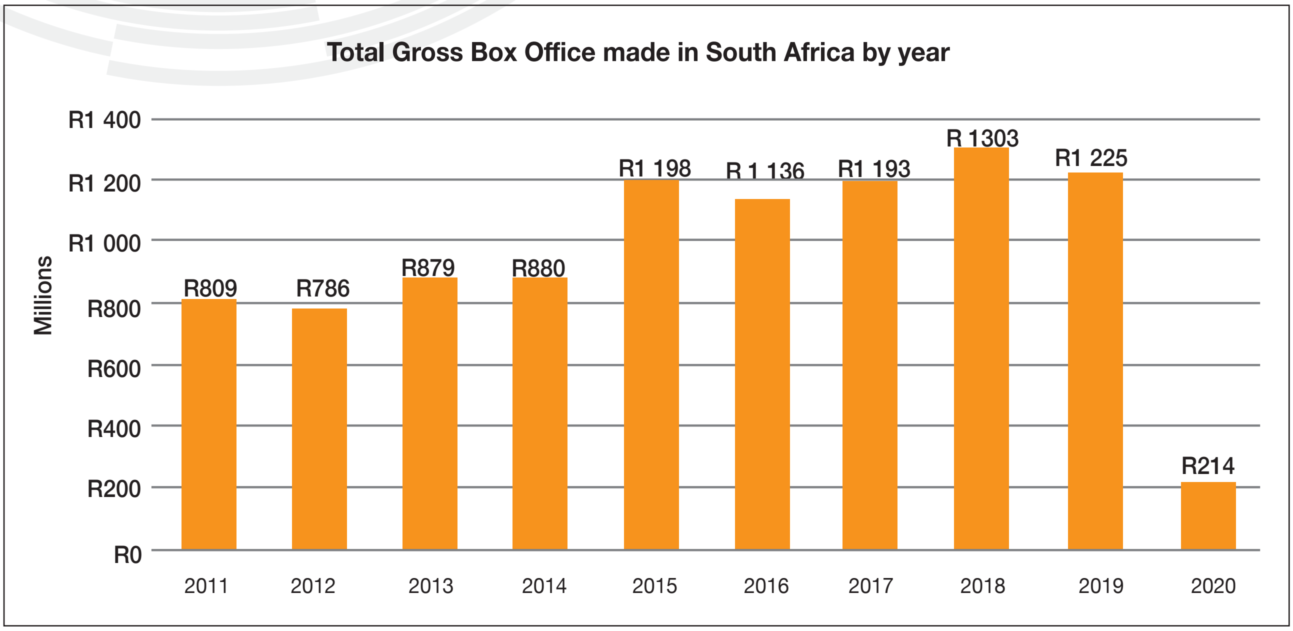
South African Cinema Data Analysis for 2020

The national lockdown commenced on 26 March 2020 due to an increase in infections of the coronavirus pandemic. Cinema chains like Ster-Kinekor, Nu Metro, Cine Centre as well as other independents cinemas closed. This has had a significant impact on the performance of theatrical films as their lifespan on the circuit was cut short.

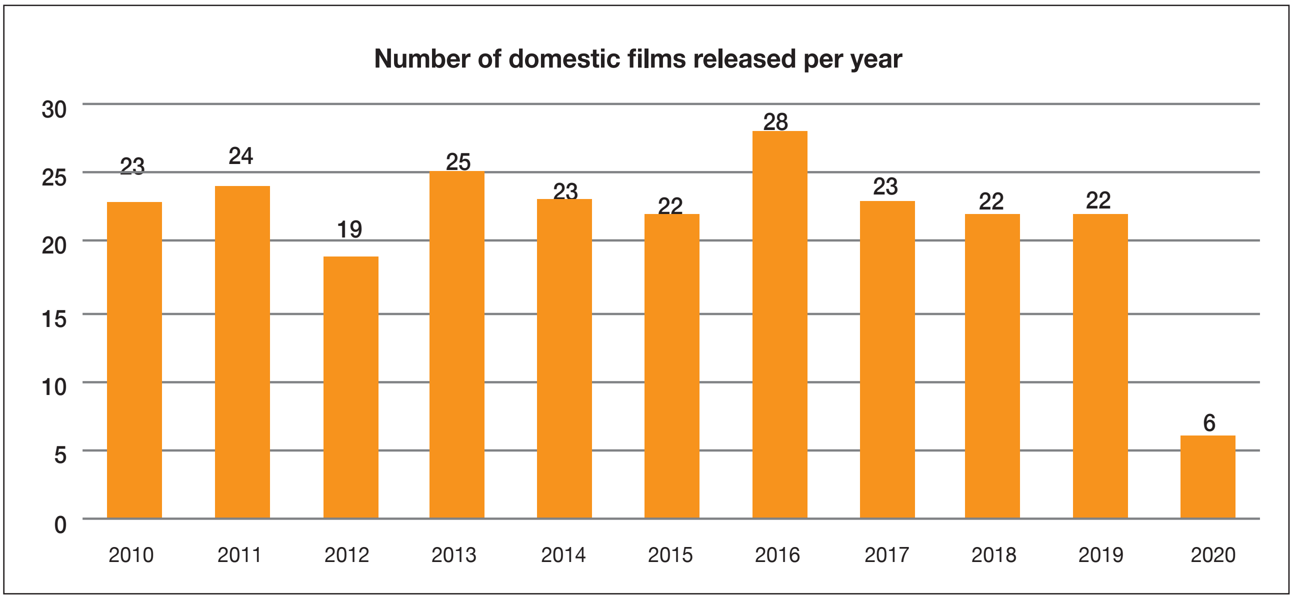
The data is sourced from IMDB.COM and the Box Office Mojo website. One of the limitations is that films cannot be tracked further once they are out of the top 100. Also, all the figures quoted in this report are for the period while the film is still competing in the top 100. This therefore might not reflect the exact revenue the film has accrued once it falls from the top 100 brackets.

Gross Box Office

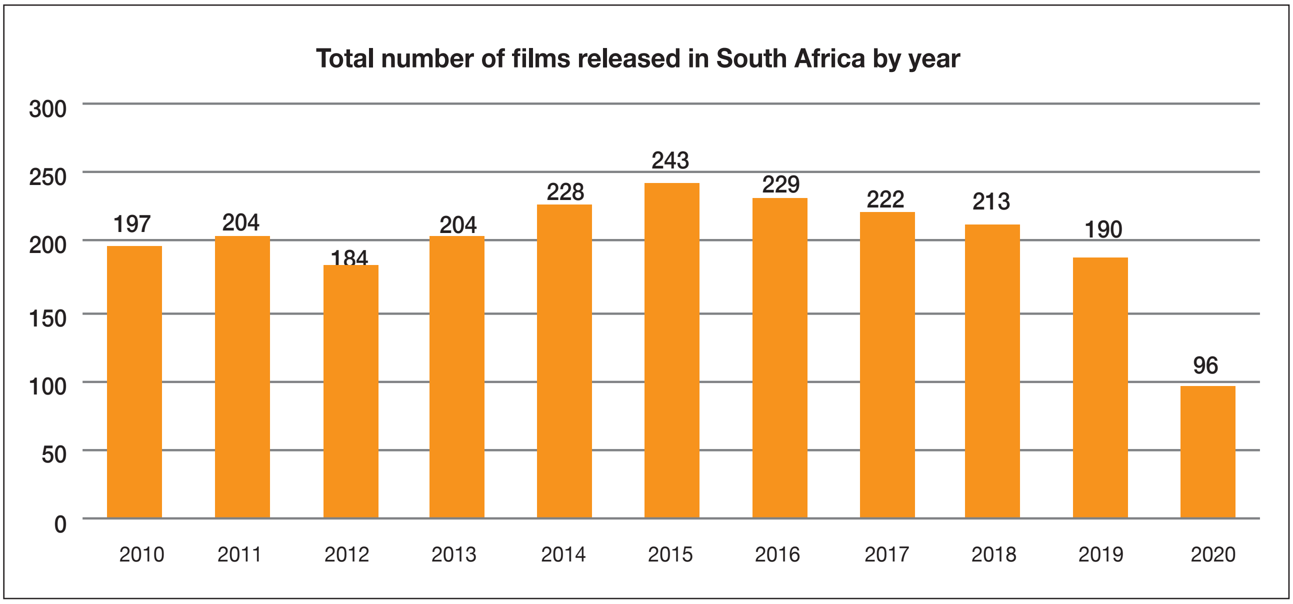
A total of ninety-six (96) titles were released in South Africa in 2020, a significant drop from one hundred and ninety (190) titles released in 2019. The total gross box office for 2020 amounted to R214 million, a decline from R1 225 million generated in 2019.



Total Number of Domestic Films Released between 2010-2020

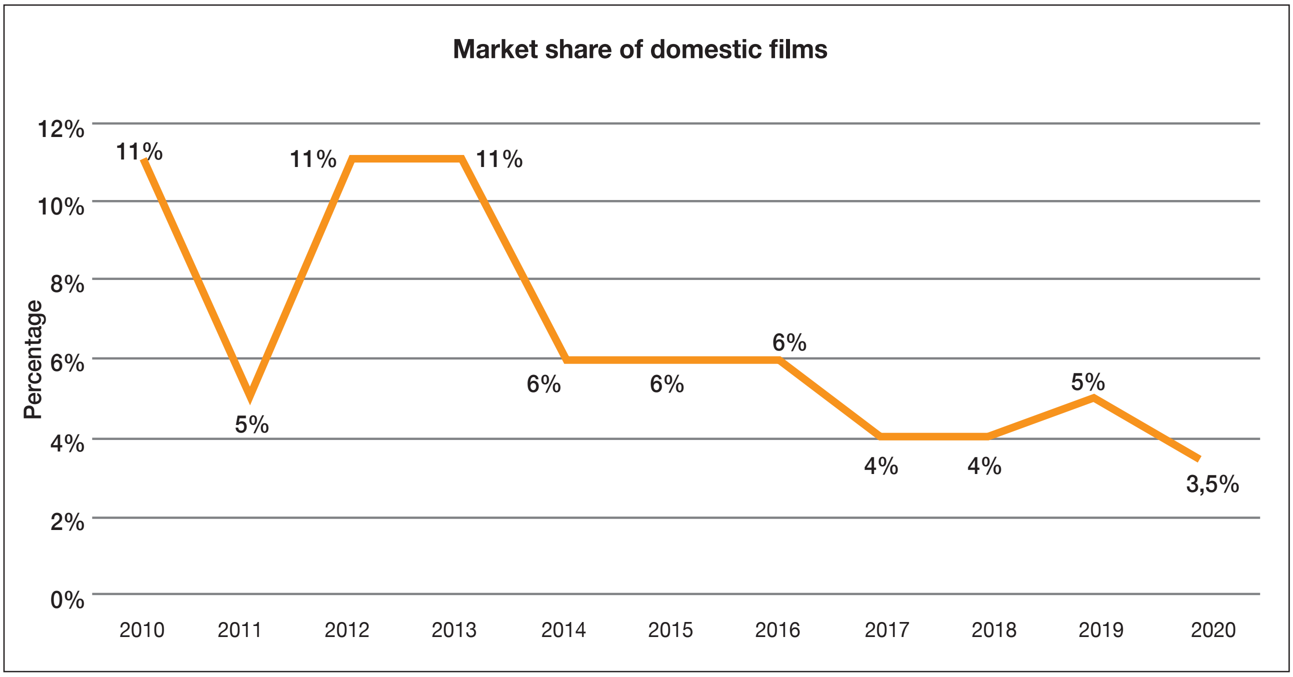


The number of domestic films released in 2020 dropped significantly from 22 in 2019 to 6 films. Out of the ninety- six (96) films released in 2020, only six (6) of those were produced in South Africa, generating R7,6 million in revenues. The total number of films released at Box Office.



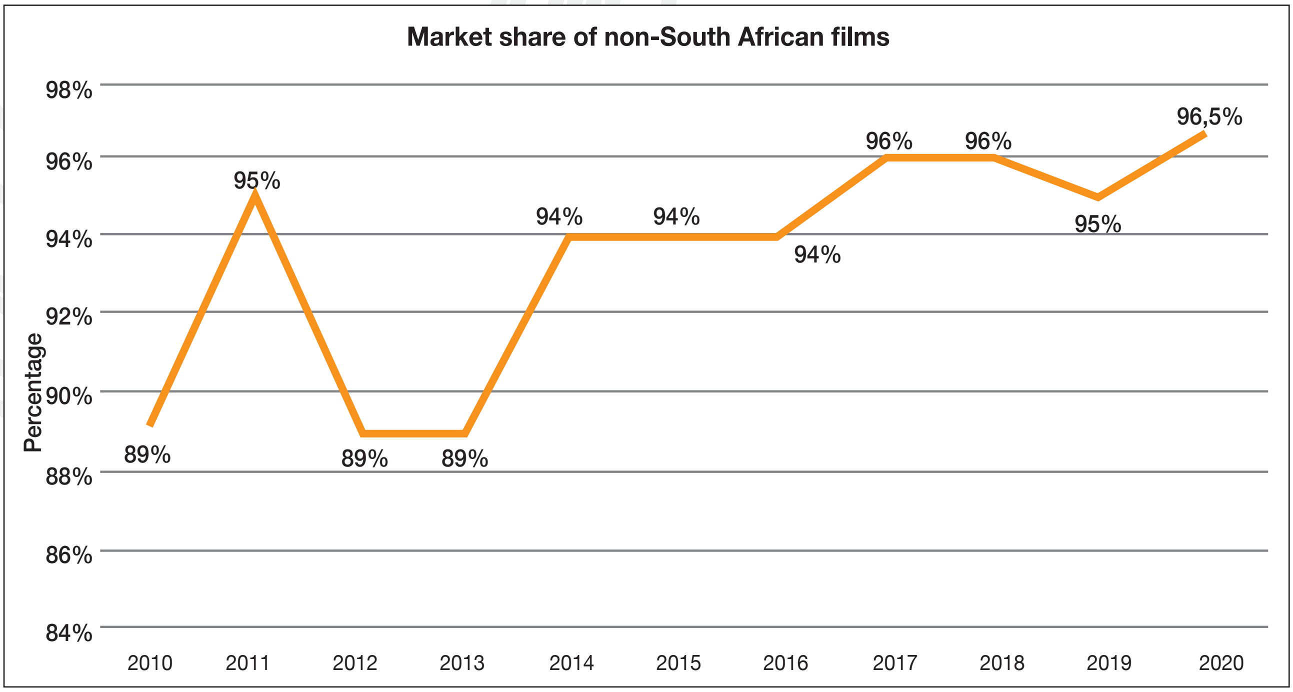
The total number of films released in South African cinemas dropped from one hundred and ninety (190) in 2019 to ninety-six (96) films in 2020.

Market Share of Domestic Films



The six South African films raked in a total box office revenue of R7,6 million which represents only 3,5% of the total market share of box office revenue, a decrease from 5% in 2019.

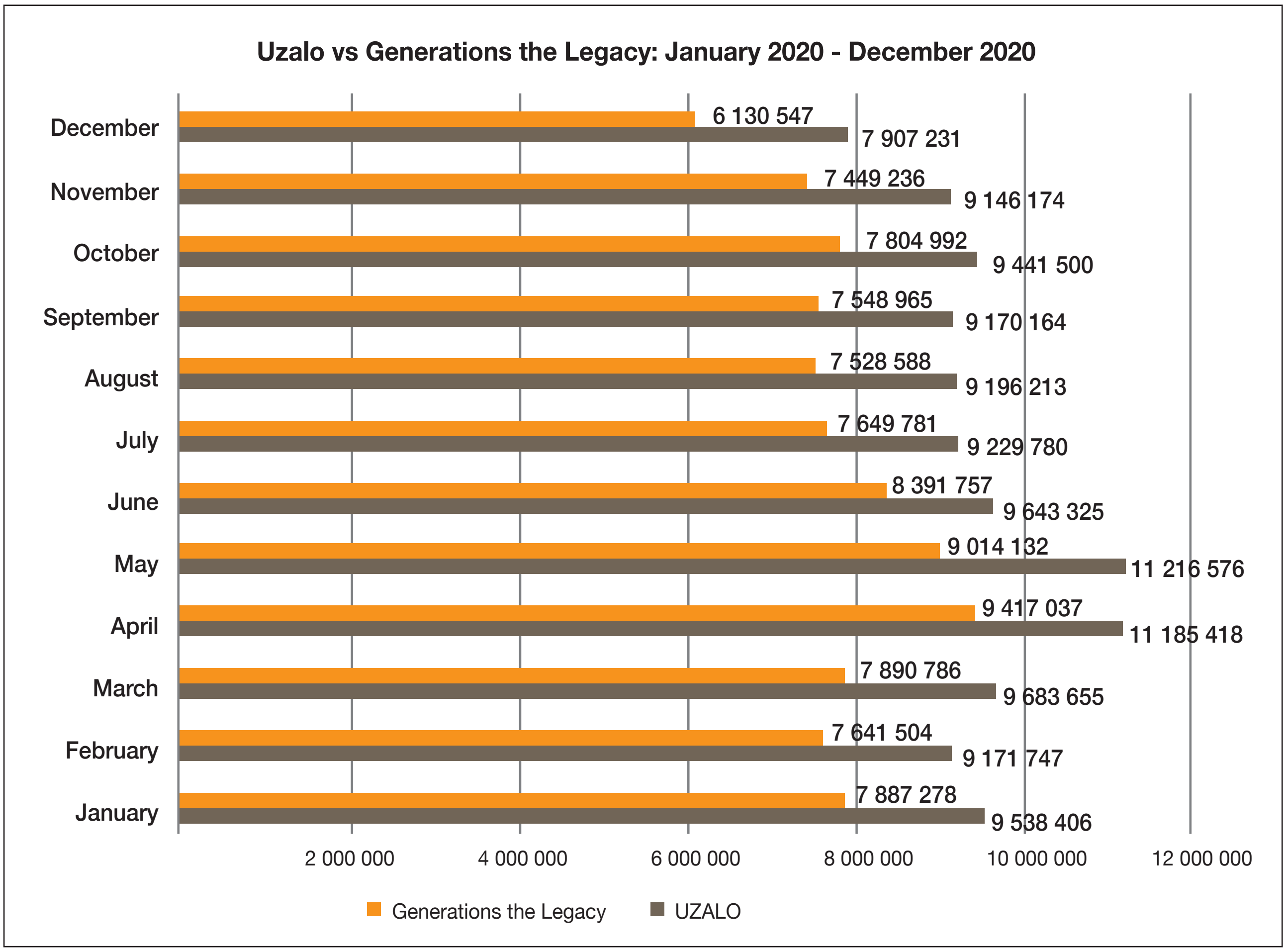
Market Share of Non-South African Films



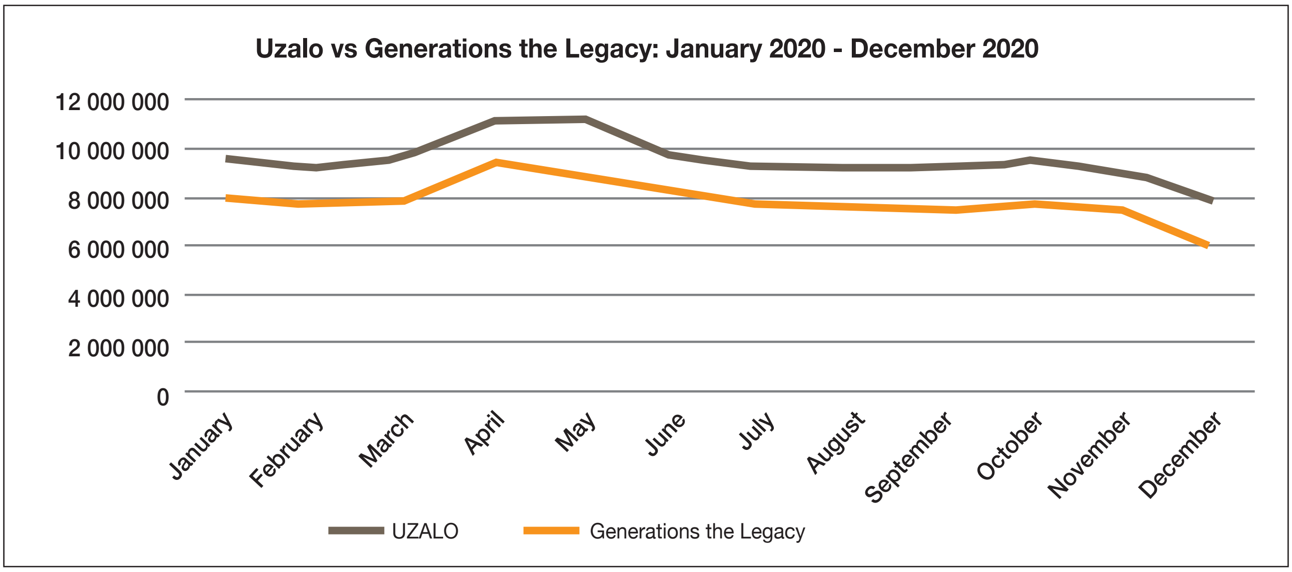
The internationally produced films represent 96,5% of the total market share of box office revenue during 2020 financial, an increase of 1.5%.

While revenues from the box office platforms plummeted to record lows, locally and internationally, there was a noticeable shift in television programmes. The lock down regulations restricted people to their homes. The industry recorded an increase in the use of over-the top (OTT) and video on demand (VOD) platforms. However, an analysis of South African top TV programmes such as uZalo and Generations during this time shows a decline in audiences. There was a pick in the first few months of the lock down and thereafter there was a gradual fall. Some of the reasons that can be advanced for this development are; the instability in the public broadcaster during this period led to a decline in audiences and the decline in corporate revenues through advertising.

Uzalo and Generations the Legacy Audience Trends January 2020 – December 2020



Audience measured per month.



Performance Information by Programme

PROGRAMME ONE:
Chief Executive Officer's Office

Programme Purpose

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

Functions co-ordinated under this programme include:

- Developing strategies, policies and standards of performance.
- Developing 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.
- Advocating, drafting and implementing policy and legislation.
- Developing, networking and engaging stakeholders to enhance relationships, encourage local production and to ensure a clear understanding of the mandate and services of 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: Programmes which have a measurable impact on the film sector as a result of reliable data and impact assessment					
Output Indicator	**Actual Achievement 2019/2020**	**Planned Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviations**	**Comments**
Number of research papers	7	6	8	+2	Of the eight completed projects, two were funded by the Moses Kotane Institute (MKI)

Research Projects

There were six research papers planned for the year. The outbreak of COVID-19 at the beginning of 2020, adversely affected the planning and execution of the research projects during the financial year. COVID-19 restrictions and protocols meant that the normal conventional ways of gathering data and conducting interviews could not be followed. This had an impact on the turnaround time, in terms of obtaining information and finalising the research projects. Despite the above-mentioned challenges, the business unit completed eight research projects during the year (these were Economic catalyst at a Municipal level Ugu District Municipality: a desktop study on the impact of COVID-19 on the film sector in KZN; research on the Film and TV analysis in quarter 2; KwaZulu-Natal Film Sector Baseline Study; an update on films shot in KZN; a collection of identified KwaZulu-Natal Legends and Historical Sites, KwaZulu-Natal Markets and Festivals Study and a study on Slate), two in excess of the planned target as Moses Kotane Institute (MKI) assisted in undertaking two of the research projects. In addition, animated videos of certain research papers were developed that are accessible on our website.

The new normal under COVID-19, restrictions brought a number of challenges in conducting research. With many people working remotely, this posed a challenge as many contact details related to office/work numbers and therefore many organisation representatives could not be reached. This affected turnaround times in getting responses and participation of targeted groups in the studies and surveys. Understandably so, some respondents had challenges with networks for connectivity as most things were done online. All the studies that were conducted during this financial year identified the above-mentioned limitations.

Monitoring and Evaluation

During the 2021/21 financial year, there were 5 finalised monitoring and evaluations conducted. The focus areas for these evaluations were to determine a baseline for the KZN crew employed on funded projects for the 2018/19 and 2019/20; an assessment of the KZNFC SCM process from the perspective of the service providers; a review of the implementation of the NQF Level 5 Film and TV learnership as well as set visits for two productions that took place during the year. The desired target of nine evaluations to be undertaken was not achieved due to the restrictions of COVID-19 impacting on the projects to be evaluated. The majority of the HCD programmes will move to the new financial year and the evaluation will be conducted once the programmes are fully implemented.

Risk Management

The strategic risk register tracked the implementation of mitigation actions for identified risks over the financial year. 80% of the actions to mitigate risks was closed at the end of the year. 13% of actions were still in progress and will be carried forward into the 2021 operational risk register for the relevant business units in order to ensure all the mitigation actions have been implemented. At the end of the financial year, 7% of the actions did not take place, this was largely due to the COVID-19 regulations restricting the gathering of large groups of stakeholders as well as engagements for policy advocacy at a National level being placed on hold.

The residual risk rating at the end has been rerated for each risk identified in the risk register. The organisation had performed well in dealing with the mitigation of risks that were identified in the 2020/21 financial year. The organisation improved its risk profile as indicated in the table below indicating a high-level dashboard of the shift through risk rerating.

Total Number of Risks	25	
Rating	**01/04/2020**	**31/03/2021**
Critical	1 (4%)	0
High	5 (20%)	1 (4%)
Medium	16 (64%)	9 (36%)
Low	3 (12%)	15 (60%)

The organisation also addressed the risks relating to the COVID-19 pandemic and all regulations were fully adhered to resulting in minimal exposure to the KZNFC and with a minimum number of reported cases. The organisation continues to operate on higher alert level to ensure reduced risk exposure. In the 2020/21 year, the organisation also undertook the first fraud and ethics risk assessment with a key focus on SCM, Finance and the Film Fund.

Socio-economic Development (SED)

The Entity supported two SED projects during the financial year, both of which were delayed initially due to COVID-19 and were concluded in the fourth quarter of the financial year. The first project named Get Inspired is a woodwork and arts and crafts organisation that supports people living with disabilities to develop a skill while generating some form of income thereby instilling a sense of pride and self-worth.

The second project supported is an organisation called Ilungelo Labadala, which is involved in various activities in the Ilanda area. The Entity supported the organisation to build a garden shed, install fencing and construct an irrigation system for the women-run garden projects that provide a source of income and food supplement to the local community.

PROGRAMME TWO:
Finance and Administration

Programme Purpose

The effective administration of the 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 fund-raising

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 2019/2020**	**Planned Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviation from planned target to actual achievement**	**Comment**
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 for 2019/20 financial year
Outcome: Increased participation of the designated groups in the film sector					
Percentage of procurement budget spent on designated groups	114%	114%	119%	+5%	The target was exceeded as a result of the pre-requisite requirement for EME's or QSE's and minimum B-BBEE status level

Clean Audit on Financial, Compliance and Performance Information

KZNFC organisational environment operations are founded on principles of good corporate governance. Despite the economic constraints that had an impact on its budget, the entity's operational efficiency remained a priority. The entity remained resolute in ensuring that good corporate governance prevailed through sound administrative practices, effective operational systems, mechanisms to ensure financial oversight, information technology, and the IT Steering Committee.

The entity has continued to maintain general compliance with all applicable legislation, regulations and policy frameworks. This is evident in the clean audit the entity achieved during the 2019/20 financial year.

The external audit was carried out during the lockdown period and whilst challenging in terms of accessing required documentation, it resulted in a substantially reduced audit fees for the entity.

Percentage of Total Procurement Spent on B-BBEE Service Providers

Section 10 of the Broad-Based Black Economic Empowerment (B-BBEE) Act obliges government to implement B-BBEE when procuring goods and service. KZNFC fully supports transformation and inclusivity of the economy in all its procurement. Policies have been amended and implemented fully to ensure compliance with the Preferential Procurement Policy Framework Act (PPPFA). In implementing this framework, companies with higher B-BBEE scores are placed at an advantage during the procurement process. The use of EME's, QSE's and the B-BBEE status level 1-2 contributor has been the contributing factor to the over achievement of the target by the Entity. A deliberate effort was made in the development of specifications and terms of reference to include pre-qualifying or minimum requirements for bidders in allocating contracts to B-BBEE service providers.

The following are some of the noticeable achievements by the programme during the year under review:

1. The programme continued to enhance IT infrastructure and automate some of the processes to allow the officials to continue to render services remotely in response to COVID-19. The following are some of the measures implemented in this regards:
   - Fibre installation was completed during the year under review which improved network speed and increased bandwidth to allow for exchange of data and improvement of systems performance.
   - Continued implementation of SharePoint document management system which allows for online workflows and electronic archiving.
   - Automated the payment process which allowed for paperless environment in the payment process. The entity was able to process all payments timeously despite officials mainly operating remotely.
2. The programme reviewed some of the critical policies to enhance compliance such as the Supply Chain Management Policy and Disaster Recovery and Business Continuity Plan.

PROGRAMME THREE:
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, 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 KZNFC in the local and international marketplace, engaging communities in the Province to ensure access to the programmes of the KZNFC , 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 permits and location scouting.

Key Performance Indicators, Planned Targets and Actual Achievements

High-level Review of Performance Information

Outcome: Transformed and inclusive film industry in KZN through Increased access to KZNFC Programmes					
Performance Indicator	**Actual Achievement 2019/2020**	**Planned Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviation from planned target to actual achievement**	**Comment**
Percentage of people selected to attend markets and festivals from the designated groups	New	72%	100%	+28%	There was limited attendance at festivals during the year, one application from a designated group resulted in the over-achievement

Percentage of People Selected to Attend Markets and Festivals from the Designated Groups

Due to the COVID-19 pandemic, there was no travelling in the financial year in question and most festivals were either postponed or hosted virtually. Only one applicant was supported to attend markets and festivals. This translated to an overachievement of 28% as the applicant was from the designated group. In a quest to ensure that the film sector is transformed and inclusive, KZNFC funds filmmakers to participate in international, national and local film festivals.

International Markets and Festivals

The international markets and festivals funding allow filmmakers to attend the various film festivals that take place abroad and locally, this allows the filmmakers to network with filmmakers from other countries and to stay ahead of industry trends while forging relationships either for further funding, distribution or co-production opportunities.

The KwaZulu-Natal Film Commission also supported three other international festivals that took place in the province during the financial year, namely, The Durban International Film Festival (DIFF), Durban Film Mart (DFM) and the Nature environment wildlife Film Congress (NEWF). Through these platforms, KZN Film Commission gets to showcase its programmes, production, talent and KZN Locations.

Also, the KwaZulu-Natal Film Commission along with the National Film and Video Foundation partnered with the Independent Filmmakers Project (IFP) now called Gotham, a community of creators, producers and distributors working across film, TV, audio and beyond to advance the future of the story. Among other projects that NFVF supported was "The Honeymoon" by Bianca Isaac with was supported by the KwaZulu-Natal Film Commission to participate online for a week programme.

Audience Development

The KZNFC Audience Development is an initiative where local content, in particular KZN films, are screened in communities across the Province. The screenings seek to develop a culture of watching or consuming local films and/or movies among communities while providing an opportunity to market local content.

In 2020/2021 financial year the KwaZulu-Natal Film Commission successfully implemented the following audience development initiatives: Kwasukasukela Film Festival, KwaZulu-Natal African Film Festival, Mzansi Reel Stories, Umgungundlovu Film Festival and Emerging Filmmakers Association (EFA). Each one of these in their programmes had masterclasses, panel discussions presentations and screening of local content.

Other Marketing and Communications Programmes

The KZNFC Regional Information Sharing Session

The information-sharing sessions target the general public and introduce the industry and KZNFC's offering to the industry to attract new entrants to the industry whether as a service provider to the film industry, practitioners in the industry or showcase career opportunities in film for the school going audience.

KZNFC presented information-sharing sessions in the rural areas and small-town such as Ulundi, Umhlathuze and Umhlabuyalingana. More than 20 other information sessions were conducted in partnership with the funded projects reaching places such as KwaDukuza, Indwedwe, Eshowe, Jozini and Pietermaritzburg. The programmes targeted aspiring and emerging filmmakers.

The KZNFC hosted virtual industry information workshops sessions through Zoom to including a presentation on the white paper on audio and audio-visual promoting contribution and thereby increase input and participation by the film industry.

Marketing and Distribution Funding

The table below provide an indication of the distribution of certain KZNFC's funded productions, The productions are on platforms such as Netflix, DSTV and ShowMax.

KZNFC Funded Project	Platform Screened
Keeping up with the Kandasamy's: Wedding	ShowMax
Joko Ya Hao	DSTV Channel 164
3 Days to go	ShowMax
Deep End	ShowMax
NEWF Short Films Festival	DSTV Channel 180
Family Matters	ShowMax
Earthbeat Series	South African Airlines screenings

Simon "Mabhunu" Sabela, KZN Film and TV Awards 2020

The 8th Annual Simon 'Mabhunu' Sabela KZN Film and Television Awards took place virtually (due to the COVID-19 pandemic) on 12 September 2020. The prestigious awards that took place during the Durban International Film Festival programme, were aimed at recognising outstanding achievement and talent in the film and television industry, with a focus within the KwaZulu-Natal province. The first virtual awards by the KwaZulu-Natal Film Commission were received very well by the industry as well as various other external stakeholders.

A total of 167 applications for the various categories were received, out of which 18 awards were awarded to the winners, and one-lifetime achievement awarded to the late Henry Cele for his outstanding contribution to the film and TV industry. This is made possible by the industry experts that play the role of being judges and independent auditors that audit the entire process.

Key Performance Indicators, Planned Targets and Actual Achievements

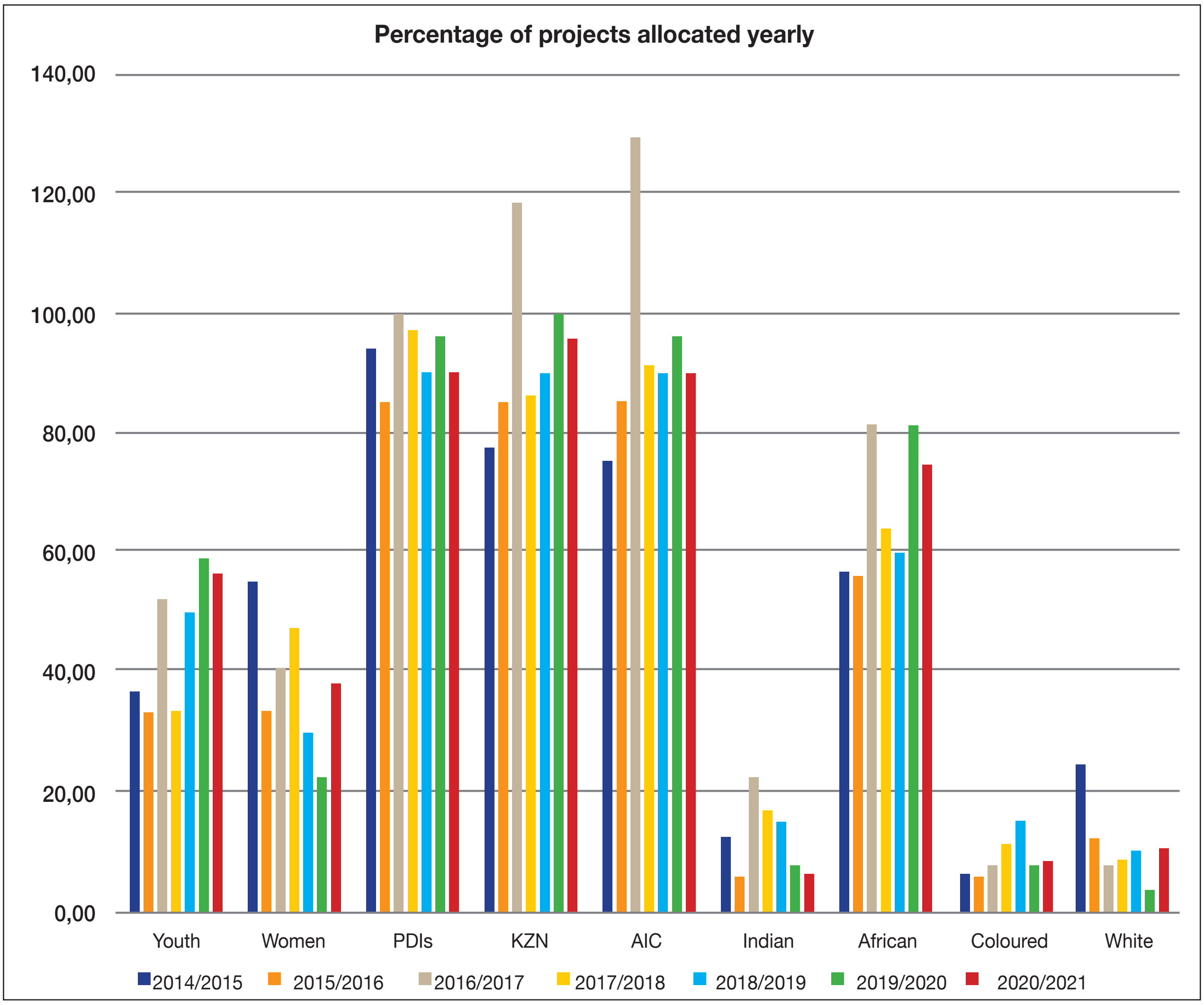
High-level Review of Performance Information

Outcome: Transformed and inclusive film industry in KZN through Increased access to KZNFC Programmes					
Performance Indicator	**Actual Achievement 2019/2020**	**Planned Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviation from planned target to actual achievement**	**Comment**
Percentage of film fund projects awarded funding to designated groups	New indicator	86%	98%	12%	Target exceeded with improved quality and quantity of submissions from targeted groups

Percentage of Film Fund Projects Awarded Funding to Designated Groups

A total of 44 projects were awarded funding for the year, with 43 projects being awarded to persons from the designated groups. There has been a gradual increase in percentages of film fund projects awarded funding to designated groups over the years. This can attribute to the support that has been given to emerging black filmmakers and the training interventions that KZNFC has conducted over time.

The following bar chart indicates how the KwaZulu-Natal Film Commission has supported different population groups through the film fund in terms of the number of projects awarded per year.



Key Performance Indicators, Planned Targets and Actual Achievements

High-level Review of Performance Information

Outcome: Increased film production in KZN by 30% in order to create temporary jobs					
Performance Indicator	**Actual Achievement 2019/2020**	**Planned Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviation from planned target to actual achievement**	**Comment**
Number of IsiZulu/ Zulu Cultural Made for TV movies and short films awarded funding in development and production	19	6	14	+8	The annual target was exceeded due to additional funding being allocated to Film Fund from operational savings.
Number of productions awarded funding through KZNFC film fund	14	4	9	+5	The annual target was exceeded due to additional funding being allocated to Film Fund from operational savings.
Number of COVID-19 projects awarded funding in development and production	New	6	6	0	The target was achieved through the awarding of 6 COVID-19 slate projects.
Number of development projects awarded funding through KZNFC film fund	28	15	21	+6	The annual target was exceeded due to additional funding being allocated to Film Fund from operational savings.
Number of temporary jobs created through KZNFC film fund	168	150	187	+37	The annual target has been exceeded due to the funding of the COVID-19 slate projects that went into production and full funding of the Made for TV projects that went into production.
Number of co-productions within the African continent	New indicator	0	0	0	Deferred due to COVID-19
Number of international productions shooting in KZN	New indicator	0	0	0	Deferred due to COVID-19

Note: 2019/20: the Made for TV, productions and development indicators were combined in 2019/20 as one indicator. The 2 slate projects awarded funding have been allocated to development indicator in the table above as they were in development phase

Number of IsiZulu/Zulu Cultural Made for TV movies and Short Films Awarded Funding in Development and Production

Fourteen projects were awarded funding for both production and development during the financial year. The annual target was exceeded due to additional funding allocated to Film Fund from operational savings. The KZNFC continues to support both the Made for TV and Short Films Programmes which are an intervention to provide new entrants into the industry, particularly those from historically disadvantaged backgrounds, an opportunity to make films in collaboration or under the guidance of experienced industry experts. These programmes are part of the KZNFC special projects funding that seeks to increase opportunities for emerging writers and directors to have their work produced.

The Made for TV programme has been the highlight of the special programmes as incredible concepts were developed 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. The following are some of the films that were produced: - Rugby Town, Ibhasi LikaMdaphuna, Hamba Yedwa, Lachitheka Igazi, Imbangi, Blind Eye, End Game, One Time Pin, Uphondo and Salamina.

Number of Productions Awarded Funding through KZNFC Film Fund

There were 9 production projects awarded funding during the financial year. This was made possible by additional funding allocated to Film Fund from operational savings.

The KZNFC has made strides in supporting the film industry. Since its inception, through its Film Fund, the organisation has committed a substantial amount towards development, production and marketing & distribution of audio-visual content, funding content in South Africa, co-productions with Kenya, Nigeria and the UK, with the focus being the KwaZulu-Natal province. It is important to note that KZN is currently the only province to have a film incentive that attracts productions to the region and requires local spend and employment as a funding condition to further stimulate the industry.

However, due to the impact of COVID-19, productions funded by the KZNFC have been affected by the disruption with scheduled productions being postponed to only start filming in the year 2021. A KZN filming protocol guided by the South African Screen Federation (SASFED) has been established to ensure that film productions mitigate the spread of COVID-19 on sets and comply with existing regulations.

The entity has committed over R6 million towards additional production costs for existing projects that were scheduled to begin shooting during the year and which arose as a result of complying with COVID-19 protocol requirements. The projects had submitted their initial budgets before the pandemic hit South Africa; thus, they had not factored in the COVID-19 protocol requirements. When the productions had to commence filming they were to look at the filming protocols and rework their budgets in order to meet all requirements> this resulted in revised budgets to include costs associated with purchasing COVID-19 Personal Protective Equipment (PPE) for protection and compliance while on set, and lost days should they incur delays due to sick crew, cast members or suppliers.

In addition, six feature film projects that were approved by KZNFC have experienced challenges in securing the balance of funding due to the delays by some of the national funders. As a result, extensions were granted to these projects.

Number of COVID-19 Projects Awarded Funding in Development and Production

As part of COVID-19 Relief programme, The KZN Film Commission funded two slate projects that will be producing six short films. The slate films are to be produced in the area of fiction (Fiction Short Films) and factual (Short Documentaries). The total budget for this slate project is R3.6m

The two slates were awarded to two women filmmakers. Julie Laurenz from Pillay Laurenz Media and Communications and Thandeka Nodada from Final Chapter Productions. Each beneficiary is to produce 3x 24minutes of covid-19 projects. The majority of their budgets are to be spent in the province.

Number of Development Projects Awarded Funding through KZNFC Film Fund

21 development projects were funded in the 2020/21financial year. The annual target was exceeded due to additional funding allocated to Film Fund from operational savings. The high numbers can also be explained by the fact that the lockdown regulations had less impact on development

than it did on film productions. KZNFC, long term strategy is however to ensure that more funds are directed to production projects as this is the where the most impact in terms of jobs creation and industry sustainability is achieved.

Number of Temporary Jobs Created through KZNFC Film Fund

187 temporary jobs were created during the financial year. This was partly due to the funding of the COVID-19 slate projects that went into production as well as the Made for TV projects. However, the short window period for shooting productions in the province due to COVID-19 affected the number of temporary jobs created which would have been higher as several productions were placed on hold.

The following performance indicators were discontinued due to COVID-19 restrictions on travelling and gathering:

- Number of co-productions within the African continent
- Number of international productions shooting in KZN.

Key Performance Indicators, Planned Targets and Actual Achievements

High-level Review of Performance Information

Outcome: Increased participation of KZN crew in productions funded by KZNFC as a result of training programmes and Policy Promotion					
Performance Indicator	**Actual Achievement 2019/2020**	**Planned Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviation from planned target to actual achievement**	**Comment**
Percentage of temporary KZN crew employed on KZNFC funded projects	New	60%	55%	5%	This target has not been achieved. The use of timesheets instead of invoices for some projects resulted in those projects not being included as the means of verification required invoices.
Number of learners trained in film-related courses	118	140	148	+8	The annual target has been exceeded. This is due to a training programme held in 2019/20 been concluded in the 2020/21 year.

Percentage of Temporary KZN Crew Employed on KZNFC Funded Projects

This is a new indicator and was the only target that has not been achieved during the year under review. As stated in the comments, the use of timesheets instead of invoices for some projects resulted in those projects not being included as the means of verification required invoices. This challenge has been addressed and communication will be sent to all filmmakers to ensure consistency in the reporting process going forward.

Number of Learners Trained in Film-related Courses

There were 148 people trained in various aspects of the film industry during the financial year. The annual performance target was exceeded even though most of the training programmes only started in the second quarter of the financial year and resulted due to the carryover of last year programme which concluded in 2020/21.

Highlights of the Industry Development Interventions

- The Business Unit successfully implemented a COVID-19 compliant Schools Programme after the lifting of level 5 restrictions. Due to schools' interest in the programme, 123 learners were trained, instead of 100, showing that there is still great interest in Film and TV related training programmes at that level.
- The Business Unit managed to successfully implement a Drone training programme of which nine out of ten students completed the programme.
- Two KZN based films were produced in 2020 under the NFVF Women's Filmmaking projects.

15 FITI students are completing their final third year and they would be graduating in 2021. Already five students have received placements in internships or offered permanent positions (3 placed in internships and 2 offered permanent employment to start in May 2021). The programme has been successful and the learners were fully vested in it – the graduates are an inspirational and committed group of young people. The project closes with the production of one student film with the title of "Close Proximity", the project is 30 minutes in duration.

The KZN SMME Incubation Programme

The programme was suspended due to Covid-19 restrictions in March 2020 and restarted in September 2020. With only the final part of the training to be completed, namely the content development aspect, a tender was issued to appoint a Supervising producer.

Skills Development Programmes

During the financial year the HCD department completed a number of programmes detailed below: Bursary Scheme.

The 2020 Bursary scheme came to a close in March 2021 due to the delays experienced at tertiary institutions during lockdown with only one student failing from a group of 24 group. - The group of students had Male: 10, Female: 14, Youth: 24, Disability: 2, PDI: 24

NQF Level 5 Film and TV Production Learnership Programme

Due to Covid-19 disruptions, in-class instructions were suspended in March 2020. Teaching and training moved online to the Telegram APP and the learners were able to cope with e-learning continuing up to September 2020. Due to the Covid-19 related delays, the programme will only be completed in June 2021. 29 learners are participating. There are 13 males; 14 females all from designated groups. 93% were youth, 35% women.

NQF Level 4 Film and TV Production Operations Learnership Programme

This programme was launched in March 2021 in Groutville and is hosted at the Luthuli Museum, a prestigious and welcoming venue. Thirty (30) students are partaking, with one learner who lives with a disability. There were 22 females, 8 males; 30 PDI's and they are all youth from designated groups. The programmes cover – Technical Production Learnership.

Postproduction Skills Programme

The purpose of the Film and Television Post-Production skills programme is to ensure KZN Filmmakers are skilled, capacitated and understand all the disciplines related to film and television post-production, including editing, final mix and grading, with the elective component allowing for this specialisation. 25 learners participated in the programme; three-month programmes based at 1KZN TV, Richards Bay. Postproduction Skills Programme. They were 17 Male, 8 Female, 21 Youth, 0 Disability and 25 PDI.

Schools Programme

The purpose of the schools' programme is to introduce learners in the province to the audio-visual industry. The programme covered aspects of visual literacy for learners, storytelling, scriptwriting, Audio Visual development and orientate learners in the theory and practice of film and AV. The schools that participated were in the Amajuba District, eThekwini Metro, Ugu District, Uthukela District and Amajuba District. 123 students participated in the programme. Youth: 123, Disability: 0, PDI: 123, Females: 88, Males: 35, Pietermaritzburg – 20 learners, Durban – 52 learners, Port Shepstone – 15 Learners, Newcastle – 16 learners, Umgungundlovu – 20 learners

Drone Technology

Cinematographers are finding increasingly creative ways to use drone technology. Drones have allowed cinematographers to capture a whole new world perspective while incurring only a fraction of the cost of traditional aerial filming. Adapting drone technology allows the filmmakers in delivering high-quality footage and to create footage that would otherwise be impossible. The programme commenced in January with 7 students and ultimately 6 students graduated.

KZN Locations and Facilities

A total of 10 Made for TV projects that were funded by the KZNFC shot their projects in October/November 2020 following fam tours of the 9 of the productions in sourcing and selecting locations throughout the province namely Rugby Town, Ibhasi LikaMdaphuna, Hamba Yedwa, Lachitheka Igazi, Imbangi, Blind Eye, End Game, One Time Pin, Uphondo and Salamina.

Film Cluster

The COVID-19 pandemic affected the occupancy rate of the Film Cluster during the 2020/21 financial year. On average, the occupancy rate reduced by 70%-90% during this time. The Board took a resolution to offer the Cluster tenants holiday payments during the lockdown. This was to ease the financial burden that the filmmakers faced during this difficult time.

Industry Partnerships

The KZNFC is constantly working on establishing formal agreements/partnerships with industry in order to offer discounted rates to productions reducing their overall production costs and becoming a cost competitive destination. The KZNFC has confirmed Agreements in the following areas:

- Medics and covid compliance officers
- One-Stop-Shop for all filming requirements
- Insurance risk management for all production insurance
- Security services for film production

Locations Database

KZNFC constantly updates location images across the province in order to demonstrate the variety of locations and to spread the productions throughout KZN by promoting the lesser-known locations.

Revenue Collection

KZNFC receives 100% of its allocation from the fiscus and is not a revenue generating entity. However, the entity has been able to generate additional revenue from other sources. During the 2020/21, the entity was able to generate own revenue as follows:

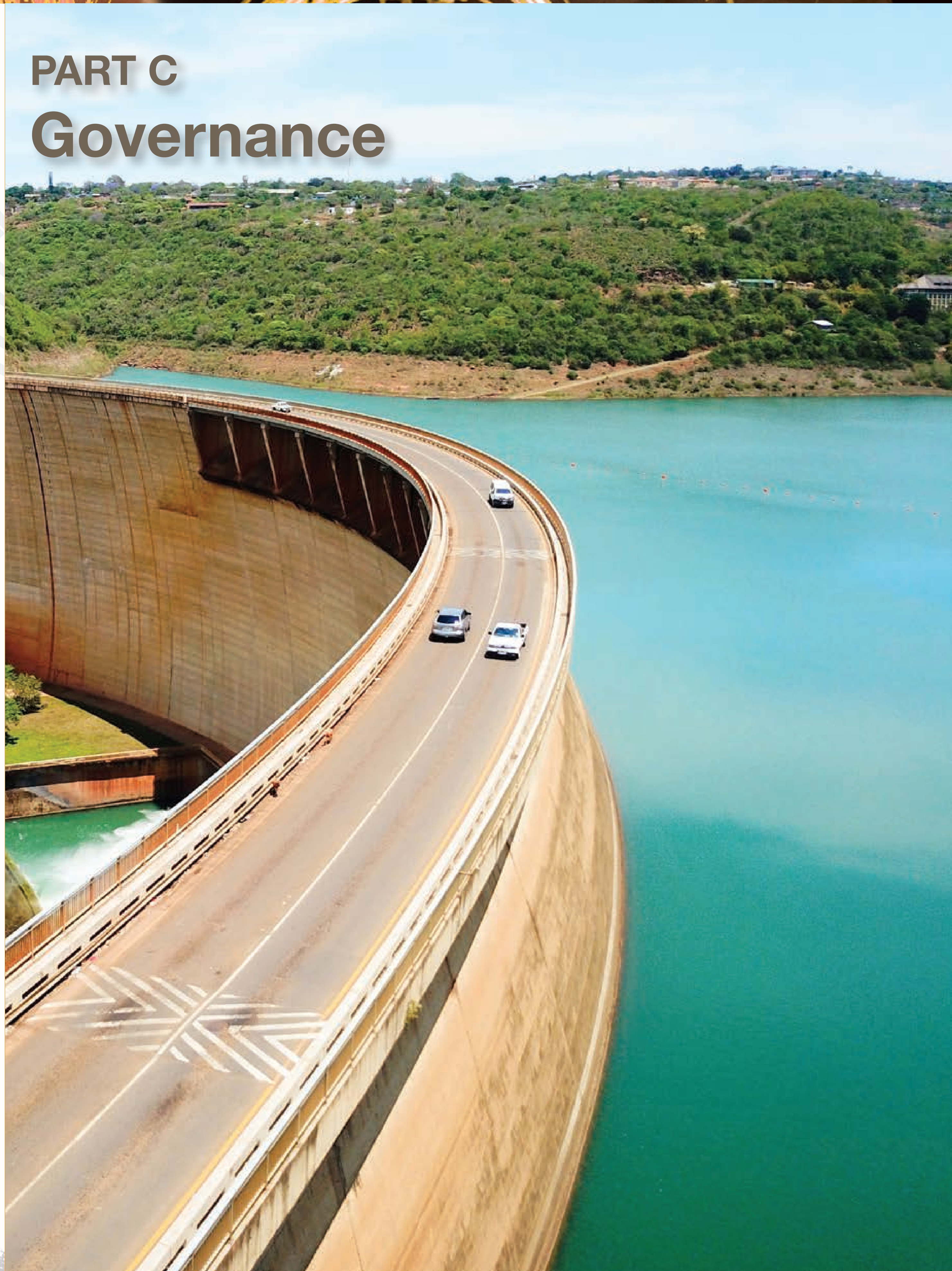
- R140 347 – Revenue received from tenants renting office space in the KZN Film Cluster. The amount was lower than previous year due to the KZNFC having granted a 4-month rental holiday to tenants during Level 4 and 5 of the national lockdown.
- R2 003 771 – Interest earned on call account.
- R1 435 740 – Funding received from MICT SETA in funding the NQF level 5 training programme.
- R900 000 – Funding received from NFVF in contribution to the Made for TV-quality boost productions.

Further information with regards to the revenue collected during the year is presented in the audited annual financial statements.

Capital Investment

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

PART C
Governance



Corporate 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 Good Corporate Governance which have been used in this report to clarify issues related to leadership, ethics, performance reporting, governance and stakeholder relationships.

The KZN Film Commission process for appointing members to the Board is documented in its legislative framework and whose functionality is concluded by the Department of Economic Development, Tourism and Environmental Affairs. In the process of appointing Board members, the organisation identifies vacancies based on a skills gap analysis, the diversity strategy of the Board and expertise needed.

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 to present its budget.

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 appointment of the Accounting Authority is made in terms of the KZN Film Commission Act.

A new Chairman was appointed during the reporting period. All appointed Board members are non-executive members, excluding the appointment of the CEO, which is a non-executive appointment in terms of the enacting legislation.

All Board members were appointed in alignment with the terms of the enacting legislation of the Organisation.

The KZNFC Board retains effective management of the Organisation, including oversight of the assessment of performance of KZNFC.

The KZNFC Board comprises independent non-executive members and industry representatives, who are qualified, skilled and knowledgeable, thus effectively able to discharge their duties.

In terms of the enacting legislation, the Board is responsible for ensuring that the following focus areas are effective and implemented by management, wherever appropriate:

- To establish a policy-based governance system. The Board has the responsibility of developing a governance system for the business.
- To provide oversight on the performance of the Organisation
- To protect the interests of all stakeholders of the Organisation as a fiduciary duty (individually and collectively as Board members)
- To play a role in the recruitment of the CEO
- To provide strategic direction to the organisation. The Board has a strategic function in determining the vision, mission and goals of the Organisation. These are determined in consultation with the CEO and the executive team.

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 59 to 104.

Risk Management

KZNFC's primary objective is to create, preserve and realise value for the Organisation. KZNFC's approach to risk management seeks to identify risks and opportunities in the macro-environment, internally in the organisation, as well as issues that impact our stakeholders.

During the reporting year, KZNFC hosted a risk workshop with input from the executive and the management team, together with the risk officer to map the strategic and operational risks facing the organisation. The workshop also served to clarify KZNFC's appetite and thresholds for risk. The result was a newly prioritised risk register, which was continuously monitored and reported on by the compliance and risk officer.

Area	Explanation
Strategy and objective-setting	KZNFC's risk appetite is aligned with our strategy and business objectives. How KZNFC translate strategy into practice serves as a basis for identifying, assessing, and responding to risk.
Performance	Risks are prioritised by severity. The organisation responds and takes a holistic view of the risk it has assumed.
Review and revision	By reviewing performance, KZNFC consider how well risk management processes are functioning over time.
Information, communication and reporting	Risk management requires an ongoing process of collecting and sharing information.

KZNFC's Risk Appetite Framework

It is the responsibility of the KZNFC's Board to set the risk appetite for the organisation in line with the strategy.

KZNFC developed a risk appetite decision framework to drive risk reporting and management at the appropriate levels within the organisation. The Board and management teams make decisions about risks that may require a change to the strategy, risks that affect operations and the implementation of the strategy, while KZNFC employees make decisions about risks that could potentially impact strategy execution negatively within their delegated authority.

The risk management process undertaken during the year provided a strong foundation and focus for the executive team. It had significantly improved the strategic management and corporate governance of the Entity. KZNFC's Board believe that strategy, risk performance and sustainable service delivery are inseparable. Quality reviews are undertaken by EXCO and presented to the Audit and Risk Committee (ARC) through quarterly progress made during the year in addressing the strategic and operational risks. A risk register is compiled at the beginning of the financial year. For the 2020/21 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 was identified as the following; lack of timeous appointment of Board members; resignations of Board members due to the reduction of Board fees; conflict of interest would restrict industry practitioners in serving as Board members and appointments of members not based on expertise.
b) The incorporation of KZNFC into Tourism KZN could result in the dilution of the core mandate. The progress to date made on the rationalisation with Tourism KZN has been placed on hold until Cabinet has made a decision on the revised incorporation to a merger.
c) Failure to keep abreast with the development of the fourth Industrial Revolution. The root causes for this risk were identified as the following; failure to keep up with the technological advancements within the industry; lack of resources and lack of thorough understanding of the impact of the fourth industrial revolution.
d) KZNFC was forced to close due to a natural disaster. Due to the COVID-19 pandemic, KZNFC had to temporarily close its offices and shift to working remotely, which resulted in severe service delivery challenges. This risk is still currently one of the highest risks the organisation faces.

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

Internal Control

KZNFC is guided by the principles set out in the Public Finance Management Act (PFMA). This means that the entity needs to implement and maintain efficient and effective corporate governance and internal control systems. Systems of internal control are designed to provide cost-effective assurance that assets are safeguarded, and that liabilities and working capital are efficiently and effectively managed. During the year under review, the Internal Audit function was outsourced to Thornton Dibb Rossal Ubucule (TDRU) Inc. In line with the PFMA and King IV, the Internal Audits provided the Audit and Risk Committee and management with assurance that internal controls are appropriate and effective. The following internal audit were undertaken during the year under review:

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
f) Revenue Management
g) Film Fund

The Audit and Risk Committee

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 that it 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 practices.

The Audit and Risk Committee shall:

- Consider the effectiveness of the organisation's internal control system, including information technology governance, security and internal 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 the prescribed accounting framework.

The Annual Report contains a report by the ARC 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

There are clear processes and procedures for Board members and employees alike to declare their interests and involvement in KZNFC related projects. These declarations are monitored and recorded appropriately at every meeting.

The Board Chairperson affords sufficient deliberations to pertinent issues and allows other Board members to note their dissent and other views at the meeting. The chairperson, through the executive committee, also mandates records of meetings and resolutions to be maintained.

Employees who serve on different SCM committees are required to declare their business interests at every meeting that they attend. It is 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.

During the period under review, a declarations process was conducted with all Board and board committee members.

Code of Conduct

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

Furthermore, KZNFC has a Code of Ethics policy which serves as a set of rules guiding the behaviour of individuals in an Organisational setup. These behavioral rules are based on KZNFC's Core Values and create an organizational culture requiring an exemplary reputation with all its stakeholders. This Code of Ethics is designed to take the 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.

During the period under review, the organization embarked on re-evaluating its values and unpacking each value in a manner that every employee was able to identify with and understand. Training sessions were held to educate employees on acceptable standards of delivery thereby entrenching KZNFC's commitment to principle 1 of the King Code on Good corporate Governance pertaining to ethical leadership and ethical culture.

Health Safety and Environmental Issues

The Entity has a Health and Safety Committee appointed to look after all health and safety issues in 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.

In addition, the organisation has embarked on the development and implementation of a socio-economic development framework, which will enable the organisation to contribute to sectors of the economy that do not directly relate to its core mandate. This will also contribute to enhancing the organisation's commitment to being a good corporate citizen.

Furthermore, the organisation had undertaken various projects specific to the development of the film industry thereby ensuring that the industry continues to remain relevant and transformed. The organisation has herald relationships with key stakeholders in this regard to ensure the prospective and aspiring film makers as well as other industry pertinent individuals are appropriately trained and skilled.

Company Secretary

Ms. Ayanda Manqele was appointed as company secretary during the year under review and subsequently resigned on 2nd October 2020. Ms. Aneesa Ahmed was thereafter appointed as of November 2020.

Audit and Risk Committee Report

The ARC is established in terms of enacting legislation together with the Companies Act and is mandated by the KZNFC Board via its Charter. The committee comprises two (2) independent non-executive board members and one (1) independent non-executive member. During the reporting period, the members of the committee were:

Musa Mzimela – Chairman (independent member)
Nozizwe Mthembu
Denga Ramuedzisi

The company secretary provided secretarial services to the committee.

The ARC is mandated to provide oversight on governance, control, and risk management processes. In fulfilling this role, the committee performs, inter alia, the following activities:

- Overseeing processes that relate to the safeguarding of assets; the operation of adequate systems, control, and reporting processes; and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards
- Overseeing the appointment, performance, and activities of internal and external audit and ensuring co-ordination between assurance providers to achieve combined assurance
- Overseeing the development and implementation of enterprise-wide risk management policies, frameworks, and processes that consider a broad range of risk categories, which include strategic, operational, IT, and financial risks
- Reviewing KZN Film Commission's annual report which includes separate annual financial statements and any other public reports or announcements that contain financial information and then recommending these to the board for approval
- Receiving and dealing with any complaints concerning the accounting practices, internal and external audit, or the content and audit of its financial statements or related matters, including those submitted through whistleblowing processes
- Reviewing the committee's work plan and charter annually and making recommendations to the Board regarding its effectiveness

The committee's performance evaluation was completed, and the members were satisfied that the ARC performed as mandated during the period.

External Audit

The committee:

- Approved the external audit engagement letter, the audit plan for the reporting period audit, and the budgeted audit fees payable to the external auditor

- Determined the nature and extent of all non-audit services provided by the independent auditor and, where applicable, pre-approved all non-audit services undertaken
- Obtained assurance from the independent auditor that adequate accounting records were being maintained
- Confirmed that no reportable irregularities were identified or reported by the independent auditor under the Auditing Professions Act (26 of 2005)
- Met separately with external audit and confirmed that there were no scope limitations
- Confirmed combined assurance considerations with the work conducted by internal audit

The committee was satisfied that the Auditor-General is independent of the Institute after taking the following factors into account:

- Representations made by the AG to the committee
- The auditor does not, except as an external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from KZNFC
- The auditor's independence was not impaired by any consultancy, advisory, or other work undertaken
- The auditor's independence was not prejudiced as a result of any previous appointment as an auditor
- The criteria specified for independence by IRBA and international regulatory bodies

Internal Audit

The committee:

- Reviewed and approved both the annual internal audit plan for the reporting period and ensured that the internal audit focused on the key risk areas of the KZNFC and applied combined assurance requirements
- Evaluated the independence and authority of the outsourced internal audit function and found these to be satisfactory, according to performance feedback provided to the internal auditors during the year
- Ensured that the internal audit function was adequately capacitated and budgeted to perform its role

Risk Management and Internal Control

The Board assigned oversight of the organisation's risk management and internal control function to the ARC. The committee fulfils an oversight role regarding all key strategic, financial, and operational risks. These include financial reporting risks, internal financial controls, fraud risk, and IT risks.

The committee:

- Considered reports from management and assurance providers as well as outcomes of discussions related to the internal control environment as a whole and determined that the internal control environment is adequate and effective. The committee is satisfied that the appropriate actions required to enhance the control environment are being implemented by management.
- Was unable to fulfil the full extent of its functions as per its work plan for the reporting period. This was due to the lack of adequate members being populated on the Board and thus not being able to be populated at the ARC.
- Reviewed the adequacy and effectiveness of the organisation's procedures/processes to ensure compliance with legal and regulatory responsibilities. It found that although there were no material compliance incidents.

Combined Assurance

The ARC reviewed the plans and reports of the external and internal auditors and other assurance providers, including management, and concluded that these were adequate to address significant risks facing the business.

The committee held discussions with each assurance provider regarding collaboration and co-ordination among assurance providers and was satisfied that the combined assurance was appropriate.

The committee:

- Considered the appropriateness of the experience and expertise of organisation's finance team and concluded that it was appropriate

Annual Report and the Annual Financial Statements (AFS)

The ARC performs an oversight role regarding the KZNFC 's Annual Report and the reporting process, which includes the systems of internal financial control. The committee reviewed the organisation's AFS and is satisfied that in all material respects they comply with GRAP.

The committee:

- Confirmed, based on management's review and

projected cash flows, that the AFS were prepared on a going-concern basis
- Examined the AFS and other financial information made public, prior to their approval by the board
- Considered accounting treatments, significant or unusual transactions, and accounting judgements
- Considered the appropriateness of the accounting policies disclosed in the AFS and any changes made thereto
- Considered any problems identified as well as any legal and tax matters that could materially affect the financial statements

Based on the results of a formal, documented review of the design, implementation, and effectiveness of the organisation's system of internal financial control (as conducted by the internal audit function); considering information and explanations given by management; and discussions with the external auditor on the results of their audit, the committee is of the opinion that KZN Film Commission's system of internal financial controls is effective and formed a fair basis for the preparation of reliable financial statements for the 2020/21 financial year.

The ARC has also satisfied itself as to the integrity of the Annual Report.

Recommendation of the AFS and Annual Report

Following the ARC's review of the AFS of KZN Film Commission for the year ended 31 March 2021, the committee is of the view that, in all material respects, it complies with the relevant provisions of the PFMA, Companies Act (71 of 2008) and GRAP and fairly presents KZN Film Commission's financial position at that date and the results of its operations and cash flows for the year then ended.

The committee recommended the AFS and the Annual Report for the year ended 31 March 2021 for approval to the board on 18 May 2021.

Refer to PART E: Annual Financial Statements

B-BBEE Compliance Performance Information

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

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

The KZNFC underwent a BBBEE review which resulted in a Non-compliance score in 2019. This predominantly was linked to inadequate reporting to the respective authorities. During the year under review, a verification process was initiated by EDTEA but subsequently stopped due to the internal SCM processes. KZNFC has however appointed a service provider to advise and assist in strengthening BBBEE Compliance. KZNFC has increased its support to designated groups by ensuring that its funding and procurement is targeting these groups. Other initiatives being undertaken to increase support to designated groups include supplier open days and awareness sessions held with potential suppliers. More work is being undertaken to increase support to designated groups through among others targeting cooperatives which are mainly owned by women in rural areas, partnerships with Youth Development Agency to support youth owned enterprises and engagement with Military veterans associations to support enterprises owned by military veterans.

Enterprise and Supplier Development

The total spent on BBBEE suppliers was to the value of **R23,295,023.16.** The entity has ensured that the approved Transformation Policy has been implemented, which includes increased spending on BBBEE compliant suppliers. The target has primarily been on procuring from service providers that are Exempted Micro Enterprises (EME), Qualifying Small Enterprises (QSE) and B-BBEE status level between level 1 to level 3. This has enabled the entity to achieve a BBBEE spending of 119% (using the DTI calculation rate) against the target of 114%.

An amount of **R3,934,903.93** was spent on Supplier Development programme and **R156 630,00** for Enterprise Development for the year in terms of the BEE scorecard criteria.

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

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

PART D
Human Resource Management

Introduction

The 2020/2021 financial year began when the country was under level five (5) lockdown phase and just like the rest of the world, KZNFC had to quickly adapt to the "new normal" and ensure that work continued in order to deliver on the mandate. The Human Resources team had to adapt to be able to conduct business remotely and/or virtually – be it recruitment, skills development, performance management, industrial relations, performance management, employee wellness and mental health well-being to ensure that adequate support was provided throughout the trying year.

KZNFC has been operating for five years. The approved organisational structure of 36 posts has been designed to deliver the mandate of the Entity while keeping the team small and with a limited hierarchy (flat structure). The personnel costs for permanent staff were limited to a maximum of 33.3%of the total budget. The only challenge that arises from such a flat structure, is when a vacancy arises, it has a substantial impact on the operations, control and effectiveness of the respective business unit as most units comprise of two people. Where possible, functions were outsourced to enhance efficiencies and governance e.g., internal audit, legal services, and company secretary.

Over the past five years, the number of strategic programmes has grown, and the establishment of the film cluster has required that the positions previously not filled, to be filled to service the increase in demands by the film industry which is seeing a significant increase in activities. Furthermore, several critical positions have remained vacant over the past few years which is hampering critical administrative support and industry programmes.

As highlighted, KZNFC has an approved organogram of 36 employees and currently, there are 22 permanently employed staff members and 12 vacancies. The Entity had a vacancy rate of 38.89% which included critical positions such as the Chief Financial Officer (CFO) and key management positions dealing with productions and HCD as well as the several support positions in IT, HR, and Finance and Administration. The Finance and Administration program, which is critical to the governance and compliance and an enabler of service delivery, had the highest vacancy rate of 46.15% at the end of the period under review. The Marketing and Industry Development Department the backbone of KZNFC, had a vacancy rate of 35,29%.

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. This included hiring a significant number of temporary staff on fixed-term contracts to ensure that service delivery and internal controls were not compromised. For the first time since the inception of KZNFC, the MID department was capacitated by the end of the period under review.

KZNFC is committed to providing regular, comprehensive and tailored Skills Development/Training programs, and these are aligned to the Workplace Skills Plans and the Personal Development Plans of individual staff members. During the year, the entity rolled out 18 out of 19 planned training interventions (95%). The Manco/C Band Leadership intervention planned for the 2020/22 financial year was delayed due to COVID-19 and SCM challenges and is set to be rolled out from April 2021. Additional training was rolled out to address training necessitated by identified performance gaps in quarterly performance assessments.

Three (3) staff members received bursaries to further their studies at Tertiary Institutions during the period under review, and they passed their exams.

While the primary function of the quarterly performance management processes is to monitor employee performance to ensure that it is at acceptable levels, the system also aims to identify performance gaps that need to be addressed as well as to identify talent that can be developed. The right environment has to be created for an employee to develop and obtain feedback on performance and to identify opportunities for career advancement within the organisation. The 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 December 2020 to include all staff on fixed-term contract of one (1) year or more.

With regards to the 2-year Internship program, the entity has been able to attract and develop high calibre ready-for work-graduates.

The eight graduates were taken through a structured program with clearly defined outcomes. The focus was to ensure that the Mentors provide a stable and supportive environment for the growth of the interns. Interns attend various training programmes during the two-year cycles which includes work readiness, interview skills, work etiquette, support in obtaining drivers licenses. The internship program has been a success and 5 Interns during the period under review were appointed into fixed contract position while one intern was appointed into a permanent position.

A Wellness service provider (Careways) was appointed on 1 August 2020 during the lockdown. Keeping employees in a positive frame of mind during the lockdown process was of paramount importance. Monthly virtual sessions were facilitated by professional psychologists were held with staff and focused on the link between stress, anxiety, depression and burn out.

The change management process was rolled up in July 2020 to strengthen the culture and the values of KZNC to prepare staff to embrace the forthcoming Merger with KZN Tourism, to address culture and leadership gaps highlighted in the 2019 and 2020 Staff culture survey and most importantly to promote the culture of openness, inclusivity and engagement for high-performance and service delivery.

The intervention came to an end in March 2021 and there has been positive evidence that all levels of the organisation are embracing the Change Process. Most evident is the response of the Employee Forum and Staff in general at the collective, team and individual levels. Managers too, have taken ownership of the process in a very positive way. The immediacy of the Covid realities has added an important dimension to the process – from which the organisation, Unit teams and individuals are benefitting in meaningful terms.

Human Resources Oversight Statistics

Personnel Cost by Programme

Programme/activity/ objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp per programme	No. of employees	Average personnel cost per employee (R'000)
Office of CEO	8 008	5 217	65%	4	1 304
Marketing & Industry Development	42 292	5 042	12%	11	458
Finance & Administration	20 536	8 392	41%	7	1 199
TOTAL	**70 836**	**18 651**	**26%**	**22**	**848**

The total entity's personnel costs were 26% of the actual operating expenses for the year under review. The entity's main budget goes to Marketing and Industry Development, and the personnel costs in that programme amount to 12% of the programmes budget and 50% of total personnel expenditure.

Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	2 748	15%	1	2 748
Senior Management	1 945	10%	1	1 945
Professional Qualified	7 114	38%	7	1 016
Skilled Technical	3 796	20%	6	633
Semi-skilled	3 048	16%	7	435
TOTAL	**18 651**	**100%**	**22**	**848**

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.

NB: The salary adjustment provisions on the Annual Financial Statements is R2,345,213 and leave expenses are R82,778. The total is R2,427,991.

Personnel Cost of Temporary Placements

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Internship/Trainees	534	8%	7	76
Temporary staff on Payroll	5 293	77%	19	279
Contracted via Supply Chain Management	1 061	15%	1	1 061
TOTAL	**6 888**	**100%**	**27**	**255**

The number of temporary employees is high due to the entity being unable to fill vacant positions in the year under review in line with the austerity measures, 19 temporary employees were contracted to assist with the vacancies in critical areas including temporary positions to complete projects.

Personnel Temporary Cost by Salary Band

Level	Contracted employees by KZNFC	Contracted via Service Providers	No. of employees on contracts	% of contracted employees vs approved positions
Top Management	-	-	-	0%
Senior Management	1	-	1	3%
Professional qualified	1	1	2	6%
Skilled Technical	8		8	22%
Semi-Skilled and defined decision making	9	-	9	25%
Internship/Traineeship	7	-	7	19%
TOTAL	**26**	**1**	**27**	**75%**

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

Employment and Vacancies

Programme	No of approved positions	2020/21: No. of Employees	2020/21 Vacancies	% of vacancies
Office of CEO	6	4	2	33,33%
Marketing & Industry Development	17	11	6	35,29%
Finance & Administration	13	7	6	46,15%
TOTAL	**36**	**22**	**14**	**38,89%**

Programme/activity/objective	No of approved positions	2020/21 No. of Employees	2020/21 Vacancies	% of vacancies
Top Management	1	1	0	0%
Senior Management	2	1	1	50,00%
Professional Qualified	8	7	1	12,50%
Skilled Technical	12	6	6	50,00%
Semi-Skilled	13	7	6	46,15%
TOTAL	**36**	**22**	**14**	**38,89%**

The total vacancy rate was 38.89% for the year under review.

The vacancy rate on approved staff complement.

KZNFC has an approved organogram of 36 employees. During the financial year 22 permanently posts were filled and there were 12 vacancies that remained unfilled. This translated into a vacancy rate of 38.89% which included critical positions such as the CFO position and key management positions dealing with production and HCD as well as the several support positions in IT, HR, and Finance and Administration. The highest vacancy rate was in Finance and Administration at 46.15% and Marketing and Industry Development had a vacancy rate of 35,29%. Currently 68% of the team are women.

Employments Equity Statistics

Per occupational level - Males								
Levels	**MALE**							
	African		**Coloured**		**Indian**		**White**	
	Current	**Target**	**Current**	**Target**	**Current**	**Target**	**Current**	**Target**
Top Management	0	0	0	0	0	0	0	0
Senior Management	0	1	0	0	0	0	0	0
Professional qualified (Managers)	3	1	0	0	0	0	0	0
Skilled Technical	3	3	0	0	0	1	0	0
Semi-Skilled	2	1	0	0	0	0	0	0
Internships	3	0	0	0	0	0	0	0
TOTAL	**11**	**6**	**0**	**0**	**0**	**1**	**0**	**0**

Per occupational level - Females								
Levels	**FEMALE**							
	African		**Coloured**		**Indian**		**White**	
	Current	**Target**	**Current**	**Target**	**Current**	**Target**	**Current**	**Target**
Top Management	0	0	0	0	0	0	1	0
Senior Management	1	1	0	0	0	0	0	0
Professional qualified (Managers)	3	0	1	0	0	0	0	0
Skilled Technical	2	3	0	0	1	0	0	1
Semi-skilled	5	2	0	0	0	0	0	0
Interns	4	0	0	0	0	0	0	0
TOTAL	15	6	1	0	1	0	1	1

Occupational levels – including temporary staff										
Occupational Levels	**Designated**								**Non-Designated**		**TOTAL**
	MALE				**FEMALE**				**Male**	**Female**	
	African	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**			
Top Management	0	0	0	0	0	0	0	1	0	0	1
Senior Management	0	0	0	0	1	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	3	0	0	0	3	1	0	0	0	0	7
Skilled Technical	3	0	0	0	2	0	1	0	0	0	6
Semi-skilled and discretionary decision making	2	0	0	0	5	0	0	0	0	0	7
TOTAL PERMANENT	**8**	**0**	**0**	**0**	**11**	**1**	**1**	**1**	**0**	**0**	**22**
Temporary employees	5	0	0	0	13	0	1	0	0	0	19
GRAND TOTAL	**13**	**0**	**0**	**0**	**24**	**1**	**2**	**1**	**0**	**0**	**41**

The equity total includes all employees that were employed by the Entity as at 31st March 2021.

Summary of Targets

All staff including temporary

Summary of Targets				
	MALES		**FEMALES**	
	No of Males	**Percentage**	**No of Females**	**Percentage**
African	13	32%	24	58%
Coloured	0	0%	1	2,4%
Indian	0	0%	2	2,4%
White	0	0%	1	2,4%
Overall Summary	13	32%	28	68%
Internships				
African	3	43%	4	57%

Only Permanent Positions in the Structure

Summary of Targets				
	No of Males	**Percentage**	**No of Females**	**Percentage**
African	8	22%	11	30,56%
Coloured	0	0%	1	2,78%
Indian	0	0%	1	2,78%
White	0	0%	1	3%
Overall Summary	8	22%	14	38,89%
Internships				
African	3	43%	4	57%

Reporting as per the HR Report (Structure Positions)

Summary of Targets					
MALES			FEMALES		
Category	**Target %**	**Targeted Number**	**Current**	**Number of Males**	**Gap %**
African	41,90%	16	22%	8	19,68%
Coloured	3,30%	1	0%	0	3,30%
Indian	3,30%	1	0%	0	3,30%
White	0,00%	0	0%	0	0,00%
Overall Summary	48,50%	18	22%	8	26,28%
Internships					
African	3	43%	4	57%	

Summary of Targets					
MALES			FEMALES		
Category	**Target %**	**Targeted Number**	**Current**	**Number of Females**	**Gap %**
African	38,00%	14	30,56%	11	7,44%
Coloured	3,30%	1	2,78%	1	0,52%
Indian	3,30%	1	2,78%	1	0,52%
White	6,50%	2	3%	1	3,72%
Overall Summary	51,10%	18	38,89%	14	12%
Internships					
African	3	43%	4	57%	

As of 31 March 2021, KZNFC currently comprises 92% Black Employees, 54% youth, and 63% women.

Reasons why Staff are Leaving

Termination type	Number	% of total terminations
Resignation	3	5.5%
Total	**3**	**5.5%**

Three resignations took place during the year at a senior management level on the permanent positions excluding temporary staff.

Disciplinary Action

Occupational category	Male				Female				Total
	African	Indian	Coloured	White	African	Indian	Coloured	White	
Top Management	0	0	0	0	0	0	0	1	1
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**1**

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

Grievances Lodged for Period 1 April 2020 to 31 March 2021

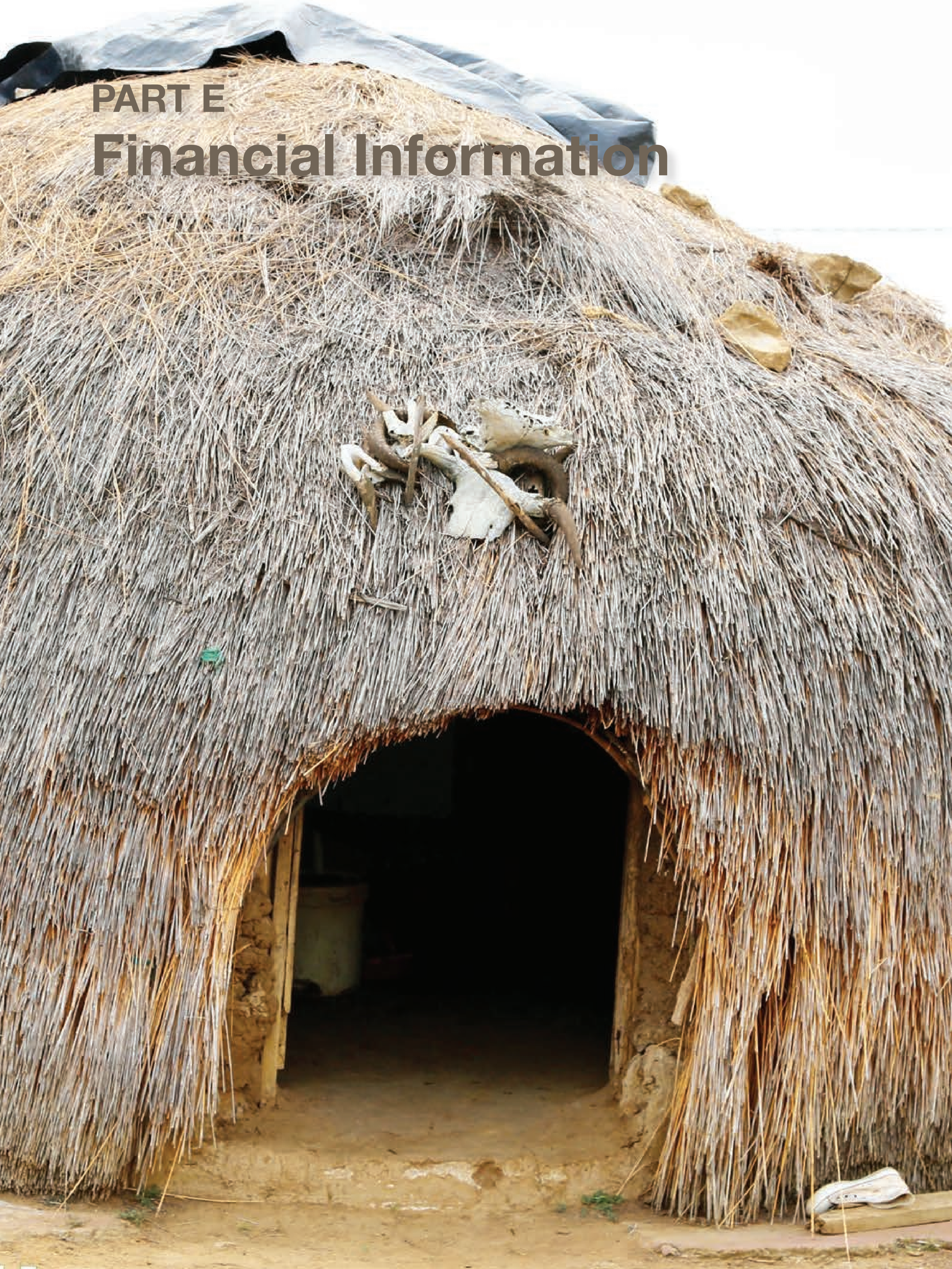
	Number	% of Total
Number of grievances resolved	2	100%
Number of grievances pending	0	0
Total number of grievances	2	100%

Training Provided for Period 1 April 2020 to 31 March 2021

KZNFC is committed to providing regular, comprehensive and tailored Skills Development/Training programs, and these are aligned to the Workplace Skills Plans and the Personal Development Plans of individual staff members. During the review period, the entity rolled out all 18 out of 19 planned training interventions (95%). Twenty-three training interventions were attended by staff during the financial year. Ten of the training interventions were attended by interns.

Occupational Categories	Gender		Number of employees	Skills programmes
	M	F		
Senior Management	1	0	1	B-BBEE Scorecard
Professional qualified (Managers)	2	2	4	Covid Training for the workplace
	1	0	1	Report Analysis
	1	2	3	Mentor Intern Training
	0	1	1	B-BBEE Scorecard
Skilled Technical	2	1	3	Mentor Intern Training
	3	3	6	Covid Training for the workplace
	1	0	1	Excel Level 3
	1	0	1	Data Analysis
	1	0	1	Management and IT Governance
	1	0	1	SharePoint
	1	0	1	Tax legislation update
	1	1	2	Contracts and Performance Management
Internships	0	1	1	Basic Payroll
	0	1	1	Payroll Pro
	0	1	1	Leave Administration
	3	2	5	Excel Level 1
	3	2	5	Mentor Intern training
	1	0	1	Digital Marketing
	3	2	5	Excel Level 2
	0	1	1	Contracts and Performance Management
	3	2	5	Report writing
	3	2	5	Business Etiquette

PART E
Financial Information



General Information

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

Contents

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

Report of the Auditor-General to KwaZulu-Natal Provincial Legislature on KwaZulu-Natal Film Commission

Report on the Audit of the Financial Statements

Opinion

1. I have audited the financial statements of the KwaZulu-Natal Film Commission set out on pages 59 to 104, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and 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 (KZNFC) as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

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

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

Financial sustainability – Rationalisation of public entities

7. As disclosed in note 41 to the financial statements, the Provincial Executive Council made a resolution to amalgamate/rationalise the state owned entities under the control of Department of Economic Development, Tourism and Evironmental Affairs (EDTEA). The proposed merger between KZNFC and Tourism KwaZulu-Natal Authority(TKZN) is currently underway and is anticipated to be completed by 31 March 2022.

Irregular expenditure

8. As disclosed in note 35 to the financial statements, the entity incurred irregular expenditure of R1,16 million (2020:R1,76 million) due to supply chain management transgressions.

Responsibilities of the accounting authority for the financial statements

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

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

13 In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for 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 the selected programme: marketing and industry development presented in the entity's annual performance report for the year ended 31 March 2021.

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

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

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. The annual performance report on pages 20 to 29 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 raise 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 has been specifically reported in this auditor's report.

23. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion 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. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, 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

26. 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
31 July 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure: Auditor-General's Responsibility for the Audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for 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 a entity to cease operating as a going concern
   - Valuate 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.

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 2021. 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 judgments 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 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, 2022 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 EDTEA 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 50.

The annual financial statements set out on pages 59 to 104, which have been prepared on the going concern basis, were approved by the members of the board on May 25, 2021 and were signed on its behalf by:

BN Malange
Chairperson of the Board

C Coetzee
Chief Executive Officer

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended March 31, 2021.

Audit and Risk Committee members and attendance

The Audit and Risk Committee consists of the members listed hereunder and should meet four times per annum as per its approved audit charter. Members met 4 times during the period under review.

Name of member	Number of meetings attended	Resignation
M. Mzimela (Chairperson)	4	
D. Ramuedzisi	4	
N. Mthembu	3	
S.L Madlala	1	25 May 2020

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.

Chairperson of the Audit and Risk Committee
Date: 02/08/2021

Board Members' Report

The Board members submit their report for the year ended March 31, 2021.

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 surplus of the entity as at 31 March 2021 was R13,938,762 (2020: surplus R17,958,988), 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 31 March 2021, the entity had an accumulated surplus of R79,676,570 and that the entity's total assets exceed its liabilities by R79,676,570.

Not withstanding 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

KZNFC has entered into an extended lease agreement on the 30th of April 2021 with Broll (Pty) Ltd after the reporting date 31 March 2021.

The total cost of lease rentals are R5,782,141 over the lease term.

5. Board members' interest in contracts

Board Members are required to declare any conflict of interest during the meetings. As at 31 March 2021, 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.

7. Board members

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

Name	Position	Date of appointment	Resignation
BN Malange	Chairperson (1 December 2019)	February 1, 2013	
L Berning	Human Resources and Social	February 1, 2013	
	Ethics Committee Chairperson		
M Mzimela	Audit and Risk Committee Chairperson	February 1, 2013	
N Mthembu	Member	February 1, 2013	
CL Coetzee	Executive Member	October 1, 2013	
SL Madlala	Member	February 26, 2020	Monday, May 25, 2020
Executive management			
CL Coetzee	Chief Executive Officer	01 October 2013	
VO Senna	Chief Financial Officer	01 December 2020	
JM Motsepe	Chief Operations Officer	01 February 2014	

8. Secretary

Statucor (Pty) Ltd provided secretarial services until June 2020 for the period under review and the new company secretary Ayanda Manqele with effect from July 2020 until September 2020. The new company secretary is Aneesa Ahmed with effect from December 2020.

9. Members meetings

Chairperson and Chief Executive Officer

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

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

Board meetings

The Board Members are scheduled to meet at least four times per annum. Non-executive Board Members have access to all members of management of the entity. 5 Board meetings, 2 board meetings with Audit and Risk committee, 2 Joint Board meetings with Tourism KwaZulu-Natal Board and 1 Strategy meeting.

Name	21/05/20 Board Meeting	24/07/20 0 Joint Board meeting with ARC	29/09/20 0 Joint Board meeting with ARC	17/08/20 KZNFC & KZN Tourism JBM	03/12/20 Board Meeting	11/12/20 Board Meeting	21-22 January 2021 - JBTT Strategy meeting	09/03/21 Board Meeting - JMTT Special meeting	10/03/21 Board Meeting	09/02/21 Board Meeting
BN Malange	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
L Berning	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
M Mzimela	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N Mthembu	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
C Coetzee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SL Madlala	Yes	N/a	N/a	N/a	N/a	N/a	N/a	No	N/a	N/a
D Ramuedzisi	N/a	Yes	Yes	N/a	N/a	N/a	N/a	N/a	N/a	N/a

Audit and Risk Committee

For the year under review, the Chairperson of the Audit and Risk Committee was Mr M Mzimela (Non-Executive Board Member). The committee met in line with the requirements of the KZNFC audit charter to review matters necessary to fulfil its role. The entity has outsourced its Internal Audit function to ThorntonDibbRossalUbucule (TDRU) who provided the services in the period under review, in line with the approved annual audit plan. Four meetings were held during the period.

Name	12/05/20 - Meeting	24/07/2020 Joint Board meeting with ARC	29/09/2020 Joint Board meeting with ARC	29/01/21 - Meeting
M Mzimela	Yes	Yes	Yes	Yes
N Mthembu	Yes	Yes	Yes	Yes
D Ramuedzisi (Independent sub-committee member)	Yes	Yes	Yes	Yes
SL Madlala	Yes	No	No	No

Human Resources and Social Ethics Committee

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

Name	07/08/20 Meeting	24/08/20 Meeting	27/11/20 Meeting	27/01/21 Meeting
L Berning	Yes	Yes	Yes	Yes
M Mzimela	Yes	Yes	Yes	Yes
BN Malange	Yes	Yes	Yes	Yes
K Simelane (independent Sub-committee member)	Yes	No	Yes	Yes

10. Bankers

ABSA Limited

11. Auditors

Auditor General of South Africa (AGSA).

Statement of Financial Position as at 31 March 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	822,146	351,299
Receivables from non-exchange transactions	4	331	45,519
Cash and cash equivalents	5	66,574,392	49,848,548
Prepayments	6	321,257	621,344
		67,718,126	**50,866,710**
Non-Current Assets			
Property, plant and equipment	7	1,942,216	3,143,733
Intangible assets	8	221,434	414,412
Investments in associates	9	15,000,000	15,000,000
		17,163,650	**18,558,145**
Total Assets		**84,881,776**	**69,424,855**
Liabilities			
Current Liabilities			
Operating lease liability	10	-	411,822
Payables from exchange transactions	12	2,824,586	3,232,913
Payables from non-exchange transactions	13	35,407	42,312
Provisions	11	2,345,213	-
		5,205,206	**3,687,047**
Total Liabilities		**5,205,206**	**3,687,047**
Net Assets		**79,676,570**	**65,737,808**
Accumulated surplus		79,676,570	65,737,808

• See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	14	7,104	48,770
Rental of facilities and equipment	15	141,830	271,505
Interest received - investment	16	1,953,336	1,797,313
Other income	17	2,437,309	2,180,415
Total revenue from exchange transactions		**4,539,579**	**4,298,003**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	18	83,548,000	90,538,000
Total revenue		**88,087,579**	**94,836,003**
Expenditure			
Board and committee members costs	19	(1,037,317)	(986,804)
Employee related costs	20	(26,404,527)	(22,511,454)
Finance costs	21	(2,562)	(951)
Marketing and projects	22	(6,372,367)	(14,127,976)
Depreciation and amortisation	23	(1,960,091)	(2,301,327)
Doubtful debts	24	-	(286,000)
Operating expenses	25	(13,525,397)	(15,261,981)
Audit fees	26	(916,470)	(1,709,934)
Production and development costs	27	(23,293,603)	(19,145,376)
Bad debts written off		(31,703)	-
Research and development	28	(570,117)	(525,612)
Total expenditure		**(74,114,154)**	**(76,857,415)**
Operating surplus		**13,973,425**	**17,978,588**
Loss on disposal of assets and liabilities	7	(34,663)	(19,600)
Surplus for the year		**13,938,762**	**17,958,988**

• See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total Net Assets
Opening balance as previously reported	48,201,461	48,201,461
Adjustments		
Correction of errors	(422,641)	(422,641)
Balance at April 1, 2019 as restated*	**47,778,820**	**47,778,820**
Changes in net assets		
Surplus for the year	17,958,988	17,958,988
Total changes	17,958,988	17,958,988
Restated* Balance at April 1, 2020	65,737,808	65,737,808
Changes in net assets		
Surplus for the year	13,938,762	13,938,762
Total changes	13,938,762	13,938,762
Balance at March 31, 2021	**79,676,570**	**79,676,570**

• See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Grants		83,548,000	90,538,000
Interest received - investment		1,953,336	1,551,911
Other receipts		2,160,584	2,769,895
		87,661,920	94,859,806
Payments			
Employee costs		(24,178,612)	(23,697,929)
Finance costs		(2,562)	(951)
Other payments		(46,154,639)	(40,388,644)
		(70,335,813)	(64,087,524)
Net cash flows from operating activities	29	**17,326,107**	**30,772,282**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(600,263)	(205,157)
Proceeds from sale of property, plant and equipment	7	-	-
Purchase of other intangible assets	8	-	(50,000)
Net cash flows from investing activities		**(600,263)**	**(255,157)**
Net increase/(decrease) in cash and cash equivalents		**16,725,844**	**30,517,125**
Cash and cash equivalents at the beginning of the year		49,848,548	19,331,423
Cash and cash equivalents at the end of the year	**5**	**66,574,392**	**49,848,548**

• 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	-	-	**-**	7,104	**7,104**	43.1
Rental of facilities and equipment	-	156,463	**156,463**	141,830	**(14,633)**	43.2
Other income	-	2,698,000	**2,698,000**	2,437,309	**(260,691)**	43.3
Interest received – investment	-	1,998,819	**1,998,819**	1,953,336	**(45,483)**	43.4
Total revenue from exchange transactions	**-**	**4,853,282**	**4,853,282**	**4,539,579**	**(313,703)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	82,598,000	2,705,368	**85,303,368**	83,548,000	**(1,755,368)**	43.5
Roll-over funds 2019/2020	-	49,844,958	**49,844,958**	-	**(49,844,958)**	
Total revenue from non-exchange transactions	**82,598,000**	**52,550,326**	**135,148,326**	**83,548,000**	**(51,600,326)**	
Total revenue	**82,598,000**	**57,403,608**	**140,001,608**	**88,087,579**	**(51,914,029)**	

Statement of Comparison of Budget and Actual Amounts (continued)

Budget on Cash Basis

Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference between Final Budget and Actual	Reference
Expenditure						
Employee related costs	(28,796,369)	1,740,569	**(27,055,800)**	(26,404,527)	**651,273**	43.6
Board and Committee members costs	(1,000,885)	100,089	**(900,796)**	(1,037,317)	**(136,521)**	43.7
Marketing and projects	(13,527,958)	4,165,302	**(9,362,656)**	(6,372,367)	**2,990,289**	43.8
Audit fees	(1,258,127)	(100,000)	**(1,358,127)**	(916,470)	**441,657**	43.9
Depreciation and amortisation	-	-	**-**	(1,960,091)	**(1,960,091)**	43.10
Finance costs	-	-	**-**	(2,562)	**(2,562)**	43.11
Research and development	(950,000)	(136,988)	**(1,086,988)**	(570,117)	**516,871**	43.12
Repairs and maintenance	-	-	**-**	(422,308)	**(422,308)**	43.13
Production and development costs	(19,703,821)	(57,413,436)	**(77,117,257)**	(23,293,603)	**53,823,654**	43.14
Operating expenses	(16,480,590)	(805,464)	**(17,286,054)**	(13,134,792)	**4,151,262**	43.15
Total expenditure	**(81,717,750)**	**(52,449,928)**	**(134,167,678)**	**(74,114,154)**	**60,053,524**	
Operating surplus	**880,250**	**4,953,680**	**5,833,930**	**13,973,425**	**8,139,495**	
Loss on disposal of assets and liabilities	-	-	**-**	(34,663)	**(34,663)**	
Surplus for the year from continuing operations	**880,250**	**(100,398)**	**779,852**	**16,334,441**	**15,554,589**	
Capex	(880,250)	100,398	**(779,852)**	(600,263)	**179,589**	43.16
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**15,734,178**	**15,734,178**	

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:

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.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

Depreciation and amortisation

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

Estimates

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

Impairments of non-financial assets

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

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

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

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

1.5 Property, plant and equipment (continued)

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 - 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.

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

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

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

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

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

1.6 Intangible assets

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

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- The cost or fair value of the asset can be measured reliably.

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

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.

1.7 Investments in associate (continued)

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

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.

1.8 Financial instruments (continued)

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:

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.

1.8 Financial instruments (continued)

Payables from exchange and non-exchange transactions

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

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

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

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Gains and losses

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

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

Offsetting

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

1.9 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.

1.10 Leases (continued)

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.

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

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

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

1.12 Prepayments

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

1.13 Employee benefits

Short-term employee benefits

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

Short-term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-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.

1.10 Revenue from non-exchange transactions (continued)

1.14 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 31.

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. W here a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

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

1.15 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.

1.16 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.

1.17 Revenue from non-exchange transactions

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

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

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

Measurement

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

Government grants

Government grants are recognised as revenue when:

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

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated

1.17 Revenue from non-exchange transactions - Government grants (continued)

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.

1.18 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.

1.19 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.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

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

National Treasury 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.

1.23 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred. An asset arising from development is recognised when:

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

1.24 Budget information

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

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

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

The approved budget covers the fiscal period from 01/04/2020 to 31/03/2021.

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.

1.25 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

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

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

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

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

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

1.26 Events after reporting date

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

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

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

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

1.27 Surplus and Deficit

Gains and losses

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

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

1.28 Recovery of Unauthorised, Irregular, Fruitless and Wasteful expenditure

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

Notes to the Annual Financial Statements

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:

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1. Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- Information should not be obscured by aggregating or by providing immaterial information;
- Materiality considerations apply to all parts of the financial statements; and
- Even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity applies judgement based on past experience and current facts and circumstances. The effective date of this amendment is for years beginning on or after 1 April 2020.

The entity expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

IGRAP 20: Accounting for Adjustments to Revenue

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

Notes to the Financial Statements (continued)

2. New standards and interpretations (continued)

The effective date of the interpretation is for years beginning on or after 1 April 2020.

The entity has adopted the interpretation for the first time in the 2020/2021 annual financial statements. The impact of the standard is not material.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- Requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- Defines the principle of control, and establishes control as the basis for consolidation;
- Sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- Sets out the accounting requirements for the preparation of consolidated financial statements; and
- Defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 1 April 2020.

The entity has adopted the standard for the first time in the 2020/2021 annual financial statements. The impact of the standard is not material.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- The nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- The effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 1 April 2020.

The entity has adopted the standard for the first time in the 2020/2021 annual financial statements. The impact of the standard is not material.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 1 April 2020.

Notes to the Financial Statements (continued)

2. New standards and interpretations (continued)

The entity has adopted the standard for the first time in the 2020/2021 annual financial statements. The impact of the standard is not material.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 1 April 2020.

The entity has adopted the standard for the first time in the 2020/2021 annual financial statements. The impact of the standard is not material.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 1 April 2020.

The entity has adopted the standard for the first time in the 2020/2021 annual financial statements. The impact of the standard is not material.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

An entity applies judgement based on past experience and current facts and circumstances. The effective date of the amendment is for years beginning on or after 1 April 2020.

The entity has adopted the interpretation for the first time in the 2020/2021 annual financial statements. The impact of the standard is not material.

Notes to the Financial Statements (continued)

2. New standards and interpretations (continued)

Directive 7 (revised): The Application of Deemed Cost

This Directive was originally issued by the Accounting Standards Board (the Board) in December 2009. Since then, it has been amended by:

- Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:
  - GRAP 105 Transfer of Functions Between Entities Under Common Control
  - GRAP 107 Mergers
- Consequential amendments arising from GRAP 110 Living and Non-living Resources issued in December 2017.
- Consequential amendments arising from the following Standards of GRAP in May 2018:
  - GRAP 34 Separate Financial Statements
  - GRAP 35 Consolidated Financial Statements
  - GRAP 36 Investments in Associates and Joint Ventures
  - GRAP 37 Joint Arrangements
  - GRAP 38 Disclosure of Interests in Other Entities

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

The effective date of this revised directive is for years beginning on or after 1 April 2020.

The entity has adopted the directive for the first time in the 2020/2021 annual financial statements. 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 1 April 2021 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

Notes to the Financial Statements (continued)

2. New standards and interpretations (continued)

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. The impact of the standard is not material.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The entity expects to adopt the guideline for the first time in the 2020/2021 annual financial statements. The impact of the standard is not material.

Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards

Objective of this directive: The Board has approved the application of International Financial Reporting Standards (IFRS® Standards) issued by the International Accounting Standards Board (IASB®) for public entities (hereafter referred to as “an entity”) that meet the criteria to apply IFRS Standards as outlined in the Directive on The Selection of an Appropriate Reporting Framework by Public Entities (Directive 12).

Entities that apply IFRS Standards and operate in the public sector may need to formulate an accounting policy in the absence of an IFRS Standard that specifically applies to a transaction, other event or condition (hereafter referred to as “formulating an accounting policy”) using other sources. When formulating an accounting policy in the absence of an IFRS Standard, the entity needs to consider its users and their information needs. Users of financial statements prepared using the IFRS Standards are interested in information on the return on their investments, and/or the return of their investments, and to make decisions about providing resources to the entity.

The objective of this Directive is to explain when, and in what circumstances, an entity may consider the principles in a Standard of GRAP when formulating such an accounting policy.

It covers: Scope, Formulating an accounting policy in the absence of a specific IFRS® Standard, and Basis for conclusions. The effective date of the Directive is April 1, 2021.

The impact of the standard is not material.

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020
3. Receivables from exchange transactions		
Customer Control Account	602,605	368,847
Debtors with credit balances	1,524	-
Provision for doubtful debts	-	(286,000)
Sundry Debtors	218,017	268,452
	822,146	351,299
Non-current assets	-	-
Current assets	822,146	351,299
	822,146	**351,299**

Customer control account

- Hire of production equipment and office space for R17,389.50. from tenants who occupy the KZN Cluster.
- MICT SETA funding Learnership programme receivable of R586,740.

Sundry debtors

- The amount of R23 050 relates to a supplier that had overcharged the entity as a result of moving from EFT payments to debit order and duplicating one month's fee, recovery process has been initiated in the prior financial year and has not been finalised.
- The amount of R194,967.32 relates to interest earned on the investment bank balance for the period uder review.

	2021	2020
4. Receivables from non-exchange transactions		
Pay-As-You-Earn (PAYE)	331	45,519

The amount of R331 relates to employee tax deduction which has been reconciled as at 31 March 2021, where a credit is due to the organisation.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Cash on hand	2,297	1,125
Bank balances	481,088	1,585,760
Call account	66,091,007	48,261,663
	66,574,392	**49,848,548**

	2021	2020
6. Prepayments		
Prepayments	321,257	621,344
Subscription and services	3,143	199
Rentals	302,029	302,029
IT costs	16,085	234,850
Board Q1 retainer fees	-	84,266
	321,257	**621,344**

The prepayments relate to:

- IT costs relates to server maintenance and other IT related subscriptions and R302,029 for rentals of month of April 2021

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020

7. Property plant and equipment

	2021			2020		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Furniture and fixtures	4,104,218	(3,043,023)	1,061,195	4,111,302	(2,417,458)	1,693,844
Office equipment	463,978	(219,940)	244,038	302,270	(175,344)	126,926
IT equipment	2,659,441	(2,189,782)	469,659	2,263,826	(1,916,543)	347,283
Leasehold improvements	3,598,991	(3,560,520)	38,471	3,598,991	(2,884,064)	714,927
Production and development equipment	1,883,108	(1,754,255)	128,853	2,026,799	(1,766,046)	260,753
Total	**12,709,736**	**(10,767,520)**	**1,942,216**	**12,303,188**	**(9,159,455)**	**3,143,733**

Reconciliation of property, plant and equipment - 31 March 2021

	Opening Balance	Additions	Disposals	Change in estimate	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	260,752	-	(15,749)	(76,938)	(39,213)	128,853
	3,143,732	**600,263**	**(24,530)**	**23,041**	**(1,800,290)**	**1,942,216**

Reconciliation of property, plant and equipment - 31 March 2020

	Opening Balance	Additions	Disposals	Correction of prior year error	Depreciation	Total
Furniture and fixtures	2,358,993	-	-	6,168	(671,317)	1,693,844
Office equipment	99,463	87,125	(19,600)	10,022	(50,083)	126,926
IT equipment	499,777	118,032	-	20,779	(291,305)	347,283
Leasehold improvements	1,473,089	-	-	26,838	(785,009)	714,927
Production and development equipment	399,231	-	-	117,375	(255,853)	260,752
	4,830,553	**205,157**	**(19,600)**	**181,182**	**(2,053,567)**	**3,143,732**

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020

8. Intangible assets

	2021			2020		
	Cost/ Valuation	Accumulated amortisation	Carrying Value	Cost/ Valuation	Accumulated amortisation	Carrying value
Computer software, other	2,005,955	(1,784,521)	221,434	2,302,577	(1,888,165)	414,412

Reconciliation of intangible assets - 31 March 2021

	Opening balance	Disposals	Change in estimate	Amortisation	Total
Computer software, other	414,412	(10,132)	79,923	(262,769)	221,434

Reconciliation of intangible assets - 31 March 2020

	Opening balance	Additions	Prior year correction of error	Amortisation	Total
Computer software, other	793,353	50,000	7,796	(436,737)	414,412

9. Investments in associates

Name of entity	Listed/ Unlisted	% holding 2021	% holding 2020	Carrying amount 31 March 2021	Carrying amount 2020	Fair value 2021	Fair value 2020
KZN Studios	Unlisted	10.00 %	10.00 %	15,000,000	15,000,000	15,000,000	15,000,000
				15,000,000	15,000,000	15,000,000	15,000,000

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

In terms of (GRAP 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 Financial Statements (continued)

Figures in Rand	2021	2020

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 and is recognised at cost.

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

Movements in carrying value

Opening balance	15,000,000	15,000,000

Investment in associate at March 31, 2021 of R15,000,000 (2020: R15,000,000).

10. Operating lease asset (accrual)

Current liabilities	-	(411,822)

11. Provisions

Reconciliation of provisions - 2021

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

The provision relates to accounting for salary scale adjustments for the period April 2020 to March 2021 for qualifying employees.

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020
12. Payables from exchange transactions		
Trade payables	930,161	1,802,785
Accrued expenses	1,183,985	753,617
Deposits on cluster rentals	-	8,751
Leave pay provision	708,916	667,760
Debtors with credit balances	1,524	-
	2,824,586	**3,232,913**
The ageing of trade payables as at reporting date is as follows:		
30 days	895,048	1,802,784
30 - 60 days	34,119	-
60 - 90 days	995	-
	930,162	**1,802,784**
13. Payables from non exchange transactions		
Medical Aid	35,407	42,312

Medical Aid

The medical aid is deducted in arrears, which will be paid in April 2021.

14. Rendering of services		
Services Rendered - KZN Film Cluster	7,104	48,770

Services Rendered

The amount of R7,140 relates to income generated from KZN Film Cluster tenants for parking services.

15. Rental of facilities and equipment		
Rental of office space	136,093	263,580
Rental of equipment	5,737	7,925
	141,830	**271,505**

Rental Income

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

16. Interest received- investment		
Interest revenue		
Interest on call account	1,953,336	1,797,313
	1,953,336	**1,797,313**

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020
17. Other income		
Tender receipts	600	11,803
Fruitless and wasteful recovery	-	8,164
Production and development recoveries/recoupments	3,123	1,391,856
Insurance recoveries and other	97,841	116,892
National Film and Video Foundation	900,000	-
Funds - MICT Seta Learnership	1,435,740	651,700
	2,437,304	**2,180,415**

The other income relates to:

- Amount of R600 relates to receipts from SCM tender documents issued during the period under review.

- The R900k is from the National Film and Video Foundation for their contribution to the Made for TV projects.

- The amount of R97,841 relates to Santam recoveries and COVID-19 relief fund recoveries.

- The amount of R1,435,740 relates to MICT Seta contribution to the Learnership programme.

Figures in Rand	2021	2020
18. Government grants and subsidies		
Operating grants		
Income from EDTEA	78,358,000	80,538,000
Special grant	5,190,000	10,000,000
Total grants released	**83,548,000**	**90,538,000**

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020

19. Board and committee members costs

31 March 2021

	Emoluments	Committees fees	Other payments	Total
BN 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
SL Madlala	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**

31 March 2020

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

*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 Financial Statements (continued)

Figures in Rand		2021	2020
20. Employee related costs			
Executive Management	**Designation**		
CL Coetzee	Chief Executive Officer	3,176,576	2,541,766
NC Thanjekwayo	Acting Chief Financial Officer	1,083,718	618,951
K Bogatsu (2020)	Chief Financial Officer	-	1,079,588
JM Motsepe	Chief Operations Officer	2,291,640	1,815,104
VO Senna (December 2020)	Chief Financial Officer	535,515	-
		7,087,449	**6,055**

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 (ACFO - 8 months)	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**

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

Non Executive Employee Costs		
Cost of employment	17,404,291	14,752,957
Performance bonus	913,169	35,404
Company contribution	549,586	478,929
Cellphone reimbursements	307,200	239,100
Contractors from agencies	60,054	515,335
Leave expense	82,778	434,320
	19,317,078	**16,456,045**
Total employee related costs	26,404,527	22,511,454

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 2019/20 financial year and only paid out in February 2021.

Defined provident fund contribution plan	2,359,010	2,240,167

21. Finance costs

Interest paid	2,562	951

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

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020
22. Marketing and projects		
Advertising and promotion	400,000	461,584
Branding and marketing	831,719	2,770,298
Familiarisation tours	60,077	340,224
Locations and facilities	169,518	203,947
Simon Mabhunu Sabela - film awards	3,630,801	6,862,579
Durban International Film Festival	400,000	1,092,300
Special projects - film festivals	640,000	1,045,628
Special projects - audience development	240,000	1,351,416
	6,372,115	**14,127,976**

Figures in Rand	2021	2020
23. Depreciation and amortisation		
Furniture and fixtures	630,683	665,149
IT equipment	282,824	270,526
Office equipment	71,135	40,061
Production and development equipment	116,151	138,478
Leasehold improvements	676,456	758,171
Computer software	182,845	428,941
	1,960,094	**2,301,326**

Figures in Rand	2021	2020
24. Doubtful debts		
Contribution to debt impairment provision	-	(286,000)

A provision of R286,000 had been raised in relation to the film fund projects that are in breach of the contractual obligations.

Figures in Rand	2021	2020
25. Operating expenses		
Advertising	4,287	61,739
Bank charges	40,794	41,047
Cleaning	617,672	597,879
Corporate social initiatives	213,840	298,668
Consulting and professional fees	1,221,931	3,486,235
Insurance	341,818	377,432
IT expenses	2,617,249	2,005,786
File management	76,126	41,035
Postage and courier	1,629	10,420
Printing and stationery	97,843	384,813
Repairs and maintenance	422,308	198,731
Security	683,637	732,710
Staff welfare	-	60,498
Subscriptions and membership fees	80,088	68,634
Telephone and fax	370,944	458,810
Training	546,655	515,856
Travel	568,665	836,816
Non capitalised equipment	25,238	22,581
Electricity	755,808	748,637
Water	221,205	173,940
Recruitment costs	771,278	78,919
Internship programme	554,569	706,965
Lease rentals on operating lease	3,243,406	3,284,418
Employee wellness	46,214	25,764
Other expenses	2,193	43,648
	13,525,397	**15,261,981**

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020
26. Audit fees		
External audit fees	641,428	1,437,439
Internal audit fees	275,043	272,495
	916,471	**1,709,934**
27. Production and development costs		
Film production		
Film production	17,260,279	12,599,118

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	16,506
FITI Project	1,928,758	2,745,810
Stakeholder engagement programmes	5,600	41,141
Bursaries	468,345	1,323,814
Skills development	1,902,230	1,847,087
MICT Seta Learnership	977,540	571,900
	6,033,323	6,546,258
Film production	17,260,279	12,599,118
Human Capital Development projects	6,033,323	6,546,258
Total production and development cost	**23,293,602**	**19,145,376**
28. Research and development		
Film industry research	570,117	525,612
29. Cash generated from operations		
Surplus	13,938,762	17,958,988
Adjustments for:		
Depreciation and amortisation	1,960,091	2,301,327
Profil/Loss on assets and liabilities	34,663	19,600
Debt impairment	-	286,000
Bad debts written off	31,703	-
Movements in operating lease assets and accruals	(411,822)	(227,523)
Movements in provisions	2,345,214	-
Changes in working capital:		
Receivables from exchange transactions	(502,547)	8,460,173
Provision for doubtful debts	-	(286,000)
Receivables from non-exchange transactions	45,188	10
Prepayments	300,087	3,468,061
Payables from exchange transactions	(408,327)	(1,193,688)
Payables from non exchange transactions	(6,905)	(14,666)
	17,326,107	**30,772,282**

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020

30. Risk management

Financial risk management

Capital management

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

Cash and cash equivalent	66,574,392	49,848,547
Prepayments	321,257	621,344
Sundry debtors	218,348	313,917
Receivables from exchange transactions (cluster rentals)	17,410	47,848
Receivables from exchange transactions (production funding)	586,720	35,000
	67,718,127	**50,866,656**

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 Financial Statements (continued)

Figures in Rand	2021	2020

30. 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	**2021**	**2020**
Cash and bank balances	66,574,392	49,848,547

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 2020.

	2021		**2020**	
Surplus or deficit	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	665,744	(665,744)	498,485	(498,485)

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.

31. Contingencies

The entity has reviewed the contingent liabilities as at 31 March 2021, and there were no significant matters or legal cases that the entity was aware of.

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020

32. Financial instruments disclosure

Categories of financial instruments

2021
Financial assets

	Financial Instruments	Cash and cash equivalents	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
Prepayments	321,257	-	321,257
	1,143,735	**66,574,392**	**67,718,127**

Financial liabilities

	At Amortised Cost	Non-financial Instruments	Loans & Payables	Total
Trade and other payables from exchange transactions	930,162	708,916	1,185,510	2,824,588
Trade and other payables from non- exchange transactions	-	-	35,407	35,407
Provisions	-	-	2,345,213	2,345,213
	930,162	**708,916**	**3,566,130**	**5,205,208**

2020
Financial assets

	Financial Instruments	Cash and cash equivalents	Total
Trade and other receivables from exchange transactions	82,847	-	82,847
Other receivables from non-exchange transactions	313,917	-	313,917
Cash and cash equivalents	-	49,848,547	49,848,547
Prepayment	621,344	-	621,344
	1,018,108	**49,848,547**	**50,866,655**

Financial liabilities

	At Amortised Cost	Non-financial Instruments	Loans & Payables	Total
Trade and other payables from exchange transaction	1,802,783	667,760	762,368	3,232,911
Taxes and transfers payable (non-exchange)	-	-	42,312	42,312
	1,802,783	**667,760**	**804,680**	**3,275**

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020

33. Related parties

Relationships

Members of key management	CL Coetzee
	VO Senna
	JM Motsepe
	NC Thanjekwayo
Board Members	BN Malange
	L Berning
	M Mzimela
	N Mthembu
	SL Madlala
Independent sub-committee members	D Ramuedzisi
	K Simelane

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

Related party balances

	2021	2020
Investment in Associates		
KZN Studio (Pty) Ltd	15,000,000	15,000,000

Due to most recent financial statements of the associate not being available, equity method in terms of GRAP 36 cannot be accurately performed.

	2021	2020
Related party transactions		
Total Grants Received for the year		
Income from EDTEA	78,358,000	80,538,000
Special grant	5,190,000	10,000,000
Compensation to Members and Key Management		
Key management remuneration	6,231,002	6,055,409
Board and Committee member`s fees	953,051	986,804

34. Fruitless and wasteful expenditure

	2021	2020
Fruitless and wasteful expenditure - opening balance	97,841	92,546
Fruitless and wasteful expenditure - operating expenses	4,294	8,128
Fruitless and wasteful expenditure - corrupt activities	-	-
	102,135	100,674
Written off/Recovered during the year	-	(2,833)
	102,135	**97,841**

The opening balance on fruitless and wasteful expenditure relate

The revised opening balance of R97,841 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 R2,892.45 relates to interest and penalties on late payment of PAYE.
- An amount of R1,400.00 relates to consumable procured and not used until they expired - no value enjoyed by the entity.

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020
35. Irregular expenditure		
Opening balance	16,819,387	15,173,706
Add: Irregular Expenditure - current year	765,269	1,763,261
Less: Amounts recoverable (not condoned) - credit note issued	-	(117,580)
Irregular expenditure incurred in prior year but identified in current year	390,000	-
	17,974,656	**16,819,387**

The opening balance on irregular expenditure
The revised opening balance of R16,819,387 relates to irregular expenditure incurred during prior financial periods which was not finalised/resolved at year end.

Current period - 2020/21 irregular expenditure
An amount of R390,000 was for SCM processes not followed for procuring training services for FITI.
An amount of R252,265.3 was for SCM process was not followed in procuring Insurance services.
An amount of R6,000.00 was for SCM process was not followed in procuring translation services.
An amount of R1,740.90 was for SCM process not followed in procuring cleaning services.
An amount R1,988.76 was for SCM process not followed in procuring security services.
An amount of R224,250 was for SCM process not followed in procuring the Supervising Producer for the FITI Programme.
An amount of R275,043.30 was for SCM process not followed in procuring internal audit services..
An Amount of R3,980.68 was for SCM process not followed in procuring the services for file maintanance.

	2021	2020
36. Funds to be surrendered		
Creditors and accruals	(5,205,206)	(2,835,606)
Projects to be completed	(61,369,188)	(47,012,942)
	-	-

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.

	2021	2020
37. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	246,214	582,808
Total capital commitments		
Already contracted for but not provided for	246,214	582,808

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

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020

38. Operating lease

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
Konica Minoits - Rentals Copier 12th floor (ends 30 November 2022)	26,313	17,542
Konica Minoits - Rentals Copier 13th floor (ends 30 April 2021)	4,081	-
	328,838	**30,698**

Minimum lease payments 2020

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

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020

39. Change in estimate

Property, plant and equipment

The remaining useful lives of all assets were assessed during the year. A change in accounting estimate was effected in relation to fully depreciated assets still in use.

The useful life of certain assets remaining useful life during the financial period, was revised in the current period management have revised their estimate. The effect of this revision has decreased the depreciation charges for the current year by R102,965 and also resulting a decrease in accumulated depreciation by R102,965.

The amount of the effect in future periods could not be determined.

Furniture and fittings

The impact on the furniture and fittings category of assets resulted in the decreased depreciation and accumulated depreciation by R12,449.89.

Computer Equipment

The impact on the computer equipment category of assets resulted in an increased depreciation and accumulated depreciation by R28,968.02.

Software

The impact on the software category of assets resulted in the decreased depreciation and accumulated depreciation by R79,923.03.

Office Equipment

The impact on the office equipment category of assets resulted in the decreased depreciation and accumulated depreciation by R7,944.13.

Leasehold Improvement

The impact on the leasehold improvement category of assets resulted in the decreased depreciation and accumulated depreciation by R108,552.89.

Production Equipment

The impact on the production equipment category of assets resulted in a increased depreciation and accumulated depreciation by R76,938.36.

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020

40. Prior period errors

Property, plant and equipment

Property, plant and equipment useful life of assets was not assessed to reflect the benefit of using the assets. The useful lives and residual values were not appropriately considered.

Assets useful life were not assessed during prior year periods while the information was available to consider the assessment. This resulted in assets being fully deprecated while they were still being utilised and the economic benefit still being derived from the assets.

Accruals

An error occurred in the accounting of accruals in the prior period, as purchase orders were used to raise a present obligation without evidence of services having rendered/goods delivered.

Operating leases

An error occurred during the previous financial years where straight-lining of operating lease rentals in the prior period financial statements was not performed as per standard requirement.

Interest accrued - earned

An error occurred during the previous financial year, as prior year interest earned on the bank balance was not accounted for in the prior period but was accounted for in the current period.

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

Statement of financial position	**31 March 2020**	**1 April 2019**
Accumulated Depreciation - (Decrease)	(188,977)	216,704
Accruals - (Decrease)	(279,206)	-
Operating lease - Liability - (Decrease)/increase	(227,523)	639,345
Opening Accumulated Surplus or Deficit - (decrease)	-	(422,641)
Debtors - Increase	(245,402)	-

Statement of financial performance	**31 March 2020**	**1 April 2019**
Depreciation expense - (Decrease)	(188,977)	-
Operating expenses - (Decrease)	(279,206)	-
Rental expense - (Decrease)	(227,523)	-
Interest received - (increase)	(245,402)	-

Fruitless and wasteful expenditure		
Opening balance	117,271	-
Adjustments made	(19,430	-
Restated opening balance	**97,841**	**-**

Adjustment made to opening balance of fruitless and wasteful expenditure is due to correction made to amount incorrectly classified as wasteful expenditure instead of Irregular expenditure.

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020
40. Prior period errors (continued)		
Irregular expenditure		
Opening balance	16,513,589	-
Adjustments made	305,798	-
Restated opening balance	**16,819,387**	**-**

Adjustment made to opening balance of irregular expenditure is due to an omission of irregular expenditure R286,368 on the annual financial statements, as it was subsequently noted that the irregular expenditure should be condoned by Treasury as per the Amended National Treasury Instruction Note 2 of 2019/20.

41. Going concern

We draw attention to the fact that at 31 March 2021, the entity had an accumulated surplus of R79,676,570 and that the entity's total assets exceed its liabilities by R79,676,570.

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

The management have reviewed the entity's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the funding commitment by the Department of Economic Development Tourism & Environmental Affairs, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The proposed merger of KZNFC and TKZN is currently underway and is anticipated to be completed by 31 March 2022. Funding has nevertheless been approved for the KZNFC ongoing operations for the MTEF period.

42. Events after the reporting date

KZNFC has entered into an extended lease agreement on the 30th of April 2021 with Broll (Pty) Ltd afte the reporting date 31 March 2021.

The total cost of lease rentals are R5,782,141 over the lease term.

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020

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.

43.1 Rendering of services - No material variance.

43.2 Rental of facilities and equipment - The under collection in rentals of facilities is due to the payment holiday given to the cluster tenants during the national lockdown period. These offerings were given to the tenants from March to June 2020 and later extended until October 2020.

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

43.4 Interest received - investment - No material variance.

43.5 Government grants and subsidies - Grants received as expected at year-end year.

43.6 Employee related costs - The underspend in Employee Related costs is due to non-filling of vacant posts by KZNFC and non-implementation of cost of living increases as a result of Circular issued by National Treasury during 2020/21 financial year.

43.7 Board and committee members costs - The overspending in Board Fees is due to additional board meetings that were held during the financial year that were not included in the plan for 2020/21 financial year to discuss merger.

43.8 Marketing - The underspend in Marketing is due to the delay in finalising some of the projects that were planned to take place during the financial year due to the Covid 19 induced national lockdown. These projects were committed late in the financial year, and include Gagasi fm partnership and EDTEA Corporate Video.

43.9 Audit fees - The underspending in Audit Fees is due the external audit being conducted remotely due to the national lockdown as a result of the COVID-19 breakout resulted in savings.

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

43.11 Finance costs - No material variance.

43.12 Research and development - The underspending in Research and Development is due to research projects not achieving milestones on time thus payment could not be released without the achievement of the set milestones.

43.13 Repairs and Maintanance - No material variance

43.14 Production and development costs -The underspending in Production and Development Funding is due to the national lockdown as a result of COVID-19 which impacted the progress of majority of production projects. The underspending is also due to production and development projects being multi-year in nature and payments being processed according to milestones achieved on the projects.

43.15 Operating expenses - The underspend in operating expenses is due to savings identified as a result of cost cutting measures implemented as per Provincial Treasury circulars as well as savings realised for some of the overheads that were not paid during COVID-19 national lockdown due to KZNFC operating remotely.

43.16 Capex - The underspending in Capital expenditure is due to the furniture whose SCM process was finalised in the fourth quarter and could not be delivered by year-end.

44. Unauthorised expenditure

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

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020

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 - 2020/2021	<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**

45.1 Marketing and publication amount relates to:

- Service provider who rendered professional services which could not be sourced under normal SCM processes, for R185,000 from participating, marketing and branding at Durban Film Mart Institute.

- Services provider who rendered services which could not be sourced under normal SCM processes, for R42,898.92 advertising cost at Online Guide.

45.2 IT Costs:

For payroll services due to single sourcing by software company SAGE for R211,848.49.

The service provider being the sole supplier of the KZNFC domain name for R35,500.

Annual licence renewal of Caseware working papers from sole provider Adapt IT for R90,177.25

45.3 Professional fees

Service provider who rendered professional services which could not be sourced under normal SCM processes for R600,000 from Mniki Thulo and the deviation was approved by Provincial Treasury exceeding R500,000.

2019/2020 - Deviations	<R500 000	>R500 000	Total
Professional fees	622,256	650,000	1,272,256
Marketing and publications	377,303	-	377,303
IT costs	120,112	-	120,112
Research and development	63,822	-	63,822
	1,183,493	**650,000**	**1,833,493**

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	2021	2020
Furniture and Fittings	174,705	-
Leasehold improvements	53,754	97,235
Computer equipment	50,000	1,050
Production equipment	-	44,998
Office equipment	6,968	1,898
	285,427	**145,181**

Notes to the Financial Statements (continued)

Figures in Rand	2021	2020

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

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.

PROVINCE OF KWAZULU-NATAL

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SOUTH AFRICA

· OUR KINGDOM IS YOUR STAGE ·

115 Musgrave Road

Berea

Durban 4001

KwaZulu-Natal

South Africa

T: +27 31 003 9000

E: info@kznfilm.co.za

www.kznfilm.co.za